CARLSBAD INVESTOR FIELD TRIP

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A warm welcome to Carlsbad and I can only echo what JP has just said about the importance of events like these. While I know the numbers are ultimately what you are most interested in, they are meaningless without context. That is why we set aside time each year to help you gain a better understanding of the strategies we are pursuing to generate the significant value we will deliver through Route 2015 and beyond.

In Moscow last year you saw the exciting potential of a fast-growing emerging market Russia/CIS. You were also updated on the great steps Michael Stanier and his team are taking in ensuring we achieve our vision to become a leading and highly profitable global retailer. And in Football, we outlined our path to further domination led by innovation and flawless execution around EURO 2012.

Let me assure you that the topics we will cover here in Carlsbad are just as exciting. Each of them feed into generating sustainable and profitable growth for our Group in North America, the largest of our three key attack markets. From our presenters Mark, Patrik, Lawrence and Matt, you will hear their confidence and feel their energy and determination to drive growth and value in their respective businesses.

From me, there is only one message I want you to leave here with. Everything I have seen since has only reinforced my confidence that Route 2015 will be an overwhelming success.

In this period we are building the foundation for leadership in our industry, which will be visible through our achievement of three specific financial milestones:

- Outperforming the market by growing revenues to 17 billion euro
- Growing the bottom line faster than the top line by driving 15% compound annual earnings increases
- And, achieving a sustainable operating margin of 11%.

There is no doubt that our results thus far fully reflect our focus on creating the industry's most desirable brands as we have executed exactly how we said we would: innovating, authenticating and investing, to excite our consumers, in particular the next generation.

From 2010 to the end of June 2012, we have already added almost 2.4 billion euro in revenues and increased net income by 37%. What I am particularly proud of is our bottom line performance, as we have certainly been confronted with significant challenges.

And it is clear our focus on quality top-line growth and diligence in managing the severe gross margin pressures has set us apart from the competition.

I am also pleased that we have been able to adequately balance our need to invest and still deliver operating leverage, ensuring that even despite a slight gross margin decline we will achieve our operating margin target of approaching 8% this year.

This blistering start over the first two years sets us up well as we stride into our race pace for the coming three-year period. Margin expansion now becomes our leading priority, even more so than top-line growth, which will nevertheless remain robust. In fact, as we are already well ahead of our expectations in many parts of the business, we are updating our revenue guidance by brand for 2015 today.

Although we still have to be careful about how currencies develop, we are fully confident that we will generate 17 billion euro by 2015, and maybe even more if additional top-line opportunities we are looking at meet the criteria we have set out to gain our 11% margin target.

By brand, our revised revenue targets are:

For adidas, we are increasing our 2015 goal by 600 million euro to 12.8 billion euro (this equates to a 5% increase). adidas Sport Performance sales are now projected to reach 8.9 billion euro (originally 8.5 billion euro), with the increase in guidance driven by record-breaking football sales, tremendous momentum in basketball, which Lawrence will tell you about tomorrow, and a highly promising product pipeline in running which I will sneak preview later. We are also increasing our expectations for adidas Sport Style to 3.9 billion euro from 3.7 billion euro due to the continuing strong global resonance of Originals, particularly here in North America and the solid momentum we are seeing with NEO, where there will be some new and exciting twists over the next 12 months.

Another area I can share great news with you is Other Businesses, where we will already achieve our Route 2015 target this year. TaylorMade-adidas Golf is the cornerstone of this result and is a key part of our portfolio that perhaps does not receive the credit and appreciation by the financial community it deserves.

That's why we are here at this fantastic location, and I am sure you have been impressed with the sophistication of our operations from your tour this morning. Hopefully it also inspired those who were on the golf course in the afternoon to card some low scores. But that's the only thing I expect to be low here at TaylorMade, as Mark and his team are committing to a new lofty target of 1.5 billion euro by 2015. This implies that our Other Businesses in total are now forecasted to generate 2.2 billion euro in sales by 2015, an increase from 1.8 billion euro previously. This is a great target and again should not be underestimated as TaylorMade will already reach an 11% margin this year, and there is more to come, isn't that right Mark?

Finally let's take a look at Reebok. While we have seen some good progress from the brand in re-engaging consumers and retailers alike, we cannot claim that we are on the path to sustainable global success just yet.

Nevertheless, the last few years have highlighted that Reebok has all the ingredients to be a powerful global brand. This is due to the underlying innovative creativity that the brand has in its DNA, which can be seen in 2010 and 2011 with inspiring concepts such as Toning, ZigTech and

RealFlex. Looking to the future, there is no doubt in the potential and positioning of Reebok as THE fitness brand. But the approach towards commercialisation can still be considerably improved.

Under the stewardship of Erich Stamminger, Uli Becker and Matt O'Toole, we have therefore tweaked the structure of Reebok's brand organisation to concentrate more on building measurable and sustainable categories, rather than the approach of the last few years on product pillars. This will already bring more focus, a deeper product offering and provide better commercial opportunities as we turn the corner into 2013.

By moving Reebok's marketing structure closer to that of adidas, we have also removed the president of Reebok role, choosing to have Matt report directly to Erich as Chief Marketing Officer, while Uli will concentrate all of his efforts to drive commercial success in Reebok's most critical and important market, North America, which represents 40% of Reebok's business.

As a result of our comprehensive review of Reebok over the last few months and taking into account:

a) our more clearly defined approach towards fitness
b) our strategic decision to exit the NFL-business

c) our focus on profitability rather than size in lower profit markets like India and Latin America

d) and finally the shift in reporting the NHL-related sales to Reebok-CCM hockey,

we are resetting the bar for the brand and now expect sales in 2015 of 2 billion euro compared to our previous expectation of 3 billion euro. With this new target, I am also more confident that Reebok can and will generate a gross margin in the low 40's by 2015, which means an improvement of at least 500 basis points from where we are today.

Matt will take you through all of this in much more detail tomorrow and I am convinced you will share my conviction that Reebok will have more comprehensive and commercial relevance with this new approach already starting in 2013.

For completion on our revenue goals, from a segmental perspective, our target changes only affect the Wholesale segment and Other Businesses by 400 million euro each: Wholesale being reduced and Other Businesses being increased. Our goals for Retail and eCommerce remain unchanged.

Taking it all together, at a Group level this means that the quality of our top line will actually be enhanced by the new weighting of the brands. This will also put us in an even stronger position to achieve our 11% margin goal.

Turning to that topic, I want to fully re-emphasise that we are right on track to achieve our 11% target by 2015. My confidence comes from the progress we are making on our most important profit enhancing levers. For example:

- We will continue to enjoy superior growth in higher margin emerging markets such as Russia where our position is dominant, and also in China where we have the strongest momentum of all of our competitors.
- We are making great progress with product margin profit drivers such as range reduction, where we have already reduced offered articles by close to 10% for fall/winter 2013.
- In wholesale, we are improving our business by sharpening our trade term investments in policies that generate the best returns for both parties. In addition, we are also reducing our exposure to lower-quality channels of distribution, focusing on higher-quality partners more aligned to where our target consumer is shopping. North America is a great example of this and Patrik will tell you about our progress in the mall and sporting goods channels tomorrow.

- On our mission to become a best-in-class retailer, we are already half-way to our Route 2015 goal to add five points of margin. Given the strong results from our HR programme SHINE, our real estate optimisation projects and much more productive full-price sales from the expansion of our global foundation range, I believe we will most likely overshoot our original Retail margin target by one or two points.
- In manufacturing, we are combatting inflation in the supplier base by increasing our investments in automation and new techniques of production.
- Our investments in infrastructure such as the new distribution centres in Osnabruck/Germany, South Korea, China and Canada will ensure we increase capacity in a cost-efficient way to service all of our channels, be it wholesale, own retail or ecommerce.
- And last but not least, when it comes to Driving Route 2015, which addresses solutions for optimising our organisational set-up, as over the years it has become too complex and inconsistent, you can already see that our headcount increases have markedly declined to low-single-digits, with most of our expansion now limited to our growing retail presence. As a reminder, the objectives of "Driving Route 2015" are very clear: speed, consistency, and consumer focus.

- **Speed** by implementing a leaner organisation that allows faster decision-making.
- **Consistency** by establishing a more aligned and efficient organisation across functions and geographies.
- **Consumer focus** by reducing internal complexity, which will enable us to put more of our energy into what really matters – the consumer.

As you can see from all of these points, and believe me these are not the only ones, we have both gross margin and operating expense leverage opportunities and each of these will play a role on our path to 11%. For the remaining three years, we will add approximately one percentage point of operating margin per annum starting in 2013 where our goal is to reach a level of around 9%.

Ladies and gentlemen, to summarise, our results to date provide clear evidence that Route 2015 is a powerful and robust strategic business plan. Our Group's business model is proving rock-solid, especially against the prevailing winds of a stormy global economic environment.

In this respect, you should be extremely encouraged with how we are managing our business to reduce unnecessary risk. At this phase of our journey, this is critical particularly when you consider that consumers are still feeling the pinch from austerity measures, high unemployment rates and inflation, which all pose a risk to consumers' wallets.

Rest assured, we will continue to operate in these coming months with foresight and prudence by keeping our channels clean and fresh, which will enable us to sustain a healthy and highly profitable growth trajectory. Our inventory management and cash flow generation are all the proof points you need in this respect. And don't forget, in this type of environment, the strong get stronger and the weak get weaker, which as our market share gains over the past 18 months have definitely proven.

Although we are not giving any more specific guidance for 2013 today, we will continue in the same direction as before next year: staying focused, simplifying to the maximum, implementing with excellence and, above all, placing the consumer front and centre in every decision we make. We will create the unexpected, by bringing more game-changing innovation and freshness in more categories than any of our competitors. While the other presenters will have plenty to say on this, there is one innovation I am particularly excited about, so here is a little teaser to give you an exclusive of one revolution which I am certain will shake up the entire running market next year.

In addition, in 2013 you will see us continue to deepen the emotional connection between our brands and our consumers, becoming an even greater part of their lives via social media and brand activation on the field of play and on the street. The success of our Team GB initiatives at this year's Olympic Games as well as our dominant presence at the European Football Championships demonstrates just what the machinery of this Group can achieve when we shift into high gear. And you will see this again on every major stage, be it the NBA All Star Weekend in Houston, Texas, the UEFA Champions League In London, the IAAF World Championships in Moscow or as we kick off for FIFA World Cup 2014 at next summer's Confederations Cup in Brazil.

These are the types of opportunities and initiatives that make our Group unique. They are part of a formula that is rich in content, comprehensive to be globally relevant, and focused to maximise and grow earnings and cash flow. The adidas Group has never been in better shape and, as we journey on Route 2015, we will continue to unlock significant value by sustaining our legacy as a global powerhouse in the sporting goods industry.

Thank you very much for your attention.