THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ANTA Sports Products Limited (the "**Company**"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

ANTA Sports Products Limited
安踏體育用品有限公司

(incorporated in the Cayman Islands with limited liability)
(stock code: 2020)

POSSIBLE VERY SUBSTANTIAL ACQUISITION TO ACQUIRE ALL THE ISSUED AND OUTSTANDING SHARES OF AMER SPORTS BY THE OFFEROR THROUGH TENDER OFFER AND ANY SUBSEQUENT MANDATORY REDEMPTION PROCEEDINGS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM of ANTA Sports Products Limited to be held at Regus Business Centre, 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong on Friday, 22 February 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

4 February 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings.

"Acquisition"	the Tender Offer and any subsequent Mandatory Redemption Proceedings;
"ADR"	Level I American depositary receipt;
"ADS"	American depositary share;
"Agent"	the independent third party bank which acts as the agent of the Arrangers and Lenders under the Recourse Senior Facilities Agreement;
"Amer Sports" or "Target Company"	Amer Sports Oyj (Amer Sports Corporation*), a sporting goods company incorporated in Finland whose shares are listed on the official list of Nasdaq Helsinki Stock Exchange (stock code: AMEAS);
"Amer Sports Group" or "Target Group"	Amer Sports and its subsidiaries;
"Anamered Investments"	Anamered Investments Incorporation, a limited liability company incorporated in British Columbia, Canada, which is owned by Mr. Chip Wilson;
"Announcement"	the announcement of the Company dated 7 December 2018 in relation to the Acquisition;
"Announcement on the Result of the Tender Offer"	an announcement on the final result of the Tender Offer to be issued by the Offeror in accordance with Chapter 11, Section 18 of the Finnish Securities Market Act;
"Anda Investments"	Anda Investments Capital Limited, a British Virgin Islands private limited company wholly-owned by Anta International Group Holdings Limited;
"Anda Holdings"	Anda Holdings International Limited, a British Virgin Islands private limited company wholly-owned by Anta International Group Holdings Limited;
"Anta SPV"	ANLLIAN Sports Products Limited, a British Virgin Islands private limited company indirectly wholly-owned by the Company;
"Arrangers"	the independent third party banks which act as arrangers under the Recourse Senior Facilities Agreement;

"associate"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"Board"	the board of Directors;
"Business Day(s)"	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) when (i) banks are generally open for business in Helsinki, Hong Kong, London, New York, Dublin, and the Cayman Islands and (ii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in EUR;
"CFIUS"	The Committee on Foreign Investment in United States;
"Closing Date"	the twelfth Business Day after the date of the Announcement on the Result of the Tender Offer;
"Combination Agreement"	the combination agreement dated 7 December 2018 entered into by the Offeror, JVCo, the Company, FV Fund, Anamered Investments, and Amer Sports;
"Commitment Parties"	independent third banks which act as mandated lead arranger, bookrunners and underwriters in connection with the financing arrangement in connection with the Combination Agreement;
"Company"	ANTA Sports Products Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2020);
"Commitment Letter"	a commitment letter dated 6 December 2018 entered into by, amongst others, the Offeror and the Commitment Parties in connection with the financing arrangement in connection with the Combination Agreement;
"connected person"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"Director(s)"	the director(s) of the Company;

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if though fit, approving the Acquisition and the transactions contemplated thereunder;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"EUR"	Euro, the lawful currency of the European Union;
"Expiration Date"	the end of the offer period for the Tender Offer, or such other date as extended by the Offeror from time to time until such time when all Offer Conditions shall have been fulfilled (or waived by the Offeror);
"Facility A"	has the meaning ascribed to it in the section headed "Recourse Senior Facilities Agreement" in this circular;
"Facility B"	has the meaning ascribed to it in the section headed "Recourse Senior Facilities Agreement" in this circular;
"Finnish Companies Act"	Finnish Limited Liability Companies Act* (624/2006, as amended);
"Finnish Securities Market Act"	Finnish Securities Market Act* (746/2012, as amended);
"FountainVest SPV"	Baseball Investment Limited, a limited liability company incorporated in the Cayman Islands, which is currently owned/controlled by funds advised/managed by FountainVest Partners;
"FV Fund"	FV Mascot JV, L.P., an exempted limited partnership established in the Cayman Islands whose general partner is FV Babylon GP Limited which is ultimately controlled by FountainVest Partners;
"Group"	the Company and its subsidiaries from time to time;
"Helsinki Business Day(s)"	a day (other than a Saturday, Sunday or public holidays) when (i) banks are generally open for general business in Helsinki and (ii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in euro;
"Hong Kong"	the Hong Kong Special Administrative Region;

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Independent Third Party(ies)"	person or company who or which is not a connected person of the Company;
"Interim Agent"	the independent third party bank which acts as the agent of the Interim Arrangers and the Interim Lenders under the Interim Facilities Agreement;
"Interim Arrangers"	the independent third party banks which act as arrangers under the Interim Facilities Agreement;
"Interim Facilities"	has the meaning ascribed to it in the section under "Commitment Letter and Interim Facilities Agreement" in this circular;
"Interim Facilities Agreement"	an interim facilities agreement dated 6 December 2018 entered into by, amongst others, the Offeror, Midco and the Interim Arrangers, the Interim Lenders and the Interim Agent;
"Interim Lenders"	the independent third party banks which act as lenders under the Interim Facilities Agreement;
"Investor Consortium"	collectively, the Company, FountainVest Partners, Mr. Chip Wilson and Tencent;
"IPO"	initial public offering;
"Joint Announcement"	a joint stock exchange release published on the Nasdaq Helsinki Stock Exchange by the Company and Amer Sports on 7 December 2018 in relation to the Acquisition;

"JVCo"	Mascot JVCo (Cayman) Limited, a limited liability company incorporated in the Cayman Islands which is currently wholly-owned by Anta SPV. It is expected that, on the third Business Day before the Closing Date, (i) the Company will indirectly through Anta SPV own 57.95%, (ii) FV Fund will own 21.40% (and FountainVest SPV will indirectly, and Tencent will indirectly through Tencent SPV, in each case as a limited partner in FV Fund, respectively own 15.77% and 5.63%), and (iii) Anamered Investments will own 20.65% of the shares in the Offeror by way of equity contribution to the share capital of JVCo;
"JV Group"	JVCo and its subsidiaries;
"Latest Practicable Date"	Monday, 28 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
"Lenders"	the independent third party banks which act as lenders under the Recourse Senior Facilities Agreement;
"Long Stop Date"	28 June 2019 or such later date as may have been agreed in writing among the Parties and provided further, that the right to postpone such date for a maximum of three months by a written notice to Amer Sports in the event that the non-occurrence of the Closing Date is due to any of the regulatory approvals required for the completion of the Tender Offer (to the extent such regulatory approvals have not been waived by the Offeror) not having been obtained and still being pending on such date;
"Mandatory Redemption Proceedings"	the mandatory redemption proceedings under the Finnish Companies Act by a shareholder, who holds more than 90% of the total number of all the issued shares and voting rights of Amer Sports, to redeem the remaining shares of Amer Sports;
"Midco"	Mascot Midco 1 Oy (Mascot Midco 1 Limited*), a limited liability company incorporated in Finland, the immediate parent company of the Offeror and ultimately wholly-owned by the JVCo;
"Nasdaq Helsinki Stock Exchange"	Nasdaq Helsinki Limited;

"Non-Recourse Senior Facilities"	has the meaning ascribed to it in the section under "Commitment Letter and Interim Facilities Agreement" in this circular;
"Non-Recourse Senior Facilities Agreement"	a non-recourse senior facilities agreement which is expected to be entered into by, amongst others, the Commitment Parties and the Offeror before the Closing Date pursuant to the Commitment Letter and the Interim Facilities Agreement;
"Offer Conditions"	the offer conditions to the making of the Tender Offer, as set out under the section headed "Offer Conditions" of this circular;
"Offer Price"	the offer price per offer share of Amer Sports under the Tender Offer;
"Offeror"	Mascot Bidco Oy (Mascot Bidco Limited*), a limited liability company incorporated in Finland for the purpose of making the Tender Offer and ultimately wholly-owned by the JVCo;
"Original Disclosure Date"	10 September 2018, the last trading day prior to Amer Sports confirming the receipt of a non-binding preliminary indication from the Company and FountainVest Partners;
"Party(ies)"	parties to the Combination Agreement, which are the Offeror, JVCo, the Company, FV Fund, Anamered Investments and Amer Sports;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
"Recourse Senior Facilities Agreement"	a senior facilities agreement dated 6 December 2018 entered into by, amongst others, the Company, the JVCo, Anta SPV and independent third party banks;
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the share(s) of the Company;

"Shareholders' Agreement"	a shareholders' agreement to be entered into by Anta SPV, FV Fund, FountainVest SPV, Anamered Investments and Tencent SPV;
"Tencent SPV"	Mount Jiuhua Investment Limited, a limited liability company incorporated in British Virgin Islands which is currently directly owned by Tencent;
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0700);
"Tender Offer"	a voluntary public cash tender offer to be made by the Offeror to acquire all the issued and outstanding shares of Amer Sports, subject to the fulfilment or waiver by the Offeror of the Offer Conditions;
"Tender Offer Document"	the tender offer document in relation to the Tender Offer;
"Trade Sale"	a sale of 100% of the ordinary shares of JVCo or a sale of all of the business and assets of JVCo and its subsidiaries, in a single transaction or series of related transactions (provided however the aggregate valuation implied by such series of related transactions shall not be lower than the valuation in a single transaction), where: (a) in the event of a Trade Sale of ordinary shares of JVCo, FountainVest SPV shall have the right to require the other shareholders of JVCo to sell all (but not part only) of their ordinary shares of JVCo to the proposed purchaser (the "**Trade Sale Purchaser**") on the same terms and at the same price as FountainVest SPV; (b) the consideration for such Trade Sale shall be in cash only; (c) the Trade Sale Purchaser shall not be any of the following: (i) any shareholder of JVCo or affiliates of such shareholder; (ii) any competitor of the Company within the PRC as reasonably agreed in good faith among the shareholders of the JVCo in the Shareholders' Agreement; and

(d) the proceeds of such Trade Sale shall be first used to repay the outstanding principal, interest, fees and charges of Facility A (where JVCo is the borrower) (to the extent not repaid by the Trade Sale Purchaser), and then distributed to the shareholders of JVCo pro rata;

"U.S." the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

"US$" U.S. dollar(s), the lawful currency of U.S.; and

"%" per cent.

*The English names of the Finnish entities, Finnish laws or regulations and Finnish governmental authorities which are marked with * in this circular are translations from their Finnish names and are for identification purposes.*

ANTA Sports Products Limited
安踏體育用品有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2020)

Executive Directors:
Mr. Ding Shizhong *(Chairman)*
Mr. Ding Shijia *(Deputy Chairman)*
Mr. Lai Shixian
Mr. Wang Wenmo
Mr. Wu Yonghua
Mr. Zheng Jie

Independent Non-executive Directors:
Mr. Yiu Kin Wah Stephen
Mr. Lu Hong-Te
Mr. Dai Zhongchuan

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
16/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Kowloon
Hong Kong

4 February 2019

To the Shareholders,

Dear Sir/Madam,

POSSIBLE VERY SUBSTANTIAL ACQUISITION TO ACQUIRE ALL THE ISSUED AND OUTSTANDING SHARES OF AMER SPORTS BY THE OFFEROR THROUGH TENDER OFFER AND ANY SUBSEQUENT MANDATORY REDEMPTION PROCEEDINGS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with (i) further information on the Acquisition and the transactions contemplated under, incidental to, ancillary to, in connection with or for the ultimate purpose of the Acquisition and the related agreements entered and/or to be entered into by the Group, including the escrow arrangement in connection with the Combination Agreement, the financing arrangement and the provision of guarantee given by the Company under the Recourse Senior Facilities Agreement, and the financing arrangement, the provision of guarantee and other securities given by Midco and/

or its subsidiaries under the Commitment Letter and the Interim Facilities Agreement and the Non-Recourse Senior Facilities Agreement; (ii) the financial and other information on Amer Sports; (iii) the financial and other information on the Group; and (iv) notice of EGM.

COMBINATION AGREEMENT

Date: 7 December 2018

Parties: the Offeror, JVCo, the Company, FV Fund, Anamered Investments, and Amer Sports

To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, FV Fund, Anamered Investments, JV Co, and Amer Sports and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (save for the Company's indirect shareholding interests in Amer Sports).

The Combination Agreement sets forth the principal terms under which the Offeror will make the Tender Offer:

Subject Matter of the Tender Offer

Pursuant to the Combination Agreement, and subject to the Offer Conditions being satisfied or waived, the Offeror is to acquire all issued and outstanding shares of Amer Sports including 1,679,936 shares of Amer Sports currently held by the Group, corresponding to approximately 1.4% of the issued shares in Amer Sports, but excluding any shares of Amer Sports which are held by Amer Sports or its subsidiaries.

The Tender Offer is not being made for ADS representing the issued and outstanding shares of Amer Sports, nor for ADR evidencing such ADS. However, the Tender Offer is being made for the issued and outstanding shares of Amer Sports underlying the ADS.

Offer Price

The Offer Price under the Tender Offer is EUR40.00 in cash per Amer Sports share. Any change to the number of shares of Amer Sports as a result of a new share issue, reclassification, stock split (including a reverse split) or any other similar transaction with dilutive effect, or distribution of a dividend or other distribution of funds or assets by Amer Sports after the date of the Combination Agreement shall reduce the final Offer Price accordingly on a Euro-for-Euro basis on the gross value distributed or made, before the deduction of any withholding tax and/or any other applicable taxes.

The Offer Price represents a premium of:

– 39% compared to the closing price of the shares of Amer Sports on the Nasdaq Helsinki Stock Exchange on the Original Disclosure Date;

– 43% compared to the volume-weighted average trading price of the shares of Amer Sports on the Nasdaq Helsinki Stock Exchange during the 3-month undisturbed trading period prior to and up to the Original Disclosure Date;

– 63% compared to the volume-weighted average trading price of the shares of Amer Sports on the Nasdaq Helsinki Stock Exchange during the 12-month undisturbed trading period prior to and up to the Original Disclosure Date;

– 14% compared to the closing price of the shares of Amer Sports on the Nasdaq Helsinki Stock Exchange on 5 December 2018, the last trading day before the date of the Joint Announcement; and

– 44% compared to the volume-weighted average trading price of the shares of Amer Sports on the Nasdaq Helsinki Stock Exchange during the 12-month period preceding the date of the Joint Announcement.

The Offer Price is determined after arm's length negotiation among the Investor Consortium and Amer Sports with reference to Amer Sports' market positioning, the historical business and financial performance of Amer Sports and the prospects of the business and its financial condition, as well as Amer Sports' current and historical share prices.

The terms of the Tender Offer value the entire issued and outstanding share capital of Amer Sports at approximately EUR4.6 billion.

Obligation to increase the Tender Offer or to pay compensation

The Offeror reserves the right to also acquire the issued and outstanding shares of Amer Sports in public trading on the Nasdaq Helsinki Stock Exchange or otherwise before, during and/or after the offer period and any subsequent offer period or otherwise outside the Tender Offer to the extent permitted by Finnish, U.S. and other applicable law.

If the Offeror, or any party referred to in Chapter 11, Section 5 of the Finnish Securities Market Act acquires, before the expiry of the offer period, shares of Amer Sports at a higher price than the Offer Price or otherwise on terms that are more favourable than those of the Tender Offer, the Offeror must amend the terms and conditions of the Tender Offer to the price corresponding to the more favourable acquisition terms. The Offeror shall then, without delay, make public the triggering of the obligation to increase the offer and pay, in connection with the completion of the Tender Offer, the difference between the more favourable acquisition terms and the consideration offered in the Tender Offer to the shareholders who have accepted the Tender Offer.

If the Offeror, or any party referred to in Chapter 11, Section 5 of the Finnish Securities Market Act, acquires during the nine months following the expiry of the offer period shares of Amer Sports at a higher price than the Offer Price or otherwise on terms that are more favourable than those of the Tender Offer, the Offeror must compensate those holders of securities who have accepted the Tender Offer by the amount equal to the difference between the more favourable acquisition terms and the Offer Price. The Offeror shall then, without delay, make public the triggering of the obligation to compensate and pay the difference between the more favourable acquisition terms and the consideration offered in the Tender Offer within one month after the triggering of the obligation to compensate to the shareholders who have accepted the Tender Offer.

Terms of payment and settlement of shares

The sale and purchase of the issued and outstanding shares of Amer Sports validly tendered and not properly withdrawn in accordance with the terms and conditions of the Tender Offer is expected to be executed following the Announcement on the Results of the Tender Offer, but in any event with settlement being commenced no later than the Closing Date. The sale and purchase of the issued and outstanding shares of Amer Sports will take place on the Nasdaq Helsinki Stock Exchange (if permitted by the applicable rules). Otherwise, the sale and purchase of the issued and outstanding shares of Amer Sports will take place outside of the Nasdaq Helsinki Stock Exchange.

Tender Offer Document and Offer Period

A tender offer document with detailed information on the Tender Offer was published on or around 20 December 2018. The offer period under the Tender Offer commenced on or around 20 December 2018, and will run for approximately ten weeks. The Offeror reserves the right to extend the offer period from time to time in accordance with the terms and conditions of the Tender Offer. The Tender Offer is currently expected to be completed during the second quarter of 2019 at the latest.

Offer Conditions

The obligation of the Offeror to accept for payment of the tendered shares of Amer Sports and to complete the Tender Offer shall be subject to the fulfilment (or waiver by the Offeror, as applicable to Offer Conditions (a) and (f) below) of the following Offer Conditions on or prior to the Announcement on the Result of the Tender Offer:

(a) the Tender Offer has been validly accepted with respect to outstanding shares representing, together with any outstanding shares otherwise held by the Offeror prior to the Announcement on the Result of the Tender Offer, more than 90% of the outstanding shares and voting rights of Amer Sports calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act governing the right and obligation to commence Mandatory Redemption Proceedings;

(b) the receipt of all necessary approvals, permits, consents, clearances, termination or expiration of any applicable waiting periods (or extensions thereof) and other actions by any competition authorities or other regulatory authorities required under any applicable competition laws or other regulatory laws in any jurisdiction for the completion of the Tender Offer by the Offeror;

(c) the Tender Offer has been approved by the shareholders of the Company in accordance with, and to the extent required by, applicable law (including the Hong Kong Listing Rules);

(d) the removal of Article 11 of the articles of association of Amer Sports (in relation to the obligation of shareholders, whose shareholding attains or exceeds certain thresholds, to, on demand by other shareholders, redeem the shares of such other shareholders as well as securities giving entitlement to such shares) has been duly approved by an extraordinary general meeting of shareholders of Amer Sports;

(e) no legislation or other regulation has been issued or decision by a competent court or regulatory authority has been given that would wholly or in any material part prevent or postpone the completion of the Tender Offer;

(f) no fact or circumstance has arisen after the announcement of the Tender Offer that constitutes a material adverse change as defined under the Combination Agreement;

(g) the Combination Agreement has not been terminated in accordance with its terms and remains in full force and effect; and

(h) the board of directors of Amer Sports has issued its recommendation that the shareholders of Amer Sports to accept the Tender Offer and the recommendation remains in full force and effect and has not been modified, or amended, and the board of directors of Amer Sports has not included conditions to or decided not to issue its recommendation (excluding any technical modification or change of the recommendation required under applicable laws or the Helsinki Takeover Code as a result of a competing offer so long as the recommendation to accept the Tender Offer is upheld).

The Offeror has started to obtain approvals from relevant regulatory authorities in jurisdictions where the applicable laws and regulations require the Offeror to do so, including the Finnish Financial Supervisory Authority and the Foreign Investment Review Board in Australia, the competition authorities in the PRC, the European Union, the U.S., Canada, Mexico, Russia and Turkey. The Offeror may receive such approvals within the anticipated offer period. The Offeror has so far received approvals for the Tender Offer from the State Administration for Market Regulation of the PRC and the Federal Antimonopoly Service of Russia. In addition, the competition authorities in the U.S. and Canada have completed their review processes concerning the Tender Offer. The completion of the Tender Offer is still conditional on the receipt of authority approvals from the Foreign Investment Review Board in Australia and the competition authorities in the European Union, Mexico and Turkey. However, the offer period may be extended in accordance with the terms and conditions of the Tender Offer to the extent such approvals have not been obtained within that timeframe, and the Offeror may also commence a subsequent offer period as permitted under Finnish law. As at the Latest Practicable Date, the Offer Condition (d) had been fulfilled.

The Offeror reserves the right to withdraw the Tender Offer in the event that any of the Offer Conditions is not fulfilled.

The Offeror can only invoke any of the Offer Conditions so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the relevant Offer Condition have a material significance to the Offeror in view of the Tender Offer, as referred to in the relevant laws and regulations in Finland.

The Offer Conditions set out herein are exhaustive for the completion of the Tender Offer. The Offeror reserves the right to waive, to the extent permitted by applicable law, any of the Offer Conditions that have not been fulfilled. To the extent that a material Offer Condition has not been fulfilled, the Offeror may extend the offer period to the extent permitted by applicable law.

Completion

The initial Expiration Date of the Tender Offer shall be the date which is ten weeks after the date on which the offer period for the Tender Offer commences. The Expiration Date may be extended by the Offeror from time to time until such time in accordance with the Combination Agreement when all Offer Conditions shall have been fulfilled (or waived by the Offeror).

After the fulfilment (or waiver by the Offeror) of the Offer Conditions, the Offeror shall:

(a) issue in the Announcement on the Result of the Tender Offer the final result of the Tender Offer no later than the third Helsinki Business Day after the Expiration Date; and

(b) promptly and in no event later than the Closing Date, accept for payment, pay for and otherwise take such actions as required to acquire all the outstanding shares of Amer Sports validly tendered and not withdrawn pursuant to the terms of the Tender Offer in accordance with the terms and conditions of the Tender Offer.

The Offeror is expected to accept for payment and otherwise take such actions as required to acquire all the outstanding shares of Amer Sports validly tendered and not withdrawn pursuant to the terms of the Tender Offer following the Announcement on the Result of the Tender Offer. The completion of the Tender Offer is expected to take place on the Closing Date.

Other information relating to Amer Sports under the Tender Offer

The board of directors of Amer Sports decided to unanimously recommend that the shareholders of Amer Sports accept the Tender Offer and issued its complete statement on the Tender Offer in accordance with the Finnish Securities Market Act on 17 December 2018.

The following major shareholders of Amer Sports have, subject to certain customary conditions, irrevocably undertaken to accept the Tender Offer: Kaleva Mutual Insurance Company, Ilmarinen Mutual Pension Insurance Company, Mandatum Life Insurance Company Limited and Varma Mutual Pension Insurance Company, representing, as at the Latest Practicable Date, in aggregate approximately 7.91% of the issued shares and votes in Amer Sports. In addition, Maa-ja vesitekniikan tuki r.y., who hold, as at the Latest Practicable Date, approximately 4.29% of the issued shares and votes in Amer Sports, have expressed that they view the Tender Offer positively.

Under the Combination Agreement, the board of directors of Amer Sports may not withdraw, modify, amend, include conditions to or decide not to issue its recommendation to accept the Tender Offer unless, after taking advice from its external legal advisor and its external financial adviser, the board of directors of Amer Sports, on the basis of its fiduciary duties under Finnish laws and regulations (including the Helsinki Takeover Code), considers that, due to materially changed circumstances, the acceptance of the Tender Offer would no longer be in the best interest of the holders of outstanding shares of Amer Sports. The board of directors of Amer Sports may withdraw, modify, amend, include conditions to or decide not to issue its recommendation to accept the Tender Offer in accordance with the above in the event of a possible competing or superior offer only if the board of directors of Amer Sports has complied with certain agreed customary procedures allowing the Offeror to negotiate with the board of directors of Amer Sports in respect of such competing or superior offer.

Amer Sports has undertaken not to actively, directly or indirectly, solicit, or knowingly encourage a third party to launch a competing offer, except if such measures are required for the board of directors of Amer Sports to comply with its fiduciary duties towards Amer Sports' shareholders under applicable laws or regulations.

Representations, warranties and undertakings

The Combination Agreement further includes certain customary representations, warranties and undertakings by the parties to the Combination Agreement, such as conduct of business by Amer Sports in the ordinary course of business before the completion of the Tender Offer, and cooperation by the parties in making necessary regulatory filings.

Termination

The Combination Agreement may be terminated and the Acquisition may be abandoned by Amer Sports or the Offeror under certain circumstances, including, amongst other things,

(a) by a mutual written agreement of the Parties;

(b) by either Amer Sports or the Offeror, if the Closing Date has not occurred on or before the Long Stop Date (however, this right to terminate shall not be available to the Party whose failure to fulfil any obligation under the Combination Agreement shall have resulted in the failure of the Closing Date to occur on or before the Long Stop Date);

(c) by either Amer Sports or the Offeror, if any order that would wholly or in any material part prevent or postpone the completion of the Tender Offer shall have been issued by any court or other authority of competent jurisdiction and shall have become final and non-appealable;

(d) by either Amer Sports or the Offeror, if any new legislation or regulation preventing the completion of the Acquisition or a material part of it, have been issued and entered into force;

(e) by Amer Sports, if the board of directors of Amer Sports, has withdrawn, modified, amended, included conditions to or decided not to issue its recommendation to accept the Tender Offer in compliance with certain requirements under the Combination Agreement;

(f) by Amer Sports, if the Offeror has not commenced the Tender Offer within five Helsinki Business Days following approval by the Finnish Financial Supervisory Authority of the Tender Offer Document or such later date as the Finnish Financial Supervisory Authority may agree but in any event no later than the 15th Helsinki Business Day following approval by the Finnish Financial Supervisory Authority of the Tender Offer Document;

(g) by Amer Sports, if the Offeror fails to complete the Tender Offer in accordance with, or breaches certain obligations under the Combination Agreement once the Offer Conditions have been satisfied;

(h) by the Offeror, if the board of the directors of Amer Sports, has withdrawn, modified, amended, included conditions to or decided not to issue its recommendation to accept the Tender Offer (excluding any technical modification or charge of the recommendation required under applicable laws or the Helsinki Takeover code as result of a competing offer so long as the recommendation to accept the Tender Offer upheld);

(i) by either Amer Sports or the Offeror upon a material breach of any warranty given, or any covenant or agreement, by the Parties;

(j) by the Offeror if a material adverse change (as defined in the Combination Agreement) has occurred; and

(k) by the Offeror if CFIUS informs the Parties that it will recommend that the President of the U.S. block the transaction, or the President of the U.S. announcing a decision to block or prohibit the Acquisition.

Liquidated damages

Subject to the terms of the Combination Agreement, the Offeror shall pay to Amer Sports liquidated damages if the agreement is terminated in certain specific circumstances; namely:

(a) EUR175 million as liquidated damages, if the Combination Agreement is terminated due to:

(i) failure to satisfy regulatory approvals and requirements in the PRC before the Long Stop Date, provided that such approvals and requirements are not based on or required by any new legislation or other new regulation coming into force after the date of the Combination Agreement;

(ii) disapproval by the shareholders of the Company for the Tender Offer;

(iii) the issue of any final and non-appealable court decision in the PRC that wholly or in any material part prevents or postpones the completion of the Tender Offer;

(iv) failure on the part of the Offeror to commence the Tender Offer before a prescribed date or failure to complete the Tender Offer in accordance with the Combination Agreement once the Offer Conditions have been satisfied, including if a financing bank fails to provide funding in accordance with the financing arrangements described in this circular which results in the Offeror failing to complete the Tender Offer (except to the extent that bank is insolvent and therefore prohibited from advancing funds by law or regulation); or

(b) EUR100 million as liquidated damages, if the Combination Agreement is terminated due to, amongst other things:

(i) failure to satisfy certain regulatory approvals and requirements outside the PRC (other than CFIUS or the President of the U.S. pursuant to the Defense Production Act) before the Long Stop Date, provided that such approvals and requirements are not based on or required by any new legislation or other new regulation coming into force after the date of the Combination Agreement; or

(ii) the issue of any final and non-appealable court or regulatory authority decision outside the PRC (other than CFIUS or the President of the U.S. pursuant to the Defense Production Act) that wholly or in any material part prevent or postpone the completion of the Tender Offer.

(c) EUR20 million as liquidated damages, if the Combination Agreement is terminated due to an order issued by CFIUS or the President of the U.S. pursuant to the Defense Production Act, provided that any right to terminate is not triggered due to any new legislation or other new regulation coming into force after the date of this Combination Agreement, and that is not principally due to Amer Sports having failed to provide any information available to Amer Sports as requested or required by CFIUS.

Amer Sports has agreed to reimburse expenses incurred by the Offeror up to EUR15 million in the event of the Combination Agreement is terminated due to certain reasons specified in the Combination Agreement.

The Directors are of the view that having liquidated damages in the Combination Agreement is generally consistent with terms of other similar cross-border acquisitions conducted by public companies in the market. The liquidated damages were determined as a result of commercial negotiations between the Consortium and Amer Sports, and the three tiers of liquidated damages payable by the Offeror were negotiated with reference to an assessment on the level of risks associated with each relevant triggering event.

Such liquidated damages will be satisfied out of the funds placed in the escrow account (see the section headed "Escrow Arrangement" below). In the event that the Combination Agreement is terminated due to any of the abovementioned circumstances and prior to the JVCo becoming jointly controlled by Anta SPV, FV Fund and Anamered Investments, such funds placed in the escrow account by the Offeror would remain ultimately the sole contribution of the Company, unless otherwise related to regulatory issues primarily arising from facts, circumstances or activities relating to Anamered Investments or its ultimate beneficial owner.

MANDATORY REDEMPTION PROCEEDINGS

Under the Finnish Companies Act, if, as a result of the completion of the Tender Offer, the Offeror holds more than 90% (but not all) of the outstanding shares and voting rights of Amer Sports, the Offeror has the statutory right to commence the Mandatory Redemption Proceedings to acquire the remaining shares not owned by the Offeror at a fair price.

If, as a result of the completion of the Tender Offer, the Offeror holds more than 90% (but not all) of the outstanding shares and voting rights of Amer Sports, any of the remaining minority shareholders of Amer Sports has the right to require the Offeror to redeem the shares held by such minority shareholder at a price to be determined in the Mandatory Redemption Proceedings which the Offeror expects to be equal to the Offer Price.

INTENTION OF THE OFFEROR WITH REGARD TO AMER SPORTS

If, as a result of the completion of the Tender Offer, the Offeror holds more than 90% (but not all) of the outstanding shares and voting rights of Amer Sports, the Offeror intends to commence the Mandatory Redemption Proceedings under the Finnish Companies Act to redeem all of the remaining outstanding shares of Amer Sports not purchased pursuant to the Tender Offer at a price to be determined in the Mandatory Redemption Proceedings which the Offeror expects to be equal to the Offer Price. Upon completion of the Mandatory Redemption Proceedings, Amer Sports would become a wholly-owned subsidiary of the Offeror and the Offeror intends to cause the shares of Amer Sports to be delisted from the Nasdaq Helsinki Stock Exchange as soon as permissible and reasonably practicable under applicable laws and regulations.

After the completion of the Acquisition, the Investor Consortium plans for Amer Sports to be operated independently from the Company, with a separate board of directors. The Investor Consortium has invited Mr. Heikki Takala (the president and chief executive officer of Amer Sports) and his key executives to continue leading the business. Under the new ownership, Amer Sports' management team would have the autonomy to execute on its business plan under the strategic direction of the board of directors of Amer Sports. The Investor Consortium intends to invest significant time, resources and effort in helping Amer Sports to accelerate several important ongoing and new strategic initiatives, including expanding Amer Sports' businesses in the Chinese market.

The completion of the Tender Offer is not expected to have an immediate material effect on the operations, assets, the position of the management, or employees or the business locations of Amer Sports. The Investor Consortium currently expects to retain Amer Sports' corporate head office in Helsinki after the completion of the Tender Offer. The Offeror, however, intends to change the composition of the board of directors of Amer Sports after the completion of the Tender Offer.

ARRANGEMENT ABOUT THE JVCO

The JVCo was incorporated to be the holding company in the acquisition structure and is currently wholly-owned by Anta SPV, a special purpose vehicle directly wholly-owned by the Company.

It is expected that, on the third Business Day before the Closing Date, (i) the Company will indirectly through Anta SPV own 57.95%, (ii) FV Fund will own 21.40% (and FountainVest SPV will indirectly, and Tencent will indirectly through Tencent SPV, in each case as a limited partner in FV Fund, respectively own 15.77% and 5.63%), and (iii) Anamered Investments will own 20.65% of the shares in the JVCo by way of equity contribution to the share capital of JVCo as further described in the paragraph headed "Funding Contributions and Financing of the Acquisition" in this circular.

The sole director of JVCo is currently appointed by the Company. It is intended that, pursuant to the Shareholders' Agreement, with effect on the third Business Day before the Closing Date, the board of directors of JVCo will comprise of seven members with four directors appointed by the Company, one director appointed by FountainVest SPV, one director appointed by Anamered Investments and one director appointed by Tencent SPV.

The right of each shareholder (other than Tencent SPV, provided that it has not transferred more than such number of shares that would result in Tencent SPV and its affiliates together holding less than 5% of the total issued shares of JVCo as at completion of the Tender Offer) to appoint a director to the board of the JVCo is subject to such shareholder holding not less than 10% of the total issued shares of the JVCo.

Accordingly, assuming there is no change in the aforesaid shareholding percentages, the Company will indirectly through Anta SPV own 57.95% of the JVCo immediately following completion of the Tender Offer, as such the JVCo and Offeror would be defined as subsidiaries of the Company under the Hong Kong Listing Rules. However, the JVCo and Offeror will be classified as jointly controlled entities of the Company, FV Fund and

Anamered Investments under the relevant financial reporting standards and will not be consolidated in the consolidated financial statements of the Group, because decisions about certain relevant activities of the JVCo (and in turn, the Offeror) require the consent of directors nominated by other shareholders of the JVCo.

It is intended that, pursuant to the Shareholders' Agreement,

(a) FountainVest SPV has the right to effect a Trade Sale in the event of the Company's failure to provide a loan to FountainVest SPV for the purpose of contributing capital to the JVCo to repay the outstanding principal under Facility A;

(b) FountainVest SPV has the right to effect a Trade Sale if a qualified IPO (an IPO of the JVCo at a pre-IPO valuation which would result in FountainVest SPV obtaining at least 200% of its original aggregate equity contributions to JVCo, excluding any equity contributions attributable to such shares distributed by FV Fund to its limited partners as at the completion of the Tender Offer) does not occur within five years of the completion of the Tender Offer under which circumstance the Company shall have a right of first offer to acquire all issued share capital of the JVCo;

(c) certain shareholders of the JVCo (including the Group) and their affiliates shall not, without the prior written consent of each other shareholder of the JVCo, carry on or invest or be concerned in or assist in business that directly compete with the business of JVCo and, once such shareholders or their affiliates identify or become aware of any business or investment or corporate opportunity of any nature or potential transaction related to the business of international sporting goods brands (but excluding any corporate opportunity relating to apparel not primarily intended for athletic or sports), such shareholder shall refer such corporate opportunity to the JVCo;

(d) all related party transactions shall be disclosed to the board of the JVCo and shall adhere to certain general principles, amongst others, related party transactions shall not confer benefits to any shareholder of JVCo or its affiliates at the expense of the other shareholders of JVCo. Related party transactions that do not adhere with such principles shall not be entered into by any JVCo or any of its group companies unless approved by all the directors of the board of the JVCo after the Acquisition;

(e) certain reserved matters, among other things, (i) declaration or payment of dividends or other distributions, (ii) entry by JVCo into any partnership, joint venture or alliance with other persons and (iii) entry of certain material contracts shall not take place without the approval of five directors including the director appointed by FountainVest SPV; and

(f) certain reserved matters, among other things, the major acquisitions and disposals of businesses, shares, assets, intellectual property rights or properties and modifying, varying or abrogating any rights attaching to any shares in JVCo shall not take place without a 95% approval of the shareholders of the JVCo.

FUNDING CONTRIBUTIONS AND FINANCING OF THE ACQUISITION

Details of the proposed funding contributions and financing of the Acquisition are set forth below:

Equity contribution to the share capital of JVCo	EUR millions	Percentage of shareholding in JVCo with effect on the third Business Day before the Closing Date
The Company	1,543	57.95%
FV Fund	570	21.40%
– Tencent	150	5.63%
– FountainVest SPV	420	15.77%
Anamered Investments	550	20.65%
Total:	**2,663**	**100%**
Debt Financing		
Facility A under Resource Senior Facilities Agreement (where JVCo is borrower)	1,300	
Non-Recourse Term Loan (where Offeror is borrower)	1,700	
Total:	**3,000**	
Total sources of financing	**5,663**	
	Assuming (i) an offer price of EUR40.00 per share, (ii) estimated shares outstanding as at the Closing Date of approximately 116 million, (iii) repayment of Amer Sports' existing debt of EUR950 million, (iv) financing fees, and (v) other transaction fees.	

The Offeror has, and will have on the Closing Date, access to debt and equity funding in sufficient amounts, as evidenced in equity commitment letters executed by Investor Consortium members and/or their affiliates, to finance the payment of the aggregate Offer Price for all the shares in connection with the Acquisition. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the Offer Conditions are otherwise fulfilled or waived by the Offeror).

Under the Tender Offer, the Offeror also undertakes to purchase 1,679,936 shares of Amer Sports currently held by the Group, corresponding to approximately 1.4% of the issued shares in Amer Sports. Upon completion of such disposal, the Group expects the net movement in fair value reserve in respect of the investment amounting to approximately

EUR27 million, being the difference between the original acquisition costs of such shares of Amer Sports of approximately EUR40 million and the consideration for the disposal payable by the Offeror to the Group, would be transferred to the retained earnings of the Group.

The fund to be contributed by the Group for the Acquisition will be financed by (a) external bank financing, including the financing facilities under the Non-Recourse Senior Facilities Agreement and the Recourse Senior Facilities Agreement, (b) internal resources of the Group, and (c) if applicable, gains of EUR27 million in respect of the disposal of shares of Amer Sports currently held by the Group under the Tender Offer.

ESCROW ARRANGEMENT

In connection with liquidated damages arrangements under the Combination Agreement, the Offeror has in place an escrow arrangement. As at the date of this circular, the Offeror, which is currently indirectly wholly-owned by the Company, has deposited US$216,882,750, representing the amount of liquidated damages of EUR175 million with a buffer agreed with Amer Sports, in an escrow account with an independent third party escrow bank. Such escrow amount was advanced by the Company to the Offeror pursuant to a loan agreement and security agreements executed by the Company and the Offeror. If the Combination Agreement is terminated due to certain events as described above, the Offeror and Amer Sports will jointly instruct the third party escrow bank to release the applicable amount of liquidated damages to Amer Sports, subject to the terms of the Combination Agreement and the escrow agreement between the Offeror, Amer Sports and the third party escrow bank.

RECOURSE SENIOR FACILITIES AGREEMENT

In connection with the financing arrangement in connection with the Combination Agreement, on 6 December 2018, the Company (as guarantor), the JVCo (as Facility A Borrower) and Anta SPV (as Facility B Borrower) entered into the Recourse Senior Facilities Agreement with independent third party banks which act as the Arrangers, the Lenders and the Agent.

Subject to the terms of the Recourse Senior Facilities Agreement, the Lenders shall make available:

(a) a 5-year EUR1,300 million term loan facility ("**Facility A**") to the Facility A Borrower for the purpose of, amongst other things, (i) funding the settlement of the Tender Offer and the purchase of the shares of Amer Sports; and/or (ii) any refinancing of any indebtedness of Amer Sports Group in connection with the acquisition of shares of Amer Sports; and

(b) a 5-year EUR900 million term loan facility ("**Facility B**") to the Facility B Borrower for the purpose of, amongst other things, general corporate purposes including acquiring or subscribing for equity or other ownership interests in the Facility A Borrower and advancing or refinancing loans made to the Facility A Borrower.

The interest rate is 2.0% per annum subject to a ratchet. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of Facility A Borrower and Facility B Borrower to the Arrangers, the Lenders and the Agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. Such guarantee will be provided notwithstanding any future change in the shareholding of Anta SPV in the JVCo.

For any disposal resulting in the Facility A Borrower ceasing to hold beneficially (directly or indirectly) at least 50.1% of the issued share capital of Amer Sports, the Company and the Facility A Borrower shall ensure that the lower of (i) an amount equal to the net cash proceeds received by the Group and the JVCo (other than any subsidiary of the JVCo) from the disposal; and (ii) an amount equal to the outstanding loans and accrued interest under the Facility A, is applied in prepayment of Facility A.

A Lender may require that its participation in the loans is repaid (and a corresponding Commitment cancelled in the amount of participation repaid) if:

(a) Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wang Wenmo, all being Directors and controlling shareholders of the Company and/or their respective associates, their controlled entities and related trusts (when taken together) cease to be the ultimate single largest group of shareholders of the Company;

(b) the shares of the Company cease to be listed on the Hong Kong Stock Exchange;

(c) the Company ceases to hold beneficially at least 80% of the issued shares of the Facility B Borrower or ceases to have the power to (A) cast, or control the casting of, at least 80% of voting power at a general meeting of the Facility B Borrower; or (B) appoint or remove all, or the majority, of the directors of the Facility B Borrower;

(d) the Company ceases to hold beneficially (directly or indirectly) at least 30% of the issued shares of the Facility A Borrower or ceases to have the power (directly or indirectly) to cast, or control the casting of, at least 30% of the maximum number of votes that might be cast at a general meeting of the Facility A Borrower; or

(e) current holders of the Facility A Borrower and their respective affiliates (when taken together) cease to hold beneficially 50.1% of the issued share capital of the Facility A Borrower or cease to have the power to (A) cast, or control the casting of, more than 50.1% of the voting power at a general meeting of the Facility A Borrower; or (B) appoint or remove all, or the majority, of the directors of the Facility A Borrower.

Considering that FountainVest Partners is a private equity firm without any substantial assets, other than those assets under its management for its clients, and Anamered Investments is an investment vehicle owned by a private individual, whose credit profiles are not publicly available nor as strong as the Company, the lender banks under the

Recourse Senior Facilities Agreement require the Company, which has a proven track record of financial results and have substantive assets, to be the guarantor for the recourse senior facilities, and the Company accepted such guarantee arrangement after evaluating all relevant commercial factors, including but not limited to the timing for securing sufficient financing and balancing the overall status of negotiations with parties to the Combination Agreement in relation to other transaction terms as well when taken together as a whole.

It is agreed that Anta SPV shall (i) execute the recourse facility on or prior to the date of the Combination Agreement and (ii) deliver certain utilization requests on the third Business Days prior to the completion of the Tender Offer. The Company unconditionally and irrevocably guarantees to, amongst others, the shareholders of JVCo that Anta SPV will comply properly and punctually with its aforementioned obligations and undertakes to indemnify, amongst others, the shareholders of JVCo against any costs or losses suffered or incurred by any of them as a result of Anta SPV's failure to comply properly and punctually with its aforementioned obligations.

COMMITMENT LETTER AND INTERIM FACILITIES AGREEMENT

In relation to the financing arrangement in connection with the Combination Agreement, on 6 December 2018, the Offeror and the Commitment Parties entered into the Commitment Letter, pursuant to which the Commitment Parties shall arrange and underwrite the following non-recourse senior facilities ("**Non-Recourse Senior Facilities**"), subject to the terms of the Commitment Letter:

(a) a 7-year EUR1,700 million secured term loan facility ("**Non-Recourse Term Loan**") for the purpose of financing or refinancing, amongst other things, (i) the acquisition of shares of Amer Sports, including those to be acquired after the Closing Date pursuant to the Mandatory Redemption Proceedings; and/or (ii) repayment or refinancing of certain existing indebtedness of the Amer Sports Group; and

(b) a 6.5-year EUR315 million secured revolving loan facility for the purpose of, amongst other things, general corporate and working capital purposes of Midco, the Offeror and (following the Closing Date), the Amer Sports Group.

On 6 December 2018, the Offeror (as borrower) and Midco (as guarantor) entered into the Interim Facilities Agreement with, amongst others, independent third party banks which act as the Interim Arrangers, the Interim Lenders and the Interim Agent.

Subject to the terms of the Interim Facilities Agreement, the Interim Lenders shall make available the following interim facilities (the "**Interim Facilities**") to the Offeror:

(a) a 90-day EUR1,700 million term loan facility for the purpose of financing or refinancing, amongst other things, (i) the acquisition of shares of Amer Sports, including those to be acquired after the Closing Date pursuant to the Mandatory Redemption Proceedings; and/or (ii) repayment or refinancing of certain existing indebtedness of the Amer Sports Group; and

(b) a 90-day EUR315 million revolving loan facility for the purpose of, amongst other things, the general corporate and working capital purposes of Midco, the Offeror and (following the Closing Date), the Amer Sports Group.

The interest rate is 3.75% per annum for the term loan facility and 3.25% per annum for the revolving loan facility. Midco has guaranteed the full and punctual performance of any and all obligations and undertakings of the Offeror under or in connection with the Interim Facilities Agreement. The guarantee provided by Midco will be secured by (i) the shares owned by Midco in the Offeror, material loan receivables owed to Midco by the Offeror (if any), and material bank accounts of Midco (if any); and (ii) material loan receivables owed to the Offeror by Midco (if any), material bank accounts of the Offeror (if any) and the Offeror's book-entry account(s) to be used for the purposes of acquiring the shares of Amer Sports.

The Non-Recourse Senior Facilities will be subject to the terms set out in the Non-Recourse Senior Facilities Agreement. Pursuant to terms of the Commitment Letter and subject to the Non-Recourse Senior Facilities Agreement, (i) each party that accedes to the Non-Recourse Senior Facilities Agreement as a borrower and/or a guarantor shall, to the extent applicable, grant transaction security over material intra-group receivables and its material bank accounts (and, in respect of any English company, grant an English law floating charge); and (ii) a share pledge shall be granted over the shares in any such acceding borrower or guarantor.

Upon execution of the Non-Recourse Senior Facilities Agreement, the Interim Facilities Agreement will be terminated and superseded by the Non-Recourse Senior Facilities Agreement. If the Interim Facilities are utilised, then the intention is that they will be refinanced and replaced by the Non-Recourse Senior Facilities.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

Amer Sports is a sporting goods company with internationally recognized brands including Salomon, Wilson, Atomic, Arc'teryx, Mavic, Suunto and Precor. Such brands occupy leading positions in their respective segments in the sports industry as set out below:

- Salomon – footwear, apparel and equipment for mountaineering, hiking, trail running and other sports
- Arc'teryx – technical high-performance outerwear and equipment
- Atomic – skiing equipment
- Mavic – bike systems and rider's equipment
- Suunto – dive computers and instruments and sports watches
- Wilson – ball sports equipment
- Precor – fitness equipment

The Group considers that Amer Sports operates a successful platform of internationally recognized sportswear and equipment brands and demonstrates strengths in brand management, distribution channel diversification, research & development, product quality and financial performance. The diversified brand portfolio of Amer Sports also presents a good match to the Group's multi-branded strategy. The Acquisition represents an attractive opportunity for the Group to further invest in premium international sportswear brands, certain of which the Group believes have great potential for development both on a global scale and in China. With assistance from the other members of the Investor Consortium, the Group believes there is significant room for growth in value of Amer Sports through unlocking the full potential of its brands.

The Acquisition will further enhance the Group's ability to expand both locally in the PRC market and abroad as a world leading sports products company.

The Directors are of the view that the terms of the Acquisition, including disposal of shares of Amer Sports by the Company to the Offeror under the Tender Offer, and the transactions contemplated thereunder are fair and reasonable, taking into account the related agreements, including but not limited to the escrow arrangement and the provision of guarantee given by the Company under the Recourse Senior Facilities Agreement, and in the interest of the Shareholders as a whole. In assessing whether the Acquisition is fair and reasonable, the Directors considered that the terms of the Acquisition are in the normal course of business and that there are potential synergies between Amer Sports and the Group due to their respective experience in the sports industry and their respective portfolios of internationally established sportswear and equipment brands, presenting attractive opportunities for the Group's growth. Having compared with other cross-border acquisitions of a similar nature and value, the Directors are of the view that the escrow arrangement is a common practice and the provision of the guarantee may lower the overall financing cost for the Acquisition, balancing all relevant commercial factors, and shall not negatively affect their assessment on the fairness and reasonableness of the terms of the Acquisition as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Following completion of the Acquisition, the Group will hold 57.95% equity interest in JVCo and account for JVCo as an interest in a joint venture using the equity method in the consolidated financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the results, assets and liabilities of the Group is set out in Appendix III to this circular.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2018, as extracted from the interim report of the Company for the six months ended 30 June 2018, were approximately RMB20,641.6 million and RMB5,506.5 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, assuming completion of the Acquisition had taken place on 30

June 2018, the pro forma total assets and total liabilities of the Enlarged Group would have been increased to approximately RMB27,694.5 million and RMB12,524.3 million respectively.

Earnings

Following completion of the Acquisition, the JVCo Group will be accounted for as interest in a joint venture using the equity method in the consolidated financial statements of the Group. There will be no immediate impact on earnings upon completion of the Acquisition. The net profit after tax of the Group for the financial year ended 31 December 2017, as extracted from the audited consolidated financial statements of the Company for the year ended 31 December 2017, was approximately RMB3,158.9 million. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Acquisition had been completed on 1 January 2017, the pro forma profit after tax of the Enlarged Group for the year ended 31 December 2017 would amount to approximately RMB3,022.9 million.

Further details are set out in "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular.

INFORMATION ABOUT THE COMPANY

ANTA brand was established in 1991, and the Company, a leading sportswear company in the PRC, was listed on the Main Board of Hong Kong Stock Exchange in 2007. For many years, the Company has been principally engaged in the design, development, manufacturing and marketing of ANTA sportswear series to provide the mass market in the PRC with professional sporting products including footwear, apparel and accessories. In recent years, the Company has accelerated its strategy of "Single-Focus, Multi-Brand, and Omni-Channel" to deepen its footprint in the sportswear market in the PRC. The Company aims to unlock the potential of both the mass and high-end sportswear markets in the PRC by embracing an all-round brand portfolio including ANTA, FILA, DESCENTE, SPRANDI, KINGKOW and KOLON SPORT, and by seizing new opportunities arising in various important retail channels.

INFORMATION ABOUT FV FUND

FV Fund is a limited partnership established under the laws of the Cayman Islands offering limited partnership interests for the purposes of the Acquisition and whose principal business is investment holding. The general partner of FV Fund is FV Babylon Partners GP Ltd which is ultimately controlled by FountainVest Partners.

INFORMATION ABOUT FOUNTAINVEST SPV

FountainVest SPV is an investment holding company owned by funds advised/managed by FountainVest Partners. Founded in 2007, FountainVest Partners is one of the most established independent private equity firms in Asia. FountainVest Partners focuses on long-term oriented investments in industry leaders, partnering closely with management teams to drive growth and create value in diversified areas including in strategy, operations, finance, and industry consolidation. FountainVest Partners has completed a number of successful landmark investments in Asia, Europe, and the U.S.. Sectors of focus include consumer, media & technology, healthcare, industrials, and financial services. FountainVest Partners is backed by some of the largest sovereign wealth funds and public pensions plans around the world, with assets under management of close to US$5.0 billion.

INFORMATION ABOUT ANAMERED INVESTMENTS

Anamered Investments is an investment vehicle owned by Mr. Chip Wilson, chairman of Hold It All Inc., who is a pioneer in vertical retailing and technical apparel. As the founder of lululemon athletica inc., Mr. Wilson is an expert in designing technical fabrications and bringing technical apparel to global markets. Mr. Wilson retains a significant interest in lululemon athletica inc., as well as a well-diversified portfolio of investments in private equity, private companies, public securities, and real estate. Each of the business Mr. Wilson has invested in privately are nurtured and supported by long-term capital and are held to a high standard of performance, governance, financial return and accountability.

INFORMATION ABOUT TENCENT SPV

Tencent SPV is a special purpose vehicle directly owned by Tencent, who was founded in Shenzhen in 1998 and went public on the Main Board of the Hong Kong Stock Exchange in 2004. Tencent uses technology to enrich the lives of Internet users. Its social products WeChat/Weixin and QQ link users to a rich digital content catalogue including games, video, music and books. Its proprietary targeting technology helps advertisers reach out to hundreds of millions of consumers in China. Its infrastructure services including payment, security, cloud and artificial intelligence create differentiated offerings and support its partners' business growth. Tencent seeks to evolve with the Internet by investing in people and innovation.

INFORMATION ABOUT AMER SPORTS

Amer Sports is a sporting goods company with internationally recognized brands including Salomon, Arc'teryx, Peak Performance, Atomic, Mavic, Suunto, Wilson and Precor. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase the enjoyment of sports and outdoor activities. The Amer Sports Group's business is balanced by its broad portfolio of sports and products and a presence in all major markets. Shares of Amer Sports are listed on the Nasdaq Helsinki Stock Exchange (stock code: AMEAS).

Amer Sports' business is balanced through its broad portfolio of sports and products. Amer Sports develops new and better sporting goods through continuous research and development and sells its products to trade customers (including sporting goods chains, specialty retailers, mass merchants, fitness clubs and distributors) and directly to consumers through brand stores, factory outlets and e-commerce. Its major assets included (i) inventories and work in progress of EUR611.5 million and (ii) other receivables of EUR791.3 million as at 30 September 2018.

As at December 2017, Amer Sports owned sales organizations covered 34 countries and employed approximately 8,600 people. Amer Sports global operations encompass business functions from product development to product sourcing, manufacturing and outbound logistics. The majority of Amer Sports' production value is in China and elsewhere in Asia Pacific. Amer Sports owned production facilities in Bulgaria, Austria, France, Finland, Canada and the United States. 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. Amer Sports manufactures its own products, but the majority of its total production value is outsourced. In general, quality control is handled by Amer Sports' own quality control personnel who carry out testing and inspection procedures.

Set out below are certain consolidated financial information of Amer Sports for the years ended 31 December 2016 and 2017 and the nine months ended 30 September 2018.

	For the year ended 31 December		**For the nine months ended 30 September**
	2016	**2017**	**2018**
	(in EUR million)	*(in EUR million)*	*(in EUR million)*
	(audited)	(audited)	(unaudited)
Earnings before taxes	173.0	142.0	99.1
Net result	126.9	93.3	69.3

	As at 31 December 2017	**As at 30 September 2018**
	(in EUR million)	*(in EUR million)*
	(audited)	(unaudited)
Total assets	2,604.2	2,958.0
Net assets	888.0	921.5

HONG KONG LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.69(4)(a)(i) OF THE HONG KONG LISTING RULES

It is a requirement under Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules to include in the Circular in relation to a very substantial acquisition an accountant's report on the company being acquired which is prepared in accordance with Chapter 4 of the Hong Kong Listing Rules. The accounts on which the report is based must relate to a financial period ended six months or less before a circular is issued and the financial information on a company being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer.

The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules on the following grounds:

i. Although Ernst & Young Oy is not registered under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), it is a firm with an international name and reputation and registered with the Finnish Patent and Register Office (PRH) Auditor Oversight Unit (the "**Auditor Oversight Unit**"). The Auditor Oversight Unit keeps a register of auditors of those who have taken the auditor's and specialisation examinations and the aptitude test pursuant to the relevant applicable laws in Finland. Ernst & Young Oy is registered with a recognised body of accountants, namely "Suomen Tilintarkastajat ry". Suomen Tilintarkastajat ry is a member of the International Federation of Accountants, which is the global organisation for the accountancy profession and is comprised of over 175 members and associates in more than 130 countries and jurisdictions including Hong Kong, China and Finland. Ernst & Young Oy is also a full member firm of the reputable international accounting practice of Ernst & Young Global Limited, one of the big four international professional services firms;

ii. The Company believes that there are no material differences between the Target Group's financial statements and those required by an accountants' report under Chapter 4 of the Hong Kong Listing Rules. Nonetheless, the Company has disclosed supplemental financial information of the Target Group in this circular relating to any such differences in order to assist in providing further information to its Shareholders and potential investors;

iii. The Target Group is a company whose shares are listed on the official list of the Nasdaq Helsinki Stock Exchange. The securities laws of Finland and the listing rules of the Nasdaq Helsinki Stock Exchange to which the Target Group is subject prohibits the Target Group from disclosing unpublished information which would be likely to have a significant effect on the price of the Target's securities to selected potential investors only. As a result, the Company has not been able to collect the necessary information relating to the Target Group in strict compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules relating to a very substantial acquisition;

iv. The Directors, to the best of their knowledge, confirmed that there is no material difference between the accounting standards adopted by the Company and the Target Group. The Directors have compared the significant accounting policies adopted by the Target Group as disclosed in the published financial statements with the accounting policies adopted by the Company and are not aware of any material differences between them. The Directors are of the view that the historical financial information of the Target Group has been prepared on a basis materially consistent with the accounting policies normally adopted by the

Company and therefore, a reconciliation statement is not required. The Directors also discussed with KPMG, the Company's auditors, who concur with the Directors' approach in this regard;

v. The Target Company is a listed company on the Nasdaq Helsinki Stock Exchange. The financial information of the Target Group is already publicly available and is audited by Ernst & Young Oy, and is prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS-EU**"). The Company understands that there are no material differences between IFRS-EU and the International Financial Reporting Standards ("**IFRS**") and the Hong Kong Financial Reporting Stardards ("**HKFRS**");

vi. There would be considerable time, resources and costs expected to be incurred to prepare the accountants' report on the Target Group which is likely to cause undue delay to the Acquisition. In assessing the foregoing, the Company estimates that it would cost over EUR6 million to prepare an accountants' report in compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules for the financial years ended 31 December 2015, 2016 and 2017, excluding the cost of preparing the accountants' report in relation to the nine months ended 30 September 2018. This estimate was based on the audit fee of the Target Company for the financial year ended 31 December 2017, which was EUR2.1 million. In terms of the time involved in preparing such an accountants' report in compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules, it is difficult for the Directors to accurately provide an estimate as:

   a. it will depend on the time required to liaise and obtain the financial records, documentation and other materials from the Target Group;

   b. the Target Group consists of several brands and operates in over 30 countries;

   c. the operation of the Target Group's individual brands is relatively independent and would require the joint efforts of several member firms of the Company's auditors to undertake and complete the audit work; and

   d. the Target Group has over 120 subsidiaries in various countries, some of which use languages other than English to prepare their financial statements. The translation of the financial statements in itself would add significant delays and costs over and above the substantive work on preparing the accountants' report.

vii. The Company prepares its financial statements in accordance with both the HKFRS and the IFRS. Having reviewed the published financial statements of the Target Group, the Company understands that the historical financial information of the Target Group for the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018 has been prepared in accordance with IFRS-EU, which to the best knowledge of the Directors and after discussion with KPMG, the Company's auditor, is materially consistent with IFRS and HKFRS adopted by the Company. Hence, there will not be a material impact on the financial statements of the Target Group if they were prepared under IFRS-EU only;

viii. The Company believes that the inclusion of an accountants' report of the Target Group based also on HKFRS in this circular is unduly burdensome for the Company and would create practical difficulties while such accountants' report would not provide additional valuable information to the Shareholders. The Company has encountered practical difficulties in obtaining sufficient access to the underlying books and records of the Target Group, which is also a listed entity with its financial statements audited according to applicable rules and which information is also subject to unpublished price sensitive restrictions under the listing rules of the Nasdaq Helsinki Stock Exchange. Nonetheless, such information is essential for the Company's auditor to conduct an audit or a review on the relevant financial information and analysis of other information of the Target Group for the purpose of complying with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules;

ix. The Directors are of the view that the Company has taken reasonable steps to ensure sufficient information is provided to its Shareholders to make a properly informed assessment of the Target Group under Rule 14.69 of the Hong Kong Listing Rules. The granting of the waiver from strict compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules would not result in an omission of material information in this Circular and would not result in undue risks to its Shareholders; and

x. The Nasdaq Helsinki Stock Exchange is a regulated market in the European Union under the Markets in Financial Instruments Directive 2004/39/EC, more commonly known as "MiFID". Other regulated markets under MiFID in the European Union include the London Stock Exchange, Deutsche Börse AG, and the Stockholm Stock Exchange (operating as "**Nasdaq Stockholm**") and securities listed on such regulated markets must adhere to the stringent regulatory standards imposed by the laws and regulations of the European Union.

The Nasdaq Helsinki Stock Exchange is supervised by the Finnish Financial Supervisory Authority ("**FIN-FSA**"), which is the financial regulatory authority of the Finnish government and is responsible for the supervision of Finland's financial and insurance sectors. In the same capacity as the Securities and Futures Commission of Hong Kong, the FIN-FSA is a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding, which is the first global information-sharing arrangement for securities regulators. The supervision of FIN-FSA includes, amongst others, monitoring disclosure obligations of listed companies, managing inside information of listed companies and notifying managers' transactions, trading in the financial markets, and investigating potential market abuse as well as approving prospectuses, listing particulars and offer documents prepared on securities issues and initial public offerings. In Finland, only members of the Nasdaq Helsinki Stock Exchange and entities acting on their behalf or in their name can trade directly on the Nasdaq Helsinki Stock Exchange. Upon application, the Nasdaq Helsinki Stock Exchange may grant trading member rights to Finnish investment service providers and to investment service providers correspondingly authorised in another state of the European Economic Area which fulfills the requirement set out under Finnish law. Trading members must also fulfill the rules of the Nasdaq Helsinki Stock Exchange and comply with the conditions for membership set out in the Nasdaq Nordic Member Rules. Examples of trading members of the Nasdaq Helsinki Stock Exchange include Goldman Sachs International, J.P. Morgan AG, Credit Suisse Securities (Europe) Ltd, Merrill Lynch International, Morgan Stanley & Co. International Plc, and Deutsche Bank AG.

Based on publicly available information published by Nasdaq, Inc., as at 31 December 2018, there were a total number of 135 companies listed on the Nasdaq Helsinki Stock Exchange with an aggregate market capitalisation of EUR236.2 billion and a daily average turnover value of EUR547.5 million. The disclosure obligations of listed companies on the Nasdaq Helsinki Stock Exchange include periodic disclosure by issuers to provide information regularly on its financial position and result and an ongoing disclosure obligation to provide certain information to the markets in a timely manner and on a continuous basis, referring above all to the disclosure of inside information and other ongoing information as required by the regulators, including the FIN-FSA.

The Nasdaq Helsinki Stock Exchange is the largest securities market in Finland and the largest trading venue for Finnish securities by number of securities traded and trading volume. Equity and equity derivatives trading days comprise all weekdays (Monday through Friday, inclusive) in the calendar year, save for public holidays in Finland. For the year ended 31 December 2016, 2017 and 2018, there were 253, 251 and 250 trading days respectively.

The Company proposes to include the following information on the Target Group to provide meaningful and comprehensive information to the Shareholders to evaluate the Acquisition and make an informed voting decision with respect to the Acquisition:

i. An extract from the 2018 interim report prepared by the Target Company relating to the unaudited financial statements of the Target Group for the nine months ended 30 September 2018 in accordance with the requirements of IFRS-EU, including the International Accounting Standards and IFRS standards and the Standards Interpretations Committee, and IFRS Interpretations Committee interpretations in force in the respective year in accordance with the requirements of the Nasdaq Helsinki Stock Exchange;

ii. Extracts from the published audited financial information for the three years ended 31 December 2015, 2016 and 2017 prepared by the Target relating to the Target Group, which have been prepared in accordance with the requirements of IFRS-EU, including the International Accounting Standards and IFRS standards and the Standards Interpretations Committee, and IFRS Interpretations Committee interpretations in force in each respective year in accordance with the requirements of the Nasdaq Helsinki Stock Exchange; and

(iii) the supplemental financial information of the Target Group, which was not included in the Target Group's financial statements showing the relevant financial information relating to the three years ended 31 December 2015, 2016, 2017 and the nine months ended 30 September 2018, in the section entitled "Appendix IV – Financial Information of the Target Group – Supplemental Financial Information of the Target Group."

As of the date of this circular, waiver from strict compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules has been granted by the Hong Kong Stock Exchange.

EGM

The notice convening the EGM to be held at Regus Business Centre, 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong at 10:00 a.m. on Friday, 22 February 2019 is set out on pages EGM-1 to EGM-3 of this circular.

As at the date of this circular and to the best of the Director's knowledge, information and belief, the Board is not aware that any Shareholder has a material interest in the Acquisition and the transactions contemplated thereunder, therefore no Shareholder is required to abstain from voting on the proposed resolution to approve the Acquisition and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM any adjournment thereof should you so wish.

RECOMMENDATION

The Directors consider that the Acquisition and the transactions contemplated under, incidental to, ancillary to, in connection with or for the ultimate purpose of the Acquisition and the related agreements entered and/or to be entered into by the Group, including the escrow arrangement in connection with the Combination Agreement, the financing arrangement and the provision of guarantee given by the Company under the Recourse Senior Facilities Agreement, and the financing arrangement, the provision of guarantee and other securities given by Midco and/or its subsidiaries under the Commitment Letter and the Interim Facilities Agreement and the Non-Recourse Senior Facilities Agreement are fair and reasonable and in the interests of the shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Hong Kong Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM pursuant to Article 66 of the Company's articles of association.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members will be closed from Tuesday, 19 February 2019 to Friday, 22 February 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 18 February 2019.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

WARNING

AS COMPLETION OF THE TENDER OFFER IS SUBJECT TO THE FULFILLMENT (OR WAIVER) OF THE OFFER CONDITIONS, THE ACQUISITION MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
ANTA Sports Products Limited
Ding Shizhong
Chairman

HISTORICAL TRACK RECORD PERIOD ACCOUNTS

A. UNAUDITED FINANCIAL STATEMENTS OF THE TARGET GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

The following is an extract of the unaudited financial statements of the Target Group for the nine months ended 30 September 2018, which were prepared in accordance with IFRS, from the Target Group's interim report January to September 2018 (pages 10 – 32).

Specific page/section references mentioned in the unaudited financial statements of the Target Group for the nine months ended 30 September 2018 are referred to in the Target Group's interim report January to September 2018 which is available free of charge, in read-only, printable format on the Target Group's website at https://www.amersports.com/investors/.

Based on the unaudited financial statements of the Target Group for the nine months ended 30 September 2018, the Company calculated that the gearing ratio of the Target Group for the nine months ended 30 September 2018 is approximately 103%.

Unaudited

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 is assessing market interest for its Cycling asset and 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 for 2017 have been restated in accordance with IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments.

EUR million

CONSOLIDATED RESULTS

	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %	2017
NET SALES	757.2	697.9	8	1,804.0	1,788.6	1	2,574.6
Cost of goods sold	-407.4	-380.2		-972.5	-984.2		-1,422.2
License income	1.4	1.5		3.5	3.9		5.5
Other operating income	1.8	-2.1		3.4	3.5		6.2
Research and development expenses	-21.9	-38.2		-66.4	-86.1		-111.4
Selling and marketing expenses	-173.9	-170.1		-511.9	-522.8		-710.5
Administrative and other expenses	-45.5	-39.0		-135.0	-126.1		-172.7
EARNINGS BEFORE INTEREST AND TAXES	111.7	69.8		125.1	76.8		169.5
% of net sales	14.8	10.0		6.9	4.3		6.6
Financing income and expenses	-9.7	-6.3		-26.0	-20.3		-26.6
EARNINGS BEFORE TAXES	102.0	63.5		99.1	56.5		142.9
Taxes	-25.5	-16.5		-25.2	-14.4		-49.1
NET RESULT FROM CONTINUING OPERATIONS	76.5	47.0		73.9	42.1		93.8
Losses from discontinued operations	-2.9	0.0		-4.6	-0.1		-0.9
NET RESULT	73.6	47.0		69.3	42.0		92.9
Attributable to:							
Equity holders of the parent company	73.6	47.0		69.3	42.0		92.9
Earnings per share from continuing operations, EUR	0.66	0.40		0.64	0.36		0.80
Earnings per share from continuing operations, diluted, EUR	0.66	0.40		0.64	0.36		0.80
Earnings per share from continuing and discontinued operations, EUR	0.64	0.40		0.60	0.36		0.80
Earnings per share from continuing and discontinued operations, diluted, EUR	0.63	0.40		0.60	0.36		0.79
Adjusted average number of shares in issue less own shares, million				115.2	116.9		116.7
Adjusted average number of shares in issue less own shares, diluted, million				116.0	117.4		117.2

	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %	2017
Equity per share, EUR				8.00	7.38		7.70
ROCE, % *)				13.7	10.0		11.6
ROE from continuing operations, %				10.9	6.0		9.9
ROE from continuing and discontinued operations, %				10.2	6.0		9.8
Average rates used: EUR 1.00 = USD	1.1626	1.1732		1.1952	1.1124		1.1286

*) 12 months' rolling average

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Net result	73.6	47.0	69.3	42.0	92.9
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement effects of postemployment benefit plans	-1.4	-1.7	3.0	-6.3	2.2
Income tax related to remeasurement effects	0.3	0.6	-0.5	2.2	-0.5
Items that may be reclassified to profit or loss					
Translation differences	2.7	-11.0	10.8	-29.5	-28.0
Cash flow hedges	4.4	-14.9	44.3	-68.1	-68.4
Income tax related to cash flow hedges	-0.9	3.0	-8.8	13.6	13.6
Other comprehensive income, net of tax	5.1	-24.0	48.8	-88.1	-81.1
Total comprehensive income	78.7	23.0	118.1	-46.1	11.8
Total comprehensive income attributable to:					
Equity holders of the parent company	78.7	23.0	118.1	-46.1	11.8

NET SALES BY OPERATING SEGMENT (continuing operations)

	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %	2017
Outdoor	522.0	468.9	11	1,087.3	1,035.9	5	1,540.0
Ball Sports	147.2	141.2	4	470.4	496.0	-5	659.0
Fitness	88.0	87.8	0	246.3	256.7	-4	375.6
Total	757.2	697.9	8	1,804.0	1,788.6	1	2,574.6

GEOGRAPHIC BREAKDOWN OF NET SALES (continuing operations)

	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %	2017
EMEA	351.3	312.4	12	766.3	727.4	5	1,087.6
Americas	302.8	294.5	3	764.0	807.5	-5	1,122.2
Asia Pacific	103.1	91.0	13	273.7	253.7	8	364.8
Total	757.2	697.9	8	1,804.0	1,788.6	1	2,574.6

EBIT EXCLUDING ITEMS AFFECTING COMPARABILITY (IAC) BY OPERATING SEGMENT (continuing operations)

	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %	2017
Outdoor	113.1	99.8	13	118.8	97.0	22	178.4
Ball Sports	7.7	6.3	22	33.6	31.4	7	45.2
Fitness	1.2	4.5	-73	1.3	7.7	-83	20.1
Headquarters *)	-5.1	-6.8		-19.2	-19.8		-29.3
EBIT excluding IAC	116.9	103.8	13	134.5	116.3	16	214.4
IAC	-5.2	-34.0		-9.4	-39.5		-44.9
EBIT	111.7	69.8	60	125.1	76.8	63	169.5

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

CONSOLIDATED CASH FLOW STATEMENT

	Note	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Earnings before interest and taxes from continuing operations		111.7	69.8	125.1	76.8	169.5
Earnings before interest and taxes from discontinued operations		-3.5	0.0	-6.1	0.0	-1.7
Adjustments to cash flow from operating activities and depreciation		19.4	35.8	59.7	68.1	84.5
Change in working capital		-210.8	-119.1	-222.1	-46.7	46.6
Cash flow from operating activities before financing items and taxes		-83.2	-13.5	-43.4	98.2	298.9
Interest paid and received		-12.1	-9.9	-27.0	-20.5	-28.0
Income taxes paid and received		-11.4	-7.5	-27.3	-21.0	-29.9
Net cash flow from operating activities		-106.7	-30.9	-97.7	56.7	241.0
Acquired operations		–	–	-241.4	-2.3	-2.3
Capital expenditure on non-current tangible and intangible assets		-22.4	-16.6	-54.1	-49.7	-83.6
Proceeds from sale of tangible non-current assets		–	0.1	0.3	0.9	0.8
Net cash flow from investing activities		-22.4	-16.5	-295.2	-51.1	-85.1
Repurchase of own shares		–	–	-4.3	-23.5	-53.1
Capital repayment	*3*	–	–	-80.7	-72.7	-72.7
Change in debt and other financing items		177.1	32.1	319.8	-38.8	-30.3

	Note	**7-9/ 2018**	**7-9/ 2017**	**1-9/ 2018**	**1-9/ 2017**	**2017**
Net cash flow from financing activities		177.1	32.1	234.8	-135.0	-156.1
Cash and cash equivalents on July 1/January 1		152.9	246.4	358.4	364.0	364.0
Translation differences		-1.5	-1.8	-0.9	-5.3	-5.4
Change in cash and cash equivalents		48.0	-15.3	-158.1	-129.4	-0.2
Cash and cash equivalents on September 30/ December 31		199.4	229.3	199.4	229.3	358.4
Free cash flow *)		-132.2	-55.8	-152.8	5.1	161.3

*) Cash flow from operating activities - net capital expenditures - change in restricted cash
Net capital expenditure = total capital expenditure less proceeds from sale of assets

CONSOLIDATED BALANCE SHEET

	Note	**September 30, 2018**	**September 30, 2017**	**December 31, 2017**
Assets				
Goodwill		413.4	344.9	344.3
Other intangible non-current assets		465.3	301.7	304.9
Tangible non-current assets		232.5	213.3	228.0
Other non-current assets		106.6	118.9	112.5
Inventories and work in progress		611.5	562.6	481.3
Current tax receivables		18.6	13.1	18.5
Other receivables		791.3	710.2	754.2
Cash and cash equivalents		198.1	229.3	358.4
Assets held for sale		120.7	–	–
Total assets	*2*	2,958.0	2,494.0	2,602.1
Shareholders' equity and liabilities				
Shareholders' equity		921.5	860.1	885.4
Long-term interest-bearing liabilities		742.7	792.0	632.8
Other long-term liabilities		170.0	130.6	135.3
Current interest-bearing liabilities		403.5	45.4	186.3
Current tax liabilities		40.6	25.8	48.0
Other current liabilities		616.1	597.0	668.3
Provisions		45.1	43.1	46.0
Liabilities held for sale		18.5	–	–
Total shareholders' equity and liabilities		2,958.0	2,494.0	2,602.1
EUR 1.00 = USD		1.1576	1.1806	1.1993

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Other OCI items	Re-measurements	Invested unrestricted equity reserve	Retained earnings	Total
Balance at January 1, 2018		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					10.8						10.8
Cash flow and fair value hedges						43.7	0.6				44.3
Income tax related to OCI						-8.7	-0.1	-0.5			-9.3
Remeasurement effects of postemployment benefit plans								3.0			3.0
Net result										69.3	69.3
Total comprehensive income					10.8	35.0	0.5	2.5		69.3	118.1
Transactions with owners:											
Repurchased own shares				-4.3							-4.3
Cancellation of shares				39.3						-39.3	0.0
Share-based incentive program				4.1						-1.1	3.0
Capital repayment	*3*								-80.7		-80.7
Balance at September 30, 2018		292.2	12.1	-27.7	15.9	8.0	0.0	-43.0	9.7	654.3	921.5

	Note	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Restated Other OCI items	Re-measure-ments	Invested unrestricted equity reserve	Restated 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					-29.5						-29.5
Cash flow and fair value hedges						-68.1	0.8			-0.8	-68.1
Income tax related to OCI						13.6	-0.2	2.2		0.2	15.8
Remeasurement effects of postemployment benefit plans								-6.3			-6.3
Net result, restated with IFRS 15										42.0	42.0
Total comprehensive income					-29.5	-54.5	0.6	-4.1		41.4	-46.1
Transactions with owners:											
Repurchased own shares				-23.5							-23.5
Share-based incentive program				2.0						-0.5	1.5
Capital repayment	3								-72.7		-72.7
Balance at September 30, 2017		292.2	12.1	-37.0	3.6	-26.7	-0.2	-51.3	90.4	577.0	860.1

	Note	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Restated Other OCI items	Re-measurements	Invested unrestricted equity reserve	Restated 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
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
Remeasurement effects of postemployment benefit plans								2.2			2.2
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:											
Repurchased own shares				-53.1							-53.1
Share-based incentive program				1.8						0.5	2.3
Capital repayment	3								-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

QUARTERLY BREAKDOWN OF NET SALES AND EBIT EXCLUDING IAC (continuing operations)

NET SALES	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4 2017	Q3/ 2017	Q2/ 2017	Q1/ 2017	Q4/ 2016*)
Outdoor	522.0	216.2	349.1	504.1	468.9	210.1	356.9	452.4
Ball Sports	147.2	159.0	164.2	163.0	141.2	169.8	185.0	171.9
Fitness	88.0	79.9	78.4	118.9	87.8	84.4	84.5	109.8
Total	757.2	455.1	591.7	786.0	697.9	464.3	626.4	734.1

EBIT	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4 2017	Q3/ 2017	Q2/ 2017	Q1/ 2017	Q4/ 2016*)
Outdoor	113.1	-27.9	33.6	81.4	99.8	-28.5	25.7	70.7
Ball Sports	7.7	11.0	14.9	13.8	6.3	9.3	15.8	12.8
Fitness	1.2	0.0	0.1	12.4	4.5	2.5	0.7	6.8
Headquarters	-5.1	-5.8	-8.3	-9.5	-6.8	-5.2	-7.8	-8.0
EBIT excluding IAC	116.9	-22.7	40.3	98.1	103.8	-21.9	34.4	82.3
IAC	-5.2	-4.0	-0.2	-6.7	-34.0	1.1	-6.6	-6.0
EBIT	111.7	-26.7	40.1	91.4	69.8	-20.8	27.8	76.3

*) Not restated in accordance with IFRS 15

THE NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with IFRS standards and interpretations in force as at January 1, 2018 as adopted by the EU. The IFRS recognition and measurement principles as described in the annual financial statements for 2017 have also been applied in the preparation of the interim financial information.

From January 1, 2018 Amer Sports has adopted the new standards IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers'.

The new standard **IFRS 9 Financial instruments** gives guidance on the classification, measurement and impairment of the financial assets as well as general hedge accounting and derecognition of financial instruments. IFRS 9 replaces the standard IAS 39. Amer Sports has adopted the new standard by applying it retrospectively from January 1, 2018. The key impacts arising from the adoption of the new standard are:

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

Amer Sports has reclassified its non-current and current financial assets under IFRS 9. The non-current financial assets, which have been previously classified as 'Available-for-sale financial assets', have been reclassified to 'Financial assets at fair value through OCI'. The other non-current financial assets have been 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 and cash equivalents, commercial papers and deposits have been 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 have been 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 measurements of Amer Sports financial assets.

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

The table of the classifications under IFRS 9 versus IAS 39 is disclosed in the Note 11 in this interim report.

(II) Impairment of financial assets

The new 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 has 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 is 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 are 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 impact on Amer Sports financial statements.

(III) Hedge accounting

A new hedge accounting model to simplify the hedge accounting and align the hedge accounting more closely with the risk management strategy and objectives has been introduced in IFRS 9. IFRS 9 allows derivatives that hedge non-financial components of a price risk and 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 these options. 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 are 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 1.1.2017 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 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 in this interim report.

The new standard **IFRS 15 Revenue from contracts with customers** outlines the accounting requirements for when and how much to recognize revenue from the sale of goods and rendering of services based on a new 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. IFRS 15 replaces the existing revenue standards and interpretations including e.g. IAS 11 Construction contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programs. Amer Sports has adopted the standard using the full retrospective approach. The accumulated effect of the retrospective application is recognized by adjusting the opening balance of the retained earnings for the earliest comparative period presented, which for Amer Sports is the financial period beginning on January 1, 2017. The key impacts arising from the adoption of the new standard are:

(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 have been 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 are recognized as gross amounts. This leads 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 has harmonized and sharpened its accounting principles and practices. The impact of this harmonization in the consolidated financial statements is not material.

(III) Other IFRS 15 areas

The other identified IFRS 15 areas that are applicable to Amer Sports business are 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 is not material.

Amer Sports has restated the 2017 figures and disclosed them in a separate transition document (stock exchange release dated April 13, 2018), which is available on www.amersports.com. The restated figures for the financial year 2017 are used in this interim report.

The new standard **IFRS 16 Leases** will have 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 leasing assets and leasing liabilities. The off-balance sheet operating lease commitments as of September 30, 2018 were EUR 238.1 million (EUR 231.9 million as of December 31, 2017). 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. In 2017 Amer Sports started to collect 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 and continues the development work in 2018. Amer Sports will adopt the new standard from the annual period beginning on January 1, 2019 using the modified retrospective method.

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.

2. SEGMENT INFORMATION (continuing operations)

Amer Sports has three operating segments: Outdoor, Ball Sports and Fitness.

The accounting policies for segment reporting do not differ from the Group's accounting policies. However, the decisions concerning assessing the performance of segments and allocation of resources to the segments are based on segments' net sales and earnings before interest and taxes excluding items affecting comparability (EBIT excluding IAC). The chief operating decision maker of Amer Sports is President and CEO, who is assisted by the Executive Board.

There were no inter segment business operations during the reported periods.

	Net sales	EBIT	Financing income and expenses	Earnings before taxes	Assets
1-9/2018					
Outdoor	1,087.3	118.8			1,574.3
Ball Sports	470.4	33.6			513.1
Fitness	246.3	1.3			354.5
Segments, total	1,804.0	153.7			2,441.9
IAC		-9.4			
Headquarters		-19.2	-26.0		395.4
Total					2,837.3
Assets held for sale					120.7
Group total	1,804.0	125.1	-26.0	99.1	2,958.0
1-9/2017					
Outdoor	1,035.9	97.0			1,263.5
Ball Sports	496.0	31.4			449.5
Fitness	256.7	7.7			337.2
Segments, total	1,788.6	136.1			2,050.2
IAC		-39.5			
Headquarters		-19.8	-20.3		443.8
Group total	1,788.6	76.8	-20.3	56.5	2,494.0
1-12/2017					
Outdoor	1,540.0	178.4			1,193.9
Ball Sports	659.0	45.2			489.8
Fitness	375.6	20.1			351.1
Segments, total	2,574.6	243.7			2,034.8
IAC		-44.9			
Headquarters		-29.3	-26.6		567.3
Group total	2,574.6	169.5	-26.6	142.9	2,602.1

NET SALES (continuing operations)

	1-9/2018	1-9/2017	2017
Footwear	376.0	401.2	500.8
Apparel	379.7	338.2	482.3
Winter Sports Equipment	218.5	200.6	415.2
Sports Instruments	113.1	95.9	141.7
Outdoor	1,087.3	1,035.9	1,540.0
Individual Ball Sports	218.9	234.4	296.9
Team Sports	251.5	261.6	362.1
Ball Sports	470.4	496.0	659.0
Fitness	246.3	256.7	375.6
Total	1,804.0	1,788.6	2,574.6

GEOGRAPHIC BREAKDOWN OF NET SALES (continuing operations)

	1-9/2018	1-9/2017	2017
EMEA	766.3	727.4	1,087.6
Americas	764.0	807.5	1,122.2
Asia Pacific	273.7	253.7	364.8
Total	1,804.0	1,788.6	2,574.6

REVENUE STREAMS (continuing operations)

	1-9/2018	1-9/2017	2017
Sale of products and services	1,804.0	1,788.6	2,574.6
Licence income	3.5	3.9	5.5
Other operating income	3.4	2.9	5.6
Total	1,810.9	1,795.4	2,585.7

3. CAPITAL REPAYMENT

Relating to the year ending on December 31, 2017, the capital repayment distributed to the shareholders of Amer Sports Corporation was EUR 0.70 per share and amounted in total to EUR 80.7 million (2017: capital repayment 0.62 per share, in total 72.7 million). The capital repayment was paid out in March 2018.

4. CONTINGENT LIABILITIES AND SECURED ASSETS

	September 30, 2018	September 30, 2017	December 31, 2017
Guarantees	45.4	35.9	35.8
Liabilities for leasing and rental agreements	238.1	226.2	231.9
Other liabilities	63.1	76.8	72.5

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

5. 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.

6. SEASONALITY

Although Amer Sports operates in a number of sporting goods segments during all four seasons, its business is subject to seasonal fluctuations. Historically, the third and fourth quarters of a financial year have been the strongest quarters for Amer Sports in terms of both net sales and profitability, mainly because sales of winter sports equipment ahead of the winter season typically take place during the third and fourth quarters. The summer season for ball sports balances seasonality to a certain extent, as the strongest quarters for the Ball Sports segment are the first and second quarters. Usually the net cash flow from operating activities is very strong in the first quarter when the cash inflows from the sales of winter sports equipment realize. Especially during the third quarter, the net cash flow from operating activities is tied up in working capital.

7. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI MEASURED AT FAIR VALUE

The fair values of financial assets and liabilities whose fair value is recognized through income statement and derivative financial instruments used in hedge accounting are presented in the following table. All derivatives are classified as Level 2 instruments whose fair value is determined by using valuation techniques from observable market data. Financial assets at fair value through OCI are classified as Level 3 instruments and valued by using valuation techniques without any observable market data.

The company's derivative financial 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, liabilities and future cash flows 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.

Derivative financial instruments are initially and subsequently recognized at fair value. Fair values of foreign currency denominated derivatives are measured by recognizing the exchange rate difference by using the closing rates quoted by the European Central Bank on the reporting date. The future cash flows related to forward contract's interest rate differential are discounted with the relevant market interest rate yield curves on the reporting date and compared with initial interest rate differential. The time value of foreign exchange options is measured using commonly known option pricing models. The expected future cash flows of the interest rate swaps and cross currency swaps are discounted with the market interest yield curves of the currencies concerned. Interest rate options are valued by using commonly known option pricing models. The accrued interest of forward contracts, interest rate swaps and cross currency swaps are periodized over the duration of the instruments on a net basis.

The counter party risk of the company hasn't materially changed and hence has no material effect on the valuation of the company's derivative instruments.

Financial assets at fair value through OCI are Level 3 instruments whose exact fair values can't be reliably measured. The fair values of financial assets at fair value through OCI are presented at bookkeeping value or a lower value if they are impaired. The fair values do not materially deviate from the bookkeeping value.

September 30, 2018	**Financial assets/ liabilities at fair value through profit and loss**	**Derivative financial instruments used in hedge accounting**	**Financial assets at fair value through OCI**
Non-current financial assets			
Other non-current financial assets			1.3
Foreign exchange derivatives		1.3	
Interest rate derivatives and cross currency swaps	7.9	0.1	
Current financial assets			
Foreign exchange derivatives	3.4	17.6	
Interest rate derivatives and cross currency swaps	2.8	0.0	
Long-term financial liabilities			
Foreign exchange derivatives		0.7	
Interest rate derivatives and cross currency swaps	6.0	0.0	
Current financial liabilities			
Foreign exchange derivatives	9.5	8.4	
Interest rate derivatives and cross currency swaps	16.8		
Nominal value of foreign exchange derivatives	662.9	1,222.3	
Nominal value of interest rate derivatives	156.6	579.3	
Nominal value of cross currency swaps		72.8	

September 30, 2017	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Financial assets at fair value through OCI
Non-current financial assets			
Other non-current financial assets			0.6
Foreign exchange derivatives		2.1	
Interest rate derivatives and cross currency swaps	10.5	0.0	
Current financial assets			
Foreign exchange derivatives	11.9	13.6	
Long-term financial liabilities			
Foreign exchange derivatives		5.5	
Interest rate derivatives and cross currency swaps	20.6	2.9	
Current financial liabilities			
Foreign exchange derivatives	1.6	40.7	
Interest rate derivatives and cross currency swaps		0.2	
Nominal value of foreign exchange derivatives	602.1	1,251.7	
Nominal value of interest rate derivatives	135.0	228.6	
Nominal value of cross currency swaps		77.7	

December 31, 2017	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Financial assets at fair value through OCI
Non-current financial assets			
Other non-current financial assets			0.4
Foreign exchange derivatives		1.6	
Interest rate derivatives and cross currency swaps	10.1		
Current financial assets			
Foreign exchange derivatives	11.0	14.4	
Interest rate derivatives and cross currency swaps	2.2		
Long-term financial liabilities			
Foreign exchange derivatives		3.8	
Interest rate derivatives and cross currency swaps	9.6	1.6	
Current financial liabilities			
Foreign exchange derivatives	2.3	44.3	
Interest rate derivatives and cross currency swaps	13.5	0.7	
Nominal value of foreign exchange derivatives	764.8	1,358.1	
Nominal value of interest rate derivatives	185.0	226.7	
Nominal value of cross currency swaps		76.2	

8. 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 preliminary acquisition price was DKK 1,804 million (approx. EUR 242.1 million), which was paid in June. The acquisition will have a minor positive impact on Amer Sports' 2018 financial results.

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 242.1 million. EUR 191.9 million of the fair value was allocated to the non-current intangible assets including customer relationships and marketing related intangibles. EUR 80.1 million of the fair value was allocated to goodwill.

The following fair values of the assets and liabilities of Peak Performance have been consolidated into Amer Sports balance sheet from the acquisition date. The calculation of the purchase price allocation is preliminary and will be finalized during 2018.

EUR million	**Fair value**
Intangible non-current assets	191.9
Goodwill	80.1
Other non-current assets	9.6
Inventories	15.4
Accounts receivables and other current assets	22.5
Cash	0.7
TOTAL ASSETS	320.2
Interest-free liabilities	78.1
NET ASSETS	242.1
Purchase price	242.1

Analysis of the cash flows on the acquisition

EUR million	**Fair value**
Purchase price	242.1
Peak Performance cash	-0.7
Transaction costs	2.4
Net cash flow on acquisition	243.8

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.

9. 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 is assessing market interest for its Cycling asset and 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 result of the Cycling business is shown as discontinued operations in the consolidated income statement:

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Net sales	26.9	31.6	86.8	100.9	134.6
Cost of goods sold	-17.9	-19.1	-54.5	-59.5	-80.3
License income	0.0	0.0	0.0	0.1	0.2
Other operating income	0.3	0.2	0.4	0.5	0.8
Operating and other expenses	-12.8	-12.7	-38.8	-42.0	-57.1
Earnings before interest and taxes	-3.5	0.0	-6.1	0.0	-1.8
Financing income and expenses	-0.1	0.1	-0.3	0.3	0.4
Earnings before taxes	-3.6	0.1	-6.4	0.3	-1.4
Taxes	0.7	-0.1	1.8	-0.4	0.5
Net result	-2.9	0.0	-4.6	-0.1	-0.9
Earnings per share from discontinued operations, EUR	-0.03	0.00	-0.04	0.00	-0.01
Earnings per share from discontinued operations, diluted, EUR	-0.03	0.00	-0.04	0.00	-0.01

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

	September 30, 2018
Goodwill	18.2
Other intangible non-current assets	38.1
Tangible non-current assets	7.1
Other non-current assets	1.9
Inventories	36.3
Other receivables	17.8
Cash	1.3
Total assets held for sale	120.7
Long-term interest-free liabilities	4.8
Current interest-free liabilities	13.7
Total liabilities held for sale	18.5
Net assets held for sale	102.2

10. FORMULAS AND BRIDGE CALCULATIONS OF KEY INDICATORS

Amer Sports uses Alternative Performance Measures (APMs) in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA). APMs are reported in addition to, but not substituting, the performance measures reported in accordance with IFRS. APMs are derived from the performance measures reported in accordance with IFRS by adjusting them by Items Affecting Comparability (IAC). Amer Sports presents APMs to reflect the underlying business performance and to enhance comparability between financial periods.

For Amer Sports the key financial ratios to monitor and manage capital structure of the company are Net debt/LTM EBITDA excl. IAC and Net debt/Equity. These will be reported on quarterly basis and reporting of Equity ratio and Gearing will be discontinued.

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.

EBIT EXCLUDING IAC (continuing operations):

EBIT + IAC

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
EBIT	111.7	69.8	125.1	76.8	169.5
IAC	5.2	34.0	9.4	39.5	44.9
EBIT excluding IAC	116.9	103.8	134.5	116.3	214.4

EBIT % excluding IAC (continuing operations):

$$100 \times \frac{\text{EBIT + IAC}}{\text{Net Sales}}$$

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.

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Restructuring program 2016	–	–	–	8.5	8.5
Restructuring program 2016 expansion and write-downs	–	31.0	4.2	31.0	35.5
Acquisition related accounting adjustments	–	3.0	–	–	0.9
Advisory cost related to M&A activities	5.2	–	5.2	–	–
Items affecting comparability total	5.2	34.0	9.4	39.5	44.9

EARNINGS PER SHARE excluding IAC (continuing operations):

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

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Net result	76.5	47.0	73.9	42.1	93.8
IAC	5.2	34.0	9.4	39.5	44.9
Tax effect of IAC	-1.3	-8.9	-2.4	-10.3	-12.2
Write-down of deferred tax assets due to US federal tax rate reduction	–	–	–	–	10.4
Net result excluding IAC	80.4	72.1	80.9	71.3	136.9

EBITDA (continuing operations):

EBIT + Depreciations and amortizations

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
EBIT	111.7	69.8	125.1	76.8	169.5
Depreciations and amortizations	18.9	14.7	52.3	49.6	65.3
EBITDA	130.6	84.5	177.4	126.4	234.8

EBITDA excluding IAC (continuing operations):

EBIT excluding IAC + Depreciations and amortizations

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
EBIT	111.7	69.8	125.1	76.8	169.5
IAC	5.2	34.0	9.4	39.5	44.9
Depreciations and amortization	18.9	14.7	52.3	49.6	65.3
EBITDA excl. IAC	135.8	118.5	186.8	165.9	279.7

NET DEBT (continuing operations):

Long-term and current Interest-bearing liabilities – cash and cash equivalents

	September 30, 2018	September 30, 2017	December 31, 2017
Long-term interest-bearing liabilities	742.7	792.0	632.8
Current interest-bearing liabilities	403.5	45.4	186.3
Cash and cash equivalents*)	-199.4	-229.3	-358.4
NET DEBT	946.8	608.1	460.7

*) 2018 cash and cash equivalents include both continuing and discontinued operations

NET DEBT/LTM EBITDA excl. IAC (continuing operations):

$$100 \times \frac{\text{Net Debt}}{\text{12 months' rolling EBIT excl. IAC + 12 months' rolling depreciations and amortizations}}$$

NET DEBT/EQUITY (continuing operations):

$$\frac{\text{Long-term and current Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$$

FREE CASH FLOW:

Cash flow from operating activities - net capital expenditures - change in restricted cash

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Cash flow from operating activities	-106.7	-30.9	-97.7	56.7	241.0
Net capital expenditures	-22.4	-16.5	-53.8	-48.8	-82.8
Restricted cash	-3.1	-8.4	-1.3	-2.8	3.1
FREE CASH FLOW	-132.2	-55.8	-152.8	5.1	161.3

NET CAPITAL EXPENDITURE:

Total capital expenditure on non-current tangible and intangible assets - proceeds from sale of assets

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	2017
Total capital expenditure on non-current tangible and intangible assets	-22.4	-16.6	-54.1	-49.7	-83.6
Proceeds from sale of assets	–	0.1	0.3	0.9	0.8
NET CAPITAL EXPENDITURE	-22.4	-16.5	-53.8	-48.8	-82.8

11. CLASSIFICATIONS UNDER IAS 39 AND IFRS 9

EUR million	Classification under IAS 39	Classification under IFRS 9	Carrying amount by category at 1.1.2018 under IAS 39	Carrying amount by category at 1.1.2018 under IFRS 9
NON-CURRENT FINANCIAL ASSETS				
Other non-current financial assets	Loans and other receivables	Financial assets measured at amortized cost	4.5	4.5
Other non-current financial assets	Available for sale financial assets	Financial assets at fair value through OCI	0.4	0.4
Derivative financial instruments				
Foreign exchange derivatives	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss	–	–
Foreign exchange derivatives	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	1.6	1.6
Interest rate derivatives and cross currency swaps	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss	10.1	10.1
Interest rate derivatives and cross currency swaps	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	–	–
CURRENT FINANCIAL ASSETS				
Accounts receivable	Loans and other receivables	Financial assets measured at amortized cost	557.8	557.8
Accounts receivable – hold to collect and sell	Loans and other receivables	Financial assets at fair value through OCI	37.7	37.7
Other non-interest yielding receivables	Loans and other receivables	Financial assets measured at amortized cost	93.5	93.5
Other non-interest yielding receivables	Loans and other receivables	Financial assets at fair value through OCI	4.2	4.2
Derivative financial instruments				
Foreign exchange derivatives	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss	11.0	11.0
Foreign exchange derivatives	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	14.4	14.4
Interest rate derivatives and cross currency swaps	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss	2.2	2.2
Interest rate derivatives and cross currency swaps	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	–	–
Cash in hand and short term deposits	Loans and other receivables	Financial assets measured at amortized cost	328.4	328.4
Money market funds	Loans and other receivables	Financial assets at fair value through OCI	30.0	30.0
LONG-TERM FINANCIAL LIABILITIES				
Long-term interest-bearing liabilities	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	632.8	632.8
Other long-term liabilities	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	28.6	28.6
Derivative financial instruments				
Foreign exchange derivatives	Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through profit and loss	–	–

EUR million	Classification under IAS 39	Classification under IFRS 9	Carrying amount by category at 1.1.2018 under IAS 39	Carrying amount by category at 1.1.2018 under IFRS 9
Foreign exchange derivatives	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	3.8	3.8
Interest rate derivatives and cross currency swaps	Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through profit and loss	9.6	9.6
Interest rate derivatives and cross currency swaps	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	1.6	1.6
CURRENT FINANCIAL LIABILITIES				
Current interest-bearing liabilities	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	186.3	186.3
Accounts payable	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	315.0	315.0
Other current liabilities	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	244.6	244.6
Derivative financial instruments				
Foreign exchange derivatives	Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through profit and loss	2.3	2.3
Foreign exchange derivatives	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	44.3	44.3
Interest rate derivatives and cross currency swaps	Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through profit and loss	13.5	13.5
Interest rate derivatives and cross currency swaps	Derivative financial instruments used in hedge accounting	Derivative financial instruments used in hedge accounting	0.7	0.7

All forecasts and estimates presented in this report are based on the management's current judgment of the economic environment. The actual results may differ significantly.

AMER SPORTS CORPORATION

Board of Directors

B. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The following is an extract of the audited financial statements of the Target Group for the year ended 31 December 2017, which were prepared in accordance with IFRS, from the Target Group's financial review 2017 (pages 19 – 60).

Specific page/section references mentioned in the audited financial statements of the Target Group for the year ended 31 December 2017 are referred to in the Target Group's financial review 2017 which is available free of charge, in read-only, printable format on the Target Group's website at https://www.amersports.com/investors/.

CONSOLIDATED INCOME STATEMENT

EUR million	*Notes*	**2017**	**2016**
NET SALES	*2*	2,685.2	2,622.1
Cost of goods sold	*7*	-1,478.3	-1,409.7
License income		5.7	6.8
Other operating income	*4*	7.0	8.8
Research and development expenses	*7*	-120.2	-97.5
Selling and marketing expenses	*7*	-744.2	-731.1
Administrative and other expenses	*7, 8, 9*	-186.9	-194.6
EARNINGS BEFORE INTEREST AND TAXES		168.3	204.8
% of net sales		6.3	7.8
Financing income	*10*	6.1	1.1
Financing expenses	*10*	-32.4	-32.9
Financing income and expenses, net		-26.3	-31.8
EARNINGS BEFORE TAXES		142.0	173.0
Income taxes	*11*	-48.7	-46.1
NET RESULT		93.3	126.9
Attributable to:			
Equity holders of the parent company		93.3	126.9
Earnings per share of the net result attributable to equity holders of the parent company, EUR	*12*		
Undiluted		0.80	1.08
Diluted		0.80	1.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	*Notes*	**2017**	**2016**
Net result		93.3	126.9
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement effects of postemployment benefit plans		2.2	-8.9
Income tax related to remeasurement effects		-0.5	-3.2
Items that may be reclassified to profit or loss			
Translation differences		-28.0	16.1
Cash flow hedges	*26*	-68.4	-20.0
Income tax related to cash flow hedges	*26*	13.6	4.0
Other comprehensive income (loss), net of tax		-81.1	-12.0
TOTAL COMPREHENSIVE INCOME		12.2	114.9
Total comprehensive income attributable to:			
Equity holders of the parent company		12.2	114.9

CONSOLIDATED CASH FLOW STATEMENT

EUR million	*Notes*	**2017**	**2016**
NET CASH FLOW FROM OPERATING ACTIVITIES			
Earnings before interest and taxes		168.3	204.8
Depreciation		69.4	60.0
Adjustments to cash flow from operating activities	*22*	15.1	3.2
Cash flow from operating activities before change in working capital		252.8	268.0
Increase (-) or decrease (+) in inventories		6.0	-12.5
Increase (-) or decrease (+) in trade and other current receivables		-46.1	-37.8
Increase (+) or decrease (-) in interest-free current liabilities		86.2	-7.2
Change in working capital		46.1	-57.5
Cash flow from operating activities before financing items and taxes		298.9	210.5
Interest paid		-29.9	-28.4
Interest received		1.9	1.1
Income taxes paid and received		-29.9	-32.9
Financing items and taxes		-57.9	-60.2
Total net cash flow from operating activities		241.0	150.3

EUR million	*Notes*	**2017**	**2016**
NET CASH FLOW FROM INVESTING ACTIVITIES			
Acquired operations		-2.3	-56.8
Capital expenditure on non-current tangible assets		-65.2	-58.6
Capital expenditure on non-current intangible assets		-18.4	-33.1
Proceeds from sale of tangible non-current assets		0.8	0.6
Net cash flow from investing activities		-85.1	-147.9
NET CASH FLOW FROM FINANCING ACTIVITIES			
Repurchase of own shares		-53.1	–
Change in short-term borrowings		-51.6	50.9
Withdrawals of long-term borrowings		–	210.0
Repayments of long-term borrowings		-2.4	-156.1
Capital repayment/dividends paid		-72.7	-64.7
Other financing items *)		23.7	-12.0
Net cash flow from financing activities		-156.1	28.1
CHANGE IN CASH AND CASH EQUIVALENTS		-0.2	30.5
Cash and cash equivalents			
Cash and cash equivalents at year end	*14*	358.4	364.0
Translation differences		-5.4	2.1
Cash and cash equivalents at year beginning		364.0	331.4
Change in cash and cash equivalents		-0.2	30.5

*) Including, for example, cash flow from hedging intercompany balance sheet items

FREE CASH FLOW **)		161.3	64.4

**) 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.

CONSOLIDATED BALANCE SHEET

ASSETS *EUR million*	*Notes*	**2017**	**2016**
NON-CURRENT ASSETS			
Intangible rights	*13*	247.8	265.5
Goodwill	*13*	344.3	373.4
Other intangible assets	*13*	57.1	66.8
Land and water	*13*	14.1	15.0
Buildings and constructions	*13*	73.9	62.6
Machinery and equipment	*13*	116.2	127.8
Advances paid and construction in progress	*13*	23.8	20.6
Available-for-sale financial assets	*14*	0.4	0.4
Deferred tax assets	*15*	106.0	110.1
Other non-current receivables		6.1	9.3
TOTAL NON-CURRENT ASSETS		989.7	1,051.5
CURRENT ASSETS			
INVENTORIES, NET	*16*		
Raw materials and consumables		44.0	47.5
Work in progress		10.5	10.7
Finished goods		423.4	455.4
		477.9	513.6
RECEIVABLES			
Accounts receivable, net	*16*	595.5	607.3
Current tax assets		17.6	17.4
Prepaid expenses and other receivables	*17*	165.1	161.3
		778.2	786.0
CASH AND CASH EQUIVALENTS	*14*	358.4	364.0
TOTAL CURRENT ASSETS		1,614.5	1,663.6
TOTAL ASSETS		2,604.2	2,715.1

SHAREHOLDERS' EQUITY AND LIABILITIES *EUR million*	*Notes*	**2017**	**2016**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	*18*	292.2	292.2
Premium fund	*18*	12.1	12.1
Fund for own shares	*18*	-66.8	-15.5
Translation differences	*18*	5.1	33.1
Fair value and other reserves	*18, 26*	-27.0	27.8
Remeasurements		-45.5	-47.2
Invested unrestricted equity reserve	*18*	90.4	163.1
Retained earnings		534.2	410.6
Net result		93.3	126.9
TOTAL SHAREHOLDERS' EQUITY		888.0	1,003.1
LIABILITIES			
LONG-TERM LIABILITIES			
Bonds	*19*	516.8	697.5
Loans from financial institutions	*19*	100.7	131.0
Other interest-bearing liabilities	*19*	15.3	17.7
Deferred tax liabilities	*15*	31.3	36.3
Defined benefit pension liabilities	*6*	70.1	78.0
Other interest-free liabilities		33.9	22.4
Provisions	*21*	7.4	5.1
		775.5	988.0
CURRENT LIABILITIES			
Interest-bearing liabilities	*19*	186.3	53.7
Accounts payable		315.0	256.3
Accrued liabilities	*20*	352.8	347.3
Current tax liabilities		48.0	32.1
Provisions	*21*	38.6	34.6
		940.7	724.0
TOTAL LIABILITIES		1,716.2	1,712.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,604.2	2,715.1

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Remea- surements	Invested unrestricted equity reserve	Retained earnings	Total
Balance at January 1, 2016	292.2	12.1	-18.1	17.0	43.8	-35.1	163.1	474.6	949.6
Other comprehensive income:									
Translation differences				16.1					16.1
Remeasurement effects of postemployment benefit plans						-8.9			-8.9
Cash flow and fair value hedges					-20.0				-20.0
Income tax related to OCI					4.0	-3.2			0.8
Net result								126.9	126.9
Total comprehensive income				16.1	-16.0	-12.1		126.9	114.9
Transactions with owners:									
Share-based incentive program			2.6					0.7	3.3
Dividend distribution								-64.7	-64.7
Balance at December 31, 2016	292.2	12.1	-15.5	33.1	27.8	-47.2	163.1	537.5	1,003.1
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				-68.4
Income tax related to OCI					13.6	-0.5			13.1
Net result								93.3	93.3
Total comprehensive income				-28.0	-54.8	1.7		93.3	12.2
Transactions with owners:									
Repurchase of own shares									-53.1
Share-based incentive program			-53.1					0.5	2.3
Capital repayment			1.8				-72.7		-72.7
Other								-3.8	-3.8
Balance at December 31, 2017	292.2	12.1	-66.8	5.1	-27.0	-45.5	90.4	627.5	888.0

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

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, Atomic, Arc'teryx, Mavic, Suunto and Precor.

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 8, 2018.

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, 2017. 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 Group has applied the following new and revised standards, amendments and interpretations as of January 1, 2017, which did not have material impact on the Group's financial statements:

- IFRS 10 (amendment): Consolidated financial statements
- IFRS 12 (amendment): Disclosures of interests in other entities
- IAS 7 (amendment): Statement of cash flows
- IAS 12 (amendment): Income taxes
- Small changes to various standards or interpretations as part of the annual improvements to IFRS project.

The following new and revised standards will be adopted in 2018 (subject to EU endorsement):

- 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 28 (amendment): Investments in associates – no material impact
- Small changes to various standards or interpretations as part of the annual improvements to IFRS project – no material impact

The new standard IFRS 15 Revenue from contracts with customers outlines the accounting requirements for when and how much to recognize revenue from the sale of goods and rendering of services based on a new 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. IFRS 15 replaces the existing revenue standards and interpretations including e.g. IAS 11 Construction contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programs.

Amer Sports will adopt the new standard IFRS 15 Revenue from Contracts with Customers from the annual period beginning on January 1, 2018 using the full retrospective method.

Amer Sports has during 2016 and 2017 analysed and evaluated the impact of IFRS 15 to its financial statements. The areas with the biggest income statement impacts of the identified applicable IFRS 15 areas in Amer Sports are principal vs. agent considerations and transfer of control. Together with the analyzes of the IFRS 15 impacts, Amer Sports has harmonized and sharpened its accounting principles and practices especially related to transfer of control.

Amer Sports provides freight services in all of its operating segments and installation services in its Fitness segment. Currently the revenue from both the freight and installation services have been netted against the related expenses. As Amer Sports acts as the principal in rendering the freight and installation services, netting of the revenue and expenses is no longer applicable according to IFRS 15.

The other identified IFRS 15 areas that are 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 calculated impact in the income statement from all of the afore mentioned areas would not have been material or there would not have been any impact in the income statement in 2017. The calculated impact in the retained earnings from IFRS 15 and the harmonization of the accounting principles on 1.1.2017 was immaterial.

The new standard IFRS 9 Financial instruments gives guidance on the classification, measurement and impairment of the financial instruments as well as general hedge accounting and derecognition of financial instruments. IFRS 9 replaces the current standard IAS 39. Amer Sports will adopt the new standard from the annual period beginning on January 1, 2018.

Amer Sports has evaluated the application of the provision matrix as a practical expedient for measuring ECLs (Expected Credit Losses) on accounts receivables. Giving the nature of the financial assets, Amer Sports does not expect a significant impact to the valuation of the accounts receivables due to impairments from this change. The adoption of IFRS 9 will require certain changes in the classification of the financial instruments and the disclosures thereof. Amer Sports will classify its other non-current financial assets, currently classified as Loans and other receivables, as Financial assets measured at amortised cost. The non-current financial assets, currently classified as Available-for-sale financial assets, will be classified as Financial assets at fair value through OCI. The hold-to-collect accounts receivables, other non-interest yielding receivables, cash in hand and short-term deposits will be classified as Financial assets measured at amortised cost instead of the current classification of Loans and other receivables. The available-for-sale factoring receivables, promissory notes and investments on money market funds, currently classified as Loans and other receivables, will be classified as Financial assets at fair value through OCI.

The new standard IFRS 16 Leases will have significant implications on the recognition of the lease expenses, noncurrent 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 leasing assets and leasing liabilities. The off-balance sheet operating lease commitments as of December 31, 2017 were EUR 231.9 million (EUR 239.4 million as of December 31, 2016). 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. In 2017 Amer Sports has 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. Amer Sports will adopt the new standard from the annual period beginning on January 1, 2019.

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

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*)		Balance sheet	
	2017	**2016**	**12/17**	**12/16**
USD	1.13	1.11	1.20	1.05
CAD	1.46	1.47	1.50	1.42
JPY	126.61	120.26	135.01	123.40
GBP	0.88	0.82	0.89	0.86

*) 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 IAS 39, 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 IAS 39, 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 IAS 39: Financial Instruments: Recognition and Measurement, financial assets are categorized as:

I. financial assets at fair value through profit or loss

II. held-to-maturity investments

III. loans and receivables

IV. available-for-sale financial assets

Financial assets at fair value through profit or loss are financial assets held for trading. Changes in fair value are booked as a credit or charge to earnings in financing income and expenses. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except for maturities over 12 months after the balance sheet date.

Held-to-maturity investments and loans granted by the company are carried at amortized cost using the effective interest rate method. Held-to-maturity investments are valued at cost and are included in current assets, except for maturities over 12 months after the balance sheet date. At the end of the financial year, the Group did not possess any held-to-maturity investments.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable are carried at the original invoiced amount less impairment losses and credits for returns. Impairment losses are recognized case by case when there is evidence that the receivable cannot be recovered in full, such as due to the payment difficulties or impending bankruptcy of the debtor. From time to time certain accounts receivables are sold through sale-of-receivable programs for working capital management purposes. Transactions through these programs are recognized as non-recourse. Any promissory and discounted notes receivables, on the other hand, are recorded in the balance sheet.

Available-for-sale financial assets 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. Available-for-sale financial assets whose fair value cannot be determined reliably are measured at cost or a lower value if they are impaired. Available-for-sale financial assets 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.

Financial assets are recognized on the settlement date. Financial assets carried at fair value through the income statement are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets not carried at fair value through the income statement are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Financial liabilities 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

Revenue from the sale of goods is recognised when significant risks and rewards connected with ownership of the goods have been transferred to the purchaser. 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.

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.

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 Headquarter's 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 postemployment 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 are recorded as adjustments to expenses in the financial period they are received, except when they relate to investments, in which case they are deducted from the cost.

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). Capitalised 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 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 was EUR 70.1 million as of December 31, 2017.

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.

Expenses recognized for the share-based incentive schemes for the year ended December 31, 2017 amounted to EUR 5.0 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, 2017, the company has recognized net deferred tax assets of EUR 74.7 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 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, 2017, the amount of goodwill and other non-current intangible assets with indefinite useful lives tested for impairment amounted to EUR 344.3 million and EUR 221.7 million, respectively. No impairment losses were recognised in these assets in 2017 or 2016. 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 were EUR 16.7 million in 2017 (0.0).

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, 2017, the amount of inventories on the balance sheet amounted to EUR 477.9 million. Value of inventories has been decreased by EUR 23.8 million for the year ended December 31, 2017 to correspond to its net realizable value.

Accounts receivable

Accounts receivable are carried at the original invoiced amount less impairment losses and credits for returns. Impairment losses are recognized case by case and on the basis of historical experience when there is evidence that the receivable cannot be recovered in full, such as due to the payment difficulties or impending bankruptcy of the debtor. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, the Group takes into account the history of collections, the size and composition of the receivable balances and current economic events and conditions. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment losses may be recognized in future periods. As of December 31, 2017, the amount of accounts receivable on balance sheet amounted to EUR 595.5 million and impairment losses of accounts receivable amounted to EUR 8.3 million.

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, 2017, the amount of provisions on balance sheet was EUR 46.0 million.

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, cycling components 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.

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

Outdoor

- Footwear: Salomon, Arc'teryx
- Apparel: Salomon, Arc'teryx
- Winter Sports Equipment: Salomon winter sports equipment, Atomic and Armada
- Cycling: Mavic, ENVE
- 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 2017 and 2016. 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.

OPERATING SEGMENTS

2017 EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	Total
Net sales	1,670.9	653.2	361.1	2,685.2	–	2,685.2
EBIT excl. IAC	179.3	44.9	20.1	244.3	-29.3	215.0
% of net sales	10.7	6.9	5.6	9.1	–	8.0
IAC					-46.7	-46.7
EBIT					168.3	168.3
% of net sales						6.3
Financing income and expenses					-26.3	-26.3
Earnings before taxes					142.0	142.0
Goodwill and intangible assets with indefinite useful lives	240.9	163.5	161.6	566.0	–	566.0
Other assets	955.9	326.4	189.5	1,471.8	566.4	2,038.2
Liabilities	380.7	262.8	72.1	715.6	1,000.6	1,716.2
Capital expenditure	53.3	18.9	10.0	82.2	1.4	83.6
Depreciation	49.9	5.7	12.6	68.2	1.2	69.4
Cash flow from operating activities before financing items and taxes	247.9	64.6	17.2	329.7	-30.8	298.9

2016 EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	Total
Net sales	1,601.80	671.1	349.2	2,622.1	–	2,622.1
EBIT excl. IAC	196.9	44.8	17.0	258.7	-37.0	221.7
% of net sales	12.3	6.7	4.9	9.9	–	8.5
IAC					-16.9	-16.9
EBIT					204.8	204.8
% of net sales						7.8
Financing income and expenses					-31.8	-31.8
Earnings before taxes					173.0	173.0
Goodwill and intangible assets with indefinite useful lives	266.9	182.4	174.2	623.5	–	623.5
Other assets	957.5	342.2	203.2	1,502.9	588.7	2,091.6
Liabilities	345.6	261.4	72.6	679.6	1,032.4	1,712.0
Capital expenditure	56.8	13.8	19.9	90.5	1.2	91.7
Depreciation	41.0	7.3	9.7	58.0	2.0	60.0
Cash flow from operating activities before financing items and taxes	182.5	52.4	12.9	247.8	-37.3	210.5

OTHER ASSETS

EUR million	2017	2016
Other non-current assets, accounts and other receivables and inventories of operating segments	1,471.8	1,502.9
Deferred tax assets	106.0	110.1
Unallocated other non-current assets, accounts and other receivables	28.4	26.8
Derivative financial instruments	38.8	56.0
Prepaid interest	17.2	14.4
Current tax assets	17.6	17.4
Cash and cash equivalents	358.4	364.0
Unallocated other assets	566.4	588.7

LIABILITIES

EUR million	2017	2016
Other interest-free long-term liabilities, accounts payable, non-tax and non-financing related accrued liabilities and provisions of operating segments	715.6	679.6
Interest-bearing long-term liabilities	632.8	846.2
Deferred tax liabilities	31.3	36.3
Interest-bearing current liabilities	186.3	53.7
Unallocated accounts payable and accrued liabilities	4.9	6.7
Derivative financial instruments	75.8	39.4
Accrued interests	21.5	18.0
Current tax liabilities	48.0	32.1
Unallocated liabilities	1,000.6	1,032.4

GEOGRAPHIC INFORMATION

2017

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,173.5	1,122.2	389.5	–	–	2,685.2
Assets	830.3	1,014.0	151.0	-109.5	718.4	2,604.2
Capital expenditure	44.0	32.1	7.5	–	–	83.6

2016

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,133.7	1,116.0	372.4	–	–	2,622.1
Assets	845.2	1,003.3	165.4	-95.7	796.9	2,715.1
Capital expenditure	41.0	42.7	8.0	–	–	91.7

3. ACQUIRED AND DIVESTED BUSINESSES

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.

2016

On March 8, 2016 Amer Sports acquired 100% of the shares in the company ENVE Composites LLC. ENVE is a fast-growing brand in high-end carbon wheels, components, and accessories for road and mountain biking with annual sales of approximately USD 30 million. The acquisition accelerates Amer Sports Cycling business especially in the United States and provides further expansion opportunities internationally. ENVE brings capabilities in carbon technology, and it offers operational scale and synergy benefits complementing Amer Sports' cycling category.

The net cash acquisition price was USD 50 million in an all-cash transaction and was paid in March 2016. According to the purchase price allocation, the fair value of the acquired net assets was EUR 48.0 million. EUR 18.9 million of the fair value was allocated to the ENVE intangible assets including trademarks, customer relationships and technology. These assets are amortized over 10-15 years. EUR 18.5 million of the fair value was allocated to goodwill. Purchase of ENVE was treated as asset purchase in taxation and no deferred taxes were recognized.

The following fair values of the assets and liabilities of ENVE Composites LLC have been consolidated into Amer Sports' result from the acquisition date. Transaction costs of EUR 0.3 million are included in the administrative expenses of the consolidated income statement.

EUR million	**Fair value**
Intangible non-current assets	18.9
Goodwill	18.5
Other non-current assets	1.2
Inventories	5.7
Accounts receivables and other current assets	2.9
Cash	3.3
Total assets	50.5
Interest-free liabilities	2.5
Net assets	48.0
Purchase price	48.0

Analysis of the cash flows on the acquisition

Purchase price	48.0
ENVE cash	-3.3
Transaction costs	0.3
Net cash flow on acquisition	45.0

Fair value of accounts receivables was equal to book value at the date of transaction.

The ENVE sales in 2016 from the date of acquisition were EUR 20 million. The ENVE transaction including one time integration costs and amortization of intangible assets had slightly negative impact on Amer Sports' 2016 financial results. On November 17, 2016 Amer Sports acquired EvoShield, the leading protective gear brand for baseball and softball.

EvoShield is the leading brand of protective gear for baseball and softball athletes and teams in the US, and the Official Protective Gear of Major League Baseball® (MLB). The annual net sales of EvoShield are approximately EUR 10 million.

The price of this selective asset acquisition was USD 9.3 million and it included the EvoShield brand, all EvoShield branded products as well as intellectual property and distribution rights. The fair value of EvoShield tradename was USD 2.5 million and it is amortized in 10 years. USD 3.9 million of the fair value was allocated to goodwill.

EvoShield has been integrated into Amer Sports Ball Sports business segment, which already includes the brands Wilson, Louisville Slugger, DeMarini and ATEC. The EvoShield acquisition had no material impact on Amer Sports 2016 financial results.

4. OTHER OPERATING INCOME

EUR million	2017	2016
Acquisition related accounting adjustment	0.6	–
Gain on sale of non-current assets	0.3	0.2
Government subsidies	0.8	1.8
Credits for research and competitiveness taxes	2.4	2.0
Compensation for discontinued distribution	0.0	2.8
Other	2.9	2.0
Total	7.0	8.8

5. EMPLOYEE BENEFITS

EUR million	2017	2016
Wages and salaries	412.6	405.9
Social expenditure		
Pensions-defined contribution plans	14.1	14.7
Pensions-defined benefit plans	4.7	3.7
Other social security	89.1	83.3
Total	520.5	507.6

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.

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 37% (38) of the Group's total value. In addition to the USA, the Group has defined benefit pension plans in France, Switzerland, the UK, Germany, Japan and Austria. 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 net liability recognized in the balance sheet relating to defined benefit pension plans is defined as follows:

EUR million	2017	2016
Present value of funded obligations	187.7	196.6
Fair value of plan assets	-117.6	-118.6
Net liability in the balance sheet at December 31	70.1	78.0

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, 2016	187.9	-117.8	70.1
Current service cost	3.5	0.0	3.5
Past service cost and gains and losses on settlements	0.1	0.0	0.1
Administration cost paid from plan assets	-0.9	1.0	0.1
Interest expense/(income)	7.4	-4.9	2.5
Cost recognized in income statement	10.1	-3.9	6.2
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	0.0	-2.4	-2.4
(Gain)/loss from change in demographic assumptions	-1.3	0.0	-1.3
(Gain)/loss from change in financial assumptions	12.0	0.0	12.0
Experience (gains)/losses	0.8	0.0	0.8
Other changes	0.0	0.0	0.0
Remeasurements effects recognized in OCI	11.5	-2.4	9.1
Contributions:			
Employers	-0.4	-6.8	-7.2
Employees	1.6	-1.6	0.0
Benefits paid from plan assets	-13.2	13.2	0.0
Exchange rate differences	-0.9	0.7	-0.2
At December 31, 2016	196.6	-118.6	78.0

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

Principal actuarial assumptions:

%	2017 USA	2017 Europe	2017 Japan	2016 USA	2016 Europe	2016 Japan
Discount rate	3.50-3.70	0.70-2.50	0.50	4.20-4.40	0.30-2.65	0.50
Inflation	2.25	1.00-3.40	0.00	2.25	0.00-3.50	0.00
Future salary increases	2.50	0.00-3.00	1.80	2.50	0.00-3.00	1.70
Future pension increases	0.00	0.00-2.10	0.00	0.00	0.00-2.10	0.00

Sensitivity analysis:

%	Change in assumption	Impact on defined obligation
Discount rate	0.25% decrease	6.10
Inflation rate	0.25% increase	1.00
Mortality rate	1 year increase in life expectancy	4.30

Major categories of plan assets:

EUR million	2017	2016
US equities	21.8	22.8
UK equities	4.8	4.5
Other equities	19.4	19.2
Corporate bonds	48.4	27.4
Government bonds	18.1	39.7
Other including cash	5.1	5.0

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 7.4 million.

The weighted average of the duration of the defined benefit obligations is 13.0.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation and amortization by asset type

EUR million	2017	2016
Intangible rights	8.5	4.0
Other intangible assets	13.5	10.3
Buildings and constructions	12.1	11.2
Machinery and equipment	35.3	34.5
Total	69.4	60.0

Impairment losses by asset type

EUR million	2017	2016
Intangible rights	4.3	–
Other intangible assets	12.0	–
CIP	0.4	–
Total	16.7	–

Depreciation, amortization and impairment losses by function

EUR million	2017	2016
Cost of goods sold	21.8	20.3
Research and development	30.8	8.8
Selling and marketing	18.8	16.8
Administration and other expenses	14.7	14.1
Total	86.1	60.0

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 are the following: Winter Sports Equipment, Salomon Apparel and Footwear, Arc'teryx Apparel and Gear, Cycling, Sports Instruments, Individual Ball Sports, Team Sports, Golf, and Fitness.

The impairment tests were calculated during the fourth quarter of 2017 on budgeted 2018 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 7.92%-11.88% pre-tax (7.84%-9.71%); equal to 6.29%-7.79% post-tax (6.15%-6.18%). The main components of the discount rate were:

	2017	2016
Risk Free Interest Rate Debt	0.34%-2.31%	0.42%
Risk Free Interest Rate Equity	1.18%-2.77%	1.24%
Equity Market Risk Premium	5.69%	4.25%
Asset Beta (Unlevered Beta)	0.89	0.92
Debt Risk Premium	1.56%	1.55%
Tax Rate	27%-36%	27%-36%

The main change to discount rate arose from a rise in the equity market risk premium and higher risk free interest rate in the North American businesses.

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:

	Pre-tax discount rate, %		Goodwill		Intangible rights with indefinite useful lives	
EUR million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016*)**
Outdoor						
Winter Sports						
Equipment	8.1	7.9	11.7	11.7	86.1	88.3
Salomon Apparel and Footwear	8.0	7.8	–	–	65.0	66.6
Arc'teryx Apparel and Gear	10.2	7.9	–	–	8.0	8.4
Cycling	8.1	7.9	17.7	19.6	23.3	23.3
Sports Instruments	8.1	7.8	29.1	30.3	-	-
Ball Sports						
Individual Ball Sports	11.2	8.6	72.4	80.3	-	-
Team Sports	11.2	8.7	54.2	60.1	36.9	42.0
Fitness						
Fitness	11.4	8.7	159.2	171.4	2.4	2.8
Total	9.1	8.4	344.3	373.4	221.7	231.4

*) 2016 Cycling value updated due to reclassification of ENVE intangible rights.

In 2017 and 2016, 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 2017:

	-2%	-1%	Growth	1%	2%
-2%	0	0	0	0	0
-1%	0	0	0	0	0
Rate	0	0	0	0	0
1%	0	0	0	0	0
2%	60	51	40	31	19

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 2017:

	-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.

The results of the value-in-use calculations have been analyzed against the valuation reports prepared by industry analysts in various investment banks. The analysis shows that the results are in-line with the analysts' average estimates.

8. COMPENSATION OF AUDITORS

EUR million	2017	2016
Statutory audit	2.1	1.9
Tax consulting	0.1	0.1
Other services	0.1	0.0
Total	2.3	2.0

9. SHARE-BASED PAYMENTS

In 2017, 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.

Amer Sports Corporation Annual General Meeting held on March 12, 2015 elected Authorised Public Accountants Ernst & Young Oy to act as auditor of the Company. The financial year 2014 was audited by Authorised Public Accountants PricewaterhouseCoopers Oy.

Performance share plans 2013 and 2016

The performance share plan 2013 includes 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 period 2013 were based on the Group's EBIT and net sales and the rewards for the earning period 2013-2015 were based on the Group's total shareholder return. Rewards from the plan for the earning period 2014 were based on Group's EBIT and net sales and the rewards for the earning period 2014-2016 were based on the Group's total shareholder return. The rewards from the plan for the earning period 2015 were based on Group's EBIT and net sales. Potential rewards for the earning period 2015-2017 will be based on the Group's total shareholder return. For the six earning periods, Group's EBIT constituted 80% of and total shareholder return 20% of the earnings criteria.

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 decided on the earnings criteria and the targets to be established for them for each earning period at the beginning of each earning period. The reward from the plan for the earning period 2016 was based on the Group's EBIT and net sales, and so will the potential reward for the earning period 2017. 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. For the ongoing earning periods, the weighting for the Group's EBIT and net sales totals 80% and total shareholder return 20%.

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 2017, as a reward for meeting this condition, 58,000 shares were transferred to new key personnel participating in the performance share plan (2016: 7,276).

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 2013 will be a maximum total of 1,400,000 Amer Sports Corporation shares. 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 2016, 111,264 shares were transferred to key personnel in relation to the earning period 2015, and 53,490 shares in relation to the earning period 2013-2015. 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. Shares awarded in connection with the earning periods 2015 and 2016 may not be transferred during the restriction periods ending on December 31, 2017, and December 31, 2018 respectively.

In 2017, 24,436 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 (2016: 21,769).

At the end of 2017, 287 people were covered by the performance share plan 2016 for earning period 2017, 183 people for 2015-2017, 244 for 2016-2018 and 287 people for 2017-2019.

Members of the Group 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 plans 2013 and 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 2013 included three earning periods: calendar years 2013, 2014 and 2015. In 2016 and in relation to earning period 2015, 80,000 shares were transferred.

The restricted stock plan 2016 includes three earning periods as well: 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. At the end of 2017, 80 people were covered by the restricted stock plan 2016 for earning period 2017.

In 2017, 10,600 shares granted as share-based incentives in the restricted stock plan were returned to Amer Sports Corporation in accordance with the terms of the incentive plan as employment ended (2016: 19,733).

The members of the Group 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.

Restricted stock 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.

The key conditions and assumptions used in the determination of the fair value of the arrangements are presented in the table below:

	2017	**2016**	**2015**	**2014**	**2013**
Grant date	Feb 9, 2017	Feb 3, 2016	Feb 2, 2015	Jan 28, 2014	Jan 31, 2013
Number of instruments granted	394,478	426,645	528,247	530,715	475,532
Fair value at grant date, EUR	22.86	25.03	18.13	14.62	11.64
Vesting period, years	3	3	3	3	3
Adjustment made to the number of instruments granted in previous years	-342,294	-273,643	-257,419	-112,116	-224,866
Returned shares	-35,036	-41,502	-49,840	-28,197	-29,198

EUR million	**2017**	**2016**
Expense of share-based incentive schemes recognized in earnings	5.0	9.2
Accrual of cash component of share-based incentive schemes	2.1	3.7
Expense of deferred cash long-term incentive plans recognized in earnings	–	-0.6

10. FINANCING INCOME AND EXPENSES

EUR million	2017	2016
Interest income	1.9	1.1
Interest expenses		
Interest expenses on interest bearing debt	-15.6	-15.4
Interest expenses related to derivative instruments	-12.2	-9.1
Interest expenses related to pension liabilities	-1.9	-2.5
Other interest expenses	-3.8	-3.0
Total interest expenses	-33.5	-30.0
Change in fair value of derivative instruments not used in hedge accounting	4.2	-1.4
Exchange rate gains or losses	2.0	-1.1
Other financing expenses	-0.9	-0.4
Total, net	-26.3	-31.8

11. INCOME TAXES

EUR million	2017	2016
Current taxes	43.6	39.2
Deferred taxes	5.1	6.9
Total	48.7	46.1
Thereof for prior periods	5.7	7.7

EUR million	2017	2016
Current taxes:		
EMEA	26.1	20.5
Americas	1.5	6.9
Asia Pacific	16.0	11.8
Total	43.6	39.2
Deferred taxes	5.1	6.9
Total	48.7	46.1

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

EUR million	2017	2016*)
Taxes at local rates applicable to earnings in countries concerned	34.9	44.7
Permanent differences	-0.2	-2.5
Realisability of deferred tax assets	-0.1	0.5
Changes in tax rates and tax laws **)	10.2	1.0
Taxes for prior periods	5.7	7.7
Tax credits	-3.0	-8.0
Other	1.2	2.7
Taxes recognized in the income statement	48.7	46.1
Effective tax rate, %	34.3	26.6

*) The comparison figures have been reclassified to comply with the classification of 2017 figures.

**) The 2017 figure relates mainly to the US federal tax rate reduction from 35% to 21%.

12. EARNINGS PER SHARE

	2017	2016*)
Net result attributable to equity holders of the parent company, EUR million	93.3	126.9
Net result for the calculation of earnings per share, EUR million	93.3	126.9
Weighted average number of shares outstanding during the period (1,000 pcs)	116,708	117,521
Earnings per share, EUR	0.80	1.08
Weighted average number of shares outstanding during the period, diluted (1,000 pcs)	117,181	118,052
Earnings per share, diluted, EUR	0.80	1.07

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, 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 and advances paid and construction in progress include EUR 15.6 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, 2016	288.0	449.0	102.7	14.8	148.2	418.0	10.3
Additions	1.5	–	17.6	–	11.2	25.5	35.9
Company acquisitions	26.0	18.5	–	–	–	2.4	–
Company divestments and disposals	–	–	–	–	-0.6	-2.1	–
Transfers and scrapping	-6.0	–	17.6	–	0.7	-23.8	-26.2
Translation differences	4.8	11.0	0.4	0.2	1.1	4.2	0.6
Balance, December 31, 2016	314.3	478.5	138.3	15.0	160.6	424.2	20.6
Accumulated depreciation and impairment losses, January 1, 2016	47.5	102.8	61.1	0.0	90.3	294.6	0.0
Depreciation during the period	4.0	–	10.3	–	11.2	34.5	–
Company acquisitions	–	–	–	–	–	1.2	–
Company divestments and disposals	–	–	–	–	-0.3	-2.0	–
Transfers and scrapping	-3.3	–	-0.5	–	-4.2	-35.4	–
Translation differences	0.6	2.3	0.6	–	1.0	3.8	–
Balance, December 31, 2016	48.8	105.1	71.5	0.0	98.0	296.7	0.0
Balance sheet value, December 31, 2016	265.5	373.4	66.8	15.0	62.6	127.5	20.6
Carrying amount of finance leases included	–	–	–	–	–	18.9	–

Accumulated impairment losses of goodwill at January 1, 2016 totaled EUR 18.4 million.

Additions in other intangible assets include EUR 26.0 million of capitalized product development expenses including investments in the new platforms for connected devices and digital services.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Available-for-sale financial assets, EUR 0.4 million (0.4), consist in their entirety of shares in unlisted companies and real estate shares. They are measured at fair value. Cash and cash equivalents, EUR 358.4 million (364.0), include cash in hand EUR 319.6 million, short-term deposits and money market funds EUR 34.1 million, and restricted cash EUR 4.7 million.

15. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Jan 1, 2017	Dec 31, 2017
Deferred tax assets:		
Provisions	26.3	28.1
Carryforward of unused tax losses	20.4	15.9
Employee benefits	25.1	11.6
Impairment	4.3	2.3
Fair value adjustments	-2.8	9.6
Tax credits	7.5	14.2
Other temporary differences	29.8	24.3
Total	110.6	106.0
Deferred tax liabilities:		
Depreciation differences	-36.8	-26.0
Other temporary differences	0.0	-5.3
Total	-36.8	-31.3
Net deferred tax assets	73.8	74.7

EUR million	Jan 1, 2017	Charge in income statement	Translation differences	Charged to OCI	Dec 31, 2017
Carryforward of unused tax losses	20.4	-3.3	-1.2	–	15.9
Other temporary differences	53.4	-1.8	-5.9	13.1	58.8
Total	73.8	-5.1	-7.1	13.1	74.7
Deferred taxes recognized in the balance sheet at December 31, 2017:					
Deferred tax assets					106.0
Deferred tax liabilities					31.3

At December 31, 2017 there were unused tax losses carried forward of EUR 19.7 million (34.6) and other temporary differences of EUR 5.1 million (1.5) for which no deferred tax assets were recognized. The unrecognized deferred tax assets at December 31, 2017 totaled EUR 11.3 million (11.4). 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	**2017**	**2016**
Impairment losses of accounts receivable	8.3	11.2
Net realizable value valuation provision	23.8	25.1

Aging analysis of accounts receivable and amounts recognized as impairment losses

EUR million	**2017**	**Impairment losses**	**Net 2017**	**2016**	**Impairment losses**	**Net 2016**
Undue accounts receivable	501.1	–	501.1	506.7	–	506.7
Accounts receivable 1-30 days overdue	50.0	–	50.0	58.6	–	58.6
Accounts receivable 31-60 days overdue	19.2	–	19.2	25.4	–	25.4
Accounts receivable 61-90 days overdue	15.0	–	15.0	8.0	–	8.0
Accounts receivable 91-120 days overdue	7.4	–	7.4	6.1	–	6.1
Accounts receivable more than 120 days overdue	11.1	-8.3	2.8	13.7	-11.2	2.5
Total	603.8	-8.3	595.5	618.5	-11.2	607.3

Gross and net inventories

EUR million	**2017**	**2016**
Gross inventories	501.7	538.7
Net realizable value valuation provision	-23.8	-25.1
Net inventories	477.9	513.6

17. PREPAID EXPENSES AND OTHER RECEIVABLES

EUR million	2017	2016
Prepaid interest	17.2	14.4
Prepaid advertising and promotion	4.9	5.6
Other tax receivables	30.2	17.3
Accrued employee benefits	18.8	14.3
Derivative instruments	37.2	51.4
Other receivables	56.8	58.3
Total	165.1	161.3

18. SHAREHOLDERS' EQUITY

EUR million	Number of shares	Share capital	Premium fund	Invested unrestricted equity reserve
January 1, 2016	118,517,285	292.2	12.1	163.1
December 31, 2016	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

The articles of association of Amer Sports Corporation does 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, 2017: EUR 66.8 million or 3,294,524 shares; Dec 31, 2016: EUR 15.5 million or 971,718 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 capital repayment proposed

A capital repayment proposed by the Board of Directors for the financial year is EUR 0.70 (0.62) per share. Total capital repayment amounts to EUR 83.0 million (72.7) and is proposed to be distributed from the invested unrestricted equity reserve.

19. INTEREST-BEARING LIABILITIES

	Outstanding	Repayments						
EUR million	Dec 31, 2017	2018	2019	2020	2021	2022	2023 and after	Fair value
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

	Outstanding	Repayments						
EUR million	Dec 31, 2016	2017	2018	2019	2020	2021	2022 and after	Fair value
Bonds	697.5	–	164.7	–	211.8	91.0	230.0	691.1
Loans from financial institutions	131.2	0.2	30.4	50.4	0.1	50.1	–	131.2
Commercial papers	49.9	49.9	–	–	–	–	–	49.9
Other interest-bearing liabilities	21.3	3.6	2.2	2.5	2.4	2.3	8.3	21.3
Total	899.9	53.7	197.3	52.9	214.3	143.4	238.3	893.5

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	2017	2016
Finance lease liabilities are due as follows:		
Not later than one year	4.2	2.9
Later than one year but not later than five years	14.4	9.6
Later than five years	3.2	6.4
Total minimum lease payments	21.8	18.9

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

20. ACCRUED LIABILITIES

EUR million	2017	2016
Accrued personnel costs	95.4	99.3
Accrued discounts and rebates	28.0	23.3
Accrued interest	21.5	18.0
Accrued advertising and promotion	14.5	13.4
Value added tax	35.8	29.0
Payables related to derivatives	70.4	35.5
Other accrued liabilities	87.2	128.8
Total	352.8	347.3

21. PROVISIONS

EUR million	Product warranty	Restruc-turing	Environ-mental	Other	Total
Balance at January 1, 2017	28.2	3.8	0.5	7.2	39.7
Translation differences	-1.9	-0.1	-0.1	-0.4	-2.5
Provisions made during the year	16.0	8.8	–	4.3	29.1
Provisions used during the year	-9.4	-7.0	-0.1	-2.2	-18.7
Provisions reversed during the year	-1.0	–	–	-0.6	-1.6
Balance at December 31, 2017	31.9	5.5	0.3	8.3	46.0
Current provisions					38.6
Long-term provisions					7.4
Total					46.0

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 2.0 million at the 2017 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	2017	2016
Impairment losses	16.7	–
Share-based incentive schemes	2.3	3.2
Gains and losses on sale of non-current assets	0.2	-0.1
Other non-cash valuation gains and losses	-4.1	0.1
Total	15.1	3.2

Change in liabilities arising from financing activities (excluding changes in derivatives) included cash flows of EUR -51.7 million, effects of changes in foreign exchange rates EUR -27.0 million and other changes EUR -2.1 million.

23. OPERATING LEASE COMMITMENTS

EUR million	2017	2016
The future minimum payments of non-cancellable operating leases:		
Not later than one year	53.0	55.4
Later than one year but not later than five years	125.7	134.7
Later than five years	53.2	49.3
Total	231.9	239.4
Total rent expense of non-cancellable operating leases recognized in the income statement	60.4	48.7

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

24. CONTINGENT LIABILITIES

EUR million	2017	2016
Guarantees	35.8	30.2
Other contingent liabilities	72.5	74.2

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.

25. PRINCIPAL GROUP COMPANIES AT DECEMBER 31, 2017

	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
Mavic S.A.S., Annecy, France	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 statutory accounts of Amer Sports Corporation. Group had no associated companies at December 31, 2017.

26. FAIR VALUE AND OTHER RESERVES

EUR million

Balance at January 1, 2017	27.8
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	-23.6
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	-68.4
Deferred taxes	13.6
Balance at December 31, 2017	-27.0

EUR million	
Balance at January 1, 2016	43.8
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	22.5
Hedging of interest cash flows	8.1
Gains and losses recognized in the income statement	
Hedging of operating cash flows	-44.8
Hedging of interest cash flows	-5.8
Total of changes during the year	-20.0
Deferred taxes	4.0
Balance at December 31, 2016	27.8

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	2017	2016
Salaries and remuneration of the Board of Directors	0.5	0.5
Salaries and remuneration of the Executive Board (excluding President and CEO)	5.9	9.7
Annual Salary of the President and CEO	0.7	0.7
Annual and long-term incentives of the President and CEO	0.5	0.6
Total	7.6	11.5
Cumulative expenses, President and CEO	0.4	0.4
Total	8.0	11.9

Compensation recognized in earnings:

EUR million	2017	2016
Salaries and other short-term employee benefits	6.7	7.5
Post-employment benefits	0.3	0.3
Share-based payments	1.9	2.2
Total	8.9	10.0

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 give the President and CEO notice of termination, the company must pay severance payment equal to twelve months of total annual gross salary. The President and CEO participates in the standard local statutory pension system and may retire at the age of 65. In 2017, the expense for post-employment benefits was EUR 0.1 million (0.1).

In 2017 EUR 0.3 million (0.5) of the salaries and remuneration paid to the President and CEO was paid in shares.

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

Shares held by management

Amer Sports Board of Directors held a total of 2,807,352 Amer Sports Corporation shares as of December 31, 2017 (December 31, 2016: 2,794,899), or 2.4% (2.4) of the outstanding shares and votes.

Amer Sports Executive Board (including the President and CEO) owned a total of 571,569 Amer Sports Corporation shares on December 31, 2017 (December 31, 2016: 614,074), 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

2017 EUR million	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
NON-CURRENT FINANCIAL ASSETS							
Other non-current financial assets			4.5	0.4		4.9	4.9
Derivative financial instruments **)							
Foreign exchange derivatives		1.6				1.6	1.6
Interest rate derivatives and cross currency swaps	10.1					10.1	10.1
CURRENT FINANCIAL ASSETS							
Accounts receivable			595.5			595.5	595.5
Other non-interest yielding receivables *)			97.7			97.7	97.7
Derivative financial instruments **)							
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			358.4			358.4	358.4
Balance sheet values by category at Dec 31, 2017	23.3	16.0	1,056.1	0.4		1,095.8	1,095.8
LONG-TERM FINANCIAL LIABILITIES							
Long-term interest-bearing liabilities					632.8	632.8	624.9
Other long-term liabilities					28.6	28.6	28.6
Derivative financial instruments **)							
Foreign exchange derivatives		3.8				3.8	3.8
Interest rate derivatives and cross currency swaps	9.6	1.6				11.2	11.2

2017 EUR million	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
CURRENT FINANCIAL LIABILITIES							
Current interest-bearing liabilities					186.3	186.3	186.0
Accounts payable					315.0	315.0	315.0
Other current liabilities **)					244.6	244.6	244.6
Derivative financial instruments ***)							
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			1,407.3	1,483.1	1,474.9

***) 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.

2016 EUR million	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
NON-CURRENT FINANCIAL ASSETS							
Other non-current financial assets			4.6	0.4		5.0	5.0
Derivative financial instruments ***)							
Foreign exchange derivatives		4.5				4.5	4.5
Interest rate derivatives and cross currency swaps	8.6	0.1				8.7	8.7
CURRENT FINANCIAL ASSETS							
Accounts receivable			607.3			607.3	607.3
Other non-interest yielding receivables *)			92.5			92.5	92.5
Derivative financial instruments ***)							
Foreign exchange derivatives	4.2	38.6				42.8	42.8
Cash and cash equivalents			364.0			364.0	364.0
Balance sheet values by category at Dec 31, 2016	12.8	43.2	1,068.4	0.4		1,124.8	1,124.8
LONG-TERM FINANCIAL LIABILITIES							
Long-term interest-bearing liabilities					846.2	846.2	839.8
Other long-term liabilities ****)					16.5	16.5	16.5
Derivative financial instruments ***)							
Foreign exchange derivatives		0.4				0.4	0.4

2016 EUR million	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
Interest rate derivatives and cross currency swaps	21.4	3.5				24.9	24.9
CURRENT FINANCIAL LIABILITIES							
Current interest-bearing liabilities					53.7	53.7	53.7
Accounts payable					256.3	256.3	256.3
Other current liabilities **)					279.7	279.7	279.7
Derivative financial instruments ***)							
Foreign exchange derivatives	10.4	4.5				14.9	14.9
Interest rate derivatives and cross currency swaps		1.0				1.0	1.0
Balance sheet values by category at Dec 31, 2016	31.8	9.4			1,452.4	1,493.6	1,487.2

***) 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.

****) Reclassification of liability in Fitness segment.

EUR million	2017	2016
*) Other non-interest yielding receivables		
Prepaid expenses and other receivables	165.1	161.3
./. Other tax receivables	30.2	17.4
./. Derivative financial instruments	37.2	51.4
	97.7	92.5
**) Other current liabilities		
Accrued liabilities	352.8	347.3
./. Other tax liabilities	37.8	32.1
./. Derivative financial instruments	70.4	35.5
	244.6	279.7

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
Assets				
Financial assets at fair value through profit or loss		23.3		23.3
Derivatives used for hedging		16.0		16.0
Available-for-sale financial assets			0.4	0.4
Total		39.3	0.4	39.7
Liabilities				
Financial liabilities at fair value through profit or loss		25.4		25.4
Derivatives used for hedging		50.4		50.4
Total		75.8		75.8

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, 2016:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss		12.8		12.8
Derivatives used for hedging		43.2		43.2
Available-for-sale financial assets			0.4	0.4
Total		56.0	0.4	56.4
Liabilities				
Financial liabilities at fair value through profit or loss		31.8		31.8
Derivatives used for hedging		9.4		9.4
Total		41.2		41.2

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 year 2016 and 2017 Amer Sports finalized the following financial transactions:

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.

In March 2016, Amer Sports issued Schuldschein (certificate of indebtedness) loan agreements with a total value of EUR 100 million. The loans have both fixed and floating rate tranches and the loan periods are five (5) and seven (7) years. In April 2016, Amer Sports issued a term loan with a value of EUR 50 million. The floating rate loan has a maturity of five (5) years, but it has an extension option. In September 2016, Amer Sports issued Schuldschein agreements with a total value of EUR 60 million. The loan period is seven (7) years and the loans have a fixed interest rate. The proceeds of the Schuldschein loans and the term loan have been used for repayment of debt and general corporate purposes.

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 2017, EUR 62.5 (87.2) 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 73.4 (23.8) million at year end 2017.

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 2017, 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

	Dec 31, 2017							
EUR million	Nominal value	Available	Total	2018	2019	2020	2021	2022 and after
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

	Dec 31, 2017							
EUR million	Nominal value	Available	Total	2018	2019	2020	2021	2022 and after
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*)	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	
Cross currency swaps, fair value	–		–					
Other interest rate derivatives, fair value*)	0.1		0.1	0.1				

*) 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.

	Dec 31, 2016							
EUR million	Nominal value	Available	Total	2017	2018	2019	2020	2021 and after
Loans from financial institutions								
Repayments	131.2		131.2	0.2	30.4	50.4	0.1	50.1
Interest	4.2		4.2	1.4	1.3	0.8	0.5	0.2
Bonds								
Repayments	697.5		697.5		164.7		211.8	321.0
Interest	63.4		63.4	14.9	15.0	11.8	9.9	11.8
Commercial papers								
Repayments	49.9		49.9	49.9				
Interest	0.1		0.1	0.1				
Other interest-bearing liabilities								
Repayments	21.3		21.3	3.6	2.2	2.5	2.4	10.6
Interest	0.3		0.3	0.1	0.0	0.0	0.0	0.2

EUR million	Dec 31, 2016 Nominal value	Available	Total	2017	2018	2019	2020	2021 and after
Accounts payable								
Repayments	256.3		256.3	256.3				
Other interest-free liabilities								
Repayments	16.5		16.5	16.5				
Total								
Repayments	1,172.7		1,172.7	326.5	197.3	52.9	214.3	381.7
Interest	68.0		68.0	16.5	16.3	12.6	10.4	12.2
Financial guarantee contracts		5.0	5.0	5.0				
Committed revolving credit facility		150.0	150.0			150.0		
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	1,101.9		1,101.9	935.7	166.2			
Other foreign exchange derivatives	551.8		551.8	528.6	23.2			
Interest rate swaps under hedge accounting, fair value	3.3		3.3		2.3		1.0	
Cross currency swaps, fair value	6.8		6.8		6.8			
Other interest rate derivatives, fair value *)	5.8		5.8		0.7		5.1	
Derivative assets								
Foreign exchange derivatives under hedge accounting	1,145.5		1,145.5	972.9	172.6			
Other foreign exchange derivatives	549.6		549.6	526.1	23.5			
Interest rate swaps under hedge accounting, fair value	0.3		0.3				0.2	0.1
Cross currency swaps, fair value	–		–					
Other interest rate derivatives, fair value *)	–		–					

*) 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.

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 20 currencies at least. 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, in accordance with IFRS 7, 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, 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 IFRS 7-compliant foreign exchange position at the balance sheet date:

	Dec 31, 2017						Dec 31, 2016					
EUR million	USD	CAD	SEK	GBP	CHF	JPY	USD	CAD	SEK	GBP	CHF	JPY
Interest-bearing external receivables	–	–	76.2	–	–	–	–	–	78.5	–	–	–
Interest-bearing inter-company receivables	283.4	63.4	–	–	-0.2	5.4	455.8	67.0	–	–	0.4	21.0
External receivables	16.0	-14.0	0.7	-6.4	1.1	0.0	35.8	-33.9	0.7	-5.8	1.8	–
Inter-company receivables	61.0	-53.9	2.3	12.1	6.8	2.9	6.4	2.2	2.7	9.7	4.3	3.3
Interest-bearing external liabilities	-179.3	–	-76.2	–	–	–	-204.0	–	-78.5	–	–	–
Interest-bearing inter-company liabilities	–	–	-7.5	-7.1	–	–	–	–	-4.2	-3.7	–	–
External payables	-123.4	34.6	0.0	0.2	-0.1	-1.0	-79.7	0.8	0.0	0.2	-0.4	0.0
Inter-company payables	-51.4	39.4	0.0	-0.4	-0.3	-0.6	-20.0	4.1	0.0	2.2	-0.3	-0.2
Foreign exchange derivatives	621.9	-211.0	-44.9	-112.5	-81.1	-67.6	507.5	-155.8	-57.1	-101.4	-86.7	-66.7
Total	628.2	-141.5	-49.4	-114.1	-73.8	-60.9	701.8	-115.6	-57.9	-98.8	-80.9	-42.6

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	-71.2	8.4
CAD	13.1	1.1
SEK	4.5	0.4
GBP	11.1	0.3
CHF	6.0	1.4
JPY	3.2	2.9

The following table presents the corresponding sensitivities at the balance sheet date in 2016:

EUR million	Shareholders' equity	Income statement
USD	-61.8	-8.4
CAD	5.2	6.4
SEK	5.0	0.8
GBP	10.1	-0.2
CHF	6.3	1.8
JPY	2.4	1.8

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 that are under hedging policy for the next 24 months (EUR million):

USD	CAD	GBP	CHF	NOK	JPY	SEK	CZK	OTHER
1,062	-220	-149	-107	-91	-79	-78	-50	-142

The following table sets out the hedging of Amer Sports' cash flows as at December 31, 2017 (EUR million):

USD	CAD	GBP	CHF	NOK	JPY	SEK	CZK	OTHER
-803	135	114	76	61	56	49	37	106

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 recognized as hedging reserve while interest rate differentials related to the foreign exchange derivates 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 2017, 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, 2017, the duration was 14 months. 80% of the debt portfolio was at fixed rate as of December, 2017. 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.

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.

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

In 2016, 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**	**2016**
Shareholders' equity	242.8	4.9
Income statement	214.0	-1.2
Income statement due to ineffective		
Other interest rate derivatives	135.0	2.3

The effective interest rate of the total debt including interest rate hedges was 2.8%. The interest rate was 2.1% on bonds and 1.1% on bank loans.

The average interest rate of the Group's interest bearing debt including interest rate derivatives and facility fees was 2.5% (Dec 31, 2016: 2.0). After foreign exchange derivatives that hedge the inter-company debt, the average interest rate was 3.2% (Dec 31, 2016: 2.5).

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 26%. At the end of year 2017 the actual payment time for the outstanding sales was 73 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, 2017	Balance sheet value or fair value Dec 31, 2016
Long-term financial assets		
Other long-term financial assets	4.9	5.0
Derivative contracts		
Foreign exchange derivatives	1.6	4.5
Interest rate and cross currency swap derivatives	10.1	8.7
Short-term financial assets		
Accounts receivable	595.5	607.3
Other interest-free receivables	97.7	92.5
Derivative contracts		
Foreign exchange derivatives	25.4	42.8
Interest rate and cross currency swap derivatives	2.2	0.0
Cash and cash equivalents	358.4	364.0

(+ = Assets, - = Debt)

DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 31, 2017					Dec 31, 2016	
EUR million	Nominal value	Fair value	2018	2019	2020 and after	Nominal value	Fair value
Hedge accounting-related							
Foreign exchange derivatives hedging cash flows from operations	1,358.2	-26.8	1,023.7	334.5		1,145.5	40.3
Interest rate swaps hedging interest cash flow	226.7	-0.7	126.7		100.0	242.8	-3.0
Interest cash flow of cross currency swaps	76.2	0.0	76.2			78.5	0.0
Other derivative contracts							
Foreign exchange derivatives	764.7	6.6	717.2	47.5		549.6	-0.9
Interest rate swaps *)	185.0	-3.7	100.0		85.0	135.0	-5.8
Foreign exchange difference of cross currency swaps	0.0	-9.2				0.0	-6.8

*) 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' consolidated gearing cannot exceed 100 percent, excluding the impact of any goodwill or intangible rights impairment. 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, 2017	Dec 31, 2016
Interest-bearing liabilities	819.1	899.9
Cash and cash equivalents	358.4	364.0
Net debt	460.7	535.9
Total shareholders' equity	888.0	1,003.1
Gearing, %	52	53
EBITDA	237.7	264.8
Net debt/EBITDA	1.9	2.0

Offsetting financial assets and liabilities

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

		Related amounts not set off	
EUR million	Gross amount of derivative financial assets	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:

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

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2016:

		Related amounts not set off	
EUR million	**Gross amount of derivative financial assets**	**Financial instruments**	**Net amount**
Derivative financial instruments	27.9	16.6	11.3

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2016:

		Related amounts not set off	
EUR million	**Gross amount of derivative financial liabilities**	**Financial instruments**	**Net amount**
Derivative financial instruments	4.2	6.8	-2.6

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.

PARENT COMPANY INCOME STATEMENT

EUR million	**2017**	**2016**
Other operating income	24.6	27.1
EXPENSES		
Personnel expenses	8.9	10.1
Depreciation	1.0	0.9
Other expenses	15.9	16.0
Total expenses	25.8	27.0
EARNINGS BEFORE INTEREST AND TAXES	-1.2	0.1
Financing income	276.7	85.5
Financing expenses	-129.2	-67.9
Financing income and expenses	147.5	17.6
EARNINGS BEFORE APPROPRIATIONS AND TAXES	146.3	17.7
Appropriations	3.9	0.0
Income taxes	-0.1	-0.7
NET RESULT	150.1	17.0

PARENT COMPANY CASH FLOW STATEMENT

EUR million	**2017**	**2016**
NET CASH FLOW FROM OPERATING ACTIVITIES		
EBIT	-1.2	0.1
Depreciation	1.0	0.9
Adjustments to cash flow from operating activities	0.1	-0.2
Cash flow from operating activities before change in working capital	-0.1	0.8
Increase (-) or decrease (+) in trade and other current receivables	20.4	4.1
Increase (+) or decrease (-) in interest-free current liabilities	0.8	0.1
Change in working capital	21.2	4.2
Cash flow from operating activities before financing items and taxes	21.1	5.0
Interest paid	-27.1	-25.0
Interest received	0.2	0.3
Financing items and taxes	-26.9	-24.7
Total net cash flow from operating activities	-5.8	-19.7
NET CASH FLOW FROM INVESTING ACTIVITIES		
Investments in subsidiaries	-15.0	-39.7
Capital expenditure	-1.4	-1.2
Proceeds from sale of tangible non-current assets	0.0	0.4
Dividends received	175.0	15.0
Net cash flow from investing activities	158.6	-25.5

EUR million	**2017**	**2016**
NET CASH FLOW FROM FINANCING ACTIVITIES		
Repurchase of own shares	-53.9	-0.8
Transfer of own shares	3.3	4.8
Change in short-term borrowings	-114.5	-268.3
Withdrawals of long-term borrowings	–	160.0
Repayments of long-term borrowings	–	-104.4
Change in current receivables	117.3	327.2
Capital repayment/dividends paid	-72.7	-64.7
Group contributions received	–	3.6
Other financing items *)	-38.3	7.9
Net cash flow from financing activities	-158.8	65.3
CHANGE IN CASH AND CASH EQUIVALENTS	-6.0	20.1
Cash and cash equivalents		
Cash and cash equivalents at year end	264.5	270.5
Cash and cash equivalents at year beginning	270.5	250.4
Change in cash and cash equivalents	-6.0	20.1

*) Including, for example, cash flow from hedging intercompany balance sheet items

PARENT COMPANY BALANCE SHEET

ASSETS

EUR million	**2017**	**2016**
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	2.4	1.5
TANGIBLE ASSETS		
Land and water	0.8	0.8
Buildings and constructions	0.7	0.8
Machinery and equipment	1.0	1.1
Other tangible assets	0.3	0.3
Construction in progress	0.0	0.4
	2.8	3.4

ASSETS *EUR million*	**2017**	**2016**
OTHER NON-CURRENT INVESTMENTS		
Investments in subsidiaries	747.2	762.1
Other bonds and shares	0.1	0.1
	747.3	762.2
TOTAL NON-CURRENT ASSETS	752.5	767.1
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	607.3	556.0
Deferred tax assets	3.1	2.0
Short-term		
Receivables from subsidiaries	216.5	332.1
Prepaid expenses	55.9	72.2
	882.8	962.3
MARKETABLE SECURITIES		
Other securities	30.0	52.5
CASH AND CASH EQUIVALENTS	234.5	218.0
TOTAL CURRENT ASSETS	1,147.3	1,232.8
TOTAL ASSETS	1,899.8	1,999.9

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	**2017**	**2016**
SHAREHOLDERS' EQUITY		
Share capital	292.2	292.2
Premium fund	12.1	12.1
Invested unrestricted equity reserve	106.4	177.8
Retained earnings	27.3	62.1
Net result	150.1	17.0
TOTAL SHAREHOLDERS' EQUITY	588.1	561.2
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation in excess of plan	0.0	0.1
LIABILITIES		
LONG-TERM LIABILITIES		
Bonds	516.7	697.5
Loans from financial institutions	100.0	130.0
	616.7	827.5
CURRENT LIABILITIES		
Bonds	153.7	–
Loans from financial institutions	30.0	–
Other interest-bearing liabilities	–	49.9
Accounts payable	0.6	0.3
Payables to subsidiaries	410.2	503.8
Other current liabilities	0.2	1.7
Accrued liabilities	100.3	55.4
	695.0	611.1
TOTAL LIABILITIES	1,311.7	1,438.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,899.8	1,999.9

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 are 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.

BOARD OF DIRECTORS' REPORT'S AND FINANCIAL STATEMENTS' SIGNATURES

Helsinki, Finland, February 8, 2018

Bruno Sälzer	Ilkka Brotherus	Manel Adell
Christian Fischer	Tamara Minick-Scokalo	Hannu Ryöppönen
Heikki Takala	Lisbeth Valther	

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 2017. 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
Revenue recognition *We refer to the group's accounting policies and the note 2.*	
Revenue is measured taking into account discounts, incentives and rebates earned by customers, and is recognised when the risks and rewards of the underlying products and services have been transferred to the purchaser. The group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognised before the risks and rewards 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. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement relating to revenue recognition we performed, among others, the following audit procedures: • 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. • 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. • 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. • We considered the appropriateness of the group's disclosures in respect of revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation goodwill and intangible rights *We refer to the group's accounting policies and the notes 7 and 13.*	
At the balance sheet date, the value of tested goodwill and intangible rights amounted to 566 M€ representing 22% of the total assets and 64 % 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.	We performed, among others, the following audit procedures: • 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. • 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. • We assessed the historical accuracy of the management's estimates. • We considered the appropriateness of the group's disclosures in respect of impairment testing.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of product development costs *We refer to the group's accounting policies and the notes 7 and 13.*	
Product development costs are capitalized when they meet the recognition criteria of IAS 38 Intangible Assets. Capitalised product 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 16 M€ in 2017 and 26 M€ in 2016. The group wrote down capitalized product development costs as impairment charges 12 M€ in 2017. Valuation of product development costs was a key audit matter because the impairment assessment imposes significant management judgment.	We performed, among others, the following audit procedures: • We assessed the compliance of the group's accounting policies over the recording of product development costs with applicable accounting standards. • We evaluated the analyses made by management with respect to capitalized and impaired product development costs. • We considered the appropriateness of the group's disclosures about the product development costs.
Income taxes *We refer to the group's accounting policies and the notes 11 and 15.*	
The group has extensive international operations and in the normal cause 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.	We performed, among others, the following audit procedures: • We assessed the group's process around the recording and assessment of tax provisions. • 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. • We assessed the assumptions used with our tax specialists. • We assessed relevant tax opinions from third parties obtained by the management. • We also considered the appropriateness of the group's disclosures in respect of income taxes.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory valuation *We refer to the group's accounting policies and the note 16.*	
At the balance sheet date the total value of inventory and related excess and obsolete provision amounted to 502 M€ and 24 M€, respectively (net 478 €). 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.	We performed, among others, the following audit procedures: • We assessed the compliance of the group's accounting policies over the recording of inventory with applicable accounting standards. • 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. • We considered the appropriateness of the group's disclosures about the accounting policies for the valuation of inventory and the related balances.

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 three 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, 8 February 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

C. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The following is an extract of the audited financial statements of the Target Group for the year ended 31 December 2016, which were prepared in accordance with IFRS, from the Target Group's financial review 2016 (pages 18 – 60).

Specific page/section references mentioned in the audited financial statements of the Target Group for the year ended 31 December 2016 are referred to in the Target Group's financial review 2016 which is available free of charge, in read-only, printable format on the Target Group's website at https://www.amersports.com/investors/.

CONSOLIDATED INCOME STATEMENT

EUR million	*Notes*	**2016**	**2015**
NET SALES	*2*	2,622.1	2,534.4
Cost of goods sold	*7, 30*	-1,409.7	-1,388.5
License income		6.8	7.3
Other operating income	*4*	8.8	4.8
Research and development expenses	*7*	-97.5	-77.7
Selling and marketing expenses	*7, 30*	-731.1	-677.5
Administrative and other expenses	*7, 8, 9, 30*	-194.6	-198.7
EARNINGS BEFORE INTEREST AND TAXES	*30*	204.8	204.1
% of net sales		7.8	8.1
Financing income	*10*	1.1	1.1
Financing expenses	*10*	-32.9	-37.2
Financing income and expenses, net		-31.8	-36.1
EARNINGS BEFORE TAXES		173.0	168.0
Income taxes	*11*	-46.1	-46.4
NET RESULT		126.9	121.6
Attributable to:			
Equity holders of the parent company		126.9	121.6
Earnings per share of the net result attributable to equity holders of the parent company, EUR	*12*		
Undiluted		1.08	1.04
Diluted		1.07	1.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	*Notes*	**2016**	**2015**
Net result		126.9	121.6
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement effects of postemployment benefit plans		-8.9	2.9
Income tax related to remeasurement effects		-3.2	-1.4
Items that may be reclassified to profit or loss			
Translation differences		16.1	31.9
Cash flow hedges	*26*	-20.0	2.7
Income tax related to cash flow hedges	*26*	4.0	-0.5
Other comprehensive income (loss), net of tax		-12.0	35.6
TOTAL COMPREHENSIVE INCOME		114.9	157.2
Total comprehensive income attributable to:			
Equity holders of the parent company		114.9	157.2

The notes are an integral part of consolidated financial information.

CONSOLIDATED CASH FLOW STATEMENT

EUR million	*Notes*	**2016**	**2015**
NET CASH FLOW FROM OPERATING ACTIVITIES			
Earnings before interest and taxes		204.8	204.1
Depreciation		60.0	51.1
Adjustments to cash flow from operating activities	*22*	3.2	0.4
Cash flow from operating activities before change in working capital		268.0	255.6
Increase (-) or decrease (+) in inventories		-12.5	-51.3
Increase (-) or decrease (+) in trade and other current receivables		-37.8	2.8
Increase (+) or decrease (-) in interest-free current liabilities		-7.2	54.6
Change in working capital		-57.5	6.1
Cash flow from operating activities before financing items and taxes		210.5	261.7
Interest paid		-28.4	-29.3
Interest received		1.1	1.1
Income taxes paid and received		-32.9	-22.0
Financing items and taxes		-60.2	-50.2
Total net cash flow from operating activities		150.3	211.5
NET CASH FLOW FROM INVESTING ACTIVITIES			
Acquired operations		-56.8	-76.3
Divested operations		-	1.0
Capital expenditure on non-current tangible assets		-58.6	-48.3
Capital expenditure on non-current intangible assets		-33.1	-29.0
Proceeds from sale of tangible non-current assets		0.6	0.6
Net cash flow from investing activities		-147.9	-152.0
NET CASH FLOW FROM FINANCING ACTIVITIES			
Change in short-term borrowings		50.9	-115.4
Withdrawals of long-term borrowings		210.0	368.0
Repayments of long-term borrowings		-156.1	-153.8
Dividends paid		-64.7	-52.8
Other financing items *)		-12.0	-15.9
Net cash flow from financing activities		28.1	30.1

EUR million	*Notes*	**2016**	**2015**
CHANGE IN CASH AND CASH EQUIVALENTS		30.5	89.6
Cash and cash equivalents			
Cash and cash equivalents at year end	*14*	364.0	331.4
Translation differences		2.1	1.6
Cash and cash equivalents at year beginning		331.4	240.2
Change in cash and cash equivalents		30.5	89.6

*) Including, for example, cash flow from hedging intercompany balance sheet items

FREE CASH FLOW **)	64.4	121.7

**) 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.

The notes are an integral part of consolidated financial information.

CONSOLIDATED BALANCE SHEET

ASSETS *EUR million*	*Notes*	**2016**	**2015**
NON-CURRENT ASSETS			
Intangible rights	*13*	265.5	240.5
Goodwill	*13*	373.4	346.2
Other intangible assets	*13*	66.8	41.6
Land and water	*13*	15.0	14.8
Buildings and constructions	*13*	62.6	57.9
Machinery and equipment	*13*	127.5	123.4
Other tangible assets	*13*	0.3	0.3
Advances paid and construction in progress	*13*	20.6	10.3
Available-for-sale financial assets	*14*	0.4	0.4
Deferred tax assets	*15*	110.1	116.2
Other non-current receivables		9.3	11.6
TOTAL NON-CURRENT ASSETS	*16*	1,051.5	963.2
CURRENT ASSETS			
INVENTORIES			
Raw materials and consumables		47.5	41.9
Work in progress		10.7	6.8
Finished goods		455.4	433.3
		513.6	482.0
RECEIVABLES			
Accounts receivable	*16*	607.3	563.9
Current tax assets		17.4	12.1
Prepaid expenses and other receivables	*17*	161.3	203.1
		786.0	779.1
MARKETABLE SECURITIES			
Other securities		52.5	–
CASH AND CASH EQUIVALENTS	*14*	311.5	331.4
TOTAL CURRENT ASSETS		1,663.6	1,592.5
TOTAL ASSETS		2,715.1	2,555.7

The notes are an integral part of consolidated financial information.

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	*Notes*	**2016**	**2015**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*18*		
Share capital		292.2	292.2
Premium fund		12.1	12.1
Fund for own shares		-15.5	-18.1
Translation differences		33.1	17.0
Fair value and other reserves	*26*	27.8	43.8
Remeasurements		-47.2	-35.1
Invested unrestricted equity reserve		163.1	163.1
Retained earnings		410.6	353.0
Net result		126.9	121.6
TOTAL SHAREHOLDERS' EQUITY		1,003.1	949.6
LIABILITIES			
LONG-TERM LIABILITIES			
Bonds	*19*	697.5	534.1
Loans from financial institutions	*19*	131.0	81.4
Other interest-bearing liabilities	*19*	17.7	19.0
Deferred tax liabilities	*15*	36.3	40.6
Defined benefit pension liabilities	*6*	78.0	70.1
Other interest-free liabilities		22.4	25.9
Provisions	*21*	5.1	2.5
		988.0	773.6
CURRENT LIABILITIES			
Interest-bearing liabilities	*19*	53.7	157.2
Accounts payable		256.3	275.7
Accrued liabilities	*20*	347.3	337.3
Current tax liabilities		32.1	27.9
Provisions	*21*	34.6	34.4
		724.0	832.5
TOTAL LIABILITIES		1,712.0	1,606.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,715.1	2,555.7

The notes are an integral part of consolidated financial information.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Remea-surements	Invested unrestricted equity reserve	Retained earnings	Total
Balance at January 1, 2015	292.2	12.1	-20.2	-14.9	41.6	-36.6	163.1	405.5	842.8
Other comprehensive income:									
Translation differences				31.9					31.9
Remeasurement effects of postemployment benefit plans						2.9			2.9
Cash flow and fair value hedges					2.7				2.7
Income tax related to OCI					-0.5	-1.4			-1.9
Net result								121.6	121.6
Total comprehensive income				31.9	2.2	1.5		121.6	157.2
Transactions with owners:									
Repurchase of own shares			-1.1						-1.1
Share-based incentive program			3.2					0.3	3.5
Dividend distribution								-52.8	-52.8
Balance at December 31, 2015	292.2	12.1	-18.1	17.0	43.8	-35.1	163.1	474.6	949.6
Other comprehensive income:									
Translation differences				16.1					16.1
Remeasurement effects of postemployment benefit plans						-8.9			-8.9
Cash flow and fair value hedges					-20.0				-20.0
Income tax related to OCI					4.0	-3.2			0.8
Net result								126.9	126.9
Total comprehensive income				16.1	-16.0	-12.1		126.9	114.9
Transactions with owners:									
Repurchase of own shares									–
Share-based incentive program			2.6					0.7	3.3
Dividend distribution								-64.7	-64.7
Balance at December 31, 2016	292.2	12.1	-15.5	33.1	27.8	-47.2	163.1	537.5	1,003.1

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

1. ACCOUNTING POLICIES

General

Amer Sports Corporation is a Finnish public listed company that is domiciled 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, Atomic, Arc'teryx, Mavic, Suunto and Precor.

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 9, 2017.

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, 2016. 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 Group has applied the following new and revised standards, amendments and interpretations as of January 1, 2016, which did not have material impact on the Group's financial statements:

- IAS 38 (amendment): Intangible assets
- Small changes to various standards or interpretations as part of the annual improvements to IFRS project.

The following standards and amendments that will come into force in 2017 are expected not to have any material effect on the consolidated financial statements, as currently estimated by the Group:

- IFRS 10 (amendment): Consolidated financial statements
- IFRS 12 (amendment): Disclosures of interests in other entities
- IAS 7 (amendment): Statement of cash flows
- IAS 12 (amendment): Income taxes
- IAS 28 (amendment): Investments in associates and joint ventures
- Changes to various standards or interpretations as part of the annual improvements to IFRS project

The following new and revised standards will be adopted in 2018 or later (subject to EU endorsement):

- IFRS 2 (amendment): Share-based payment
- IFRS 9: Financial instruments
- IFRS 15: Revenue from contracts with customers
- IFRS 16: Leases

Amer Sports plans to adopt the new standard IFRS 9 Financial instruments from the annual period beginning on January 1, 2018. In 2017 Amer Sports plans to assess the effect of IFRS 9 on its consolidated financial statements and expects at this point that changes will arise from the expected credit loss model under IFRS 9.

Amer Sports plans to adopt the new standard IFRS 15 Revenue from Contracts with Customers from the annual period beginning on January 1, 2018 using the full retrospective method. During 2016 Amer Sports performed a preliminary assessment of the implications of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Amer Sports continues to assess individual contracts to determine IFRS 15 related changes.

In preparing for the adoption of IFRS 15 Amer Sports has identified the following areas with impact from the new standard:

- *Variable consideration:* some contracts with customers provide a right of return and trade discounts. The current provisions for deferred revenue give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. Amer Sports expects more revenue being deferred under IFRS15 than is under current IFRS.

- *Customer loyalty programmes:* the loyalty programmes offered within Amer Sports B2C business are expected to give rise to a separate performance obligation as they generally provide a material right to the consumer. Amer Sports will allocate a portion of the transaction price to the loyalty programme points based on relative stand-alone selling price instead of the allocation using the fair value of points issued. Consistent with current requirements in IFRIC 13, Amer Sports expects that the revenue will be recognized when the loyalty points are redeemed or expire. At the current level of activity of the customer loyalty programmes, no material change is expected on the revenue recognition.

- *Rendering of services:* Amer Sports provides installation services in its Fitness segment. Currently the revenue from the installation services has been netted against the related expenses. As Amer Sports acts as the principal in rendering the installation services, netting of the revenue and expenses is no longer applicable according to IFRS 15. Amer Sports has preliminarily assessed that the services are satisfied over time and will continue to recognize revenue for these service contracts over time rather than at a point of time. Amer Sports expects to report more service related revenue and expenses under IFRS 15, whereas no impact is expected on the EBIT.

- *Presentation and disclosure:* The presentation requirements in IFRS 15 represent a significant change from current practice and increases the volume of disclosures required in Amer Sports' financial statements. In 2016 Amer Sports has developed account structures, accounting policies and procedures and planned ERP changes to collect and disclose the required information.

The new standard IFRS 16 Leases will have 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 number of the lease contracts and related liabilities Amer Sports expects to report significant increases in leasing assets and leasing liabilities. The operating lease commitments as of December 31, 2016 were 239.4 EUR million. In 2017 Amer Sports plans to assess the effect of IFRS 16 on its consolidated financial statements on a more detailed level.

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

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*)		**Balance sheet**	
	2016	**2015**	**12/16**	**12/15**
USD	1.11	1.11	1.05	1.09
CAD	1.47	1.42	1.42	1.51
JPY	120.26	134.38	123.40	131.07
GBP	0.82	0.73	0.86	0.73

*) 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. 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 IAS 39, 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 IAS 39, 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 IAS 39: Financial Instruments: Recognition and Measurement, financial assets are categorized as:

I. financial assets at fair value through profit or loss

II. held-to-maturity investments

III. loans and receivables

IV. available-for-sale financial assets

Financial assets at fair value through profit or loss are financial assets held for trading. Changes in fair value are booked as a credit or charge to earnings in financing income and expenses. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except for maturities over 12 months after the balance sheet date.

Held-to-maturity investments and loans granted by the company are carried at amortized cost using the effective interest rate method. Held-to-maturity investments are valued at cost and are included in current assets, except for maturities over 12 months after the balance sheet date. At the end of the financial year, the Group did not possess any held-to-maturity investments.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable are carried at the original invoiced amount less impairment losses and credits for returns. Impairment losses are recognized case by case when there is evidence that the receivable cannot be recovered in full, such as due to the payment difficulties or impending bankruptcy of the debtor.

Available-for-sale financial assets 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. Available-for-sale financial assets whose fair value cannot be determined reliably are measured at cost or a lower value if they are impaired. Available-for-sale financial assets 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.

Financial assets are recognized on the settlement date. Financial assets carried at fair value through the income statement are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets not carried at fair value through the income statement are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Financial liabilities 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 unless they mature over 12 months after the balance sheet date, in which case they are included in long-term liabilities. The amounts drawn under the revolving credit facility are included in loans from financial institutions.

Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards connected with ownership of the goods have been transferred to the purchaser. 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 performance 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.

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.

Sales and marketing expenses

Expenses related to the sales, distribution, marketing and advertising of products are booked to sales 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 Headquarter's 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 either as equity instruments or in cash. 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. Cash-settled share-based payment transactions and the change in fair value are recognized as expenses over the vesting period. 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 substantively enacted future tax rates. 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 are recorded as adjustments to expenses in the financial period they are received, except when they relate to investments, in which case they are deducted from the cost.

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). Capitalised development expenses are 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 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 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 was EUR 78.0 million as of December 31, 2016.

Share-based payment

The Group key employees have been granted several share-based incentive schemes where the rewards are settled either as equity instruments or in cash. 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. Cash-settled share-based payment transactions and the change in fair value are periodized as expenses over the vesting period. The income effect of the arrangements is presented as employee benefits in the income statement.

Expenses recognized for the share-based incentive schemes for the year ended December 31, 2016 amounted to EUR 9.2 million and for the deferred cash long-term incentive programs EUR -0.6 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, 2016, the company has recognized net deferred tax assets of EUR 73.8 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 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, 2016, the amount of goodwill and other non-current intangible assets with indefinite useful lives tested for impairment amounted to EUR 373.4 million and EUR 250.1 million, respectively. No impairment losses were recognised in 2016 or 2015. Management estimates, used assumptions as well as sensitivity analyses are presented in note 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, 2016, the amount of inventories on balance sheet amounted to EUR 513.6 million. Value of inventories has been decreased by EUR 25.1 million for the year ended December 31, 2016 to correspond to its net realizable value.

Accounts receivable

Accounts receivable are carried at the original invoiced amount less impairment losses and credits for returns. Impairment losses are recognized case by case and on the basis of historical experience when there is evidence that the receivable cannot be recovered in full, such as due to the payment difficulties or impending bankruptcy of the debtor. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, the Group takes into account the history of collections, the size and composition of the receivable balances and current economic events and conditions. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment losses may be recognized in future periods. As of December 31, 2016, the amount of accounts receivable on balance sheet amounted to EUR 607.3 million and impairment losses of accounts receivable amounted to EUR 11.2 million.

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, 2016, the amount of provisions on balance sheet was EUR 39.7 million.

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, cycling components 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.

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

Outdoor

- Footwear: Salomon, Arc'teryx
- Apparel: Salomon, Arc'teryx
- Winter Sports Equipment: Salomon winter sports equipment and Atomic
- Cycling: Mavic, ENVE
- 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 2016 and 2015. 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.

OPERATING SEGMENTS

2016

EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	EBIT excl. IAC	IAC	Total
Net sales	1,601.8	671.1	349.2	2,622.1	–	–	–	2,622.1
EBIT	196.9	44.8	17.0	258.7	-37.0	221.7	-16.9	204.8
% of net sales	12.3	6.7	4.9	9.9	–	–	–	7.8
Financing income and expenses					-31.8	–	–	-31.8
Earnings before taxes					173.0	–	–	173.0
Goodwill and intangible assets with indefinite useful lives	266.9	182.4	174.2	623.5	–	–	–	623.5
Other assets	957.5	342.2	203.2	1,502.9	588.7	–	–	2,091.6
Liabilities	345.6	261.4	72.6	679.6	1,032.4	–	–	1,712.0
Capital expenditure	56.8	13.8	19.9	90.5	1.2	–	–	91.7
Depreciation	41.0	7.3	9.7	58.0	2.0	–	–	60.0
Cash flow from operating activities before financing items and taxes	182.5	52.4	12.9	247.8	-37.3	–	–	210.5

2015

EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	EBIT excl. IAC	IAC	Total
Net sales	1,530.1	647.0	357.3	2,534.4	–	–	–	2,534.4
EBIT	161.2	46.6	31.2	239.0	-26.9	212.1	-8.0	204.1
% of net sales	10.5	7.2	8.7	9.4	–	–	–	8.1
Financing income and expenses					-36.1	–	–	-36.1
Earnings before taxes					168.0	–	–	168.0
Goodwill and intangible assets with indefinite useful lives	227.1	176.6	171.0	574.7	–	–	–	574.7
Other assets	855.2	341.1	180.6	1,376.9	604.1	–	–	1,981.0
Liabilities	321.3	259.3	73.7	654.3	951.8	–	–	1,606.1
Capital expenditure	48.1	9.2	18.6	75.9	1.4	–	–	77.3
Depreciation	33.4	8.4	7.6	49.4	1.7	–	–	51.1
Cash flow from operating activities before financing items and taxes	186.4	64.4	38.5	289.3	-27.6	–	–	261.7

OTHER ASSETS

EUR million	2016	2015
Other non-current assets, accounts and other receivables and inventories of operating segments	1,502.9	1,376.9
Deferred tax assets	110.1	116.2
Unallocated other non-current assets, accounts and other receivables	26.8	24.1
Derivative financial instruments	56.0	108.3
Prepaid interest	14.4	12.0
Current tax assets	17.4	12.1
Cash and cash equivalents	364.0	331.4
Unallocated other assets	588.7	604.1

LIABILITIES

EUR million	2016	2015
Other interest-free long-term liabilities, accounts payable, non-tax and non-financing related accrued liabilities and provisions of operating segments	679.6	654.3
Interest-bearing long-term liabilities	846.2	634.5
Deferred tax liabilities	36.3	40.6
Interest-bearing current liabilities	53.7	157.2
Unallocated accounts payable and accrued liabilities	6.7	11.9
Derivative financial instruments	39.4	63.2
Accrued interests	18.0	16.5
Current tax liabilities	32.1	27.9
Unallocated liabilities	1,032.4	951.8

GEOGRAPHIC INFORMATION

2016

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,133.7	1,116.0	372.4	–	–	2,622.1
Assets	845.2	1,003.3	165.4	-95.7	796.9	2,715.1
Capital expenditure	41.0	42.7	8.0	–	–	91.7

2015

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,114.7	1,070.1	349.6	–	–	2,534.4
Assets	744.5	937.5	161.6	-108.9	821.0	2,555.7
Capital expenditure	43.4	27.1	6.8	–	–	77.3

3. ACQUIRED AND DIVESTED BUSINESSES

2016:

On March 8, 2016 Amer Sports acquired 100% of the shares in the company ENVE Composites LLC. ENVE is a fast-growing brand in high-end carbon wheels, components, and accessories for road and mountain biking with annual sales of approximately USD 30 million. The acquisition accelerates Amer Sports Cycling business especially in the United States and provides further expansion opportunities internationally. ENVE brings capabilities in carbon technology, and it offers operational scale and synergy benefits complementing Amer Sports' cycling category.

The net cash acquisition price was USD 50 million in an all-cash transaction and was paid in March 2016. According to the purchase price allocation, the fair value of the acquired net assets was EUR 48.0 million. EUR 18.9 million of the fair value was allocated to the ENVE intangible assets including trademarks, customer relationships and technology. These assets are amortized over 10-15 years. EUR 18.5 million of the fair value was allocated to goodwill. Purchase of ENVE was treated as asset purchase in taxation and no deferred taxes were recognized.

The following fair values of the assets and liabilities of ENVE Composites LLC have been consolidated into Amer Sports' result from the acquisition date. Transaction costs of EUR 0.3 million are included in the administrative expenses of the consolidated income statement.

EUR million	**Fair value**
Intangible non-current assets	18.9
Goodwill	18.5
Other non-current assets	1.2
Inventories	5.7
Accounts receivables and other current assets	2.9
Cash	3.3
TOTAL ASSETS	50.5
Interest-free liabilities	2.5
NET ASSETS	48.0
Purchase price	48.0

Analysis of the cash flows on the acquisition

Purchase price	48.0
ENVE cash	-3.3
Transaction costs	0.3
Net cash flow on acquisition	45.0

Fair value of accounts receivables was equal to book value at the date of transaction.

The ENVE sales in 2016 from the date of acquisition were EUR 20 million. The ENVE transaction including one time integration costs and amortization of intangible assets had slightly negative impact on Amer Sports' 2016 financial results.

On November 17, 2016 Amer Sports acquired EvoShield, the leading protective gear brand for baseball and softball.

EvoShield is the leading brand of protective gear for baseball and softball athletes and teams in the U.S., and the Official Protective Gear of Major League Baseball® (MLB). The annual net sales of EvoShield are approximately EUR 10 million.

The price of this selective asset acquisition was USD 9.3 million and it included the EvoShield brand, all EvoShield branded products as well as intellectual property and distribution rights. Based on preliminary purchase price allocation the fair value of acquired intangible assets such as EvoShield trademark was USD 7.3 million. The purchase accounting will be completed during 2017.

EvoShield has been integrated into Amer Sports Ball Sports business segment, which already includes the brands Wilson, Louisville Slugger, DeMarini and ATEC.

The EvoShield acquisition had no material impact on Amer Sports 2016 financial results.

2015:

Amer Sports strengthened its Ball Sports business by acquiring the global brand, sales and innovation rights to the American baseball brand Louisville Slugger on April 22, 2015 from Hillerich & Bradsby Co. Louisville Slugger is an iconic American baseball brand, the official bat of Major League Baseball and the market leading wood bat. Louisville Slugger reported annual sales of USD 75 million in 2014. Louisville Slugger sales in 2015 from the date of acquisition were USD 32 million. The final acquisition price was USD 72.3 million, which was mainly paid in cash in April 2015. The transaction and other acquisition related one-time costs had a slightly negative impact on Amer Sports 2015 financial results.

The fair value of the acquired net assets of Louisville Slugger was EUR 66.4 million. EUR 40.6 million of the fair value was allocated to the non-current intangible assets of which EUR 38.7 million to the Louisville Slugger trademark.

The Louisville Slugger trademark is not amortized. EUR 12.1 million of the fair value was allocated to goodwill. Baseball is one of Amer Sports' chosen strategic growth areas, which already includes two leading brands, Wilson and DeMarini. The acquisition enhances Ball Sports' product portfolio and provides Amer Sports with a strong position and opportunity for gaining substantial synergies by combining Louisville Slugger's operations to Wilson and DeMarini. The goodwill is tax deductible.

The following fair values of the assets and liabilities of Louisville Slugger business have been consolidated into Amer Sports' results from the acquisition date. Transaction costs of EUR 1.4 million are included in the operating expenses of the consolidated income statement.

EUR million	**Fair value**
Intangible non-current assets	40.6
Goodwill	12.1
Inventories	6.2
Accounts receivables	11.8
TOTAL ASSETS	70.7
Interest-free liabilities	4.3
NET ASSETS	66.4
Purchase price	66.4

Analysis of the cash flows on the acquisition

Purchase price	66.4
Transaction costs	1.4
Net cash flow on acquisition	67.8

Fair value of accounts receivables was EUR 2.6 million lower than book value at the date of acquisition due to impairment of doubtful receivables.

On May 12, 2015 Amer Sports acquired 100% of the shares in the company Sports Tracking Technologies Oy to strengthen its digital connectivity services and capabilities. Sports Tracker is a digital sports application and online service. It has a strong technology platform and capability, and it is a recognized digital service which is used globally. The purchase price was EUR 5.0 million. The fair value of the acquired net assets was EUR 4.0 million, which mainly comprised of the intangible assets, such as the customer register and technical know-how. In addition goodwill of EUR 1.0 million was recognized. The acquisition had no material impact on Amer Sports' 2015 financial results.

On July 21, 2015 Amer Sports strengthened its fitness product and service offering through the acquisition of Queenax. Queenax is a leading functional training systems provider. Queenax was integrated into Precor, which is Amer Sports' Fitness business segment. The acquisition includes the Queenax brand as well as intellectual property and distribution rights, among others. Functional strength training is one of the fastest growing segments in the commercial fitness industry. The acquisition will enable Precor to offer its customers a complete functional training system and will further solidify Precor as a leading player in the global fitness equipment and services market. The purchase price was EUR 5.0 million, out of which EUR 4.5 million was paid in 2015. The fair value of acquired net assets was EUR 5.0 million, which was also the value allocated to goodwill. The acquisition had no material impact on Amer Sports 2015 financial results.

In March 2015, Amer Sports sold Nikita and Bonfire brands to CRN Pte Ltd. The sale price was EUR 1.0 million and received fully in cash. The combined net sales of Nikita and Bonfire in 2014 was EUR 9.8 million. The divestments had no material impact on Amer Sports' 2015 financial results.

4. OTHER OPERATING INCOME

EUR million	2016	2015
Rental income on real estate	0.0	0.0
Gain on sale of non-current assets	0.2	0.1
Government subsidies	1.8	1.2
Credits for research and competitiveness taxes	2.0	1.8
Compensation for discontinued distribution	2.8	–
Other	2.0	1.7
Total	8.8	4.8

5. EMPLOYEE BENEFITS

EUR million	2016	2015
Wages and salaries	405.9	386.6
Social expenditure		
Pensions-defined contribution plans	14.7	12.4
Pensions-defined benefit plans	3.7	4.5
Other social security	83.3	78.7
Total	507.6	482.2

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.

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 38% (61%) of the Group's total value. In addition to the USA, the Group has defined benefit pension plans in France, Switzerland, the UK, Germany, Japan and Austria. 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.

In the current year the company has reclassified obligations arising in Austria previously disclosed as accrued liabilities as part of defined pension obligations. Therefore the disclosed numbers in 2015 have been restated.

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

EUR million	2016	2015
Present value of funded obligations	196.6	187.9
Fair value of plan assets	-118.6	-117.8
Deficit	78.0	70.1
Impact of minimum funding requirement/asset ceiling	–	–
Net liability in the balance sheet at December 31	78.0	70.1

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, 2015	176.6	-107.3	69.3
Current service cost	4.7	–	4.7
Past service cost and gains and losses on settlements	-0.2	–	-0.2
Administration cost paid from plan assets	-0.8	0.8	0.0
Interest expense/(income)	6.7	-4.6	2.1
Cost recognized in income statement	10.4	-3.8	6.6
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	–	4.7	4.7
(Gain)/loss from change in demographic assumptions	0.3	–	0.3
(Gain)/loss from change in financial assumptions	-7.4	–	-7.4
Experience (gains)/losses	-1.0	–	-1.0
Other changes	0.4	0.1	0.5
Remeasurements effects recognized in OCI	-7.7	4.8	-2.9
Contributions:			
Employers	-0.6	-6.7	-7.3
Employees	0.8	-0.8	0.0
Benefits paid from plan assets	-6.9	6.9	0.0
Other changes	–	–	0.0
Exchange rate differences	15.3	-10.9	4.4
At December 31, 2015	187.9	-117.8	70.1

EUR million	Present value of obligation	Fair value of plan asset	Total
At January 1, 2016	187.9	-117.8	70.1
Current service cost	3.5	0.0	3.5
Past service cost and gains and losses on settlements	0.1	0.0	0.1
Administration cost paid from plan assets	-0.9	1.0	0.1
Interest expense (income)	7.4	-4.9	2.5
Cost recognized in income statement	10.1	-3.9	6.2
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	0.0	-2.4	-2.4
(Gain)/loss from change in demographic assumptions	-1.3	0.0	-1.3
(Gain)/loss from change in financial assumptions	12.0	0.0	12.0
Experience (gains)/losses	0.8	0.0	0.8
Other changes	0.0	0.0	0.0
Remeasurements effects recognized in OCI	11.5	-2.4	9.1
Contributions:			
Employers	-0.4	-6.8	-7.2
Employees	1.6	-1.6	0.0
Benefits paid from plan assets	-13.2	13.2	0.0
Exchange rate differences	-0.9	0.7	-0.2
At December 31, 2016	196.6	-118.6	78.0

Principal actuarial assumptions:

	2016			2015		
%	USA	Europe	Japan	USA	Europe	Japan
Discount rate	4.20 - 4.40	0.30 - 2.65	0.50	4.70 - 4.85	0.90 - 3.80	0.80
Inflation	2.25	0.00 - 3.50	0.00	2.25	1.00 - 3.20	0.00
Future salary increases	2.50	0.00 - 3.00	1.70	2.50	1.00 - 3.10	1.70
Future pension increases	0.00	0.00 - 2.10	0.00	0.00	0.00 - 2.20	0.00

Sensitivity analysis:

%	Change in assumption	Impact on defined obligation
Discount rate	0.25% decrease	3.22
Inflation rate	0.25% increase	1.18
Mortality rate	1 year increase in life expectancy	2.02

Major categories of plan assets:

EUR million	2016	2015
US equities	22.8	12.1
UK equities	4.5	6.0
Other equities	19.2	11.4
Corporate bonds	27.4	17.1
Government bonds	39.7	65.9
Commodities	0.0	0.6
Other including cash	5.0	4.7

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 2017 are EUR 8.4 million.

The weighted average of the duration of the defined benefit obligations is 13.3.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation and amortization by asset type

EUR million	2016	2015
Intangible rights	4.0	3.2
Other intangible assets	10.3	6.0
Buildings and constructions	11.2	9.6
Machinery and equipment	34.5	32.3
Total	60.0	51.1

Impairment losses by asset type

No impairment losses were recognized in 2016 and 2015.

Depreciation, amortization and impairment losses by function

EUR million	2016	2015
Cost of goods sold	20.3	19.5
Research and development	8.8	3.1
Selling and marketing	16.8	12.8
Administration and other expenses	14.1	15.7
Total	60.0	51.1

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 are the following: Winter Sports Equipment, Salomon Apparel and Footwear, Arc'teryx Apparel and Gear, Cycling, Sports Instruments, Individual Ball Sports, Team Sports, Golf, and Fitness.

The impairment tests were calculated during the fourth quarter of 2016 on budgeted 2017 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.
- The perpetuity value is derived from a combination of esti-mate 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 7.84%-10.83% pre-tax (6.90%-9.07%); equal to 6.15%-6.18% post-tax (5.92%-5.96%). The main components of the discount rate were:

	2016	2015
Risk Free Interest Rate Debt	0.42%	0.73%
Risk Free Interest Rate Equity	1.24%	1.32%
Equity Market Risk Premium	4.25%	5.11%
Asset Beta (Unlevered Beta)	0.92	0.89
Debt Risk Premium	1.55%	1.82%
Tax Rate	27%º-36%	27%-36%

The main change to discount rate arose from a drop in the equity market risk premium and lower debt risk premium.

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	
	2016	2015	2016	2015	2016	2015
Outdoor						
Winter Sports Equipment	7.9	7.5	11.7	11.7	88.3	87.8
Salomon Apparel and Footwear	7.8	7.7	–	–	66.6	66.2
Arc'teryx Apparel and Gear	10.8	6.9	–	–	8.4	7.9
Cycling	7.9	7.7	19.6	–	42.0	23.3
Sports Instruments	7.8	8.0	30.3	30.2	–	–
Ball Sports						
Individual Ball Sports	8.6	9.1	80.3	77.7	–	–
Team Sports	8.7	8.5	60.1	58.2	42.0	40.7
Fitness						
Fitness	8.7	8.5	171.4	168.4	2.8	2.6
Total	8.4	7.8	373.4	346.2	250.1	228.5

In 2016 and 2015, 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 2016:

	-2%	-1%	Growth	1%	2%
-2%	0	0	0	0	0
-1%	0	0	0	0	0
Rate	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 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 2016:

	-2%	**-1%**	**Growth**	**1%**	**2%**
2%	0	0	0	0	0
1%	0	0	0	0	0
Rate	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.

The results of the value-in-use calculations have been analyzed against the valuation reports prepared by industry analysts in various investment banks. The analysis shows that the results are in-line with the analysts' average estimates.

8. COMPENSATION OF AUDITORS

EUR million	**2016**	**2015**
Statutory audit	1.9	1.9
Tax consulting	0.1	0.5
Other services	0.0	0.1
Total	2.0	2.5

Amer Sports Corporation Annual General Meeting held on March 8, 2016 elected Authorised Public Accountant Firm Ernst & Young Oy to act as auditor of the Company.

9. SHARE-BASED PAYMENT

In 2016, 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.

Performance share plans 2013 and 2016

The performance share plan 2013 includes 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 period 2013 were based on the Group's EBIT and net sales and the rewards for the earning period 2013-2015 were based on the Group's total shareholder return. Rewards from the plan for the earning period 2014 were based on Group's EBIT and net sales. Potential rewards for the earning period 2014-2016 will be based on the Group's total shareholder return. The rewards from the plan for the earning period 2015 were based on Group's EBIT and net sales. Potential rewards for the earning period 2015-2017 will be based on the Group's total shareholder return. For the six earning periods, Group's EBIT constituted 80% of and total shareholder return 20% of the earnings criteria.

The performance share plan 2016 includes six earning periods as well: the calendar years 2016, 2017 and 2018 and calendar years 2016-2018, 2017-2019 and 2018-2020. The Board of Directors will decide on the earnings criteria and the targets to be established for them for each earning period at the beginning of each earning period. The potential rewards from the plan for the earning periods 2016, 2017 and 2018 will be based on the Group's EBIT and net sales and the potential rewards for the earning periods 2016-2018, 2017-2019 and 2018-2020 will be based on the Group's total shareholder return. For the ongoing earning periods, the weighting for the Group's EBIT and net sales totals 80% and total shareholder return 20%.

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 2016, as a reward for meeting this condition, 7,276 shares were transferred to new key personnel participating in the performance share plan (2015: 31,649).

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 2013 will be a maximum total of 1,400,000 Amer Sports Corporation shares. The amount of net rewards to be paid on the basis of the performance share plan 2016 will be a maximum total of 1,100,000 Amer Sports Corporation shares. In 2015, 134,126 shares were transferred to key personnel in relation to the earning period 2014, and 72,870 shares in relation to the earning period 2012-2014. In 2016, 111,264 shares were transferred to key personnel in relation to the earning period 2015, and 53,490 shares in relation to the earning period 2013-2015. Shares awarded in connection with the earning periods 2014 and 2015 may not be transferred during the restriction periods ending on December 31, 2016, and December 31, 2017 respectively.

In 2016, 21,769 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 (2015: 35,540).

At the end of 2016, 176 people were covered by the performance share plan 2013 for earning period 2014-2016 and 209 people for the earning period 2015-2017. 269 people participated in the performance share plan 2016 for the earning periods 2016 and 2016-2018.

Members of the Group 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 plans 2013 and 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 2013 included three earning periods: calendar years 2013, 2014 and 2015. Shares may not be transferred during the restriction periods, which will end on December 31, 2016 and December 31, 2017 respectively. In 2015 and in relation to earning period 2014, 83,600 shares were transferred to key employees participating in this plan. In 2016 and in relation to earning period 2015, 80,000 shares were transferred.

The restricted stock plan 2016 includes three earning periods as well: 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. At the end of 2016, 63 people were covered by the restricted stock plan 2016 for earning period 2016.

In 2016, 19,733 shares granted as share-based incentives in the restricted stock plan were returned to Amer Sports Corporation in accordance with the terms of the incentive plan as employment ended (2015: 14,300).

The members of the Group 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.

Restricted stock 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.

Deferred cash long-term incentive plans

Deferred cash long-term incentive programs seeked to elicit commitment from key executives. The programs encouraged the achievement of the annual targets and long-term shareholder value. The results were tied to the three-year trend in shareholder value. The rewards were payable in cash in the same currency as the salary. The last program ended in 2015.

The key conditions and assumptions used in the determination of the fair value of the arrangements are presented in the table below:

	Performance share plans and restricted stock plans 2016	Performance share plans and restricted stock plans 2013		
	2016	2015	2014	2013
Grant date	Feb 3/March 9, 2016	Feb 2/March 12, 2015	Jan 28/March 7, 2014	Jan 31/March 8, 2013
Number of instruments granted*)	426,645/-273,643	528,247/-257,419	530,715/-112,116	475,532/-224,866
Fair value at grant date, EUR	25.03	18.13	14.62	11.64
Vesting period, years	3	3	3	3
Returned shares	41,502	49,840	28,197	29,198
Fair value per instrument at grant date, EUR	25.03	18.13	14.62	11.64

*) The negative value refers to an adjustment made to the number of instruments granted in previous years.

EUR million	2016	2015
Expense of share-based incentive schemes recognized in earnings	9.2	10.1
Accrual of cash component of share-based incentive schemes	3.7	4.0
Expense of deferred cash long-term incentive plans recognized in earnings	-0.6	3.5
Accrual of deferred cash long-term incentive plans	–	6.0

10. FINANCING INCOME AND EXPENSES

EUR million	**2016**	**2015**
Interest income	1.1	1.1
Interest expenses		
Interest expenses on bonds	-13.9	-17.3
Interest expenses on commercial papers	-0.2	-0.1
Interest expenses on loans from financial institutions	-1.3	-1.1
Other interest expenses	-14.6	-11.2
Total interest expenses	-30.0	-29.7
Change in fair value of derivative instruments not used in hedge accounting	-1.4	-1.0
Exchange rate losses	-1.1	-5.4
Other financing expenses	-0.4	-1.1
Uneffectiveness of cash flow hedges	0.0	0.0
Total, net	-31.8	-36.1

11. INCOME TAXES

EUR million	**2016**	**2015**
Current taxes	34.8	36.3
Taxes for prior periods	4.4	1.5
Deferred taxes	6.9	8.6
Total	46.1	46.4

EUR million	**2016**	**2015**
Current taxes:		
EMEA	20.5	18.0
Americas	6.9	3.8
Asia Pacific	11.8	16.0
Total	39.2	37.8
Thereof for prior periods	4.4	1.5
Deferred taxes	6.9	8.6
Total	46.1	46.4

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

EUR million	2016	2015
Taxes at local rates applicable to earnings in countries concerned	46.8	45.6
Permanent differences	-2.5	-1.3
Realisability of deferred tax assets	-3.4	3.3
Changes in tax rates and tax laws	1.0	0.4
Taxes for prior periods	4.4	1.5
Tax credits	-0.2	-3.1
Taxes recognized in the income statement	46.1	46.4
Effective tax rate, %	26.6	27.6

Certain of the Group companies' income tax returns for prior periods are under examination by tax authorities. Even 2015 though the Group does not expect that any significant additional taxes in excess of those already provided for will arise as a result of the examinations, it cannot be excluded that final resolutions of open items may differ from the amounts initially recorded.

The Group classifies interest on tax claims as interest expense and income tax penalties as provision for income taxes.

The reconciliation of deferred tax assets and liabilities is presented in note 15.

12. EARNINGS PER SHARE

	2016	2015
Net result attributable to equity holders of the parent company, EUR million	126.9	121.6
Net result for the calculation of earnings per share, EUR million	126.9	121.6
Weighted average number of shares outstanding during the period (1,000 pcs)	117,521	117,314
Earnings per share, EUR	1.08	1.04
Earnings per share, excluding items affecting comparability, EUR	1.18	1.09
Weighted average number of shares outstanding during the period, diluted (1,000 pcs)	118,052	117,913
Earnings per share, diluted, EUR	1.07	1.03
Earnings per share, diluted, excluding items affecting comparability, EUR	1.18	1.08

13. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

EUR million	Intangible rights	Goodwill	Other intangible assets	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Initial cost, January 1, 2016	288.0	449.0	102.7	14.8	148.2	418.0	0.3	10.3
Additions	1.5	–	17.6	–	11.2	25.5	–	35.9
Company acquisitions	26.0	18.5	–	–	–	2.4	–	–
Company divestments and disposals	–	–	–	–	-0.6	-2.1	–	–
Transfers and scrapping	-6.0	–	17.6	–	0.7	-23.8	–	-26.2
Translation differences	4.8	11.0	0.4	0.2	1.1	4.2	–	0.6
Balance, December 31, 2016	314.3	478.5	138.3	15.0	160.6	424.2	0.3	20.6
Accumulated depreciation and impairment losses, January 1, 2016	47.5	102.8	61.1	0.0	90.3	294.6	0.0	0.0
Depreciation during the period	4.0	–	10.3	–	11.2	34.5	–	–
Company acquisitions	–	–	–	–	–	1.2	–	–
Company divestments and disposals	–	–	–	–	-0.3	-2.0	–	–
Transfers and scrapping	-3.3	–	-0.5	–	-4.2	-35.4	–	–
Translation differences	0.6	2.3	0.6	–	1.0	3.8	–	–
Balance, December 31, 2016	48.8	105.1	71.5	0.0	98.0	296.7	0.0	0.0
Balance sheet value, December 31, 2016	265.5	373.4	66.8	15.0	62.6	127.5	0.3	20.6
Carrying amount of finance leases included	–	–	–	–	–	18.9	–	–

Accumulated impairment losses of goodwill at January 1, 2016 totaled EUR 18.4 million.

Additions in other intangible assets and advances paid and construction in progress include EUR 26.0 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	Other tangible assets	Advances paid and construction in progress
Initial cost, January 1, 2015	232.9	400.3	69.0	14.5	136.7	366.0	0.4	6.6
Additions	3.2	–	25.8	–	6.7	26.1	–	15.5
Company acquisitions	46.2	18.5	2.0	–	–	–	–	–
Company divestments and disposals	–	–	–	–	-0.3	-3.9	–	–
Transfers and scrapping	1.5	–	3.7	-0.1	-0.3	20.1	-0.1	-12.1
Translation differences	4.2	30.2	2.2	0.4	5.4	9.7	–	0.3
Balance, December 31, 2015	288.0	449.0	102.7	14.8	148.2	418.0	0.3	10.3
Accumulated depreciation and impairment losses, January 1, 2015	43.9	95.3	53.3	0.0	80.9	269.3	0.0	0.0
Depreciation during the period	3.2	–	6.0	–	9.6	32.3	–	–
Company divestments and disposals	–	–	–	–	-0.1	-3.4	–	–
Transfers and scrapping	-0.5	–	-0.2	–	-3.8	-10.7	–	–
Translation differences	0.9	7.5	2.0	–	3.7	7.1	–	–
Balance, December 31, 2015	47.5	102.8	61.1	0.0	90.3	294.6	0.0	0.0
Balance sheet value, December 31, 2015	240.5	346.2	41.6	14.8	57.9	123.4	0.3	10.3
Carrying amount of finance leases included	–	–	–	–	–	21.5	–	–

Accumulated impairment losses of goodwill at January 1, 2015 totaled EUR 16.5 million.

Additions in other intangible assets include EUR 21.9 million of capitalized product development expenses including investments in the new platforms for connected devices and digital services.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Available-for-sale financial assets, EUR 0.4 million (0.4), consist in their entirety of shares in unlisted companies and real estate shares. They are measured at fair value.

Cash and cash equivalents, EUR 364.0 million (331.4), include cash in hand EUR 303.6 million, short-term deposits EUR 52.5 million and restricted cash EUR 7.9 million.

15. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Jan 1, 2016	Charge in income statement	Translation differences	Charged to OCI	Acquired and sold operations	Dec 31, 2016
Deferred tax assets:						
Provisions	24.5	0.8	1.0	–	–	26.3
Carryforward of unused tax losses	30.0	-10.8	1.2	–	–	20.4
Employee benefits	28.6	-0.5	0.2	-3.2	–	25.1
Impairment	4.2	-0.1	0.2	–	–	4.3
Other temporary differences	25.2	10.1	1.2	–	–	36.5
Total	112.5	-0.5	3.8	-3.2	–	112.6
Deferred tax liabilities:						
Fair value adjustments	-3.1	-4.7	1.0	4.0	–	-2.8
Depreciation differences	-31.4	-4.7	-0.7	–	–	-36.8
Other temporary differences	-2.4	3.0	0.2	–	–	0.8
Total	-36.9	-6.4	0.5	4.0	–	-38.8
Net deferred tax assets	75.6	-6.9	4.3	0.8	–	73.8

Deferred taxes recognized in the balance sheet at December 31, 2016:	
Deferred tax assets	110.1
Deferred tax liabilities	36.3

EUR million	Jan 1, 2015	Charge in income statement	Translation differences	Charged to OCI	Acquired and sold operations	Dec 31, 2015
Deferred tax assets:						
Provisions	24.2	0.1	0.2	–	–	24.5
Carryforward of unused tax losses	42.2	-12.3	0.1	–	–	30.0
Employee benefits	23.1	2.8	4.1	-1.4	–	28.6
Impairment	3.8	0.2	0.2	–	–	4.2
Other temporary differences	29.8	-4.5	-0.1	–	–	25.2
Total	123.1	-13.7	4.5	-1.4	–	112.5
Deferred tax liabilities:						
Fair value adjustments	-11.6	8.5	0.5	-0.5	–	-3.1
Depreciation differences	-26.8	-4.0	0.1	–	-0.7	-31.4
Other temporary differences	-3.2	0.6	0.2	–	–	-2.4
Total	-41.6	5.1	0.8	-0.5	-0.7	-36.9
Net deferred tax assets	81.5	-8.6	5.3	-1.9	-0.7	75.6
Deferred taxes recognized in the balance sheet at December 31, 2015:						
Deferred tax assets						116.2
Deferred tax liabilities						40.6

At December 31, 2016 there were unused tax losses carried forward and other temporary differences of EUR 34.6 million (33.1) for which no deferred tax assets were recognized. The unrecognized deferred tax assets at December 31, 2016 totaled EUR 10.8 million (10.0). No deferred tax asset has been recognized since the utilization of losses 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.

Deferred tax liabilities on the retained earnings of foreign subsidiaries have not been recognized, since the distributions of dividend from the subsidiaries are under control of the Group.

16. VALUATION PROVISIONS OF INVENTORIES AND ACCOUNTS RECEIVABLE

EUR million	2016	2015
Impairment losses of accounts receivable	11.2	15.7
Net realizable value valuation provision	25.1	27.2

Aging analysis of accounts receivable and amounts recognized as impairment losses

EUR million	2016	Impairment losses	Net 2016	2015	Impairment losses	Net 2015
Undue accounts receivable	506.7	–	506.7	473.4	–	473.4
Accounts receivable 1-30 days overdue	58.6	–	58.6	49.6	–	49.6
Accounts receivable 31-60 days overdue	25.4	–	25.4	19.3	–	19.3
Accounts receivable 61-90 days overdue	8.0	–	8.0	10.1	–	10.1
Accounts receivable 91-120 days overdue	6.1	–	6.1	7.3	–	7.3
Accounts receivable more than 120 days overdue	13.7	-11.2	2.5	19.9	-15.7	4.2
Total	618.5	-11.2	607.3	579.6	-15.7	563.9

Gross and net inventories

EUR million	2016	2015
Gross inventories	538.7	509.2
Net realizable value valuation provision	25.1	27.2
Net inventories	513.6	482.0

17. PREPAID EXPENSES AND OTHER RECEIVABLES

EUR million	2016	2015
Prepaid interest	14.4	12.0
Prepaid advertising and promotion	5.6	5.1
Other tax receivables	17.3	18.0
Accrued employee benefits	14.3	10.3
Derivative instruments	51.4	101.7
Other receivables	58.3	56.0
Total	161.3	203.1

18. SHAREHOLDERS' EQUITY

EUR million	Number of shares	Share capital	Premium fund	Invested unrestricted equity reserve
January 1, 2015	118,517,285	292.2	12.1	163.1
December 31, 2015	118,517,285	292.2	12.1	163.1
December 31, 2016	118,517,285	292.2	12.1	163.1

The articles of association of Amer Sports Corporation does 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, 2016: EUR 15.5 million or 971,718 shares; Dec 31, 2015: EUR 18.1 million or 1,176,673 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 capital repayment proposed

A capital repayment proposed by the Board of Directors for the financial year is EUR 0.62 (dividend 0.55) per share. Total capital repayment amounts to EUR 73.5 million (dividend 64.7) and is proposed to be distributed from the invested unrestricted equity reserve.

19. INTEREST-BEARING LIABILITIES

EUR million	Outstanding Dec 31, 2016	Repayments 2017	2018	2019	2020	2021	2022 and after	Fair value
Bonds	697.5	–	164.7	–	211.8	91.0	230.0	691.1
Loans from financial institutions	131.2	0.2	30.4	50.4	0.1	50.1	–	131.2
Commercial papers	49.9	49.9	–	–	–	–	–	49.9
Other interest-bearing liabilities	21.3	3.6	2.2	2.5	2.4	2.3	8.3	21.3
Total	899.9	53.7	197.3	52.9	214.3	143.4	238.3	893.5

EUR million	Outstanding Dec 31, 2015	Repayments 2016	2017	2018	2019	2020	2021 and after	Fair value
Bonds	688.5	154.4	–	165.5	–	208.7	159.9	680.6
Loans from financial institutions	81.4	–	0.0	30.4	50.4	0.4	0.2	81.4
Commercial papers	–	–	–	–	–	–	–	–
Other interest-bearing liabilities	21.8	2.8	2.6	2.5	2.4	2.3	9.2	21.8
Total	791.7	157.2	2.6	198.4	52.8	211.4	169.3	783.8

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	2016	2015
Finance lease liabilities are due as follows:		
Not later than one year	2.9	2.9
Later than one year but not later than five years	9.6	10.0
Later than five years	6.4	8.6
Total minimum lease payments	18.9	21.5

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

20. ACCRUED LIABILITIES

EUR million	2016	2015
Accrued personnel costs	99.3	106.1
Accrued discounts and rebates	23.3	19.2
Accrued interest	18.0	16.5
Accrued advertising and promotion	13.4	10.9
Value added tax	29.0	23.7
Payables related to derivatives	35.5	56.8
Other accrued liabilities	128.8	104.1
Total	347.3	337.3

21. PROVISIONS

EUR million	Product warranty	Restruc-turing	Environ-mental	Other	Total
Balance at January 1, 2016	25.2	4.2	0.5	7.0	36.9
Translation differences	0.6	0.1			0.7
Provisions made during the year	13.7	1.1		5.2	20.0
Company acquisitions	0.7				0.7
Provisions used during the year	-10.9	-1.3		-3.8	-16.0
Provisions reversed during the year	-1.1	-0.3		-1.2	-2.6
Balance at December 31, 2016	28.2	3.8	0.5	7.2	39.7
Current provisions					34.6
Long-term provisions					5.1
Total					39.7

The most important regular provisions are due to the repair or as marked previously 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 1.5 million at the 2016 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	2016	2015
Share-based incentive schemes	3.2	0.2
One-time costs	0.1	0.3
Gains and losses on sale of non-current assets	-0.1	-0.1
Total	3.2	0.4

23. OPERATING LEASE COMMITMENTS

EUR million	2016	2015
The future minimum payments of non-cancellable operating leases:		
Not later than one year	55.4	45.4
Later than one year but not later than five years	134.7	101.6
Later than five years	49.3	41.2
Total	239.4	188.2
Total rent expense of non-cancellable operating leases recognized in the income statement	48.7	47.9

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

24. CONTINGENT LIABILITIES

EUR million	2016	2015
Guarantees	30.2	33.8
Other contingent liabilities	74.2	69.4

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.

25. PRINCIPAL GROUP COMPANIES AT DECEMBER 31, 2016

	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, Geneva, 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, Irvine, UK	100
Amer Sports Winter & Outdoor Company, Ogden, USA	100
Atomic Austria GmbH, Altenmarkt, Austria	100
Mavic S.A.S., Annecy, France	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 statutory accounts of Amer Sports Corporation. Group had no associated companies at December 31, 2016.

26. FAIR VALUE AND OTHER RESERVES

EUR million	
Balance at January 1, 2016	43.8
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	22.5
Hedging of interest cash flows	8.1
Gains and losses recognized in the income statement	
Hedging of operating cash flows	-44.8
Hedging of interest cash flows	-5.8
Deferred taxes	4.0
Balance at December 31, 2016	27.8
Balance at January 1, 2015	41.6
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	-27.9
Hedging of interest cash flows	5.0
Gains and losses recognized in the income statement	
Hedging of operating cash flows	31.0
Hedging of interest cash flows	-5.4
Deferred taxes	-0.5
Balance at December 31, 2015	43.8

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	2016	2015
Salaries and remuneration of the Board of Directors	0.5	0.5
Salaries and remuneration of the Executive Board (excluding President and CEO)	9.7	9.7
Annual Salary of the President and CEO	0.7	0.7
Annual and long-term incentives of the President and CEO	0.6	0.8
Total	11.5	11.7
Cumulative expenses, President and CEO	0.4	0.5
Total	11.9	12.2

Compensation recognized in earnings:

EUR million	**2016**	**2015**
Salaries and other short–term employee benefits	7.5	5.9
Post-employment benefits	0.3	0.3
Share-based payments	2.2	3.3
Total	10.0	9.5

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 give the President and CEO notice of termination, the company must pay severance payment equal to twelve months of total annual gross salary. The President and CEO participates in the standard local statutory pension system and may retire at the age of 65. In 2016, the expense for post-employment benefits was EUR 0.1 million (0.1).

In 2016 EUR 0.5 million (0.4) of the salaries and remuneration paid to the President and CEO was paid in shares.

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

Shares held by management

Amer Sports Board of Directors held a total of 2,794,899 Amer Sports Corporation shares as of December 31, 2016 (December 31, 2015: 2,786,567), or 2.4% (2.4) of the outstanding shares and votes.

Amer Sports Executive Board (including the President and CEO) owned a total of 614,074 Amer Sports Corporation shares on December 31, 2016 (December 31, 2015: 790,776), representing 0.5% (0.7) 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

2016 EUR million	Financial assets/ liabilities at fair value through income statement	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
NON-CURRENT FINANCIAL ASSETS							
Other non-current financial assets			4.6	0.4		5.0	5.0
Derivative financial instruments ***)							
Foreign exchange derivatives		4.5				4.5	4.5
Interest rate derivatives and cross currency swaps	8.6	0.1				8.7	8.7
CURRENT FINANCIAL ASSETS							
Accounts receivable			607.3			607.3	607.3
Other non-interest yielding receivables *)			92.5			92.5	92.5
Derivative financial instruments ***)							
Foreign exchange derivatives	4.2	38.6				42.8	42.8
Cash and cash equivalents			364.0			364.0	364.0
Balance sheet values by category at Dec 31, 2016	12.8	43.2	1,068.4	0.4		1,124.8	1,124.8
LONG-TERM FINANCIAL LIABILITIES							
Long-term interest-bearing liabilities					846.2	846.2	839.8
Other long-term liabilities					16.5	16.5	16.5
Derivative financial instruments ***)							
Foreign exchange derivatives		0.4				0.4	0.4
Interest rate derivatives and cross currency swaps	21.4	3.5				24.9	24.9
CURRENT FINANCIAL LIABILITIES							
Current interest-bearing liabilities					53.7	53.7	53.7
Accounts payable					256.3	256.3	256.3
Other current liabilities **)					279.7	279.7	279.7
Derivative financial instruments ***)							
Foreign exchange derivatives	10.4	4.5				14.9	14.9
Interest rate derivatives and cross currency swaps		1.0				1.0	1.0
Balance sheet values by category at Dec 31, 2016	31.8	9.4			1,452.4	1,493.6	1,487.2

***) 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.

2015 EUR million	Financial assets/ liabilities at fair value through income statement	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
NON-CURRENT FINANCIAL ASSETS							
Other non-current financial assets			4.9	0.4		5.3	5.3
Derivative financial instruments ***)							
Foreign exchange derivatives		6.4				6.4	6.4
Interest rate derivatives and cross currency swaps	4.4	0.2				4.6	4.6
CURRENT FINANCIAL ASSETS							
Accounts receivable			563.9			563.9	563.9
Other non-interest yielding receivables *)			83.4			83.4	83.4
Derivative financial instruments ***)							
Foreign exchange derivatives	35.9	61.4				97.3	97.3
Cash and cash equivalents			331.4			331.4	331.4
Balance sheet values by category at Dec 31, 2015	40.3	68.0	983.6	0.4		1,092.3	1,092.3
LONG-TERM FINANCIAL LIABILITIES							
Long-term interest-bearing liabilities					634.5	634.5	630.4
Other long-term liabilities ****)					19.2	19.2	19.2
Derivative financial instruments ***)							
Foreign exchange derivatives		0.5				0.5	0.5
Interest rate derivatives and cross currency swaps	8.9	5.3				14.2	14.2
CURRENT FINANCIAL LIABILITIES							
Current interest-bearing liabilities					157.2	157.2	153.4
Accounts payable					275.7	275.7	275.7
Other current liabilities **)					262.5	262.5	262.5
Derivative financial instruments ***)							
Foreign exchange derivatives	34.2	6.9				41.1	41.1
Interest rate derivatives and cross currency swaps	5.1	2.5				7.6	7.6
Balance sheet values by category at Dec 31, 2015	48.2	15.2			1,349.1	1,412.5	1,404.6

***) 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.

****) Reclassification of liability in Fitness segment

EUR million	2016	2015
*) Other non-interest yielding receivables		
Prepaid expenses and other receivables	161.3	203.1
./. Other tax receivables	17.4	18.0
./. Derivative financial instruments	51.4	101.7
	92.5	83.4
**) Other current liabilities		
Accrued liabilities	347.3	347.2
./. Other tax liabilities	32.1	27.9
./. Derivative financial instruments	35.5	56.8
	279.7	262.5

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss		12.8		12.8
Derivatives used for hedging		43.2		43.2
Available-for-sale financial assets			0.4	0.4
Total		56.0	0.4	56.4
Liabilities				
Financial liabilities at fair value through profit or loss		31.8		31.8
Derivatives used for hedging		9.4		9.4
Total		41.2		41.2

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, 2015:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss		40.3		40.3
Derivatives used for hedging		68.0		68.0
Available-for-sale financial assets			0.4	0.4
Total		108.3	0.4	108.7
Liabilities				
Financial liabilities at fair value through profit or loss		48.2		48.2
Derivatives used for hedging		15.2		15.2
Total		63.4		63.4

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. With its core relationship banks Amer Sports is upholding long and trustworthy relations by acquiring advisory and other services from those banks. During year 2015 and 2016 Amer Sports finalized the following financial transactions:

In March, 2016 Amer Sports issued Schuldschein (certificate of indebtedness) loan agreements with a total value of EUR 100 million. The loans have both fixed and floating rate tranches and the loan periods are five (5) and seven (7) years. In April, Amer Sports issued a term loan with a value of EUR 50 million. The floating rate loan has a maturity of five (5) years, but it has an extension option. In September, Amer Sports issued Schuldschein agreements with a total value of EUR 60 million. The loan period is seven (7) years and the loans have a fixed interest rate.

In January, 2015 Amer Sports issued Schuldschein (certificate of indebtedness) loan agreements with a total value of EUR 100 million. The loan period is five (5) years and the loans have both fixed (EUR 15 million) and floating (EUR 85 million) rate tranches. In April, 2015 Amer Sports issued Schuldschein agreements with a total value of EUR 40 million and USD 85 million. The loan periods are five (5) and seven (7) years and the loans have both fixed and floating rate tranches. In August, 2015 Amer Sports issued Schuldschein agreements with a total value of USD 55 million. The loan periods are five (5) and five and half (5.5) years and the loans have floating rate tranches. In September, 2015 Amer Sports issued a private placement bond with a total value of EUR 100 million. The fixed rate bond has a maturity of seven years.

The proceeds of the Schuldschein loans, the term loan and the private placement bond have been used for repayment of debt and general corporate purposes.

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 with purpose to balance liquidity swings of the Group. In December 2016 EUR 87.2 (77.8) 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.

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 Sport's EUR 150 million syndicated committed revolving credit facility is a back-up for exceptional liquidity needs. The credit facility follows LMA's (Loan Market Association) documentation, including typical representations and warranties, general undertakings, events of default and covenants. At the end of 2016 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

	Dec 31, 2016							
EUR million	Nominal value	Available	Total	2017	2018	2019	2020	2021 and after
Loans from financial institutions								
Repayments	131.2		131.2	0.2	30.4	50.4	0.1	50.1
Interest	4.2		4.2	1.4	1.3	0.8	0.5	0.2
Bonds								
Repayments	697.5		697.5		164.7		211.8	321.0
Interest	63.4		63.4	14.9	15.0	11.8	9.9	11.8
Commercial papers								
Repayments	49.9		49.9	49.9				
Interest	0.1		0.1	0.1				
Other interest-bearing liabilities								
Repayments	21.3		21.3	3.6	2.2	2.5	2.4	10.6
Interest	0.3		0.3	0.1	0.0	0.0	0.0	0.2
Accounts payable								
Repayments	256.3		256.3	256.3				
Other interest-free liabilities								
Repayments	16.5		16.5	16.5				
Total								
Repayments	1,172.7		1,172.7	326.5	197.3	52.9	214.3	381.7
Interest	68.0		68.0	16.5	16.3	12.6	10.4	12.2

EUR million	Dec 31, 2016 Nominal value	Available	Total	2017	2018	2019	2020	2021 and after
Financial guarantee contracts		5.0	5.0	5.0				
Committed revolving credit facility		150.0	150.0			150.0		
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	1,101.9		1,101.9	935.7	166.2			
Other foreign exchange derivatives	551.8		551.8	528.6	23.2			
Interest rate swaps under hedge accounting, fair value	3.3		3.3		2.3		1.0	
Cross currency swaps, fair value	6.8		6.8		6.8			
Other interest rate derivatives, fair value *)	5.8		5.8		0.7		5.1	
Derivative assets								
Foreign exchange derivatives under hedge accounting	1,145.5		1,145.5	972.9	172.6			
Other foreign exchange derivatives	549.6		549.6	526.1	23.5			
Interest rate swaps under hedge accounting, fair value	0.3		0.3				0.2	0.1
Cross currency swaps, fair value	–		–					
Other interest rate derivatives, fair value *)	–		–					

*) 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.

EUR million	Dec 31, 2015 Nominal value	Available	Total	2016	2017	2018	2019	2020 and after
Loans from financial institutions								
Repayments	81.4		81.4	–	0.0	30.4	50.4	0.6
Interest	3.4		3.4	0.8	0.8	1.3	0.5	0.0
Bonds								
Repayments	688.5		688.5	154.4		165.5		368.6
Interest	59.7		59.7	14.5	10.4	11.5	9.4	13.9
Commercial papers								
Repayments	0.0		0.0					
Interest	0.0		0.0					
Other interest-bearing liabilities								
Repayments	21.8		21.8	2.8	2.6	2.5	2.4	11.5
Interest	0.2		0.2	0.0	0.0	0.0	0.0	0.2
Accounts payable								
Repayments	275.7		275.7	275.7				
Other interest-free liabilities								
Repayments	19.2		19.2	19.2				
Total								
Repayments	1,086.6		1,086.6	452.1	2.6	198.4	52.8	380.7
Interest	63.3		63.3	15.3	11.2	12.8	9.9	14.1

EUR million	Dec 31, 2015 Nominal value	Available	Total	2016	2017	2018	2019	2020 and after
Financial guarantee contracts		10.2	10.2	10.2				
Committed revolving credit facility		150.0	150.0				150.0	
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	991.7		991.7	743.2	248.5			
Other foreign exchange derivatives	486.5		486.5	486.5				
Interest rate swaps under hedge accounting, fair value	9.0		9.0	0.5		3.9		4.6
Cross currency swaps, fair value	4.4		4.4	0.9		3.5		
Derivative assets								
Foreign exchange derivatives under hedge accounting	1,055.6		1,055.6	799.2	256.4			
Other foreign exchange derivatives	494.1		494.1	494.1				
Interest rate swaps under hedge accounting, fair value	0.0		0.0					
Cross currency swaps, fair value	–		–					

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 20 currencies at least. 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, in accordance with IFRS 7, 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, 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 IFRS 7-compliant foreign exchange position at the balance sheet date:

	Dec 31, 2016						Dec 31, 2015					
EUR million	**USD**	**CAD**	**SEK**	**GBP**	**CHF**	**JPY**	**USD**	**CAD**	**SEK**	**GBP**	**CHF**	**JPY**
Interest-bearing external receivables	–	–	78.5	–	–	–	–	–	136.0	–	–	–
Interest-bearing intercompany receivables	455.8	67.0	–	–	0.4	21.0	244.0	67.3	–	–	0.5	25.4
External receivables	35.8	-33.9	0.7	-5.8	1.8	–	77.6	-35.2	0.7	-7.1	2.2	0.0
Inter-company receivables	6.4	2.2	2.7	9.7	4.3	3.3	2.8	4.0	2.1	9.5	4.4	4.1
Interest-bearing external liabilities	-204.0	–	-78.5	–	–	–	-197.5	–	-136.0	–	–	–
Interest-bearing inter-company liabilities	–	–	-4.2	-3.7	–	–	–	–	-4.2	-17.5	–	–
External payables	-79.7	0.8	0.0	0.2	-0.4	0.0	-78.4	2.7	0.0	0.2	-0.3	0.0
Inter-company payables	-20.0	4.1	0.0	2.2	-0.3	-0.2	-22.6	1.0	-0.1	1.7	-0.4	-0.3
Foreign exchange derivatives	507.5	-155.8	-57.1	-101.4	-86.7	-66.7	640.8	-172.2	-48.6	-130.8	-76.2	-62.5
Total	701.8	-115.6	-57.9	-98.8	-80.9	-42.6	666.7	-132.4	-50.1	-144.0	-69.8	-33.3

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	-61.8	-8.4
CAD	5.2	6.4
SEK	5.0	0.8
GBP	10.1	-0.2
CHF	6.3	1.8
JPY	2.4	1.8

The following table presents the corresponding sensitivities at the balance sheet date in 2015:

EUR million	**Shareholders' equity**	**Income statement**
USD	-60.8	-6.0
CAD	8.0	5.2
SEK	3.9	1.1
GBP	9.8	4.6
CHF	5.7	1.3
JPY	3.0	0.4

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 that are under hedging policy for the next 24 months (EUR million):

USD	GBP	CHF	CAD	CNH	NOK	SEK	JPY	OTHER
1,061	-154	-120	-115	-93	-93	-84	-61	-169

The following table sets out the hedging of Amer Sports' cash flows as at December 31, 2016 (EUR million):

USD	GBP	CHF	CAD	CNH	NOK	SEK	JPY	OTHER
-697	95	83	82	58	59	57	46	109

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 recognized as hedging reserve while interest rate differentials related to the foreign exchange derivates 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 2016, 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, 2016, the duration was 17 months. 79% of the debt portfolio was at fixed rate as of December, 2016. 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.

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.

EUR million	**Position**	**2016**
Shareholders' equity	242.8	4.9
Income statement	214.0	1.2
Income statement due to ineffective other interest rate derivatives	135.0	-2.3

In 2015, 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**	**2015**
Shareholders' equity	423.6	10.5
Income statement	94.0	-0.4

The effective interest rate of the total debt including interest rate hedges was 2.7%. The interest rate was 2.3% on bonds, 1.1% on bank loans and 0.4% on commercial papers.

The average interest rate of the Group's interest bearing debt including interest rate derivatives and facility fees was 2.0% (Dec 31, 2015: 2.7). After foreign exchange derivatives that hedge the inter-company debt, the average interest rate was 2.5% (Dec 31, 2015: 3.0).

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 3% of total accounts receivable and the largest 20 combined total about 21%. At the end of year 2016 the actual payment time for the outstanding sales was 76 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 or 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, 2016**	**Balance sheet value or fair value Dec 31, 2015**
Long-term financial assets		
Long-term interest-bearing receivables	–	–
Other long-term financial assets	5.0	5.3
Derivative contracts		
Foreign exchange derivatives	4.5	6.4
Interest rate and cross currency swap derivatives	8.7	4.6
Short-term financial assets		
Accounts receivable	607.3	563.9
Loans receivable	–	–
Other interest-free receivables	92.5	83.4
Derivative contracts		
Foreign exchange derivatives	42.8	97.3
Interest rate and cross currency swap derivatives	0.0	–
Cash and cash equivalents	364.0	331.4

(+ = Assets, – = Debt)

DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 31, 2016					Dec 31, 2015	
EUR million	**Nominal value**	**Fair value**	**2017**	**2018**	**2019 and after**	**Nominal value**	**Fair value**
Hedge accounting-related							
Foreign exchange derivatives hedging cash flows from operations	1,145.5	40.3	972.9	172.6		1,055.6	60.1
Interest rate swaps hedging interest cash flow	242.8	-3.0		129.0	113.8	423.6	-9.0
Interest cash flow of cross currency swaps	78.5	0.0		78.5		136.0	0.3
Other derivative contracts							
Foreign exchange derivatives	549.6	-0.9	526.1	23.5		494.1	6.5
Interest rate swaps *)	135.0	-5.8		50.0	85.0		
Foreign exchange difference of cross currency swaps	0.0	-6.8					-4.7

*) 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 net sales at least EUR 3.5 billion with minimum mid-single digit organic currency neutral annual growth, 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' consolidated gearing cannot exceed 100 percent, excluding the impact of any goodwill or intangible rights impairment. 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, 2016	Dec 31, 2015
Interest-bearing liabilities	899.9	791.7
Cash and cash equivalents	364.0	331.4
Net debt	535.9	460.3
Total shareholders' equity	1,003.1	949.6
Gearing, %	53	48
EBITDA	264.8	255.2
Net debt/EBITDA*)	1.9	1.7

*) Excluding items affecting comparability

Offsetting financial assets and liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2016:

		Related amounts not set off	
EUR million	Gross amount of derivative financial assets	Financial instruments	Net amount
Derivative financial instruments	27.9	16.6	11.3

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2016:

EUR million	Gross amount of derivative financial liabilities	Related amounts not set off: Financial instruments	Net amount
Derivative financial instruments	4.2	6.8	-2.6

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2015:

EUR million	Gross amount of derivative financial assets	Related amounts not set off: Financial instruments	Net amount
Derivative financial instruments	53.7	17.2	36.5

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2015:

EUR million	Gross amount of derivative financial liabilities	Related amounts not set off: Financial instruments	Net amount
Derivative financial instruments	0.6	4.7	-4.1

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. RECONCILIATION BETWEEN REPORTED EARNINGS BEFORE INTEREST AND TAXES (EBIT) UNDER IFRS AND EBIT EXCLUDING ITEMS AFFECTING COMPARABILITY COMMENTED IN THE BOARD OF DIRECTORS' REPORT

The income statement under IFRS has been adjusted by the following items affecting comparability (IAC) when reporting and commenting earnings before interest and taxes excluding items affecting comparability in the Board of Directors' Report:

EUR million	IFRS 2016	Items affecting comparability	Income statement excl. IAC 2016	IFRS 2015	Items affecting comparability	Income statement excl. IAC 2015
NET SALES	2,622.1	–	2,622.1	2,534.4	–	2,534.4
Cost of goods sold	-1,409.7	1.1	-1,408.6	-1,388.5	–	-1,388.5
License income	6.8	–	6.8	7.3	–	7.3
Other operating income	8.8	–	8.8	4.8	–	4.8
Research and development expenses	-97.5	2.3	-95.2	-77.7	–	-77.7
Selling and marketing expenses	-731.1	13.1	-718.0	-677.5	6.7	-670.8
Administrative and other expenses	-194.6	0.4	-194.2	-198.7	1.3	-197.4
EBIT	204.8	16.9	221.7	204.1	8.0	212.1

Items affecting comparability are material items or transactions, which are relevant for understanding the 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, significant write-downs, provisions for planned restructuring and other items that are not related to normal business operations from Amer Sports' management view. A single item affecting comparability has to represent more than one cent per share on annual basis.

CALCULATION OF KEY INDICATORS

EARNINGS PER SHARE:

$$\frac{\text{Net result attributable to equity holders of the parent company}}{\text{Average number of shares adjusted for the bonus element of share issues}}$$

EQUITY PER SHARE:

$$\frac{\text{Shareholders' equity}^{1)}}{\text{Number of shares at year end adjusted for the bonus element of share issues}}$$

DIVIDEND (CAPITAL REPAYMENT) PER SHARE:

$$\frac{\text{Total dividend (capital repayment)}}{\text{Number of shares at year end adjusted for the bonus element of share issues}}$$

DIVIDEND (CAPITAL REPAYMENT) % OF EARNINGS:

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

EFFECTIVE YIELD, %:

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

P/E RATIO:

$$\frac{\text{Adjusted share price at closing date}}{\text{Earnings per share}}$$

MARKET CAPITALIZATION:

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

RETURN ON CAPITAL EMPLOYED (ROCE), %:

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

RETURN ON INVESTMENT (ROI), %:

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

RETURN ON SHAREHOLDERS' EQUITY (ROE),%:

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

EQUITY RATIO, %:

$$100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total less advances received}}$$

DEBT TO EQUITY RATIO:

$$\frac{\text{Interest-bearing liabilities}}{\text{Shareholders' equity}}$$

GEARING, %:

$$100 \times \frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$$

FREE CASH FLOW/NET PROFIT:

$$\frac{\text{Free cash flow}}{\text{Net result}}$$

NET DEBT/EBITDA:

$$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{EBIT + depreciation}}$$

1) Excluding non-controlling interests

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

3) Monthly average of the financial period

4) Average of the financial period

The calculation of key indicators excludes the company's own shares.

PARENT COMPANY INCOME STATEMENT

EUR million	**2016**	**2015**
Other operating income	27.1	29.1
EXPENSES		
Personnel expenses	10.1	8.7
Depreciation	0.9	0.6
Other expenses	16.0	17.2
Total expenses	27.0	26.5
EARNINGS BEFORE INTEREST AND TAXES	0.1	2.6
Financing income	85.5	145.1
Financing expenses	-67.9	-27.1
Financing income and expenses	17.6	118.0
EARNINGS BEFORE APPROPRIATIONS AND TAXES	17.7	120.6
Appropriations	0.0	3.6
Income taxes	-0.7	-3.4
NET RESULT	17.0	120.8

PARENT COMPANY CASH FLOW STATEMENT

EUR million	**2016**	**2015**
NET CASH FLOW FROM OPERATING ACTIVITIES		
EBIT	0.1	2.6
Depreciation	0.9	0.6
Adjustments to cash flow from operating activities	-0.2	0.4
Cash flow from operating activities before change in working capital	0.8	3.6
Increase (–) or decrease (+) in trade and other current receivables	4.1	13.4
Increase (+) or decrease (–) in interest-free current liabilities	0.1	-0.7
Change in working capital	4.2	12.7
Cash flow from operating activities before financing items and taxes	5.0	16.3
Interest paid	-25.0	-29.5
Interest received	0.3	0.3
Income taxes paid and received	–	0.4
Financing items and taxes	-24.7	-28.8
Total net cash flow from operating activities	-19.7	-12.5
NET CASH FLOW FROM INVESTING ACTIVITIES		
Investments in subsidiaries	-39.7	-12.2
Capital expenditure	-1.2	-1.4
Proceeds from sale of tangible non-current assets	0.4	0.4
Dividends received	15.0	105.6
Net cash flow from investing activities	-25.5	92.4
NET CASH FLOW FROM FINANCING ACTIVITIES		
Repurchase of own shares	-0.8	-1.2
Transfer of own shares	4.8	4.9
Change in short-term borrowings	-268.3	-123.7
Withdrawals of long-term borrowings	160.0	368.0
Repayments of long-term borrowings	-104.4	-152.9
Change in current receivables	327.2	-73.4
Dividends paid	-64.7	-52.8
Group contributions received	3.6	7.0
Other financing items [*)]	7.9	8.0
Net cash flow from financing activities	65.3	-16.1

EUR million	**2016**	**2015**
CHANGE IN CASH AND CASH EQUIVALENTS	20.1	63.8
Cash and cash equivalents		
Cash and cash equivalents at year end	270.5	250.4
Cash and cash equivalents at year beginning	250.4	186.6
Change in cash and cash equivalents	20.1	63.8

*) Including, for example, cash flow from hedging intercompany balance sheet items

PARENT COMPANY BALANCE SHEET

ASSETS *EUR million*	2016	2015
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	1.5	1.1
TANGIBLE ASSETS		
Land and water	0.8	0.8
Buildings and constructions	0.8	0.8
Machinery and equipment	1.1	1.3
Other tangible assets	0.3	0.3
Construction in progress	0.4	0.2
	3.4	3.4
OTHER NON-CURRENT INVESTMENTS		
Investments in subsidiaries	762.1	722.4
Other bonds and shares	0.1	0.4
	762.2	722.8
TOTAL NON-CURRENT ASSETS	767.1	727.3
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	556.0	472.1
Deferred tax assets	2.0	2.0
Short-term		
Receivables from subsidiaries	332.1	728.0
Prepaid expenses	72.2	94.5
	962.3	1,296.6
MARKETABLE SECURITIES		
Other securities	52.5	–
CASH AND CASH EQUIVALENTS	218.0	250.4
TOTAL CURRENT ASSETS	1,232.8	1,547.0
TOTAL ASSETS	1,999.9	2,274.3

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	**2016**	**2015**
SHAREHOLDERS' EQUITY		
Share capital	292.2	292.2
Premium fund	12.1	12.1
Invested unrestricted equity reserve	177.8	175.6
Retained earnings	62.1	4.2
Net result	17.0	120.8
TOTAL SHAREHOLDERS' EQUITY	561.2	604.9
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation in excess of plan	0.1	0.1
LIABILITIES		
LONG-TERM LIABILITIES		
Bonds	697.5	534.1
Loans from financial institutions	130.0	80.0
	827.5	614.1
CURRENT LIABILITIES		
Bonds	–	154.4
Other interest-bearing liabilities	49.9	–
Accounts payable	0.3	0.1
Payables to subsidiaries	503.8	855.2
Other current liabilities	1.7	0.6
Accrued liabilities	55.4	44.9
	611.1	1,055.2
TOTAL LIABILITIES	1,438.6	1,669.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,999.9	2,274.3

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 are 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.

BOARD OF DIRECTORS' REPORT'S AND FINANCIAL STATEMENTS' SIGNATURES

Helsinki, Finland, February 9, 2017

Anssi Vanjoki	Ilkka Brotherus	Martin Burkhalter
Christian Fischer	Hannu Ryöppönen	Bruno Sälzer
Heikki Takala	Lisbeth Valther	Indra Åsander

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, 2016. The financial statements comprise the consolidated income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, cash flow statement, balance sheet 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.

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.

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.

Revenue recognition

We refer to the Group's accounting policies and the note 2.

Revenue is measured taking into account discounts, incentives and rebates earned by customers, and is recognised when the risks and rewards of the underlying products and services have been transferred to the customer. Due to the multitude and variety of contractual terms across the Group's markets significant management judgement is needed to account for the revenue, and therefore, revenue could be subject to misstatement, whether due to fraud or error. The Group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognised before the risks and rewards have been transferred.

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others:

- Assessing the compliance of the Group's accounting policies over revenue recognition, including those relating to discounts, incentives and rebates, with applicable accounting standards.

- Testing 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.

- Testing 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 issued after the balance sheet date.

- Considering the appropriateness of the Group's disclosures in respect of revenues.

Impairment testing of goodwill and intangible assets

We refer to the Group's accounting policies and the note 7.

At the balance sheet date, the value of tested goodwill and intangible assets amounted to 623.5 M€ representing 23% of the total assets and 62% of the total equity. Procedures over management's annual impairment test were significant to our audit because the test imposes estimates. The Group management use assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, expected market share, revenue and margin developments.

Our audit procedures included, among others, involving 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. We specifically focused on 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. We also assessed the historical accuracy of the management's estimates. We considered the appropriateness of the Group's disclosures in respect of impairment testing.

Income taxes

We refer to the Group's accounting policies and the notes 11 and 15.

The Group has extensive international operations and in the normal cause of business the management makes assumptions and judgments in relation to tax issues and exposures. This is a key estimate 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.

Our audit procedures included, among others, assessing the Group's process around the recording and assessment of tax provisions. Our own tax specialists performed an assessment of the Group's correspondence with relevant tax authorities, to evaluate the recorded tax provisions for relevant risks. We also assessed the assumptions used, taking into consideration our tax specialists' knowledge and experience. In addition, we assessed relevant opinions from third parties in considering any need for a provision. We also considered the appropriateness of the Group's disclosures in respect of income taxes.

Inventory valuation and related provisions

We refer to the Group's accounting policies and the note 16.

The total value of inventory and related excess and obsolete provision as of December 31, 2016 amounted to 538.7 M€ and 25.1 M€, respectively (net 513.6 M€). 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.

Our audit procedures involved assessing the compliance of the Group's accounting policies over the recording of inventory with applicable accounting standards. We also evaluated, among others, 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 and considered the appropriateness of the Group's disclosures about the accounting policies for the valuation of inventory and the related balances.

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 company 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

Other information

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

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, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki, Finland, February 9, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

D. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following is an extract of the audited financial statements of the Target Group for the year ended 31 December 2015, which were prepared in accordance with IFRS, from the Target Group's financial review 2015 (pages 18 – 60).

Specific page/section references mentioned in the audited financial statements of the Target Group for the year ended 31 December 2015 are referred to in the Target Group's financial review 2015 which is available free of charge, in read-only, printable format on the Target Group's website at https://www.amersports.com/investors/.

CONSOLIDATED INCOME STATEMENT

EUR million	*Notes*	**2015**	**2014**
NET SALES	*2*	2,534.4	2,228.7
Cost of goods sold	*7, 30*	-1,388.5	-1,281.1
License income		7.3	6.2
Other operating income	*4*	4.8	5.5
Research and development expenses	*7*	-77.7	-76.2
Selling and marketing expenses	*7, 30*	-677.5	-582.9
Administrative and other expenses	*7, 8, 9, 30*	-198.7	-186.1
EARNINGS BEFORE INTEREST AND TAXES	*5, 6, 30*	204.1	114.1
% of net sales		8.1	5.1
Financing income	*10*	1.1	0.4
Financing expenses	*10*	-37.2	-37.5
Financing income and expenses		-36.1	-37.1
EARNINGS BEFORE TAXES		168.0	77.0
Income taxes	*11*	-46.4	-21.6
NET RESULT		121.6	55.4
Attributable to:			
Equity holders of the parent company		121.6	55.4
Earnings per share of the net result attributable to equity holders of the parent company, EUR	*12*		
Undiluted		1.04	0.47
Diluted		1.03	0.47

The notes are an integral part of consolidated financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	*Notes*	**2015**	**2014**
Net result		121.6	55.4
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement effects of postemployment benefit plans		2.9	-25.7
Income tax related to remeasurement effects		-1.4	8.5
Items that may be reclassified to profit or loss			
Translation differences		31.9	44.9
Cash flow hedges	*26*	2.7	66.5
Income tax related to cash flow hedges	*26*	-0.5	-16.6
Other comprehensive income, net of tax		35.6	77.6
TOTAL COMPREHENSIVE INCOME		157.2	133.0
Total comprehensive income attributable to:			
Equity holders of the parent company		157.2	133.0

The notes are an integral part of consolidated financial information.

CONSOLIDATED CASH FLOW STATEMENT

EUR million	*Notes*	**2015**	**2014**
NET CASH FLOW FROM OPERATING ACTIVITIES			
Earnings before interest and taxes		204.1	114.1
Depreciation		51.1	44.8
Adjustments to cash flow from operating activities	*22*	0.4	14.5
Cash flow from operating activities before change in working capital		255.6	173.4
Increase (–) or decrease (+) in inventories		-51.3	-49.0
Increase (–) or decrease (+) in trade and other current receivables		2.8	0.5
Increase (+) or decrease (–) in interest-free current liabilities		54.6	28.2
Change in working capital		6.1	-20.3
Cash flow from operating activities before financing items and taxes		261.7	153.1
Interest paid		-29.3	-22.6
Interest received		1.1	0.4
Income taxes paid and received		-22.0	-26.1
Financing items and taxes		-50.2	-48.3
Total net cash flow from operating activities		211.5	104.8
NET CASH FLOW FROM INVESTING ACTIVITIES			
Acquired operations		-76.3	–
Divested operations		1.0	–
Capital expenditure on non-current tangible assets		-48.3	-48.5
Capital expenditure on non-current intangible assets		-29.0	-3.1
Proceeds from sale of tangible non-current assets		0.6	0.3
Net cash flow from investing activities		-152.0	-51.3

The notes are an integral part of consolidated financial information.

EUR million	*Notes*	**2015**	**2014**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Repurchase of own shares		–	-13.1
Change in short-term borrowings		-115.4	-5.9
Withdrawals of long-term borrowings		368.0	30.0
Repayments of long-term borrowings		-153.8	-66.0
Dividends paid		-52.8	-47.2
Other financing items *)		-15.9	18.7
Net cash flow from financing activities		30.1	-83.5
CHANGE IN CASH AND CASH EQUIVALENTS		89.6	-30.0
Cash and cash equivalents			
Cash and cash equivalents at year end	*14*	331.4	240.2
Translation differences		1.6	0.2
Cash and cash equivalents at year beginning		240.2	270.0
Change in cash and cash equivalents		89.6	-30.0

*) Including, for example, cash flow from hedging intercompany balance sheet items

FREE CASH FLOW **)		121.7	53.5

**) Cash flow from operating activities - net capital expenditure -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.

The notes are an integral part of consolidated financial information.

CONSOLIDATED BALANCE SHEET

ASSETS

EUR million	*Notes*	**2015**	**2014**
NON-CURRENT ASSETS	*13*		
Intangible rights		240.5	189.0
Goodwill		346.2	305.0
Other intangible assets		41.6	15.7
Land and water		14.8	14.5
Buildings and constructions		57.9	55.8
Machinery and equipment		123.4	96.7
Other tangible assets		0.3	0.4
Advances paid and construction in progress		10.3	6.6
Available-for-sale financial assets	*14*	0.4	0.3
Deferred tax assets	*15*	116.2	101.5
Other non-current receivables		11.6	21.5
TOTAL NON-CURRENT ASSETS		963.2	807.0
CURRENT ASSETS			
INVENTORIES	*16*		
Raw materials and consumables		41.9	37.0
Work in progress		6.8	8.7
Finished goods		433.3	367.5
		482.0	413.2
RECEIVABLES			
Accounts receivable	*16*	563.9	543.3
Loans receivable		–	1.7
Current tax assets		12.1	14.5
Prepaid expenses and other receivables	*17*	203.1	150.2
		779.1	709.7
MARKETABLE SECURITIES			
Other securities		–	19.0
CASH AND CASH EQUIVALENTS	*14*	331.4	221.2
TOTAL CURRENT ASSETS		1,592.5	1,363.1
Assets held for sale	*3*	–	3.5
TOTAL ASSETS		2,555.7	2,173.6

The notes are an integral part of consolidated financial information.

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	*Notes*	**2015**	**2014**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*18*		
Share capital		292.2	292.2
Premium fund		12.1	12.1
Fund for own shares		-18.1	-20.2
Translation differences		17.0	-14.9
Fair value and other reserves	*26*	43.8	41.6
Remeasurements		-35.1	-36.6
Invested unrestricted equity reserve		163.1	163.1
Retained earnings		353.0	350.1
Net result		121.6	55.4
TOTAL SHAREHOLDERS' EQUITY		949.6	842.8
LIABILITIES			
LONG-TERM LIABILITIES			
Bonds	*19*	534.1	309.9
Loans from financial institutions	*19*	81.4	80.3
Other interest-bearing liabilities	*19*	19.0	0.1
Deferred tax liabilities	*15*	40.6	20.0
Defined benefit pension liabilities	*6*	60.2	60.0
Other interest-free liabilities		25.9	21.9
Provisions	*21*	2.5	2.1
		763.7	494.3
CURRENT LIABILITIES			
Interest-bearing liabilities	*19*	157.2	269.0
Accounts payable		275.7	237.8
Accrued liabilities	*20*	347.2	281.1
Current tax liabilities		27.9	14.4
Provisions	*21*	34.4	34.2
		842.4	836.5
TOTAL LIABILITIES		1,606.1	1,330.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,555.7	2,173.6

The notes are an integral part of consolidated financial information.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Remea-surements	Invested unrestricted equity reserve	Retained earnings	Total
Balance at January 1, 2014	292.2	12.1	-11.1	-59.8	-8.3	-19.4	156.7	398.9	761.3
Other comprehensive income:									
Translation differences				44.9					44.9
Remeasurement effects of postemployment benefit plans						-25.7			-25.7
Cash flow and fair value hedges					66.5				66.5
Income tax related to OCI					-16.6	8.5			-8.1
Net result								55.4	55.4
Total comprehensive income				44.9	49.9	-17.2		55.4	133.0
Transactions with owners:									
Repurchase of own shares			-12.9						-12.9
Share-based incentive program			3.8				6.4	-1.6	8.6
Dividend distribution								-47.2	-47.2
Balance at December 31, 2014	292.2	12.1	-20.2	-14.9	41.6	-36.6	163.1	405.5	842.8
Other comprehensive income:									
Translation differences				31.9					31.9
Remeasurement effects of postemployment benefit plans						2.9			2.9
Cash flow and fair value hedges					2.7				2.7
Income tax related to OCI					-0.5	-1.4			-1.9
Net result								121.6	121.6
Total comprehensive income				31.9	2.2	1.5		121.6	157.2
Transactions with owners:									
Repurchase of own shares			-1.1						-1.1
Share-based incentive program			3.2					0.3	3.5
Dividend distribution								-52.8	-52.8
Balance at December 31, 2015	292.2	12.1	-18.1	17.0	43.8	-35.1	163.1	474.6	949.6

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

1. ACCOUNTING POLICIES

General

Amer Sports Corporation is a Finnish public listed company that is domiciled 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 consumers. The Group's business is founded on its globally recognized brands, the most important of which are Salomon, Wilson, Precor, Arc'teryx, Atomic, Mavic and Suunto.

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 3, 2016.

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, 2015. 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 Group has applied the following new and revised standards, amendments and interpretations as of January 1, 2015, which did not have material impact on the Group's financial statements:

- IAS 19 (amendment): Defined benefit plans
- Small changes to various standards or interpretations as part of the annual improvements to IFRS project.

The following standards and amendments that will come into force in 2016 are expected not to have any material effect on the consolidated financial statements, as currently estimated by the Group:

- IFRS 10 (amendment): Consolidated financial statements
- IFRS 11 (amendment): Joint arrangements
- IFRS 12 (amendment): Disclosures of interests in other entities
- IAS 16 (amendment): Property, plant and equipment
- IAS 27 (amendment): Consolidated and separate financial statements
- IAS 28 (amendment): Investments in associates and joint ventures
- IAS 38 (amendment): Intangible assets
- Changes to the following standards or interpretations as part of the annual improvements to IFRS project: IFRS 5, IFRS 7, IAS 19 and IAS 34

The following new and revised standards will be adopted in 2016 or later (subject to EU endorsement):

- IFRS 9: Financial instruments
- IFRS 15: Revenue from contracts with customers
- IFRS 16: Leases
- IAS 1 (amendment): Presentation of financial statements
- IAS 19: Employee benefits – discount rate

The new standard IFRS 16: Leases will have significant implications on the recognition of the lease expenses, non-current assets, interest-bearing liabilities as well as on the key financial ratios. The operating lease commitments as of December 31, 2015 were EUR 188.2 million.

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

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 inter-company share ownership 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*)		Balance sheet	
	2015	**2014**	**12/15**	**12/14**
USD	1.11	1.33	1.09	1.21
CAD	1.42	1.47	1.51	1.41
JPY	134.38	140.23	131.07	145.23
GBP	0.73	0.81	0.73	0.78

*) 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. 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 IAS 39, 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 IAS 39, 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 IAS 39: Financial Instruments: Recognition and Measurement, financial assets are categorized as:

I. financial assets at fair value through profit or loss

II. held-to-maturity investments

III. loans and receivables

IV. available-for-sale financial assets

Financial assets at fair value through profit or loss are financial assets held for trading. Changes in fair value are booked as a credit or charge to earnings in financing income and expenses. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except for maturities over 12 months after the balance sheet date.

Held-to-maturity investments and loans granted by the company are carried at amortized cost using the effective interest rate method. Held-to-maturity investments are valued at cost and are included in current assets, except for maturities over 12 months after the balance sheet date. At the end of the financial year, the Group did not possess any held-to-maturity investments.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable are carried at the original invoiced amount less impairment losses and credits for returns. Impairment losses are recognized case by case when there is evidence that the receivable cannot be recovered in full, such as due to the payment difficulties or impending bankruptcy of the debtor.

Available-for-sale financial assets 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. Available-for-sale financial assets whose fair value cannot be determined reliably are measured at cost or a lower value if they are impaired. Available-for-sale financial assets 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.

Financial assets are recognized on the settlement date. Financial assets carried at fair value through the income statement are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets not carried at fair value through the income statement are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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 and deposits held at call with banks as well as readily realizable marketable securities.

Financial liabilities

Financial liabilities 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 unless they mature over 12 months after the balance sheet date, in which case they are included in long-term liabilities. The amounts drawn under the revolving credit facility are included in loans from financial institutions.

Revenue recognition

Revenue from the sale of goods is booked when significant risks and rewards connected with ownership of the goods have been transferred to the purchaser. Net sales represent the invoiced value of goods, less value added taxes as well as discounts and adding or subtracting foreign exchange differences.

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.

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.

Sales and marketing expenses

Expenses related to the sales, distribution, marketing and advertising of products are booked to sales 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 Headquarter's 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 either as equity instruments or in cash. 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. Cash-settled share-based payment transactions and the change in fair value are recognized as expenses over the vesting period. 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 future tax rates prevailing when the tax is estimated to be paid. 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 are recorded as adjustments to expenses in the financial period they are received, except when they relate to investments, in which case they are deducted from the cost.

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). Capitalised development expenses are 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	
Machinery and equipment	25-40 years
Land and water are not depreciated.	3-10 years

Impairment of 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 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 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 was EUR 60.2 million as of December 31, 2015.

Share-based payment

The Group key employees have been granted several share-based incentive schemes where the rewards are settled either as equity instruments or in cash. 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. Cash-settled share-based payment transactions and the change in fair value are periodized as expenses over the vesting period. The income effect of the arrangements is presented as employee benefits in the income statement.

Expenses recognized for the share-based incentive schemes for the year ended December 31, 2015 amounted to EUR 10.1 million and for the deferred cash long-term incentive programs EUR 3.5 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, 2015, the company has recognized net deferred tax assets of EUR 75.6 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 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, 2015, the amount of goodwill and other non-current intangible assets with indefinite useful lives tested for impairment amounted to EUR 346.2 million and EUR 228.5 million, respectively. No impairment losses were recognized in 2015. In 2014 an impairment of EUR 3.6 million was recognized for other non-current intangible assets. Management estimates, used assumptions as well as sensitivity analyses are presented in note 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, 2015, the amount of inventories on balance sheet amounted to EUR 482.0 million. Value of inventories has been decreased by EUR 27.2 million for the year ended December 31, 2015 to correspond to its net realizable value.

Accounts receivable

Accounts receivable are carried at the original invoiced amount less impairment losses and credits for returns. Impairment losses are recognized case by case and on the basis of historical experience when there is evidence that the receivable cannot be recovered in full, such as due to payment difficulties or impending bankruptcy of the debtor. The estimates are based on a systematic, ongoing review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, the Group takes into account the history of collections, the size and composition of the receivable balances and current economic events and conditions. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment losses may be recognized in future periods. As of December 31, 2015, the amount of accounts receivable on balance sheet amounted to EUR 563.9 million and impairment losses of accounts receivable amounted to EUR 15.7 million.

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 represent 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, 2015, the amount of provisions on balance sheet was EUR 36.9 million.

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, cycling components 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. 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.

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

Outdoor

- Footwear: Salomon, Arc'teryx

- Apparel: Salomon, Arc'teryx

- Winter Sports Equipment: Salomon winter sports equipment and Atomic

- Cycling: Mavic

- Sports Instruments: Suunto

Ball Sports

- Individual Ball Sports: Wilson, Racquet Sports and Golf

- Team Sports: Wilson, DeMarini, Louisville Slugger

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 2015 and 2014. 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.

OPERATING SEGMENTS
2015

EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	Total
Net sales	1,530.1	647.0	357.3	2,534.4	–	2,534.4
EBIT	154.2	45.7	31.1	231.0	-26.9	204.1
% of net sales	10.1	7.1	8.7	9.1	–	8.1
Financing income and expenses					-36.1	-36.1
Earnings before taxes					168.0	168.0
Goodwill and intangible assets with indefinite useful lives	227.1	176.6	171.0	574.7	–	574.7
Other assets	855.2	341.1	180.6	1,376.9	604.1	1,981.0
Liabilities	321.3	259.3	73.7	654.3	951.8	1,606.1
Capital expenditure	48.1	9.2	18.6	75.9	1.4	77.3
Depreciation	33.4	8.4	7.6	49.4	1.7	51.1
Cash flow from operating activities before financing items and taxes	186.4	64.4	38.5	289.3	-27.6	261.7

2014

EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	Total
Net sales	1,371.2	536.7	320.8	2,228.7	–	2,228.7
EBIT	101.5	8.1	27.9	137.5	-23.4	114.1
% of net sales	7.4	1.5	8.7	6.2	–	5.1
Financing income and expenses					-37.1	-37.1
Earnings before taxes						77.0
Goodwill and intangible assets with indefinite useful lives	223.4	110.8	155.8	490.0	–	490.0
Other assets	805.7	259.2	155.7	1,220.6	463.0	1,683.6
Liabilities	302.9	211.4	61.7	576.0	754.8	1,330.8
Capital expenditure	35.4	5.0	7.2	47.6	4.0	51.6
Depreciation	30.6	6.4	6.4	43.4	1.4	44.8
Cash flow from operating activities before financing items and taxes	149.8	4.9	16.0	170.7	-17.6	153.1

OTHER ASSETS

EUR million	2015	2014
Other non-current assets, accounts and other receivables and inventories of operating segments	1,376.9	1,220.6
Deferred tax assets	116.2	101.3
Unallocated other non-current assets, accounts and other receivables	24.1	45.6
Derivative financial instruments	108.3	54.8
Prepaid interest	12.0	6.6
Current tax assets	12.1	14.5
Cash and cash equivalents	331.4	240.2
Unallocated other assets	604.1	463.0

LIABILITIES

EUR million	2015	2014
Other interest-free long-term liabilities, accounts payable, non-tax and non-financing related accrued liabilities and provisions of operating segments	654.3	576.0
Interest-bearing long-term liabilities	634.5	390.3
Deferred tax liabilities	40.6	20.0
Interest-bearing current liabilities	157.2	269.0
Unallocated accounts payable and accrued liabilities	11.9	6.0
Derivative financial instruments	63.2	40.2
Accrued interests	16.5	14.9
Current tax liabilities	27.9	14.4
Unallocated liabilities	951.8	754.8

GEOGRAPHIC INFORMATION
2015

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,114.7	1,070.1	349.6	–	–	2,534.4
Assets	937.5	744.5	161.6	-108.9	821.0	2,555.7
Capital expenditure	43.4	27.1	6.8	–	–	77.3

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,064.0	874.3	290.4	–	–	2,228.7
Assets	699.2	699.6	136.4	-55.6	694.0	2,173.6
Capital expenditure	28.0	17.9	5.7	–	–	51.6

3. ACQUIRED AND DIVESTED BUSINESSES AND ASSETS HELD FOR SALE

Amer Sports strengthened its Ball Sports business by acquiring the global brand, sales and innovation rights to the American baseball brand Louisville Slugger on April 22, 2015 from Hillerich & Bradsby Co. Louisville Slugger is an iconic American baseball brand, the official bat of Major League Baseball and the market leading wood bat. Louisville Slugger reported annual sales of USD 75 million in 2014. Louisville Slugger sales in 2015 from the date of acquisition were USD 32 million. The final acquisition price was USD 72.3 million, which was mainly paid in cash in April 2015. The transaction and other acquisition related one-time costs had a slightly negative impact on Amer Sports 2015 financial results.

The fair value of the acquired net assets of Louisville Slugger was EUR 66.4 million. EUR 40.6 million of the fair value was allocated to the non-current intangible assets of which EUR 38.7 million to the Louisville Slugger trademark. The Louisville Slugger trademark is not amortized. EUR 12.1 million of the fair value was allocated to goodwill. Baseball is one of Amer Sports' chosen strategic growth areas, which already includes two leading brands, Wilson and DeMarini. The acquisition enhances Ball Sports' product portfolio and provides Amer Sports with a strong position and opportunity for gaining substantial synergies by combining Louisville Slugger's operations to Wilson and DeMarini. The goodwill is tax deductible.

The following fair values of the assets and liabilities of Louisville Slugger business have been consolidated into Amer Sports' results from the acquisition date. Transaction costs of EUR 1.4 million are included in the operating expenses of the consolidated income statement.

EUR million	**Fair value**
Intangible non-current assets	40.6
Goodwill	12.1
Inventories	6.2
Accounts receivables	11.8
Total assets	70.7
Interest-free liabilities	4.3
Net assets	66.4
Purchase price	66.4

Analysis of the cash flows on the acquisition

Purchase price	66.4
Transaction costs	1.4
Net cash flow on acquisition	67.8

Fair value of accounts receivables was EUR 2.6 million lower than book value at the date of acquisition due to impairment of doubtful receivables.

On May 12, 2015 Amer Sports acquired 100% of the shares in the company Sports Tracking Technologies Oy to strengthen its digital connectivity services and capabilities. Sports Tracker is a digital sports application and online service. It has a strong technology platform and capability, and it is a recognized digital service which is used globally. The purchase price was EUR 5.0 million. The fair value of the acquired net assets was EUR 4 million, which mainly comprised of the intangible assets, such as the customer register and technical know-how. In addition goodwill of EUR 1 million was recognized. The acquisition had no material impact on Amer Sports' 2015 financial results.

On July 21, 2015 Amer Sports strengthened its fitness product and service offering through the acquisition of Queenax. Queenax is a leading functional training systems provider. Queenax will be integrated into Precor, which is Amer Sports' Fitness business segment. The acquisition includes the Queenax brand as well as intellectual property and distribution rights, among others. Functional strength training is one of the fastest growing segments in the commercial fitness industry. The acquisition will enable Precor to offer its customers a complete functional training system and will further solidify Precor as a leading player in the global fitness equipment and services market. The purchase price was EUR 5.0 million, out of which EUR 4.5 million was paid in 2015. The fair value of acquired net assets was EUR 5.0 million, which was also the value allocated to goodwill. The purchase price allocation is preliminary. The acquisition had no material impact on Amer Sports 2015 financial results.

In March 2015, Amer Sports sold Nikita and Bonfire brands to CRN Pte Ltd. The sale price was EUR 1.0 million and received fully in cash. The combined net sales of Nikita and Bonfire in 2014 was EUR 9.8 million. The divestments had no material impact on Amer Sports' 2015 financial results.

There were no significant business acquisitions or company divestments in 2014.

Assets held for sale in 2014

Assets held for sale reported in 2014 were intangible non-current assets of EUR 1.0 million and net inventories of EUR 2.5 million related to Nikita and Bonfire brands.

4. OTHER OPERATING INCOME

EUR million	**2015**	**2014**
Rental return on real estate	0.0	0.0
Gain on sale of non-current assets	0.1	0.4
Other	4.7	5.1
Total	4.8	5.5

5. EMPLOYEE BENEFITS

EUR million	**2015**	**2014**
Wages and salaries	386.6	337.6
Social expenditure		
Pensions-defined contribution plans	13.0	10.5
Pensions-defined benefit plans	3.9	3.3
Other social security	78.7	77.8
Total	482.2	429.2

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.

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 61% (61) of the Group's total value. In addition to the USA, the Group has defined benefit pension plans in France, Switzerland, the UK, Germany and Japan. 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 net liability recognized in the balance sheet relating to defined benefit pension plans is defined as follows:

EUR million	2015	2014
Present value of funded obligations	178.0	167.3
Fair value of plan assets	-117.8	-107.3
Deficit	60.2	60.0
Impact of minimum funding requirement/ asset ceiling	–	–
Net liability in the balance sheet at December 31	60.2	60.0

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, 2014	123.4	-90.5	32.9
Current service cost	3.0	–	3.0
Past service cost and gains and losses on settlements	0.2	–	0.2
Administration cost paid from plan assets	-0.4	0.5	0.1
Interest expense/(income)	6.1	-4.9	1.2
Cost recognized in income statement	8.9	-4.4	4.5
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	–	0.8	0.8
(Gain)/loss from change in demographic assumptions	7.8	–	7.8
(Gain)/loss from change in financial assumptions	12.9	–	12.9
Experience (gains)/losses	5.0	–	5.0
Remeasurements effects recognized in OCI	25.7	0.8	26.5
Contributions:			
Employers	-0.6	-6.0	-6.6
Employees	1.1	-1.1	0.0
Benefits paid from plan assets	-4.0	4.0	0.0
Other changes	0.8	–	0.8
Exchange rate differences	12.0	-10.1	1.9
At December 31, 2014	167.3	-107.3	60.0

EUR million	Present value of obligation	Fair value of plan asset	Total
At January 1, 2015	167.3	-107.3	60.0
Current service cost	4.1	–	4.1
Past service cost and gains and losses on settlements	-0.2	–	-0.2
Administration cost paid from plan assets	-0.8	0.8	0.0
Interest expense/(income)	6.5	-4.6	1.9
Cost recognized in income statement	9.6	-3.8	5.8
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	–	4.7	4.7
(Gain)/loss from change in demographic assumptions	0.3	–	0.3
(Gain)/loss from change in financial assumptions	-7.4	–	-7.4
Experience (gains)/losses	-1.0	–	-1.0
Other changes	0.4	0.1	0.5
Remeasurements effects recognized in OCI	-7.7	4.8	-2.9
Contributions:			
Employers	-0.4	-6.7	-7.1
Employees	0.8	-0.8	0.0
Benefits paid from plan assets	-6.9	6.9	0.0
Exchange rate differences	15.3	-10.9	4.4
At December 31, 2015	178.0	-117.8	60.2

Principal actuarial assumptions:

	2015			2014		
%	USA	Europe	Japan	USA	Europe	Japan
Discount rate	4.70-4.85	0.90-3.80	0.80	4.20-4.40	1.40-3.55	0.90
Inflation	2.25	1.00-3.20	0.00	2.25	1.00-3.10	N/A
Future salary increases	2.50	1.00-3.10	1.70	2.50	1.00-3.00	0.30
Future pension increases	0.00	0.00-2.20	0.00	0.00	0.00-2.10	N/A

Sensitivity analysis:

%	Change in assumption	Impact on defined obligation
Discount rate	0,25% decrease	3.57
Inflation rate	0,25% increase	0.51
Mortality rate	1 year increase in life expectancy	1.90

Major categories of plan assets:

EUR million	2015	2014
US equities	12.1	10.4
UK equities	6.0	6.0
Other equities	11.4	10.0
Corporate bonds	17.1	16.0
Government bonds	65.9	57.6
Commodities	0.6	0.7
Other including cash	4.7	6.6

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 2016 are EUR 7.7 million.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation and amortization by asset type

EUR million	2015	2014
Intangible rights	3.4	2.5
Other intangible assets	5.8	6.4
Buildings and constructions	9.6	7.7
Machinery and equipment	32.3	28.2
Total	51.1	44.8

Impairment losses by asset type

EUR million	2015	2014
Other intangible assets	–	3.6
Total	–	3.6

In 2014 Amer Sports wrote down value of certain minor trademarks by EUR 3.6 million.

Depreciation, amortization and impairment losses by function

EUR million	2015	2014
Cost of goods sold	19.5	17.1
Research and development	3.1	2.1
Selling and marketing	12.8	11.1
Administration and other expenses	15.7	14.5
Total	51.1	44.8

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.

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 are the following: Winter Sports Equipment, Salomon Apparel and Footwear, Arc'teryx Apparel and Gear, Cycling, Sports Instruments, Individual Ball Sports, Team Sports, Golf, and Fitness.

The impairment tests were calculated during the fourth quarter of 2015 on budgeted 2016 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.
- 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 America and European businesses and it has varied on the range of 6.90%-9.07% pre-tax (10.37); equal to 5.92%-5.96% post-tax (7.73). The main components of the discount rate were:

	2015	2014
Risk Free Interest Rate Debt	0.73%	0.73%
Risk Free Interest Rate Equity	1.32%	1.61%
Equity Market Risk Premium	5.11%	6.64%
Asset Beta (Unlevered Beta)	0.89	0.91
Debt Risk Premium	1.82%	2.34%
Tax Rate	27%-36%	27%-36%

The main change to discount rate arose from a drop in the equity market risk premium and lower debt risk premium.

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 2015	Goodwill 2014	Intangible rights with indefinite useful lives 2015	Intangible rights with indefinite useful lives 2014
Outdoor					
Winter Sports Equipment	7.5	11.7	11.7	87.8	86.0
Salomon Apparel and Footwear	7.7	–	–	66.2	63.4
Arc'teryx Apparel and Gear	6.9	–	–	7.9	8.5
Cycling	7.7	–	–	23.3	23.3
Sports Instruments	8.0	30.2	29.0	–	–
Ball Sports					
Individual Ball Sports	9.1	77.7	63.4	–	–
Team Sports	8.5	58.2	47.4	40.7	–
Fitness					
Fitness	8.5	168.4	153.5	2.6	2.4
Total	7.8	346.2	305.0	228.5	183.6

In 2015 and 2014, 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 2015:

	-2%	-1%	Growth	1%	2%
-2%	0	0	0	0	0
-1%	0	0	0	0	0
Rate	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 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 2015:

	-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.

The results of the value-in-use calculations have been analyzed against the valuation reports prepared by industry analysts in various investment banks. The analysis shows that the results are in-line with the analysts' average estimates.

8. COMPENSATION OF AUDITORS

EUR million	**2015**	**2014**
Statutory audit	1.9	1.9
Tax consulting	0.5	0.3
Other services	0.1	0.2
Total	2.5	2.4

Amer Sports Corporation Annual General Meeting held on March 12, 2015 elected Authorised Public Accountants Ernst & Young Oy to act as auditor of the Company. The financial year 2014 was audited by Authorised Public Accountants PricewaterhouseCoopers Oy.

9. SHARE-BASED PAYMENT

In 2015, 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. In some arrangements, the reward is payable only in cash.

Performance share plans 2010 and 2013

The performance share plan 2010 included six earning periods, the calendar years 2010, 2011 and 2012 and calendar years 2010-2012, 2011-2013 and 2012-2014. 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 period 2010 were based on the Group's EBIT and rewards for the earning period 2010-2012 were based on the Group's total shareholder return. Rewards from the plan for the earning period 2011 were based on Group's EBIT and net sales and rewards for the earning period 2011-2013 were based on the Group's total shareholder return. Rewards from the plan for the earning period 2012 were based on the Group's EBIT and net sales and rewards for the earning period 2012-2014 were based on the Group's total shareholder return. For the six earning periods, Group's EBIT and net sales constituted 70% and total shareholder return 30% of the earnings criteria.

The performance share plan 2013 includes six earning periods as well: the calendar years 2013, 2014 and 2015 and calendar years 2013-2015, 2014-2016 and 2015-2017. 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. Rewards from the plan for the earning period 2013 were based on the Group's EBIT and net sales and potential rewards for the earning period 2013-2015 will be based on the Group's total shareholder return. Rewards from the plan for the earning period 2014 were based on Group's EBIT and net sales. Potential rewards for the earning period 2014-2016 will be based on the Group's total shareholder return. Potential rewards from the plan for the earning period 2015 will be based on Group's EBIT and net sales. Potential rewards for the earning period 2015-2017 will be based on the Group's total shareholder return. For the ongoing earning periods, the weighting for the Group's EBIT and net sales totals 80% and total shareholder return 20%.

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 2015, as a reward for meeting this condition, 31,649 shares were transferred to new key personnel participating in the performance share plan (2014: 43,720).

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 2010 will be a maximum total of 1,000,000 Amer Sports Corporation shares. The amount of net rewards to be paid on the basis of the performance share plan 2013 will be a maximum total of 1,400,000 Amer Sports Corporation shares. In 2014, 246,656 shares were transferred to key personnel in relation to the earning period 2013, and 77,370 shares in relation to the earning period 2011-2013. In 2015, 134,126 shares were transferred to key personnel in relation to the earning period 2014, and 72,870 shares in relation to the earning period 2012-2014. Shares awarded in connection with the earning periods 2013, 2014 and 2015 may not be transferred during the restriction periods ending on December 31, 2015, December 31, 2016, and December 31, 2017 respectively.

In 2014, 16,197 shares and in 2015, 35,540 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.

Members of the Group 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.

The performance share plan 2010 was directed at approximately 60 people and the performance share plan 2013 at approximately 200 people, including the members of the Group Executive Board. At the end of 2015, 50 people were covered by the performance share plan 2010 for earning period 2012-2014. 70 people participated in the performance share plan 2013 for the earning period 2013-2015, 194 people for the earning periods 2014 and 2014-2016 and 231 people for earnings periods 2015 and 2015-2017.

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 2013

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 2013 includes three earning periods: calendar years 2013, 2014 and 2015. Shares may not be transferred during the restriction periods, which will end on December 31, 2015, December 31, 2016 and December 31, 2017 respectively. The amount of net rewards to be paid on the basis of the restricted stock plan 2013 will be a maximum total of 300,000 Amer Sports Corporation shares. In 2014 and in relation to earning period 2013, 88,500 shares were transferred to key employees participating in this plan. In 2015 and in relation to earning period 2014, 83,600 shares were transferred.

In 2014, 12,000 shares and in 2015, 14,300 shares granted as share-based incentives in the restricted stock plan were returned to Amer Sports Corporation in accordance with the terms of the incentive plan as employment ended.

At the end of 2015, 65 people were covered by the restricted stock plan for the earning period 2015.

The members of the Group 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.

Restricted stock 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.

Deferred cash long-term incentive plans

Deferred cash long-term incentive programs seeks to elicit commitment from key executives. The programs encourage the achievement of the annual targets and long-term shareholder value. The results are tied to the three-year trend in shareholder value. The rewards are payable in cash in the same currency as the salary and the payments are subject to taxes and other deductions under applicable laws. At the end of 2015, 101 employees were within the scope of the program for 2011-2013 (2014: 137).

The key conditions and assumptions used in the determination of the fair value of the arrangements are presented in the table below:

	Performance share plan and restricted stock plans 2013			Performance share plan and restricted stock plans 2010		
	2015	2014	2013	2012	2011	2010
Grant date	**Feb 2/March 12, 2015**	**Jan 28/March 7, 2014**	**Jan 31/March 8,2013**	**Jan 31/March 8, 2012**	**Feb 4/March 14,2011**	**March 31, 2010**
Number of instruments granted	528,247/ -257,419	530,715/ -112,116	475,532/ -224,866	403,060/ -19,950	397,800/ 12,198	408,700
Fair value at grant date, EUR	18.13	14.62	11.64	9.76	9.83/8.75	8.75
Vesting period, years	3	3	3	3	3	3
Returned shares	49,840	28,197	29,198	6,409	–	–
Fair value per instrument at grant date, EUR	18.13	14.62	11.64	9.76	9.83/8.75	8.75

EUR million	**2015**	**2014**
Expense of share-based incentive schemes recognized in earnings	10.1	6.1
Accrual of cash component of share-based incentive schemes	4.0	3.4
Expense of deferred cash long-term incentive plans recognized in earnings	3.5	1.5
Accrual of deferred cash long-term incentive plans	6.0	5.2

10. FINANCING INCOME AND EXPENSES

EUR million	2015	2014
Interest income	1.1	0.4
Interest expenses		
Interest expenses on bonds	-17.3	-18.8
Interest expenses on commercial papers	-0.1	-0.5
Interest expenses on loans from financial institutions	-1.1	-1.3
Other interest expenses	-11.2	-8.4
Total interest expenses	-29.7	-29.0
Change in fair value of derivative instruments not used in hedge accounting	-1.0	-3.3
Exchange rate losses	-5.4	-2.7
Other financing expenses	-1.1	-2.5
Uneffectiveness of cash flow hedges	0.0	0.0
Total	-36.1	-37.1

11. INCOME TAXES

EUR million	2015	2014
Current taxes	36.3	20.0
Taxes for prior periods	1.5	-1.9
Deferred taxes	8.6	3.5
Total	46.4	21.6

EUR million	2015	2014
Current taxes:		
EMEA	18.0	8.5
Americas	3.8	-0.4
Asia Pacific	16.0	10.0
Total	37.8	18.1
Thereof for prior periods	1.5	-1.9
Deferred taxes	8.6	3.5
Total	46.4	21.6

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

EUR million	2015	2014
Taxes at local rates applicable to earnings in countries concerned	45.6	18.9
Permanent differences	-1.3	2.0
Realisability of deferred tax assets	3.3	6.6
Changes in tax rates and tax laws	0.4	-0.6
Taxes for prior periods	1.5	-1.9
Tax credits	-3.1	-3.4
Taxes recognized in the income statement	46.4	21.6
Effective tax rate, %	27.6	28.1

Certain of the Group companies' income tax returns for prior periods are under examination by tax authorities. Even though the Group does not expect that any significant additional taxes in excess of those already provided for will arise as a result of the examinations, it cannot be excluded that final resolutions of open items may differ from the amounts initially recorded.

The Group classifies interest on tax claims as interest expense and income tax penalties as provision for income taxes.

The reconciliation of deferred tax assets and liabilities is presented in note 15.

12. EARNINGS PER SHARE

	2015	2014
Net result attributable to equity holders of the parent company, EUR million	121.6	55.4
Net result for the calculation of earnings per share, EUR million	121.6	55.4
Weighted average number of shares outstanding during the period (1,000 pcs)	117,314	117,697
Earnings per share, EUR	1.04	0.47
Earnings per share, excluding nonrecurring items, EUR	1.09	0.80
Weighted average number of shares outstanding during the period, diluted (1,000 pcs)	117,913	118,323
Earnings per share, diluted, EUR	1.03	0.47
Earnings per share, diluted, excluding nonrecurring items, EUR	1.08	0.79

13. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

EUR million	Intangible rights	Goodwill	Other intangible assets	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Initial cost, January 1, 2015	232.9	400.3	69.0	14.5	136.7	366.0	0.4	6.6
Additions	3.2	–	25.8	–	6.7	26.1	–	15.5
Company acquisitions	46.2	18.5	2.0	–	–	–	–	–
Company divestments and disposals	–	–	–	–	-0.3	-3.9	–	–
Transfers	1.5	–	3.7	-0.1	-0.3	20.1	-0.1	-12.1
Translation differences	4.2	30.2	2.2	0.4	5.4	9.7	–	0.3
Balance, December 31, 2015	288.0	449.0	102.7	14.8	148.2	418.0	0.3	10.3
Accumulated depreciation and impairment losses, January 1, 2015	43.9	95.3	53.3	0.0	80.9	269.3	0.0	0.0
Depreciation during the period	3.2	–	6.0	–	9.6	32.3	–	–
Company divestments and disposals	–	–	–	–	-0.1	-3.4	–	–
Transfers	-0.5	–	-0.2	–	-3.8	-10.7	–	–
Translation differences	0.9	7.5	2.0	–	3.7	7.1	–	–
Balance, December 31, 2015	47.5	102.8	61.1	0.0	90.3	294.6	0.0	0.0
Balance sheet value, December 31, 2015	240.5	346.2	41.6	14.8	57.9	123.4	0.3	10.3
Carrying amount of finance leases included	–	–	–	–	–	21.5	–	–

Accumulated impairment losses of goodwill at January 1, 2015 totaled EUR 16.5 million.

Additions in other intangible assets include EUR 21.9 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	Other tangible assets	Advances paid and construction in progress
Initial cost, January 1, 2014	234.3	368.9	58.9	14.0	121.5	337.4	1.3	12.9
Additions	0.3	–	2.8	0.1	8.6	26.1	–	13.5
Company acquisitions	–	–	–	–	–	–	–	–
Company divestments and disposals	–	–	–	–	-0.1	-1.5	–	–
Transfers	-6.8	–	5.7	–	1.3	-4.5	-0.9	-20.4
Translation differences	5.1	31.4	1.6	0.4	5.4	8.5	–	0.6
Balance, December 31, 2014	232.9	400.3	69.0	14.5	136.7	366.0	0.4	6.6
Accumulated depreciation and impairment losses, January 1, 2014	42.8	87.7	45.4	0.0	69.8	248.9	0.1	0.0
Depreciation during the period	2.5	–	6.4	–	7.7	28.2	–	–
Company divestments and disposals	–	–	–	–	-0.1	-1.6	–	–
Transfers	-2.3	–	–	–	-0.5	-13.5	-0.1	–
Translation differences	0.9	7.6	1.5	–	4.0	7.3	–	–
Balance, December 31, 2014	43.9	95.3	53.3	0.0	80.9	269.3	0.0	0.0
Balance sheet value, December 31, 2014	189.0	305.0	15.7	14.5	55.8	96.7	0.4	6.6
Carrying amount of finance leases included	–	–	–	–	–	0.6	–	–

Accumulated impairment losses of goodwill at January 1, 2014 totaled EUR 14.5 million.

*) Transfers of intangible assets include impairment losses of EUR 3.6 million related to Nikita and Bonfire trademarks and transfer of EUR 1.0 million to assets held for sale.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Available-for-sale financial assets, EUR 0.4 million (0.3), consist in their entirety of shares in unlisted companies and real estate shares. They are measured at fair value.

Cash and cash equivalents, EUR 331.4 million (240.2), include cash in hand EUR 298.4 million, short-term deposits EUR 20.0 million and restricted cash EUR 13.0 million.

15. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Jan 1, 2015	Charge in income statement	Translation differences	Charged to OCI	Acquired and sold operations	Dec 31, 2015
Deferred tax assets:						
Provisions	24.2	0.1	0.2	–	–	24.5
Carryforward of unused tax losses	42.2	-12.3	0.1	–	–	30.0
Employee benefits	23.1	2.8	4.1	-1.4	–	28.6
Impairment	3.8	0.2	0.2	–	–	4.2
Other temporary differences	29.8	-4.5	-0.1	–	–	25.2
Total	123.1	-13.7	4.5	-1.4	–	112.5
Deferred tax liabilities:						
Fair value adjustments	-11.6	8.5	0.5	-0.5	–	-3.1
Depreciation differences	-26.8	-4.0	0.1	–	-0.7	-31.4
Other temporary differences	-3.2	0.6	0.2	–	–	-2.4
Total	-41.6	5.1	0.8	-0.5	-0.7	-36.9
Net deferred tax assets	81.5	-8.6	5.3	-1.9	-0.7	75.6

Deferred taxes recognized in the balance sheet at December 31, 2015:	
Deferred tax assets	116.2
Deferred tax liabilities	40.6

EUR million	Jan 1, 2014	Charge in income statement	Translation differences	Charged to OCI	Acquired and sold operations	Dec 31, 2014
Deferred tax assets:						
Provisions	21.7	2.5	–	–	–	24.2
Carryforward of unused tax losses	47.0	-4.8	–	–	–	42.2
Employee benefits	15.1	-1.3	0.8	8.5	–	23.1
Impairment	5.6	-1.8	–	–	–	3.8
Other temporary differences	23.2	6.7	-0.1	–	–	29.8
Total	112.6	1.3	0.7	8.5	–	123.1
Deferred tax liabilities:						
Fair value adjustments	0.9	0.6	–	-13.1	–	-11.6
Depreciation differences	-21.7	-5.0	-0.1	–	–	-26.8
Other temporary differences	-2.8	-0.4	–	–	–	-3.2
Total	-23.6	-4.8	-0.1	-13.1	–	-41.6
Net deferred tax assets	89.0	-3.5	0.6	-4.6	–	81.5

Deferred taxes recognized in the balance sheet at December 31, 2014:	
Deferred tax assets	101.5
Deferred tax liabilities	20.0

At December 31, 2015 there were unused tax losses carried forward and other temporary differences of EUR 33.1 million (52.7) for which no deferred tax assets were recognized. The unrecognized deferred tax assets at December 31, 2015 totaled EUR 10.0 million (16.1). No deferred tax asset has been recognized since the utilization of losses 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.

No deferred tax liabilities of the retained earnings of foreign subsidiaries have been recognized. The distribution of dividend from the subsidiaries is under control of the Group and no plans that could lead to income tax consequences are probable in the near future.

16. VALUATION PROVISIONS OF INVENTORIES AND ACCOUNTS RECEIVABLE

EUR million	2015	2014
Impairment losses of accounts receivable	15.7	10.1
Net realizable value valuation provision	27.2	36.7

Aging analysis of accounts receivable and amounts recognized as impairment losses

EUR million	2015	Impairment losses	Net 2015	2014	Impairment losses	Net 2014
Undue accounts receivable	473.4	–	473.4	461.8	–	461.8
Accounts receivable 1-30 days overdue	49.6	–	49.6	49.3	–	49.3
Accounts receivable 31-60 days overdue	19.3	–	19.3	16.2	–	16.2
Accounts receivable 61-90 days overdue	10.1	–	10.1	7.3	–	7.3
Accounts receivable 91-120 days overdue	7.3	–	7.3	3.6	–	3.6
Accounts receivable more than 120 days overdue	19.9	-15.7	4.2	15.2	-10.1	5.1
Total	579.6	-15.7	563.9	553.4	-10.1	543.3

17. PREPAID EXPENSES AND OTHER RECEIVABLES

EUR million	2015	2014
Prepaid interest	12.0	6.6
Prepaid advertising and promotion	5.1	4.3
Other tax receivables	18.0	20.5
Accrued employee benefits	10.3	3.6
Derivative instruments	101.7	54.8
Other receivables	56.0	60.4
Total	203.1	150.2

18. SHAREHOLDERS' EQUITY

EUR million	Number of shares	Share capital	Premium fund	Invested unrestricted equity reserve
January 1, 2014	118,517,285	292.2	12.1	156.7
Transfer of own shares	–	–	–	6.4
December 31, 2014	118,517,285	292.2	12.1	163.1
December 31, 2015	118,517,285	292.2	12.1	163.1

The articles of association of Amer Sports Corporation does 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 the Group (Dec 31, 2015: EUR 18.1 million or 1,176,673 shares; Dec 31, 2014: EUR 20.2 million or 1,415,112 shares). At Dec 31, 2015 Amer Sports Corporation held 1,176,673 own shares (1,404,187) and its fully owned subsidiary Amer Sports International Oy 0 shares (10,925).

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

Dividend proposed by the Board of Directors for the financial year is EUR 0.55 (0.45) per share. Total dividends amount to EUR 65.2 million (52.8).

19. INTEREST-BEARING LIABILITIES

EUR million	Outstanding Dec 31, 2015	Repayments 2016	2017	2018	2019	2020	2021 and after
Bonds	688.5	154.4	–	165.5	–	208.7	159.9
Loans from financial institutions	81.4	–	0.0	30.4	50.4	0.4	0.2
Pension loans	–	–	–	–	–	–	–
Other interest-bearing liabilities	21.8	2.8	2.6	2.5	2.4	2.3	9.2
Total	791.7	157.2	2.6	198.4	52.8	211.4	169.3

EUR million	Outstanding Dec 31, 2014	Repayments 2015	2016	2017	2018	2019	2020 and after
Bonds	459.9	150.0	153.3	0.0	156.6	0.0	–
Loans from financial institutions	80.9	0.6	0.3	0.0	80.0	–	–
Pension loans	2.9	2.9	–	–	–	–	–
Other interest-bearing liabilities	0.1	–	–	–	–	–	0.1
Total	543.8	153.5	153.6	0.0	236.6	0.0	0.1

INTEREST-BEARING CURRENT LIABILITIES

EUR million	2015	2014
Commercial papers	0.0	114.5
Current repayments of long-term loans	154.4	153.5
Other interest-bearing current liabilities	2.8	1.0
Total	157.2	269.0

INTEREST-BEARING LIABILITIES AT FAIR VALUE

EUR million	2015 Carrying amount	2015 Fair value	2014 Carrying amount	2014 Fair value
Bonds	688.5	680.6	459.9	446.9
Loans from financial institutions	81.4	81.4	80.9	80.9
Pension loans	–	–	2.9	2.8
Commercial papers	–	–	114.5	114.5
Other interest-bearing liabilities	21.8	21.8	1.1	1.1
Total	791.7	783.8	659.3	646.2

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	2015	2014
Finance lease liabilities are due as follows:		
Not later than one year	2.9	0.3
Later than one year but not later than five years	10.0	0.3
Later than five years	8.6	–
Total minimum lease payments	21.5	0.6

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

20. ACCRUED LIABILITIES

EUR million	2015	2014
Accrued personnel costs	116.0	106.2
Accrued discounts and rebates	19.2	14.4
Accrued interest	16.5	14.9
Accrued rent	2.3	3.7
Accrued advertising and promotion	10.9	9.4
Value added tax	23.7	16.1
Payables related to derivatives	56.8	33.7
Other accrued liabilities	101.8	82.7
Total	347.2	281.1

21. PROVISIONS

EUR million	Product warranty	Restructuring	Environmental	Other	Total
Balance at January 1, 2015	22.9	8.5	0.6	4.3	36.3
Translation differences	1.2	0.1	0.1	0.2	1.6
Reclassification from accrued liabilities	–	–	–	3.0	3.0
Provisions made during the year	10.3	0.7	–	1.4	12.4
Company acquisitions	1.0	–	–	–	1.0
Provisions used during the year	-9.3	-5.0	-0.2	-1.0	-15.5
Provisions reversed during the year	-0.9	-0.1	–	-0.9	-1.9
Balance at December 31, 2015	25.2	4.2	0.5	7.0	36.9
Current provisions					34.4
Long-term provisions					2.5
Total					36.9

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 1.4 million at the 2015 period end.

Restructuring provisions related to 2014 restructuring program are fully booked.

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	2015	2014
Share-based incentive schemes	0.2	2.2
One-time costs	0.3	9.2
Gains and losses on sale of non-current assets	-0.1	-0.5
Impairment losses	–	3.6
Total	0.4	14.5

23. OPERATING LEASE COMMITMENTS

EUR million	2015	2014
The future minimum payments of non-cancellable operating leases:		
Not later than one year	45.4	40.5
Later than one year but not later than five years	101.6	83.6
Later than five years	41.2	24.0
Total	188.2	148.1
Total rent expense of non-cancellable operating leases recognized in the income statement	47.9	37.2

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

24. CONTINGENT LIABILITIES

EUR million	2015	2014
Guarantees	33.8	24.2
Other contingent liabilities	69.4	71.4

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.

25. PRINCIPAL GROUP COMPANIES AT DECEMBER 31, 2015

	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, Geneva, Switzerland	100
Amer Sports France S.A.S., Villefontaine, France	100
Amer Sports Japan, Inc., Tokyo, Japan	100
Amer Sports Sourcing Ltd, Hong Kong, China	100
Amer Sports UK Limited, Irvine, UK	100
Amer Sports Winter & Outdoor Company, Ogden, USA	100
Atomic Austria GmbH, Altenmarkt, Austria	100
Mavic S.A.S., Annecy, France	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
ZAO Amer Sports, Moscow, Russia	100

A complete list of Amer Sports' subsidiaries is included in statutory accounts of Amer Sports Corporation. Group had no associated companies at December 31, 2015.

26. FAIR VALUE AND OTHER RESERVES

EUR million	
Balance at January 1, 2015	41.6
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	-27.9
Hedging of interest cash flows	5.0
Gains and losses recognized in the income statement	
Hedging of operating cash flows	31.0
Hedging of interest cash flows	-5.4
Deferred taxes	-0.5
Balance at December 31, 2015	43.8
Balance at January 1, 2014	-8.3
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	30.4
Hedging of interest cash flows	-1.6
Gains and losses recognized in the income statement	
Hedging of operating cash flows	36.1
Hedging of interest cash flows	-1.9
Deferred taxes	-13.1
Balance at December 31, 2014	41.6

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	2015	2014
Salaries and remuneration of the Board of Directors	0.5	0.4
Salaries and remuneration of the Executive Board (excluding President and CEO)	9.7	10.2
Annual Salaries of the President and CEO	0.7	0.6
Annual and long-term incentives of the President and CEO	0.8	1.1
Total	11.7	12.3
Cumulative expenses, President and CEO	0.5	0.6
Total	12.2	12.9

Compensation recognized in earnings:

EUR million	2015	2014
Salaries and other short-term employee benefits	5.9	5.5
Post-employment benefits	0.3	0.3
Share-based payments	3.3	3.7
Total	9.5	9.5

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 give the President and CEO notice of termination, the company must pay severance payment equal to twelve months of total annual gross salary. The President and CEO participates in the standard local statutory pension system and may retire at the age of 65. In 2015, the expense for post-employment benefits was EUR 0.1 million (0.1).

In 2015 EUR 0.4 million (0.6) of the salaries and remuneration paid to the President and CEO was paid in shares.

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

Shares held by management

Amer Sports Board of Directors held a total of 2,786,567 Amer Sports Corporation shares as of December 31, 2015 (December 31, 2014: 2,778,791), or 2.4% (2.3) of the outstanding shares and votes.

Amer Sports Executive Board (including the President and CEO) owned a total of 790,776 Amer Sports Corporation shares on December 31, 2015 (December 31, 2014: 650,053), representing 0.7% (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

2015 EUR million	Financial assets/ liabilities at fair value through income statement	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
NON-CURRENT FINANCIAL ASSETS							
Other non-current financial assets			4.9	0.4		5.3	5.3
Derivative financial instruments							
Foreign exchange derivatives		6.4				6.4	6.4
Interest rate derivatives and cross currency swaps	4.4	0.2				4.6	4.6
CURRENT FINANCIAL ASSETS							
Accounts receivable			563.9			563.9	563.9
Loans receivable						0.0	0.0
Other non-interest yielding receivables [*)]			83.4			83.4	83.4
Derivative financial instruments							
Foreign exchange derivatives	35.9	61.4				97.3	97.3
Interest rate derivatives and cross currency swaps		0.0				0.0	0.0
Cash and cash equivalents			331.4			331.4	331.4
Balance sheet values by category at December 31, 2015	40.3	68.0	983.6	0.4		1,092.3	1,092.3
LONG-TERM FINANCIAL LIABILITIES							
Long-term interest-bearing liabilities					634.5	634.5	630.4
Other long-term liabilities					6.2	6.2	6.2
Derivative financial instruments							
Foreign exchange derivatives		0.5				0.5	0.5
Interest rate derivatives and cross currency swaps	8.9	5.3				14.2	14.2
CURRENT FINANCIAL LIABILITIES							
Current interest-bearing liabilities					157.2	157.2	153.4
Accounts payable					275.7	275.7	275.7
Other current liabilities [**)]					264.6	264.6	264.6
Derivative financial instruments							
Foreign exchange derivatives	34.2	6.9				41.1	41.1
Interest rate derivatives and cross currency swaps	5.1	2.5				7.6	7.6
Balance sheet values by category at December 31, 2015	48.2	15.2			1,338.2	1,401.6	1,393.7

2014 EUR million	Financial assets/ liabilities at fair value through income statement	Derivative financial instruments used in hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
NON-CURRENT FINANCIAL ASSETS							
Other non-current financial assets			4.0	0.3		4.3	4.3
Derivative financial instruments							
Foreign exchange derivatives		17.0				17.0	17.0
Interest rate derivatives and cross currency swaps	4.9	0.5				5.4	5.4
CURRENT FINANCIAL ASSETS							
Accounts receivable			543.3			543.3	543.3
Loans receivable			1.7			1.7	1.7
Other non-interest yielding receivables *)			74.9			74.9	74.9
Derivative financial instruments							
Foreign exchange derivatives	4.5	45.4				49.9	49.9
Cash and cash equivalents			240.2			240.2	240.2
Balance sheet values by category at December 31, 2014	9.4	62.9	864.1	0.3		936.7	936.7
LONG-TERM FINANCIAL LIABILITIES							
Long-term interest-bearing liabilities					390.3	390.3	377.3
Other long-term liabilities					5.8	5.8	5.8
Derivative financial instruments							
Foreign exchange derivatives		0.6				0.6	0.6
Interest rate derivatives and cross currency swaps	15.9	5.9				21.8	21.8
CURRENT FINANCIAL LIABILITIES							
Current interest-bearing liabilities					269.0	269.0	268.9
Accounts payable					237.8	237.8	237.8
Other current liabilities **)					228.7	228.7	228.7
Derivative financial instruments							
Foreign exchange derivatives	11.5	4.4				15.9	15.9
Interest rate derivatives and cross currency swaps	0.4	1.5				1.9	1.9
Balance sheet values by category at December 31, 2014	27.8	12.4			1,131.6	1,171.8	1,158.7

EUR million	2015	2014
*) Other non-interest yielding receivables	203.1	150.2
Prepaid expenses and other receivables	18.0	20.5
./. Other tax receivables	101.7	54.8
./. Derivative financial instruments	83.4	74.9
**) Other current liabilities	347.2	281.1
Accrued liabilities	25.8	18.7
./. Other tax liabilities	56.8	33.7
./. Derivative financial instruments	264.6	228.7

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss		40.3		40.3
Derivatives used for hedging		68.0		68.0
Available-for-sale financial assets			0.4	0.4
Total		108.3	0.4	108.7
Liabilities				
Financial liabilities at fair value through profit or loss		48.2		48.2
Derivatives used for hedging		15.2		15.2
Total		63.4		63.4

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, 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss		9.4		9.4
Derivatives used for hedging		62.9		62.9
Available-for-sale financial assets			0.3	0.3
Total		72.3	0.3	72.6
Liabilities				
Financial liabilities at fair value through profit or loss		27.8		27.8
Derivatives used for hedging		12.4		12.4
Total		40.2		40.2

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. With its core relationship banks Amer Sports is upholding long and trustworthy relations by acquiring advisory and other services from those banks. During year 2014 and 2015 Amer Sports finalized the following financial transactions:

In January, 2015 Amer Sports issued Schuldschein (certificate of indebtedness) loan agreements with a total value of EUR 100 million. The loan period is five years and the loans have both fixed (EUR 15 million) and floating (EUR 85 million) rate tranches. In April, 2015 Amer Sports issued Schuldschein agreements with a total value of EUR 40 million and USD 85 million. The loan periods are five and seven years and the loans have both fixed and floating rate tranches. In August, 2015 Amer Sports issued Schuldschein agreements with a total value of USD 55 million. The loan periods are 5 and 5.5 years and the loans have floating rate tranches. In September, 2015 Amer Sports issued a private placement bond with a total value of EUR 100 million. The fixed rate bond has a maturity of seven years. The proceeds of the Schuldschein loans and the private placement bond have been used for repayment of debt and general corporate purposes.

In September, 2014 Amer Sports renewed its loan with Unicredit Bank Austria AG and signed a new 4-year EUR 30 million term loan with the bank. In December, 2014 Amer Sports signed a five-year EUR 150 million syndicated revolving credit facility agreement. The facility is meant for general corporate purposes including the refinancing of Amer Sports' syndicated loan of EUR 200 million from 2011 which was terminated. In the connection with the renewal of the syndicated facility, the EUR 40 million bilateral facility with Pohjola Bank was terminated.

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 with purpose to balance liquidity swings of the Group. In December 2015 EUR 77.8 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.

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 Sport's EUR 150 million syndicated committed revolving credit facility is a back-up for exceptional liquidity needs. The credit facility follows LMA's (Loan Market Association) documentation, including typical representations and warranties, general undertakings, events of default and covenants. At the end of 2015 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

	Dec 31, 2015							
EUR million	Nominal value	Available	Total	2016	2017	2018	2019	2020 and after
Loans from financial institutions								
Repayments	81.4		81.4	–	0.0	30.4	50.4	0.6
Interest	3.4		3.4	0.8	0.8	1.3	0.5	0.0
Bonds								
Repayments	688.5		688.5	154.4		165.5		368.6
Interest	59.7		59.7	14.5	10.4	11.5	9.4	13.9
Pension loans								
Repayments	0.0		0.0					
Interest	0.0		0.0					
Commercial papers								
Repayments	0.0		0.0					
Interest	0.0		0.0					
Other interest-bearing liabilities								
Repayments	21.8		21.8	2.8	2.6	2.5	2.4	11.5
Interest	0.2		0.2	0.0	0.0	0.0	0.0	0.2
Accounts payable								
Repayments	275.7		275.7	275.7				
Other interest-free liabilities								
Repayments	5.5		5.5	5.5				
Total								
Repayments	1,072.9		1,072.9	438.4	2.6	198.4	52.8	380.7
Interest	63.3		63.3	15.3	11.2	12.8	9.9	14.1
Financial guarantee contracts		10.2	10.2	10.2				
Committed revolving credit facility		150.0	150.0				150.0	
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	991.7		991.7	743.2	248.5			
Other foreign exchange derivatives	486.5		486.5	486.5				
Interest rate swaps under hedge accounting, fair value	9.0		9.0	0.5		3.9		4.6
Cross currency swaps, fair value	4.4		4.4	0.9		3.5		
Derivative assets								
Foreign exchange derivatives under hedge accounting	1,055.6		1,055.6	799.2	256.4			
Other foreign exchange derivatives	494.1		494.1	494.1				
Interest rate swaps under hedge accounting, fair value	0.0		0.0					
Cross currency swaps, fair value	–		–					

EUR million	Dec 31, 2014 Nominal value	Available	Total	2015	2016	2017	2018	2019 and after
Loans from financial institutions								
Repayments	80.9		80.9	0.6	0.3	0.0	80.0	
Interest	5.4		5.4	1.4	1.4	1.5	1.1	
Bonds								
Repayments	459.9		459.9	150.0	153.3	0.0	156.6	
Interest	55.3		55.3	19.0	19.2	10.9	6.2	
Pension loans								
Repayments	2.9		2.9	2.9				
Interest	0.1		0.1	0.1				
Commercial papers								
Repayments	114.5		114.5	114.5				
Interest	0.5		0.5	0.5				
Other interest-bearing liabilities								
Repayments	1.1		1.1	1.0				0.1
Interest	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable								
Repayments	237.8		237.8	237.8				
Other interest-free liabilities								
Repayments	5.8		5.8	5.8				
Total								
Repayments	902.9		902.9	512.6	153.6	0.0	236.6	0.1
Interest	61.3		61.3	21.0	20.6	12.4	7.3	0.0
Financial guarantee contracts		7.4	7.4	7.4				
Committed revolving credit facility		150.0	150.0					150.0
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	843.1		843.1	601.2	241.9			
Other foreign exchange derivatives	503.7		503.7	503.7				
Interest rate swaps under hedge accounting, fair value	5.9		5.9		1.9		4.0	
Cross currency swaps, fair value	7.1		7.1		1.8		5.3	
Other interest rate derivatives, fair value	3.4		3.4		0.0			3.4
Derivative assets								
Foreign exchange derivatives under hedge accounting	901.4		901.4	859.9	41.5			
Other foreign exchange derivatives	505.2		505.2	505.2				
Interest rate swaps under hedge accounting, fair value	0.0		0.0				0.0	
Cross currency swaps, fair value	–		–					
Other interest rate derivatives, fair value	0.0		0.0	0.0				

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 20 currencies at least. 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. Efficient risk management eliminates material uncertainties relating to foreign exchange rates.

At the end of the year, Amer Sports' currency position, in accordance with IFRS 7, 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, Swiss franc, British pound 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 receivables and liabilities in foreign currencies.

The following table sets out the IFRS 7-compliant foreign exchange position at the balance sheet date:

	Dec 31, 2015						Dec 31, 2014					
EUR million	USD	CAD	CHF	GBP	SEK	JPY	USD	CAD	CHF	GBP	SEK	JPY
Interest-bearing external receivables	–	–	–	–	136.0	–	–	–	–	–	133.1	–
Interest-bearing inter-company receivables	244.0	67.3	0.5	–	–	25.4	134.7	71.9	–	–	–	19.0
External receivables	77.6	-35.2	2.2	-7.1	0.7	0.0	14.7	8.4	2.1	-1.7	1.0	0.0
Inter-company receivables	2.8	4.0	4.4	9.5	2.1	4.1	18.0	-0.8	3.0	8.8	3.1	2.3
Interest-bearing external liabilities	-197.5	–	–	–	-136.0	–	-61.8	–	–	–	-133.1	–
Interest-bearing inter-company liabilities	–	–	–	-17.5	-4.2	–	–	–	-2.8	-9.3	-2.6	–
External payables	-78.4	2.7	-0.3	0.2	0.0	0.0	-71.9	-3.1	-0.6	-0.3	0.0	0.0
Inter-company payables	-22.6	1.0	-0.4	1.7	-0.1	-0.3	-6.4	2.1	-0.4	-1.0	-0.1	-0.8
Foreign exchange derivatives	640.8	-172.2	-76.2	-130.8	-48.6	-62.5	633.0	-151.4	-88.3	-93.1	-36.5	-49.5
Total	666.7	-132.4	-69.8	-144.0	-50.1	-33.3	660.3	-72.9	-87.0	-96.6	-35.1	-29.0

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	-60.8	-6.0
CAD	8.0	5.2
CHF	5.7	1.3
GBP	9.8	4.6
SEK	3.9	1.1
JPY	3.0	0.4

The following table presents the corresponding sensitivities at the balance sheet date in 2014:

EUR million	Shareholders' equity	Income statement
USD	-66.0	0.0
CAD	8.9	-1.6
CHF	6.0	2.7
GBP	5.5	4.1
SEK	1.7	1.8
JPY	2.1	0.8

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 that are under hedging policy for the next 24 months (EUR million):

USD	GBP	CAD	CHF	SEK	NOK	CZK	JPY	OTHER
952	-185	-173	-134	-80	-63	-50	-47	-125

The following table sets out the hedging of Amer Sports' cash flows as at December 31, 2015 (EUR million):

USD	GBP	CAD	CHF	SEK	NOK	CZK	JPY	OTHER
-710	129	106	76	48	35	32	33	77

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 remarkably.

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 derivates are recognized as hedging reserve while interest rate differentials related to the foreign exchange derivates 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 2015, 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, 2015, the duration was 15 months. 92% of the debt portfolio was at fixed rate as of December, 2015. 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.

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.

EUR million	**Position**	**2015**
Shareholders' equity	423.6	10.5
Income statement	94.0	-0.4

In 2014, 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**	**2014**
Shareholders' equity	226.5	7.5
Income statement	109.0	-1.1

The effective interest rate of the total debt including interest rate hedges was 3.8%. The interest rate was 3.1% on bonds, 1.4% on bank loans, 2.1% on pension loans and 0.6% on commercial papers.

The average interest rate of the Group's interest bearing debt including interest rate derivatives and facility fees was 2.7% (Dec 31, 2014: 3.5).

After foreign exchange derivatives that hedge the inter-company debt, the average interest rate was 3.0% (Dec 31, 2014: 3.8).

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 2% of total accounts receivable and the largest 20 combined total about 19%. At the end of year 2015 the actual payment time for the outstanding sales was 76 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 or 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, 2015	Balance sheet value or fair value Dec 31, 2014
Long-term financial assets		
Long-term interest-bearing receivables	–	–
Other long-term financial assets	5.3	4.3
Derivative contracts		
Foreign exchange derivatives	6.4	17.0
Interest rate and cross currency swap derivatives	4.6	5.4
Short-term financial assets		
Accounts receivable	563.9	543.3
Loans receivable	–	1.7
Other interest-free receivables	83.4	74.9
Derivative contracts		
Foreign exchange derivatives	97.3	49.9
Interest rate and cross currency swap derivatives	–	–
Cash and cash equivalents	331.4	240.2

(+ = Assets, – = Debt)

DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 31, 2015					Dec 31, 2014	
EUR million	**Nominal value**	**Fair value**	**2016**	**2017**	**2018 and after**	**Nominal value**	**Fair value**
Hedge accounting-related							
Foreign exchange derivatives hedging cash flows from operations	1,055.6	60.1	799.2	256.4		901.4	55.9
Interest rate swaps hedging interest cash flow	423.6	-9.0	50.0		373.6	226.5	-5.9
Interest cash flow of cross currency swaps	136.0	0.3	54.4		81.6	133.1	0.5
Other derivative contracts							
Foreign exchange derivatives	494.1	6.5	494.1			505.2	0.4
Interest rate swaps						90.0	-3.4
Foreign exchange difference of cross currency swaps		-4.7					-7.6

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 net sales at least EUR 3.5 billion with minimum mid-single digit organic currency neutral annual growth, annual EBIT growth (excl. non-recurring items) 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' consolidated gearing cannot exceed 100 percent, excluding the impact of any goodwill or intangible rights impairment. 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, 2015	Dec 31, 2014
Interest-bearing liabilities	791.7	659.3
Cash and cash equivalents	331.4	240.2
Net debt	460.3	419.1
Total shareholders' equity	949.6	842.8
Gearing, %	48	50
EBITDA	255.2	158.9
Net debt/EBITDA	1.8	2.6

Offsetting financial assets and liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2015:

		Related amounts not set off	
EUR million	Gross amount of derivative financial assets	Financial instruments	Net amount
Derivative financial instruments	53.7	17.2	36.5

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2015:

		Related amounts not set off	
EUR million	Gross amount of derivative financial liabilities	Financial instruments	Net amount
Derivative financial instruments	0.6	4.7	-4.1

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2014:

		Related amounts not set off	
EUR million	Gross amount of derivative financial assets	Financial instruments	Net amount
Derivative financial instruments	47.5	14.7	32.8

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2014:

		Related amounts not set off	
EUR million	Gross amount of derivative financial liabilities	Financial instruments	Net amount
Derivative financial instruments	7.3	3.2	4.1

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. RECONCILIATION BETWEEN REPORTED EARNINGS BEFORE INTEREST AND TAXES (EBIT) UNDER IFRS AND EBIT EXCLUDING NON-RECURRING ITEMS COMMENTED IN THE BOARD OF DIRECTORS' REPORT

The income statement under IFRS has been adjusted by the following non-recurring items (NRIs) when reporting and commenting earnings before interest and taxes excluding non-recurring items in the Board of Directors' Report:

EUR million	IFRS 2015	Non-recurring items	Income statement excl. NRIs 2015	IFRS 2014	Non-recurring items	Income statement excl. NRIs 2014
NET SALES	2,534.4	–	2,534.4	2,228.7		2,228.7
Cost of goods sold	-1,388.5	–	-1,388.5	-1,281.1	31.4	-1,249.7
License income	7.3	–	7.3	6.2	–	6.2
Other operating income	4.8	–	4.8	5.5	–	5.5
Research and development expenses	-77.7	–	-77.7	-76.2	–	-76.2
Selling and marketing expenses	-677.5	6.7	-670.8	-582.9	13.4	-569.5
Administrative and other expenses	-198.7	1.3	-197.4	-186.1	9.4	-176.7
EBIT	204.1	8.0	212.1	114.1	54.2	168.3

Non-recurring items are exceptional and material transactions that are not related to normal business operations. These items can include, but are not limited to, capital gains and losses, exceptional write-downs, provisions for planned restructuring and other exceptional items Amer Sports management considers as material. A single non-recurring item has to represent more than one cent per share on annual basis to be classified as non-recurring.

CALCULATION OF KEY INDICATORS

EARNINGS PER SHARE:

$$\frac{\text{Net result attributable to equity holders of the parent company}}{\text{Average number of shares adjusted for the bonus element of share issues}}$$

EQUITY PER SHARE:

$$\frac{\text{Shareholders' equity}^{1)}}{\text{Number of shares at year end adjusted for the bonus element of share issues}}$$

DIVIDEND PER SHARE:

$$\frac{\text{Total dividend}}{\text{Number of shares at year end adjusted for the bonus element of share issues}}$$

DIVIDEND % OF EARNINGS:

$$100 \times \frac{\text{Adjusted dividend}}{\text{Net result}}$$

EFFECTIVE YIELD, %:

$$100 \times \frac{\text{Adjusted dividend}}{\text{Adjusted share price at closing date}}$$

P/E RATIO:

$$\frac{\text{Adjusted share price at closing date}}{\text{Earnings per share}}$$

MARKET CAPITALIZATION:

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

RETURN ON CAPITAL EMPLOYED (ROCE), %:

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

RETURN ON INVESTMENT (ROI), %:

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

RETURN ON SHAREHOLDERS' EQUITY (ROE),%:

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

EQUITY RATIO, %:

$$100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total less advances received}}$$

DEBT TO EQUITY RATIO:

$$\frac{\text{Interest-bearing liabilities}}{\text{Shareholders' equity}}$$

GEARING, %:

$$100 \times \frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$$

FREE CASH FLOW/NET PROFIT:

$$\frac{\text{Free cash flow}}{\text{Net result}}$$

NET DEBT/EBITDA:

$$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{EBIT + depreciation}}$$

1) Excluding non-controlling interests
2) Non-current assets + working capital excluding receivables and payables relating to interest and taxes, monthly average of the financial period
3) Monthly average of the financial period
4) Average of the financial period

The calculation of key indicators excludes the company's own shares.

PARENT COMPANY INCOME STATEMENT

EUR million	**2015**	**2014**
Other operating income	29.1	19.0
EXPENSES		
Personnel expenses	8.7	9.9
Depreciation	0.6	0.4
Other expenses	17.2	7.9
Total expenses	26.5	18.2
EARNINGS BEFORE INTEREST AND TAXES	2.6	0.8
Financing income	145.1	46.2
Financing expenses	-27.1	-37.4
Financing income and expenses	118.0	8.8
EARNINGS BEFORE EXTRAORDINARY ITEMS	120.6	9.6
Group contributions	3.6	6.9
EARNINGS BEFORE APPROPRIATIONS AND TAXES	124.2	16.5
Appropriations	0.0	-0.1
Income taxes	-3.4	-1.5
NET RESULT	120.8	14.9

PARENT COMPANY CASH FLOW STATEMENT

EUR million	**2015**	**2014**
NET CASH FLOW FROM OPERATING ACTIVITIES		
EBIT	2.6	0.8
Depreciation	0.6	0.4
Adjustments to cash flow from operating activities	0.4	0.2
Cash flow from operating activities before change in working capital	3.6	1.4
Increase (–) or decrease (+) in trade and other current receivables	13.4	-33.6
Increase (+) or decrease (–) in interest-free current liabilities	-0.7	38.7
Change in working capital	12.7	5.1
Cash flow from operating activities before financing items and taxes	16.3	6.5
Interest paid	-29.5	-47.1
Interest received	0.3	0.1
Income taxes paid and received	0.4	-0.2
Financing items and taxes	-28.8	-47.2
Total net cash flow from operating activities	-12.5	-40.7
NET CASH FLOW FROM INVESTING ACTIVITIES		
Investments in subsidiaries	-12.2	-
Capital expenditure	-1.4	-3.9
Proceeds from sale of tangible non-current assets	0.4	5.6
Repayments of loans receivable	–	1.1
Dividends received	105.6	10.0
Net cash flow from investing activities	92.4	12.8

EUR million	**2015**	**2014**
NET CASH FLOW FROM FINANCING ACTIVITIES		
Repurchase of own shares	-1.2	-13.0
Transfer of own shares	4.9	6.4
Change in short-term borrowings	-123.7	115.1
Withdrawals of long-term borrowings	368.0	30.0
Repayments of long-term borrowings	-152.9	-65.7
Change in current receivables	-73.4	-24.2
Dividends paid	-52.8	-47.2
Group contributions received	7.0	9.5
Other financing items *)	8.0	-2.0
Net cash flow from financing activities	-16.1	8.9
CHANGE IN CASH AND CASH EQUIVALENTS	63.8	-19.0
Cash and cash equivalents at year end		
Cash and cash equivalents at year beginning	250.4	186.6
Change in cash and cash equivalents	186.6	205.6
Change in cash and cash equivalents	63.8	-19.0

*) Including, for example, cash flow from hedging intercompany balance sheet items

PARENT COMPANY BALANCE SHEET

ASSETS *EUR million*	**2015**	**2014**
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	1.1	0.2
TANGIBLE ASSETS		
Land and water	0.8	0.8
Buildings and constructions	0.8	0.9
Machinery and equipment	1.3	1.3
Other tangible assets	0.3	0.3
Construction in progress	0.2	1.1
	3.4	4.4
OTHER NON-CURRENT INVESTMENTS		
Investments in subsidiaries	722.4	710.2
Other bonds and shares	0.4	0.3
	722.8	710.5
TOTAL NON-CURRENT ASSETS	727.3	715.1
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	472.1	457.2
Deferred tax assets	2.0	3.3
Short-term		
Accounts receivable	–	0.0
Receivables from subsidiaries	728.0	635.5
Prepaid expenses	94.5	20.4
	1,296.6	1,116.4
MARKETABLE SECURITIES		
Other securities	–	19.0
CASH AND CASH EQUIVALENTS	250.4	167.6
TOTAL CURRENT ASSETS	1,547.0	1,303.0
TOTAL ASSETS	2,274.3	2,018.1

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	**2015**	**2014**
SHAREHOLDERS' EQUITY		
Share capital	292.2	292.2
Premium fund	12.1	12.1
Invested unrestricted equity reserve	175.6	173.3
Retained earnings	4.2	40.7
Net result	120.8	14.9
TOTAL SHAREHOLDERS' EQUITY	604.9	533.2
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation in excess of plan	0.1	0.1
LIABILITIES		
LONG-TERM LIABILITIES		
Bonds	534.1	309.9
Loans from financial institutions	80.0	80.0
	614.1	389.9
CURRENT LIABILITIES		
Bonds	154.4	150.0
Pension loans	–	2.9
Other interest-bearing liabilities	–	115.4
Accounts payable	0.1	0.7
Payables to subsidiaries	855.2	783.5
Other current liabilities	0.6	0.1
Accrued liabilities	44.9	42.3
	1,055.2	1,094.9
TOTAL LIABILITIES	1,669.3	1,484.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,274.3	2,018.1

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 cost of share-based incentive schemes granted to key employees of the parent company are posted as personnel expenses in the income statement over the vesting period of the schemes.

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.

BOARD OF DIRECTORS' REPORT'S AND FINANCIAL STATEMENTS' SIGNATURES

Helsinki, Finland, February 3, 2016

Anssi Vanjoki	Ilkka Brotherus	Martin Burkhalter
Christian Fischer	Hannu Ryöppönen	Bruno Sälzer
Heikki Takala	Lisbeth Valther	Indra Åsander

AUDITOR'S REPORT

To the Annual General Meeting of Amer Sports Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Amer Sports Corporation for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 3, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the business and performance of the Target Group and its subsidiaries for the three years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018.

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

Business Review

NET SALES AND EBIT JULY-SEPTEMBER 2018

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 is assessing market interest for its Cycling asset and 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.

Amer Sports' net sales in July-September 2018 were EUR 757.2 million (July-September 2017: 697.9). In local currencies, net sales increased by 9%. Organic growth was 3%.

Net sales by operating segment (continuing operations)

EUR million	7-9/ 2018	7-9/ 2017	Change %	Change %*)	% of sales 7-9/2018	% of sales 7-9/2017	2017
Outdoor	522.0	468.9	11	12	69	67	1,540.0
Ball Sports	147.2	141.2	4	4	19	20	659.0
Fitness	88.0	87.8	0	0	12	13	375.6
Total	757.2	697.9	8	9	100	100	2,574.6

*) In local currencies

Geographic breakdown of net sales (continuing operations)

EUR million	7-9/ 2018	7-9/ 2017	Change %	Change %*)	% of sales 7-9/2018	% of sales 7-9/2017	2017
EMEA	351.3	312.4	12	14	46	45	1,087.6
Americas	302.8	294.5	3	3	40	42	1,122.2
Asia Pacific	103.1	91.0	13	14	14	13	364.8
Total	757.2	697.9	8	9	100	100	2,574.6

*) In local currencies

Gross margin was 46.2% (46.5).

EBIT excl. items affecting comparability (IAC) was EUR 116.9 million (103.8). Items affecting comparability were EUR -5.2 million (-34.0). Increased sales in local currencies had a positive impact on EBIT of approximately EUR 29 million and decreased gross margin a negative impact of approximately EUR 3 million. Operating expenses increased by approximately EUR 18 million. Other income and expenses and currencies had a positive impact on EBIT of approximately EUR 5 million. EBIT was EUR 111.7 million (69.8).

EBIT excluding IAC by operating segment (continuing operations)

EUR million	7-9/2018	7-9/2017	2017
Outdoor	113.1	99.8	178.4
Ball Sports	7.7	6.3	45.2
Fitness	1.2	4.5	20.1
Headquarters*)	-5.1	-6.8	-29.3
EBIT excl. IAC	116.9	103.8	214.4
IAC	-5.2	-34.0	-44.9
EBIT total	111.7	69.8	169.5

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

Reconciliation of EBIT excluding IAC (continuing operations)

EUR million	7-9/2018	7-9/2017	2017
EBIT excl. IAC	116.9	103.8	214.4
Items affecting comparability			
Restructuring program 2016	–	–	-8.5
Restructuring program 2016 expansion and write-downs	–	-31.0	-35.5
Acquisition related accounting adjustments	–	-3.0	-0.9
Advisory cost related to M&A activities	-5.2	–	–
EBIT	111.7	69.8	169.5

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

EUR million	7-9/2018			7-9/2017			1-12/2017		
	IFRS	IAC	Excl. IAC	IFRS	IAC	Excl. IAC	IFRS	IAC	Excl. IAC
NET SALES	757.2	–	757.2	697.9	–	697.9	2,574.6	–	2,574.6
Cost of goods sold	-407.4	–	-407.4	-380.2	-7.0	-373.2	-1,422.2	-7.9	-1,414.3
Licence income	1.4	–	1.4	1.5	–	1.5	5.5	–	5.5
Other operating income	1.8	–	1.8	-2.1	-2.4	0.3	6.2	0.6	5.6
R&D expenses	-21.9	–	-21.9	-38.2	-17.6	-20.6	-111.4	-18.7	-92.7
Selling and marketing expenses	-173.9	–	-173.9	-170.1	-6.7	-163.4	-710.5	-18.3	-692.2
Administrative and other expenses	-45.5	-5.2	-40.3	-39.0	-0.3	-38.7	-172.7	-0.6	-172.1
EBIT	111.7	-5.2	116.9	69.8	-34.0	103.8	169.5	-44.9	214.4

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 9.7 million (6.3), including net interest expenses of EUR 9.3 million (7.3). Net foreign exchange losses were EUR 1.1 million (gains 0.7). Other financing income was EUR 0.7 million (0.3). Earnings before taxes totaled EUR 102.0 million (63.5) and taxes were EUR 25.5 million (16.5). Earnings per share excl. IAC were EUR 0.70 (0.62). Earnings per share were EUR 0.66 (0.40).

NET SALES AND EBIT JANUARY-SEPTEMBER 2018

Amer Sports' net sales in January-September 2018 were EUR 1,804.0 million (January-September 2017: EUR 1,788.6 million). Net sales increased by 5% in local currencies. Organic growth was 3%.

Net sales by operating segment (continuing operations)

EUR million	**1-9/ 2018**	**1-9/ 2017**	**Change %**	**Chang %*)**	**% of sales 1-9/2018**	**% of sales 1-9/2017**	**2017**
Outdoor	1,087.3	1,035.9	5	8	60	58	1,540.0
Ball Sports	470.4	496.0	-5	1	26	28	659.0
Fitness	246.3	256.7	-4	1	14	14	375.6
Total	1,804.0	1,788.6	1	5	100	100	2,574.6

*) In local currencies

Geographic breakdown of net sales (continuing operations)

EUR million	**1-9/ 2018**	**1-9/ 2017**	**Change %**	**Chang %*)**	**% of sales 1-9/2018**	**% of sales 1-9/2017**	**2017**
EMEA	766.3	727.4	5	7	43	41	1,087.6
Americas	764.0	807.5	-5	1	42	45	1,122.2
Asia Pacific	273.7	253.7	8	13	15	14	364.8
Total	1,804.0	1,788.6	1	5	100	100	2,574.6

*) In local currencies

Gross margin was 46.1% (45.4), driven by improvement in channel mix and higher share of full-price sales.

EBIT excl. IAC was EUR 134.5 million (116.3). Items affecting comparability were EUR -9.4 million (-39.5). Increased sales in local currencies had a positive impact on EBIT of approximately EUR 40 million and increased gross margin had a positive impact of approximately EUR 14 million. Operating expenses increased by approximately EUR 34 million in local currencies. Other income and expenses and currencies had a negative impact of approximately EUR 2 million on EBIT. EBIT was EUR 125.1 million (76.8).

EBIT excluding IAC by operating segment (continuing operations)

EUR million	**1-9/2018**	**1-9/2017**	**2017**
Outdoor	118.8	97.0	178.4
Ball Sports	33.6	31.4	45.2
Fitness	1.3	7.7	20.1
Headquarters*)	-19.2	-19.8	-29.3
EBIT excl. IAC	134.5	116.3	214.4
IAC	-9.4	-39.5	-44.9
EBIT total	125.1	76.8	169.5

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

Reconciliation of EBIT excluding IAC (continuing operations)

EUR million	**1-9/2018**	**1-9/2017**	**2017**
EBIT excl. IAC	134.5	116.3	214.4
Items affecting comparability			
Restructuring program 2016	–	-8.5	-8.5
Restructuring program 2016 expansion and write-downs	-4.2	-31.0	-35.5
Acquisition related accounting adjustments	–	–	-0.9
Advisory cost related to M&A activities	-5.2	–	–
EBIT	125.1	76.8	169.5

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

EUR million	1-9/2018			1-9/2017			1-12/2017		
	IFRS	IAC	Excl. IAC	IFRS	IAC	Excl. IAC	IFRS	IAC	Excl. IAC
NET SALES	1,804.0	–	1,804.0	1,788.6	–	1,788.6	2,574.6	–	2,574.6
Cost of goods sold	-972.5	–	-972.5	-984.2	-7.1	-977.1	-1,422.2	-7.9	-1,414.3
Licence income	3.5	–	3.5	3.9	–	3.9	5.5	–	5.5
Other operating income	3.4	–	3.4	3.5	0.6	2.9	6.2	0.6	5.6
R&D expenses	-66.4	-1.5	-64.9	-86.1	-18.3	-67.8	-111.4	-18.7	-92.7
Selling and marketing expenses	-511.9	-2.6	-509.3	-522.8	-14.1	-508.7	-710.5	-18.3	-692.2
Administrative and other expenses	-135.0	-5.3	-129.7	-126.1	-0.6	-125.5	-172.7	-0.6	-172.1
EBIT	125.1	-9.4	134.5	76.8	-39.5	116.3	169.5	-44.9	214.4

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 26.0 million (20.3), including net interest expenses of EUR 24.4 million (23.0). Net foreign exchange losses were EUR 2.0 million (0.2). Other financing income was EUR 0.4 million (2.9). Earnings before taxes totaled EUR 99.1 million (56.5) and taxes were EUR 25.2 million (14.4). Earnings per share excl. IAC were EUR 0.70 (0.61). Earnings per share were EUR 0.64 (0.36).

CASH FLOW AND FINANCING

In January-September 2018, free cash flow was EUR -152.8 million (5.1). Working capital increased by EUR 222.1 million (46.7). Inventories increased by EUR 143.9 million (74.0) and receivables increased by EUR 39.9 million (decreased 14.7). Payables decreased by EUR 38.3 million (increase 12.6).

At the end of September, the Group's net debt increased EUR 338.7 million to EUR 946.8 million (September 30, 2017: 608.1) mainly due to acquisition of Peak Performance of EUR 242.1 million.

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. The short-term debt will be refinanced during 2018.

Interest-bearing liabilities amounted to EUR 1,146.2 million (September 30, 2017: 837.4) consisting of short-term debt of EUR 403.5 million and long-term debt of EUR 742.7 million. The average interest rate on the Group's interest-bearing liabilities was 1.9% (September 30, 2017: 2.4%).

At the end of September, Amer Sports had issued EUR 99.9 million commercial papers in the Finnish market (September 30, 2017: -). The total size of the commercial paper program is EUR 500 million.

Cash and cash equivalents totaled EUR 199.4 million (September 30, 2017: 229.3). Cash and cash equivalents include cash from Cycling business.

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

Net Debt/LTM EBITDA excl. IAC was 3.17 (September 30, 2017: 2.29) and net debt/equity was 1.03 (September 30, 2017: 0.71), both increased due to the acquisition of Peak Performance.

CAPITAL EXPENDITURE AND INVESTMENTS

The Group's capital expenditure totaled EUR 54.1 million (49.7). Depreciation totaled EUR 52.3 million (49.6). Capital expenditure for the whole year is expected to be approximately 3.3% of net sales.

OPERATING SEGMENT REVIEWS

OUTDOOR (continuing operations)

EUR million	7-9/ 2018	7-9/ 2017	Ch %	Ch %*)	1-9/ 2018	1-9/ 2017	Ch %	Ch %*)	2017
Net sales									
Footwear	138.5	145.1	-5	-4	376.0	401.2	-6	-4	500.8
Apparel	196.9	153.1	29	31	379.7	338.2	12	17	482.3
Winter Sports Equipment	143.4	133.1	8	8	218.5	200.6	9	11	415.2
Sports Instruments	43.2	37.6	15	15	113.1	95.9	18	21	141.7
Net sales, total	522.0	468.9	11	12	1,087.3	1,035.9	5	8	1,540.0
EBIT excl. IAC	113.1	99.8			118.8	97.0			178.4
EBIT % excl. IAC	21.7	21.3			10.9	9.4			11.6

*) Change in local currencies

In July-September 2018, Outdoor net sales were EUR 522.0 million (468.9), an increase of 12% in local currencies driven by the acquisition of Peak Performance. Organic growth was 3%. Own retail and e-commerce continued to perform well.

Apparel growth was 31%, driven by Peak Performance and Arc'teryx. Footwear sales declined by 4% due to the continued consolidation of the global distribution footprint. Winter Sports Equipment sales increased by 8% driven by continued strong momentum in all product categories. Sports Instruments sales increased by 15% driven by product portfolio and channel expansion.

Strong growth in Asia Pacific continued driven by China and Japan.

Geographic breakdown of net sales (continuing operations)

EUR million	7-9/ 2018	7-9/ 2017	Ch %	Ch %*)	1-9/ 2018	1-9/ 2017	Ch %	Ch %*)	2017
EMEA	307.6	263.4	17	18	623.3	575.7	8	10	882.1
Americas	146.0	145.9	0	1	288.7	306.9	-6	-1	431.7
Asia Pacific	68.4	59.6	15	15	175.3	153.3	14	19	226.2
Total	522.0	468.9	11	12	1,087.3	1,035.9	5	8	1,540.0

*) Change in local currencies

In July-September 2018, Outdoor EBIT excl. IAC was EUR 113.1 million (99.8). Increased sales in local currencies had a positive impact on EBIT of approximately EUR 30 million and decreased gross margin a negative impact of approximately EUR 5 million. Operating expenses increased by approximately EUR 14 million. Other income and expenses and currencies had a positive impact of EUR 2 million on EBIT.

BALL SPORTS

EUR million	7-9/ 2018	7-9/ 2017	Ch %	Ch %*)	1-9/ 2018	1-9/ 2017	Ch %	Ch %*)	2017
Net sales									
Individual Ball Sports	62.9	64.5	-2	-2	218.9	234.4	-7	-2	296.9
Team Sports	84.3	76.7	10	9	251.5	261.6	-4	3	362.1
Net sales, total	147.2	141.2	4	4	470.4	496.0	-5	1	659.0
EBIT excl. IAC	7.7	6.3			33.6	31.4			45.2
EBIT % excl. IAC	5.2	4.5			7.1	6.3			6.9

*) Change in local currencies

In July-September 2018, Ball Sports' net sales were EUR 147.2 million (141.2), an increase of 4% in local currencies. Baseball category sales increased by 16% driven by strong consumer demand for DeMarini and Louisville Slugger bats.

Geographic breakdown of net sales

EUR million	7-9/ 2018	7-9/ 2017	Ch %	Ch %*)	1-9/ 2018	1-9/ 2017	Ch %	Ch %*)	2017
EMEA	23.0	24.7	-7	-6	89.6	93.3	-4	-3	117.3
Americas	106.5	100.2	6	6	327.1	345.7	-5	2	463.6
Asia Pacific	17.7	16.3	9	10	53.7	57.0	-6	-1	78.1
Total	147.2	141.2	4	4	470.4	496.0	-5	1	659.0

*) Change in local currencies

In July-September, Ball Sports' EBIT excl. IAC was EUR 7.7 million (6.3). Increased sales in local currencies had a positive impact on EBIT of approximately EUR 2 million and increased gross margin a positive impact of approximately EUR 1 million. Operating expenses decreased by approximately EUR 2 million.

FITNESS

EUR million	7-9/ 2018	7-9/ 2017	Ch %	Ch %*)	1-9/ 2018	1-9/ 2017	Ch %	Ch %*)	2017
Net sales	88.0	87.8	0	0	246.3	256.7	-4	1	375.6
EBIT excl. IAC	1.2	4.5			1.3	7.7			20.1
EBIT % excl. IAC	1.4	5.1			0.5	3.0			5.4

*) Change in local currencies

In July-September, Fitness' net sales were EUR 88.0 million (87.8). In local currencies, net sales were at previous year's level. Growth in APAC was offset by a decline in EMEA.

Geographic breakdown of net sales

EUR million	7-9/ 2018	7-9/ 2017	Ch %	Ch %*)	1-9/ 2018	1-9/ 2017	Ch %	Ch %*)	2017
EMEA	20.7	24.3	-15	-15	53.4	58.4	-9	-8	88.2
Americas	50.3	48.4	4	3	148.2	154.9	-4	3	226.9
Asia Pacific	17.0	15.1	13	13	44.7	43.4	3	8	60.5
Total	88.0	87.8	0	0	246.3	256.7	-4	1	375.6

*) Change in local currencies

In July-September, Fitness' EBIT excl. IAC was EUR 1.2 million (4.5). Decreased gross margin had a negative impact of approximately EUR 2 million on EBIT. Operating expenses decreased by approximately EUR 1 million.

PERSONNEL

At the end of September, the number of Group employees was 9,403 (September 30, 2017: 8,611).

	September 30, 2018	September 30, 2017	Change %	December 31, 2017
EMEA	4,920	4,306	14	4,259
Americas	3,558	3,426	4	3,458
Asia Pacific	925	879	5	890
Total	9,403	8,611	9	8,607

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.

At the end of September 2018, the company's share capital totaled EUR 292,182,204 and the number of shares was 116,517,285 (December 31, 2017: 118,517,285).

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.

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 9,991 shares granted as share-based incentives were returned to Amer Sports during the review period.

At the end of September, Amer Sports held a total of 1,294,444 shares (1,896,260) of Amer Sports Corporation. The number of own shares corresponds to 1.11% (1.60) of all Amer Sports shares.

Trading in shares

A total of 70.8 million (89.5) Amer Sports shares with a value totaling EUR 1,912.6 million (1,997.2) were traded on the Nasdaq Helsinki Ltd in the review period. Share turnover was 61.5% (76.5%) (as a proportion of the average number of shares, excluding own shares). The average daily volume in January–September 2018 was 374,637 shares (474,331).

In addition to Nasdaq Helsinki, in total 55.5 million (52.4) Amer Sports shares were traded on the biggest alternative exchanges (Chi-X, BATS and Turquoise) during the review period.

The closing price of the Amer Sports Corporation share on the Nasdaq Helsinki Ltd on September 30, 2018 was EUR 35.20 (22.44). Shares registered a high of EUR 37.50 (26.36) and a low of EUR 21.00 (19.81) during the review period. The average share price was EUR 27.01 (22.32). On September 30, 2018, the company had a market capitalization of EUR 4,055.8 million (2,617.0), excluding own shares.

At the end of September, Amer Sports Corporation had 21,397 registered shareholders (26,988). Ownership outside of Finland and nominee registrations represented approximately 57% (48%) of the company's shares.

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.

DECISIONS OF THE GENERAL MEETING OF SHAREHOLDERS

Documentation and stock exchange releases relating to the resolutions approved by the Amer Sports Corporation Annual General Meeting held on March 8, 2018 are available at www.amersports.com/investors.

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.

SIGNIFICANT EVENTS IN THE REVIEW PERIOD

Strategy update

On September 5, Amer Sports announced it had updated its strategy. The company continues to drive sustainable profitable growth as well as prioritized acceleration in Softgoods, Direct to Consumer, China, United States, and digitalization. The company will further drive transformation towards areas of faster growth, higher profitability, and better asset efficiency, first through the integration of the acquired Peak Performance business, and by the choice to focus the portfolio with the decision to place the Cycling business under strategic review.

In the mid-term, the company will complete the current strategy cycle of the Fitness and Sports Instruments businesses, both of which are now delivering strong growth and improvement following the strategic investment choices. As the performance confirms itself and the units grow towards their target scale, the company will assess their long-term strategic options, including standalone opportunities.

The company's financial targets remain unchanged:

- Net sales: mid-single digit organic, currency-neutral annual growth
- Profit: Annual EBIT growth (excl. items affecting comparability, IAC) ahead of net sales growth
- Cash flow conversion: Free cash flow/net profit at least 80%
- Net debt/EBITDA: Year-end net debt/EBITDA ratio max 3x

Non-binding preliminary indication of interest

On 11 September, 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 Fountain Vest Partners to acquire the entire share capital of Amer Sports for a cash consideration of EUR 40.00 per share.

SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

On October 11, Amer Sports confirmed that there have been certain discussions between Amer Sports and the consortium and their respective advisors intended to ascertain whether there is a basis to commence a more formal process to facilitate a possible recommended transaction.

SIGNIFICANT SHORT-TERM 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.

Further information on the company's business risks and uncertainty factors is available at www.amersports.com/investors.

OUTLOOK FOR 2018

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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Business Review

2017 was another year of record sales for Amer Sports, despite a 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. EBIT excluding items affecting comparability (IAC) was approximately at previous year's level as gross margin was adversely impacted by currencies, partially offset by operating expense efficiency improvement. Cash flow was at an all time high and asset efficiency improved. 2017 represented the 8th consecutive year of growth and broad-based improvement.

NET SALES AND EBIT IN 2017

Amer Sports net sales in 2017 were EUR 2,685.2 million (2016: EUR 2,622.1 million). Despite the challenging wholesale market especially in the US, net sales increased by 4% in local currencies.

The Group's 2020 financial net sales target is annual mid-single digit organic, currency-neutral growth.

Gross margin excl. items affecting comparability (IAC) was 45.3% (46.3). The decline was due to currency headwinds partly offset by improving mix, mainly through increased share of own retail and e-commerce sales of the Group's total net sales.

Operating expenses as percentage of net sales (excl. IAC) declined to 37.6% (38.2), driven by restructuring initiated in 2016 and right-sized investments into digital products and services.

EBIT excl. IAC was EUR 215.0 million (221.7). Items affecting comparability were EUR -46.7 million (-16.9). Increased sales in local currencies had a positive impact of approximately EUR 46 million on EBIT while declined gross margin had a negative impact of approximately EUR 31 million. Operating expenses increased by approximately EUR 17 million in local currencies, driven by investments into the acceleration of Arc'teryx and Direct to Consumer. Currencies and other income and expenses had a negative impact of approximately EUR 4 million on EBIT. EBIT was EUR 168.3 million (204.8).

EBIT as a percentage of sales excl. IAC was 8.0% (8.5), including a slight dilutive impact from acquisitions. 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

EUR million	**2017**	**2016**	**Change %**
Outdoor	179.3	196.9	-9
Ball Sports	44.9	44.8	0
Fitness	20.1	17.0	18
Headquarters*)	-29.3	-37.0	
EBIT excl. IAC	215.0	221.7	-3
IAC	-46.7	-16.9	
EBIT total	168.3	204.8	-18

*) 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

EUR million	**2017**	**2016**	**Change %**	**Change %*)**	**% of sales 2017**	**% of sales 2016**
Outdoor	1,670.9	1,601.8	4	5	62	61
Ball Sports	653.2	671.1	-3	-1	24	26
Fitness	361.1	349.2	3	6	14	13
Total	2,685.2	2,622.1	2	4	100	100

*) In local currencies

GEOGRAPHIC BREAKDOWN OF NET SALES

EUR million	**2017**	**2016**	**Change %**	**Change %*)**	**% of sales 2017**	**% of sales 2016**
EMEA	1,173.5	1,133.7	4	4	44	43
Americas	1,122.2	1,116.0	1	2	42	43
Asia Pacific	389.5	372.4	5	8	14	14
Total	2,685.2	2,622.1	2	4	100	100

*) In local currencies

Reconciliation of EBIT excluding IAC

EUR million	**2017**	**2016**
EBIT excl. IAC	215.0	221.7
Items affecting comparability		
Significant write-down of the receivable balance from a US sporting goods retailer	–	-6.3
Restructuring program 2016	-8.7	-10.6
Restructuring program 2016 expansion and write-downs	-37.1	–
Acquisition related accounting adjustments	-0.9	–
EBIT	168.3	204.8

Reconciliation of EBIT excluding IAC by income statement line item

	1-12/2017		
	IFRS	IAC	Income statement excl. IAC
NET SALES	2,685.2	–	2,685.2
Cost of goods sold	-1,478.3	8.4	-1,469.9
License income	5.7	–	5.7
Other operating income	7.0	-0.6	6.4
Research and development expenses	-120.2	18.7	-101.5
Selling and marketing expenses	-744.2	18.5	-725.7
Administrative and other expenses	-186.9	1.7	-185.2
EBIT	168.3	46.7	215.0
Financing income and expenses	-26.3	–	-26.3
EARNINGS BEFORE TAXES	142.0	46.7	188.7
Taxes			
Write-down of deferred tax assets due to US federal tax rate reduction	-10.4	10.4	0.0
Other current and deferred taxes	-38.3	-12.2	-50.5
NET RESULT	93.3	44.9	138.2

	1-12/2016		
	IFRS	IAC	Income statement excl. IAC
NET SALES	2,622.1	–	2,622.1
Cost of goods sold	-1,409.7	1.1	-1,408.6
License income	6.8	–	6.8
Other operating income	8.8	–	8.8
Research and development expenses	-97.5	2.3	-95.2
Selling and marketing expenses	-731.1	13.1	-718.0
Administrative and other expenses	-194.6	0.4	-194.2
EBIT	204.8	16.9	221.7
Financing income and expenses	-31.8	–	-31.8
EARNINGS BEFORE TAXES	173.0	16.9	189.9
Taxes	-46.1	-4.5	-50.6
NET RESULT	126.9	12.4	139.3

Items affecting comparability (IAC) are material items or transactions, which are relevant for understanding the 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, 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 26.3 million (31.8), including net interest expenses of EUR 31.6 million (28.9). Net foreign exchange gains were EUR 2.0 million (losses of 1.1). Other financing income was EUR 3.3 million (expenses 1.8). Earnings before taxes totaled EUR 142.0 million (173.0) and taxes were EUR -48.7 million (-46.1), including a write-down of deferred tax assets of USD 12.4 million due to the US federal tax rate reduction from 35% to 21%. The underlying effective tax rate was 26.9% (26.6). Earnings per share excl. IAC were EUR 1.18 (1.18). Earnings per share were EUR 0.80 (1.08).

OUTLOOKS GIVEN FOR 2017

In Amer Sports financial statements for 2016 published in February 2017, the company published the following outlook for the year:

"In 2017, Amer Sports' net sales in local currencies are expected to increase from 2016, despite short-term market softness. The growth is expected to be biased to the second half of the year. The company will continue to focus on growing the core business and the five prioritized areas: Apparel and Footwear, US, China, Business to Consumer, as well as digitally connected devices and services."

In January-March 2017 interim report published in April, the outlook was updated as follows:

"In 2017, Amer Sports' net sales in local currencies are expected to increase from 2016, despite short-term market softness. EBIT excl. IAC is expected to be approximately at the level of 2016. The growth in 2017 is expected to be biased to the second half of the year. EBIT excl. IAC includes further accelerated investment into the company's transformation toward omni-channel and digital to win in the fast changing market place. The company will continue to focus on growing the core business and the five prioritized areas: Apparel and Footwear, US, China, Business to Consumer, as well as digitally connected devices and services."

CASH FLOW AND FINANCING

In 2017, free cash flow was EUR 161.3 million (64.4). Compared to the end of 2016, inventories decreased by EUR 6.0 million (increase 12.5). Receivables increased by EUR 46.1 million (37.8). Payables increased by EUR 86.2 million (decrease 7.2). The Group's financial cash flow target is to have annual free cash flow/net profit of at least 80%. In 2017, free cash flow/net profit excl. IAC was 117% (51).

Asset efficiency improved: asset turnover improved to 1.85X (1.78X). Return on Capital Employed excl. IAC was 14.8% (15.0).

At the end of 2017, the Group's net debt was EUR 460.7 million (535.9). The Group's financial balance sheet target is to have year-end net debt/EBITDA ratio of three or less. At the end of 2017, the year-end net debt/EBITDA ratio excl. IAC was 1.6 (1.9).

Interest-bearing liabilities amounted to EUR 819.1 million (899.9) consisting of short-term debt of EUR 186.3 million and long-term debt of EUR 632.8 million. The average interest rate on the Group's interest-bearing liabilities was 2.5% (2.0).

Short-term debt consists mainly of repayments of term loans (EUR 30.4 million) and bonds (EUR 153.7 million). At the end of the year Amer Sports had not issued any commercial papers in the Finnish market (December 31, 2016: EUR 49.9 million). The total size of the commercial paper program is EUR 500 million.

Cash and cash equivalents totaled EUR 358.4 million (364.0).

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

The equity ratio at the end of the year was 34.1% (36.9) and net debt/equity was 0.52 (0.53).

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.

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 828 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 2017, the Group had fully hedged the 2018 EUR/USD expected net cash flow at an average EUR/USD rate of 1.13 and 49% of the 2019 EUR/USD expected net cash flow at an average EUR/USD rate of 1.21.

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. The most significant transaction risks are in USD, CAD, GBP and CHF. 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 83.6 (91.7) million. Depreciation totaled EUR 69.4 million (60.0) and write-down of intangible assets was EUR 16.7 million (0.0). In 2018, 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 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 2017, the Group put in place a new consumer-driven innovation and design process to drive implementation of best practices and cross-learning throughout the brands. This renewal of Amer Sports R&D and creative processes concentrates on exploring unmet consumer needs and wants, and elevates the design capabilities to meet changing and growing consumer demands.

The Group has six R&D and design sites serving the business areas globally. In 2017, R&D expenses excl. IAC were EUR 101.5 million, accounting for 10.0% of all operating expenses (2016: EUR 95.2 million, 9.5% of operating expenses, 2015: EUR 77.7 million, 8.2% of operating expenses). Outdoor accounted for 71% of the R&D expenditure, Ball Sports for 14% and Fitness for 15%.

On December 31, 2017, 794 (802) persons were employed in the company's R&D and digital platforms development, representing approximately 9% (9) of the total number of people employed by Amer Sports.

SALES AND MARKETING

Amer Sports sells its products to trade customers (sporting goods chains, specialty retailers, mass merchants, fitness clubs and distributors) and directly to consumers through brand stores, factory outlets, and e-commerce.

The consumer is today navigating and purchasing without boundaries across all channels from wholesale to brand stores to e-commerce, and Amer Sports continues to evolve its strategy and re-organize to respond to the consumer's changing habits and practices. In 2017, the company utilized its new omni-channel set-up to engage directly with consumers, striving to give them great experiences across a range of different touchpoints. Millions of new consumers (+50% from 2016) opted into the Amer Sports database, allowing the company to further engage and share its passion for sport with more consumers, ensuring they benefit from the latest technologies and innovations. Many of these consumers participated at events, took the opportunity to demo Amer Sports products, shared their experiences through social media and purchased Amer Sports products. Traffic to Amer Sports e-commerce sites grew substantially as brands provided consumers with more compelling online experiences as well as more opportunities to customize or personalize their purchase. The company also developed the consumer experience at many of the wholesale partners, both in store and online, particularly focusing on providing the consumer a high level of service.

In 2017, Amer Sports Direct to Consumer net sales were EUR 254.1 million (2016: EUR 203.6 million). Growth in local currencies was 25%, of which e-commerce growth was 37% and retail growth was 19%. Same store sales growth was 7%.

At the end of 2017, Amer Sports had 288 (287) branded retail stores. Half of the stores are operated by local, independent partners. 80% of the stores are full price, 20% are outlets. During the year, 21 new stores were opened and there were also six re-fits to a new format. There were also 20 closures, both own and partner, where stores were at the end of contract or in less strategic areas. Geographically, the retail store footprint is balanced, with approximately one third in each of Europe, Asia Pacific and the Americas.

At the end of 2017, the number of Amer Sports e-commerce stores was 86 (69). The addition was mainly through the launch of Mavic e-commerce stores in EMEA as well as expansion in Suunto.

Sales and distribution expenses excl. IAC in 2017 were EUR 454.4 million (449.7), 17% of sales (17). Advertising, promotion and marketing expenses in 2017 were EUR 271.3 million (268.3), 10% (10) of sales.

On December 31, 2017, the Amer Sports own sales organization covered 34 countries. 3,575 (3,693) persons were employed in sales and distribution activities, representing 42% (43) of the total number of people employed by Amer Sports. 719 (692) 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 2017 were customer service, cost of goods reduction, and sustainable complexity reduction as well as working capital efficiencies.

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 24% of Amer Sports' production value is in China, 36% elsewhere in Asia Pacific, 27% in EMEA and 13% in the Americas.

Amer Sports manufactures approximately 23% of its products itself, and another 13% is produced in the hybrid factories. Approximately 64% of Amer Sports' total production value is outsourced. This includes manufacturing in all racket sports and golf products, most team sports products and most of the apparel and footwear.

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 2017 Amer Sports maintained a strong focus on building and scaling capabilities to support the strategy of profitable growth. To win in the changing market place, the Group reorganized the Go to Market organization to sell more effectively omni-channel across wholesale, e-commerce and own retail stores. Amer Sports also continued to integrate and scale the supply chain and distribution operations. The company focused on productivity and cost reduction to free up resources for investment into renewal.

In 2017, the average number of Group employees was 8,631 (2016: 8,439; 2015: 7,848). At the end of 2017, the number of Group employees was 8,607 (2016: 8,526; 2015: 7,954).

Of Group employees at the end of 2017, 60% were male (2016: 61%, 2015: 61%) and 40% female (2016: 39%, 2015: 39%).

Salaries, incentives and other related costs in 2017 totaled EUR 522.9 million (2016: 507.6; 2015: 482.2). Average cost per employee remained stable.

Personnel

	December 31, 2017	December 31, 2016	Change %
EMEA	4,259	4,205	1
Americas	3,458	3,442	0
Asia Pacific	890	879	1
Total	8,607	8,526	1

	December 31, 2017	December 31, 2016	Change %
Manufacturing and sourcing	2,540	2,383	7
Sales and distribution	3,575	3,693	-3
Support functions/shared services	979	956	2
R&D and digital platforms	794	802	-1
Marketing	719	692	4
Total	8,607	8,526	1

NON-FINANCIAL INFORMATION STATEMENT

Amer Sports will publish a separate non-financial information statement for 2017 by the end of June 2018 at www.amersports. com.

OPERATING SEGMENT REVIEWS

Outdoor

EUR million	2017	2016	Change %	Change %*)
Net sales				
Footwear	501.3	490.5	2	3
Apparel	479.7	431.1	11	12
Winter Sports Equipment	414.0	388.5	7	9
Cycling	134.3	150.2	-11	-10
Sports Instruments	141.6	141.5	0	1
Net sales, total	1,670.9	1,601.8	4	5
EBIT excl. IAC	179.3	196.9	-9	
EBIT % excl. IAC	10.7	12.3		

*) Change in local currencies

In 2017, Outdoor net sales were EUR 1,670.9 million (1,601.8), an increase of 5% in local currencies. Own retail and e-commerce continued to perform well.

Apparel 12% growth was driven by Arc'teryx. Footwear sales were adversely impacted by Amer Sports' global distribution consolidation, and the prudent wholesale market. Winter Sports Equipment sales grew by 9%. Cycling was adversely impacted by declined OEM orders and high industry and retail inventories, and sales declined by 10%. In Sports Instruments, sales increased by 1%, accelerating to high-double-digit growth toward the year end as the demand for the new Spartan product family was strong and sales grew especially in e-commerce and Asia Pacific.

In March, Amer Sports acquired Armada, the iconic US ski brand. Armada was integrated into Amer Sports Winter Sports Equipment business unit.

Geographic breakdown of net sales

EUR million	2017	2016	Change %	Change %*)
EMEA	970.0	935.5	4	4
Americas	449.9	429.6	5	6
Asia Pacific	251.0	236.7	6	10
Total	1,670.9	1,601.8	4	5

*) Change in local currencies

In 2017, Outdoor EBIT excl. IAC was 179.3 million (196.9). Increased sales in local currencies had a positive impact of approximately EUR 42 million on EBIT while declined gross margin had a negative impact of approximately EUR 22 million. Operating expenses increased by approximately EUR 37 million. Other income and expenses and currencies had a negative impact of approximately EUR 1 million on EBIT.

Ball sports

EUR million	**2017**	**2016**	**Change %**	**Change %*)**
Net sales				
Individual Ball Sports	294.3	299.8	-2	-1
Team Sports	358.9	371.3	-3	-1
Net sales, total	653.2	671.1	-3	-1
EBIT excl. IAC	44.9	44.8	0	
EBIT % excl. IAC	6.9	6.7		

*) Change in local currencies

In 2017, Ball Sports' net sales were EUR 653.2 million (671.1). In local currencies, net sales decreased by 1%. Ball Sports sales were adversely impacted by the challenging US wholesale market.

Geographic breakdown of net sales

EUR million	**2017**	**2016**	**Change %**	**Change %*)**
EMEA	116.5	118.2	-1	-1
Americas	458.7	476.2	-4	-2
Asia Pacific	78.0	76.7	2	4
Total	653.2	671.1	-3	-1

*) Change in local currencies

In 2017, Ball Sports EBIT excl. IAC was EUR 44.9 million (44.8). Decreased sales in local currencies had a negative impact of approximately EUR 3 million on EBIT while declined gross margin had a negative impact of approximately EUR 3 million. Operating expenses decreased by approximately EUR 7 million. Other income and expenses and currencies had a negative impact of approximately EUR 1 million on EBIT.

Fitness

EUR million	**2017**	**2016**	**Change %**	**Change %*)**
Net sales	361.1	349.2	3	6
EBIT excl. IAC	20.1	17.0	18	
EBIT % excl. IAC	5.6	4.9		

*) Change in local currencies

In 2017, Fitness net sales were EUR 361.1 million (349.2). In local currencies, net sales increased by 6% driven by product launches and networked fitness.

Geographic breakdown of net sales

EUR million	**2017**	**2016**	**Change %**	**Change %*)**
EMEA	87.0	80.0	9	12
Americas	213.6	210.2	2	4
Asia Pacific	60.5	59.0	3	6
Total	361.1	349.2	3	6

*) In local currencies

In 2017, Fitness EBIT excl. IAC was EUR 20.1 million (17.0). Increased sales in local currencies had a positive impact of approximately EUR 8 million on EBIT while declined gross margin had a negative impact of approximately EUR 9 million. Operating expenses decreased by approximately EUR 4 million.

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.

The 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.

CHANGES IN GROUP MANAGEMENT

In September 2017, Bernard Millaud, President of Cycling and a member of Amer Sports Executive Board, stepped down from his role and was appointed into a Special Advisory role reporting to Amer Sports President and CEO Heikki Takala. The Cycling category, which includes the Mavic and ENVE brands, is led by General Manager Gary Bryant, reporting to the President and CEO. The role is not an Executive Board position, in line with the recent simplification of Amer Sports Executive Board structure.

More information about Amer Sports Executive Board is available at www.amersports.com/investors/governance/executive-board.

SHARES AND SHAREHOLDERS

The company's share capital totaled EUR 292,182,204 on December 31, 2017 and the number of shares was 118,517,285.

Authorizations

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 is 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 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 8, 2016 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 non-restricted 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 8, 2016 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.

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

Own shares

In February 2017, Amer Sports Board of Directors decided to utilize the authorization given by the Annual General Meeting held on March 8, 2016 to repurchase Amer Sports shares. The repurchases started on February 13, 2017. In February-September, the company repurchased a total of 1,070,000 shares at an average price of EUR 21.92.

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 will end on March 7, 2018 at the latest. In October-December, the company repurchased a total of 1,393,000 shares at an average price of EUR 21.27.

The total number of repurchased shares in 2017 corresponds to 2.08% of all shares.

In March 2017, a total of 175,230 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 35,036 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 3,294,524 shares (971,718) of Amer Sports Corporation, corresponding to 2.8% (0.8) of all Amer Sports shares.

Trading in shares

In 2017, a total of 113.9 million (80.1) Amer Sports shares with a value totaling EUR 2,521.3 million (2,038.4) were traded on Nasdaq Helsinki. Share turnover was 97.6% (68.1) (as a proportion of the average number of shares, excluding own shares). The average daily volume in 2017 was 453,814 shares (316,446).

In addition to Nasdaq Helsinki, Amer Sports shares were traded on the biggest alternative exchanges as follows: 38.4 million on Chi-X (26.5 million), 14.9 million on BATS (15.6 million) and 12.8 million on Turquoise (12.3 million).

The closing price of the Amer Sports Corporation share on the Nasdaq Helsinki stock exchange in 2017 was EUR 23.09 (2016: 25.28). Shares registered a high of EUR 26.36 (28.75) and a low of EUR 19.81 (22.78). The average share price was EUR 22.13 (25.46). At the end of December, the company had a market capitalization of EUR 2,660.5 million (2,971.6), excluding own shares.

At the end of December, Amer Sports Corporation had 25,904 registered shareholders (22,881). Ownership outside of Finland and nominee registrations represented 48.4% (49.9) of the company’s shares. Public sector entities owned 14.3% (15.1), financial and insurance corporations 12.0% (11.9), households 13.0% (12.7), non-profit institutions 7.1% (7.1), private companies 2.4% (2.5) and Amer Sports 2.8% (0.8).

Major shareholders, December 31, 2017 (does not include nominee registrations nor shares held by the company)

		Shares	% of shares and votes
1.	Keva	5,477,261	4.62
2.	Maa-ja vesitekniikan Tuki ry.	5,000,000	4.22
3.	Mandatum Life Insurance Company Ltd.	4,333,238	3.66
4.	Ilmarinen Mutual Pension Insurance Company	3,144,000	2.65
5.	Elo Mutual Pension Insurance Company	2,700,000	2.28
6.	Brotherus Ilkka Johannes	2,694,658	2.27
7.	Varma Mutual Pension Insurance Company	2,588,951	2.18
8.	OP-Finland Value Fund	1,372,407	1.16
9.	The State Pension Fund	1,050,000	0.89
10.	Kaleva Mutual Insurance Company	900,000	0.76

Notification of change in shareholding under the Finnish Securities Market Act

Amer Sports Corporation received a notification from Allianz Global Investors GmbH (city and country of residence: Frankfurt/Main, Germany) on November 16, 2017, in accordance with the Finnish Securities Markets Act Chapter 9, Section 5. According to the notification, the proportion of Allianz Global Investors GmbH of the total number of Amer Sports Corporation's shares and voting rights increased above five (5) per cent on November 16, 2017.

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.

Repurchased shares

Time	Amount	Total value, EUR	Purchase price (average), EUR	Purchase price (high and low), EUR
Feb 13 – Mar 31, 2017	700,000	15,739,308	22.48	22.77 and 22.12
Apr 1 – Jun 30, 2017	370,000	7,716,324	20.85	22.20 and 20.31
Jul 1 – Sep 30, 2017	0	0		
Oct 1 – Dec 31, 2017	1,393,000	29,626,886	21.27	22.85 and 19.99
Total	2,463,000	53,082,518	21.55	22.85 and 19.99

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, 2017

Shareholder	Shares	Controlled corporations
Board of Directors		
Bruno Sälzer	62,447	
Manel Adell	1,142	18,230
Ilkka Brotherus	2,694,658	*
Christian Fischer	16,304	
Tamara Minick-Scokalo	1,142	
Hannu Ryöppönen	28,763	
Lisbeth Valther	2,896	
Executive Board		
Heikki Takala	202,925	
Rob Barker	34,606	
Michael Dowse	42,319	
Sebastian Lund	1,710	
Heikki Norta	8,662	
Jean-Marc Pambet	73,715	
Michael Schineis	67,054	
Jussi Siitonen	78,107	
Michael White	62,471	
TOTAL	3,378,921	18,230
% of shares	2.9	0.0
Including controlled corporations	3,397,151	
% of shares	2.9	

* Acquisition of forward contracts by a controlled corporation as published in the managers' transactions notification on May 8, 2017.

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 9, 2017, 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, 2016.

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

The AGM resolved that a capital repayment of EUR 0.62 per share be paid to shareholders. The capital repayment will be paid from the invested unrestricted equity fund. The capital repayment will be paid to a shareholder who is registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the capital repayment March 13, 2017. The capital repayment was paid on March 30, 2017. The AGM resolved that no dividend will be 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 2016.

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 2018 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 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 (5) 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 Ilkka Brotherus, Christian Fischer, Hannu Ryöppönen, Bruno Sälzer and Lisbeth Valther as members of the Board of Directors. Manel Adell and Tamara Minick-Scokalo were elected as new members of the Board of Directors. The Board of Directors' term of service will run until the close of the 2018 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.

Amendment of the Articles of Association

The AGM resolved that Article 4 of the Articles of Association is amended so that the age limit for the election of members of the Board of Directors is removed. In addition, the AGM resolved that Article 8, Section 9, of the Articles of Association is amended so that it corresponds to the changed terminology of the Auditing Act.

After the amendment Article 4 reads as follows:

" *Article 4*

Board of Directors

The administration and due arrangement of the business of the Company is the responsibility of a Board of Directors consisting of not less than five (5) and not more than eight (8) members.

In particular, the Board of Directors shall

1. *supervise the activities of the Company and its subsidiaries;*

2. *appoint the President and determine his or her remuneration;*

3. *approve the appointment and remuneration of the President's direct subordinates, as well as the appointment of the presidents of the subsidiaries and their remuneration;*

4. *grant and revoke the authorizations to represent the Company;*

5. *determine granting of procurations;*

6. *prepare the annual report and the financial statements of the Company and sign the balance sheets; and*

7. *ensure the implementation of the resolutions of the General Meetings.*

The term of the members of the Board of Directors shall end at the close of the first Annual General Meeting following the election.

The Board of Directors shall elect the Chairman and the Vice Chairman of the Board from among its members.

The Board of Directors shall constitute a quorum when more than half of the members are present, one of whom shall be the Chairman or Vice Chairman. The opinion which is supported by more than half of the members present, or in the event of a tie, the opinion which is supported by the Chairman shall constitute the resolution of the Board of Directors. In the event of a tie when electing the Chairman, the matter shall be decided by drawing of lots. When the meeting is attended by the minimum number of members required for a quorum, the resolutions shall, however, be unanimous."

After the amendment Article 8, Section 9, reads as follows:

" 9. one Auditor who shall be an audit firm, for a term of one financial year; and"

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:** Ilkka Brotherus (Chairman), Bruno Sälzer, Hannu Ryöppönen

- **Audit Committee:** Hannu Ryöppönen (Chairman), Christian Fischer, Lisbeth Valther, Bruno Sälzer

CHANGES IN GROUP STRUCTURE

In March, Amer Sports acquired Armada, the iconic US ski brand, with annual net sales of approximately USD 10 million. The acquisition includes 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 was integrated into Amer Sports Winter Sports Equipment business unit. The acquisition had no material impact on Amer Sports 2017 financial results.

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 will be approximately EUR 45 million (pre-tax, reported under "Items affecting comparability"), of which EUR 37.1 million was recognized during the second half of 2017 and the remaining balance will be recognized in 2018. In 2017, the cash flow impact was EUR 14.7 million, and the impact in 2018 is expected to be approximately EUR 5 million. The first part of the restructuring program announced in August 2016 has been successfully completed.

2020 GROWTH TARGET UPDATED, PRIORITIZING SUSTAINABLE PROFITABLE GROWTH

In August 2017, Amer Sports updated its 2020 growth target, prioritizing sustainable, profitable growth. The company targets annual mid-single digit organic, currency-neutral growth instead of the previous target of EUR 3.5 billion by 2020. The change reflects the challenging wholesale market in the US. The company will continue to focus on its five strategic priorities (Apparel and Footwear, Business to Consumer, China, US, and Connected Devices and Services) whilst accelerating its consumer-led transformation.

Amer Sports' updated financial targets are:

- Net sales: mid-single digit organic, currency-neutral annual growth
- Profit (unchanged): Annual EBIT growth (excl. items affecting comparability, IAC) ahead of net sales growth
- Cash flow conversion (unchanged): Free cash flow/net profit at least 80%
- Net debt/EBITDA (unchanged): Year-end net debt/EBITDA ratio max 3x

Compared to the previous financial targets set in 2016, the updated targets focus on profitable growth, with priority on profitability. The previous growth target was to reach a net sales of EUR 3.5 billion by 2020, with minimum mid-single digit organic, currency-neutral annual growth. Other financial targets are unchanged.

ADJUSTMENTS TO THE PERFORMANCE SHARE PLAN 2016

To align the Company incentive programs to the updated financial targets and strategic glidepath, Amer Sports Board of Directors decided on adjustments to the Performance Share Plan 2016 for the Company's key personnel. The updated long term incentive program ensures that the performance of the company management is tied to the strategy and targets, and that strategic continuity and retention of key management is further safeguarded.

The Plan comprises a three-year performance period covering the period of 2018-2020, instead of one-year performance periods. The performance targets will be net sales growth and EBIT margin for the earning period 2018-2020. 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 listed shares of Amer Sports Corporation, added with a cash portion to cover the taxes and tax-like items payable by the participants on the reward.

The Plan is directed to key personnel of approximately 340 persons, including the members of the Group Executive Board. If the performance targets set for the period 2018-2020 are fully achieved, the aggregate maximum number of shares to be paid under the plan is 650,000 shares.

The Board of Directors anticipates that no new shares need to be issued based on the plan and that the plan will, therefore, have no dilutive effect on the registered number of the company's shares.

Further information about the Performance Share Plan 2016 and the related adjustments is available at https://www.amersports.com/investors/governance/remuneration/long-term-incentives/.

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.

- 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 Swiss franc. Amer Sports uses hedging instruments to mitigate the impact of exchange rate fluctuations.

OUTLOOK FOR 2018

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.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF EARNINGS

The parent company's distributable earnings amount to EUR 283,822,713.65 of which the net result for the period is EUR 150,114,662.20.

The Board of Directors proposes to the Annual General Meeting that the distributable earnings be used as follows:

- A capital repayment of EUR 0.70 per share, totaling EUR 82,962,099.50 to be paid to shareholders

- EUR 200,860,614.15 to be carried forward in distributable earnings
  Totaling EUR 283,822,713.65

No capital repayment will be paid for own shares held by the company.

There have been no significant changes to the company's financial position since the close of the financial period. According to the Board of Directors, the proposed capital repayment does not endanger the company's financial standing.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Business Review

In 2016, Amer Sports delivered all-time high net sales and profit, despite a challenging trading environment especially in the US following several retailer bankruptcies during the year. The strategic acceleration areas Footwear, Apparel, Business to Consumer, and China continued the strong growth, and the gross margin was all time high. The company has now delivered seven consecutive years of profitable growth and overall performance improvement, in line with Amer Sports' Sustainable Growth Model.

NET SALES AND EBIT IN 2016

Amer Sports net sales in 2016 were EUR 2,622.1 million (2015: EUR 2,534.4 million). Despite the challenging trading environment, net sales increased by 4% in local currencies. Organic growth was 3%. The market slowed down especially in the second half of the year, and Amer Sports pursued sustainable, non-promotional growth.

The Group's financial net sales target is to achieve at least EUR 3.5 billion net sales by 2020 with minimum mid-single digit organic, currency-neutral annual growth.

Gross margin was 46.3% (45.2). The improvement was driven by price increases combined with favorable hedges and product cost efficiencies.

EBIT excluding items affecting comparability (IAC) was EUR 221.7 million (212.1). Items affecting comparability were EUR-16.9 million due to a significant write-down of the receivable balance from a US sporting goods retailer in the context of its bankruptcy, and the restructuring program announced in August 2016. Increased sales in local currencies contributed to EBIT by approximately EUR 48 million and improved gross margin by approximately EUR 24 million. Operating expenses increased by approximately EUR 61 million in local currencies driven by investments into digital acceleration and own retail. Currencies and other income and expenses had a negative impact of approximately EUR 1 million on EBIT. EBIT was EUR 204.8 million (204.1).

EBIT as a percentage of sales excl. IAC was 8.5% (8.4), including a slightly dilutive impact from acquisitions. The Group's financial profit target is to reach annual EBIT growth (excl. IAC) ahead of net sales growth.

EBIT excluding IAC by operating segment

EUR million	2016	2015	Change %
Outdoor	196.9	161.2	22
Ball Sports	44.8	46.6	-4
Fitness	17.0	31.2	-46
Headquarters*)	-37.0	-26.9	
EBIT excl. IAC	221.7	212.1	5
IAC	-16.9	-8.0	
EBIT total	204.8	204.1	0

*) 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

EUR million	2016	2015	Change %	Change %*)	% f sales 2016	% of sales 2015
Outdoor	1,601.8	1,530.1	5	5	61	60
Ball Sports	671.1	647.0	4	4	26	26
Fitness	349.2	357.3	-2	-1	13	14
Total	2,622.1	2,534.4	3	4	100	100

*) Change in local currencies

Geographic breakdown of net sales

EUR million	2016	2015	Change %	Change %*)	% of sales 2016	% of sales 2015
EMEA	1,133.7	1,114.7	2	3	43	44
Americas	1,116.0	1,070.1	4	5	43	42
Asia Pacific	372.4	349.6	7	4	14	14
Total	2,622.1	2,534.4	3	4	100	100

*) Change in local currencies

Reconciliation of EBIT excluding IAC

EUR million	**2016**	**2015**
EBIT	204.8	204.1
IAC		
Restructuring program 2014		8.0
Significant write-down of the receivable balance from a U.S. sporting goods retailer	6.3	
Restructuring program 2016	10.6	
EBIT excl. IAC	221.7	212.1

Net financial expenses totaled EUR 31.8 million (36.1), including net interest expenses of EUR 28.9 million (28.6).Net foreign exchange losses were EUR 1.1 million (5.4). Other financing expenses were EUR 1.8 million (2.1). Earnings before taxes totaled EUR 173.0 million (168.0) and taxes were EUR-46.1 million (-46.4). Earnings per share excl. IAC were EUR1.18 (1.09). Earnings per share were EUR 1.08 (1.04).

OUTLOOK GIVEN FOR 2016

In Amer Sports financial statements for 2015, the company's net sales in local currencies were expected to increase and EBIT margin excluding items affecting comparability to improve from 2015, despite challenging market conditions.

CASH FLOW AND FINANCING

In 2016, free cash flow was EUR 64.4 million (121.7). Compared to the end of 2015, inventories increased by EUR 12.5 million (increase 51.3). Receivables increased by EUR 37.8 million (decrease 2.8). Payables decreased by EUR 7.2 million (increase 54.6). The Group's financial cash flow target is to have annual free cash flow/net profit of at least 80%. In 2016, annual free cash flow/net profit was 51%.

At the end of 2016, the Group's net debt was EUR 535.9 million (460.3). The increase was mainly due to the acquisitions. The Group's financial balance sheet target is to have year-end net debt/EBITDA ratio of three or less. At the end of 2016, the year-end net debt/EBITDA ratio was 1.9 excl. IAC (1.7).

Interest-bearing liabilities amounted to EUR 899.9 million (791.7) consisting of short-term debt of EUR 53.7 million and long-term debt of EUR 846.2 million. The average interest rate on the Group's interest-bearing liabilities was 2.0% (2.7).

Short-term debt consists mainly of commercial papers of EUR 49.9 million (December 31, 2015:-), which Amer Sports had issued in the Finnish market. The total size of the commercial paper program is EUR 500 million.

Cash and cash equivalents totaled EUR 364.0 million (331.4).

Amer Sports had not used any of its EUR 150 million committed revolving credit facility at the end of the review period.

The equity ratio at the end of the year was 36.9% (37.2) and net debt/equity was 0.53 (0.48).

In March, Amer Sports issued Schuldschein (certificate of indebtedness) loan agreements with a total value of EUR 100 million. The loans have both fixed and floating rate tranches and the loan periods are five (5) and seven (7) years.

In April, Amer Sports issued a term loan with a value of EUR 50 million. The floating rate loan has a maturity of five (5) years with an extension option.

In September, Amer Sports issued Schuldschein agreements with a total value of EUR 60 million. The loan period is seven (7) years and the loans have a fixed interest rate.

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 USD767 million. 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 transaction risks up to 12-24 months forward. Hedging tenors of currency pairs vary due to costs related to hedging. At the end of 2016, the Group had fully hedged the 2017 EUR/USD net cash flow at an average EUR/USD rate of 1.13 and 24% of the 2018 EUR/USD net cashflow at an average EUR/USD rate of 1.12.

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. 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. The most significant currencies after USD are GBP, CHF, CNY and CAD with net flows varying from EUR 51 million to EUR 76 million at yearly level.

CAPITAL EXPENDITURE AND INVESTMENTS

The Group's capital expenditure totaled EUR 91.7 (77.3) million. The increase in capital expenditure was mainly due to investments into digital platforms, own retail, and warehouse and production capacity especially in Footwear and Apparel. Depreciation totaled EUR 60.0 million (51.1). In 2017, capital expenditure is expected to be approximately 3.5% of net sales.

RESEARCH AND DEVELOPMENT

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.

The Group has six R&D and design sites serving the business areas globally. In 2016, R&D expenses were EUR 97.5 million, accounting for 9.5% of all operating expenses (2015: EUR 77.7 million, 8.3% of operating expenses, 2014: EUR 76.2 million, 9.3% of operating expenses). Outdoor accounted for 72% of the R&D expenditure, Ball Sports for 15% and Fitness for 13%.

In 2016, the Group further focused its R&D on building future platforms for connected devices and scalable digital services. Suunto launched a new family of sports watches with a new software platform and a new cloud based intelligent training solution. Precor's Preva service completed its platform migration to Android and invested in a significant range of capabilities to enable partners to deliver content on the Preva network. It is now a leading networked fitness environment for personalized content. Amer Sports also developed and launched Move Sense, a development environment for building sports sensing solutions.

On December 31, 2016, 802 (784) persons were employed in the company's R&D and digital platforms development, representing approximately 9% (10) of the total number of people employed by Amer Sports.

SALES AND MARKETING

Amer Sports sells its products to trade customers (sporting goods chains, specialty retailers, mass merchants, fitness clubs and distributors) and directly to consumers through brand stores, factory outlets, and e-commerce.

The consumer is today navigating and purchasing without boundaries across all channels from wholesale to brand stores to e-commerce, and Amer Sports continues to evolve its strategy and re-organize to respond to the consumer's changing habits and practices. In order to create growth through omnichannel expansion, Amer Sports' Go to Market organization was restructured in 2016 by bringing retail, e-commerce, and wholesale organizations together. Amer Sports' omnichannel encapsulates the ways the company interacts with consumers, delivering an excellent consumer experience at every touch point. It encompasses both the online and in-store experience, irrespective of whether these are in house or managed by an external retail partner.

In 2016, Amer Sports Business to Consumer accounted for approximately 8% of the Group's sales (7). At the end of 2016, Amer Sports had 287 branded retail stores (293). Half of the stores are operated by local, independent partners. During the year, 39 new stores were opened, of which 27 are operated by Amer Sports and 12 by independent partners. 45 stores, most of which operated by independent partners, were closed, mainly due to a distributor change in South Korea. Geographically, the retail store footprint is balanced with approximately one third in each of Europe, Asia Pacific and the Americas. At the end of 2016, the number of Amer Sports' e-commerce stores was 69 (71). New e-commerce stores were opened in Canada and Japan and at the same time some stores were merged.

Sales and distribution expenses in 2016 were EUR 462.8 million (421.4), 18% of sales (17). The increase was mainly due to own retail openings and significant receivable write-offs related to especially US retail customers. Advertising, promotion and marketing expenses in 2016 were EUR 268.3 million (256.1), 10% (10) of sales.

On December 31, 2016, the Amer Sports own sales organization covered 34 countries (34). 3,693 (3,381) persons were employed in sales and distribution activities, representing43% (43) of the total number of people employed by Amer Sports. 692 (633) persons were employed in marketing activities, 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 2016 were customer service, cost of goods reduction, and sustainable complexity reduction as well as working capital efficiencies.

To gain operational efficiencies and cost savings as well as continuously reducing risks, Amer Sports is constantly reviewing both its make or buy strategy and the company's global production and sourcing footprint. Of Amer Sports' production value, approximately 24% is in China, 36% elsewhere in Asia Pacific, 27% in EMEA and 13% in the Americas.

Amer Sports manufactures approximately 23% of its products itself and approximately 13% is produced by partially out sourced vendors. Of Amer Sports' total production value, approximately 64% is outsourced. This includes manufacturing in all racket sports and golf products, most team sports products and most of the apparel and footwear.

Amer Sports' most important own production facilities are located in Bulgaria, Austria, France, Finland, Canada and the United States.

HUMAN RESOURCES

In 2016 Amer Sports maintained a strong focus on building and scaling capabilities to support the growth strategy in Apparel and Footwear, US, China, Business to Consumer, and Digital. There was an increased focus on scaling common platforms including implementing one global Go to Market sales organization for the portfolio, integrating Supply Chain and Operations, and creating a Connected Devices Category organization to enable Digital growth. Further, there was an increased focus on productivity and cost reduction to free up resources for investment and adapt to soft market conditions.

At the end of 2016 the number of Group employees was 8,526 (2015: 7,954; 2014: 7,630), demonstrating an increase of approximately 5% per year since 2014 due to accelerated investment in Apparel and Business to Consumer as well as Go to Market in China and in the Americas. The number of employees in Fitness decreased by 7% as a result of the restructuring program initiated in August. Of Group employees at the end of 2016, 61% were male (2015: 61%, 2014: 61%) and 39% female (2015: 39%, 2014: 39%).

Salaries, incentives and other related costs in 2016 totaled EUR 507.6 million (2015: 482.2; 2014: 429.2). Average cost per employee remained stable.

Personnel

	December 31, 2016	December 31, 2015	Change %
Outdoor	5,619	5,084	11
Ball Sports	1,770	1,686	5
Fitness	908	975	-7
Headquarters and shared services	229	209	10
Total	8,526	7,954	7

	December 31, 2016	December 31, 2015	Change %
EMEA	4,205	4,154	1
Americas	3,442	2,942	17
Asia Pacific	879	858	2
Total	8,526	7,954	7

	December 31, 2016	December 31, 2015	Change %
Manufacturing and sourcing	2,383	2,244	6
Sales and distribution	3,693	3,381	9
Support functions/ shared services	956	912	5
R&D and digital platforms	802	784	2
Marketing	692	633	9
Total	8,526	7,954	7

CORPORATE RESPONSIBILITY

Amer Sports implements its business strategy in an ethically, socially and environmentally responsible manner. The company continuously improves its performance and communication about how the corporate responsibility is implemented in practice.

Amer Sports promotes healthy and active life and lifestyle through its products, which encourage and support access to exercise and fitness.

Amer Sports is committed to socially responsible sourcing practices and 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. These principles are described in the Amer Sports Code of Conduct and Ethical Policy which are available at www.amersports.com/responsibility. The Ethical Policy is approved by the Board of Directors and is reviewed periodically. In 2016, the Board of Directors defined the company's approach to living wage concept.

To ensure that Amer Sports' business partners and also its own manufacturing facilities are in compliance with the defined standards, Amer Sports has implemented a Social Compliance Monitoring Program. Amer Sports Social Compliance Policy defines how the company implements the monitoring program in practice. Amer Sports monitors that subcontractors follow its standards for ethical operations and the company also conducts third party audits to help sourcing partners comply with industry standards and regulations as well as Amer Sports' expectations in regards to health, safety, and environmental and social responsibility. In Asia, the number of audits conducted by the end of 2016 represented 97% of total purchases (97%).

Amer Sports reviews its global production and sourcing footprint to identify need for improvements and to reduce its environmental impact by using methods which are both responsible and economically sound. For instance, Amer Sports Restricted Substances List (RSL) is used to manage the chemicals present in its products. In 2016 Arc'teryx and Salomon joined the Sustainable Apparel Coalition (SAC) which is the apparel, footwear and home textile industry's alliance for sustainable production. Amer Sports Apparel category is also a member of the bluesign® system partner network, a solution for more sustainable textile production.

Amer Sports calculates a corporate-wide carbon footprint assessment annually and participates in the Investor Carbon Disclosure Program (CDP) in order to manage the company's carbon emission sources, to cut down emissions and improve efficiency.

SEGMENT REVIEWS

Outdoor

EUR million	2016	2015	Change %	Change %*)
Net sales				
Footwear	490.5	461.2	6	8
Apparel	431.1	387.2	11	13
Winter Sports Equipment	388.5	400.2	-3	-4
Cycling	150.2	138.5	8	8
Sports Instruments	141.5	143.0	-1	0
Net sales, total	1,601.8	1,530.1	5	5
EBIT excl. IAC	196.9	161.2		
EBIT % excl. IAC	12.3	10.5		
Personnel, Dec 31	5,619	5,084	11	

*) Change in local currencies

In 2016, Outdoor's net sales were EUR 1,601.8 million (1,530.1), an increase of 5% in local currencies. Net sales growth was driven by Apparel, which was up by 13% (+16% excl. divestments) and Footwear, up by 8%. Winter Sports Equipment declined by 4% due to mild winters particularly in Europe. Cycling grew by 8% due to the acquisition of ENVE Composites LLC (-7% excl. the acquisition, due to a challenging cycling market). Sports Instruments sales were at previous year's level as the planned product launches were postponed to 2017 due to technical issues.

Geographic breakdown of net sales

EUR million	2016	2015	Change %	Change %*)
EMEA	935.5	915.9	2	3
Americas	429.6	398.8	8	9
Asia Pacific	236.7	215.4	10	7
Total	1,601.8	1,530.1	5	5

*) Change in local currencies

In 2016, Outdoor's EBIT excl. IAC was EUR 196.9 million (161.2). Increased sales in local currencies contributed to EBIT by approximately EUR 39 million, while higher gross margin had a positive impact of approximately EUR 35 million. Operating expenses increased by approximately EUR 40 million, driven by sales, distribution and marketing costs. Other income and expenses and currencies had a positive impact of approximately EUR 1 million on EBIT.

Ball sports

EUR million	**2016**	**2015**	**Change %**	**Change %*)**
Net sales				
Individual Ball Sports	299.8	315.4	-5	-4
Team Sports	371.3	331.6	12	12
Net sales, total	671.1	647.0	4	4
EBIT excl. IAC	44.8	46.6		
EBIT % excl. IAC	6.7	7.2		
Personnel, Dec 31	1,770	1,686	5	

*) Change in local currencies

In 2016, Ball Sports' net sales were EUR 671.1 million (647.0). In local currencies, net sales increased by 4%. Organic growth was 1%. The growth in Team Sports, especially in baseball, was offset by challenging market conditions in the Individual Ball Sports segment and the US customer bankruptcies.

Geographic breakdown of net sales

EUR million	**2016**	**2015**	**Change %**	**Change %*)**
EMEA	118.2	114.4	3	6
Americas	476.2	453.5	5	6
Asia Pacific	76.7	79.1	-3	-5
Total	671.1	647.0	4	4

*) Change in local currencies

In 2016, Ball Sports' EBIT excl. IAC was EUR 44.8 million (46.6). Increased sales in local currencies had a positive impact of approximately EUR 12 million on EBIT while decreased gross margin had a negative impact of approximately EUR 9 million. Operating expenses increased by approximately EUR 8 million. Currencies had a positive impact of approximately EUR 3 million on EBIT.

Fitness

EUR million	**2016**	**2015**	**Change %**	**Change %*)**
Net sales	349.2	357.3	-2	-1
EBIT excl. IAC	17.0	31.2		
EBIT % excl. IAC	4.9	8.7		
Personnel, Dec 31	908	975	-7	

*) Change in local currencies

In 2016, Fitness' net sales were EUR 349.2 million (357.3).There was a delayed impact on net sales of some Fitness product launches.

Geographic breakdown of net sales

EUR million	**2016**	**2015**	**Change %**	**Change %*)**
EMEA	80.0	84.4	-5	0
Americas	210.2	217.8	-3	-4
Asia Pacific	59.0	55.1	7	6
Total	349.2	357.3	-2	-1

*) Change in local currencies

In 2016, Fitness' EBIT excl. IAC was EUR 17.0 million (31.2). Decreased sales in local currencies had a negative impact of approximately EUR 2 million on EBIT and decreased gross margin a negative impact of approximately EUR 5 million. Operating expenses increased by approximately EUR 6 million, mostly due to the new products. Currencies and other income and expenses had a negative impact of approximately EUR 2 million on EBIT.

CORPORATE GOVERNANCE STATEMENT

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.

The 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.

CHANGES IN GROUP MANAGEMENT

Amer Sports continues to pursue scale and synergy across the company, including the management structure. In 2016, the company simplified its structure and reduced the size of its Executive Board from 14 to 10 members. The following changes were implemented:

In January 2016, Amer Sports announced that it is simplifying its structure with President & CEO Heikki Takala assuming direct responsibility for the company's Apparel business unit and the Arc'teryx brand. Mr. Vincent Wauters, President of Apparel and member of the Executive Board, left Amer Sports to pursue his career outside of the company.

In May, Amer Sports announced that Victor Duran, Amer Sports' SVP, Marketing and Business to Consumer and member of the Executive Board, is leaving the company to assume a new position as the CEO of Intersport International Corporation as of January 1, 2017. Michael White, Amer Sports' Chief Sales Officer and General Manager, EMEA and Americas, was appointed Amer Sports Chief Commercial Officer with the responsibility for the company's global Business to Consumer and Go to Market Marketing in addition to his earlier regional responsibilities.

In June, Amer Sports announced that Sebastian Lund was appointed Amer Sports Chief Human Resources Officer and member of the Executive Board as of October 1, 2016. Terhi Heikkinen, who had been Amer Sports Senior Vice President, Human Resources, and member of the Executive Board, left the company on August 31, 2016.

In November, Amer Sports announced that Chief Digital Officer Heikki Norta was appointed President, Amer Sports Connected Devices and Services. Mikko Moilanen, President of Sports Instruments and member of Amer Sports Executive Board, left the company on December 31, 2016. Michael White, Amer Sports' Chief Commercial Officer and General Manager, EMEA and Americas, assumed the direct responsibility also for the Asia Pacific region as Chief Commercial Officer. Matt Gold, currently General Manager for Asia Pacific and member of Amer Sports Executive Board, will leave the company on February 17, 2017. The changes in the Executive Board were effective immediately.

More information about Amer Sports Executive Board is available at www.amersports.com/investors/governance/executive-board.

SHARES AND SHAREHOLDERS

The company's share capital totaled EUR 292,182,204 on December 31, 2016 and the number of shares was 118,517,285.

Authorizations

The Annual General Meeting held on March 8, 2016 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 non-restricted 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, 2016 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 12, 2015 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 non-restricted 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 the Nasdaq Helsinki 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 12, 2015 authorized the Board of Directors to decide on issuing new shares and/or conveying the Company's own shares held by the Company. 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 own shares to the Company for free. 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 was valid for fourteen (14) months from the date of the decision of the Annual General Meeting.

The Board of Directors did not utilize any of these authorizations in 2016.

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

Own shares

A total of 41,502 shares granted as share-based incentives were returned to Amer Sports in 2016 as employments ended.

In March, a total of 246,457 Amer Sports shares were transferred to the personnel participating in the Performance Share Plan 2010, Performance Share Plan 2013 and Restricted Stock Plan 2013 incentive programs.

At the end of December, Amer Sports held a total of 971,718 shares (1,176,673) of Amer Sports Corporation, corresponding to 0.8% (1.0) of all Amer Sports shares.

Trading in shares

In 2016, a total of 80.1 million (76.8) Amer Sports shares with a value totaling EUR 2,038.4 million (1,733.6) were traded on Nasdaq Helsinki. Share turnover was 68.1% (65.5) (as a proportion of the average number of shares, excluding own shares). The average daily volume in 2016 was 316,446 shares (306,028).

In addition to Nasdaq Helsinki, Amer Sports shares were traded on the biggest alternative exchanges as follows: 26.5million on Chi-X (33.3 million), 15.6 million on BATS (8.8 million) and 12.3 million on Turquoise (7.0 million).

The closing price of the Amer Sports Corporation share on the Nasdaq Helsinki stock exchange in 2016 was EUR 25.28 (2015: 26.97). Shares registered a high of EUR 28.75 (28.07) and a low of EUR 22.78 (15.37). The average share price was EUR 25.46 (22.57). At the end of December, the company had a market capitalization of EUR 2,971.6 million (3,164.7), excluding own shares.

At the end of December, Amer Sports Corporation had 22,881 registered shareholders (17,991). Ownership outside of Finland and nominee registrations represented 49.9% (51.2) of the company's shares. Public sector entities owned 15.1% (14.8), financial and insurance corporations 11.9% (12.2), households 12.7% (11.7), non-profit institutions 7.1% (6.9), private companies 2.5% (2.2) and Amer Sports 0.8% (1.0).

Major shareholders, December 31, 2016 (does not include nominee registrations nor shares held by the company)

		Shares	% of shares and votes
1.	Keva	5,477,261	4.62
2.	Maa-ja vesitekniikan Tuki ry.	5,000,000	4.22
3.	Varma Mutual Pension Insurance Company	4,435,680	3.74
4.	Mandatum Life Insurance Company	3,809,509	3.21
5.	Ilmarinen Mutual Pension Insurance Company	2,740,000	2.31
6.	Brotherus Ilkka	2,693,325	2.27
7.	Elo Mutual Pension Insurance Company	2,301,000	1.94
8.	Nordea Fennia Fund	1,072,013	0.90
9.	The State Pension Fund	1,050,000	0.89
10.	Kaleva Mutual Insurance Company	870,000	0.73

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, 2016

Shareholder	Shares	Related parties and controlled corporations
Board of Directors		
Anssi Vanjoki	20,228	
Ilkka Brotherus	2,693,325	9,250
Martin Burkhalter	15,162	
Christian Fischer	15,162	
Hannu Ryöppönen	27,621	
Bruno Sälzer	15,162	
Lisbeth Valther	1,754	
Indra Åsander	6,485	
Executive Board		
Heikki Takala	191,269	
Robert Barker	30,322	
Michael Dowse	60,186	
Sebastian Lund	605	
Bernard Millaud	66,092	
Heikki Norta	4,581	
Jean-Marc Pambet	68,533	
Michael Schineis	63,572	
Jussi Siitonen	71,825	300
Michael White	57,089	
TOTAL	3,408,973	9,550
% of shares	2.9	0
Including circle of acquaintances and controlled corporations	3,418,523	
% of shares	2.9	

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, 2016, the following resolutions were approved:

Adoption of the annual accounts

The Annual General Meeting (AGM) approved Amer Sports annual accounts and consolidated annual accounts for the financial year ended December 31, 2015.

Resolution on use of the profit shown on the balance sheet and the payment of dividend

The AGM resolved to distribute a dividend of EUR 0.55 per share to be paid for the financial year ended December 31, 2015. The dividend was paid to shareholders who were registered on the list of shareholders maintained by Euroclear Finland Ltd as of March 10, 2016, which was the record date for the dividend payment. The dividend was paid on March 30, 2016.

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 2015.

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 2017 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 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 (5) 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 eight (8).

Election of members of the Board of Directors

The AGM re-elected Ilkka Brotherus, Martin Burkhalter, Christian Fischer, Hannu Ryöppönen, Bruno Sälzer, Lisbeth Valther, Anssi Vanjoki and Indra Åsander as members of the Board of Directors. The Board of Directors' term of service will run until the close of the 2017 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 Accountant Firm 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 non-restricted 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 unanimously appointed Anssi Vanjoki 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: Indra Åsander (Chairman), Ilkka Brotherus, Bruno Sälzer, Anssi Vanjoki

- Nomination Committee: Ilkka Brotherus (Chairman), Martin Burkhalter, Anssi Vanjoki

- Audit Committee: Hannu Ryöppönen (Chairman), Martin Burkhalter, Christian Fischer, Lisbeth Valther

CHANGES IN GROUP STRUCTURE

In February, Amer Sports announced the acquisition of ENVE Composites LLC, a fast-growing brand in high-end carbon wheels, components, and accessories for road and mountain biking with annual sales of approximately USD 30 million. The acquisition price was USD 50 million in an all-cash transaction. The acquisition was finalized on March 8.

In November, Amer Sports acquired EvoShield, the leading brand of protective gear for baseball and softball athletes and teams in the U.S., and the Official Protective Gear of Major League Baseball® (MLB) with an annual net sales of approximately EUR 10 million.

2014 RESTRUCTURING PROGRAM FINALIZED

The primary objectives of the 2014 restructuring program were to re-ignite profitable growth in Ball Sports and to further accelerate Amer Sports' growth toward 2020, especially in Apparel and Footwear, Business to Consumer, and digital products and services. The program helped to drive further scale and synergies across the Group and to enable reallocation of resources into the focus acceleration areas. The restructuring was finalized by the end of the first half of 2016.

2020 FINANCIAL TARGETS CONFIRMED, ORGANIC GROWTH GOAL RAISED

In August 2016, Amer Sports confirmed that it is on the glidepath to deliver the 2020 financial targets introduced in August 2015. The financial targets and acceleration priorities are unchanged, but now supported by further organic acceleration building blocks. Therefore the company now targets to reach EUR 3.5 billion organically, instead of through a combination of organic growth and acquisitions, as announced in 2015.

To support the acceleration, the company pursues continuous productivity improvement. In addition, Amer Sports will start a targeted restructuring to free up operating expenses of approximately EUR 20 million, which will be reallocated to fund the acceleration. Restructuring expenses will be EUR 20-25 million (pre-tax, reported under "Items affecting comparability"), of which EUR 10.6 were recognized in 2016 and the remaining expenses will be recognized in the first half of 2017. The restructuring will be implemented by the end of 2017.

Due to challenging market conditions, Amer Sports paces its short-term growth and expands the on-going cost restructuring program initiated in August 2016, with the objective to reduce operating expenses worth approximately 100 EBIT margin basis points in the coming 24 months.

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.

- 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 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, aluminium, 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 U.S. dollar and to lesser extent, from British pound, Swiss franc, Chinese renminbi and Canadian dollar. Amer Sports uses hedging instruments to mitigate the impact of exchange rate fluctuations.

OUTLOOK FOR 2017

In 2017, Amer Sports' net sales in local currencies are expected to increase from 2016, despite short-term market softness. The growth is expected to be biased to the second half of the year. The company will continue to focus on growing the core business and the five prioritized areas: Apparel and Footwear, US, China, Business to Consumer, as well as digitally connected devices and services.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF EARNINGS

The parent company's distributable earnings amount to EUR 256,957,642.04 of which the net result for the period is EUR 16,964,149.61.

The Board of Directors proposes to the Annual General Meeting that the distributable earnings be used as follows:

- A capital repayment of EUR 0.62 per share, totaling EUR73,480,716.70 to be paid to shareholders

- EUR 183,476,925.34 to be carried forward in distributable earnings

Totaling EUR 256,957,642.04

No capital repayment will be paid for own shares held by the company.

There have been no significant changes to the company's financial position since the close of the financial period. According to the Board of Directors, the proposed capital repayment does not endanger the company's financial standing.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Business Review

2015 was a good year for Amer Sports. The company delivered all-time high net sales with broad-based strong growth in the strategic focus areas. Profitability improved from the previous year, cash flow was strong and balance sheet strengthened further.

Amer Sports now has a new five-year strategic glidepath for 2016-2020 focusing on accelerating profitable growth. The strategy prioritizes five areas where the company sees the highest growth potential: Apparel and Footwear, United States, China, Business to Consumer, and digitally connected devices and services.

NET SALES AND EBIT IN 2015

Amer Sports net sales in 2015 were EUR 2,534.4 million (2014: EUR 2,228.7 million). Net sales increased by 6% in local currencies, driven by Apparel (+15%), Footwear (+14%) and Team Sports (+15%). Excluding acquisitions, net sales increased by 5% in local currencies. In 2010-2015, the Group's financial net sales target was to deliver an organic, currency-neutral annual growth of 5%.

Gross margin was 45.2% (43.9). EBIT excluding non-recurring items (NRI) was EUR 212.1 million (168.3). Non-recurring items were EUR -8.0 million related to the restructuring program announced in July 2014. Increased sales in local currencies contributed to EBIT by approximately EUR 64 million and improved gross margin by approximately EUR 30 million. Operating expenses increased by approximately EUR 69 million in local currencies driven by Go to Market acceleration, Business to Consumer growth and acquisitions, including transaction expenses. Currencies and other income and expenses had a positive impact of approximately EUR 19 million on EBIT. EBIT was EUR 204.1 million (114.1).

EBIT as a percentage of sales excluding NRI was 8.4% (7.6), including a slight dilutive impact from acquisitions. In the 2010-2015 strategic glidepath, the Group's financial profitability target was to reach EBIT of at least 10% of net sales long-term.

EBIT excluding non-recurring items by operating segment

EUR million	2015	2014	Change, %
Outdoor	161.2	125.6	28
Ball Sports	46.6	35.9	30
Fitness	31.2	29.7	5
Headquarters*)	-26.9	-22.9	
EBIT excluding non-recurring items	212.1	168.3	26
Non-recurring items	-8.0	-54.2	
EBIT total	204.1	114.1	79

*) The Headquarters segment consists of Group administration, shared services, other non-operational income and expenses, and fair valuation of share-based compensations.

Net sales by operating segment

EUR million	2015	2014	Change, %	Change, %*)	% of sales 2015	% of sales 2014
Outdoor	1,530.1	1,371.2	12	8	60	62
Ball Sports	647.0	536.7	21	6	26	24
Fitness	357.3	320.8	11	-3	14	14
Total	2,534.4	2,228.7	14	6	100	100

Geographic breakdown of net sales

EUR million	2015	2014	Change, %	Change, %*)	% of sales 2015	% of sales 2014
EMEA	1,114.7	1,064.0	5	4	44	48
Americas	1,070.1	874.3	22	6	42	39
Asia Pacific	349.6	290.4	20	11	14	13
Total	2,534.4	2,228.7	14	6	100	100

*) In local currencies

Net financial expenses totaled EUR 36.1 million (37.1), including net interest expenses of EUR 28.6 million (28.6). Net foreign exchange losses were EUR 5.4 million (2.7). Other financing expenses were EUR 2.1 million (5.8). Earnings before taxes totaled EUR 168.0 million (77.0) and taxes were EUR -46.4 million (-21.6). Earnings per share excluding NRI were EUR 1.09 (0.80). Earnings per share were EUR 1.04 (0.47).

OUTLOOK GIVEN FOR 2015

In Amer Sports financial statements for 2014, the company's net sales in local currencies were expected to increase and EBIT margin excluding non-recurring items to improve from 2014, despite challenging market conditions.

CASH FLOW AND FINANCING

In 2015, free cash flow was EUR 121.7 million (53.5). Compared to the end of 2014, inventories were up by EUR 51.3 million (increase 49.0) due to increased pre-orders for Q1. Receivables decreased by EUR 2.8 million (decrease 0.5). Payables increased by EUR 54.6 million (28.2). In the 2010-2015 strategic glidepath, the Group's financial cash flow target was to have annual free cash flow equal to net profit. In 2015, free cash flow was 100% of net profit.

At the end of 2015, the Group's net debt was EUR 460.3 million (419.1). In the 2010-2015 strategic glidepath, the Group's financial balance sheet target was to have a year-end net debt/EBITDA ratio of 3 or less. At the end of 2015, the ratio was 1.7 excluding NRI (2.0).

Interest-bearing liabilities amounted to EUR 791.7 million (659.3) consisting of short-term debt of EUR 157.2 million and long-term debt of EUR 634.5 million. The average interest rate on the Group's interest-bearing liabilities was 2.7% (3.5).

Short-term debt consists mainly of repayments of long-term loans of EUR 154.4 million (153.5). At the end of calendar year Amer Sports had not issued any commercial papers in the Finnish market (December 31, 2014: EUR 114.5 million). The total size of the commercial paper program is EUR 500 million.

Cash and cash equivalents totaled EUR 331.4 million (240.2).

Amer Sports had not used any of its EUR 150 million committed revolving credit facility at the end of the review period.

The equity ratio at the end of the year was 37.2% (38.8) and net debt/equity was 0.48 (0.50).

In January, Amer Sports issued Schuldschein agreements with a total value of EUR 100 million. The loan period is five years and the loans have both fixed (EUR 15 million) and floating (EUR 85 million) rate tranches.

In April, Amer Sports issued Schuldschein agreements with a total value of EUR 40 million and USD 85 million. The loan periods are five and seven years and the loans have both fixed and floating rate tranches.

In August, Amer Sports issued Schuldschein agreements with a total value of USD 55 million. The loan periods are 5 and 5.5 years and the loans have floating rate tranches.

In September, Amer Sports issued a private placement bond with a total value of EUR 100 million. The fixed rate bond has a maturity of seven years.

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 725 million. 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 transaction risks up to 12-24 months forward. Hedging tenors of currency pairs vary due to costs related to hedging. At the end of 2015, the Group had fully hedged the 2016 EUR/USD net cash flow at an average EUR/USD rate of 1.22 and 37% of the 2017 EUR/USD net cash flow at an average EUR/USD rate of 1.13.

Because Amer Sports' consolidated financial statements are presented in euros, Amer Sports is subject to currency translation risk when currency dominated result is converted into euros. 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. The most significant currencies after USD are GBP, CAD and CHF with net flows varying from EUR 66 million to EUR 91 million at yearly level.

A more detailed report on the Group's financial risks and how they are managed is available in the notes to the financial statements.

CAPITAL EXPENDITURE AND INVESTMENTS

The Group's capital expenditure totaled EUR 77.3 (51.6) million. The increase was mainly due to accelerated investments in the new platforms for connected devices and digital services as well as own retail, especially Arc'teryx flagship stores. Depreciation totaled EUR 51.1 million (44.8). In 2016, capital expenditure is expected to be approximately EUR 70 million.

RESEARCH AND DEVELOPMENT

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.

The Group has six R&D and design sites serving the business areas globally. Portland design center was closed in 2015 due to restructuring. In 2015, R&D expenses remained stable at EUR 77.7 million, accounting for 8.3% of all operating expenses (2014: EUR 76.2 million, 9.3% of operating expenses, 2013: EUR 76.2 million, 9.7% of operating expenses). Outdoor accounted for 71% of the R&D expenditure, Ball Sports for 17% and Fitness for 12%.

In 2015, the Group focused in its R&D on building future platforms for connected devices and scalable digital services. New innovative products and services based on these platforms are expected already for 2016.

On December 31, 2015, 784 (680) persons were employed in the company's R&D and digital platforms development, representing approximately 10% (9) of the total number of people employed by Amer Sports.

SALES AND MARKETING

Amer Sports sells its products to trade customers (sporting goods chains, specialty retailers, mass merchants, fitness clubs and distributors) and directly to consumers through brand stores, factory outlets, and e-commerce.

Strong gains in distribution were achieved in 2015 across all brands and regions primarily due to improved sales representative coverage and Key Account joint business plans. The significant development of in-store solutions ensured Amer Sports brands provided a better consumer shopping experience as well as good sell-through.

Commercial management continued to add significant value, providing better understanding of customer needs and accurate segmentation of ranges to fulfil consumer needs and desires. This led to strong growth in the apparel and footwear businesses.

In 2015, Amer Sports Business to Consumer accounted for approximately 7% of the Group's sales (5). At the end of 2015, Amer Sports had 293 branded retail stores (250). 57% of the stores are operated by local, independent partners. During the year, a net of 43 new stores were opened, of which 12 are operated by Amer Sports and 31 by independent partners. Geographically, the retail store footprint is balanced with approximately one third in each of Europe, Asia Pacific and the Americas. In 2015, Amer Sports also strengthened its e-commerce and at the year end the number of e-commerce stores was 71 (62).

Sales and distribution expenses in 2015 were EUR 414.7 million (344.3), 16% of sales (15). Of the increase, approximately half was related to strategic investments into distribution (geographical expansion and own retail openings), while half was growth driven. Advertising, promotion and marketing expenses in 2015 were EUR 256.1 million (225.2), 10% (10) of sales.

On December 31, 2015, the Amer Sports own sales organization covered 34 countries (34). 3,381 (3,184) persons were employed in sales and distribution activities, representing 43% (42) of the total number of people employed by Amer Sports. 633 (592) persons were employed in marketing activities, 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 2015 were customer service, complexity reduction as well as cost and working capital efficiencies.

To gain operational efficiencies and cost savings as well as continuously reducing risks, Amer Sports is constantly reviewing both its make or buy strategy and the company's global production and sourcing footprint. Of Amer Sports' production value, approximately 25% is in China, 34% elsewhere in Asia Pacific, 26% in EMEA and 15% in the Americas.

Amer Sports manufactures approximately 24% of its products itself and approximately 13% is produced by partially outsourced vendors. Of Amer Sports' total production value, approximately 63% is outsourced. This includes manufacturing in all racket sports and golf products, most team sports products and most of the apparel and footwear.

Amer Sports' most important own production facilities are located in Bulgaria, Austria, France, Finland, Canada and the United States.

HUMAN RESOURCES

In 2015 Amer Sports had a strong focus on capability building and resource management. The company continued to allocate resources from more stable business areas to fast growing areas. In 2015 the Group had approximately 1,000 open positions, of which 25% was filled through internal rotation and 75% through external recruitments.

At the end of 2015 the number of Group employees was 7,954 (2014: 7,630; 2013: 7,330). Of the increase, approximately 2/3 was related to acceleration in Apparel, Business to Consumer and Go to Market. Acquisitions increased the headcount by 71 employees. Men represented 61% (2014: 61%, 2013: 61%) and women 39% (2014: 39%; 2013: 39%) of the Group employees at the end of 2015. The average number of personnel in 2015 was 7,848 (2014: 7,505; 2013: 7,370).

Salaries, incentives and other related costs paid in 2015 totaled EUR 482.2 million (2014: 429.2, 2013: 416.2) and were up by 6% in local currencies of which 2% was due to higher salaries and incentives and 4% due to an increase in the number of personnel. Amer Sports total rewarding principles are based on the company's "Pay for Performance" philosophy and are managed through the performance management practice "Coaching for Success", which cascades Amer Sports strategies to the individual level objectives. Base pay is complemented by performance-based annual and long-term incentive programs, all the elements being closely linked to targeted business success and individual performance.

In 2015 Amer Sports introduced a cloud based global HR information and management system in order to support Group wide capability building, resource fluidity and performance management.

Personnel

	December 31, 2015	December 31, 2014	Change, %
Outdoor	5,084	4,966	2
Ball Sports	1,686	1,537	10
Fitness	975	932	5
Headquarters and shared services	209	195	7
Total	7,954	7,630	4

	December 31, 2015	December 31, 2014	Change, %
EMEA	4,154	4,141	0
Americas	2,942	2,662	11
Asia Pacific	858	827	4
Total	7,954	7,630	4

	December 31, 2015	December 31, 2014	Change, %
Manufacturing and sourcing	2,244	2,243	0
Sales and distribution	3,381	3,184	6
Support functions/shared services	912	931	-2
R&D and digital platforms	784	680	15
Marketing	633	592	7
Total	7,954	7,630	4

CORPORATE RESPONSIBILITY

Amer Sports promotes healthy and active living. The company's products encourage people to exercise to stay healthy throughout their lives.

Amer Sports implements its business strategy in an ethically, socially and environmentally responsible manner and ensures that its products are innovative and safe while providing a safe and healthy work environment. The company continuously improves its performance and communication about how this is implemented in practice.

Amer Sports is committed to socially responsible labor and workplace practices. Amer Sports expects also the 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. These principles are described in the Amer Sports Code of Conduct and Ethical Policy, which are available at www.amersports.com under Responsibility. Additionally, Amer Sports Social Compliance Policy defines how the company implements its supplier monitoring program. Amer Sports monitors that subcontractors follow its standards for ethical operations and conducts third party audits to help sourcing partners comply with industry standards and regulations as well as Amer Sports' expectations in regards to health, safety, and environmental and social responsibility. In Asia, the number of audits conducted by the end of 2015 represented 97% of total purchases.

Amer Sports is committed to reducing the environmental impact of its operations by using methods which are both responsible and economically sound. For instance, Amer Sports Restricted Substances List (RSL) is used to manage the chemicals present in its products. In 2015 Amer Sports Apparel category developed further its Materials Compliance Program and extended it to the Group's core Tier 2 suppliers so that fabrics and trims are proactively screened against emerging priority substances. Core to this program is Amer Sports Apparel category's participation in the bluesign® system partner network, a solution for more sustainable textile production.

Amer Sports conducts its corporate-wide carbon footprint annually and participates in the Investor Carbon Disclosure Program (CDP) in order to gain more understanding on the company's carbon emission sources and to estimate how to cut down emissions and improve efficiency.

In 2015 Amer Sports published its first Corporate Responsibility report. The report introduces Amer Sports' policies and key actions in the areas of Corporate Responsibility. It is available at www.amersports.com/responsibility/reports.

OPERATING SEGMENT REVIEWS

Outdoor

EUR million	**2015**	**2014**	**Change, %**	**Change*), %**
Net sales				
Footwear	461.2	391.9	18	14
Apparel	387.2	328.5	18	15
Winter Sports Equipment	400.2	386.7	3	1
Cycling	138.5	138.5	0	-2
Sports Instruments	143.0	125.6	14	7
Net sales, total	1,530.1	1,371.2	12	8
EBIT excluding NRI	161.2	125.6		
EBIT % excluding NRI	10.5	9.2		
NRI	-7.0	-24.1		
EBIT total	154.2	101.5		
Personnel, Dec 31	5,084	4,966	2	

*) In local currencies

In 2015, Outdoor's net sales were EUR 1,530.1 million (1,371.2), an increase of 8% in local currencies. Net sales growth was driven by Apparel (+15%) and Footwear (+14%), supported by Sports Instruments (+7%). Despite mild winters particularly in Europe, Winter Sports Equipment sales increased by 1% in local currencies.

EUR million	**2015**	**2014**	**Change, %**	**Change*), %**
EMEA	915.9	872.9	5	5
Americas	398.8	322.5	24	13
Asia Pacific	215.4	175.8	23	14
Total	1,530.1	1,371.2	12	8

*) In local currencies

In 2015, Outdoor's EBIT excluding NRI was 161.2 million (125.6). Increased sales in local currencies contributed to EBIT by approximately EUR 54 million, while higher gross margin had a positive impact of approximately EUR 16 million. Operating expenses increased by approximately EUR 45 million, driven by sales, distribution and marketing costs. Other income and expenses and currencies had a positive impact of approximately EUR 11 million on EBIT.

Footwear

In 2015, Footwear's net sales were EUR 461.2 million (391.9), up by 14% in local currencies. The growth was generated across all channels and geographic regions. EMEA accounted for 72% of global sales, followed by the Americas with 22% and Asia Pacific with 6%.

Apparel

In 2015, Apparel's net sales totaled EUR 387.2 million (328.5) and increased by 15% in local currencies. Strong growth in Arc'teryx continued. EMEA accounted for 39% of global sales, the Americas for 43%, and Asia Pacific for 18%.

Winter Sports Equipment

In 2015, Winter Sports Equipment's net sales totaled EUR 400.2 million (386.7) and increased by 1% in local currencies despite mild winters particularly in Europe. In 2015, 63% of the Winter Sports Equipment business area's net sales were from EMEA, 24% from the Americas, and 13% from Asia Pacific.

Cycling

In 2015, Cycling's net sales were EUR 138.5 million (138.5), and declined by 2% in local currencies mainly due to a delay in a key product launch until 2016. Net sales by geographical region were as follows: EMEA 70%, the Americas 12% and Asia Pacific 18%.

Sports Instruments

In 2015, Sports Instruments' net sales totaled EUR 143.0 million (125.6) and increased by 7% in local currencies. Growth was driven by strengthened distribution supported by product launches. The distribution of net sales by geographical region was as follows: EMEA 49%, the Americas 22% and Asia Pacific 29%.

Ball Sports

EUR million	**2015**	**2014**	**Change,%**	**Change*), %**
Net sales				
Individual Ball Sports	315.4	290.4	9	-2
Team Sports	331.6	246.3	35	15
Net sales, total	647.0	536.7	21	6
EBIT excluding NRI	46.6	35.9		
EBIT % excluding NRI	7.2	6.7		
NRI	-0.9	-27.8		
EBIT total	45.7	8.1		
Personnel, Dec 31	1,686	1,537	10	

*) In local currencies

In 2015, Ball Sports' net sales were EUR 647.0 million (536.7). In local currencies, net sales increased by 6%. Excluding the Louisville Slugger acquisition, net sales increased by 1% in local currencies. Performance tennis rackets delivered double-digit growth and in Team Sports the growth was strong across all main product categories.

In March, Amer Sports announced the acquisition of Louisville Slugger, a market leading baseball brand with annual sales of USD 75 million in 2014, to accelerate profitable growth in baseball and softball. The acquisition was finalized on April 22, 2015.

EUR million	**2015**	**2014**	**Change, %**	**Change*), %**
EMEA	114.4	113.3	1	-1
Americas	453.5	351.5	29	9
Asia Pacific	79.1	71.9	10	1
Total	647.0	536.7	21	6

*) In local currencies

In 2015, Ball Sports' EBIT excluding NRI was EUR 46.6 million (35.9). Increased sales in local currencies had a positive impact of approximately EUR 15 million on EBIT while improved gross margin had a positive impact of approximately EUR 13 million. Operating expenses increased by approximately EUR 23 million. Currencies had a positive impact of approximately EUR 5 million on EBIT. Louisville Slugger acquisition, and related one-time expenses, had a slight dilutive impact on Ball Sports' EBIT margin.

Individual Ball Sports

Individual Ball Sports' net sales in 2015 totaled EUR 315.4 million (290.4), a decrease of 2% in local currencies. Performance tennis rackets delivered double-digit growth offset by a decline in the sales of lower price point products. The Americas accounted for 45% of the net sales, EMEA for 35% and Asia Pacific for 20%.

Team Sports

Team Sports' net sales in 2015 were EUR 331.6 million (246.3), an increase of 15% in local currencies. Excluding the Louisville Slugger acquisition, net sales increased by 5% in local currencies. Growth was strong across all main product categories.

The Americas accounted for 93% of net sales, Asia Pacific for 5% and EMEA for 2%.

Fitness

EUR million	**2015**	**2014**	**Change,%**	**Change*), %**
Net sales	357.3	320.8	11	-3
EBIT excluding NRI	31.2	29.7		
EBIT % excluding NRI	8.7	9.3		
NRI	-0.1	-1.8		
EBIT total	31.1	27.9		
Personnel, Dec 31	975	932	5	

*) In local currencies

In 2015, Fitness' net sales were EUR 357.3 million (320.8) and decreased by 3% in local currencies. Fitness' focus was on business model renewal and restructuring as well as preparing for acceleration in 2016 with important new building blocks, including Queenax functional training and Spinning. Geographically, the Americas accounted for 61% of the net sales, EMEA for 24% and Asia Pacific for 15%.

In July, Amer Sports acquired a functional training systems provider Queenax. The acquisition will enable Amer Sports' Fitness segment to offer its customers a complete functional training system.

In September, Precor partnered with Mad Dogg Athletics, Inc., the creator of the Spinning® indoor cycling program and Spinner® line of bikes, to launch a new line of indoor cycling equipment in 2016. Under the exclusive multi-year global licensing agreement, the companies will co-develop a new range of indoor cycling equipment, and Precor will assume the manufacturing and distribution of the new range of products.

EUR million	**2015**	**2014**	**Change,%**	**Change*), %**
EMEA	84.4	77.8	8	2
Americas	217.8	200.3	9	-8
Asia Pacific	55.1	42.7	29	16
Total	357.3	320.8	11	-3

*) In local currencies

In 2015, Fitness' EBIT excluding NRI was EUR 31.2 million (29.7). Decreased sales in local currencies had a negative impact of approximately EUR 4 million on EBIT. Operating expenses decreased by approximately EUR 1 million. Currencies and other income and expenses had a positive impact of approximately EUR 5 million on EBIT.

CORPORATE GOVERNANCE STATEMENT

In its decision making and administration, Amer Sports Corporation applies the Finnish Companies Act, the Finnish Securities Markets Act and the rules issued by the Nasdaq Helsinki Stock Exchange, Amer Sports Articles of Association, and the Finnish Corporate Governance Code 2010 for listed companies. Amer Sports complies with the code without exceptions. The code is published at www.cgfinland.fi.

Amer Sports provides a Corporate Governance Statement for 2015 as a separate report at www.amersports.com. This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Finnish Corporate Governance Code 2010 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 pertaining to the financial reporting process is consistent with the financial statements.

CHANGES IN GROUP MANAGEMENT

In March, Mr. Vincent Wauters, General Manager of Arc'teryx Inc., was appointed President of Amer Sports Apparel business and a member of Amer Sports Executive Board. Andy Towne, previously President of Apparel, left Amer Sports at the same time.

In October, Mr. Heikki Norta was appointed Chief Digital Officer and a member of Amer Sports Executive Board to lead the acceleration of the Group's Connected Devices and Services.

More information about Amer Sports Executive Board is available at www.amersports.com/investors/governance/executive-board.

SHARES AND SHAREHOLDERS

The company's share capital totaled EUR 292,182,204 on December 31, 2015 and the number of shares was 118,517,285.

Authorizations

The Annual General Meeting held on March 12, 2015 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 non-restricted 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 the Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The Repurchase Authorization is valid eighteen (18) months from the decision of the Annual General Meeting.

The Annual General Meeting held on March 12, 2015 authorized the Board of Directors to decide on issuing new shares and/or conveying the Company's own shares held by the Company. 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 own shares to the Company for free. The authorization is valid until 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 until fourteen (14) months from the date of the decision of the Annual General Meeting.

The Annual General Meeting held on March 6, 2014 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 non-restricted 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 the Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The Repurchase Authorization was valid for eighteen (18) months from the decision of the Annual General Meeting.

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

Own shares

In 2015, a total of 49,840 shares granted as share-based incentives were returned to Amer Sports during the review period.

In March, a total of 290,596 Amer Sports shares were transferred to the personnel participating in the Performance Share Plan 2010, Performance Share Plan 2013 and Restricted Stock Plan 2013 incentive programs.

At the end of December, Amer Sports held a total of 1,176,673 shares (1,415,112) of Amer Sports Corporation, corresponding to 1.0% (1.2) of all Amer Sports shares.

Trading in shares

In 2015, a total of 76.8 million (75.5) Amer Sports shares with a value totaling EUR 1,733.6 million (1,151.7) were traded on Nasdaq Helsinki. Share turnover was 65.5% (64.1%) (as a proportion of the average number of shares, excluding own shares). The average daily volume in 2015 was 306,028 shares (301,968).

In addition to Nasdaq Helsinki, Amer Sports shares were traded on the biggest alternative exchanges as follows: 33.3 million on Chi-X (19.0 million), 8.8 million on BATS (3.9 million) and 7.0 million on Turquoise (5.7 million).

The closing price of the Amer Sports Corporation share on the Nasdaq Helsinki stock exchange in 2015 was EUR 26.97 (2014: 16.06). Shares registered a high of EUR 28.07 (16.79) and a low of EUR 15.37 (13.76). The average share price was EUR 22.57 (15.26). On December 31, 2015 the company had a market capitalization of EUR 3,164.7 million (1,880.7), excluding own shares.

At the end of December, Amer Sports Corporation had 17,991 registered shareholders (18,206). Ownership outside of Finland and nominee registrations represented 51.2% (46.2) of the company's shares. Public sector entities owned 14.8% (15.9), financial and insurance corporations 12.2% (14.8), households 11.7% (12.4), non-profit institutions 6.9% (7.2), private companies 2.2% (2.3) and Amer Sports 1.0% (1.2).

Major shareholders, December 31, 2015 (does not include nominee registrations nor shares held by the company)

		Shares	% of shares and votes
1.	Keva	5,277,261	4.45
2.	Maa-ja vesitekniikan Tuki ry.	5,000,000	4.22
3.	Varma Mutual Pension Insurance Company	4,440,680	3.75
4.	Mandatum Life Insurance Company	3,937,654	3.32
5.	Brotherus Ilkka	2,692,265	2.27
6.	Ilmarinen Mutual Pension Insurance Company	2,650,000	2.24
7.	Elo Mutual Pension Insurance Company	2,301,000	1.94
8.	The State Pension Fund	950,000	0.80
9.	Kaleva Mutual Insurance Company	870,000	0.73
10.	Nordea Fennia Fund	843,500	0.71

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, 2015

Shareholder	Shares	Related parties and controlled corporations
Board of Directors		
Anssi Vanjoki	18,410	
Ilkka Brotherus	2,692,265	9,250
Martin Burkhalter	14,253	
Christian Fischer	14,253	
Hannu Ryöppönen	26,712	
Bruno Sälzer	14,253	
Lisbeth Valther	845	
Indra Åsander	5,576	
Executive Board		
Heikki Takala	171,069	
Robert Barker	22,780	
Michael Dowse	50,942	
Victor Duran	50,613	
Matthew Gold	40,712	
Terhi Heikkinen	40,356	
Bernard Millaud	58,852	
Mikko Moilanen	40,415	390
Heikki Norta	0	
Jean-Marc Pambet	71,443	
Michael Schineis	58,732	
Jussi Siitonen	61,607	300
Vincent Wauters	75,408	
Michael White	47,847	
TOTAL	3,577,343	9,940
% of shares	3.0	0
Including circle of acquaintances and controlled corporations	3,587,283	
% of shares	3.0	

During the year, the Group had three share-based incentive plans and one cash-based long-term incentive plan effective for Group key personnel. On December 17, 2015, The Board of Directors of Amer Sports Corporation approved two new share-based incentive plans for the Group key personnel, Performance Share Plan 2016 and Restricted Stock Plan 2016. The long-term incentive plans are described in the notes to the financial statements.

DECISIONS OF THE GENERAL MEETING OF SHAREHOLDERS

At the Amer Sports Corporation Annual General Meeting held on March 12, 2015, the following resolutions were approved:

Adoption of the annual accounts

The Annual General Meeting (AGM) approved Amer Sports' financial statements for 2014.

Resolution on use of the profit shown on the balance sheet and the payment of dividend

The AGM resolved to distribute a dividend of EUR 0.45 per share to be paid for the financial year ended December 31, 2014. The dividend was paid to shareholders who were registered on the list of shareholders maintained by Euroclear Finland Ltd as of March 16, 2015, which was the record date for the dividend payment. The dividend was paid on April 1, 2015.

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 2014.

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 2016 remains unchanged from 2014 and be as follows: Chairman EUR 100,000, Vice Chairman EUR 60,000 and other members EUR 50,000 each. No extra remuneration is paid for attending 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.

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 eight (8).

Election of members of the Board of Directors

The AGM re-elected Ilkka Brotherus, Martin Burkhalter, Christian Fischer, Hannu Ryöppönen, Bruno Sälzer, Anssi Vanjoki and Indra Åsander as members of the Board of Directors and elected Lisbeth Valther as a new member of the Board of Directors. The Board of Directors' term of service will run until the close of the 2016 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 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 non-restricted 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 the Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The Repurchase Authorization is valid 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 own shares to the Company for free.

The authorization is valid until 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 until 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 Anssi Vanjoki 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: Indra Åsander, Chairman, Ilkka Brotherus, Bruno Sälzer and Anssi Vanjoki

- Nomination Committee: Ilkka Brotherus, Chairman, Martin Burkhalter and Anssi Vanjoki

- Audit Committee: Hannu Ryöppönen, Chairman, Martin Burkhalter, Christian Fischer and Lisbeth Valther.

CHANGES IN GROUP STRUCTURE

In March, Amer Sports divested Nikita and Bonfire brands to CRN Pte Ltd. The combined net sales of Nikita and Bonfire in 2014 were EUR 9.8 million.

In March, Amer Sports announced the acquisition of Louisville Slugger, a leading American baseball brand. The acquisition was finalized on April 22. Louisville Slugger net sales were USD 75 million in 2014. The final acquisition price net of working capital adjustments was USD 72.3 million.

In May, Amer Sports acquired Sports Tracker, a digital sports application and online service.

In July, Amer Sports acquired a functional training systems provider Queenax.

RESTUCTURING PROGRAM TO FURTHER ACCELERATE PROFITABLE LONG-TERM GROWTH TOWARD 2020

Following the successful completion of the restructuring announced in 2012, Amer Sports moved into the next phase of restructuring in July 2014. The primary objectives are to re-ignite profitable growth in Ball Sports and to further accelerate Amer Sports' growth toward 2020, especially in Apparel and Footwear, Business to Consumer, and digital products and services. The program will help to drive further scale and synergies across the Group and it will enable re-allocation of resources into the focus acceleration areas.

Related expenses of EUR 8.0 million were recorded in January-June 2015. The restructuring will be finalized during the first half of 2016.

NEW FINANCIAL TARGETS AND A NEW ACCELERATED GLIDEPATH TOWARD 2020

In August, Amer Sports announced new financial targets and a new five-year glidepath toward 2020 with focus on accelerating profitable growth.

The new financial targets are:

- Net sales: At least EUR 3.5 billion with minimum mid-single digit organic, currency neutral annual growth
- Profit: Annual EBIT growth (excl. non-recurring items) ahead of net sales growth
- Cash flow conversion: Free cash flow/net profit at least 80%
- Net debt/EBITDA: Year-end net debt/EBITDA ratio max 3x

The new glidepath consists of growing the core business and accelerating disproportionally in five prioritized areas: Apparel and Footwear, US, China, Business to Consumer (own retail and e-commerce), as well as digitally connected devices and services.

Compared to the previous financial targets set in 2010, the new targets emphasize accelerated growth, both organic and through acquisitions, and continuously improving profitability. The new 80% cash flow target allows the company to invest appropriately into growth, especially into Apparel and Footwear which are working capital intensive. The net debt/EBITDA target is unchanged.

DIVIDEND POLICY

In March, Amer Sports introduced a dividend policy. The company's dividend policy is to provide a sustainable, steadily increasing dividend reflecting the company's earnings performance. With good performance in the businesses, and improving profitability and cash flow, the company can simultaneously distribute an attractive dividend, implement focused growth projects and act on strategic opportunities.

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 general economic conditions. Economic downturn 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.

- 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 multi-channel sales strategy could have a negative impact on the company's results.

- 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 in built 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 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.

- 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 and decisions of the authorities are assessed regularly.

- Amer Sports' most important production facilities are Winter Sports Equipment factories in Austria and Bulgaria, Fitness factories in the United States, 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, aluminium, 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 U.S. dollar and to lesser extent, from Canadian dollar, Swiss franc, British pound and Japanese yen. Amer Sports uses hedging instruments to mitigate the impact of exchange rate fluctuations.

MATERIAL EVENTS AFTER THE FINANCIAL PERIOD

In January 2016, Amer Sports announced that the company is simplifying its structure with President & CEO Heikki Takala assuming direct responsibility for the company's Apparel business unit and the Arc'teryx brand. Mr Vincent Wauters, President of Apparel and member of the Executive Board, is leaving Amer Sports to pursue his career outside of the company.

OUTLOOK FOR 2016

In 2016, Amer Sports' net sales in local currencies are expected to increase and EBIT margin excluding non-recurring items is expected to improve from 2015, despite challenging market conditions. The company will focus on growing the core business and accelerating in five prioritized areas: Apparel and Footwear, US, China, Business to Consumer, as well as digitally connected devices and services.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF EARNINGS

The parent company's distributable earnings amount to EUR 300,603,235.24 of which the net result for the period is EUR 120,755,258.17.

The Board of Directors proposes to the Annual General Meeting that the distributable earnings be used as follows:

- A dividend of EUR 0.55 per share, totaling EUR 65,184,506.75 to be paid to shareholders
- EUR 235,418,728.49 to be carried forward in distributable earnings

Totaling EUR 300,603,235.24

No dividend will be paid for own shares held by the company.

There have been no significant changes to the company's financial position since the close of the financial period. According to the Board of Directors, the proposed dividend distribution does not endanger the company's financial standing.

Notes:

1. All information found in Appendix I that has been obtained from website of the Target Group: http://amersports.com would be either (i) reproduced exactly as found in the source document; (ii) reproduced without substantial modification from the source document; or (iii) extracted and paraphrased from the source document.

2. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Group does not have any charges on its assets for the nine months ended 30 September 2018 and the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017.

FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group (i) for the year ended 31 December 2015, 2016 and 2017 together with the relevant notes thereto and (ii) the published unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 are disclosed in the following documents which have been published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.anta.com/:

- Pages 88-135 in the annual report of the Company for the year ended 31 December 2015 published on 3 March 2016
- Pages 82-131 in the annual report of the Company for the year ended 31 December 2016 published on 2 March 2017
- Pages 85-137 in the annual report of the Company for the year ended 31 December 2017 published on 7 March 2018
- Pages 37-57 in the interim report of the Company for the six months ended 30 June 2018 published on 23 August 2018

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The management discussion and analysis of the Company for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018 are disclosed in the published annual reports of the Company and the published interim report for the relevant period. Please also see below the links to the relevant annual reports of the Company:

- Annual report of the Company for the year ended 31 December 2015

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0303/LTN20160303653.pdf

- Annual report of the Company for the year ended 31 December 2016

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0302/LTN201703021344.pdf

- Annual report of the Company for the year ended 31 December 2017

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0307/LTN20180307452.pdf

- Interim report of the Company for the six months ended 30 June 2018

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0823/LTN20180823785.pdf

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Markets and Business Review

Market Review

Riding on the Recovery of the Global Economy, Consumer Demands Unleashes Huge Potential

In the first half of 2018, the global economy progressed steadily amid an ongoing recovery. Many countries are implementing reforms to improve productivity and trading competitiveness with technology and innovation, providing strong support to promote the economy's development. Although there are various challenges ahead in terms of international trading, financial markets and geopolitics, the global capital market still shows signs of prosperous development momentum. As the second largest economy in the world, China's economic development continues to forge ahead against the backdrop of reform. According to the National Bureau of Statistics, China's GDP growth was 6.8% year-on-year in the first half of 2018, outperforming market's expectation of 6.7% while maintaining stable and positive momentum. The quality of economic growth continues to improve and the economy is operating steadily amid the reforms.

Meanwhile, inflation in China remains mild with CPI growth at 2.0% in the first half of 2018. Since the beginning of the year, China has been carrying out further supply-side structural reform by proactively developing new industries, business types and business models, deepening government functions reform and enhancing deductions on taxes and fees to promote the growth of the real economy and further stimulate the market's energy and optimize its environment. In the first half of 2018, China's total consumer goods retail sales grew 9.4%. Meanwhile, the Ministry of Finance of China released a note on draft amendments to the individual income tax law of the PRC. Objectively speaking, this will lighten the tax burden on Chinese citizens, which could help to stimulate consumption. As such, apparel-related industries continue to see flourishing market demand.

Policy Support is a Strong Growth Catalyst for the Sportswear Industry

China continues to support the long-term development of its sports industry. Previously, the General Administration of Sport of China released the 13th Five-year Plan for the Development of the Sports Industry, which clearly stated that the total industry scale of China's sports industry will reach RMB3 trillion. According to the State Council of China published "Several Opinions of the State Council on Accelerating the Development of the Sports Industry and Promoting Sports Consumption", which stipulated that the total scale of China's sports industry should exceed RMB5 trillion by 2025. In addition, other policies, such as "Healthy China 2030" and the "National Fitness Program (2016-2020)", were also laying down foundations for the development of China's sportswear industry. These positive policies have provided a powerful boost to growth, showing that China is providing support to the sportswear industry.

We have noticed that China's consumer segments vary according to different objective factors, meaning that we need to strategically allocate – targeting different types of people, distribution channels and consumption capabilities. We believe that continuing our "Single-Focus, Multi-Brand and Omni-Channel" strategy can maximize our penetration across China's business segments and uncover market trends in a timely manner in response to consumers' growing appetite for "athleisure" fashion and stronger demands for "functional", "differentiated" and "premium" sportswear products. From R&D to design, and from production to distribution etc., we have made strategic adjustments in order to keep up with market demands. In response to these challenges, we have built a highly efficient supply chain and a new logistic center to enhance our capabilities, which will further reduce lead times and increase responsiveness to consumer needs.

Increasing Brand Awareness and Reputation by Award and Recognition

During the period, our revenue and profit attributable to equity shareholders reached historical highs, and our distinct investor relations activities have received awards and recognitions from the market. For instance, we were recognized as the "Most Honored Company" for a second year in a row in the Consumer/Discretionary Sector of the All-Asia (ex-Japan) Executive Team Ranking, published by Institutional Investor. In addition, we were recognized for the fourth consecutive year by the Hong Kong Investor Relations Association for our outstanding work in the field, picking up five awards including Best "IR Company", "Best IRO", "Best Investor Meeting", "Best Annual Report" and "Best Investor Presentation Material". Moreover, we have been recognized as "Best IR Hong Kong Listed Company" in the "14th New Fortune Gold Medal Company Secretary and Best Hong Kong Listed Company IR Ranking". We were also ranked among the "Top 100 Benchmark Companies for the Hong Kong Stock Connect" in the first ranking of the "Institutional Investors' Favorite Hong Kong Stock Connect Company", jointly organized by "Yuediaoyan.com" and "Gelonghui.com".

Moreover, we have made strong strides in terms of branding. For example, we were ranked 28th in "2018 Top 50 Most Valuable Apparel Brands" organized by Brand Finance, a British brand valuation and strategy consultancy. ANTA was one of the 10 fastest growing brands in terms of brand value. We were also ranked 78th in the "BrandZ™ China Top 100 2018" published by WPP and Kantar Millward Brown. In recognition of the quality and excellence of our 2016 annual report, we were awarded the "Silver Award, Annual Reports – Overall Presentation: Consumer Goods" at the Mercury Excellence Awards 2017/2018 organized by MerComm, Inc.. Last but not least, because of our overall strength and consistent performance, we were named 63rd within the "Top 100 Hong Kong Listed Companies 2017" organized by the Top 100 Hong Kong Listed Companies Research Center, and also have been listed in the "2018 Forbes' Global 2000" list, ranking at 1,622th on the list.

Furthermore, we were honored to cooperate with ANTA's endorser and NBA Champion player Klay Thompson on a series of successful marketing events in China, such as the "Shock the Game" event, which further increased ANTA's awareness and boosted relevant sales. Meanwhile, brands like ANTA KIDS, FILA, FILA KIDS, DESCENTE, KOLON SPORT, SPRANDI and KINGKOW are all showing satisfactory performance, showcasing the success and effectiveness of our "Single-Focus, Multi-Brand and Omni-Channel" strategy.

Business Review

1. *Continuous Success of the" Single-Focus, Multi-Brand and Omni-Channel" Management Model*

We are determined to explore innovative ways to forge ahead. During the period, we continued to find ways to constantly penetrate our brands into China's complex consumer segments to enhance our market competitiveness. Riding on the success of our "Single-Focus, Multi-Brand and Omni-Channel" strategy, we are able to focus on the sportswear market and achieve outstanding operational results during the period.

ANTA is a functional sportswear brand with ANTA and ANTA KIDS focusing on adult and kids mass sportswear market respectively. FILA is a high-end sportswear brand, while FILA KIDS caters for the high-end kids' sportswear product. DESCENTE is a functional and professional sportswear brand focusing on the high-end market. Moreover, brands within our portfolio enjoy the benefits of synergy with each other whilst satisfying different demands across the market. Each brand provides differentiated products to attract specific targeted consumer groups.

We have built our success on our existing integrated distribution network, including street stores, shopping malls, department stores, outlet stores and e-commerce channels. In response to changes in consumers' shopping behavior, in the future we will develop e-commerce and shopping malls as our key channels for sportswear products, which will help us to enhance our sales growth.

2. *Brand Management*

2.1 ANTA

As a leading sportswear brand in China, ANTA has always been committed to providing the mass market with value-for-money functional products across a diverse range of sports categories: from popular sports such as running, cross-training, basketball and soccer to professional and niche sports such as boxing. As always, ANTA enables professional athletes, sports enthusiasts and individuals to enjoy sport activities with appropriate products.

During the period, ANTA continued its mission to support Chinese athletes. We sponsored 24 Chinese national teams in four major sporting management centers and Chinese Rowing Association, including winter sports, boxing and taekwondo, gymnastics and weightlifting, and wrestling and judo. As COC's official partner, ANTA designed the "Champion Dragon Outfit" for this year's PyeongChang 2018 Olympic Winter Games, which adopted the "dragon" imagery of Chinese tradition. The Chinese athletes wore the outfit whenever they received their honors at the podium; it therefore made a number of appearances during the Olympics and ultimately lifted ANTA's brand awareness further. As the official sportswear partner for the Beijing 2022 Olympic and Paralympic Winter Games, ANTA will continue to strive and provide the COC with the best suited winter sports gear and equipment utilizing new techniques and technology.

As always, ANTA attaches great importance to design, research and development. During the period, to cater to the market trend, we introduced various highly recognized products. In March, meeting the functional demands of outdoor sports, ANTA teamed up with renowned designer RICO LEE and launched the punk-style "Technology Sports" series during Shanghai Fashion Week with tech giant 3M. Furthermore, to celebrate NASA's 60th Anniversary, ANTA launched the "Tribute to NASA" theme for its "SEEED Plan" series sport shoes. The series adopted two types of brand-new self-developed technologies to protect athletes' ankles: "A-FIIIX" artificial ligament technology and "A-PROOO" power-storage capsule technology. We believe that by utilizing ANTA's thoughtful product designs and sport technology applications, athletes can fully realize their potential and better their performance. ANTA continued to team up with NBA Champion Golden State Warriors' Klay Thompson and launched various KT series basketball shoes. These include "KT3-Rocco Basketball Shoes", which was named after his beloved dog, Marvel's crossover "KT3 Black Panther Basketball Shoes" and "KT3 Three Wins Basketball Shoes", which were to commemorate Thompson's third NBA champions with Golden State Warriors wins. "KT3-Rocco Basketball Shoes" in particular drew a long queue of customers after launching. In June, Thompson began his eight-day "Shock The Game" tour in China. In addition to sharing his experience of wearing ANTA sportswear to win the NBA, he also presented awards at "Shock The Game" basketball final match and interacted with basketball fans there.

ANTA has always been committed to promoting soccer in China. In March, ANTA confirmed its strategic partnership with Zhejiang Greentown Football Club, during which it announced the brand-new home shirt designed for the club's 2018 season. This was ANTA's first soccer club collaboration, proving our commitment to developing in this area. With strong production and design capabilities, ANTA provided more than 130 types of training and daily equipment to Zhejiang Greentown, helping football players to improve their performance during matches. In the future, ANTA will develop even more innovative professional soccer kits based on the needs of professional soccer to "Keep Moving" in the realm of Chinese soccer. During the period, ANTA also provided participants with sport outfit in Spartan Race in Shenzhen. This event attracted more than 5,000 participants and allowed them to experience the functionality of ANTA's sport outfit.

2.2 ANTA KIDS

ANTA KIDS has been tapping into the high-growth kids' sportswear market in China since 2008 by providing sportswear products for children aged 0 to 14. Following the Chinese government's easing of the Family Planning Policy, it is widely expected that growth in the kidswear market will be benefited, resulting in an expansion in market scale. ANTA KIDS was the first domestic sportswear brand to enter the market and enjoys a distinct early-entry advantage. The brand consistently promotes its philosophy to "Grow Up with Fun" which involves integrating the spirit of "Fun" in comprehensive experiences as they grow up. ANTA KIDS has successfully enhanced the desirability of its products among consumers and has expanded its market share by providing value-for-money products. Therefore, ANTA KIDS is well-positioned to take advantage of the growing opportunities in this market.

Apart from running, basketball, outdoor, cross-training and lifestyle series, ANTA KIDS also enriched its products' portfolio by launching crossover products with various cartoon characters. After the successful launch of its Hello Kitty and Despicable Me movie series last year, ANTA KIDS joined hands with Marvel heroes, introducing crossover products welcomed by the general public with positive feedback.

ANTA KIDS hopes to grow healthily alongside children and encourage them to enjoy sports. Through its cooperation with famous child stars, ANTA KIDS has established a sporty, energetic and inspiring brand image. In April, ANTA KIDS invited Zhang Yuexuan (Tiantian) – son of the famous model Zhang Liang – as its first endorser. In addition, ANTA KIDS has always properly utilized its brand website and social media platforms for marketing campaigns. Leveraging our abundant and unique resources in the sports sector, ANTA KIDS launched its "Sports Day" event for children to experience ANTA's sportswear while having fun in sports. These marketing campaigns not only enhanced the brand's attractiveness to parents and children, but also encouraged children's participation in sports.

2.3 FILA, FILA KIDS and FILA FUSION

Since acquiring FILA's business in China, Hong Kong and Macao in 2009, we have been actively expanding its business in China, Hong Kong, Macao and Singapore. FILA has been positioned as a high-end sports fashion brand which targets high-end consumers aged between 25 and 45.

Through different product collections, FILA offers consumers unique sportswear products. In addition to series like FILA RED, FILA WHITE, FILA BLUE and FILA ORIGINALE, we also continued our collaboration with Jason Wu, the New York-based Chinese American fashion designer, and Ginny Hilfiger, a renowned American fashion designer, to introduce the brand-new Jason Wu X FILA and FILA Modern Heritage series. Moreover, we also work with famous Chinese celebrities, such as Gao Yuanyuan, Chen Kun and Roy Wang to further enhance our brand image and strengthen our brand recognition in China.

We have always been committed to create fashion trends through integration and innovation to express our fashion philosophy. In June, FILA officially launched a new trendy sportswear series called FILA FUSION. This series expands FILA's presence in the fashion sector by tapping into the youth market. FILA FUSION presents a young, bright, trendy and sporty brand image. With a unique fashion style, FILA FUSION partnered with different world-renowned brands to launch crossover series, ranging from international fashion brand AAPE by A Bathing Ape to Korea brand D-ANTIDOTE and New York streetwear brand Staple. We opened standalone stores for FILA FUSION to target young customers. FILA FUSION teamed up with new designers and top fashion brands around the world to explore the younger generation's fashion style. After receiving remarkably positive feedback from the public, we believe FILA FUSION will continue to provide another comfortable fashion experience for our customers.

As for FILA's kidswear brand, FILA KIDS aims to provide high-end apparel and footwear for children aged 3 to 15 since its launch in China in 2015. By inheriting the elegant and unique style of FILA, FILA KIDS has become widely popular within the kidswear market. During the period, FILA KIDS introduced a brand-new Milan Garden Kidswear collection. By integrating the essence of summer with sports and fashion, this collection extensively reflected the brand's elegant style. We believe that FILA KIDS will continue its growth trajectory and make a meaningful contribution to the FILA's overall sales.

While FILA stores are mainly located in first- and second-tier cities in China, the brand continues to open stores in cities with potential across China, Hong Kong, Macao and Singapore. As part of its plan to continuously upgrade and revitalize stores, FILA has worked to enhance store efficiency by expanding the size of its stores. During the period, the number of FILA stores has increased steadily. In May, FILA opened two flagship stores on Nanjing Road and Huaihai Zhong Road in Shanghai at the same time. Establishing a strong presence in Shanghai's core commercial district showed the strong growth momentum of the brand.

2.4 DESCENTE

In 2016, we formed a joint venture company to exclusively operate and engage in the design, sale and distribution of products bearing the "DESCENTE" trademark in China. DESCENTE focuses on high-end sportswear products, including skiing, cross-training and running, amongst others.

After two years of development, DESCENTE has quickly established its brand position as a functional and professional sportswear brand in China. Leveraging 83 years of brand heritage, DESCENTE targets customers aged 25-35 who seek functional and well-designed products. It has been active in expanding its retail footprints in the high-end segments of the Chinese sportswear market, becoming the brand of choice for skiing, cross-training and running enthusiasts. This has improved the brand's sales performance, showing that it has played an important role in our Multi-Brand strategy.

In terms of brand promotion, during the period, we invited Daniel Wu, a famous movie star, director and producer, to become DESCENTE's first Chinese endorser, embodying DESCENTE's brand concept of professionalism, innovation and a spirit that dares to challenge. Furthermore, we invited famous yoga tutors to lead a series of women fitness courses themed "Design Your Moves" in Shanghai, Chengdu, Beijing and Nanjing. "Design Your Moves" aimed to promote sports with the utmost safety and comfort of SPIRITUAL products series, encouraging women to explore their own potential and express themselves through sports. As sports have becoming one of popular lifestyle activities among people living in urban areas, we will leverage DESCENTE's technical edge to focus on professional and high-end sportswear, meeting each sports enthusiast's demand to exceed themselves in the midst of challenge.

Following the conclusion of the PyeongChang 2018 Olympic Winter Games, winter sports in China have attracted an unprecedented level of attention as the country prepares to host the Beijing 2022 Olympic and Paralympic Winter Games. With first-mover advantage and a focus on the fast-growing winter sports market, we are confident that DESCENTE will grasp the huge potential of the winter sports market and forge itself into one of the most successful sportswear brands in China ahead of the Beijing 2022 Olympic and Paralympic Winter Games.

2.5 SPRANDI

SPRANDI is a fashion and lifestyle sportswear brand, mainly focusing on fashion athletic footwear market. By opening more physical stores and e-commerce platforms, SPRANDI continued to grow and penetrate into the emerging middle-class in China.

With a focus on innovative technology and the pursuit of a highly comfortable athletic experience, we launched SPRANDI Lifestyle and SPRANDI Active footwear series. Queen Lite of the SPRANDI Lifestyle series is designed to hide elevator heels and achieve a seamless combination of appearance with a practical and comfortable design. Powercell training shoes of the SPRANDI Active series have excellent rebound, allowing wearers to reduce the impact experienced during exercise. SPRANDI continues to improve its competitive differentiation through original design and has enhanced its brand image via seasonal promotions activities with various themes.

2.6 KOLON SPORT

Founded in 1973, KOLON SPORT has been promoting the development of outdoor lifestyle. We formed a joint venture company to operate KOLON SPORT in China, Hong Kong, Macao and Taiwan since 2017. KOLON SPORT always strives for excellence in its product design. It not only satisfies the functional needs of adapting the natural environment, but also shows personality in urban life through bold design and tailoring. Combining outdoor with fashion, it balanced fast-paced modern life with nature. We are confident that with the rise of China's middle class and the millennial generation, KOLON SPORT will expand its footprints in the outdoor sportswear market.

2.7 KINGKOW

Founded in 1998, KINGKOW is a famous kidswear brand targeting the mid-to high-end market. With excellent design and premium quality, KINGKOW is favored by kids aged 0 to 14. Our acquisition of KINGKOW in 2017 will not only help us to reinforce our presence in the kidswear market, but will also strengthen our multi-brand strategy in the same market. During the period, we successfully improved KINGKOW's store efficiency and inventory turnover through optimization of store networks.

3. Distribution Network Management

3.1 Omni-Channel Management

We continued to implement our retail-oriented strategy and have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. We have also conducted ongoing research on our target customers to find out more about their specific desires as well as to create a more comfortable shopping environment within our stores. In the meantime, we have optimized our retail management capability while enhancing our retail channels in China, including street stores, shopping malls, department stores, outlet stores and e-commerce platforms.

We organize quarterly trade fairs to launch and sell new seasonal collections of ANTA and ANTA KIDS products. These trade fairs occur approximately six months ahead of the introduction of a new season's products to the market to allow smooth order placements and product manufacturing. During the period, ANTA introduced new styles in over 490 footwear, 1,100 apparel and 450 accessories.

In order to offer professional and value-for-money sportswear, we have established a nationwide distribution network for ANTA, creating a competitive advantage in second- and third-tier cities. Most ANTA stores are operated in the form of street stores, but we are also actively expanding our presence in large shopping malls and department stores. During the period, we also continued to streamline and upgrade our retail management practices by introducing ANTA's eighth generation stores to deliver the latest customization services and improve shopping experiences for consumers. In these eighth generation stores, our products are displayed to offer maximum efficiency, appeal to shoppers, and ensure customers can find suitable products easily and comfortably. We have designed each store with a theme embodied in the central display area, while each layout has its unique and attractive characteristics.

On the other hand, the children's sportswear market has experienced rapid growth in the past few years and the momentum is expected to remain strong, supported by the implementation of China's two-child policy. In light of the promising opportunities in this market, ANTA KIDS sportswear series with its value-for-money and comfortable products, has successfully targeted children aged 0 to 14 in the mass market. ANTA KIDS stores also focus on second-and third-tier cities.

While the mass market is expected to grow rapidly, the potential of the high-end market should not be overlooked. High-end consumers tend to pay more attention to details and prefer personalized products. FILA and DESCENTE have created a platform to capture the high-end sportswear market with their fashionable and professional products. With a view to target the high-end children's market, FILA launched FILA KIDS. FILA KIDS continues to gain awareness in the high-end market by incorporating the unique elegance style of the FILA brand into FILA KIDS products. DESCENTE, FILA and FILA KIDS stores are mainly located in shopping malls and department stores of first- and second-tier cities.

We believe that the sustainability of our distribution network and the quality of the stores, including location, size, efficiency and interior decoration, are more important than the actual number of stores. Hence, we closed smaller and less efficient stores, and replaced them with larger and more attractive stores in prime locations to improve the overall performance of our stores.

As at 30 June 2018, the total number of ANTA stores in China (including ANTA KIDS standalone stores) was 9,650 (end of 2017: 9,467). FILA (including FILA KIDS and FILA FUSION standalone stores) had a total of 1,248 stores in China, Hong Kong, Macao and Singapore (end of 2017: 1,086) and DESCENTE had a total of 85 stores in China (end of 2017: 64).

3.2 Improving Retail Management Capabilities

With a consumer-centric and retail-oriented strategy, we have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the period, we continued to work closely with our retailers to optimize our retail management capability.

First, we established a retail-oriented mindset and appraisal system. We believe the most effective approach to retail channel management is to consider ourselves a retail company. Hence, we emphasized retail efficiency in our corporate culture and values, and established a consumer-oriented retail management appraisal system to measure our performance according to retail operating data.

Second, our retail data and market information are shared with our suppliers and retailers. Effective communication contributes to the success of our retail-oriented strategy. From the product planning stage, we work closely with retailers to gather customer feedback so that we can develop products that are truly welcomed by the market. Analysis of product sales performance and customers' feedback gathered by our real-time monitoring system are shared with our retailers on a regular basis. Such timely market information and retail data also enable us to stay abreast of consumer demands and to formulate more accurate product development plans, as well as future order guidance and replenishment order forecasts for retailers.

Third, we provide precise future order guidance to retailers to prevent inventory accumulation. We believe that healthy inventory levels can avoid deep discounts, which will in turn stabilize retailers' profitability and ensure sustainability. Therefore, we aim to provide precise future order guidance on a per store basis, so as to allow greater accuracy of orders and stabilize in-store inventory levels. We also encourage our retailers to be flexible in placing replenishment orders to reduce their inventory risks. At the same time, our well-managed clearance channels, including outlet stores and e-commerce platforms, enable our distributors to reduce inventory risk at a faster pace.

Fourth, we require all our retailers to strictly follow our retail policies. In order to strengthen their competitiveness and profitability, we thoroughly examine our retailers' store opening plans and ensure that our stringent retail policies are being followed. We insist on maintaining a consistent store image across our nationwide distribution network, and the standardization of product display equipment and POP materials which highlight quarterly marketing themes. During the period, we continued to encourage retailers to upgrade their store layouts in line with our latest store image.

Fifth, we help retailers to optimize their operating performance and store efficiency. We adopted a flattened sales management system and streamlined our distribution structure to facilitate our interactions with the retailers. Through a comprehensive monitoring system, including a real-time ERP system, weekly reports submitted by our POS and channel checks by our sales teams, we are able to closely monitor retailers' performance and carry out immediate measures to help improve the operational efficiency of the retail stores.

Sixth, our brands ultimately reach customers through our nationwide distribution network. An attractive store image and unique shopping experience play a key role in enhancing retail efficiency and boosting customer traffic. With the continuous renovation and upgrade of our stores, we are able to offer customers a more pleasant and customized shopping experience, thus increasing sales and store efficiency. This is the reason behind the introduction of the eighth generation stores. Store decorations and promotional materials, such as in-store posters and product display equipment, are provided to retail stores to highlight the marketing themes and product story of the season. During the period, we also further optimized our visual merchandising to put our signature products, such as the KT series, along with other basketball, cross-training and professional running series, in the spotlight.

3.3 E-Commerce

Online shopping channels have become increasingly important, so we hope to support our "Single-Focus, Multi-Brand and Omni-Channel" strategy with a clear strategy for our e-commerce business. On the back of the rising importance of e-commerce within the retail industry, we have expanded and improved our e-commerce business. We offer a wide selection of new products by launching exclusive online products and offline in-season products to cater increasing demands in the online market.

Our e-commerce business offers products of different brands under our Group. It has already become a comprehensive and interactive platform which makes online shopping more convenient, ensures reliable delivery and offers quality after-sales services. In addition to the official online flagship store of each brand, we have collaborated with various renowned e-commerce platforms, including Tmall, JD, Vipshop etc. to further boost the performance of our e-commerce business. The business also made a breakthrough in the integration of our online and offline channels, such as the launch of ANTAUNI on Tmall.

Under our strict guidelines and policies, we only allow authorized third party online retailers to sell our products on online stores. Moreover, we have allowed some of our most outstanding offline distributors to sell ANTA products online to maximize the mutual benefits between web-based and brick-and-mortar stores.

We believe corporations should adapt swiftly to cope with changing environments, especially with the rising importance of e-commerce. Our experienced online sales team has been helping us to attract more online shoppers and we have used different methods to achieve this goal. For example, we optimized our e-store interface, improved product descriptions and presentations, and enhanced our product search and cataloging functions. We standardized all our online product launch schedules, priorities and styles, which created synergy and prevented competition between our online and offline retailers. In addition, we provide comprehensive customer services, including secure payment systems, a well-established supply chain, fast and reliable delivery services, VIP membership and product return guarantees. We believe the positive feedback from our customers will help us to establish a solid brand reputation that we have built up. Our e-commerce segment is gaining prominence in our business and we will continue to explore further profitable market opportunities.

4. Supply Chain Management

As a leading sportswear company in China, we recognize the importance of effective supply chain management. We understand that suppliers and distributors must develop in tandem with us to avoid negative impacts on our operations. In addition to implementing a strict partner and supplier selection regime, we are also committed to provide assistance to suppliers and partners to enhance their governance, production and operation standards.

We will assess suppliers in many aspects, including the performance of credibility, contractual spirit, capital and environmental protection etc., during the consideration process. We will evaluate in terms of products, prices and company sizes etc., in order to meet our basic requirements. Meanwhile, we ensure the capabilities in research and development, production management, corporate social responsibility and quality management systems to reach industry standards, including the ISO international standards.

We strengthened our supply chain to help us to produce differentiated products effectively. We revised our performance based on incentive system to motivate suppliers to make improvements. Based on some minimum requirements including health and safety, anti-discrimination and anti-child labor, we created a metric system that integrates suppliers' performance and results, and generates scores and rankings. As their performances have continued to improve, we encouraged and assisted suppliers to apply for international accreditations. In the long run, we will reward those with high ratings with increased orders and additional resources and allowances.

Apart from keeping in close contact with suppliers, from time to time, we also hosted training camps and annual meetings with suppliers to share our plans and trends within the industry. These initiatives have encouraged them to produce more innovative products.

Supported by high quality OEMs, our in-house manufacturing facilities have extra capacity to efficiently and flexibly meet unexpected demands in a cost-effective manner. We have also further improved our supply chain to shorten the production lead times, allowing us to capture consumer demands in a timely manner. In addition, we fully support our supply chain partners' efforts to enhance quality controls and workflow efficiency, and to improve their responsiveness to changing market conditions. We were also able to accurately and efficiently keep track of additional orders, therefore improving the growth prospect of our business.

We have also strategically combined in-house and outsourced production to better respond to market conditions and changes in consumer preferences. In order to be more flexible in fulfilling replenishment orders and maintain our cost advantage, we have further optimized the efficiency of our production process. During the period, self-produced footwear and apparel of ANTA accounted for 34.3% and 13.3%, of the total sales quantities respectively (20171H: 39.1% and 16.7%).

5. Product Management

We believe technological innovation, original design and product safety are the keys to product differentiation. As part of our ongoing focus on product innovation, our R&D costs as a percentage of our cost of sales reached 6.2% during the period. Besides A-Jelly, A-Loop, A-Livefoam, A-Strata, A-Proofrain and A-Web technologies, we also introduced A-Flashfoam 2.0 running shoes, featuring A-Web technology to enhance breathability and improved Flashfoam midsole materials to lower the weight of the running shoes. This technology can effectively absorb shock to prevent injuries while maintaining stability, allowing runners to experience a completely different running experience.

On the other hand, ANTA launched KT Light III basketball shoes combining A-Liveknit technology. Inheriting KT Light series' light and breathable features, the third-generation KT Light series featured A-Shock Stablizer's cushioning technology in the shoe sole and lateral protection with wrapped TPU.

6. Quality Control

We strongly believe that quality control plays an important role in our daily operations. In this highly competitive industry, the key to strengthen the market share is to design and manufacture comfortable, safe and high quality sportswear products for consumers. We picked our business partners by utilizing our extensive evaluation mechanism, and persuaded them to possess certifications in manufacturing and quality management system, thus attaining the ISO international standards.

We conduct multiple safety tests based on the internal product quality guidelines, including the sharpness of the edges of a product, the residues of broken needles and the amount of hazardous chemicals, before sending the products to the distributors. If defective products with materials and sewing products are found after shipment, our employees will follow the strict "Product Recall Management System" to recall the products and ensure the defective products are handled properly. For all products that do not comply with any regulation, found to be defective during self-inspection process, or have a recall rate for more than 5%, we will announce the recall within one working day after confirming the decision. Meanwhile, we will also notify the distributors to return the defective products.

In the meantime, most of the non-manufacturing systems of our Group have obtained ISO 27001 certification in information security management system, and we have established a comprehensive information safety and management system.

Among all, we are regulating the safety management regulations, legal compliance management requirement and network access regulations for all third parties and outsourcing businesses, according to the "26 Information Security Systems". Furthermore, we restricted data access rights for our employees in order to reduce the risk of data leakage.

7. Human Resources Management

Our success is attributed by the cooperation and sincerity by our employees. Our business is considered a highly labor-intensive industry. The safety and well-being of our employees are critical to our operational efficiency and corporate image. To ensure our long term development to be steady and progressive, we promise to fully abide by all kinds of law and regulations, thus creating a safe and friendly work environment.

It is our responsibility to ensure our employees can work in a safe and harmonious environment. Through implementing various safety policies and procedures, we are committed to minimizing the potential risks in the work environment and avoid work injury. Based on different roles of our employees, we provide suitable protective equipment according to their job functions, for instance, how the procedures, materials and machinery need to be contacted and handled. We also arrange relevant safety training to make sure our employees understand the potential risks of their work. The training will also provide guidelines on how to operate the machines properly to avoid accidents caused by any misunderstanding. Further, to ensure our employees strictly follow the related rules and regulations, we do not only provide timely safety training, but also arrange supervisors to inspect the frontline occasionally, making sure our employee's behaviors are aligned with the safety regulations. We provided employees with comprehensive benefits and protection. Since 2017, we launched "Worry-Free Medical Program" and "Sweet Home Plan" to employees, in the meantime we provided comprehensive benefits and protection for employees, as well as sophisticated training programs, in order to afford appropriate opportunities for employees to unleash their talents and potentials.

In terms of equal opportunities, we value the individual preferences of our employees, regardless of their gender, age, religion and race, and we hope to provide opportunities based on talents and merits. As at 30 June 2018, we had around 22,500 employees (end of 2017: 18,800 employees) in total.

Financial Review

Revenue Breakdown by Product Category

The following table sets out the contribution to the revenue by product category for the financial period:

	Six months ended 30 June				
	2018		**2017**		**Changes**
	(RMB million)	*(% of revenue)*	*(RMB million)*	*(% of revenue)*	*(%)*
Footwear	4,108.4	38.9	3,387.2	46.3	21.3
Apparel	6,065.0	57.5	3,684.8	50.3	64.6
Accessories	380.1	3.6	251.2	3.4	51.3
Overall	10,553.5	100.0	7,323.2	100.0	44.1

During the financial period, the Group's revenue increased by 44.1% as compared with the same period of 2017, mainly driven by strong growth in apparel sales.

Gross Profit and Gross Profit Margin Breakdown by Product Category

The following table sets out the gross profit and the gross profit margin by product category for the financial period:

	Six months ended 30 June				
	2018		**2017**		**Changes**
	Gross profit *(RMB million)*	**Gross profit margin** *(%)*	**Gross profit** *(RMB million)*	**Gross profit margin** *(%)*	*(% point)*
Footwear	2,057.2	50.1	1,632.4	48.2	1.9
Apparel	3,502.8	57.8	1,972.7	53.5	4.3
Accessories	166.4	43.8	98.6	39.3	4.5
Overall	5,726.4	54.3	3,703.7	50.6	3.7

Due to the increased contribution from retail operations, the Group's overall gross profit margin for the financial period increased 3.7% point as compared with the same period of 2017.

Other Net Income

Other net income for the financial period amounted to RMB245.0 million (2017: RMB172.5 million), which mainly comprised of government grants of RMB225.1 million (2017: RMB154.0 million). The government grants were provided to the Group in recognition of its contribution towards the local economic development.

Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue increased by 2.4% point for the financial period mainly due to additional expenditures in relation to the COC sponsorship and retail level marketing and promotional activities. The ratio of staff costs to revenue decreased by 0.6% point mainly due to the notable growth in revenue. The ratio of R&D costs to cost of sales increased by 0.4% point as the Group continued to enhance its overall R&D capability.

Operating Profit Margin

Operating profit margin decreased by 0.4% point to 25.5% for the financial period, in spite of the 3.7% point increase in the gross profit margin. It was mainly due to increase in selling and distribution expenses.

Net Finance Income

Total interest income for the financial period amounted to RMB107.2 million (2017: RMB76.5 million). Such increase was mainly driven by the increase in average amount of bank deposits and bank balances as compared with the same period of 2017, and purchase of listed held-to-maturity debt securities during 2nd half of 2017.

Total interest expense amounted to RMB9.3 million (2017: RMB12.5 million) for the financial period.

Effective Tax Rate

Effective tax rate was 27.5% for the financial period (2017: 26.3%). The increase was mainly due to tax effect of unused tax losses not recognised in respect of newly joined brands.

Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 1.4% point to 18.4% for the financial period, in spite of the 0.4% point decrease in operating profit margin. It was mainly due to the net foreign exchange loss recorded during the financial period while net foreign exchange gain was recorded for the same period of 2017.

Write-down of Inventories

Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories and charged to profit or loss. During the financial period, reversal of write-down of inventories amounting to RMB2.9 million was credited to profit or loss (2017: write-down of inventories amounting to RMB20.6 million was charged to profit or loss).

Provision for Doubtful Debts

The Group keeps assessing the expected credit loss of all receivables and establishes a provision for the doubtful debts. During the financial period, provision for doubtful debts amounting to RMB38.8 million was charged to profit or loss (2017: RMB48.0 million).

Dividends

The Board has declared an interim dividend of HK50 cents per ordinary share in respect of the financial period, representing a payout of RMB1,169.8 million (2017: RMB930.0 million), or a distribution of 60.1% (2017: 64.1%) of the current period's profit attributable to equity shareholders.

Liquidity and Financial Resources

As at 30 June 2018, the cash and cash equivalents of the Group amounted to RMB6,932.6 million which were mainly denominated in RMB, HKD and USD, representing a decrease of RMB35.0 million as compared with the cash and cash equivalents of RMB6,967.6 million as at 31 December 2017. This is mainly attributable to:

- Net cash inflow from operating activities amounted to RMB1,475.7 million.

- Net cash outflow from investing activities amounted to RMB1,311.1 million, including mainly net placements of fixed deposits held at banks with maturity over three months of RMB729.5 million, payments for purchase of other financial assets of RMB326.7 million and capital expenditures of RMB252.4 million.

- Net cash outflow from financing activities amounted to RMB213.5 million, mainly including the payment of the final and special dividends in respect of the financial year 2017 amounting to RMB1,238.2 million, the net drawdown of bank loans amounting to RMB1,055.4 million and the payments of interest expenses on bank loans amounting to RMB4.1 million.

As at 30 June 2018, total assets of the Group amounted to RMB20,641.6 million, of which current assets were RMB16,567.1 million. Total liabilities and non-controlling interests were RMB6,186.6 million and total equity attributable to equity shareholders of the Company amounted to RMB14,455.0 million. The Group's gearing ratio was 6.0% as at 30 June 2018 (as at 31 December 2017: 0.8%), being a ratio of bank loans (as at 30 June 2018: RMB1,236.2 million; as at 31 December 2017: RMB147.9 million) to total assets. The bank loans were denominated in RMB and HKD, and repayable within one year.

	2018	**2017**
	(RMB million)	*(RMB million)*
Six months ended 30 June		
Net operating cash inflow	1,475.7	2,057.8
Capital expenditures	(252.4)	(282.9)
Others	2.6	50.0
Free cash inflow	1,225.9	1,824.9
As at 30 June		
Cash and cash equivalents	6,932.6	9,559.7
Fixed deposits held at banks with maturity over three months	3,165.9	877.2
Pledged deposits	158.6	194.6
Bank loans	(1,236.2)	(110.0)
Bills payable	–	(490.0)
Net cash position	9,020.9	10,031.5

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 15 days due to the increased contribution from retail operations. The average trade receivables turnover days and the average trade payables turnover days decreased by 4 days and remained unchanged respectively. Such turnover ratios remained at relatively normal levels.

Pledge of Assets

As at 30 June 2018, the Group had bank deposits of RMB158.6 million (as at 31 December 2017: RMB150.0 million) pledged to secure bankers' documentary credits for certain contracts and construction projects.

Capital Commitments and Contingencies

During the financial period, certain capital commitments were utilised in the additions to construction in progress, which was mainly related to the Group's new logistic center in the PRC.

As at 30 June 2018, the Group had capital commitments of RMB728.6 million, primarily relating to the construction of the new logistic center and the expansion of retail channels.

As at 30 June 2018, the Group did not provide any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group continues to manage financial risks in a prudent manner and proactively adopts internationally recognized corporate management standards to safeguard the interests of shareholders. As the functional currency of most non-PRC entities is the Hong Kong dollar and those financial statements are translated into RMB for reporting and consolidation purposes, foreign exchange differences arising from the translation of such financial statements are directly recognized in equity as a separate reserve. As the Group conducts business transactions principally in RMB, the exchange rate risk at the Group's operational level is not significant. Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

The Group continues to seek business opportunities such as acquisition of and cooperation with international sportswear brands so as to increase the returns on shareholders' equity.

During the financial period, the Group made no significant investment or any material acquisition or disposal of subsidiary.

Placing and Top-up Subscription

References are made to the announcements of the Company dated 22 March 2017 and 31 March 2017 in relation to the placing of existing Shares and top-up subscription of new Shares under the general mandate.

The gross proceeds from the placing and top-up subscription were approximately HK$3,792.3 million and the net proceeds after deducting all relevant expenses were approximately HK$3,787.4 million (equivalent to RMB3,394.1 million).

Up to 30 June 2018, the Group has not used any net proceeds from the placing and top-up subscription. The Group is committed to seek business opportunities such as acquisition of, and cooperation with, international sportswear brands. The Company shall use the net proceeds from the placing and top-up subscription (i) to finance (in whole or in part) such business opportunities as and when appropriate opportunities arise, certain of which could be significant; and/or (ii) as general working capital of the Group.

Future plans for material investment

Prospects

In 2018, we see both opportunities and challenges in the market. As China welcomes its 40th anniversary of reform and opening-up, investment themes such as "new economy" and "consumption upgrade" continue to attract market's attention. Meanwhile, riding on the support from the government, the sportswear industry forges ahead rapidly. The Group will continue to uphold our philosophy of "Keep Moving" in order to enhance our capacity in every aspects and to improve the performance of Chinese brands and products.

We will continue to take the advantage of the "Single-Focus, Multi-Brand and Omni-Channel" strategy, constantly campaigning in all cities among China. We will promote sportswear products across the board – from professional to athleisure, from high-end to mass market, from more popular sport category such as running, cross-training and basketball, to niche segments such as skiing and outdoor – penetrating all types of consumers. We are also dedicated to representing China's sports brands globally by implementing our vow to "Be the World's ANTA". Furthermore, we will also seize the opportunity of "consumption upgrade" in China through constant innovation, thus improving confidence in our brand.

We currently find the consumption sector going through an era of "upgrades". As consumers' preferences are more personalized and sophisticated, they prefer new, spectacular and upgraded experiences and products at competitive prices. Channels such as street stores, shopping malls, department stores and outlets are also undergoing structural changes. The internet has subversively changed the retail situation which helps consumers to select and purchase the newest branded products in a more convenient way. E-commerce enables brands to deliver better shopping experiences to consumers directly. Therefore, to realize healthy growth between online and offline, the Group leverages online platforms to maximize consumer experiences and strives to convert online traffic to sales in different channels.

In the future, we will continue to enhance operational efficiency and optimize our supply chain management in a cost-effective way as well as to ensure they can cope with corporate social responsibility standards. Furthermore, we will increase ANTA's presence in department stores and shopping malls to optimize our retail portfolio. Simultaneously, we will continue to improve our store efficiencies and open more stores in prime locations. Finally, in response to the boom of e-commerce, we have integrated our online and offline streams, taking advantage of logistics and big data to realize full coverage across omni-channels.

Transformation

Transformation is the art of constant renewal and reinvention. In the past decades, the Group has made several breakthroughs in our operational model. We transitioned from the manufacturing and wholesale model ("phase 1.0"), to branding wholesale ("phase 2.0"), to branding retail ("phase 3.0"), to the current "Single-Focus, Multi-Brand and Omni-Channel" ("phase 4.0"). After years of development, the philosophy of adapting to momentum has been deeply implanted into our genes. Thanks to this, we are able to grasp opportunities in time and prevent potential risks. Moving forward, we will optimize the speed to market initiative and constantly increase the proportion of replenishment orders aside from trade fair orders, further improving our products' ability to meet consumer demands and optimizing our inventory levels.

Innovation

Nowadays, consumption trends are constantly changing as consumers demand products not only look good but are also high quality and price right. Since China's middle class is continuously growing, we will continue to upgrade the brand image to a brand that they "want-to-buy", and will continue to enhance on innovation and quality in order to produce sportswear that can benchmark with international standard. We will also augment our self-designed R&D capabilities by delving into each brand's specialty to innovate more revolutionary technologies.

Upgrading

In the future, the Group will maintain our focus on upgrades in brands, consumption, management model, structure of talent and culture. This will lead us to a new era since establishing our business. We will continue to propagate the culture of "Benchmarking High Standards" – learning from outstanding companies domestically and overseas. We will also encourage our employees to become innovative by upgrading our organization's effectiveness. We will enhance management of our managerial staff and integrate global resources to serve our consumers. During the period, our integrated logistic center in Jinjiang which equipped with intelligence and automation technologies will benefit us in the long run.

By the end of 2018, we expect the total number of ANTA stores (including ANTA KIDS standalone stores) in China to reach 9,700-9,800, and the total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) in China, Hong Kong, Macao and Singapore to reach 1,400-1,500. Meanwhile, our DESCENTE will penetrate deeper into first- and second-tier cities, with a focus on opening stores in prime locations and strengthening its market position. It is expected to have 100-110 stores in China by the end of 2018. KINGKOW will have a total of 60-70 stores and SPRANDI will have over 100 stores by the end of 2018, while KOLON SPORT will have a total of 200-210 stores.

FOR THE YEAR ENDED 31 DECEMBER 2017 ("FY2017")

Markets and Business Review

Market Review

China's Economy in Transition, Moving from High-speed to High-quality Growth

In 2017, China's economy sailed through a difficult year filled with global uncertainties and challenges.

According to the National Bureau of Statistics of China, China's GDP growth rate was 6.9% in 2017, a total GDP of RMB82.7 trillion, slightly better than 6.7% in 2016. The total retail sales of consumer goods grew 10.2% to RMB36.6 trillion, representing 44% of total GDP, thus becoming the main driver. Urban and rural per capita disposable income increased 6.5% and 7.3% respectively, which undoubtedly stimulated China's consumer market.

On the other hand, China's CPI grew 1.6% in 2017, suggesting that China is currently going through a mild inflationary phase. The growth of the Chinese sportswear industry remained relatively solid supported by a number of factors, including a rise in disposable income, preparation for certain large sporting events, policy support, a growth for sports passion amongst the general public, and the increasing trend for Chinese to pursue a healthy lifestyle.

With the aim of increasing mid to high end consumption, China also set up the goal of building advanced manufacturing and moving up the value chain. China made more effort in elevating the quality of consumer goods. We believe this initiative will be a new engine for Chinese economic growth.

Leveraging the Competitive Edge on Our Comprehensive Brand Portfolio to Enhance Market Penetration in All Segments

China's sportswear market continues to expand with changing consumer behavior and surging demand. Meanwhile, consumer preferences increasingly focus on the pursuit of personality, value and experience. Moreover, distribution channels are also going through structural changes with further integration of online and offline channels. We also found that Chinese consumer segmentation varies from city to city in terms of demographics, distribution channels and spending power. Therefore, we need to continue to leverage our "Single-Focus, Multi-Brand and Omni-Channel" strategy to further penetrate different market segments in China.

Based on our analysis of the market, we found that the China market is unique in its growing appetite for "athleisure" fashion and a stronger demand for "functional", "differentiated" and "premium" sportswear products. As a result, sportswear brands need to be nimble in response to market demand, from R&D stage to design, and from production to distribution and logistics in order to keep up with consumer demands. In response to these challenges, we have built a highly efficient supply chain, with a new logistics center that is set to commence operation in 2018, which will further reduce lead times and increase responsiveness to consumer needs. In the meantime, we entered into a "Trademark/Copyright License Agreement" with the Chemours Company for Teflon EcoElite™ renewably-sourced water repellent. This agreement allowed us to become the sole sportswear company in China to have a Teflon EcoElite™ trademark/copyright license and launch our ANTA product line, the "Rain-Breaker" using Teflon EcoElite™. In the first half of 2017, we also launched the first running shoes featuring A-Livefoam technology. This technology improved the comfort as well as breathability of the shoes, allowing runners to exert much more power while maintaining stability and providing even more protection for runners' ankles.

During the year, not only did the Group's revenue and profit attributable to equity shareholders hit a record high, but also both the Group and ANTA itself have won a variety of awards. The Group won "2017 Best in sector: Consumer Discretionary" and "Best use of Multimedia for IR" at the IR Magazine Awards, "CarbonCare® ESG Label" from Carbon Care Innovation Lab, and "Asia's Most Honored Company" from Institutional Investor. In addition, ANTA Sports has been once again included in the Hang Seng Corporate Sustainability Benchmark Index and listed in the "Top 100 Rated Stocks 2017" list by the Hong Kong Quality Assurance Agency under the HKQAA's Sustainability Rating and Research. Moreover, ANTA was named one of "World's Top 50 Most Valuable Apparel Brands 2017" by Brand Finance, and was listed as one of the "Top 100 Most Valuable Chinese Brands 2017 by BrandZ" organized by market research firm Millward Brown because of its outstanding brand equity, a testament to the popularity of ANTA products. We were also pleased to see that Klay Thompson, an ANTA brand endorser and sharpshooter for the Golden State Warriors, put in a remarkable performance to help his team reclaim its championship title at the NBA finals. His performance prompted ANTA to run a series of successful marketing campaigns in China, such as the "Shock The Game" Campaign, to further enhance the reputation of ANTA and stimulate sales. Moreover, ANTA KIDS, FILA, FILA KIDS and DESCENTE have all made satisfactory progress, demonstrating the success of our multi-brand and omni-channel strategy in capturing important opportunities in both the mass and high-end markets.

Business Review

1. Single-Focus, Multi-Brand and Omni-Channel Management Model

The "Single-Focus, Multi-Brand and Omni-Channel" operation model has enabled us to focus on the sportswear business in China, while creating a competitive edge and sustainable growth with multiple brands capturing multiple segments and consumer demographics to serving the distribution network with an integrated supply chain, we have stayed ahead of our competition, delivering consistent returns to stakeholders.

During the year, we continue to leverage on our unique operation models and strengthen our competitiveness, especially in terms of our ability to grow our market share in multiple consumer segments. With the perfection of our "Single-Focus, Multi-Brand and Omni-Channel" strategy, together with our existing distribution network, including street stores, shopping malls, department stores, outlet stores and e-commerce channels, we have delivered another set of outstanding operational results.

2. Brand Management

2.1 ANTA

As a leading brand in China's sportswear industry, ANTA produces value-for-money functional products across a diverse range of sports categories, from popular sports such as running, cross-training, basketball and football, to professional and niche sports, such as boxing. ANTA enables professional athletes, sports enthusiasts and individuals to enjoy sport activities with appropriate product. ANTA adopts consumer-centric strategy, to pursue product innovation and superior consumer experience. The efforts are highly recognized in the industry and by consumers. For instance, ANTA was ranked 35th in the "World's Top 50 Most Valuable Apparel Brands 2017" by Brand Finance, the only Chinese sportswear brand to be named. ANTA was also ranked as one of "Top 100 Most Valuable Chinese Brands by BrandZ" organized by market research firm Millward Brown, proving the appeal of its brand. These awards evidenced the remarkable results achieved by ANTA during the year.

As a company tradition, ANTA continued to support Chinese athletes to showcase their outstanding performance. We have sponsored 24 Chinese national teams within the four major sporting management centers and Chinese Rowing Association, including winter sports, boxing and taekwondo, gymnastics and weightlifting, and wrestling and judo. During competition and training, all members of these national teams were well-equipped with our professional sporting gear. This do not only enhanced the credibility of our products, but also further strengthened our brand reputation for representing China's sporting essence. Our successful cooperation with the China's Olympic team continues, ANTA once again started two Olympic cycles of partnership with the COC and CSD, and became the official sportswear partner for the Beijing 2022 Olympic and Paralympic Winter Games, ANTA will provide best quality sportswear products, and will take the opportunity to help promote the positive image of China to the world.

Running continues to play an important role in our product portfolios. ANTA launched its innovative "Run For A Life" campaign in several cities including Jinan and Taiyuan, which not only showcased ANTA's new A-Livefoam technology running shoes, but also challenged people to go beyond their limits and live up to their full potential. A-Livefoam technology improves the comfort as well as the breathability of the shoes, allowing runners to exert much more power while maintaining stability, and providing even more protection for runners' ankles. We believe that, runners can run faster and better with ANTA's support. In March, ANTA launched ANTAUNI, which empowered consumers to fully customize their shoes. This showcased our effort to tailor-made products to raise consumer experience and apply big data to support online and offline sales.

ANTA continued to work in partnership with 2017 NBA Championship player, Klay Thompson, to develop the highly functional and well-designed shoes ahead of the NBA Playoffs and launched the "God Thompson Mode" marketing campaign in China during the 2017 NBA Playoffs and NBA Finals to rally support among Chinese fans for their favorite basketball icons. Based on the success of previous KT series, we launched KT3 in the second half of 2017. KT3 provided more stability but still with good flexibility, which attracted attention from both sneaker lovers and basketball fans. Moreover, ANTA enjoyed unprecedented global exposure to millions of basketball fans as Klay Thompson wore the signature KT2 shoes during the 2017 NBA Finals. During Klay Thompson's China tour, ANTA went beyond conventional marketing activities to launch the "Shock The Game" campaign across 12 cities in China, which fully utilized both online and offline channels to create brand awareness and deliver sales growth. Posts related to "Shock The Game" garnered over 77 million views on Sina Weibo and attracted live audiences of over 30 million globally via video streams, which reinforced ANTA's leading brand position. The campaign was a clear effort to connect with consumers and give them clear and compelling reasons to buy ANTA's products.

Besides Klay Thompson, we also make the best of our endorser strengths to boost our cross-training segment. Manny Pacquiao, the legendary Filipino boxing champion who has been an ANTA brand endorser since 2016, has strengthened the brand identity of ANTA's cross-training series.

Besides our popular sportswear for men, the development of our women sportswear products is also growing in momentum. We have executed a marketing strategy to maximize the opportunity in this segment, based on the trendy branding concept, strong endorser resources, high-quality products, and huge user base. ANTA has been building up the female fitness platform to facilitate the online and offline marketing integration. In June, ANTA named female actress, Zhang Li, to feature in its women's cross-training promotional campaign "Freshness", which was an initiative to seize growing opportunities.

As for football, ANTA Lion II football shoes were launched during the year. ANTA's brand ambassador, Zheng Zhi, the current captain of China's national soccer team, unveiled this newly upgraded product. We believe this product can further facilitate promote ANTA's football image and create synergies with ANTA KIDS football products. We also understand that college football has a key function to play in the development of China's football. ANTA therefore sponsored the Chinese college football league in 2017.

2.2 ANTA KIDS

ANTA KIDS has been tapping into the high growth kids sportswear market in China since 2008 by producing sportswear products for children aged 0 to 14. Following the introduction of the two-child policy by the Chinese government, it is widely expected that growth in children's apparel market will accelerate. Although the market is currently fragmented, ANTA KIDS was the first domestic sportswear brand to enter into the market and enjoys a distinct early entry advantage. The brand has successfully enhanced the desirability of its products among consumers and has expanded its market share by providing value-for-money products. ANTA KIDS is therefore well-positioned to take advantage of the growing opportunities in this market.

ANTA KIDS has chosen "Grow Up with Fun" as its slogan, which reflected the desire for children to enjoy sports and to grow up healthily and happily, and helped to establish its sporty, energetic, interesting and inspiring brand image. Apart from running, basketball, outdoor, cross-training and lifestyle series, ANTA KIDS has also included a soccer series in response to the government's strong support for the development of youth soccer by providing soccer apparel and soccer shoes. During the year, ANTA KIDS also launched a series of crossover collection products, including popular characters Minions, Hello Kitty and Despicable Me movie series, which received an overwhelming response from the customers.

ANTA KIDS has utilized website and popular social media platforms to promote the quality of products and nurture children's passion for sports through a series of promotional campaigns. During the year, ANTA KIDS launched a series of marketing campaigns across China, including the highly successful video of "Letter to Mom" on Mother's Day, generating 50 million of hits and landing clip on the top three hot topics list on Weibo. Also, we have created a record area of 20,000 sqm for kids' sports for the "Sports Day" launched on 30 May 2017 in Beijing. This event has attracted over 3,000 participants and over 10 million of online audiences. Meanwhile, ANTA KIDS collaborated with McDonald's in hosting the 4th McHappy Run, giving children a chance to find the simplest and purest fun and joy in sports as part of their unforgettable experience when growing up. ANTA KIDS also cooperated with Tuniu.com to launch a wonderful snow trip for families. Selected families enjoyed a tour to Heilongjiang Province, experiencing various local attractions, promoting ANTA KIDS winter sportswear first-hand.

2.3 FILA and FILA KIDS

We have repositioned FILA as a high-end sports fashion brand after acquiring the FILA business in China in 2009. Upholding its concept of "Live Your Elegance", Gao Yuanyuan and Chen Kun, two renowned Chinese celebrities, started featuring in FILA advertising campaigns in China. This together with cross-border collaboration, as well as overall improvement in brand credibility in China, has resulted in promising sales performance during the year.

FILA's unique combination of stylish and sporty image has gained awareness among Chinese high-end consumers. Riding on the success of launching the FILA RED, FILA WHITE and FILA ORIGINALE series targeting different customer segments, we also rolled out the FILA BLUE series in 2017 which targets high-end consumers aged between 34 and 45, along with other professional sporting products. In addition to unveiling the FILA High-intensity Interval Training (HIIT) training shoes, FILA also introduced the FILA ULTRA FIT EARTHDAY special edition series to promote environmental protection and sustainable development.

FILA's crossover series includes the FILA Ginny collection, designed by renowned American fashion designer, Ginny Hilfiger, who has integrated her simple, trendy yet elegant design style with FILA's "Modern Vintage" essence into the FILA Ginny Line. For the past three years, we have collaborated with Jason Wu, the New York-based Chinese American fashion designer, to develop the Jason Wu x FILA cross-over series. During the year, we partnered up with US fashion brand "Staple" to launch the Staple x FILA crossover series, featuring its famous Pigeon icon. In addition, FILA introduced b+ab x FILA 2017 Autumn & Winter series by joining hands with "b+ab", a famous fashion brand in Hong Kong. This series featured FILA's sporty style and "b+ab"'s young image, with the theme of "A Day of FILA". Every product under this theme has been printed with a FILA logo and slogan to enhance the branding. Different crossover series did not only expand our product portfolio, but also allowed remarkably positive responses from customers.

While FILA stores are mainly located in first-and second-tier cities in China, the brand continues to open stores in cities with potential across China and within the region.

As part of its plan to continuously upgrade and refresh stores, FILA has worked to enhance store efficiency by expanding the size of its stores. During the year, FILA opened its first store in Singapore at the ION ORCHARD shopping mall, marking yet another milestone for FILA's growth in the region.

FILA KIDS launched in China in 2015 with the aim of providing high-end apparel and footwear for children aged 7 to 12. The FILA KIDS collection has gained appeal among consumers and has continued to grow, inheriting the elegant and unique style of the FILA brand. We expect FILA KIDS to continue its growth trajectory and to make a meaningful contribution to FILA brand's overall sales.

To bolster FILA's business growth, we believe the most effective way is to expand its consumer base. As part of its specialization strategy, FILA has launched several initiatives, including the omni-touchpoint marketing campaign, opening fusion stores that appeal to younger consumers, announcing several cross-over branding collaborations, product placements as well as developing a membership system. All of the above have significantly increased the reputation of the FILA brand throughout China.

Furthermore, FILA sponsored reality TV shows in China in which the celebrities showcased the latest FILA outfits and accessories. FILA also received positive reviews and media attention through its sponsorship of the Hong Kong Olympic team and the Hong Kong Table Tennis Association. These partnerships have created opportunities for FILA to demonstrate its traditional and unique style at major international sporting events.

2.4 DESCENTE

In 2016, we formed a joint venture company to operate and engage in the business of design, sale and distribution of products bearing the "DESCENTE" trademark exclusively in China. DESCENTE provides high-end sportswear products for skiing, cross-training and running, amongst others, in China. In addition to the above collections, DESCENTE's series also expanded to Allterrain and summer premium sports lifestyle options for men and women during the year.

DESCENTE has capitalized on its specialty and quality sportswear, and has quickly established its brand position as a premium and professional sports brand in China. Leveraging its 82-year brand heritage, DESCENTE targets customers aged 25-35 who seek functional and well-designed products. It has been active in expanding its retail footprint in high-end segments of the Chinese sportswear market, becoming the brand of choice for skiing, cross-training and running enthusiasts. This has improved the brand's sales performance, showing it plays a crucial role in our multi-brand strategy.

During the year, DESCENTE launched its "AWAKEN!" campaign at a brand show with the aim of raising awareness of the brand among its target audiences in China. As part of the "AWAKEN!" campaign, DESCENTE launched the BLAZE Z series running shoes, which utilize advanced technology to make the shoes lightweight and ensure runners enjoy a relaxed running experience. The brand also launched its DESCENTE premium running apparel that incorporates modern design and Italian lining, which helps runners to feel the rhythm and joy of running. With its outstanding quality and design, DESCENTE's Mizusawa Down Jacket has been welcomed by the market during the winter season.

In addition, DESCENTE held its first fashion show in Shanghai, which was a great success and received a lot of positive feedback. Meanwhile, DESCENTE launched a membership system to build brand loyalty and facilitate interaction with consumers. During the year, DESCENTE invited its members to join our triathlon world champion and skiing trip to Lake Songhua. Moreover, DESCENTE ran a limited promotion in June to raise the profile of its Tmall flagship store (descente.tmall.com) among online customers, which helped to facilitate the brand's move from being predominately offline retail store-based into online sales.

Winter sports in China are on track for a major boost as the country prepares to host the Beijing 2022 Olympic and Paralympic Winter Games, and in preparation, the Chinese government has pledged to promote winter sports and increase the number of winter sports participants to 300 million in the future. With its focus on meeting the needs of the fast-growing but niche winter sports market, we are confident that DESCENTE will become one of the most successful sportswear brands in China ahead of the Beijing 2022 Olympic and Paralympic Winter Games.

2.5 SPRANDI

Established in 1995, SPRANDI is a footwear and clothing brand operating in the fields of sports, outdoor and lifestyle and focusing on city running products in China. During the year, SPRANDI began to expand its business by opening more physical stores and e-commerce platforms. We see the introduction of SPRANDI as an effective addition to covering the smart-causal sportswear market for middle-class customers.

In terms of brand enhancement strategy, we will continue to enhance the core competencies of the SPRANDI and its products by increasing design originality and innovation in science and technology of products. During the year, a renowned Chinese celebrity, Olivia Wang, became our endorser and was featured in advertising campaigns in China. In order to strengthen customer loyalty to SPRANDI, SPRANDI paid a lot of attention in building the membership system on WeChat. We also organized membership activities to allow them to experience the joy of running. Meanwhile, we will seek collaboration opportunities with renowned fashion magazines and continue to promote SPRANDI in China.

3. *Distribution Network Management*

3.1 Omni-channel Management

We continue to implement our retail-oriented strategy and have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. We have also conducted ongoing research on our target customers to find out more about their specific desires as well as to create a more comfortable shopping environment within our stores. In the meantime, we have optimized our retail management capability while enhancing our retail channels in China, including street stores, shopping malls, department stores, outlet stores and e-commerce platforms.

We organize quarterly trade fairs to launch and sell new seasonal collections of ANTA and ANTA KIDS products. These trade fairs occur approximately six months ahead of the introduction of a new season's products to the market to allow smooth order placements and product manufacturing. During the year, ANTA introduced new styles in over 1,200 footwear, 2,900 apparel and 990 accessories.

In order to offer professional and value-for-money sportswear products, we have established a nationwide distribution network for ANTA, creating a competitive advantage in second- and lower-tier cities. Most ANTA stores come in the form of street stores, but we are also actively expanding our presence in large shopping malls and department stores. During the year, we also continued to streamline and upgrade our retail management practices by introducing ANTA's eighth generation stores to deliver the latest customization services and improve shopping experiences for consumers. In these eighth generation stores, our products are displayed to offer maximum efficiency, appeal to shoppers, and ensure customers can find suitable products easily and comfortably. We have designed each store with a theme embodied in the central display area, while each layout has its own unique, attractive characteristics.

The children's sportswear market has experienced rapid growth over the past few years and the momentum is expected to remain strong, supported by the implementation of China's two-child policy. In light of the promising opportunities in this market, the ANTA KIDS sportswear series, with its value-for-money and comfortable products, has successfully targeted the children's segment for wearers aged 0 to 14 in the mass market. ANTA KIDS stores also focus on second- and lower-tier cities.

While the mass market is expected to grow rapidly, the potential of the high-end market should not be overlooked. High-end consumers tend to pay attention to details and prefer personalized products. FILA and DESCENTE have created a platform to capture the high-end sportswear market with their fashionable and professional products. With a view to targeting the high-end children's market, FILA launched FILA KIDS. FILA KIDS continues to gain awareness in high-end market by incorporating the unique and elegant style of the FILA brand into FILA KIDS products. DESCENTE, FILA and FILA KIDS stores are mainly located in shopping malls and department stores in first- and second-tier cities.

We believe that the sustainability of our distribution network and the quality of the stores, including the location, size, efficiency and interior decoration, are more important than the actual number of stores. Hence, we closed our smaller and less efficient stores, and replaced them with larger, more attractive stores in prime locations to improve the overall performance of our stores. As at 31 December 2017, the total number of ANTA stores in China (including ANTA KIDS standalone stores) was 9,467 (end of 2016: 8,860). FILA (including FILA KIDS standalone stores) had a total of 1,086 stores in China, Hong Kong, Macao and Singapore (end of 2016: 802) and DESCENTE had a total of 64 stores in China (end of 2016: 6).

3.2 Improving Retail Management Capabilities

With a consumer-centric and retail-oriented strategy, we have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the year, we continued to work closely with our retailers to optimize our retail management capabilities.

First, we established a retail-oriented mindset and appraisal system. We believe the most effective approach to retail channel management is to consider ourselves as a retail company. Hence, we emphasized retail efficiency in our corporate culture and values, and established a consumer-oriented retail management appraisal system to measure our performance according to retail operating data.

Second, our retail data and market information are shared with our suppliers and retailers. Effective communication contributes to the success of our retail-oriented strategy. From the product planning stage, we work closely with retailers to gather customer feedback so that we can develop products that are truly welcomed by the market. Analysis of product sales performance and customers' feedback gathered by our real-time monitoring system are shared with our retailers on a regular basis. Such timely market information and retail data also enables us to stay abreast of consumer demands and to formulate more accurate product development plans, as well as future order guidance and replenishment order forecasts for retailers.

Third, we provide precise future order guidance to retailers to prevent inventory accumulation. We believe that healthy inventory levels can avoid deep discounts, which will in turn stabilize retailers' profitability and ensure sustainability. Therefore, we aim to provide precise future orders guidance on a per store basis so as to increase the accuracy of orders and stabilize in-store inventory levels. We also encourage our retailers to be flexible in placing replenishment orders to reduce their inventory risks. At the same time, our well-managed clearance channels, including outlet stores and e-commerce platforms, enable our distributors to reduce inventory risk at a faster pace.

Fourth, we require all our retailers to strictly follow our retail policies. In order to strengthen their competitiveness and profitability, we thoroughly examine our retailers' store opening plans and ensure that our stringent retail policies are being followed. We insist on maintaining a consistent store image across our nationwide distribution network, and the standardization of product display equipment and POP materials which highlight quarterly marketing themes. During the year, we continued to encourage retailers to upgrade their store layouts in line with our latest store image.

Fifth, we help retailers to optimize their operating performance and store efficiency. We adopted a flattened sales management system and streamlined our distribution structure to facilitate our interaction with retailers. Through a comprehensive monitoring system, including a real-time ERP system, weekly reports submitted by our POS and channel checks by our sales teams, we are able to closely monitor retailers' performance and carry out immediate measures to help improve the operational efficiency of the retail stores.

Sixth, our brands ultimately reach customers through our nationwide distribution network. An attractive store image and unique shopping experience play a key role in enhancing retail efficiency and boosting customer traffic. With the continuous renovation and upgrade of our stores, we are able to offer customers a more pleasant and customized shopping experience, thus increasing sales and store efficiency. This is the reason behind the introduction of the eighth generation stores. Store decoration and promotional materials, such as in-store posters and product display equipment, are provided to retail stores to highlight the marketing themes and product story of the season. During the year, we also further optimized our visual merchandising to put our signature products, such as the KT series, along with other basketball, cross-training and professional running series, in the spotlight.

3.3 E-Commerce

Online shopping channels have become more and more important, so we hope to support our omni-channel and multi-brand strategy with a clear strategy for our e-commerce business. On the back of the increasing importance of e-commerce within the retail industry, we have expanded and improved our e-commerce business. We offer a selection of new products by launching exclusive online products and offline in-season products to cater for increasing demands in the online market.

Our e-commerce business offers different brands that are owned by the Group. It has already become a comprehensive and interactive platform which makes online shopping more convenient, ensures reliable delivery and offers quality after-sales services. In addition to the official online flagship store of each brand, we have collaborated with various renowned e-commerce platforms, including Tmall, JD, Vipshop, etc., to further boost the performance of our e-commerce business. The business also made a breakthrough in the integration of our online and offline channels, such as the launch of ANTAUNI on Tmall during the year.

Under our strict guidelines and policies, we only allow authorized third party online retailers to sell our products on online stores. Moreover, we have allowed some of our outstanding offline distributors to sell ANTA products online to maximize the mutual benefits between web-based and brick-and-mortar stores.

Corporations should adapt swiftly to cope with changing environments, especially with the rising importance of e-commerce. Our experienced online sales team has been helping us to attract more online shoppers and we have used different methods to achieve this goal. For example, we optimized our e-store interface, improved product descriptions and presentations, and enhanced our product search and cataloging functions. We standardized all our online product launch schedules, priorities and styles, which created synergy and prevented competition between our online and offline retailers. In addition, we provide comprehensive customer services, including secure payment systems, a well-established supply chain, fast and reliable delivery services, VIP membership and product return guarantees. We believe the positive feedback from our customers will help us to establish a solid brand reputation that we have sought to build up. Our e-commerce segment is gaining prominence in our business and we will continue to explore further profitable market opportunities.

4. SUPPLY CHAIN MANAGEMENT

We recognize the importance of effective supply chain management. We understand that suppliers and distributors must develop in tandem with us to avoid any negative impacts on our operations. In addition to implementing a strict partner and supplier selection regime, we are also committed to providing assistance to suppliers and partners to enhance their governance, production and operation standards.

During the year, we strengthened our supply chain to help us to produce differentiated products. We revised our performance-based incentive system to motivate suppliers to make improvements. Based on some minimum requirements including health and safety, anti-discrimination and anti-child labor, we created a metric system that integrates suppliers' performance and results, and generates scores and a ranking. As their performances have continued to improve, we encouraged and assisted suppliers to apply for international accreditations. In the long run, we will reward those with high ratings with increased orders and additional resources and allowances.

Apart from keeping in close contact with suppliers, from time to time, we also hosted training camps and annual meetings with suppliers to share our plans and trends within the industry. These initiatives have encouraged them to produce more innovative products.

Supported by high quality OEMs, our in-house manufacturing facilities have extra capacity to efficiently and flexibly meet unexpected demand in a cost-effective manner. We have also further improved our supply chain to shorten production lead times, allowing us to capture consumer demand in a timely manner. In addition, we fully support our supply chain partners' efforts to enhance quality controls and workflow efficiency, and to improve their responsiveness to changing market conditions. We were also able to accurately and efficiently keep track of additional orders, therefore improving the growth prospect of our business.

During the year, we implemented high-speed production lines, which have a daily shoe manufacturing capacity of 3,000 pairs with only 30 workers. This innovative production line has increased the productivity and saved on labor costs. In order to be more flexible in fulfilling replenishment orders and maintain our cost advantage, we have further optimized the efficiency of our production process.

We have also strategically combined in-house and outsourced production to better respond to market conditions and changes in consumer preferences. During the year, self-produced footwear and apparel of ANTA accounted for 37.8% and 15.5%, of the total sales quantities respectively (2016: 42.9% and 16.7%).

5. PRODUCT MANAGEMENT

We believe technological innovation, original design and product safety are the keys to product differentiation. As part of its ongoing focus on product innovation, our R&D costs were 5.7% as a percentage of our cost of sales during the year, up 0.6 pps compared with 2016, which puts us in a leading position within China's sportswear industry.

Aside from A-Jelly, A-Loop, A-Strata and A-Web technology etc., we also launched the first running shoes featuring A-Livefoam. This technology improved shoes comfort as well as the breathability, allowed runners to exert much more power while maintaining stability, and provided even more protection for runners' ankles.

In March 2017, we entered into a "Trademark/Copyright License Agreement" with the Chemours Company in relation to Teflon EcoElite™ renewably-sourced water repellent. We became the only local sportswear company in China that has received Chemours' license to use Teflon EcoElite™ to develop our water-poof product line, such as the "Rain-Breaker".

During the year, we formed a strategic alliance with Noble Biomaterials, Inc., which has provided us with XT2® Technology, a best-in-class odor elimination solution utilizing the properties of silver to stop odors developing by inhibiting the growth of bacteria and fungi that consume sweat. Through the launch of Anti-Odor platform powered by XT2® Technology, this odor-eliminating solution is employed for ANTA's fitness, training and leisure products, and other brands' products, further enhancing our reputation for innovation and as an industry leader in sustainability.

6. QUALITY CONTROL

As our retail channels continue to develop, our retail-oriented strategy not only improve quality controls, but also play an important role in developing more products that meet different consumers' needs. In a highly competitive industry, designing and producing comfortable, safe and high-quality sportswear for consumers is essential for increasing market share. We use our comprehensive assessment mechanism to select partners and request they obtain various certifications for manufacturing and quality systems and to meet ISO international standards, in order to reduce risks at source.

In partnering with suppliers, we provided appropriate resources to them to expedite their growth. We also offer "Management Solutions of QC Certification" for suppliers to regulate training and operating standards. Meanwhile, during the product design and development process, the quality control center conducts material and product assessments and issues certifications to ensure health and safety. Factories are also required to carry out testing in strict compliance with internally formulated product testing schemes and standards. Before delivery, our operation center and control center are responsible for examining all the products.

In addition, we continue to cooperate and communicate with the authorities and external organizations to look for ways to enhance national policies and standards within the industry, as well as provide periodic training to employees to ensure their knowledge is kept up-to-date. Our distributors are also required to recall all defective products that fail to comply with regulatory requirements. Further to that, employees are not allowed to handle defective products on their own.

7. WALKING HAND IN HAND WITH OUR EMPLOYEES

Employees from various levels are a crucial part of our long-term business development strategy, and are the keys for delivering strong financial performance and business success. We believe in "learning from our company's role models together" to emphasize the goal of the team. We continue to encourage, reward and help employees to dedicate themselves to their work in a pleasant atmosphere and to achieve continuous growth in line with our goals. Meanwhile, we also promote gender equality and acquire talents with different backgrounds. We provide competitive remuneration packages and comprehensive fringe benefits to all employees, which has kept our employee turnover rate stable. In order to express our care for employees, we have implemented policies and procedures to create a safe and healthy working environment, providing "Safety Handbook" and "Environmental and Occupational Health Handbook". We also offer safety education and fire safety trainings to qualified employees to encourage them to embrace our "keep moving" spirit. As at 31 December 2017, we had around 18,800 employees (2016: 17,800 employees) in total.

8. Internal Management

8.1 Legal Compliance

Based on the best knowledge of Directors and management, we are not aware of any non-compliance of laws and regulations, which will have a significant impact on the business of the Group.

8.2 Relationship with Stakeholders

Good corporate governance mechanisms help build stable relationships with our suppliers, distributors, franchisees, customers, shareholders and other stakeholders. Through different communication methods, we collect opinion and advice from stakeholders, which provide considerable benefits to our business improvement. Maintaining relationships with our stakeholders is not only a valuable intangible asset to us, but also helps all parties to comply with our code of business ethics, achieving win-win outcomes.

8.3 Our Existing Environmental Protection Measures

We understand that the environment has a long lasting impact on our future development. Meanwhile, we have undertook several measures like upgrading facilities and adopting clean energy as well as improving our administrative management. For example, factories are encouraged to utilize energy-saving fluorescent lighting, while the use of air conditioning is regulated in accordance with the weather to reduce greenhouse gases and carbon emissions. Besides complying with relevant environmental laws and regulations, we launched "ANTA Grand Forum" to serve as a communication platform for employees to share and exchange their ideas on environmental protection. More importantly, we continue to strengthen our product innovation capability by actively exploring eco-friendly materials for our products series.

9. Principal Risks and Uncertainties Facing by the Group

9.1 Exchange Rate Risk

While most of our business is denominated in RMB, our overseas business is denominated in foreign currencies, which could create potential problems in terms of foreign exchange payment and receipt issues and affect the relationship between debtors and creditors. Currently, the RMB is a managed floating currency which derives its value from market supply and demand, and is adjusted according to a select basket of global currencies. The price of converting RMB into foreign currency is subject to fluctuations in the market, driven by events in the global economy and politics. Changes in foreign exchange rates affect the value of our assets, debt, and domestic and international income which are denominated in foreign currencies. These might lead to changes in our revenue and cash flow.

9.2 Operational Risks

Risks under Intensified Market Competition

Increasingly tense competition in the sportswear industry is reflected in the expanding scale and continuous concentration of the industry, and the proliferation of international clothing brands across China. The nature of this competition has shifted from a focus on quantity and price to new attributes such as state-of-the-art technology and product ranges that add value. In spite of these challenges, we have maintained our dominant position in the Chinese sportswear market, but we acknowledge that intensified market competition may impact our future earnings and profitability to a certain degree.

Risks from Counterfeit Brands

Brand is a key consideration that consumers take into account when purchasing sportswear products. There are a number of unscrupulous manufacturers that counterfeit well-known brands and sell them illegally, which has an adverse impact on the brands they replicate. As our sportswear products and brands are well-regarded in the domestic market, we have proactively adopted a number of different safeguards to protect our independent intellectual property rights; but we recognize that it is difficult to identify every infringement of our brand at any one time. If our products were counterfeited on a mass scale in the future, the image of our brand and profitability would be at considerable risk.

Production Safety Hazards

Due to the particularity of the sporting goods and manufacturing industry, the fire prevention is especially important. The fabrics we use during the production process and semi-finished products are flammable, and a fire would directly and negatively impact our operations.

Risks under Increased Sales Channel Costs

We adopt a combined wholesale and retail approach as a means to sell our products. Should retail shop rents increase, the Group's and distribution partners' profits would be reduced.

Product Development Risks

We focus on the sporting goods business, our products should be functional as well as fashionable. Consumer preferences for fabrics and clothing styles change at a rapid pace and our ability to adapt to these preferences will determine the success of our sales.

Emergencies Risks

If emergencies occur in the future, their irregularity and severity will have a certain impact on our production process and financial position.

Risks Caused by Economic Cycle Volatility and Weakened Downstream Demand

The sportswear industry is vulnerable to volatile economic cycles. In recent years, a downturn in domestic and international economies has weakened the retail market environment and forced consumers to spend less, which has left the traditional fashion industry generally weaker with lower sales. If this volatile economic cycle persists and leads to continued sluggish downstream consumer demand, it would have an adverse impact on our operations.

9.3 Management Risk

Supplier Management Risks

Despite our strict selection mechanisms and quality control system, our business may be affected by numerous different factors relating to our suppliers, including the quality of raw materials provided; the status of product deliveries; transportation capabilities; and management capabilities, among others. Cases where the quality of raw materials fails to meet our requirements; quality inspection departments are not able to spot defective products in time; products are not delivered on time, to the right location or in the right quantity; and products are lost or damaged during delivery would all have adverse impacts on our operations. Furthermore, our ability to manage operations effectively will also be adversely affected if suppliers' credit conditions deteriorate due to their tight financial position.

Risks from Talent Shortage and Loss of Talent

The promotion of our brands in the industry, the digitalization of our operations and the optimization of our supply chain requires many talented employees who specialize in product planning, information management and supply chain management. However, there is a shortage of relevant professional talent in China, and a large scale loss of this kind of talent in the future would negatively impact our operations.

Risks from Product Transportation Management

We primarily rely on third-party logistics companies to transport our goods, and because there are a number of logistics companies that we work with, there is a certain degree of difficulty in terms of managing them. If part of our supply chain was delayed or adversely impacted, or if products were damaged due to negligence or mistakes on the part of the logistics companies, our operations would be affected. Should any accidents occur, such as traffic accidents, natural disasters or strikes, among other issues, the supply of our products may be temporarily interrupted, meaning that we would not be able to deliver products to our distributors on time. This would have a negative impact on our operations.

Financial Review

Revenue Breakdown by Product Category

The following table sets out the contribution to the revenue by product category for the financial year:

	Year ended 31 December				
	2017		**2016**		**Changes**
	(RMB million)	*(% of Revenue)*	*(RMB million)*	*(% of Revenue)*	*(%)*
Footwear	7,048.8	42.2	6,000.8	45.0	17.5
Apparel	9,116.1	54.6	6,885.7	51.6	32.4
Accessories	527.6	3.2	459.3	3.4	14.9
Overall	16,692.5	100.0	13,345.8	100.0	25.1

During the financial year, the Group's revenue increased by 25.1% as compared with 2016. The growth rate is higher than the growth rate of the order value of 2017 trade fairs for ANTA branded products as announced before mainly due to the stronger pace of growth in other businesses.

Gross Profit and Gross Profit Margin Breakdown by Product Category

The following table sets out the gross profit and the gross profit margin by product category for the financial year:

	Year ended 31 December				
	2017		2016		Changes
	Gross profit *(RMB million)*	**Gross profit** *margin (%)*	**Gross profit** *(RMB million)*	**Gross profit** *margin (%)*	*(% point)*
Footwear	3,290.5	46.7	2,778.4	46.3	0.4
Apparel	4,742.5	52.0	3,509.7	51.0	1.0
Accessories	208.1	39.4	170.9	37.2	2.2
Overall	8,241.1	49.4	6,459.0	48.4	1.0

Due to the expansion of retail operations and stringent cost control efforts, the Group's overall gross profit margin for the financial year increased 1.0% point as compared with 2016.

Other Net Income

Other net income for the financial year amounted to RMB457.9 million (2016: RMB259.8 million), which mainly comprised of government grants of RMB439.3 million (2016: RMB274.9 million). The government grants were provided to the Group in recognition of its contribution towards the local economic development.

Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue decreased by 0.8% point for the financial year mainly due to the notable growth in revenue. The ratio of staff costs to revenue increased by 0.7% point mainly due to the increase in the Group's headcounts and recruitment of experienced management talent from different aspects to support the fast expansion of the Group. The ratio of R&D costs to cost of sales increased by 0.6% point as the Group continued to enhance its overall R&D capability.

Operating Profit Margin

Operating profit margin decreased by 0.1% point to 23.9% for the financial year in spite of the increase in gross profit margin, which was mainly due to the increase in selling and distribution expenses and administrative expenses as a result of the expansion of retail operations.

Net Finance Income

Total interest income for the financial year amounted to RMB170.1 million (2016: RMB119.0 million). Such increase was mainly driven by the increase in average amount of bank deposits and bank balances and the purchase of held-to-maturity debt securities during the financial year.

Total interest expense amounted to RMB15.5 million (2016: RMB64.7 million) for the financial year. Such decrease was mainly driven by the decrease in average amount of bank loans during the financial year.

Effective Tax Rate

Effective tax rate was 26.7% for the financial year (2016: 26.2%).

Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders increased by 0.6% point to 18.5% for the financial year in spite of the decrease in operating profit margin, which was mainly due to the increase in net finance income.

Write-down of Inventories

The accounting policy in respect of write-down of inventories for the financial year was the same as that in 2016. Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories and charged to profit or loss. During the financial year, write-down of inventories amounting to RMB14.1 million was charged to profit or loss (2016: RMB7.3 million).

Provision for Doubtful Debts

The accounting policy in respect of provision for doubtful debts for the financial year was the same as that in 2016. The Group assessed the recoverability of the receivables past due and established a provision for the doubtful debts. During the financial year, provision for doubtful debts amounting to RMB19.6 million was charged to profit or loss (2016: reversal of provision for doubtful debts amounting to RMB5.9 million was credited to profit or loss).

Dividends

The Board has recommended a final dividend of HK41 cents and a special dividend of HK16 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK41 cents per ordinary share, representing a payout of RMB2,177.5 million (2016: RMB1,746.3 million), or a distribution of 70.5% (2016: 73.2%) of the current year's profit attributable to equity shareholders.

Liquidity and Financial Resources

As at 31 December 2017, the cash and cash equivalents of the Group amounted to RMB6,967.6 million which were mainly denominated in RMB, HKD and USD, representing an increase of RMB1,137.6 million as compared with the cash and cash equivalents of RMB5,830.0 million as at 31 December 2016. This is mainly attributable to:

- Net cash inflow from operating activities amounted to RMB3,181.5 million, which was slightly higher than the profit for the year and represents the strong cash generation capability of the Group.

- Net cash outflow from investing activities amounted to RMB1,578.5 million, mainly including capital expenditures of RMB585.0 million, net placement of fixed deposits held at banks with maturity over three months of RMB944.0 million, purchase of held-to-maturity debt securities of RMB102.8 million, net proceeds from pledged bank deposits of RMB44.6 million and refund of prepayment for acquisition of land use rights amounting to RMB12.5 million.

	2017	**2016**
	(RMB million)	*(RMB million)*
Year ended 31 December		
Net operating cash inflow	3,181.5	2,467.6
Capital expenditures	(585.0)	(627.6)
Others	65.7	57.0
Free cash inflow	2,662.2	1,897.0
As at 31 December		
Cash and cash equivalents	6,967.6	5,830.0
Fixed deposits held at banks with maturity over three months	2,436.4	1,492.4
Pledged deposits	150.0	194.6
Bank loans	(147.9)	(937.7)
Bills payable	–	(600.0)
Net cash position	9,406.1	5,979.3

- Net cash outflow from financing activities amounted to RMB2.4 million, mainly including the net proceeds from shares issued under placing and top-up subscription amounting to RMB3,394.1 million, the payments of the final and special dividends in respect of the financial year 2016 and the interim dividend in respect of the financial year 2017 amounting to RMB1,936.8 million, the net repayment of bills of exchange amounting to RMB600.0 million, the net repayment of bank loans amounting to RMB827.3 million and the payments of interest expense on bank loans amounting to RMB30.7 million.

As at 31 December 2017, total assets of the Group amounted to RMB19,074.2 million, of which current assets were RMB15,441.9 million. Total liabilities and non-controlling interests were RMB5,367.8 million and total equity attributable to equity shareholders of the Company amounted to RMB13,706.4 million. The Group's gearing ratio was 0.8% as at 31 December 2017 (as at 31 December 2016: 10.8%), being a ratio of sum of bank loans (as at 31 December 2017: RMB147.9 million; as at 31 December 2016: RMB937.7 million) and bills payable (as at 31 December 2017: nil; as at 31 December 2016: RMB600.0 million) to total assets.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 14 days because the Group intentionally deferred the product delivery to stores to meet the sales of Chinese New Year in February 2018. The average trade receivables turnover days and the average trade payables turnover days increased by 2 days and 7 days respectively, and the two turnover ratios remained at relatively normal levels.

Pledge of Assets

As at 31 December 2017, the Group had bank deposits of RMB150.0 million (as at 31 December 2016: RMB194.6 million) pledged to secure bankers' documentary credits for certain contracts and construction projects.

Capital Commitments and Contingencies

During the financial year, certain capital commitments were utilized in the additions to construction in progress, which was mainly related to the Group's new logistic center in the PRC.

As at 31 December 2017, the Group had capital commitments of RMB987.7 million, primarily relating to the construction of the new logistic center and the expansion of retail channels.

As at 31 December 2017, the Group did not provide any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group continues to manage financial risks in a prudent manner and proactively adopts internationally recognized corporate management standards to safeguard the interests of shareholders. As the functional currency of most non-PRC entities is the Hong Kong dollar and those financial statements are translated into Renminbi for reporting and consolidation purposes, foreign exchange differences arising from the translation of such financial statements are directly recognized in equity as a separate reserve. As the Group conducts business transactions principally in RMB, the exchange rate risk at the Group's operational level is not significant. Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

The Group continues to seek business opportunities such as acquisition of and cooperation with international sportswear brands to operate brand management business so as to increase the returns on shareholders' equity.

During the financial year, the Group made no significant investment or any material acquisition or disposal of subsidiary.

Placing and Top-up Subscription

References are made to the announcements of the Company dated 22 March 2017 and 31 March 2017 in relation to the placing of existing Shares and top-up subscription of new Shares under the general mandate.

On 21 March 2017, Anta International, Anda Holdings and Anda Investments (collectively the "Vendors"), Merrill Lynch Far East Limited (the "Placing Agent") and the Company entered into a placing and subscription agreement pursuant to which (i) the Vendors agreed to appoint the Placing Agent, and the Placing Agent agreed, to procure, as agent of the Vendors, placees for an aggregate of 175,000,000 existing Shares (the "Placing Share(s)") at the placing price of HK$21.67 per Placing Share (the "Placing"); and (ii) the Vendors agreed to subscribe for and the Company agreed to issue to the Vendors, an aggregate of 175,000,000 new Shares (the "Top-up Subscription Share(s)") at the subscription price of HK$21.67 per Top-up Subscription Share (the "Top-up Subscription").

The completion of the Placing took place on 24 March 2017 and an aggregate of 175,000,000 Placing Shares were successfully placed to not less than six placees, each of whom (to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries) (i) is not a connected person (has the meaning ascribed thereto under the Listing Rules) of the Company and (ii) is an Independent Person (as defined in the announcement dated 22 March 2017), at the placing price of HK$21.67 per Placing Share. The Top-up Subscription took place on 31 March 2017 and an aggregate of 175,000,000 Top-up Subscription Shares were allotted and issued to the Vendors at the subscription price of HK$21.67 per Top-up Subscription Share.

The gross proceeds from the Top-up Subscription were approximately HK$3,792.3 million and the net proceeds after deducting all relevant expenses were approximately HK$3,787.4 million (equivalent to RMB3,394.1 million).

Up to 31 December 2017, the Group has not used any net proceeds from the Top-up Subscription. The Group is committed to seek business opportunities such as acquisition of, and cooperation with, international sportswear brands, and shall use the proceed (i) to finance (in whole or in part) such business opportunities as and when appropriate opportunities arise, certain of which could be significant; and/or (ii) as general working capital of the Group.

For further details, please refer to the announcements of the Company dated 22 March 2017 and 31 March 2017.

Future plans for material investment

Prospects

The only thing that is constant is CHANGE.

According to the "Consumer Market Development Report 2018" published by the China Council for the Promotion of International Trade Academy, the total sales of domestic consumer products is expected to exceed RMB40 trillion in China by 2018 with an annual nominal growth rate of 10%. The report showed that people were increasingly consuming more sports and cultural products due to their stronger purchasing power, which is also upgrading the makeup of customers' consumption. Our footprint across China keeps pace with this increasing trend and we are optimistic about our future success, leveraging opportunities arising from such trends.

In the consumer industry, changes evolve around consumer preferences for individuality, new and improved shopping experiences, and better value-for-money offering. Structural changes are taking place as well – from street stores to other channels, including shopping malls, department stores and outlets. Moreover, the internet has altered the retail landscape. E-commerce allows people to access new brands easily, but Chinese online consumers are usually sensitive about price. In order to enjoy healthy growth both online and offline, effective brands utilize online platforms to maximize consumers' experiences and even convert online sales into offline sales.

Our unique understanding of consumers and the market has enabled us to keep up the pace in a constantly changing environment. We continue to implement our "Single-Focus, Multi-Brand and Omni-Channel" strategy, which has allowed us to provide a wide range of brands to cover all consumer segments, from professional to athleisure, from high-end to mass market, and from running, cross-training and basketball to women's fitness, skiing and niche market segments.

In terms of sales channels, we see that foot traffic and shopping habits are changing, and in response, we will further optimize the mix by increasing the proportion of ANTA stores in shopping malls and department stores, as well as improve store efficiency and open more stores in prime locations. In anticipation of the exponential growth expected from e-commerce channels, we have also integrated both our online and offline channels, as well as leveraged our logistics and delivery capabilities and big data resources, to attain omni-channel coverage.

At our investor day in 2017, we revealed the targets for 2020 and 2025, in which we target to achieve a 15-20% CAGR in terms of retail sales and to reach RMB100 billion in total retail sales in 2025. In order to achieve these targets, this is what we are going to do in 2018:

New Mission

Against this backdrop and new landscape, we are embarking on our mission of internationalization in 2018. We have spent the past ten years constructing the foundation and laying the foundations for our unique operation model. Now is the time to build a house upon that solid foundation and raise it to the next level. We have now constructed our multi-brand platform as the pillars of the house, and now we are ready to take the Group to the next level. While 2017 marks the 10th anniversary since we were listed on the Main Board of HKEX in Hong Kong in July 2007, equally importantly it is also the year we start to shift our strategic focus to internationalize our management system in five core skill areas – operation, brand building, distribution management, product innovation and organization management.

Meanwhile, we are committed to optimizing our supply chain and logistics efficiency continuously and to improving the cost effectiveness of advertising and promotion activities and R&D. With this in mind, we will continue to refine our retail management practices. With the opening of the Group’s new logistics center – set to commence operations in 2018 – we will also significantly reduce delivery times from more than one month on average to as short as 48 hours, laying the foundations for the implementation of our integrated business model which includes online, offline, wholesale, retail and e-commerce platforms in the future. In addition, the new logistics center will support the logistical needs of our retail businesses such as FILA and DESCENTE. Having upgraded the ERP system’s real-time data collection and analysis procedures, we will have a greater capacity to accurately monitor the performance of retailers, and identify consumer preferences and needs, which will enable us to launch new and popular products in a timely manner.

New Challenges

Businesses are built by people, and people with a purpose will build an enterprise with a mission. The bigger we get, the more important on human capital. With our scale and professional management team, we have developed a team of millennials who are ready to step up to take on leadership roles. Our competitiveness will be directly proportional to the quality and professionalism of our management team. In 2018, our challenge is to raise the skills and capability of our management team.

The evolving retail market creates both unprecedented challenges and opportunities after all. Hence, we plan to improve our replenishment order system to further increase the proportion of replenishment orders on top of the trade fair orders, further improving our products' ability to meet consumer demands and optimizing our inventory levels.

New Opportunities

We are in the "Golden Decade" of sports development in China, and it is common to believe that the economy expected to surpass that of the US to become the largest in the world within the next ten years. With the PyeongChang 2018 Winter Olympics, followed by the 2018 FIFA World Cup in Russia, Tokyo 2020 Olympics, Beijing 2022 Winter Olympics and 2022 FIFA World Cup in Qatar, the next four years will see exponential growth and unprecedented opportunities for the sports business. We must be prepared to take advantage of these opportunities ahead of us.

By the end of 2018, we expect the total number of ANTA stores (including ANTA KIDS standalone stores) in China to reach 9,700-9,800, and the total number of FILA stores (including FILA KIDS standalone stores) in China, Hong Kong, Macao and Singapore to reach 1,300-1,400. Meanwhile, our DESCENTE will penetrate deeper into first and second tier cities, with a focus on opening stores in prime locations and strengthening its market position. It is expected to have 100-110 stores in China by the end of 2018. KINGKOW will have a total of 60-70 stores and SPRANDI will have a total of 190-200 stores by the end of 2018, while KOLON SPORT will have a total of 200-210 stores by the end of 2018.

FOR THE YEAR ENDED 31 DECEMBER 2016 ("FY2016")

Markets and Business Review

Market Review

China's growing consumption as global challenges linger

Against a complex backdrop of global economic uncertainties, China's economy is gradually shifting away from its heavy reliance on exports and investment. According to the National Bureau of Statistics of China, in 2016, the country's GDP growth was 6.7%, which fell within the government's target range of between 6.5% and 7.0%. Meanwhile, the total retail sales of consumer goods in 2016 amounted to RMB33.2 trillion, a year-on-year increase of 10.4%. The total retail sales in clothing sector (including sports footwear and apparel) was RMB1.4 trillion, a year-on-year increase of 7.0%. These statistics not only revealed that the rate of growth in consumption was higher than GDP in China footwear and apparel sales maintaining with a fast-paced and solid growth, but also reflected that the country's efforts to boost domestic demand and consumption had paid off. In addition, China's per capita annual disposable income of urban residents amounted to RMB33,616, a year-on-year increase of 5.6% after deducting price factors, which showed the spending power of the country's residents had continued to increase steadily.

In 2016, China's CPI increased 2.0% year-on-year and core CPIs for several quarters in 2016 saw a slight increase of between 1.5% and 1.6%. However, inflation was weaker than expected with continuing pressure from the economic slowdown. Through its recent "Mass Entrepreneurship and Innovation" program, the Chinese government has strived to create a new engine for Chinese economic growth which relies on private enterprizes and innovation to generate sustainable and long-term growth. These measures will help stimulate demand and provide smooth and steady GDP growth.

Although uncertainties still loom large at the macro-economic level, the market generally believes that the organic growth in consumer demand for Chinese sportswear products will grow at a steady pace. According to the "China gets its game on: The emerging power of China's sports and fitness industry", written by the Economist Corporate Network, Chinese consumers will become more affluent with stronger consumption power. The report estimated that total individual consumption in 2030 will be three times higher than 2015. As the economy continues to grow, the number of people who regularly exercise will further increase. The report also estimated that the sports footwear and apparel market will see strong growth in the future. According to the report, sportswear sales will reach RMB 254 billion by 2020, a 54% jump from 2015. Hence, there are strong reasons to believe the domestic sportswear industry should have a bright outlook.

To address target niche market demands through our comprehensive brand portfolio

In light of a rapidly changing and increasingly complex consumer market, China's sportswear brands faced with both opportunities and challenges. With the growing trend for "athleisure" fashion and the stronger demand for "functional", "differentiated", and "premium" sportswear products, the sportswear brands needs to be nimble in response to market demand. As such, it is necessary to speed up the production lead time from design to R&D, and from production to distribution in order to appropriately meet the demands of the consumers. Failing to do so means the sportswear brands put themselves at risk of oversupply, which leads to large retail discounts and lower profitability. In response to this challenge, the Group has implemented a highly efficient supply chain and will leverage a new logistics center which to be put into operation soon, further reducing lead times and increasing the responsiveness to consumer needs.

Despite the continuing challenges of economic fluctuation, intense competition among domestic and international sportswear companies etc., the Group's revenue and profit attributable to equity shareholders hit a high record during the year. ANTA again ranked number one in terms of market share in the Chinese travel and sports shoes segment, as it has done for 15 consecutive years, which was a testament to the popularity of its products. In addition to ANTA, ANTA KIDS, FILA, FILA KIDS, DESCENTE and NBA brand have all made good progress, demonstrating the success of our multi-brand and omni-channel strategies in capturing opportunities in both mass and high-end markets.

Business Review

1. A Single-Focus, Multi-Brand and Omni-Channel Management Model

During the year, we realized a more sustainable earnings growth profile with our single focus, multi-brand, and omni-channel management strategies, which have generated synergy that delivered success and sustainable growth. Our brands have become more competitive, especially as the population's consumption power grows, in spite of fierce competition in the sportswear market. To maximize our reach in all market segments, we have a comprehensive distribution network in places, including street stores, shopping malls, department stores, outlet stores and e-commerce channels. In response to changing consumer shopping behaviors, we are opening more stores inside shopping malls and department stores, improving the sales network efficiency.

Also, our brands within our brand portfolio, complement each other, meeting the different needs of the market and providing a range of differentiated products positioned to attract specific groups of consumers.

ANTA is a functional sportswear brand while ANTA and ANTA KIDS specialize in the adults' and children's sportswear in the mass market. The NBA brand provides functional and casual basketball-related sportswear to basketball enthusiasts. FILA is a high-end fashion sportswear brand and FILA KIDS provides high-end kidswear. DESCENTE is a high-performance sportswear brand that focuses on high-end market.

During the year, we were picked by Bloomberg as one of the "50 Companies to Watch in 2017" from a selection of 4,000 stocks globally. We were the only Chinese sportswear company to be listed in the ranking, and its inclusion meant that our outstanding performance and strategy were fully recognized by the market and investors. In addition, we won the "2016 Best in sector: Consumer discretionary and Consumer staples" at the IR Magazine Awards, and at the "2016 iNOVA Awards", our investor relations website was named a gold winner in the sports category. Furthermore, in recognition of our environmentally friendly practices, we were awarded the "CarbonCare® ESG Label" from the Carbon Innovation Lab. These honors reflected the recognition that our investor relations, corporate governance, innovative design and environmentally friendly practices have received from the industry and the public.

2. Brand Management

2.1 ANTA is a value-for-money functional sportswear brand

ANTA is a functional sportswear brand which targets the mass market and is committed to providing consumers with value-for-money and professional sport products. Leveraged by the powerful sponsorship resources, brand equity and R&D capabilities, ANTA has become one of the leading domestic brands in footwear, apparel and accessories in China, and has a stronger advantage in running, cross training, basketball and soccer products etc.

Since 2009, we have engaged in a strategic partnership with the COC and CSD. During the Olympic cycles of 2009 to 2012 and 2013 to 2016, our high-quality winning outfits have often become the focal point of major sporting events. Moreover, we have also sponsored 24 Chinese national teams within the five major sporting management centers, including water sports, winter sports, boxing and taekwondo, gymnastics and weightlifting, wrestling and judo. During competition and training, all members of these national teams were well-equipped with our professional sporting gears. Our strong alliance with the COC and CSD have not only enhanced the credibility of our products but also further strengthened our brand image of representing China's sporting essence.

As the sportswear partner of the COC, ANTA had unveiled the "Go Surprise Yourself" marketing campaign with the aim to encourage athletes to cease the monopoly of their opponents, keep breaking world records and create their own legends in the Rio Olympics in Brazil. Through the "Go Surprise Yourself" campaign, ANTA hopes to promote the Olympic motto of "Faster, Higher, Stronger"; and to encourage every participant to challenge themselves. Rio Olympics is the second Olympic Games we joined hands with the COC to tailor-made winning outfits for the CSD since 2009, as well as a year to have the highest number of Chinese national teams wearing our tailor-made professional competition gear.

Furthermore, at the launch ceremony for Champion Dragon Outfit for the CSD, ANTA worked with Samsung to create a virtual reality experience using the Samsung smartphone and beta version of the Samsung Gear VR. The unique visual experience meant that each attendee was able to watch the launch event as if it was taking place at the Rio Olympic Stadium at the same time as they were watching the launch of the Champion Dragon Outfit, and the use of mobile technology gave everyone a distinctive Olympic experience to enhance the correlation of ANTA, the COC and the CSD. At the same time, we placed advertisements on CCTV during the broadcast of the Olympic Games, specifically timing them to coincide with the gymnastics and weightlifting competitions, in which the Chinese teams are more popular among Chinese viewers. Given the different time zones, the finals in live broadcasts in the Rio Olympics usually happened at the midnight period in China. Besides to place advertisements in traditional TV channels, ANTA also worked with various social media. For instance, ANTA not only inserted product placements and sponsored outfit for the reporters in Olympics News Room managed by Tencent and Sina, but also launched a joint promotion campaign with Weibo to direct viewers to our e-commerce platforms to stimulate sales performance. ANTA also integrated event marketing with various online platforms during the Olympics. For example, when China won its first gold medal, the ANTA online website released a "first medal" special edition T-shirt. Further to that, ANTA partnered with Tmall to launch the "ANTA-Tmall Super Brand Day" during which consumers participated various interactive games and had a chance to win the Champion Dragon Outfit and Olympics designated products such as champion's T-shirts. According to a poll on the impact of sponsorship related to the Rio Olympics conducted by Ipsos, a leading global research company, there was a 17% increase in ANTA's brand awareness during the Rio Olympics, resulting in a new milestone of our marketing effectiveness.

In order to strengthen our product differentiation, ANTA launched the ANTA Intelligent Technology Plan to promote the ANTA running time APP and our new Intelligent Running Shoes during the 30th Olympic Day Run, which was sponsored by ANTA for eight consecutive years. The unique capabilities of our smart running shoes have allowed ANTA to better connect with a new group of runners, which has ultimately heightened the public's awareness of our running products. Furthermore, ANTA was not only supporting the brand new "Challenge 100" event with renowned Chinese ultra-marathon runner, Chen Penbin, but was also bringing its upgraded ANTA "Challenge 100" functional running shoe to the vast running enthusiasts. Following the undertaking made last year, the ANTA "Challenge 100" functional running shoe continued to support Chen Penbin's new journey across five cities namely Beijing, Shanghai, Xiamen, Shenzhen and Chongqing where he completed the 100 km challenge per station. Meanwhile, around 20,000 runners were recruited in over 1,000 running teams to complete the 100 km relay per station. It was worth mentioning that the champion team of relay races from those five cities departed to Brazil in August together with Chen Penbin, and completed the final station of the "Challenge 100" event in Rio de Janeiro, the host city of the 2016 Olympics.

Cross training product series become more popular due to the rise of indoor fitness activities. During the year, legendary Filipino boxing champion, Manny Pacquiao, who was the first and only professional boxer to win world boxing titles in eight different weight categories, became ANTA's latest brand endorser. This partnership has not only brought mutually beneficial for Manny Pacquiao, one of the world's top professional boxer, and ANTA, a leading sportswear brand in China, but the collaboration also encouraged a "Fight On" spirit among customers and was a major step forward for the ANTA training series. Having already made progress in the world of basketball and running, this latest partnership served as an engine for growth for the brand's cross-training products. In anticipation of growth in this sector, ANTA has already cooperated with Chinese boxers, such as Zou Shiming and Yang Lianhui, as we seek to develop presence in this sporting segment. To make our marketing campaigns more effective and more interactive, we have utilized our sponsorship resources and made use of various communications channels, including social media, to increase our brand and product awareness.

Meanwhile, our "Basketball is Priceless" lineup consists of four NBA players, namely Klay Thompson, Kevin Garnett, Rajon Rondo and Luis Scola, not only form a star-studded team on the basketball court, but are also a powerful assembly of top NBA resources for a Chinese sportswear brand. The ANTA KT series continues to support Klay Thompson, the Golden State Warriors' sharpshooter. Since the launch of ANTA's KT series basketball shoes in late 2015, we received overwhelming response from global basketball lovers, making it the fastest growing NBA player-endorsed series amongst all ANTA products. In addition to the original KT1, special edition KT models were introduced in tandem with the epic NBA Playoffs and Finals, and became instant hits. The launch of the KT series was one of the most closely watched endorsement deals of a Chinese brand in recent years and a bold move by Klay Thompson, who left a legacy brand for his namesake line and is building a legacy for his namesake shoes. We are also proud that Klay Thompson was selected to be a member of the US Olympic basketball team, the Dream Team of the United States, wearing ANTA's KT series for the Rio Olympics. Klay Thompson scored 60 points in a game in December, not only set a new career high, but also a NBA record for points under 30 minutes. Going forward, we will launch more special edition of KT series along with a range of advertising activities in order to drive the sales of ANTA basketball product series.

Chinese government has placed an increased emphasis on the development of soccer and has launched a series of reforms to develop the soccer industry, with the aim of cultivating the quality and skills of young players. For example, the State Council released the "National Fitness Plan (2016-2020)" in order to accelerate the development of the sports industry and promote sports consumption. The Football Plan calls for an establishment of 20,000 specialty football training schools, enlisting 30 million school students to be playing the sport. These initiatives are expected to create a strong pool of talent for soccer exercise, improving the standards and accelerating the overall development of soccer in China. As such, we launched the "PLAY IS ALL" soccer initiative in late 2015 as well as value-for-money soccer series for teenagers and adults in 2016, which featured Zheng Zhi, the former Asian Footballer of the Year and the current captain of China's national soccer team as the ambassador. The program is designed to encourage teenager participation in soccer and to drive the long term growth of soccer in China. We also cooperated with different schools and organizations to arrange various soccer events to allow more children to enjoy the fun of soccer.

2.2 NBA Brand

In 2014, ANTA became the official marketing partner of NBA China and licensee of the NBA, allowing us to use the NBA logo as well as the logos of the current 30 NBA teams, NBA's legendary teams and NBA events on our basketball shoes and accessories. This is the first time for the NBA to launch co-branded products with a domestic sportswear brand. We believe that our collaboration with NBA will enhance ANTA's professional brand image, influence in the basketball market and intensify loyalty to our brand.

In order to meet different needs of both adults and children, we have launched a series of basketball shoes in partnership with the NBA, including the "League Series", which features the NBA logo, and the "Team Series" which was inspired by NBA team logos and incorporated their colour schemes into the design of the shoes. Apart from basketball shoes, we also launched NBA-themed accessories including backpacks, socks and wristlets etc. NBA series are not only available at ANTA offline stores, but also on ANTA's e-commerce platforms, which include ANTA's official online flagship store (anta.cn), Tmall (anta.tmall.com) and JD stores (anta.jd.com).

2.3 ANTA KIDS

In addition to maintaining our lead in the professional sportswear market for adults, we offer ANTA KIDS sportswear products since 2008 to tap the high growth potential in the China kids' sportswear market. Following the implementation of the two-child policy by the Chinese government, it is widely expected that the growth in kids market segment will accelerate. Currently, this market remains fragmented and it is believed that well-established brands have a distinct advantage than new players. We were the first domestic sportswear brand to enter this market and since then, ANTA KIDS has proven to be very popular due to the strong credibility of our products and value-for-money. ANTA KIDS is well-positioned to take advantage of the huge opportunities in this market in the future.

We are committed to offering fashionable, protective and comfortable products for children aged between 3 and 14. Apart from running, basketball, outdoor, cross-training and lifestyle series, we have also included the "ANTA-NBA" co-branded series as part of the product portfolio since 2014 when we established our partnership with the NBA China. These co-branded products feature trademarks of the NBA and some of its popular NBA teams, which have been particularly popular among young basketball fans. In response to the government's participation and support for the development of youth soccer, we entered the soccer market to capture market potential and introduced well-designed and functional children soccer shoes, which have been priced as low as RMB199. As more children demand functional sportswear with value-for-money for soccer activities and school competitions, the ANTA KIDS soccer series has achieved satisfactory results in terms of sales since its launch in the fourth quarter of 2015.

To ensure children can enjoy happy and healthy lives, our ANTA KIDS sportswear series not only nurture children aged 3 to 14 to develop a strong brand loyalty to us, but also satisfy a range of needs as they grow up. We have utilized our website and popular social media platforms to promote the quality of our products and nurture children's passion for sports through a series of promotional campaigns.

During the year, ANTA launched a series of in-store marketing campaigns across China, which utilized our comprehensive and unique sports resources, such as our partnership with NBA China, endorsements from NBA players and Chinese athletic champions to enhance the attractiveness of the ANTA brand among parents and children. More importantly, ANTA's brand ambassador, Zheng Zhi, the current captain of China's national soccer team, has become an idol among Chinese children. Zheng Zhi has played a key role in strengthening the reputation and credibility of the ANTA KIDS soccer series by attending a number of marketing events which have attracted many young fans.

2.4 FILA and FILA KIDS

During the year, FILA continued to grasp more attention from the high-end consumers. Gao Yuanyuan, a renowned Chinese female celebrity, started featuring in FILA advertising campaign in the PRC, together with our ambassador, Chris Evans, a popular Hollywood actor, better product offerings by cross-border collaboration with Jason Wu, as well as overall improvement in brand recognition in China, have resulted in the promising sales growth during the year. The addition of new stores was also an important factor that contributed for the brand's growth in market share.

FILA was established in Italy in 1911, after acquiring the FILA business in PRC in late 2009, we have repositioned it as a high-end sports fashion brand. As a global sportswear brand with over 100 years of history, FILA's unique combination of stylish and sporty image has gained awareness among the Chinese high-end consumers. Also, FILA launched cross-over cooperation with world-renowned designers to bring differentiated sports fashion experiences to the consumers.

FILA not only provides a series of high-end and stylish sportswear products, but it has also launched men's underwear, FILA INTIMO and FILA RED, that use cutting-edge materials and fabric made with state-of-the art technology, such as superlight cotton, poly-memory span and poly span icefil. FILA's crossover series includes FILA Ginny, designed by renowned American fashion designer, Ginny Hilfiger, who integrates her simple, trendy yet elegant design style with FILA's "Modern Vintage" essence into the FILA Ginny Line. Since the end of 2015, we cooperated with New York-based Chinese American fashion designer, Jason Wu, to develop the "Jason Wu X FILA" cross-over series, earning acclaims from consumers. The design of the collection was inspired by the colors and stitching material of tennis sports, combining the elements of tennis with unique and meticulous tailoring. This design not only included elements of Jason Wu's personality, but also retained the Italian style of the FILA brand combining high-end fashion with sports. In 2016, we also hosted Jason Wu's very first fashion show in Beijing with FILA, which showcased the "Jason Wu X FILA Spring Summer 2017 Collection" and was very successful in terms of improving awareness of the brand.

During the year, FILA collaborated with former Wimbledon champion Marion Bartoli, to launch the LOVE FILA series, lifting sportswear to new standards and creating a new trend in tennis sports. LOVE FILA attracted the attention of a number of international tennis stars before the official launch, with many renowned athletes participating in several international tournaments wore this series. On the other hand, with the aim to target the high-end children's market, FILA also launched FILA KIDS which inherited the elegant and unique style of the FILA brand. The new line attracted significant attention in the high-end market.

FILA is renowned at combining sponsorship resources with different marketing channels in order to strengthen the influence of the brand. In addition to utilizing celebrity endorsements and product placements on multiple promotion channels, FILA also sponsored CCTV's Rio Olympics reporting team, providing support to CCTV journalists between stadiums and arenas during the Rio Olympics Games. The reporting crew dressed in FILA-products showcased the outstanding attitude and groomed appearance in delivering timely, comprehensive and compelling news coverage of the Rio Olympics Games. FILA is also the official sponsor of sportswear uniform for Hong Kong's Olympic squad of China of the Rio Olympics Games and the official sportswear partner of the Hong Kong Table Tennis Association. All of these partnerships have created opportunities for FILA to showcase its tradition and unique style, attracting consumers' attention at major international sporting events.

2.5 DESCENTE

During the year, we formed a joint venture with DGR, and a subsidiary of ITOCHU Corporation, operating and engaging in the business of design, sale and distribution of all categories of products bearing the "DESCENTE" trademarks in China. DESCENTE provides premium sportswear products related to skiing, cross-training and running etc., in China.

Founded in 1935 in Osaka, Japan, DESCENTE has over 80 years of experience, incorporating cutting-edge technology, fabric, quality and a fit that is second to none. Driven by passion and persistence, the origins of brand name and logo came from long-term interest in skiing. "Descente" means downhill skiing in French whereas the logo represents the three basic skiing techniques of schussing, traversing and sliding. DESCENTE has led the ski industry in expertise, functionality and innovation for more than 50 years, resulting in the creation of competition gears worn by gold medal-winning national ski teams and becoming the preferred choice for professional skiers in Europe, North America and Asia. The brand has applied its extensive knowledge to develop a broad range of premium and functional sportswear products since it established. In 2010, DESCENTE launched the Outdoor series to redefine the meaning of "outdoor activities". With the perfect blend of professionalism and cutting-edge designs, the products are breathable and water-proof at the same time, creating the best sportswear for outdoor activities. In addition to ski and outdoor collections, DESCENTE's series include Allterrain, Golf, Training, and summer and winter premium sports lifestyle options for men and women.

Capitalizing on the competitive advantages of DESCENTE, we further expand our presence across China in winter sports market. In August, we reached a new milestone with the opening of the first DESCENTE store in China through the JV Group. The addition of DESCENTE brand helped the Group further enhance its offering of high-end professional sportswear products, a crucial part of our multi-brand strategy. The first new store is located in the Changchun Charter Shopping Center, a landmark in the prime retail shopping district of Changchun, the capital of Jilin Province in northeastern China, followed by several stores located at Beijing, Dalian and Shenyang etc. According to the "China gets its gone on: The emerging power of China's sports and fitness industry" written by Economist Corporate Network, skiing has been steadily growing its popularity in China. Since 2000, China has increased its number of ski resorts more than ten-fold to nearly 600 in 2015, with approximately 13 million skier visits. Winter sports in China would be on track for major boost from the 2022 Beijing Winter Olympics. The Chinese government also aggressively promotes winter sports and targets to increase the number of winter sports participants to 300 million skier visits in the future. We are confident that DESCENTE will become a successful sportswear brand in China, meeting the demand of a fast-growing niche market ahead of the 2022 Beijing Winter Olympics.

3. Distribution Network Management

3.1 Omni-channel Management

With a retail-oriented strategy, we have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the year, we have optimized our retail management capability according to the characteristics of consumers in different brands, while enhancing our retail channels, including street stores, shopping malls, department stores, outlet stores and e-commerce platforms in China.

We organize various trade fairs to launch and sell new season's collections of products of ANTA and ANTA KIDS. These fairs occur approximately six months ahead of the introduction of a new season's products to market to allow smooth order placement and product manufacturing. During the year, ANTA introduced over 1,700, 3,600 and 1,200 new styles to our footwear, apparel, and accessories portfolios respectively, catering to the demands of all ANTA targeted consumers. Through offering professional sportswear products featuring value-for-money, we have established a nationwide distribution network for ANTA, creating a competitive advantage in second-and third-tier cities. In order to match the shopping behaviors of targeted consumer groups, most ANTA stores are operated in a street format. Meanwhile, we are also actively expanding our presence in large shopping malls and department stores. On the other hand, the children's sportswear market has experienced rapid growth in the past few years and the momentum is expected to remain strong, supported by the implementation of the two-child policy. In view of the promising opportunities in this market, ANTA KIDS sportswear series with the value-for-money and comfortable products successfully targets children aged 3 to 14 in the mass market. ANTA KIDS stores also focus on second- and third-tier cities.

While the mass market is expected to grow rapidly, the potential of the high-end market should not be overlooked. High-end consumers tend to pay attention to details and prefer personalized products, as such, FILA and DESCENTE have created a platform to capture the high-end fashionable and professional sportswear market respectively. With the view of targeting the high-end children's market, FILA launched FILA KIDS, targeting at high-end children, FILA KIDS continued to gain awareness in high-end market through incorporating the unique style and grace of the FILA brand into FILA KIDS products. DESCENTE, FILA and FILA KIDS' stores are mainly operated at first-and second-tier cities, and mainly located in shopping malls and department stores.

The sustainable growth of our distribution network as well as quality of stores, including the location, size, efficiency and decorations are more important than the number of stores. Hence, we have restructured smaller size and less efficient stores while opening larger and more attractive stores in prime locations so as to improve our overall efficiency. As at 31 December 2016, the total number of ANTA stores (including ANTA KIDS standalone stores) was 8,860 (end of 2015: 8,489), FILA (including FILA KIDS standalone stores) had a total of 802 stores (end of 2015: over 640) and DESCENTE had a total of 6 stores.

3.2 Improving Retail Management Capacity

To capture market opportunity, we adopt comprehensive retail-oriented strategies towards all brands.

Firstly, we have built retail-oriented mindset and appraisal system. We always believe that the most effective approach to retail channel management is to consider ourselves a retail company. Hence, we emphasized retail efficiency in our corporate culture and values, and have established a consumer-oriented retail management and appraisal system to measure our performance according to the retail operating data.

Secondly, our retail data and market information are shared with our suppliers and retailers. An effective communication mechanism contributes to the success of our retail-oriented strategy. From the product planning stage, we work closely with retailers to gather customer feedbacks in order to develop products that are truly welcomed by the mass market. Analysis of and feedbacks on product sales performance gathered by our real-time monitoring system are shared with our retailers on a regular basis. Such timely market information and retail data also enable us to stay abreast of consumer demands and to formulate more accurate, ordering guidelines and replenishment forecasts for retailers.

Thirdly, we strive to provide precise order guidelines to retailers to prevent inventory pile-up. We believe that healthy inventory levels can prevent large retail discounts and enhance retailers’ profitability and sustainability. Therefore, we aim to provide precise order guidelines on a per store basis, so as to allow greater accuracy in orders and to stabilize in-store inventory levels. We also encourage our retailers to be flexible in taking replenishment orders so as to reduce their inventory risks. At the same time, well-managed clearance channels, including outlet stores and e-commerce platforms enable our distributors to reduce inventory pressure at a faster pace.

Fourthly, we strictly require all of our retailers to follow our retail-related policies. In order to strengthen their competitiveness and profitability, we thoroughly examine our retailers' store opening and closure plans and ensure that strict retail policies are implemented. We insist on projecting a consistent store image across our nationwide distribution network and standardization of product display equipment and pop materials which highlight the quarterly marketing themes. During the year, we continued to encourage retailers to upgrade their store layouts in line with our latest store image.

Fifthly, we optimize retailers' operating performance and store efficiency. We have adopted flattened sales management and have streamlined our effective distribution structure so as to facilitate better interaction with retailers. Through our comprehensive monitoring system (including real-time ERP system, weekly reports submitted by our POS and channel checks by our sales teams), we are able to closely monitor retailers' performance and carry out immediate measures to help improve the operational efficiency of our stores.

Sixthly, our brands reach the ultimate customers through nationwide distribution network. The seventh-generation store layout helps showcase our distinctive brand image. With the renovation and upgrade of our stores in progress, we will be able to offer customers a more pleasant shopping experience, thus increasing the sales and store efficiency. Store decorations and promotional materials such as in-store posters and product display equipment are provided to retail stores to highlight the marketing themes and product story of the season. During the year, we also further optimized our visual merchandising to put our signature products in the spotlight.

3.3 E-commerce Business

Our efforts to grow our direct-to-consumer e-commerce business during the year were fruitful, and we believe this strategy will benefit long-term revenue and profitability. Through a channel offering a wide range of online exclusive products and in-season products of ANTA, ANTA KIDS, FILA, FILA KIDS and NBA brand, our e-commerce business was no longer a channel for clearing inventor. In contrast, it has already developed into a comprehensive and interactive platform which makes the online shopping experience more convenient, ensures reliable delivery and offers great after-sales services. In addition to our official online flagship store (anta.cn), we have collaborated with renowned e-commerce platforms, including Tmall, JD.com, Vipshop and among others, which helped to boost online sales and our market influence. Under our strict sales guidelines and policies, we only allow authorized third party online retailers to sell our products online and we agree to allow some of our outstanding offline distributors to sell ANTA products online, with the aim of maximizing the mutual benefits between web-based stores and brick-and-mortar shops.

During the Singles' Day online shopping festival in 2016, our e-commerce retail sales set a new record high and the aggregate amount doubled from the same period last year, a milestone of the Group. To maximize the market value, we also partnered with Tmall to launch the Rio Olympics e-commerce sales campaign, related to the performance of Chinese athletes, resulting in another boom in our e-commerce business. The successful integration of sales and marketing, including products, branding, marketing, servicing, logistics and communications, helped us to achieve more breakthroughs in 2016.

We believe e-commerce business is gaining significance in our business. With the help of our experienced online sales team, we strive to attract more online shoppers. Hence, we have optimized our e-store interface, improved product descriptions and presentations, as well as enhancing our product search and cataloging functions. We have standardized all of our online product launch schedules, query priorities and styles, which has created synergy to prevent competition among online and offline retailers. In addition, we provide all-round customer services including secure payments, well-established supply chains, fast and reliable delivery services, VIP membership and product return guarantees. Positive feedbacks from our customers contributed to our good brand reputations. Last but not least, our e-commerce business will take advantage of more responsive delivery through our new logistics center to be put into operation soon to cater to tremendous demand from increasing online shoppers. Looking forward, e-commerce business takes an important role in our business and we will continue to explore more profitable market opportunities.

4. *Supply Chain Management*

Effective supply chain management plays an important role in achieving sustainable growth. As such, we have devoted effort to product innovation, quality control, as well as the responsiveness and cost-effectiveness of our supply chain, which is vital for supporting our business. By improving our supply chain, we can provide products to our clients more efficiently. During the year, we strived to enhance our R&D and supply chain capabilities with the aim of producing notably differentiated products. According to the "2016 China Consumer Market Development Annual Conference and Goods Sales Statistics" released jointly by the China General Chamber of Commerce and the China National Commercial Information Center, 2016 was the 15th consecutive year our ANTA travel and sports shoes ranked first in terms of market share. This outstanding achievement is a testament to the success of ANTA's development into a mass-market brand which continues to attract consumers across China.

Supported by high quality OEMs and ODMs, our in-house manufacturing facilities have extra capacity to meet unexpected demand efficiently and flexibly in a timely and cost-effective manner. We have also further strengthened our supply chain to shorten production lead times and to better track consumer demand. Moreover, we fully support our supply chain partners' efforts to enhance their quality controls and the efficiency of their workflows, and to improve their responsiveness to changes in the market. During the year, we were also able to keep track of additional orders, which improved our growth prospects.

We have also strategically mixed in-house production with outsourced production in order to better respond to market conditions and changes in consumer preferences. In order to be more flexible in fulfilling last minute orders and to maintain our cost-leadership position, we have further optimised the efficiency of our production process. During the year, the proportion of self-produced footwear and apparel in terms of volume sold amounted to 42.9% and 16.7% respectively (2015: 49.0% and 15.9%).

5. Product Management

We believe technological innovation, original design and product safety are key elements for product differentiation. In drawing upon our strong R&D capabilities, we have launched and upgraded a number of technologies for sports such as running, basketball and cross training among others. These technologies includes the A-Jelly, A-Loop, A-Strata and A-Proofrain, as well as launching the A-Web 3.0 which provides better cooling and ventilation in shoes compared with the technology's previous generation; all of which meets the changing needs of both professional and casual users. During the year, as we maintained an ongoing focus on product innovation, our R&D costs were 5.1% as a percentage of our sales costs. In addition, we launched the Intelligent Technology Plan in cooperation with top technology company Foxconn and introduced new features such as the ANTA running time APP and Intelligent Running Shoes. These products can monitor runners' movements accurately and provide consumers with an enhanced running experience. The APP is not only connected to a chip in the shoes via Bluetooth, which provides basic GPS positioning functions and records distance, time, pace and energy consumed etc., but it also provides six metrics which monitor running posture, such as the way feet strike the surface, stride analysis, pronation and supination, time diagrams, force analytics and height from the ground. These functions will reduce the runners' chance of getting hurt and improving performance. ANTA Intelligent Running Shoes incorporates a new design with the latest A-Web technology to provide breathability and the best possible fit. The shoe sole uses cutting edge A-Silo technology to reduce stress on the runner's feet, creating a cushioning effect, while the chip used in the Intelligent Running Shoes can collect a variety of running statistics in real time. At a retail price of RMB369, the Intelligent Running Shoes were mostly welcomed by consumers who were able to enjoy a high-tech sports experience at an affordable cost. Meanwhile, the "Challenge 100" functional running shoes have been upgraded with the latest one-piece design added to the vamp, offering ultimate comfort for ultra-long distance runners. The South-American style Rio camouflage colors were also featured in the latest design of the "Challenge 100" functional running shoes as a tribute to the running events at the 2016 Olympics in Rio de Janeiro. The upgraded "Challenge 100" functional running shoes are now available on the market for runners to enjoy this new experience.

While innovation is a key business driver, having the highest product safety standards is another important consideration for customers and market. As a sportswear company which attaches great importance to its corporate citizenship responsibilities, we strictly comply with rules to ensure that we closely follow service contracts and to continuously improve the quality of our products. As part of our shoe manufacturing process, we have progressively implemented eco-friendly systems and materials which are not utilized by other companies due to high costs, including the use of water-based adhesives. We also adopt higher industrial standards to enhance customer satisfaction. With this commitment in mind, we have cooperated and communicated with government authorities and external organizations with the view of offering our industry experience as a means to enhance national policies and industrial standards.

5.1 Quality Control

As our retail channels develop, our retail-oriented strategy not only seeks to improve controls, but also to develop more products that meet consumers' different needs. In a highly competitive industry, designing and producing comfortable, safe and high-quality sportswear for consumers is essential for increasing our market share, and thus throughout the whole manufacturing process, enhancing quality control is our top priority at both our own factories and at our suppliers' production facilities. Aside from embracing the internationally-recognized ISO testing standards at our own factories, which ensure all our products are in full compliance with recognized quality standards, we also conduct product tests to ensure our suppliers adopt the same standards. In addition, we continue to cooperate and communicate with the authorities and external organizations on ways to enhance national policies and standards within the industry as well as providing periodic training to employees to ensure their knowledge is kept up-to-date. We have a strict "Product Recall Management System" in place which serves as a reference point for our employees and mitigates against adverse effects resulting from selling defective products. Our distributors are also required to recall all defective products which fail to comply with regulatory requirements. Further to that, employees are not allowed to handle defective products on their own.

6. Internal Management

6.1 Legal Compliance

Based on the best knowledge of Directors and management, we are not aware of any non-compliance of laws and regulations, which will have a significant import on the business of the Group.

6.2 A Congenial Workplace

Employees are a crucial part of our long-term business development strategy, and are key for delivering strong financial and operating performance and business success. We provide competitive remuneration packages and comprehensive fringe benefits to our employees, which has kept our employee turnover rate at a stable level while employee performance and productivity have been high and of good quality. We continue to employ talented individuals from a range of different backgrounds and are continuously developing our professional team. Meanwhile, we have also organized various training sessions and seminars as well as provided education subsidies to qualified employees to encourage them to follow our "keep moving" spirit. As at 31 December 2016, we had around 17,800 employees (2015: 16,700 employees) in total.

6.3 Relationship with Stakeholders

Good corporate governance mechanisms help build stable relationships with our suppliers, distributors, franchisees, customers, shareholders and other stakeholders. Through different communication methods, we collect opinion and advice from stakeholders, which provide considerable benefits to our business improvement. Maintaining relationships with our stakeholders is not only a valuable intangible asset to us, but also helps all parties to comply with our code of business ethics, achieving win-win outcomes.

6.4 Our Existing Environmental Protection Measures

We understand that the environment has a long lasting impact on our future development. Meanwhile, we have undertook several measures like upgrading facilities and adopting clean energy as well as improving our administrative management. For example, factories are encouraged to utilize energy-saving fluorescent lighting, while the use of air conditioning is regulated in accordance with the weather to reduce greenhouse gases and carbon emissions. Besides complying with relevant environmental laws and regulations, we launched "ANTA Grand Forum" to serve as a communication platform for employees to share and exchange their ideas on environmental protection. More importantly, we continue to strengthen our product innovation capability by actively exploring eco-friendly materials for our products series.

7. *Principal Risks and Uncertainties Facing the Group*

7.1 Policy Risks

Risks Associated with Changes to Textile Safety Technology Policies

In 2010, the Chinese government made amendments to the "National General Safety Technical Code for Textile Products (GB18401-2010)". The amendments were put into practice on 1 August 2012 after they were approved by the Standardization Administration of the People's Republic of China (SAC). Under the revised code, certain listed textile products were banned from entering the manufacturing process, and cannot be sold nor imported. There would be a significant impact on the Group's manufacturing process and clothes sales if we were not able to meet the relevant requirements of the revised code.

7.2 Exchange Rate Risk

While most of our business is denominated in RMB, our overseas business is denominated in foreign currencies, which could create potential problems in terms of foreign exchange payment and receipt issues and affect the relationship between debtors and creditors. Currently, the RMB is a managed floating currency which derives its value from market supply and demand, and is adjusted according to a select basket of global currencies. The price of converting RMB into foreign currency is subject to fluctuations in the market, driven by events in the global economy and politics. Changes in foreign exchange rates affect the value of our assets, debt, and domestic and international income which are denominated in foreign currencies. These might lead to changes in our revenue and cash flow.

7.3 Operational Risks

Risks under Intensified Market Competition

Increasingly tense competition in the sportswear industry is reflected in the expanding scale and continuous concentration of the industry, and the proliferation of international clothing brands across China. The nature of this competition has shifted from a focus on quantity and price to new attributes such as state-of-the-art technology and product ranges that add value. In spite of these challenges, we have maintained our dominant position in the Chinese sportswear market, but we acknowledge that intensified market competition may impact our future earnings and profitability to a certain degree.

Risks from Counterfeit Brands

Brand is a key consideration that consumers take into account when purchasing sportswear products. There are a number of unscrupulous manufacturers that counterfeit well-known brands and sell them illegally, which has an adverse impact on the brands they replicate. As our sportswear products and brands are well-regarded in the domestic market, we have proactively adopted a number of different safeguards to protect our independent intellectual property rights; but we recognize that it is difficult to identify every infringement of our brand at any one time. If our products were counterfeited on a mass scale in the future, the image of our brand and profitability would be at considerable risk.

Production Safety Hazards

Due to the particularity of the sports goods and processing industry, the fire prevention is especially important. The fabrics we use during the production process and semi-finished products are flammable, and a fire would directly and negatively impact our operations.

Risks under Increased Sales Channel Costs

We adopt a combined wholesale and retail approach as a means to sell our products. Should retail shop rents increase, the Group's and distribution partners' profits would be reduced.

Product Development Risks

We focus on the sports goods business, our products should be functional as well as fashionable. Consumer preferences for fabrics and clothing styles change at a rapid pace and our ability to adapt to these preferences will determine the success of our sales.

Emergencies Risks

If emergencies occur in the future, their irregularity and severity will have a certain impact on our production process and financial position.

Risks Caused by Economic Cycle Volatility and Weakened Downstream Demand

The sportswear industry is vulnerable to volatile economic cycles. In recent years, a downturn in domestic and international economies has weakened the retail market environment and forced consumers to spend less, which has left the traditional fashion industry generally weaker with lower sales. If this volatile economic cycle persists and leads to continued sluggish downstream consumer demand, it would have an adverse impact on our operations.

7.4 Management Risk

Supplier Management Risks

Despite our strict selection mechanisms and quality control system, our business may be affected by numerous different factors relating to our suppliers, including the quality of raw materials provided; the status of product deliveries; transportation capabilities; and management capabilities, among others. Cases where the quality of raw materials fails to meet our requirements; quality inspection departments are not able to spot defective products in time; products are not delivered on time, to the right location or in the right quantity; and products are lost or damaged during delivery would all have adverse impacts on our operations. Furthermore, our ability to manage operations effectively will also be adversely affected if suppliers' credit conditions deteriorate due to their tight financial position.

Risks from Talent Shortage and Loss of Talent

The promotion of our brands in the industry, the digitalization of our operations and the optimization of our supply chain requires many talented employees who specialize in product planning, information management and supply chain management. However, there is a shortage of relevant professional talent in China, and a large scale loss of this kind of talent in the future would negatively impact our operations.

Risks from Product Transportation Management

We primarily rely on third-party logistics companies to transport our goods, and because there are a number of logistics companies that we work with, there is a certain degree of difficulty in terms of managing them. If part of our supply chain was delayed or adversely impacted, or if products were damaged due to negligence or mistakes on the part of the logistics companies, our operations would be affected. Should any accidents occur, such as traffic accidents, natural disasters or strikes, among other issues, the supply of our products may be temporarily interrupted, meaning that we would not be able to deliver products to our distributors on time. This would have a negative impact on our operations.

Financial Review

Revenue Breakdown by Product Category

The following table sets out the contribution to the revenue by product category for the financial year:

	Year ended 31 December				
	2016		**2015**		**Changes**
	(RMB million)	*(% of Revenue)*	*(RMB million)*	*(% of Revenue)*	*(%)*
Footwear	6,000.8	45.0	5,074.1	45.6	18.3
Apparel	6,885.7	51.6	5,591.7	50.3	23.1
Accessories	459.3	3.4	460.1	4.1	-0.2
Overall	13,345.8	100.0	11,125.9	100.0	20.0

During the financial year, the Group's revenue increased by 20.0% as compared with 2015. The growth rate is higher than the growth rate of the order value of 2016 trade fairs for ANTA branded products as announced before due to the stronger pace of growth in other businesses.

Gross Profit and Gross Profit Margin Breakdown by Product Category

The following table sets out the gross profit and the gross profit margin by product category for the financial year:

	Year ended 31 December				
	2016		**2015**		**Changes**
	Gross profit *(RMB million)*	**Gross profit margin** *(%)*	**Gross profit** *(RMB million)*	**Gross profit margin** *(%)*	*(% points)*
Footwear	2,778.4	46.3	2,341.8	46.2	0.1
Apparel	3,509.7	51.0	2,671.2	47.8	3.2
Accessories	170.9	37.2	172.4	37.5	-0.3
Overall	6,459.0	48.4	5,185.4	46.6	1.8

Due to the successful implementation of the multi-brand strategy, the Group's overall gross profit margin for the financial year improved as compared with 2015. As a result of higher contribution from FILA business, partly offsetting by the effect of launching more value-for-money high-performance footwear products, the overall footwear gross profit margin increased slightly by 0.1% point. On the other hand, as a result of the higher contribution from the FILA business, the overall apparel gross profit margin increased by 3.2% point.

Other Net Income

Other net income for the financial year amounted to RMB259.8 million (2015: RMB227.1 million), which mainly comprised of government grants of RMB274.9 million (2015: RMB234.2 million). The government grants were provided to the Group as a recognition of contribution towards the local economic development.

Operating Expenses Ratios

The key operating expenses ratios for the financial year were relatively stable as compared with 2015.

The ratio of advertising and promotional expenses to revenue slightly decreased by 0.1% point to 11.4%. The ratio of staff costs to revenue slightly increased by 0.1% point to 11.3%. The ratio of R&D costs to cost of sales slightly decreased by 0.1% point to 5.1%.

Operating Profit Margin

Operating profit margin decreased by 0.2% point to 24.0% for the financial year in spite of the 1.8% point increase in gross profit margin, which was mainly due to the increase in selling and distribution expenses as a result of the expansion of FILA retail operation. Moreover, the increase in administrative expenses also resulted in the decrease in operating profit margin.

Net Finance Income

Interest income for the financial year amounted to RMB119.0 million (2015: RMB211.1 million). Such decrease was mainly driven by the decrease in average interest rate of bank deposits during the financial year and change in bank deposit currency mix.

Interest expense on bank loans amounted to RMB38.2 million (2015: RMB36.9 million) for the financial year.

Effective Tax Rate

Effective tax rate remained at 26.2% for the financial year (2015: 26.2%).

Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 0.4% point to 17.9% for the financial year, which was mainly due to the decrease in operating profit margin and the decrease in net finance income.

Write-down of Inventories

During the financial year, write-down of inventories amounting to RMB7.3 million was charged to profit or loss (2015: reversal of write-down of inventories amounting to RMB9.8 million was credited to profit or loss).

Provision for Doubtful Debts

For the financial year, reversal of provision for doubtful debts amounting to RMB5.9 million was credited to profit or loss (2015: RMB8.7 million).

Dividends

The Board has recommended a final dividend of HK34 cents and a special dividend of HK8 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK34 cents per ordinary share, representing a payout of RMB1,675.0 million (2015: RMB1,423.6 million), or a distribution of 70.2% (2015: 69.8%) of the current year's profit attributable to equity shareholders.

Liquidity and Financial Resources

As at 31 December 2016, the cash and cash equivalents of the Group amounted to RMB5,830.0 million, representing an increase of RMB664.1 million as compared with the cash and cash equivalents of RMB5,165.9 million as at 31 December 2015. This is mainly attributable to:

- Net cash inflows from operating activities amounted to RMB2,467.6 million, which was nearly equal to the profit for the year, demonstrating the strong cash generation capability of the Group.

- Net cash outflows from investing activities amounted to RMB514.5 million, mainly including capital expenditures of RMB627.6 million, refund of prepayment for acquisition of land use rights amounting to RMB54.9 million, net placement of fixed deposits held at banks with maturity over three months of RMB127.4 million and the decrease in other financial assets of RMB175.5 million.

- Net cash outflows from financing activities amounted to RMB1,398.2 million, mainly including the payments of the final and special dividends in respect of the financial year 2015 and the interim dividend in respect of the financial year 2016 amounting to RMB1,540.9 million, the net proceeds from issue of bills of exchange amounting to RMB476.9 million, the net repayment of bank loans amounting to RMB392.3 million and the payments of interest expense on bank loans amounting to RMB22.2 million and capital contribution by non-controlling interests of a subsidiary amounting to RMB100.0 million.

	2016	**2015**
	(RMB million)	*(RMB million)*
Year ended 31 December		
Operating cash inflow	2,467.6	1,902.9
Capital expenditures	(627.6)	(460.9)
Acquisition of interest in a subsidiary	–	(26.4)
Others	57.0	1.4
Free cash inflow	1,897.0	1,417.0
As at 31 December		
Cash and cash equivalents	5,830.0	5,165.9
Fixed deposits held at bank with maturity over three months	1,492.4	1,365.0
Pledged deposits	194.6	202.5
Other current financial assets	–	200.0
Bank loans	(937.7)	(1,330.0)
Bills payable	(600.0)	(100.0)
Net cash and cash equivalents	5,979.3	5,503.4

As at 31 December 2016, total assets of the Group amounted to RMB14,223.5 million, of which current assets were RMB11,453.1 million. Total liabilities and non-controlling interests were RMB4,674.9 million and total equity attributable to equity shareholders of the Company amounted to RMB9,548.6 million. The Group's gearing ratio was 10.8% as at 31 December 2016 (as at 31 December 2015: 11.4%), being a ratio of sum of bank loans of RMB937.7 million (as at 31 December 2015: RMB1,330.0 million) and bills payable of RMB600.0 million (as at 31 December 2015: RMB100.0 million) to total assets. Such bank loans (at fixed rate) and bills payable were denominated in RMB and repayable within one year.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 3 days mainly due to the increase in overall inventories as a result of the expansion of FILA retail operation. The average trade receivables turnover days and the average trade payables turnover days increased by 6 days and 3 days respectively, both of which remained at relatively normal levels.

Pledge of Assets

As at 31 December 2016, the Group had bank deposits of RMB194.6 million (as at 31 December 2015: RMB202.5 million) pledged to secure bankers' documentary credits for certain contracts and construction projects.

Capital Commitments and Contingencies

As at 31 December 2016, the Group had capital commitments of RMB1,090.6 million, primarily relating to the expansion of facilities including the construction of logistic centre.

As at 31 December 2016, the Group did not provide any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group continues to control financial risks in a prudent manner and proactively adopts internationally recognised corporate management standards to safeguard the interests of shareholders. As the functional currency of the Company is the Hong Kong dollar and the Company's financial statements are translated into RMB for reporting and consolidation purposes, foreign exchange differences arising from the translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transactions principally in RMB, the exchange rate risk at the Group's operational level is not significant. Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

The Group continues to seek business opportunities such as acquisition of and cooperation with international sportswear brands to operate brand management business so as to increase the returns on shareholders' equity. During the financial year, the Group has made no significant investments or any material acquisition or disposal of subsidiaries.

Other Supplementary Information

On 20 April 2016, we entered into an agreement with DGR and a subsidiary of ITOCHU Corporation to form the JV Group. The formation of the JV Group had been completed and the Group had contributed RMB150.0 million to the initial share capital of the JV Group, representing 60% interests of it.

Future plans for material investment

Prospects

As people become more health conscious and assume a spirit of professional sportsmanship, it is generally believed that the coming ten years will be a golden era for the Chinese sports industry. The implementation of our "Single-focus, Multi-brand, Omni-channel" strategy has driven our ability to manage multiple brands and retail profitability, while successfully maximizing the equity of every brand through focused market positioning, unique sponsorship and marketing, product differentiation, effective distribution networks and its supply chain management model.

These attributes have enabled us to outperform in the Chinese competitive sportswear industry, lay the foundations for long-term sustainable growth and identify market opportunities in all forms of retail channels including online and offline as consumers' shopping behaviors, foot traffic, demands, athletic needs are ever changing. We will continue to utilize the advantages associated with our multi-brand portfolio, namely the ANTA, ANTA KIDS, FILA, FILA KIDS, DESCENTE and NBA brand, to maximize their market reach through different channels. Our goal is to become respectable world-class, multi-brand sportswear group.

Tapping Potential Markets by Multi-Brand Strategy, Driving Long-Term Sustainable Growth for the Group

As the main driver of the Group, the multi-brand strategy has always sought to cater to the needs of all consumers by integrating sponsorship resources, advertisements and distinct store layouts. This strategy has delivered brand differentiation, and we will continue to build on its success with all our well-positioned brands, leading way for the Group's sustainable growth in the long run. Moreover, we are optimizing the number of SKU so we can further focus on the most popular and the best hot-selling items to boost distributors' profitability. We also believe that footwear market is less competitive as the entry barrier is relatively high. In addition, comparing to apparel, impacts on sales of footwear brought by seasonality and unpredictable weather are also weaker. In view of this, we strive to enhance the differentiation of our footwear products to strategically increase footwear contributions in the long run. Meanwhile, the focus of ANTA, FILA, DESCENTE will be to continue fulfilling the niche demands of adult consumer sectors. ANTA KIDS and FILA KIDS will take advantage of the growing scale of the kidswear market, and aim for higher sales and larger market share in the future. Meanwhile, DESCENTE, which joined the Group in 2016, will target the high-end professional winter sports, cross-training and running sectors, and capture market opportunities arising from the upcoming 2022 Winter Olympics in Beijing. The fact that more and more sports enthusiasts and sports participants in China having precise demands on their appearance, sports performance, sports equipment, functional and premium sportswear provides a greater room for the Group to further explore the potentials and opportunities in functional sportswear market. We believe that, different focuses of different brands will be able to cater the tastes of different customer groups thus further reinforcing the Group's multi-brand strategy.

Focusing on Consumer Experience, Strengthening Innovation and Differentiation of Products

Drawing upon our R&D resources and partnerships with renowned designers, we will continue to make exceptional products with innovative technology and a craftsman's spirit to meet the specific needs of various types of customers. In addition to R&D and design centers in China, we have established design centers in Japan and US to bring more talents with different culture and background to work with us. These can help improve comfort and offer all-round protection, creating a better sporting experience for our customers. More importantly, R&D and design center set up in the US will also help the Group to better serve the NBA players. Since the launch of our ANTA Running Time APP and Intelligent Running Shoes, we have focused on advancing our technological capabilities to ensure we create smart products which are fully compatible with the APP and online platform, and are ones that enable our consumers to enjoy healthy and professional sporting experiences. In the meantime, we are also strategically enhancing our product mix and expanding our shoe product range to fulfill increasing demand for premium and functional products.

Elsewhere, the FILA and FILA KIDS brands will continue to produce fashionable products and partner with renowned designers and celebrities to launch unique merchandise. DESCENTE products, which incorporate cutting-edge technology and state-of-the-art fabrics to enhance quality and fit, are now available in retail shops in China. We will continue to thoroughly satisfy the needs of consumers by focusing on their shopping experience in online and offline platforms. We also plan to enrich the in-house design capability for the DESCENTE business. We are always devoted to offer better consumer experience in offline retail stores. We will continue to provide better store layout, product display and customer service, to let consumers and sports enthusiasts experience the functionality and quality of our products and thereby enhance their athletic performance and promote sports enthusiasm in China.

Improving Store Efficiency and Management, Meeting Consumer Demands by Omni-Channel Strategy

To maintain the long-term sustainability of all retail channels, we will continue to implement our retail-oriented strategy to help our retailers maximize profitability and enhance store efficiency; this includes adopting attractive store layouts, renovating stores, and properly managing orders and in-store inventories. As shopping habits and traffic across city tiers have been changing, we are in the progress of moving some of our non performing street stores to shopping malls and department stores, while continuing to prioritize store efficiency and open more attractive stores in prime locations. At the end of 2017, we expect to have a total of 9,000-9,100 ANTA stores (including ANTA KIDS standalone stores) and a total of 950-1,000 FILA stores (including FILA KIDS standalone stores). We also aim to increase market share by leveraging our advantages to boost the competitiveness of each sales channel. Meanwhile, our DESCENTE brand opened its first store in China in August 2016 and is expected to open 50 stores to 60 stores by the end of 2017. In light of strong growth on e-commerce platforms, we will introduce more exclusive online products, enhance our partnerships with popular e-commerce platform operators, as well as harness the power of big data analytics and social media, to create a connected and integrated platform. These will not only create a synergy between online and offline stores but will also produce greater win-win outcomes.

Achieving Sustainable Growth by Operational Efficiency and Cost Competitiveness

Operational efficiency and cost competitiveness are two key elements in delivering sustainable growth. We improved our store efficiency and management, meeting consumer demands by omni-channel strategy and responsive supply chain. With the aid of our new logistics center, which will be put into operation soon, we will be able to shorten the delivery time and replenish hot-selling items in a more frequent and responsive manner. The automated logistics base will further enable us to shorten delivery time and meet the consumer trends and demands, as well as to reduce the labor cost and become more cost-effective.

The logistics center will increase the flexibility and cost efficiency of the replenishment system, so the Group can reduce the reliance of trade fair model. Hence, we will strategically adjust the mix of future orders placed at trade fairs and replenishment orders to better respond to market demand. In the future, we will enhance the collection and analysis of real-time data through upgrading our ERP system so as to better monitor the performance of retailers, as well as identifying consumer demands to ensure we sell a range of products which are user-centric.

FOR THE YEAR ENDED 31 DECEMBER 2015 ("FY2015")

Markets and Business Review

Market Review

China's Economy Maintained Steady Growth

To maintain the momentum of economic growth, the Chinese government has continued its economic reforms and implemented measures to drive domestic demand and urbanisation. China maintained steady growth of GDP and total retail sales of consumer goods. Per capita annual disposable income of urban residents also continued to rise as a result of the implementation of policies aimed at narrowing the income gap, improving livelihoods and spurring consumption.

In 2015, China's CPI grew at the lowest rate since 2009, while its PPI declined for the fourth consecutive year. The weaker-than-expected inflation has raised concerns among the general public about the growing risk of deflation and greater downward pressure on economic growth in China. However, it is generally believed that the easing in inflation data gives Chinese policymakers room to take more aggressive stimulus measures and consumption-boosting policies to support the country's economy with healthier growth and more sustainable development in the long run.

Stronger Sportswear Brands Gain Market Share amid Sectoral Consolidation

Over the past few years, sportswear industry players in China have been striving to resolve and avoid problems associated with product homogeneity, inventory pile-up and mismanagement of retail channels by implementing reforms and other appropriate measures. However, results across different brands varied depending on their respective fundamentals, competitiveness as well as innovation and execution capabilities. Stronger sportswear brands are generally expected to outperform their peers and to achieve sustainable growth by leveraging their core strengths, including effective brand positioning and marketing strategies, sound management of distribution networks, sophisticated retail monitoring systems, cost-efficient and responsive supply chains, strong R&D capabilities and highly differentiated products.

It is generally believed that the organic growth in China's sportswear market will be relatively stable despite the gloomy economic outlook. Ongoing urbanisation, rising population due to the new two-child policy and growing popularity of sports in China are also boosting consumer demand for sportswear with different functioning, quality and design. Chinese policymakers are also planning to adopt measures to facilitate the development of the sports industry, to encourage sport participation and to boost sport-related consumption. Therefore, sportswear brands that are better recognised, more responsive to market trends and more capable of delivering value-for-money and innovative products to consumers are expected to gain market share amid consolidation in the sector. Meanwhile, companies with multi-brand and omni-channel strategies can grasp even more market share under the rapid change in consumer demand and distribution networks.

CHINA'S ECONOMIC DATA

National Income	GDP	RMB67,670.8 billion	YoY ⬆ 6.9%
Urban Residents' Income	Per capita annual disposable income	RMB31,195	YoY ⬆ 6.6%*
Consumption	Total retail sales of consumer goods	RMB30,093.1 billion	YoY ⬆ 10.7%
	Clothing sector (including sports footwear and apparel)	RMB1,348.4 billion	YoY ⬆ 9.8%
Inflation	CPI	101.4 (2014=100)	YoY ⬆ 1.4%
	PPI	94.8 (2014=100)	YoY ⬇ 5.2%

* Actual growth after deducting price factors

Source: National Bureau of Statistics of China (as at 31 December 2015)

Pestel and Competitive Advantages

Competitive Advantages

Strong Brand Equity
- Diversified sponsorship resources
- Brand internationalisation
- Nationwide brand recognition and awareness

Product Differentiation
- A wide range of product offerings
- Qualify for setting national quality standards
- Strong alliance with designers and R&D institutions

Corporate Social Responsibility
- Corporate citizenship and public relations
- Close communication with stakeholders

Nationwide Distribution Network
- Quick response to the market demand
- Wide spread of our network
- Effective management of distributors and franchisees

Cost Leadership and Capital Adequacy
- Enjoy economies of scale
- Highly efficient supply chain management
- Offer value-for-money products
- Sufficient funding for future business development
- Low gearing ratio

External Environment

Economic
- Per capita disposable income growth rate
- Degree of urbanisation

Legal and Political
- Compliance
- Health and safety
- Government's concern of citizens' health
- Promotion of sports activities in schools

Technological
- Products' functionality
- Performance-based sportswear products
- Trendy leisure sportswear products

Environmental
- Protection and education
- Seasonality

Social
- Sports participation rate
- Consumers' taste and preference
- Individual expenditure on sportswear products

Business Review

Brand-Driven Business Model

We position ourselves as a brand management company that integrates our sponsorship and endorsement resources, advertising and promotional campaigns, CSR and store image; as well as our value-for-money performance-based and stylish sportswear products that reinforce ANTA's brand image and the level of brand association. Our retail-oriented strategy links up the distribution network and the supply chain in order to serve our consumers and to achieve our mission, vision and core values.

Brand Portfolio Model

Improvement in living standards and nationwide popularity of sports in China facilitate consumer demand for sportswear with diversified functionality and design. The retail market and consumer preferences in China have also experienced rapid changes which have created different distribution channels. To encourage our growth in various market segments, we always focus on the sportswear market and we adopt multi-brand and omni-channel strategies to capture opportunities in the mass to high-end markets and key retail channels in China. Our well-defined brand portfolio model has not only helped us defend against market uncertainties, but also enhanced our competitiveness to achieve sustainable development in the long run.

Mass Market

The ongoing urbanisation has boosted the population size of the mass market in urban areas and it is generally believed that the mass market has the fastest growth in the consumer sector. Established brands in the mass market are likely to deliver stable growth during an economic slowdown. Nonetheless, mass market consumers are relatively more price-sensitive compared to high-end consumers and they shop for brands that offer them the best quality at an affordable price. Since 1991, ANTA has focused on providing the best value-for-money functional sportswear to mass market consumers. ANTA has become one of the leaders in performance sports footwear, apparel and accessories in China, with a strong presence in running, basketball and cross-training products, as these sports are the most popular among mass market consumers. In 2014, ANTA became the official marketing partner of NBA China and licensee of the NBA, in which we can use the NBA logo as well as logos of the current 30 NBA teams, NBA's legendary teams logos and NBA events logos on our basketball shoes and accessories. In 2015, ANTA kicked off its soccer strategy and value-for-money soccer gear to tap the demand in the soccer market. Leveraging our value-for-money professional sportswear products, ANTA has established nationwide distribution networks with a definitive advantage in the second and third tier cities. To match the shopping behavior of our targeted consumers, most of the ANTA stores are operated in the street-on-street format.

The children's sportswear market has experienced rapid growth in the past few years and the momentum is expected to remain strong, supported by the relaxation of the one-child policy. In view of the promising opportunities in this market, ANTA introduced ANTA Kids sportswear series in 2008, which was the first domestic sportswear brand to offer protective sportswear products for kids. This series targets children aged 3 to 14 in the mass market with products that offer value-for-money and comfort.

High-end Market

While the growth in the mass market is expected to remain intensive, there are numerous opportunities in the high-end market as well. The preferences of high-end consumers tend to be more sophisticated and they demand products that are more personalised. The Fila business in the PRC represents good opportunities for us to capture the potential of high-end sportswear market. As a global sportswear brand with over 100 years of history, the unique combination of stylish and sporty image from FILA has gained awareness among the Chinese high-end consumers. FILA also has cross-over cooperation with world-renowned designers to bring differentiated sports fashion experiences to the consumers. Echoing FILA's high-end positioning, FILA stores are located only in first tier and some major second tier cities, with more stores in shopping malls and department stores.

In 2015, FILA also launched FILA KIDS to target the kids segment in the high-end market. The FILA KIDS collection adheres to the heritage and unique image of FILA and has gained awareness among the high-end market.

Brand Management

Our effective and diversified brand management strategies play a vital role in achieving success and sustainability. ANTA, a functional sportswear brand, together with ANTA Kids sportswear series, targeting adults and kids aged 3-14 in the mass market. In the fiercely competitive mass market in China, we continue to maintain our good desirability and stand out from Chinese sportswear brands. We attribute our unique brand identity to cost-effective sponsorship, endorsements, cooperation and online marketing. We are also committed to maintaining our leading brand recognition in China by incorporating our influential sponsorship resources into effective promotional channels such as popular digital social networks and broadcast media. To draw consumers' attention, we encourage retailers to revamp the decoration of our stores and optimise product displays aligning with our latest marketing themes. More importantly, ANTA was named as one of the "Best China Brands 2015" for the sixth consecutive year by Interbrand, the world's largest integrated brand consultancy, which indicated that our brand value rose by 9% year-on-year to RMB8.124 billion. We were also the only Chinese sportswear brand to be shortlisted for two consecutive years. This not only underscores the unrivaled strength of our brand equity and competitive edge, but also reflects our strong public recognition across China.

ANTA Representing China's Sporting Essence

Since 2009, we have established strategic partnerships with the COC and CSD. Our high-quality winning outfits have always been in the spotlight at various influential sporting events throughout the 2009-2012 and 2013-2016 Olympic cycles. We also sponsored 24 Chinese national teams from five Sports Management Centres, namely Water Sports, Winter Sports, Boxing and Taekwondo, Gymnastics and Weight Lifting, Wrestling and Judo. All members of these national teams are equipped with professional sportswear tailor-made by us for both competition and training. Our strong association with the COC and Chinese national teams not only strengthens the credibility of our products, but also further enhances our brand image of representing China's sporting essence.

During the year, we kicked off a series of new advertising campaigns for our cross-training product series endorsed by renowned Chinese athletes such as two-time Olympic boxing gold medalist Zou Shiming, Olympic trampoline champion He Wenna, artistic gymnastics athlete Zhang Doudou, members of the Chinese national men's weightlifting team, and so on. In addition to Zou Shiming, another renowned Chinese boxer, Yang Lianhui, also became our endorser to help promote ANTA professional products. In order to maximise the effect and interactivity of our marketing campaigns, we leverage our sponsorship resources to enhance awareness of our brand and products through various broadcast and online media channels such as TVCs, WeChat and Weibo.

Joined Hands with Chen Penbin, Renowned Ultra-marathon Runner, in His Challenge to Finish 100 Marathons

In April 2015, we tailor-made the supreme functional running shoe "Challenge 100" for renowned Chinese ultra-marathon runner Chen Penbin, supporting him in his challenge of finishing 100 marathons in 100 consecutive days across nine provinces, spanning 4,219.54km in more than three months. He started his quest in Guangzhou, running along the southeast coast, across Guangdong Province and Fujian Province, then headed north to Shanghai, Jiangsu Province, Hebei Province and Tianjin. In July 2015, he finished his 100th marathon in Beijing, the host city of 2022 Winter Olympics and crossed the finish line of "Challenge 100" event at the Beijing Wukesong Mastercard Center. This event was not only an unprecedented feat for Chen Penbin, but was also a good opportunity to promote "Keep Moving" spirit and to celebrate China's successful bid to host the 2022 Winter Olympics. We simultaneously held a series of running events and interactive games on WeChat to highlight his quest to finish 100 marathons and to promote our newly-launched "Challenge 100" functional running shoe, which through successful marketing has captured the attention of consumers.

ANTA as a Functional and Mass Market Brand

We have always been offering professional sportswear products featuring value-for-money and excellent functionality, helping us become the most renowned domestic sportswear brand in China's mass market. Our exclusive and influential sports sponsorships greatly strengthen our association with our core product categories, fortifying consumer loyalty to our brand and products.

Kicked off Soccer Strategy and Launched Value-for-money Soccer Gear to Promote Soccer among China's Youth

As China places great importance on soccer development, the new soccer initiative is generating much excitement. Talented young soccer players are vital for raising the fundamental strength and market development in China. As a leading sportswear brand in China, our decision to make soccer one of the pillars of the ANTA's future development will have far-reaching significance.

In October 2015, we fully kicked off our "PLAY IS ALL" soccer strategy to tap the soccer market. The "PLAY IS ALL" soccer strategy involved four key campaigns – including matches, coaching, gear and pitches, and we appointed Asian Footballer and current captain in the China's national soccer team Zheng Zhi as an ANTA soccer promotion ambassador, aiming to increase the number of young soccer players and allow more young soccer lovers to enjoy better conditions when playing soccer, which helps spur the long-term healthy development of soccer in China. Details are as follows:

1. ANTA Soccer Matches

We formed a strategic partnership with the Jiangsu Province Administration of Sports to establish the Jiangsu Youth Soccer League, in which more than 200,000 league matches would be held, and would cover 1,000 elementary schools, junior and senior high schools, and operated at five levels, namely the school, county, city, regional and provincial levels. An estimated 20,000 youngsters were expected to compete in the matches. Soccer promotion activities such as training camps and carnivals would also be launched.

2. ANTA Soccer Coaching

We formed a strategic partnership with Evergrande Football School in which we provided professional soccer gear to the renowned soccer academy and to the school's elite soccer team. We also worked with Evergrande Football School to launch four soccer training courses and coach training classes every year, with the Evergrande Real Madrid coaching team training elementary and high school coaches. The program was expected to produce 2,000 professional youth soccer coaches in the next three years. Fan Zhiyi, named Asian Footballer of the Year in 2001 and former member of China's national soccer team, and Xu Yang, also a former member of China's national soccer team and a renowned soccer commentator, had been invited to be ANTA soccer coaches and participated in ANTA's coach training and campus soccer promotion campaigns.

3. ANTA Soccer Gear

We collected data on the feet of over 16,000 young people from across the country to design professional soccer boots that would give the best fit for young soccer players in China. After more than 1,000 hours of development and design work, we set to launch a full series of soccer boots to suit different types of soccer pitches, including natural turf, artificial turf, gravel, boarded floors, crumb rubber and cement. We launched a series of professional soccer boots that offered good value-for-money in succession, starting with the launch of children's soccer boots, with prices starting as low as RMB179, in the fourth quarter of 2015. Soccer boots for teenagers and adults will be launched in 2016, with prices to range from only RMB239 to RMB599.

Our functional soccer boots feature an upper that perfectly fits the players' feet during movement and provides excellent support and protection. The upper of the soccer shoes is made of soft leather, which is combined with energy feedback material so as to enhance durability and performance. Supported by flywire, which locks the structure, and stretchy elastic thread lines, the boots provide great comfort to the soccer players' feet on the field. Top materials, excellent craftsmanship and extremely attractive prices make our soccer boots essential value-for-money football gear that nonetheless offers high quality.

4. ANTA Soccer Pitch

We partnered with Shuhua Company Limited, a fitness equipment company in China, to develop soccer pitches and to build and promote cage soccer leveraging the advantages of the highly modular and adaptable Shuhua cage soccer pitch products, which were also easy to install, as a solution for the lack of soccer pitches in China.

Alliance with NBA China to Launch Co-branded Products in China

Since October 2014, we have been the official marketing partner of NBA China and licensee of the NBA, and can use the NBA logo and the logos of the current 30 NBA teams, the NBA's legendary teams and NBA events on our adults and kids basketball shoes and accessories. During the year, we further enriched our portfolio of ANTA-NBA co-branded series products by introducing our 2015 NBA All-star Game and Finals editions of basketball shoes to arouse NBA fans' enthusiasm for basketball. Our collaboration with the NBA has not only helped us boost our professional brand image in the basketball market, but has also deepened consumers' sense of belonging.

Klay Thompson Joined Our “Basketball is Priceless” Team

In February 2015, Klay Thompson, one of the top players in the NBA and a star shooting guard with the Golden State Warriors, became one of our endorsers. Our “Basketball is Priceless” team, together with another four NBA stars – Kevin Garnett, Rajon Rondo, Luis Scola and Chandler Parsons not only form a star-studded team on the basketball court, but are also a powerful assembly of top NBA resources for a Chinese sportswear brand. We have also tailor-made the designated “KT FIRE” basketball shoe for Klay Thompson which matches his image as a sharpshooter. The technologies applied to the shoe can fully satisfy his need for functionality on the court. With the help of “KT FIRE”, Klay Thompson won his first NBA championship ring in the 2015 NBA Finals, and we immediately launched a large-scale marketing campaign celebrating his team’s win over the Cleveland Cavaliers so as to strengthen our brand recognition and to boost the sales of our basketball products.

In August 2015, Klay Thompson completed his first China Tour in Beijing, Wuhan, Shenzhen, Guangzhou and Xiamen, working with us to promote basketball development in China by interacting with young basketball enthusiasts and understanding the strong basketball culture in China. During his China Tour, he shared his shooting skills and participated in a free throw competition with basketball fans in Beijing, coached teenage players by personally demonstrating his skills in NBA Nation events in Wuhan, met and interacted with fans in Shenzhen and Guangzhou, and visited ANTA operational centre in Xiamen as well as the sports science laboratory at ANTA headquarters in Jinjiang. The endorsement of Klay Thompson and the partnership with the NBA are both boosting the market share of our basketball products in China’s basketball market as well as customer loyalty, and are crucial for our basketball product category to achieving a leading position in China’s basketball market.

Moreover, the first signature basketball shoe tailor-made for Klay Thompson, “KT1”, made its official debut in San Francisco, United States in December 2015. The shoe was launched in China’s mass market at an attractive retail price of RMB499, and was available not only online and at ANTA stores in China, but also at The Champs stores in Bay Area, San Francisco. This marked our inaugural launch of an endorser signature basketball shoe in both China and United States markets, and a major enhancement for the brand’s recognition and reputation. The design of the high value-for-money “KT1” was inspired by the falcon with the familiar orange and blue colour scheme of Golden State Warriors. The logo “KT” is shown on the tongue and the heel. In order to enable smooth and swift movement, the vamp of “KT1” features mesh and hot press lamination, which enhances the vamp’s support and coverage to the foot and ensures lightweight and ventilation. Metallic contours on the vamp around the ankle strengthen the cuff’s protection of the ankle; AUTO-arch technology was adopted in the sole to provide effective support and twist-resistance to the arch of foot. TPU technology enhanced hardness and was applied at the back, firmly holding the heel and increasing the stability of the foot during exercise.

Luis Scola and Rajon Rondo Visited China

ANTA-endorsed NBA players Luis Scola and Rajon Rondo visited China in late July and early August 2015, respectively, to interact with basketball fans, to further promote the development of basketball and to help raise the skill levels of young basketball players in China.

Luis Scola, a power forward for the Toronto Raptors, kick-started the "ANTA-endorsed Star Players' China Tour". In addition to meeting David Shoemaker, the CEO of NBA China, along with the staff of NBA China, he also visited ANTA stores in Shenyang, Harbin and Beijing. During the visit at Tiyuguan Road in the Dongcheng District of Beijing for a "Visiting My Store in China Tour" activity, he signed autographs and took photos with the store staff, with the staff presenting a Chinese calligraphy "福" (meaning "blessing") as a gift to Luis Scola. Finally, he took part in the NBA Nation event in Beijing for two consecutive days, participating in various activities such as playing "Jump Shooting" game with basketball fans, entering a free throw contest against former Beijing Guo'an team players, viewing our basketball products and experiencing "Kinect Photo" in the ANTA's brand showcase area.

NBA All-star point guard Rajon Rondo visited China after Luis Scola's China Tour, with the "Rajon Rondo China Tour 2015" officially launched at the Wuhan Optics Valley Stadium. Rajon Rondo and other local and foreign coaches, including Lu Xiaoming, Li Ke, Zhang Boyu, Yin Yuchen, Sui Xiaolong, Zhao Anan and Chen Duan gathered in Wuhan to train and interact with young point guards in the "Ball Control Training Camp". Rajon Rondo shared his point guard techniques with them, and helped them improve basic skills such as layups, mid-range shots, dribble move and defensive reaction, in addition to teaching them an essential point guard mindset and tactical analysis on the basketball court. Also, he participated in a competition against young point guards, and his superior performance provided much inspiration to them. He also visited ANTA stores in Taiyuan and Jinan, engaging in close interaction with his mainland fans, attending the NBA Nation event in Shanghai where he practiced passing skills with students, and being a coach for the "ANTA Skills Challenge" activity.

We are committed to providing the best technology and an excellent product experience to sport enthusiasts in order to give everyone top basketball gear comparable to that used by NBA stars and to let them experience the joy of basketball. We jointly announced, with Rajon Rondo, our latest basketball technology – Control-5WD technology, which uses bionic fingerprints and applies to the entire sole in order to increase friction. In accordance with ergonomic design, the fore foot and back foot areas of shoe soles use different materials with different hardness for different parts of the shoes in order to provide better balance of pressure on the foot and a more comfortable fit. It also sports a multi-link independent suspension system inspired by sports cars, which connects the fore foot and back foot and can enhance stability and increase speed. ANTA basketball shoes featuring Control-5WD can satisfy basketball players', in particular point guards' demand for agility when changing directions suddenly and offer great stability and protection to better control the tempo of the game of basketball.

Kicked off "RUN WITH ME" Running Strategy and Launched Innovative Value-for-money Running Shoes

We aim to leverage our premium technologies and innovative strength to create running gear featuring better functionality and quality for runners. In May 2015, we unveiled our "RUN WITH ME" running strategy at the 33rd China Sport Show in Fuzhou, China. Along with the rapid growth of China's running market and the surge in its running population, our "RUN WITH ME" running strategy will allow us further support China's market for runners. We have been investing in technology and product innovation and are striving to boost the popularity of our premium running technologies among the general public.

In order to fulfill different needs from amateur to professional runners, we launched a wide range of professional running shoes and leveraged our premium technologies, including A-Jelly, A-Silo, Super Flexi, A-Loop, etc., as well as its innovative strength to create more running gear of with better functionality and quality for runners. During the year, we launched A-Web 3.0 technology which provided better cooling and ventilation compared with the second-generation version. We also developed the new A-Strata technology (Dual-layer Support technology) for running shoe soles. With additional cushioning and a supportive foam layer, the sole was approximately 15% softer than normal EVA soles, offering greater stability and a more comfortable running experience.

Just as importantly, we tailor-made the supreme functional running shoe "Challenge 100" not only for Chen Penbin, but also for all professional runners. The "Challenge 100"can take on constant pressure, adapt to changes in terrain, and fulfill the athlete's requirements for running marathons. The upper part of "Challenge 100" is made of engineered mesh, making the shoe light, fitted, and able to effectively accelerate the release of heat build-up in the shoe; the mid-cut design of the shoe wraps around the foot perfectly; the sole is made of extra-thick durable rubber; TPU outsole and AUTO-arch technology are applied to the midfoot and arch of the shoe to ensure stability as the foot lands. The heel of the shoe sports A-Core shock-absorbing technology and multi-layer structure to minimise possible impacts on and injuries to runners while maximising protection for the runner's ankles, knees and other body parts.

Supporting the Olympic Day Run for the Seventh Consecutive Year

As a long-term strategic partner of the COC, we sponsored the Olympic Day Run for the seventh consecutive year. In June 2015, the 29th Olympic Day Run, jointly organised by the COC and the Beijing 2022 Olympic Winter Games Bid Committee, was held concurrently in 11 cities including Beijing, Xiamen, Chengdu, Hefei, Yichang, Chengde, Zhangjiakou and Xining. The Olympic Day Run adopted our latest "RUN WITH ME" running strategy as its theme and delivered our message of "RUN WITH ME" to every runner, which attracted 80,000 running enthusiasts celebrating the annual Olympic Day by way of city running. Famous athletes such as Olympic gymnastics champions Zhou Kai and Zhang Chenglong, gymnastics world champion Huang Huidan and elite gymnast Chen Siyi also attended the race in different cities. We also integrated the Olympic Day Run with online marketing, thereby attracting more attention to and drawing greater participation in the event with support from influential celebrities. By utilising the #RUNWITHME# hashtag, the celebrities shared their running experiences among sports enthusiasts. They also invited people who loved running to participate in the "Stride over the Starting Line" activity during the Olympic Day Run.

Kids Sportswear Series

While maintaining our leading position in the performance-based sportswear market for youngsters and adults, we also launched our Kids sportswear series in 2008 to penetrate the high potential kids sportswear market in China. This market is widely expected to grow more rapidly as the Chinese government has announced a new policy that will allow all married couples to have two children. This market is still fragmented, and well-established brands are generally considered to possess advantages over less mature new players. Being the first domestic sportswear brand to enter this market, ANTA Kids sportswear series has been well-received and is well-positioned to capture the tremendous opportunities ahead due to our products' credibility and affordability. To increase our market share and enhance overall store efficiency, we strive to reinforce the competitiveness of our distribution network. The number of ANTA Kids sportswear series stores in China stood at 1,458 by the end of 2015 (end of 2014: 1,228). Meanwhile, we continue to upgrade our store image, optimise our product display quality and standardise the mix-and-match of clothing in line with the quarterly theme stories of our signature products.

Driven by urbanisation and the new two-child policy in China, more parents are demanding branded kids sportswear for the higher levels of quality, safety and functionality. Therefore, we are dedicated to offering the most stylish, protective and comfortable products for children aged 3-14. During the year, we introduced over 2,000 new styles of footwear, apparel and accessories in total. In addition to ANTA Kids basketball, outdoor, cross-training and lifestyle series, "ANTA-NBA" co-branded shoes and accessories have been added to our Kids product portfolio since the start of our alliance with the NBA China in October 2014. The NBA logo as well as popular NBA team logos are used in the design of these co-branded products, making them exceptionally popular among young basketball fans. In view of the strong encouragement and support for youth soccer participation and development by the Chinese government, we tapped into the potential of soccer market during the year and launched children's soccer boots that offer good functionality with prices starting as low as RMB179. ANTA Kids soccer series has continued to achieve satisfactory sales since it launched in the fourth quarter of 2015, due to more and more students demanding value-for-money performance gear for soccer classes and competing in soccer matches on campus.

Our experienced R&D experts have thoroughly studied the characteristics of children's feet and bodies at each stage of physical growth in order to develop products that fit their shapes and sizes, including the brand new line of soccer boots. Our advanced technologies such as A-Web, A-Loop, A-Silo and air-cushioned sole were applied to our footwear products to offer kids excellent lightweight, soft, breathable and comfortable wearing experience during exercise. Moreover, we integrated quick dry and breathable fabrics, the cutting edge A-Infrared Warm technology and A-Cool technology, as well as soft and comfortable PIMA cotton and SORONA cotton into our stylish t-shirts, windbreakers, velvet clothing sets, cotton clothing sets and down jackets. These apparel products can keep kids cool during hot summers, but can also keep them dry and warm in wet and cold weather conditions.

With the aim to help children grow up happily and healthily, our Kids sportswear series not only helps build strong brand loyalty to ANTA among children aged 3-14, but also meets their developmental needs in childhood. We always make the best use of our brand website and popular social media platforms to promote our high-quality products and arouse kids' enthusiasm in sports through a series of promotional activities. During the year, we held in-store marketing events across China and leveraged our comprehensive and unique sports resources including the NBA China, ANTA-endorsed NBA players and Chinese champion athletes in strengthening ANTA's influence on kids and the brand's desirability among parents and children in China. More importantly, Zheng Zhi, the captain of China's national soccer team and the soccer idol of many Chinese children, has become the ANTA soccer promotion ambassador in helping promote and foster the recognition and credibility for ANTA Kids soccer series through participating in various youth soccer marketing events.

Distribution Network Management

Retail-oriented Strategy

Our comprehensive retail-oriented strategy successfully improved our retailers' competitiveness, store efficiency and responsiveness to the fast-changing market. During the year, we continued to strengthen cooperation with our retailers and optimised our retail-oriented strategy to capture market opportunities. Details of our strategy are as follows:

1. Build Retail-oriented Mindset and Appraisal System

   We always believe that the most effective approach to retail channel management is to consider ourselves a retail company. Therefore, we emphasised retail efficiency in our corporate culture and values, and have established a consumer-oriented retail management and appraisal system to measure our performance according to the retail operating data.

2. Share Retail Data and Market Trends with Suppliers and Retailers

   An effective communication mechanism contributes to the success of our retail-oriented strategy. From the product planning stage, we work closely with retailers to gather customer feedback in order to develop products that are truly welcomed by the mass market. Analysis of and feedback on product sales performance gathered by our real-time monitoring system are shared with our retailers on a regular basis. Such timely market information and retail data also enable us to stay abreast of consumer demands and to formulate more accurate product development plans, ordering guidelines and replenishment forecasts for retailers.

3. Provide Precise Order Guidelines to Retailers to Prevent Inventory Pile-up

   Healthy inventory levels can prevent deep retail discounts and stabilise retailers' profitability and sustainability. Therefore, we provide precise order guidelines on a per store basis so as to allow greater accuracy in orders and to stabilise in-store inventory levels. We also encourage our retailers to be flexible in taking replenishment orders so as to reduce their inventory risks and to capture market potential. Meanwhile, our well-managed clearance channels – including factory outlets and discount stores – enable our retailers to reduce inventory pressure at a faster pace.

4. Strictly Require Retailers to Comply with Our Retail-related Policies

Apart from regular training on inventory management and product knowledge, we thoroughly examine our retailers' store opening plans and require them to follow our strict retail policies so as to strengthen their competitiveness and profitability. Furthermore, we insist on projecting a consistent store image across our nationwide distribution network and the standardisation of product display equipment and POP materials which highlight quarterly marketing themes. During the year, we continued to encourage retailers to upgrade their store layouts in line with our latest seventh-generation store image.

5. Optimise Retailers' Operating Performance and Store Efficiency

We have adopted flattened sales management and have streamlined our already lean and effective distribution structure so as to facilitate better interaction with retailers. Through our comprehensive monitoring system – which includes a real-time ERP system, weekly reports submitted by POS and frequent channel checks by our sales people – we are able to closely monitor retailers' performance and carry out immediate measures to help improve the operational efficiency of their stores.

6. Our Brand Reaches Ultimate Customers through Nationwide Distribution Network

An attractive store image and a pleasant shopping experience also play a key role in enhancing retail efficiency and boosting customer traffic. The eye-catching layouts at our flagship stores in prime locations and the latest seventh-generation store layout help showcase our distinctive and unified brand image. Store decoration and promotional materials such as in-store posters and product display props are provided to retail stores to highlight the marketing theme and product story of the season. We also further optimised our visual merchandising to put our signature products – such as the "ANTA-NBA" co-branded series, "Basketball is Priceless" series, cross-training series, high-tech running series as well as our newly-launched soccer series – in the spotlight.

7. Formulate Optimal Store Opening Plans with Retailers Based on Actual Market Conditions

We believe that the sustainability of a distribution network is mainly driven by store quality, including aspects such as location, size, efficiency, store layout, etc., rather than the number of stores. During the year, we continued to consolidate smaller and less efficient stores while opening bigger and more attractive stores in prime locations so as to enhance store efficiency and to stay competitive. The number of ANTA stores by the end of 2015 was 7,031 (end of 2014: 7,622).

Overseas Markets

We have strategically tapped and expanded our distribution network into the international market. During the year, our overseas retailers operated ANTA stores and concessionary counters in Southeast Asia, Eastern Europe and the Middle East. Leveraging our competitive edges such as exclusive sponsorship resources, renowned endorsers and eye-catching advertising campaigns, we continued to strengthen our international exposure and improve our sales performance in overseas markets. We also worked closely with our overseas retailers to explore more opportunities in emerging markets so as to achieve greater win-win outcomes.

E-commerce Business

Due to growing internet use, improved infrastructure and a wider range of available products, online shopping has become increasingly popular and has created a shopping revolution for ordinary consumers. Apart from going to traditional bricks-and-mortar stores, consumers can choose to shop on online platforms, which provide a more convenient way of purchasing a wide range of products. To cope with the ever-changing market trends and online shoppers' demands, we have progressively expanded the selection of new products by launching in-season products and online exclusive products.

Since 2009, we launched our e-commerce business through implementing a multi-channel strategy. Our e-commerce business started operating on our official online flagship store (http://www.anta.cn) and other renowned e-commerce platforms in China, including Tmall, JD, Vipshop, etc. Under our stringent guidance and policy, some third party online retailers were authorised to open and operate webstores selling our products. We have also started cooperating with outstanding offline distributors aiming to maximise mutual benefits between web-based and brick-and-mortar stores by allowing them to operate online stores. During the year, we further optimised our e-commerce channels and strengthened our cooperation with Tmall aiming to stimulate our online sales performance and enhance market influence.

Our e-commerce business is no longer a channel for clearing aging inventory but has gradually become an innovative platform for selling our unique products, which include in-season products and online exclusive products from our brands ANTA, ANTA Kids and FILA. During the year, our in-season signature products, such as Control-5WD basketball shoe series, A-Web 3.0 technology running shoe series, "Challenge 100" supreme functional running shoes as well as our new soccer boots for children, all received overwhelming responses and recorded notable sales at both online and offline ANTA stores. Moreover, we launched a "red packet" marketing campaign to celebrate the third anniversary of our official online flagship store. Echoing China's "Singles' Day" online shopping festival, we also offered promotions on our e-commerce channels and hit record-high sales on that day. Through diversified product selections, special marketing tactics, efficient logistics and comprehensive after-sales services, we were capable of staying ahead of competition, attracting higher customer traffic and generating more sales.

Supported by our experienced online sales team, we are committed to attracting more online shoppers. To achieve this, we optimised our online store interface, improved product descriptions and presentation and enhanced our product search and sorting functions. Product launch schedules, priorities and styles of our e-commerce platforms are all standardised to create synergy and to prevent competition between online and offline retailers. In addition, we also provided all-round customer services including safe payment procedure, well-established supply chain, fast and reliable delivery services, VIP membership system and product return guarantee. Positive feedbacks from our customers contribute to building our good brand reputations. Our e-commerce segment is gaining significance in our business and we will continue to explore more profitable market opportunities.

Supply Chain Management

We attribute our success in gaining market share and driving sustainable growth to our ongoing product innovation, stringent quality controls, responsive supply chain and effective in-house production. We always strive to optimise our R&D capabilities so as to bring greater product differentiation. According to the latest results of "The 23rd China Retail Consumption Statistical Analysis" jointly conducted by The China General Chamber of Commerce and the China National Commercial Information Centre, our travel and sports shoes ranked number one in terms of market share in China for the 14th consecutive year, which demonstrates our value-for-money innovative products have continued to gain recognition among consumers in the China mass market.

Product Innovation

In order to increase product differentiation, we believe technological invention and cutting-edge design are the most powerful weapons. Apart from enhancing technologies such as A-Jelly, A-Silo, Super Flexi, etc., on running, basketball and cross-training products, we also introduced new signature products every quarter which is widely welcomed by consumers and have received extensive praise. During the year, we introduced over 1,950, 3,850 and 1,450 new styles to our footwear, apparel and accessories portfolios respectively, catering to amateur and professional users alike. In addition to launching the supreme functional running shoe "Challenge100", we also offer value-for-money functional footwear products featuring our newly-developed technologies, namely A-Web 3.0, A-Strata, A-Fit, A-Reno and Control-5WD, etc., to all sports lovers. We adopted advanced fabrics and self-invented apparel technologies such as A-Frozen Skin III, A-Sport Energy and A-Infrared Warm, etc., into our functional clothing for running and outdoor sports to provide users with comfortable athletic experience and resistance to unfavourable weather conditions.

Quality Control

Our retail-oriented strategy not only aims to enhance controls over our retail channels, but also to develop products that are truly welcomed by consumers. While competing for a greater market share, we have all along considered it our top priority to offer consumers comfortable and protective products. During the year, we continued to enhance our quality control capabilities throughout the entire manufacturing process at both of our own factories and in our suppliers' production facilities. We have also adopted ISO international testing standards to ensure that the quality of all products complies with international standards.

Supply Chain and Operational Management

An effective and responsive supply chain is a key factor for outperforming the peers. We always fully support our supply chain partners to enhance their quality controls and workflow efficiency and to improve their responsiveness to market changes. Our quality OEMs and ODMs, as well as our well-managed in-house factories offer better flexibility to meet unforeseeable demand in a timely and cost-effective manner. To allow better visibility on consumer demand, we have further strengthened our supply chain so as to shorten the production lead time. We have also implemented, on a pilot basis, a direct-to-store delivery model to distribute new products to stores directly from our production bases.

Production Capabilities

Our strategic mix of in-house and outsourced production allows us to better respond to market conditions and changes in consumer preferences. We are always devoted to optimise our production efficiency in order to enhance our flexibility in replenishment and to maintain cost-leadership. During the year, the proportions of self-produced footwear and apparel and procured footwear and apparel were 49.0% and 15.9%, respectively (2014: 54.4% and 15.9%).

Fila Business In The PRC

FILA is a well-known global sportswear brand that targets the high-end market segment. Since acquiring the Fila business in the PRC in 2009, we have integrated our design talents, experienced retailers, supply chain partners and FILA's worldwide marketing resources to help us tap the promising potential in the high-end sportswear market. We promote the trendy brand image and stylish products of FILA in China through celebrity endorsements. During the year, Hollywood actor Chris Evans, who is best known for his role as Captain America, became a FILA ambassador in the PRC. He not only starred in the advertising campaign for the launch of FILA's 2015 Fall/Winter collection, but also appeared at the grand opening of the FILA store at Grand Gateway 66, in Shanghai, in September to meet fans.

During the year, we put more effort in opening FILA stores in cities showing the most potential in order to drive sales and elevate our brand exposure in China. In May 2015, the largest FILA flagship store in Hong Kong opened at iSQUARE, Tsim Sha Tsui. The new flagship store features the most striking decoration, LED screens, stylish lightings and eye-catching product displays in one of the highest traffic locations in the city's core shopping and tourist districts. We also progressively renovated FILA stores into the brand new 4.0 store layout in order to drive customer traffic, sales performance and store efficiency. By the end of 2015, there were 591 FILA stores operating in China, Hong Kong and Macao (end of 2014: 519).

In addition to optimising our store image, store efficiency and retail management, we are dedicated to enriching FILA's product portfolio and raising awareness of FILA in China. During the year, we launched FILA KIDS and FILA INTIMO, with the aim of tapping the promising potential in children's clothing and men's underwear markets. Around 50 FILA KIDS stores have been opened after the launch of FILA KIDS. Moreover, we cooperated with renowned American fashion designer Ginny Hilfiger to integrate her simple, trendy yet elegant design style and FILA's "Modern Vintage" essence into the FILA Ginny Line. We also introduced the brand new FILA Red Line highlighting the latest athletic fashion trend and usage of high-tech fabrics such as Space Cotton, Poly Memory Span and Poly Span Icefil.

FILA is the Official Sports Uniform Sponsor of the Hong Kong, China Delegation, the Official Apparel Sponsor of the Hong Kong Table Tennis Association and the Official Sponsor of the 2015 World Ladies Championship (Golf), enabling the heritage and uniqueness of FILA products to capture the attention of yet more consumers at major international sporting events. More importantly, we have announced an unprecedented cross-border collaboration with an ethnic Chinese New York-based fashion designer, Jason Wu, who is most famous for designing dresses for Michelle Obama, First Lady of the United States. "Jason Wu X FILA" 2016 Spring/Summer collection was firstly unveiled at a world class fashion show in Hong Kong in November 2015 before its official launch in January 2016, which received extensive exposure on media and drew much attention from consumers.

Financial Review

Revenue Breakdown by Product Category

The following table sets out the contribution to the revenue by product category for the financial year:

	Year ended 31 December				
	2015		2014		Changes
	(RMB million)	*(% of revenue)*	*(RMB million)*	*(% of revenue)*	*(%)*
Footwear	5.074.1	45.6	4,110.5	46.1	↑ 23.4
Apparel	5,591.7	50.3	4,451.2	49.9	↑ 25.6
Accessories	460.1	4.1	361.0	4.0	↑ 27.5
Overall	11,125.9	100.0	8,922.7	100.0	↑ 24.7

During the financial year, the Group's revenue increased by 24.7% which is higher than the growth rate of the order value of 2015 trade fairs for ANTA products as announced before because the growth of other businesses are notable.

Gross Profit and Gross Profit Margin Breakdown by Product Category

The following table sets out the gross profit and the gross profit margin by product category for the financial year:

	Year ended 31 December				
	2015		2014		Changes
	Gross profit *(RMB million)*	**Gross profit margin** *(%)*	**Gross profit** *(RMB million)*	**Gross profit margin** *(%)*	*(% point)*
Footwear	2,341.8	46.2	1,907.7	46.4	↓ 0.2
Apparel	2,671.2	47.8	1,981.9	44.5	↑ 3.3
Accessories	172.4	37.5	137.2	38.0	↓ 0.5
Overall	5,185.4	46.6	4,026.8	45.1	↑ 1.5

Amid the successful retail-oriented strategy, the Group's overall gross profit margin for the financial year has improved as compared with 2014. As we strategically launched more value-for-money high-performance footwear products, offsetting by FILA's better retail discounts, the footwear gross profit margin has dropped slightly by 0.2% point. Due to fall of petrochemical prices and FILA's better retail discounts, the apparel gross profit margin has increased by 3.3% point.

Other Net Income

Other net income for the financial year mainly represented government grants of RMB234.2 million (2014: RMB89.8 million), as a recognition of the Group's contribution towards the local economic development.

Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue has decreased by 0.5% point for the financial year due to the notable growth in revenue in spite of the increased expenditures in relation to advertising and marketing campaigns. The ratio of staff costs to revenue has increased by 0.2% point mainly due to the expansion of other businesses. The ratio of R&D costs to cost of sales has increased by 0.9% point due to more R&D investments on functional products with advanced technologies.

Operating Profit Margin

Operating profit margin increased by 1.6% point which was mainly contributed by the 1.5% point increase in the gross profit margin for the financial year.

Net Finance Income

The decrease in interest income was in line with the decrease in fixed deposit interest rates during the financial year.

Finance expenses mainly included the interest expense on bank loans during the financial year.

Effective Tax Rate

Effective tax rate increased from 22.7% for 2014 to 26.2%, mainly because certain subsidiaries achieved stronger business growth during the financial year and their profits are taxed at standard income tax rate.

Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 0.8% point for the financial year which was due to the decrease in net finance income and the increase in effective tax rate.

Write-down of Inventories

For the financial year, the reversal of write-down of inventories amounting to RMB9.8 million was credited to profit or loss (2014: RMB58.7 million). This reflects the Group has strived to clearing slow-moving inventories and the market responded positively on the selling prices in 2015.

Provision for Doubtful Debts

For the financial year, the reversal of provision for doubtful debts amounting to RMB8.7 million was credited to profit or loss (2014: RMB46.1 million).

Dividends

The Board has recommended a final dividend of HK30 cents and a special dividend of HK8 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK30 cents per ordinary share, representing a payout of RMB1,428.0 million (2014: RMB1,208.3 million), or a distribution of 70.0% (2014: 71.1%) of the current year's profit attributable to equity shareholders.

Liquidity and Financial Resources

As at 31 December 2015, the cash and cash equivalents of the Group amounted to RMB5,165.9 million, representing an increase of RMB232.2 million as compared with the cash and cash equivalents of RMB4,933.7 million as at 31 December 2014.

The net cash and cash equivalents (including fixed deposits held at banks with maturity over three months, pledged deposits and other current financial assets, minus bank loans and bills payable) was RMB5,503.4 million as at 31 December 2015 (as at 31 December 2014: RMB5,430.8 million). This is mainly attributable to:

- Net cash inflows from operating activities amounted to RMB1,902.9 million, which was nearly equal to the profit attributable to equity shareholders, representing effective cash generating process.

- Net cash outflows from investing activities amounted to RMB413.0 million, mainly including capital expenditures amounting to RMB460.9 million, payment for acquisition of interest in a subsidiary amounting to RMB26.4 million, net amount of placement of fixed deposits held at banks with maturity over three months of RMB265.0 million and net decrease in other financial assets amounting to RMB330.0 million.

- Net cash outflows from financing activities amounted to RMB1,293.7 million, which mainly represented the payment of the final and special dividends in respect of the financial year 2014 and the interim dividend in respect of the financial year, dividend paid to non-controlling interests of a subsidiary, the net repayments of bank loans and the payments of interest expense on bank loans, partially offset by the net proceeds from issue of bills of exchange and the proceeds from share issued pursuant to share option schemes.

	2015 *(RMB million)*	**2014** *(RMB million)*
Year ended 31 December		
Operating cash inflow	1,902.9	1,685.9
Capital expenditures	(460.9)	(262.7)
Acquisition of interest in a subsidiary	(26.4)	–
Others	1.4	3.9
Free cash inflow	1,417.0	1,427.1
As at 31 December		
Cash and cash equivalents	5,165.9	4,933.7
Fixed deposits held at bank with maturity over three months	1,365.0	1,100.0
Pledged deposits	202.5	210.4
Other current financial assets	200.0	535.0
Bank loans	(1,330.0)	(1,348.3)
Bills payable	(100.0)	–
Net cash and cash equivalents	5,503.4	5,430.8

As at 31 December 2015, total assets of the Group were RMB12,502.0 million of which current assets were RMB10,156.7 million. Total liabilities and non-controlling interests were RMB3,922.3 million and total equity attributable to equity shareholders of the Company amounted to RMB8,579.7 million. The Group's gearing ratio was 11.4% as at 31 December 2015 (as at 31 December 2014: 11.8%), being a ratio of sum of bank loans of RMB1,330.0 (as at 31 December 2014: RMB1,348.3 million) and bills payable of RMB100.0 million (as at 31 December 2014: Nil) to total assets. Such bank loans and bills payable were denominated in Renminbi and repayable within one year.

Assets/Liabilities Turnover Ratios

The average inventory turnover days remained at the same level of last year. The average trade receivables turnover days slightly decreased by 2 days. The average trade payables turnover days decreased by 13 days. This represents a better managed cash generating process and a healthy operating cash inflow for the financial year.

Pledge of Assets

As at 31 December 2015, the Group had bank deposits of RMB202.5 million (as at 31 December 2014: RMB210.4 million) pledged to secure bankers' documentary credits for certain contracts and construction projects.

Capital Commitments and Contingencies

As at 31 December 2015, the Group had capital commitments of RMB314.3 million, mainly relating to the expansion of production facilities and the enhancement of information management systems.

As at 31 December 2015, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group continues to control financial risks in a prudent manner and proactively adopts internationally recognised corporate management standards to safeguard the interests of shareholders. As the functional currency of the Company is the Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidation purposes, foreign exchange differences arising from the translation of the financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transactions principally in Renminbi, the currency risk at the Group's operational level is not significant. Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

During the financial year, save as the acquisition of a subsidiary as set out in note 31 to the financial statements, the Group has made no significant investments or any material acquisition or disposal of subsidiaries. The Group continues to seek business opportunities such as acquisition of and cooperation with international sportswear brands to operate brand management business so as to increase the returns on shareholders' equity.

Future plans for material investment

Prospects

Our solid fundamentals, strong brand equity, high degree of product differentiation and effective management of the distribution network and supply chain make us capable of outperforming our peers and delivering sustainable growth amid the intense competition in China's sportswear industry. Seeing the growing demand for functional value-for-money sportswear due to the Chinese government's support for the development of the sports industry and the popularisation of sports, and the promising outlook for online shopping, children's sportswear market as well as high-end sports clothing market, we will build on the core strengths of ANTA, ANTA Kids and FILA to maintain our leading position in their focus markets and to tap the full market potential in the long run.

Strengthening Recognition of Our Brands with Effective Marketing Strategy

Multi-branding is one of our key strategies for tapping the full potential in various markets in China. We always focus on effectiveness and the synergy between our diverse sponsorship resources and our branding initiatives in helping us create demand and drive sales. The strong influence of the NBA, ANTA-endorsed renowned NBA players and Chinese athletes will help strengthen customer loyalty to ANTA and ANTA Kids in our key sports markets, including running, basketball, cross-training and the newly-entered soccer market. We will also further foster ANTA's unique image of representing the essence of China's sports by bringing into full play our solid partnerships with the COC and 24 China's national teams throughout the Rio de Janeiro Olympics in 2016. In addition, "Captain America" Chris Evans will continue to promote FILA's unique brand image and trendy collections to high-end consumers with his appearance in FILA's advertising campaigns.

Focusing on Consumer Experience and Enhancing Product Differentiation

We always make the best use of our R&D resources and regularly develop revolutionary new technologies to enhance our customers' athletic performance and to cater to their specific needs. We will continue to provide comfort and protection for adults and kids by upgrading our advanced technologies and incorporating them into our value-for-money functional sportswear. In addition, we will launch not only eye-catching and stylish new collections under FILA and FILA KIDS, but also the "Jason Wu X FILA" collection featuring Jason Wu's unique fashion aesthetics and FILA's "Modern Vintage" essence in 2016. More importantly, we will focus more on consumer experience with an aim to driving online and offline sales through offering innovative products that consumers in mass and high-end markets really want; through a more pleasant and comfortable shopping experience in renovated brick-and-mortar stores featuring a strong sense of space, impressive decoration and neat product displays; as well as through convenient online shopping platforms with good interface, delivery and after-sales services.

Optimising Our Omni-channel Strategy to Stay Competitive

In order to maintain the long-term sustainability of all forms of our retail channels, we will continue to implement retail-oriented measures to help retailers maximise their profitability, enhance their store efficiency, adopt the latest store layout and manage their orders and in-store inventory. We will make further gains in market share by maintaining a solid presence in China. We expect there will be total of between 7,000 to 7,100 ANTA stores, 1,700 to 1,800 ANTA Kids sportswear series stores and 650 to 700 FILA and FILA KIDS stores in the PRC by the end of 2016. In view of the rapid growth of online shopping, we will roll out more brand-new online exclusive products on and foster our cooperation with popular e-commerce platforms, and will further take advantage of the power of Big Data analytics and social media marketing to create synergy and to maximise mutual benefits between our online and offline stores.

Achieving Better Operational Efficiency to Drive Long-term Sustainability

Since operational efficiency and cost-leadership are our key factors in maintaining sustainability, we are always devoted to maximising the cost-effectiveness on A&P and R&D spending, optimising manufacturing processes and introducing cost-saving production technologies. With the support of comprehensive real-time data collection and mining from our ERP system, we are capable of monitoring our retailers' performance and more effectively developing products that are truly welcomed by consumers. In order to speed up our delivery and to satisfy unforeseeable demand quickly amid the ever-changing markets in China, we have initiated a project on logistics base planning to better cope with our multi-brand and omni-channel strategies.

1. WORKING CAPITAL STATEMENT

After taking into account the expected completion of the Acquisition and the Group's presently internal financial resources and the available banking facilities, and in the absence of unforeseen circumstances, the Directors, after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

As at the close of business on 30 November 2018, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Enlarged Group had bills payable (financing in nature) of approximately RMB469 million and outstanding interest-bearing bank loans of approximately RMB1,324 million, comprising unguaranteed, unsecured and current bank loans of approximately RMB1,227 million, secured, guaranteed and current bank loans of approximately RMB12 million and secured, guaranteed and non-current bank loans of approximately RMB85 million. As at 30 November 2018, a property under development and the respective land use right of the Enlarged Group had been pledged to bank to secure certain bank loans of the Enlarged Group.

Save as aforesaid or otherwise disclosed herein, as at the close of business on 30 November 2018, the Enlarged Group did not have any debt securities and loan capital issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Please refer to pages II-22 and II-23 of this circular for a statement on the financial and trading prospects of the Group, as extracted from the interim report of the Company for the six months ended 30 June 2018. The Directors confirm that, as at the Latest Practicable Date, there have been no material changes to the financial and trading prospects of the Group.

A1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group after the completion of the Acquisition by the Group. Details of the Acquisition are set out in the section headed "Letter from the Board" contained in this circular. The unaudited pro forma financial information presented below is prepared to illustrate (i) the consolidated statement of financial position of the Enlarged Group as at 30 June 2018 as if the Acquisition has been completed on 30 June 2018; and (ii) the consolidated statement of profit or loss and the consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2017 as if the Acquisition had been completed on 1 January 2017.

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Paragraph 4.29 of the Hong Kong Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Acquisition. The unaudited pro forma financial information was based on number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position, results of operation and cash flows of the Enlarged Group had the Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma financial information should be read in conjunction with other financial information included elsewhere in this circular.

A2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

AS AT 30 JUNE 2018

	The Group	Pro Forma Adjustments				Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (6)*	*Note (7)(iii)*	
Non-current assets						
Property, plant and equipment	1,179,974					1,179,974
Construction in progress	904,394					904,394
Lease prepayments	425,710					425,710
Prepayments for acquisition of land use rights	15,878					15,878
Prepayments for acquisition of other non-current assets	40,410					40,410
Intangible assets	688,875					688,875
Interest in a joint venture	–	12,227,349			(137,766)	12,089,583
Other financial assets	504,441		(359,703)			144,738
Deferred tax assets	314,880					314,880
Total non-current assets	4,074,562	12,227,349	(359,703)		(137,766)	15,804,442
Current assets						
Inventories	2,274,234					2,274,234
Trade and other receivables	4,035,669					4,035,669
Pledged deposits	158,640					158,640
Fixed deposits held at banks with maturity over three months	3,165,926					3,165,926
Cash and cash equivalents	6,932,586	(12,227,349)	532,499	7,017,849		2,255,585
Total current assets	16,567,055	(12,227,349)	532,499	7,017,849		11,890,054
Current liabilities						
Bank loans	1,236,208					1,236,208
Trade and other payables	3,684,767					3,684,767
Amounts due to related parties	12,195					12,195
Current taxation	321,155					321,155
Total current liabilities	5,254,325					5,254,325

	The Group	Pro Forma Adjustments				Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (6)*	*Note (7)(iii)*	
Net current assets	11,312,730	(12,227,349)	532,499	7,017,849		6,635,729
Total assets less current liabilities	15,387,292		172,796	7,017,849	(137,766)	22,440,171
Non-current liabilities						
Deferred tax liabilities	252,129					252,129
Bank loans	–			7,017,849		7,017,849
Total non-current liabilities	252,129			7,017,849		7,269,978
Total liabilities	5,506,454			7,017,849		12,524,303
Net assets	15,135,163		172,796		(137,766)	15,170,193
Equity						
Share capital	259,036					259,036
Reserves	14,195,949		172,796		(137,766)	14,230,979
Total equity attributable to equity shareholders of the Company	14,454,985		172,796		(137,766)	14,490,015
Non-controlling interests	680,178					680,178
Total liabilities and equity	20,641,617		172,796	7,017,849	(137,766)	27,694,496

A3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP

FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group	**Pro Forma Adjustments**		**Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (6)*	*Note (7)*	
Revenue	16,692,492			16,692,492
Cost of sales	(8,451,345)			(8,451,345)
Gross profit	8,241,147			8,241,147
Other net income	457,883			457,883
Selling and distribution expenses	(3,809,311)			(3,809,311)
Administrative expenses	(901,000)			(901,000)
Profit from operations	3,988,719			3,988,719
Net finance income	321,839	(179,989)		141,850
Share of profits of a joint venture	–		43,985	43,985
Profit before taxation	4,310,558	(179,989)	43,985	4,174,554
Taxation	(1,151,666)			(1,151,666)
Profit for the year	3,158,892	(179,989)	43,985	3,022,888
Attributable to:				
Equity shareholders of the Company	3,087,843	(179,989)	43,985	2,951,839
Non-controlling interests	71,049			71,049
	3,158,892	(179,989)	43,985	3,022,888

A4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

For the year ended 31 December 2017

	The Group	Pro Forma Adjustments				Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (6)*	*Note (7)*	
Operating activities						
Profit before taxation Adjustments for:	4,310,558			(179,989)	43,985	4,174,554
– Depreciation	207,929					207,929
– Amortisation of lease prepayments	8,532					8,532
– Amortisation of intangible assets	33,816					33,816
– Interest expenses	15,539			179,989		195,528
– Interest income	(170,132)					(170,132)
– Net gains on disposal of non-current assets	(18,541)					(18,541)
– Provision for doubtful debts	19,592					19,592
– Write-down of inventories	14,092					14,092
– Share of profits of joint venture	–				(43,985)	(43,985)
Changes in working capital						
– Increase in inventories	(725,360)					(725,360)
– Increase in trade and other receivables	(1,045,920)					(1,045,920)
– Increase in trade and other payables	1,378,704					1,378,704
– Increase in amounts due to related parties	11,965					11,965
Cash generated from operations	4,040,774					4,040,774
Income tax paid	(1,013,109)					(1,013,109)
Interest received	153,799					153,799
Net cash generated from operating activities	3,181,464					3,181,464

	The Group		Pro Forma Adjustments			Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (6)*	*Note (7)*	
Investing activities						
Payments for purchase of property, plant and equipment	(63,547)					(63,547)
Payments for construction in progress	(483,333)					(483,333)
Refund of prepayments for acquisition of land use rights	12,455					12,455
Payments for purchase of intangible assets	(38,149)					(38,149)
Net (increase)/decrease in other financial assets	(102,816)		202,026			99,210
Placements of pledged deposits	(101)					(101)
Uplift of pledged deposits	44,720					44,720
Placements of fixed deposits held at banks with maturity over three months	(5,505,624)					(5,505,624)
Uplift of fixed deposits held at banks with maturity over three months	4,561,614					4,561,614
Payment for interest in a joint venture	–	(11,598,114)				(11,598,114)
Other cash flows derived from investing activities	(3,735)					(3,735)
Net cash used in investing activities	(1,578,516)	(11,598,114)	202,026			(12,974,604)

	The Group		Pro Forma Adjustments			Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (6)*	*Note (7)*	
Financing activities						
Drawdown of new bank loans	147,911			6,656,701		6,804,612
Repayments of bank loans	(975,195)					(975,195)
Payments of interest expense on bank loans	(30,690)			(140,980)		(171,670)
Payment for long-term payable to non-controlling interests	(3,684)					(3,684)
Net repayment of bills of exchange	(600,000)					(600,000)
Net proceeds from shares issued under placing and top-up subscription	3,394,066					3,394,066
Proceeds from shares issued pursuant to share option schemes	40,929					40,929
Dividends paid to equity shareholders of the Company	(1,936,764)					(1,936,764)
Dividends paid to non-controlling interests of subsidiaries	(39,000)					(39,000)
Net cash (used in)/ received from financing activities	(2,427)			6,515,721		6,513,294
Net increase/(decrease) in cash and cash equivalents	1,600,521	(11,598,114)	202,026	6,515,721		(3,279,846)
Cash and cash equivalents as at 1 January	5,829,959					5,829,959
Effect of foreign exchange rate changes	(462,891)					(462,891)
Cash and cash equivalents as at 31 December	6,967,589	(11,598,114)	202,026	6,515,721		2,087,222

Notes:

(1) The financial information of the Group as at 30 June 2018 and for the year ended 31 December 2017 are extracted from the Group's Interim Report 2018 published on 14 August 2018 and the Group's Annual Report 2017 published on 27 February 2018 respectively.

(2) The Company, FountainVest Partners, Mr. Chip Wilson and Tencent formed the Investor Consortium for the purpose of the Tender Offer. The Company will indirectly through Anta SPV own 57.95% of the shares in the JVCo by way of equity contribution of EUR1,543 million to the share capital of JVCo in the form of cash.

For illustrative purpose, the exchange rate used in calculating the effect of the capital contribution on the Enlarged Group's statement of cash flows is the closing exchange rate as at 1 January 2017 of Euro 1 to RMB7.5166 as the capital contribution is deemed to occur on 1 January 2017.

The Directors expect the Group will not obtain control of the JVCo but will obtain joint control of the JVCo so that the JVCo and its subsidiaries (together as "JV Group") is accounted for using equity method as investment in a joint venture in the Group's consolidated financial statements.

(3) In accordance with the Combination Agreement, the Offeror is to acquire all issued and outstanding shares of Amer Sports but excluding any shares of Amer Sports which are held by Amer Sports or its subsidiaries. The Offer Price under the Tender Offer is EUR40.00 in cash per Amer Sports share. For illustrative purpose, goodwill at the JV Group level is calculated based on the excess of the cost of investment in Amer Sports Group over the fair value of the identifiable net assets of Amer Sports Group, as follows:

	RMB'000	*Note*
Cash consideration paid	36,522,211	(i)
Pro forma fair value of identifiable net assets of Amer Sports Group at 30 June 2018 attributable to the equity shareholders of Amer Sports	6,671,552	(ii)
Pro forma goodwill arising from Offeror's acquisition of Amer Sports Group	29,850,659	(iii)

(i) The JV Group under the Tender Offer is to purchase all the issued, adjusted and outstanding shares of Amer Sports of 115,220,745 shares at EUR40 per share.

(ii) For the purpose of this unaudited pro forma financial information and for illustrative purpose only, it is assumed that the pro forma fair values of the identifiable assets and liabilities of Amer Sports Group as at 30 June 2018 approximately equal to their carrying amounts as at 30 June 2018 which are extracted from the interim financial information of Amer Sports as at 30 June 2018 published on 26 July 2018.

Since the fair values of the identifiable assets and liabilities of Amer Sports Group on the date of completion of the Acquisition may be substantially different from the amounts used in the preparation of this unaudited pro forma financial information, the actual amounts of assets and liabilities of Amer Sports Group could be different. Accordingly it could be different from the estimated amounts stated herein and could have different depreciation or amortisation for subsequent periods.

(iii) For the purpose of the unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from Offeror's acquisition of Amer Sports Group with reference to the principles set out in Hong Kong

Accounting Standard 36 and International Accounting Standard 36, "Impairment of Assets". Based on the Directors' assessment, the Directors consider that there is no impairment on the goodwill with assumed value set out above.

(4) The Group currently holds 1,679,936 shares of Amer Sports which are designated as financial assets measured at fair value through other comprehensive income (non-recycling) ("FVOCI"). Those shares were bought throughout January to May 2018 and the original purchase cost is EUR40,320,131. As a result of the Tender Offer, the Group will dispose its shares of Amer Sports to the Offeror at a consideration of EUR67,197,440. Thus, the financial assets with carrying amount of EUR45,391,870 as at 30 June 2018 will be derecognised, with the gain on disposal transferred to retained earnings directly.

For illustrative purpose, the exchange rate used in calculating the effect of the purchase and disposal of 1,679,936 shares on the Enlarged Group's statement of cash flows is the closing exchange rate as at 1 January 2017 of Euro 1 to RMB7.5166 as the purchase and disposal are deemed to occur on 1 January 2017.

(5) In connection with the Acquisition, the Company (as guarantor), the JVCo (as Facility A Borrower) and Anta SPV (as Facility B Borrower) entered into the Recourse Senior Facilities Agreement with the Arrangers, the Lenders and the Agent. No adjustment has been made to reflect the guarantee provided by the Company to the JVCo as the Directors consider the default risk of the JVCo is remote and the fair value of the guarantee provided by the Company is insignificant.

(6) The adjustment represents a 5-year EUR900 million term loan at an interest rate of 2% per annum (subject to ratchet) to be borrowed by the Anta SPV, as Facility B Borrower, in connection with the Group's investment of 57.95% in equity interest of the JVCo.

For illustrative purpose, the exchange rate used in calculating the cash effect of the principal of the loan on the Enlarged Group's statement of cash flows is the closing exchange rate as at 1 January 2017 of Euro 1 to RMB7.5166 as the borrowing is deemed to occur on 1 January 2017.

The adjustment is expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss and consolidated statements of cash flows.

(7) The adjustment represents pro forma share of profit of the JV Group for the year ended 31 December 2017 as if the Acquisition is completed as at 1 January 2017.

	RMB'000	*Note*
Net profit of the JV Group for the year ended 31 December 2017	730,744	(i)
Interest expenses of the loans to JV Group, net of tax effects	(419,877)	(ii)
Transaction costs	(234,966)	(iii)
Profit of the JV Group for the year ended 31 December 2017 attributable to the equity shareholders of the JV Co	75,901	
The Group's proportion of equity interest in the JV Group	57.95%	
Pro forma share of profit of the JV Group for the year ended 31 December 2017	43,985	

(i) The net profit of the JV Group for the year ended 31 December 2017 is extracted from the published annual report of Amer Sports for year ended 31 December 2017 dated 15 February 2018. The JVCo is an investment holding company and except for the interest expenses incurred at JVCo level all other net profits of the JV Group come from Amer Sports.

(ii) The adjustment represents interest expenses to be incurred by the JV Group on bank loans of EUR1,300 million (5-year loan at an interest rate of 2% per annum (subject to ratchet)) and EUR750 million (7-year loan at an interest rate of 3.75% per annum) which are directly attributable to the Acquisition.

(iii) The adjustment represents the estimated direct expenses of legal, valuation and other professional services attributable to the Acquisition of EUR30,000,000, which is expensed and included in the profit or loss of the JV Group.

For the purpose of unaudited pro forma consolidated statement of financial position of the Enlarged Group, the transaction costs are assumed to be incurred on 30 June 2018 and its effect on the unaudited pro forma consolidated statement of financial position is calculated using the closing exchange rate on 30 June 2018 of Euro 1 to RMB7.9244.

The above adjustments, except the effect of transaction costs set out in note (iii), are expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss and consolidated statements of cash flows.

(8) The functional currency and the presentation currency of the JV Group are Euros. For illustrative purpose, the exchange rate used when preparing unaudited pro forma consolidated statement of financial position of the Enlarged Group is the exchange rate as at 30 June 2018 of Euro 1 to RMB7.9244 and the exchange rate used when preparing unaudited pro forma consolidated statement of profit or loss of the Enlarged Group and unaudited pro forma statement of cash flows of the Enlarged Group is monthly average exchange rate for the year ended 31 December 2017 of the Group of Euro 1 to RMB7.8322 (except mentioned in the note (2), note (4) and note (6)). No representation is made that Euro denominated amounts have been, could have been, or could be converted to Renminbi, or vice versa, at the rate applied or at any rate.

(9) Apart from the above, no other adjustments have been made to reflect any trading results or other transactions of the Group and the JV Group entered into subsequent to 30 June 2018 for the unaudited pro forma consolidated statement of financial position and 31 December 2017 for the unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this circular.

TO THE DIRECTORS OF ANTA SPORTS PRODUCTS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of ANTA Sports Products Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2018 and the unaudited pro forma consolidated statement of profit or loss and pro forma consolidated statement of cash flows for the year ended 31 December 2017, and related notes as set out in Part A of Appendix III to the circular dated 4 February 2019 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the possible very substantial acquisition to acquire all the issued and outstanding shares of Amer Sports Oyj by Mascot Bidco Oy through tender offer and any subsequent mandatory redemption procedures (the "Acquisition") on the Group's financial position as at 30 June 2018 and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Acquisition had taken place at 30 June 2018 and 1 January 2017, respectively. As part of this process, information about the Group's financial position as at 30 June 2018 has been extracted by the Directors from the interim report of the Group for the period then ended, on which a review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2017 has been extracted by the Directors from the consolidated financial statements of the Group for the year ended 31 December 2017, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2018 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
4 February 2019

The Company sets out the following supplemental financial information of the Target Group, which was not included in the Target Group's financial statements showing the relevant financial information relating to the three years ended 31 December 2015, 2016, 2017 and the nine months ended 30 September 2018.

Subsequent Events

There are no significant events occurred for continuing operations from September 30, 2018 (the reporting date), to October 25, 2018 (the release date of the unaudited financial statements of the Target Group for the nine months ended September 30, 2018).

Maturities of Indebtedness

The table below analyses the Target Group's indebtedness into relevant maturity groupings based on the period remaining to the contractual maturity date as at September 30, 2018.

	Commercial Papers	**Bonds**	**Term Loans**	**Schuldschein**	**Total**
EUR million					
Within one year	100.0	72.8	150.0	75.5	**398.3**
In one to two years	–	–	–	173.8	**173.8**
In two to five years	–	100.0	50.0	200.5	**350.5**
More than five years	–	–	200.0	–	**200.0**
	100.0	**172.8**	**400.0**	**449.8**	**1,122.6**

The abovementioned does not include finance lease liabilities in the amount of EUR23.6 million, of which EUR17.5 million are long-term liabilities and EUR6.1 million are short-term liabilities.

Aggregate interest-bearing liabilities amounted to EUR1,146.2 million was shown in the unaudited financial statements of the Target Group for the nine months ended September 30, 2018.

Accounts Payable Management

For cash management purpose, the Target Group monitors its accounts payable with its vendor specific accounts payable tracking centralized in a sourcing hub for items relevant to cost of goods sold and its financial shared service center in Europe for operating expense items. The Target Group also monitors its accounts payable by measuring and monitoring business area specific days payable outstanding (DPO). There had been no default in the Target Group's accounts payable for the years ended December 31, 2015, 2016, 2017 and the nine months ended September 30, 2018. Historically, the Target Group had not prepared any aging analysis of accounts payable either for accounts payable management or disclosure purposes and it is not required under IFRS-EU.

Aging Analysis of Accounts Receivables

The table below sets out the aging analysis of accounts receivables and amounts recognized as impairment losses as at September 30, 2018.

	Gross amount based on invoice date	**Impairment losses**	**Net amount**
EUR million			
Undue accounts receivable	502.3	–	502.3
Accounts receivable 1-30 days overdue	38.4	–	38.4
Accounts receivable 31-60 days overdue	20.0	–	20.0
Accounts receivable 61-90 days overdue	19.8	–	19.8
Accounts receivable 91-120 days overdue	22.5	–	22.5
Accounts receivable more than 120 days overdue	29.9	(10.2)	19.7
Total	632.9	(10.2)	622.7

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations of the Company, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules, will be as follows:

Long positions in the shares and underlying shares of the Company and its associated corporation:

Name of Directors	Company/ Name of associated corporation	Capacity	Number of shares interested as at the Latest Practicable Date	Number of underlying Shares interested as at the Latest Practicable Date[(2)]	Percentage of total issued share capital as at the Latest Practicable Date[(1)]
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,659,446,000 (L)[(3)]	–	61.81%
	Anta International	Founder of a discretionary trust	4,144 (L)[(3)]	–	34.50%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,651,000,000 (L)[(4)]	–	61.49%
	Anta International	Founder of a discretionary trust	4,084 (L)[(4)]	–	34.00%
Mr. Lai Shixian	Anta International	Beneficiary of a discretionary trust/ Interest of spouse	1,171 (L)[(5)]	–	9.75%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141 (L)[(6)]	–	9.50%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601 (L)[(7)]	–	5.00%

Name of Directors	Company/ Name of associated corporation	Capacity	Number of shares interested as at the Latest Practicable Date	Number of underlying Shares interested as at the Latest Practicable Date(2)	Percentage of total issued share capital as at the Latest Practicable Date(1)
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	–	0.03%
	Company	Beneficial owner	–	400,000 (L)	0.01%
Mr. Yiu Kin Wah Stephen	Company	Other	20,000 (L)(8)	–	0.00%

(L): Long position

Notes:

(1) As at the Latest Practicable Date, the number of outstanding ordinary shares of the Company and of Anta International Group Holdings Limited ("Anta International") were 2,684,904,100 and 12,012, respectively.

(2) The interests in underlying Shares represent the interests in share options granted pursuant to the Company's share option schemes.

(3) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.45% of the issued Shares as at the Latest Practicable Date, and 9,446,000 Shares were directly held by Shine Well (Far East) Limited ("Shine Well"). Shine Well is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Shine Well is held by Top Bright Assets Limited. The entire issued share capital of Top Bright Assets Limited is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the DSZ Family Trust. The DSZ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shizhong as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSZ Family Trust are Mr. Ding Shizhong and his family members. Mr. Ding Shizhong as founder and one of the beneficiaries of the DSZ Family Trust is deemed to be interested in the Shares held by Anta International and Shine Well and 4,144 shares of Anta International held by Shine Well.

(4) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.45% of the issued Shares as at the Latest Practicable Date, and 1,000,000 Shares were directly held by Talent Trend Investment Limited ("Talent Trend"). Talent Trend is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Talent Trend is held by Allwealth Assets Limited. The entire issued share capital of Allwealth Assets Limited is in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shijia as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSJ Family Trust are Mr. Ding Shijia and his family members. Mr. Ding Shijia as founder and one of the beneficiaries of the DSJ Family Trust is deemed to be interested in the Shares held by Anta International and Talent Trend and 4,084 shares of Anta International held by Talent Trend.

(5) The interests of Mr. Lai Shixian in Anta International were held through Gain Speed Holdings Limited, which held 1,171 shares of Anta International, representing 9.75% of the issued share capital of Anta International as at the Latest Practicable Date. The entire issued share capital of Gain Speed Holdings Limited is held by Spring Star Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust is an irrevocable discretionary trust set up by Mr. Lai Shixian's spouse, Ms. Ding Yali, as settlor and HSBC Trustee as trustee on 23

May 2007. The beneficiaries under the DYL Family Trust are Mr. Lai Shixian, Ms. Ding Yali and their family members. Ms. Ding Yali as the founder of the DYL Family Trust is deemed to be interested in the 1,171 shares of Anta International held by Gain Speed Holdings Limited. Mr. Lai Shixian as one of the beneficiaries of the DYL Family Trust and as the spouse of Ms. Ding Yali is deemed to be interested in the 1,171 shares of Anta International held by Gain Speed Holdings Limited.

(6) The interests of Mr. Wang Wenmo in Anta International were held through Fair Billion Development Limited, which holds 1,141 shares of Anta International, representing 9.50% of the issued share capital of Anta International as at the Latest Practicable Date. The entire issued share capital of Fair Billion Development Limited is held by Asia Bridges Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust is an irrevocable discretionary trust set up by Mr. Wang Wenmo as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WWM Family Trust are Mr. Wang Wenmo and his family members. Mr. Wang Wenmo as founder and one of the beneficiaries of the WWM Family Trust is deemed to be interested in the 1,141 shares of Anta International held by Fair Billion Development Limited.

(7) The interests of Mr. Wu Yonghua in Anta International were held through Spread Wah International Limited, which holds 601 shares of Anta International, representing 5.00% of the issued share capital of Anta International as at the Latest Practicable Date. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.

(8) A family member of Mr. Yiu Kin Wah Stephen held 20,000 Shares as at the Latest Practicable Date via securities account. Mr. Yiu Kin Wah Stephen, having a general power of attorney of the family member's securities account, is deemed to be interested in the 20,000 Shares held by his family member.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken deemed to have under such provisions of the SFO), or which had been entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules.

Save as disclosed above and the fact that Mr. Ding Shizhong, Mr. Ding Shijia and Mr. Lai Shixian are directors of Anta International, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, the persons or corporations (other than the Directors and chief executive of the Company) who had an interest or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares or underlying shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Percentage of total issued share capital as at the Latest Practical Date
HSBC Trustee	Trustee[(1)]	1,660,458,000 (L)	61.84%
Anta International	Beneficial owner[(2)]	1,373,625,000 (L)	51.16%
	Interest in controlled corporation[(2)]	276,375,000 (L)	10.29%
Allweath Assets Limited	Interest in controlled corporation[(1)]	1,651,000,000 (L)	61.49%
Shine Well	Interest in controlled corporation[(1)]	1,650,000,000 (L)	61.45%
	Beneficial owner	9,446,000 (L)	0.35%
Talent Trend	Interest in controlled corporation[(1)]	1,650,000,000 (L)	61.45%
	Beneficial owner[(1)]	1,000,000 (L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation[(1)]	1,659,446,000 (L)	61.81%
Anda Holdings	Beneficial owner	160,875,000 (L)	5.99%

(L): Long position

Notes:

(1) The interests of HSBC Trustee in the Company were held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 51.16%, 5.99%, 4.30%, 0.35% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 12,000 Shares as trustee for persons unrelated to the substantial shareholders of the Company.

HSBC Trustee was the trustee of the DSZ Family Trust and the DSJ Family Trust and it held the entire issued share capital of Top Bright Assets Limited and Allwealth Assets Limited, which in turn held the entire issued share capital of Shine Well and Talent Trend, respectively. Each of Shine Well and Talent Trend was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anta International and therefore each of them was deemed to be interested in all the 1,650,000,000 Shares held by Anta International. As at the Latest Practicable Date, Anta International directly held 1,373,625,000 Shares. Anta International held the entire issued share capital of each of Anda Holdings and Anda Investments and therefore was deemed to be interested in 160,875,000 Shares and 115,500,000 Shares directly held by Anda Holdings and Anda Investments, respectively. Accordingly, HSBC Trustee, Top Bright Assets Limited, Allwealth Assets Limited, Shine Well and Talent Trend were indirectly interested in the 1,650,000,000 Shares held through Anta International. 9,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright Assets Limited were also deemed to be interested in the 9,446,000 Shares held by Shine Well. 1,000,000 Shares were held by Talent Trend directly. Accordingly, HSBC Trustee and Allwealth Assets Limited were also deemed to be interested in the 1,000,000 Shares held by Talent Trend.

(2) 1,373,625,000 Shares were directly held by Anta International. 160,875,000 Shares and 115,500,000 Shares were directly held by Anda Holdings and Anda Investments, respectively. Each of Anda Holdings and Anda Investments was wholly-owned by Anta International and therefore was a controlled corporation of Anta International. Accordingly, Anta International was deemed to be interested in the 160,875,000 Shares held by Anda Holdings and the 115,500,000 Shares held by Anda Investments.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person or corporation having an interest or short positions in shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business which competes or was likely to compete, whether directly or indirectly, with the business of the Group, which is required to be disclosed under Rule 8.10(1) of the Hong Kong Listing Rules.

6. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

As at the Latest Practicable Date, other than transactions pursuant to continuing connected transactions described in the announcements of the Company dated 18 December 2015, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, and save for the information contained in the disclosure made in the two announcements of the Company dated 20 December 2018 and the announcement of the Company dated 28 December 2018, there is no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular, and are material:

- the agreement dated 21 March 2017 and entered into among the Company, Merrill Lynch Far East Limited, Anta International, Anda Holdings and Anda Investments in respect of the placing of and the subscription of the Shares (as set out in the announcement of the Company dated 22 March 2017);
- the Combination Agreement;
- the Commitment Letter;
- the consortium agreement entered into by, among others, the Company, FV Fund, Anamered Investments, and Tencent SPV dated 7 December 2018;
- the escrow agreement entered into between the Offeror, Amer Sports and an independent third party escrow bank dated 5 December 2018;
- the Interim Facilities Agreement; and
- the Recourse Senior Facilities Agreement.

8. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
KPMG	Certified Public Accountants

KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, KPMG (i) had no shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, and (ii) had no interest, direct or indirect, in any assets which had been, since, 31 December 2017, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed or by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated accounts of the Group have been made up.

10. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this circular, the Directors confirm that there have not been any material acquisitions and disposals of subsidiaries and affiliated companies since 31 December 2017.

11. LITIGATION

As of the Latest Practicable Date, no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

12. GENERAL

(a) The company secretary of the Company is Mr. Tse Kin Chung, member of Hong Kong Institute of Certified Public Accountant;

(b) The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands;

(c) The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong; and

(d) In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including Friday, 22 February 2019:

(a) the memorandum of association and articles of association of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" in Appendix V of this circular;

(c) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018;

(d) the annual reports of the Target Company for the three financial years ended 31 December 2015, 2016, 2017 and the interim report January – September 2018;

(e) the letter of consent referred to in the section headed "Qualification and Consent of Expert" in Appendix V of this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group issued by KPMG as set out in Appendix III to this circular; and

(g) this circular.

ANTA Sports Products Limited
安踏體育用品有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2020)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of ANTA Sports Products Limited（安踏體育用品有限公司）(the "**Company**", together with its subsidiaries from time to time, the "**Group**") will be held at Regus Business Centre, 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong at 10:00 a.m. on Friday, 22 February 2019 for the purpose of considering, and if thought fit, passing with or without amendments or modifications the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT:**

(a) whereas Mascot BidCo Limited (the "**Offeror**") is a Finnish private limited company incorporated for the purpose of making the Tender Offer (as defined below) and is indirectly wholly-owned by Mascot JVCo (Cayman) Limited (the "**JVCo**"). The JVCo was incorporated as an exempted limited company in the Cayman Islands to be the holding company in the acquisition structure and is currently wholly-owned by ANLLIAN Sports Products Limited（安連體育用品有限公司）("**Anta SPV**"), a special purpose vehicle directly owned by the Company;

(b) the acquisition of all issued and outstanding shares of Amer Sports Corporation ("**Amer Sports**") (including shares of Amer Sports currently held by the Group but excluding any shares of Amer Sports which are held by Amer Sports or its subsidiaries) through a voluntary public cash tender offer (the "**Tender Offer**") at an offer price of EUR40.00 per offer share by the Offeror, and if as a result of the completion of the Tender Offer, the Offeror holds more than 90% (but not all) of the outstanding shares and voting rights of Amer Sports, any subsequent mandatory compulsory proceedings under the Finnish Companies Act to be commenced by the Offeror to acquire the remaining shares of Amer Sports (together with the Tender Offer, the "**Acquisition**") pursuant to a combination agreement dated 7 December 2018 entered into by the Offeror, JVCo, the Company, FV Mascot JV, L.P. ("**FV Fund**"), Anamered Investments Incorporation and Amer Sports and in the manner described in the Company's circular dated 4 February 2019, be and are hereby ratified, confirmed, authorized and approved;

(c) all the transactions contemplated under, incidental to, ancillary to, in connection with or for the ultimate purpose of the Acquisition (the "**Transactions**") and the related agreements entered and/or to be entered into by the Group, including (without limitation):

i. an escrow arrangement entered into between the Offeror, Amer Sports and an independent third party escrow bank;

ii. a senior facilities agreement dated 6 December 2018 entered into by, amongst others, the Company, JVCo (as facility A borrower), Anta SPV (as facility B borrower) and independent third party banks, including the provision of a guarantee given thereunder by the Company in respect of the obligations of JVCo and Anta SPV;

iii. a commitment letter dated 6 December 2018 entered into by, amongst others, the Offeror and independent third party banks (the "**Commitment Letter**");

iv. an interim facilities agreement dated 6 December 2018 entered into by, amongst others, the Offeror and independent third party banks, including the provision of a guarantee and other security given thereunder by the immediate parent company of the Offeror and its subsidiaries; and

v. a senior facilities agreement to be entered into by, amongst others, independent third party banks and the Offeror pursuant to the Commitment Letter, including the provision of a guarantee and other security given thereunder by the immediate parent company of the Offeror and its subsidiaries,

be and are hereby ratified, confirmed, authorized and approved; and

(d) any one or more directors of the Company be and are hereby authorised to do all such further acts and things and to sign, seal, execute and deliver all such documents, instruments, agreements and deeds, including under seal where applicable (in which case by any two directors of the Company) and to take all such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to implement and/or give effects to the Acquisition and the Transactions, to be incidental to, ancillary to or in connection with the matters and the transactions contemplated under this resolution and to agree to any variation, amendments, supplement or waiver of matters relating thereto.

By order of the Board of
ANTA Sports Products Limited
安踏體育用品有限公司
Ding Shizhong
Chairman

Hong Kong, 4 February 2019

As at the date of this notice, the directors of the Company are Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian, Mr. Wang Wenmo, Mr. Wu Yonghua and Mr. Zheng Jie; and the independent non-executive Directors are Mr. Yiu Kin Wah Stephen, Mr. Lu Hong-Te and Mr. Dai Zhong Chuan.

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY 1-1111
Cayman Islands

Principal place of business in Hong Kong:
16/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the above meeting or any adjournment thereof.

3. In the case of joint holders of a share, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. The transfer books and register of members of the Company will be closed from 19 to 22 February 2019, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the EGM, all share transfer forms (if any), accompanied by the relevant share certificates (if any), must be lodged with the Company's Hong Kong branch share registrar, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 February 2019 for registration.