adidas GROUP

FINANCIAL RESULTS PRESENTATION

Full Year 2011 Speech

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John-Paul O'Meara
Good afternoon ladies and gentlemen and welcome to our 2011 full year financial results presentation. I'm JP O'Meara and I head up the Investor Relations activities for the adidas Group.

As you will have seen in this morning's release, the adidas Group has completed 2011 on a high and with strong momentum.

During today's presentations, Herbert Hainer, adidas Group CEO, and Robin Stalker, Group CFO, will reflect on a powerful start to our Route 2015 strategic business plan, and discuss our initiatives for what promises to be an eventful 2012.

But as always, let's start with a refresher of the widespread presence and success our brands and our athletes shared together over the past 12 months.

Herbert Hainer
Thanks JP and good afternoon ladies and gentlemen.

At the start to any strategic plan, it is important to gain momentum quickly and set a precedent by hitting targets. In this respect, we couldn't have asked for a better start to Route 2015, as we met, and in most cases, exceeded our initial expectations for the year.

With sales increasing 13% currency-neutral or 11% in euros to over 13.3 billion euro, we enjoyed the Group's strongest organic growth rate since 2006.

We succeeded in offsetting almost all the negative pressures from higher input costs. And by leveraging our operating overhead costs, we drove net income up 18% to a new record level of 671 million euro, representing earnings per share of 3 euro 20.

We also finished the year with our balance sheet in top shape, with fresh inventories and a net cash position of 90 million euro.

Most striking in our performance was the broad-based growth achieved across all markets, brands and channels. And this was true throughout the whole year, as we grew at double-digit rates in every quarter, including 11% in a strong fourth quarter.

In particular, we were big winners in our three key Route 2015 attack markets, which - as laid out in our strategic plan - accounted for more than 50% of total growth.

Currency-neutral sales in North America grew 15%, with adidas increasing 21% and TaylorMade-adidas Golf 25%. Reebok sales in the region also grew for the year, rising 4%, and that despite a significant decline in toning revenues.

In Russia/CIS, revenues were up 26%, driven by outstanding comparable store sales growth of 24%.

And in Greater China, sales increased 23% currency-neutral, as we won back market share and picked up the pace in rolling out franchisee stores.

Equally as encouraging was our strong growth in Western Europe and resilient performance in Japan. Revenues in our home territory were up 10%, driven by double-digit growth in Germany, France and Spain. In Japan, we ended the year with only a slight decline of 3% currency-neutral, against a market which declined at a high-single-digit rate following the unfortunate events last March.

Both of these examples clearly highlight that, in tough times, consumers and customers gravitate towards those brands that bring real and tangible value through innovation and cutting-edge design, as well as best-in-class customer service.

In all categories, we resonated with consumers around the world in 2011. Footwear sales were up 18% currency-neutral, with double-digit growth in nearly all categories. In apparel, sales were up 8% currency-neutral, with growth in training and running more than compensating for double-digit declines in football apparel due to the high volumes related to the FIFA World Cup in the prior year. In hardware, sales were up 10% driven by an outstanding performance in golf.

All of this would not have been possible without great innovation, great marketing and great sporting moments, which we created and shared together with our athletes and consumers around the world.

So let's quickly recap on some of these, starting with the engine of the Group, brand adidas.

In 2011, adidas went "all in" with its largest brand campaign ever. Sales increased 14% currency-neutral, or 13% in euros to 9.9 billion euro, the brand's highest growth rate in 13 years.

Backed by our largest ever media spend, the "all adidas" campaign was a runaway success. Throughout the year, we seeded the notion that "adidas is all in", reaching an estimated 370 million people or 80% of next-generation consumers. At the time of the launch, we immediately surpassed all competitors in social buzz, and we ranked as the number one sponsored site on YouTube. Since then, adidas has gathered millions of new fans on Facebook, with the total across all of our pages now at well over 32 million and counting, compared to just less than 13 million a year ago.

In Sport Performance, sales were up 11% currency-neutral, as adidas continues to dominate the lightweight segment. You only have to look at:

- the mesmerising performances of three-time FIFA Player of the Year Lionel Messi in his adizero f50,
- the unstoppable plays of youngest MVP winner Derrick Rose in his adizero Rose,
- the dazzling speed of 100 metre IAAF World Champion Yohan Blake in his 99 gram adizero Prime,
- and the sensational marathon times and course records set in London by Emmanuel Mutai, in Berlin by Patrick Makau, and in Boston and New York by Geoffrey Mutai, in their adizero adios,

- to understand why, adidas is clearly the fastest brand on earth.

Looking at the categories in more detail, in football, the adipower Predator, Japan's victory at the FIFA Women's World Cup, and the fusing of faster and smarter with the launch of the adizero f50 miCoach in Q4, led to a strong football year for the brand in the absence of a major tournament. Footwear sales were up over 20%, extending our global market leadership in this important category.

In running, we more than achieved our goal to grow at a double-digit rate with sales increasing 19%, as our success at retail matched that on the track with robust sales growth in the adizero, Supernova and Clima product franchises.

On the court, our comeback in basketball gathered pace, with sales increasing 11% for the year. The launch of the Crazy Light in the summer and the success of the Derrick Rose signature franchise were key highlights. The Crazy Light, in particular, at a 130 dollar price point, showcases the power of our innovation, allowing us to move up the price ladder. And this is a trend that you will see continue in 2012.

In outdoor, we also sustained strong momentum with sales growing 40% for the year. This standout performance was again driven by the award-winning Terrex collections of footwear, apparel and backpacks, which combine lightweight materials, modern designs and innovative technologies. We also made a very exciting acquisition by adding Five Ten to the adidas Group family. Let's take a look at the Brand of The Brave.

Finally, once again, adidas Sport Style was a major highlight, adding almost half a billion in sales as it grew 24% to over 2.6 billion euro. This was driven by the immense global popularity of adidas Originals as well as the expansion of the adidas NEO label in the emerging markets. For today's youth, adidas is clearly both an innovative performance and an authentic sportswear and lifestyle brand.

Turning now to Reebok, where sales increased 6% currency-neutral in 2011. Over the past two years, we have brought Reebok back on the map with three highly successful commercial product hits - EasyTone, ZigTech and RealFlex. We can be proud of our achievements, as we have grown sales by more than 20% and improved the gross margin by over 4 percentage points since 2009.

While the toning market provided rapid growth early in this period, the fact that ZigTech and RealFlex have fully compensated for the equally swift deceleration in the category, highlights that Reebok has regained its touch at creating broad-based innovative and highly attractive products. These launches have also helped drive pricing up for the brand, as overall ASP's increased 5% for the year, with double-digit increases in Men's and Classics, partly offset by declines in Women's due to reduced pricing in the toning category.

Finally, to complete my review of our brands, there is no doubt that the star player of the golf industry in 2011 was TaylorMade-adidas Golf once again, as sales broke through the 1 billion euro barrier for the first time, growing 16% currency-neutral.

The speed and game-changing impact of our innovation and technology launches over several years has brought us to the number one spot in the sport. 2011 was no exception, with the tuneable white R11 series of drivers, without doubt, the story of the year.

So ladies and gentlemen, as you can see, summing it all up, 2011 was a year where our Group excelled everywhere around the world. We achieved all of our key operational goals:

growing our business in all regions, with double-digit growth in our three key attack markets, North America, Greater China and Russia/CIS, creating excitement in our important Route 2015 categories of running and basketball, extending our market leadership in football, maintaining Reebok's positive trajectory despite the impact of a weak toning market in North America, and last but not least, achieving or exceeding our financial goals for the year.

I'll be back in a few minutes to tell you about what's to come in 2012. But first, Robin will take you through the financials.

Robin Stalker

Thank you Herbert, and good afternoon ladies and gentlemen!

2011 was an unprecedented year of growth and momentum for our Group - equally impressive in its magnitude and in its diversity. From Herbert, you have already heard about all the ingredients that facilitated this performance. Therefore, I will concentrate today on how all of our efforts came together in the strong financial development we reported this morning, and I will also give you some further details on the execution in our segments.

Without deflecting from our great top-line achievements, I believe our margin development in 2011 is one of the financial highlights we can be most proud of. This comes back to an important pillar of our Route 2015 strategy, which is to focus on quality growth, to drive long-term enduring success for our brands and our Group.

As flagged several times over the past 18 months, the severe pricing pressure we faced in procuring our products due to record-high raw material costs and wage inflation was a significant headwind all year.

In fact, this headwind, after supply chain mitigation, amounted to 2.3 percentage points for the full year, peaking at 3.2 percentage points in the fourth quarter. Limiting the negative effect to a mere 30 basis points for the full year, therefore, was definitely no small feat.

In this respect, three key factors were beneficial for offsetting the input cost pressures, equally important both for the full year and in the fourth quarter:

Firstly, through our constant innovation, we were able to sell more higher-priced, higher-margin products. In particular, this was very visible at Reebok, where the strong growth in ZigTech and the successful introduction of RealFlex helped improve gross margins for the brand by 40 basis points.

Secondly, faster growth in higher-margin emerging markets positively impacted the Group's gross margin.

And thirdly, overproportionate growth of sales in our Retail segment, which carries higher margins, helped to mitigate the negative headwinds. Here, through the steady progress we are making on improving store productivity, we were even able to increase margins in the segment by 80 basis points for the year, and I will come back to this in a few moments.

In terms of operating leverage, we also delivered as we promised, achieving a reduction in other operating expenses as a percentage of sales by 70 basis points to 41.4%.

Of this, marketing investments grew 6% to 1.7 billion euro. As a result of the strong top-line development, marketing spend as a percentage of sales however declined 60 basis points to 12.7%. By brand, adidas marketing investments grew 7% to 1.25 billion euro, while spending at Reebok increased 5% to 286 million euro.

As a result, 2011 operating profit was up 13% to over one billion euro. This translates into an operating margin of 7.6%, fully in line with our target range of 7.5 to 8.0%. For the fourth quarter, operating profit increased 34% to 38 million euro.

Turning now to the non-operating items of the P&L: Net financial expenses decreased 4% for the full year and 50% for the fourth quarter. As has become a norm, exchange rate variances had a significant influence on this result. Excluding these effects, which amounted to a swing of 9 million euro for the full year, net interest expenses declined 13% for the full year, and 12% in the fourth quarter.

The full year tax rate also came down 1.8 percentage points to 27.7%, mainly due to one-time tax benefits related to the favourable resolution of tax disputes for prior years.

Therefore, net income attributable to shareholders increased 18% to 671 million euro, the highest net income figure our Group has ever achieved. Fourth quarter net income more than doubled to 18 million euro compared to 7 million euro last year. For the full year, this translates into record earnings per share of 3 euro 20, beating our revised November expectations of 3 euro 15.

As I mentioned in my opening remarks, a key tenet of our Route 2015 strategy calls for quality top-line growth. This is where execution really matters. So let's have a quick look at our segmental results.

Starting with Wholesale, revenues increased 11% for the full year and 9% in the fourth quarter. This was driven by outstanding growth rates in Greater China and North America, where currency-neutral sales increased 24% and 15%, respectively. All adidas sub-brands grew, with adidas Sport Performance increasing 10% and adidas Sport Style growing 20%. In addition, Reebok wholesale sales increased 3% on a currency-neutral basis for the year, as a result of solid growth in North America, despite declines in toning, as well as double-digit growth in Other Asian Markets.

In the fourth quarter, Wholesale revenues increased in most regions. adidas wholesale sales increased 13%, with growth in all regions except for Other Asian Markets, which declined 1% due to softness in Japan, as we had expected. Reebok wholesale sales decreased 8% on a currency-neutral basis, as solid growth of 7% in North America was offset by double-digit declines in Latin America and Western Europe.

Full year wholesale gross margin decreased 1.3 percentage points to 40%, as the positive impact from a more favourable product and regional sales mix, as well as less clearance sales, was more than offset by higher input costs.

Moving over to the Retail segment, currency-neutral sales grew 20% to 2.8 billion euro, representing 21% of total Group sales for the year. This was driven by robust comparable store sales growth of 14%, which is impressive considering the already strong 11% comp store growth in the prior year.

Both adidas and Reebok comp store sales increased 14% and 11%, respectively.

From a store concept perspective, the key highlight was the performance of our concept stores, where comp growth was18%. In addition, our sales per square metre by concept also improved considerably, with concept store sales per square metre increasing 13% and factory outlet sales per square metre improving 20%.

In the fourth quarter, comparable store sales increased 11% on a currency-neutral basis. In particular, Western Europe and North America performed strongly as comp store sales advanced 15% and 14%, respectively.

Even more pleasing is the jump in Retail profitability as segmental operating margin expanded 2.3 percentage points to 21.2%. In the fourth quarter, we achieved 5.5 percentage points of operating leverage, which drove profits for the period up 51%. That, ladies and gentlemen underpins the great progress we are making behind the scenes on improving our Retail operations, and should give you confidence that we are well on track for our Route 2015 plan to expand Retail segmental operating margin by 5 percentage points.

At the end of the year, the adidas Group Retail segment operated 2,401 stores. While this represents a net increase of 131 stores or 6% compared to December 2010, total selling space remained unchanged versus the prior year at around 670 thousand square metres. During the period, we opened 323 new stores and closed 192 stores, while 151 stores were remodelled.

Finally, our Other Businesses finished the year with another remarkable performance, growing 12% in the fourth quarter. This was mainly a result of a 14% sales increase at TaylorMade-adidas Golf as well as a 13% increase at Rockport.

For the full year, currency-neutral revenues in Other Businesses grew 13% as all segments gained, with particular strength at TaylorMade-adidas Golf, as Herbert already mentioned. Currency-neutral sales at Rockport and

Reebok-CCM Hockey increased 6% each.

Full year gross margin at Other Businesses remained stable at 43.5% as improving product margins at Rockport and Reebok-CCM Hockey were offset by lower product margins at TaylorMade-adidas Golf. The latter was due to the success of the R11 driver, where we had to incur extra costs to meet the strong demand. However, due to scale effects, segmental operating margin for Other Businesses increased one percentage point to 27%.

Now I will move on to the balance sheet, where again I can report on some impressive achievements. Despite the growth in our business in 2011, our ratio of operating working capital as a percentage of sales remains at a low level of 20.8%, just as it was in the prior year. This very strong performance is better than our original expectation of a slight increase of this ratio.

At year-end, inventories were up 16% currency-neutral to 2.5 billion euro, reflecting a further slowdown in the growth rate from 20% at the end of the third quarter. Looking deeper, if you take into account the value inflation in our inventories caused by input cost increases, then our inventories are actually only up at a single-digit-rate at year-end. Given the good ageing profile and our growth prospects for upcoming quarters, I believe we now have the right balance to take advantage of our opportunities going forward.

Accounts receivable increased 3% on a currency-neutral basis to 1.7 billion euro, which compares very favourably to a 9% currency-neutral increase in wholesale-related sales in the fourth quarter of 2011. Accounts payable increased 12% currency-neutral to almost 1.9 billion euro, reflecting growth in inventories to meet the ongoing high demand for our products.

In 2011, we again demonstrated industry-leading ability to generate operating cash flow, which amounted to 1.2 billion euro. After cash outflows for financing and investing activities, this allowed us to finish the year with a net cash position of 90 million euro. This development not only reflects a 311 million euro improvement compared to last year's net borrowings, it also marks the first net cash position since 2005, prior to the completion of the Reebok acquisition.

Finally, our equity ratio has also improved considerably, increasing 3.3 percentage points to 46.8% in 2011.

Over the past three years, through our ongoing focus on improving cash flow, we have reduced our net borrowings by 2.3 billion euro. This highlights the strength of our business model and puts us in a great position to further invest in our opportunities and growth initiatives.

But, in terms of our approach towards capital management however, I see no reason to change anything. In fact, the current economic climate only reinforces our pursuit of conservative and cost-effective capital management policies.

Nevertheless, this still leaves plenty of room to continue advancing direct shareholder returns. For now, our focus is on the annual dividend. Here, we have a clear target to increase the payout ratio within our 20% to 40% target range. For 2011, we intend to pay a dividend per share of one euro, that's 25% more than last year's, representing an increase in the payout ratio of 1.7 percentage points to 31.2%.

In conclusion ladies and gentlemen, our 2011 financial performance has given us the perfect start to our Route 2015 strategic plan. I believe you can, as we do, take confidence from these results. They show our ability to tackle big challenges. And they also highlight the discipline we are instilling in the organisation to leverage our cost base as we grow. With that, let me hand you back to Herbert, to tell you how we plan to sustain our success in 2012.

Herbert Hainer
I am sure you will agree with me that Robin's presentation made one thing clear: that the adidas Group has never been in a better position. And let me tell you - it will only get better.

We begin the year fully energised and fully prepared for what promises to be another great year for our Group.

Guided by our five-pillared innovation approach - faster, cooler, stronger, smarter and natural - we will release several new and revolutionary product concepts this year. Building on our multi-category leadership in lightweight technologies, we will fuse various elements of our technology pillars to create more holistic and exciting experiences for the consumer.

In football and running, you have already seen this with our new Speed_Cell technology in products such as the adizero f50 miCoach. These capabilities will be further rolled out into categories like basketball, American football and tennis, This interactive technology enables athletes to train and perform better while at the same time offering unique social engagement experiences, where consumers can share, compare and analyse their stats with their friends or their heroes such as Lionel Messi or Derrick Rose. This technology can also be used by complete teams, and you will hear more about this in the next few weeks.

In addition, in 2012, we are also going to bring revolutionary new products in natural motion, extending the adipure franchise from training into running. Over the course of three years, our adidas Innovation Team has carried out extensive research and testing to develop the adipure running range. This is a collection of three shoes that mimic the natural movement of the foot, with the goal of helping the body gradually adapt to the demands of mid to forefoot running. On the back of these findings, we have created a new TechFit upper and outsole. These help the runner use their muscles more effectively, improving balance and flow without sacrificing stability, for a more natural running experience.

As well as great products, we will also continue with great marketing. The "all adidas" platform will again be the focal point of our brand marketing activities. While we consolidated the adidas is all in message to one giant campaign last year, there will be several major global instalments of the campaign in 2012. This will be amplified by leveraging our partnership asset base to energise even more consumers. Let's take a sneak preview.

With this kind of brand energy, our expectations are obviously high for the year. In football, our target is clear - to set new record sales of more than 1.5 billion euro in the category. And we have all that we need to achieve that goal: as the official sponsor, outfitter and licensee of the event as well as partner of six high-calibre teams including favourites Spain, and Germany, and hosts Ukraine. Our unrivalled global presence in the sport will be supplemented by fantastic new product innovations like the Tango 12 matchball, the next iteration of adizero f50 miCoach, and the highly anticipated new Predator football boot coming out in June. These will help secure our position as the undisputed number one in football.

For the London 2012 Olympic & Paralympic Games, we will use the events as a platform to reach market leadership in the UK. As the Official Sportswear Partner of London 2012, adidas will again showcase its global leadership in innovation by outfitting Olympic & Paralympic athletes with top performance products, including host nation Team GB. Combining technology and innovation that only adidas can bring, together with the unique style and creative direction of Stella McCartney, we have a tremendous offering already hitting the market. In addition, adidas will be the Official Licensee, providing fans across the UK with both licensed as well as event-branded Olympic fan wear.

However, our ambitions for the event go far beyond the financials, as we strive to ensure the Games live up to the spirit of what they are all about. Here, in particular, we are fully embracing LOCOG's sustainability goals in terms of responsible sourcing practices and product creation. 90% of all adidas products for the Games will contain sustainable content.

Initiatives like this form part of our Environmental Strategy 2015, which is an integral part of our overall Route 2015 strategic business plan. The details in this strategy show that we are actively working on being more environmentally sustainable, using resources more efficiently and taking the next generation's needs into consideration. This is also reflected in the many sustainability indices we have been included in, such as the Dow Jones Sustainability Indexes, where we have been a member for twelve consecutive years.

For Reebok, 2012 will be another important year in the brand's development. While the end of the NFL licence and the transfer of our US-related NHL business to the Reebok-CCM Hockey segment will see Reebok sales decline in 2012, the core of the Reebok brand is expected to show further improvements.

As we have learnt from our years of brand-building with adidas, while continuous innovation is the most important ingredient for long-term sustainable brand success, it alone is not enough without a clear consumer understanding of what the brand truly represents. And this is where we turn our attention to for Reebok in 2012.

Reebok's brand positioning is about making fitness aspirational and fun for everyone, by providing consumers with experiences that are exciting and engaging. To that end, we now have the right tools in place to tell this message more broadly and more boldly.

It starts with the introduction of a new global brand campaign - "The Sport Of Fitness Has Arrived". Our partnership with CrossFit is an integral part of this. CrossFit is one of the fastest-growing fitness movements in the world and involves a community passionate about living a healthy lifestyle and the camaraderie that can be found in fitness. With the support of the CrossFit community, we are aiming to change the way people perceive, define and experience fitness, empowering consumers to be fit for life in a fun way. This resonates in a very real and authentic way with the values of Reebok.

The campaign will also be used to reinforce the performance credentials of ZigTech and RealFlex to sustain their commercial success.

At the point-of-sale, the commercial relevance of Reebok to our retail partners continues to be highlighted by their strong support for the brand. Again in 2012, Reebok is partnering with Finish Line to take over all 700 plus Finish Line stores from mid-February to mid-March. So far, the volumes and sell-throughs are already well up on the very successful collaboration we had with Finish Line at the same time last year.

While we still have to anniversary some tough comparisons due to toning sales in the first few months of this year, our efforts in 2012 will give us the platform to build a more robust business, as we grow our fitness empire, and continue the work we started in invigorating Reebok Classics.

Moving on, I also fully expect growth in the Group's Other Businesses in 2012, with currency-neutral sales set to increase at a mid-single-digit rate.

TaylorMade-adidas Golf as the largest segment will be the key driver. Already, our latest revolutions, the R11S and RocketBallz, are shaping up to be retail hits, as we continue to deliver on our promise to help golfers to increase ball speed, distance and accuracy. So for the golfers in the room, let's take a look…

Our success in golf will not just be limited to hard goods. In performance golf apparel, we are adding an exciting new Fashion Performance line, which features bold colours and unique patterns, combining our proven apparel technologies with contemporary, fashion-forward styling. And with some other surprises in the bag, which you will see later in the year, our best days in golf are still to come.

As you can see ladies and gentlemen, through the power of our product pipeline, strength of our marketing, and excellence in point-of-sale execution, we are all set to inspire more consumers, achieve new records and sustain our momentum in 2012.

We forecast Group sales to increase at a mid- to high-single-digit rate on a currency-neutral basis and to reach new record highs. With the exception of Reebok, for the reasons I outlined earlier related to the fall-off of licence sales, all geographies, brands and channels are expected to contribute to our growth. Again in 2012, the big drivers will be our three key attack markets as well as the further roll-out of our own-retail activities.

Looking first at North America, with our Route 2015 plan for the US, we are setting up the right conditions for the adidas brand to be successful long-term. Over the past two years, by being more focused in our choices, consistent in our execution, and consequent with our follow-through, the numbers are starting to come through powerfully.

adidas brand sales in North America have increased 41% over the past two years, the biggest jump we have achieved as a management team, with the 21% growth in 2011 being our best ever. The shape of our distribution mix is evolving nicely, with strong market share gains in the high-quality mall and sporting goods channels as well as further diversification with important directional accounts regionally.

When I look at this, our outstanding product pipeline and how the brand is resonating with the consumer and our customers, the consistency is now where it needs to be. You will see this again in 2012 as we push to achieve a hat-trick of years of double-digit growth for adidas in North America.

Secondly, in Greater China, the Chinese consumers' desire for innovation and quality will continue to spur demand for our brands and products. In contrast to many domestic players which are facing challenges from a lack of differentiation and from over-inventories, we have worked hard to keep retail channels clean, while at the same time ranging a comprehensive offering of our freshest and latest products.

Additionally, we continue to build close relationships with our customers in China, which provide us with daily or weekly feedback to coordinate a faster and more efficient supply chain. Consequently, from our order book and the clear visibility on the solid brand momentum we have in our adidas franchise store base, which is now almost 6,700, I am fully confident that we will deliver another year of double-digit growth in line with our Route 2015 aspirations.

Also in Russia/CIS, we expect strong momentum to continue. As I outlined at our Investor Trip to Russia in October, we still see plenty of room to expand our store footprint as well as increase store sizes and productivity. Given the strength of both adidas and Reebok, as well as the support of the European Championships in this market, we now expect sales to top one billion euro already this year, one year ahead of our communicated target.

This will also play a key role in continuing the success of our Retail segment, where sales are projected to increase at a low-teens rate in 2012. Expansion of the Group's own-retail store base and comparable store sales are expected to contribute at a similar rate to the revenue growth.

In 2012, we plan a net increase of our store base by around 100 to 150 adidas and Reebok stores.

While most of our store openings will be focused on the emerging markets, we also kicked off a pilot phase by opening our first own-retail NEO stores in Germany in February. We will open ten altogether in Germany this year, in addition to our existing NEO own-retail store base of 29 in Russia. These new stores are roughly 200 to 250m² in size. In them, new technology, processes and merchandising techniques, including RFID (Radio Frequency Identification), will be leveraged to support and optimise daily product delivery. We will also engage the consumer with unique in-store experiences like the Social Mirror, where consumers can try on their favourite NEO outfits, take a picture or video and upload it to Facebook or Twitter.

With regard to the gross margin outlook, we expect Group gross margin to remain stable at around 47.5% in 2012. With the most severe of the headwinds now behind us after the fourth quarter, we expect modest improvements which will ensure we hit this goal as we move through the year. Nevertheless, as of late, raw material prices have begun creeping up again. Labour cost pressures are also likely to persist, so we remain fundamentally cautious on input cost pressures in general.

Nevertheless, in terms of operating margin expansion, we expect continued progress in 2012. As Robin already mentioned, operating overhead control in particular remains a key priority. A lot of work is going on behind the scenes as part of our Driving Route 2015 programme, to ensure we meet our long-term margin targets. Initiatives include simplifying our organisation structure, increasing the portion of range overlap, further consolidating regional supply chain operations, as well as pursuing warehousing consolidation such as the Osnabrueck distribution centre which is currently under construction in Germany.

As positive benefits from efficiencies like these start to come through, we project the Group operating margin to increase to a level approaching 8.0%, with more to come as these projects mature further down the road.

Completing the picture for the year, due to the great progress on the balance sheet we expect lower financial expenses. Although we project a slightly less favourable tax rate, all of this will translate into earnings per share between 3.52 and 3.68, an increase of 10% to 15%.

So ladies and gentlemen, to summarize, Route 2015 is already delivering in its first year. We have a great plan, ambitious and realisable. And executing on this will ultimately yield superior returns for our shareholders.

Today, we published our annual results under the motto - Together We Win. This statement really sums up who we are: our attitude, our ambition, our passion and the responsibility we have undertaken in sport and society. From the time the first Olympians wore Adi Dassler shoes in 1928 to today's age of real-time social engagement, this has not changed.

Our role as creator, innovator and inspirer is only made possible by our openness to serve the desires, hopes and dreams of millions of people - on the pitch and on the street. To be there when great athletes do great things or simply take inspiration from the energy and creativity of youth.

This is what pushes us to raise our game every day. It lives in everything we do: the boot with a brain, CrossFit, miCoach, RocketBallz, NEO, and our unwavering commitment to being a responsible corporate citizen. Life at the adidas Group is a team effort, and it's all inclusive. For me, I am proud of our team and I thank them for living this culture. In 2011, we accomplished so much, and I am convinced their passion, discipline and dedication to succeed will continue our legacy well into the future.

Together we win.

Thank you for your attention. And with that, I thank you for your attention and we are ready for your questions.