This document is not an exact transcription of the Q&A session. However, in order to provide our shareholders and the interested public who did not attend the Investor Day with an overview of the key questions and answers, the Group has summarized its contents. No guarantee can be given for completeness and accuracy.

Q&A TaylorMade-adidas Golf

Mark King, President and CEO of TaylorMade-adidas Golf

John Shanley, Susquehanna
Mark, with the golf market both in the U.S. and globally pretty much plateaued, with rounds played declining slightly and participation falling off, it sounds like most of your growth going forward is going to have to come from taking market share away from some of the other brands. Is it the smaller brands that you see are more vulnerable in this kind of a market? My second question is on the consolidation at retail of the golf business, with Dick's Sporting Goods buying Golf Galaxy and there are probably other potential acquisitions in the works, as well. Is that going to make it more difficult to achieve the kind of gross margin goals you've set for yourself?

Mark King
The first part of the question, John, was on golf participation. It really hasn't fallen off dramatically, but it has declined 1% or 2% this year, and next year it is expected to be flat. I sit on the Board of the National Golf Foundation which tracks rounds played and golf participation, not only here, but around the world. And the real belief is that within five to 10 years, when the baby boomers start retiring en masse, golf participation actually is going to go up. The facility base is overbuilt and can definitely withstand a lot more participation. There are a lot of initiatives going on right now to get kids and women involved and to make the game easier, more accessible and more affordable for people. So I think the medium- to long-term outlook for golf growth is positive. In the short term though, it's definitely a market share game. We have to steal, by executing better, having better products, better marketing, better go-to-market strategies, and the little brands are losing. All of the big brands are actually doing okay. The ones that are really losing market share are the very small brands.

The golf retail landscape is definitely going to become more challenging as we go forward, but I think we've learned a lesson as a Group that if you put too many eggs in one basket, it can come back to bite you. At this point in time, we don't have one or two customers that dominate the marketplace in terms of volume. And I think we're going to continue to be very cautious as we go into relationships. We're saving some of our key products for different channels. We're not giving Dick's all of our key products. And we're doing things that will give us our best chance to protect our margins.

The main reason why I think we've really gained on the competition in recent years, is that we've grown our business internationally. And there are definitely still some emerging markets in golf. They're not as big as the United States or Japan, but China is a real opportunity in the next five to 10 years. Parts of Europe are coming on. Some parts of Asia that you don't really talk about much are starting to take up golf. And because of our relationship with the adidas subs, we go in, we put golf people on the ground and we're up and running and we can be very effective in the marketplace in a really short amount of time. It's been really one of our key drivers.

Mark Josefson, Kepler Equities
How often does your typical customer change his or her set of clubs? And how do you deal with TaylorMade clubs from last year?

Mark King
I'll speak specifically about the US, because this is where we have better data about people and their behaviors around clubs. There are about 26 million golfers in the United States. About 6 million of those golfers are what we call "core golfers" that play 50 rounds or more a year, and they buy 80% of the merchandise. So, really, as a marketing company, you don't really focus on the 26 million, you focus on the 6 million. Those 6 million golfers are buying a new driver every other year. And it's a little bit more than that, because there are about 4 to 4.5 million drivers sold every year.

So we know that when we bring out new products, these early adopters are going in, they're buying new technologies the minute they come out. In irons, the turnover rates, or the replenishment for the consumer, used to be every five years, now it's every two and a half years. The core golfers are really, really interested in new technologies that will help them hit better golf shots. So we play into that, and we have changed the paradigm in terms of product introductions. It used to be very slow, it took a long time. And now we bring out new products every 12 months. Herbert talked about a new innovation every 12 months. We need to have a new innovation in metalwoods, irons, putters, balls, footwear, and apparel every 12 months. That's what the consumer is asking for. We don't necessarily want that. We'd like it to be a little bit longer. But that's what the consumer wants, and one of the reasons that we've gained on our competitors is we've reacted to those demands faster. Our supply chain is more flexible. We bring out products more rapidly.

There are all kinds of channels now where products are being sold in the after-market, at a reduced price; online. We have partners where we've put the clubs and they sell them online, so there are a lot more opportunities to liquidate older products than there were two or three years ago, and I think that's been growing because of the changing dynamics of the golf equipment cycle.

Ken Broekaert, Burgundy Asset Management
What’s your strategy in gaining share, say, against Calloway, are you at a price premium to them or are you aggressive on price? Is it a volume game, or is it more of a pricing game?

Mark King
I think it's a price game, meaning the higher the selling price, the more market share you can gain. While our competition have reduced their prices, our average selling prices in metalwoods, for example, have increased $50 over the last seven years. So, one of the big reasons why our metalwoods business is bigger is that we're charging more for our products. The more we bring out innovation, the more we can charge for products. For example, we're launching a product tomorrow for shipment by the end of the year. It's a $499 driver, with a special shaft $799, and we'll sell 50,000 to 75,000 units of that, because all these people want that new product. So it is definitely a higher price game. Do you need products at the lower price points? Absolutely. You need to cover those, but for us it's about increasing prices, and consistently selling products at the higher price points. Let’s take footwear as an example. The best-selling shoe in Golf used to be under $100. The Tour 360 shoe is now the number one selling unit shoe in the world at a $180 price point. It is the most expensive shoe on the market. But because the technology is there and there is real performance gain, consumers spend the money. That's how we drive our market share.