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**Annual Shareholder Meeting**

**May 7, 2009**

**Herbert Hainer, CEO and Chairman, adidas AG**

Dear shareholders,  
ladies and gentlemen,  
dear friends of adidas AG,

On behalf of my colleagues on the Executive Board, I would like to welcome you all to our AGM at the City Hall in Fürth. I'm looking forward to this dialogue with you, as it takes us forward together. I also welcome everybody following this AGM via the Internet.

**Eight Years Of Double-Digit Earnings Growth**

In recent years, we have delivered results that were able to meet your high expectations. We have been on a growth path since 2000, and since then we have doubled our sales to almost 11 billion Euro and more than tripled our net earnings to 642 million Euro. The year 2008 was no exception in this chronology of success.

For us, 2008 represents the outstanding highlight in this fantastic development. We have achieved double-digit earnings growth eight times in a row, setting ever new records. We upped our pace and boosted our power. We ran faster and jumped higher. This athletic entrepreneurial performance shows that our adidas Group is in great shape, in the best of health, and clearly positioned.

So, with this solid foundation, a lot needs to happen for us not to target a ninth record year.

And – as you all know and hear in the news, day in and day out – a lot has happened. Therefore we will be unable to continue setting records on the high level we have all become accustomed to.

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**Challenges For The adidas Group**

We're facing the combined forces of the financial crisis, economic crisis and consumer crisis. And this is further exacerbated by pressure on prices, higher sourcing costs and highly volatile currencies. This situation is impacting our business although our industry is not as strongly affected as many other sectors such as the automobile or engineering sectors. But, quite frankly, we are feeling the effects of the crisis.

2009 is a very challenging year. While we are not parting company with success, faced with this crisis, we do have to re-evaluate success, and work hard to succeed again.

At the same time, this crisis cannot be seen as an uncontrollable, dominating or even destructive force. In Chinese, the word crisis has two meanings: opportunity and risk. We clearly see opportunities – opportunities to further extend our competitive advantage in these difficult times and to score big as soon as the economic environment rebounds.

Therefore, my most important message to you is that we will emerge from this crisis stronger than before and that we will stick to our long-term growth strategy. We have the right business model in place. We are a global company, broad-based and strictly consumer-focused. This is our game plan and that's the way it will stay. I believe the real winners of this crisis will be the ones who remain consistent with their long-term strategies and don't get too caught up in short-termism.

Of course we cannot resolve the economic crisis and we also have no influence on exchange rate movements, which do have a major impact on us. But we will utilise with all our power everything that is within our power. We are tackling the challenges with energy and drive, and we are capitalising on our strengths step by step.

**2008: adidas Group Achieves Financial Goals**

It is important to remember that the crisis did not hit us in a phase of weakness but in a phase of strength. Our own corporate economic climate is resilient, and we proved how strong it is in impressive style in 2008. Although the global economic

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crisis worsened profoundly in the fourth quarter of 2008, we succeeded in achieving the financial goals we had set at the beginning of the year.

In 2008, we grew our basic earnings per share by 20 percent to 3.25 Euro, improved our gross margin by 1.3 percentage points to a record level of 48.7 percent and increased Group sales by 5 percent in Euro terms to 10.8 billion Euro. On a currency-neutral basis, this represented an increase of 9 percent.

**Currency-Neutral Sales By Region In 2008**

We grew our sales at double-digit rates in all regions except North America. In Europe, currency-neutral Group sales increased 11 percent, due to strong growth in emerging markets.

In North America, Group sales declined 8 percent on a currency-neutral basis as a result of lower revenues in the USA. Currency-neutral Group sales in Asia were up 20 percent, driven by particularly vigorous growth in China. In Latin America, currency-neutral sales showed strong double-digit growth, increasing by 42 percent.

**Most Successful Year For adidas Brand In 60-Year History**

Our adidas brand is most clearly and definitely the powerhouse of our Group, accounting for 72 percent of Group sales. The adidas brand is our pride and joy. Never in its 60-year history was it as strong as in 2008. Currency-neutral adidas brand sales have increased by more than 50 percent in the last four years alone. This is exceptionally strong growth and the two major sports events in 2008, the European Football Championship and the Olympic Games, once again showcased the power of the adidas brand. adidas was the big winner of these outstanding sports events.

**UEFA EURO 2008™ Highlights Position As The Leader In Football**

The European Football Championship offered us the perfect stage to highlight our position as the leader in the football category. And what more can you ask for than an all-adidas final between Spain and Germany? Moreover, eye-catching marketing

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activities outside the stadiums gave fans and footballers first-hand experience that we live and breathe football.

**adidas The True Olympic Brand At Olympic Games In Beijing**

At the Olympic Games, we brought home the message that adidas is the true Olympic brand. Our award-winning campaign “Together in 2008 – Impossible is Nothing” captured the spirit of the Olympic Games. During the Games, we provided first-class service and exciting products to more than 3,000 athletes in 27 out of the 28 Olympic sports. This, I am sure, will have a long-term positive effect on our brand image in the Chinese market and will enable us to further expand our market leadership in one of the world’s most exciting economies.

**Repositioning Brand Reebok**

Ladies and gentlemen, we have redefined and clearly positioned our Reebok brand. This repositioning covers the entire process from product development, to pricing, to brand positioning. We have set three priorities for Reebok: Own Women’s Fitness, revive Classics and challenge Men’s Sport through the training segment.

In Women’s fitness, we are already making good progress. In February this year, in Miami, we introduced a unique new workout experience in collaboration with Cirque du Soleil which has met with phenomenal response: JUKARI Fit to Fly™. But see for yourselves!

**Reebok 2008 Results Below Expectations**

2008 was indeed a challenging year for Reebok and I am disappointed not to be able to show the financial improvements we anticipated at the beginning of the year.

Although we continued to make progress expanding the brand in international markets, declines in particular in the USA, UK and Japan led to a currency-neutral sales decrease of 2 percent. While tough conditions in these markets burdened Reebok’s performance, we have to acknowledge that our clean-up efforts of old Reebok products have taken longer than we originally expected.

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Allow me to point out, once again, that it makes no sense to play off the brands of our adidas Group against each other. They belong together, they complement one another and it is the results of the Group as a whole that count.

**TaylorMade-adidas Golf Continues On Track For Success**

This is also true for TaylorMade-adidas Golf. In this segment, we continue to be firmly on our way to becoming the number one player in the global golf market. Looking back at the year, we cannot ignore the magnitude of TaylorMade-adidas Golf's success. Sales increased 7 percent currency-neutral, while most of our major competitors suffered declines. The majority of golf pros play TaylorMade drivers. In the metalwoods category in the USA, the world's biggest and most important golf market, TaylorMade holds a 30 percent market share, leading the number two by 10 percentage points.

In 2008, we also made solid gains in categories like balls and putters with the highly successful launch of our TP Red and TP Black Tour golf balls and the Spider family of putters which have led to a jump in gross margin in these categories. TaylorMade-adidas Golf's positive development proves that there is always room for growth, even in difficult times.

**adidas Group Logo**

Ladies and gentlemen, that was 2008. It is now 2009, and we are experiencing a year that is difficult and unpredictable. There is so much interdependence between the world's economies that the economic crisis is not limited to individual markets, sectors or regions. It is impacting business everywhere.

In view of this lack of visibility, it is difficult to forecast today what impact this downturn will have on consumers and our retail partners. Nobody can predict the extent to which rising unemployment and lower consumer confidence will curb private consumption. But one thing is certain: Consumers will spend less this year.

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**Forecast For 2009**

We are therefore projecting currency-neutral Group sales to decline at a low- to mid-single-digit rate this year. We expect a similar percentage decrease for the adidas brand which, after fantastic years of growth, now has to face a significantly more difficult market environment. Key markets in North America and Western Europe find themselves in a complicated phase. And this development is not something we can overcome in the short term. We have to take on the challenge and make the best of it.

In the Reebok segment, based on the new, significantly improved product range and clear positioning, we expect sales to be at least stable.

TaylorMade-adidas Golf has every opportunity to deliver a moderate currency-neutral sales increase through the consolidation of the newly acquired Ashworth business. TaylorMade will continue to be the innovation leader in the golf industry this year. The launch of our R9™ driver in March is a great example of this. The R9™ is already the top-selling driver at retail in the US and is the number one played driver on the major golf tours worldwide. This is, of course, a very pleasing development and this particular example underlines the strength of this golf brand.

**Group Gross Margin Under Pressure In 2009**

Our Group gross margin will be under pressure in 2009, as retailers especially in mature markets such as North America and the UK will respond to declining consumption with mark-downs. At the same time, our sourcing costs will be higher, especially in the first half of the year, due to increased costs for raw materials and labour.

However, we intend to keep our prices stable. We will not be drawn into price wars, because selling brand products at a loss is not a world we want to be part of. Penny-pinching is not cool. We are protecting the image and the value of our brands, and thus also protecting our customers' money.

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**Earnings Per Share Expected To Decline**

While we will be very disciplined in managing our operating cost base, we expect earnings per share to decline. The magnitude of the decline will depend in particular on how currencies move over the year. These currency effects have more drastic consequences on our business than the economic crises, because this is something we have no influence on. We see this as our biggest challenge this year.

Currencies such as the Russian Rouble, the British Pound and several currencies in Latin America have significantly depreciated against the Euro. In the past twelve months, the Rouble has lost 33 percent against the Euro, the Pound a good 20 percent. Russia and the UK are major markets for us in terms of both sales and earnings, which means these currency effects directly impact our income statement.

In addition, our results will also be impacted by higher sourcing costs because when we placed the orders for production of our goods last year we were facing increased raw material and wage costs. Furthermore, we will also see costs for restructuring measures in 2009, which I will go into more detail on later in my speech.

**Subdued Start To First Quarter Of 2008**

Given these conditions, it is no surprise that – after a strong 2008 – we got off to a weaker start in 2009. The key figures, which we published the day before yesterday, are as follows:

Group sales decreased 6 percent on a currency-neutral basis, as a result of lower sales in all business segments. Our gross margin in the first quarter decreased 4 percentage points to 45.2 percent. Gross profit for the Group declined 10 percent. As a result, net income attributable to shareholders declined 97 percent to 5 million Euro in the first quarter.

At first glance, these figures don't look good. They show, ladies and gentlemen, that we too, unfortunately, are unable to escape the impact of the current global economic climate. But let me assure you that, apart from the higher input prices and the currency effects mentioned, these are mainly one-off effects that impacted our results in this quarter and they will not recur again. Therefore we are planning to

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generate significantly more positive earnings again in the second half of the year, although we will not quite reach the record level of 2008.

Additionally, during the remainder of the year we will work at full steam on reducing our net borrowings. Rapid reduction of our inventories and a disciplined investment policy will make a major contribution to optimising our free cash flow and thus achieving this goal.

**Initiatives To Improve Cost Base**

As you can see, ladies and gentlemen, we are doing all the right things. We have carefully analysed the effects the crisis is having on our company. We have defined the necessary measures and are rigorously implementing the individual steps. We have taken immediate and decisive action to improve our cost base throughout the Group. We have implemented a joint operating model for adidas and Reebok in Europe and Latin America. This structure has already proved successful in Asia and Russia in recent years. Furthermore, we have improved and streamlined the product creation process for both adidas and Reebok. At the beginning of this year, we already reduced our workforce at Reebok and TaylorMade in North America and announced a restructuring of Reebok's operations in the UK, which has already been completed in part. Group-wide, we will reduce our travel expenses by at least 15% in 2009 and cut costs for external service providers. In addition, we have introduced a hiring freeze and frozen salaries for all employees for 2009. It goes without saying that all these measures also apply for the Executive Board.

**Organisational Changes To Increase Efficiency And Cut Costs**

While these initiatives have either been completed or are currently being implemented, our drive to achieve more effectiveness and efficiency for a sustainable, healthy business continues. Since 2000, the adidas Group has grown significantly in complexity - from 95 companies to 190 represented in all regions of the world. During that period our business has also evolved - from predominantly wholesale to include a far more significant own-retail component. With over 1.8 billion Euro in

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own-retail sales in 2008, our Group is on a growth path that will make it one of the top 250 global retailers.

In 2008, we began an intensive examination of the adidas Group's business structures. And in the coming months, we will implement the following organisational changes:

Firstly: We will take out one complete level of management: our regional offices in Asia and Europe. Instead, direct interaction between the global organisation and the local markets will increase speed-to-market for our products and concepts.

Secondly: To support our growing own-retail business, which is an integral part of our strategy, a dedicated Global Retail organisation will be set up under the leadership of a Chief Retail Officer.

Thirdly: The wholesale part of our business, where products are sold via retail partners, will also be consolidated under the leadership of a Chief Sales Officer.

Fourthly: All Group functions such as Operations, HR, Finance and IT will undergo changes to reflect the new organisational structure.

These measures will help us to cut costs while at the same time increasing our efficiency. All these steps are aimed at ditching unnecessary weight, simplifying processes and directing our focus more squarely on our most valued stakeholder: the consumer. In tandem with the initiatives already launched, we expect these measures to accelerate our Group's sales growth in the medium and long term. At the same time, we are targeting significant sustainable cost savings. Although all project details have yet to be finalised, it is our goal that upon completion these measures will lead to annual cost savings of more than 100 million Euro. I'll keep you posted on our progress, but let me assure you that we are creating the right platform to ensure a healthy company and solid business foundation for the good of all our stakeholders.

**Investing In Areas That Contribute Directly To Business Success**

However, we will not rely solely on cost cutting, our focus will be a two-way approach. This means reducing costs that do not contribute directly to our business success,

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while on the other hand investing specifically in our future success. This is the only way to sustain long-term growth for our company for the benefit of our shareholders, our employees and our customers.

As already mentioned, own retail and expansion of controlled space are our top priorities. We are planning to increase sales generated by controlled space from just under 30 percent today to at least 35 percent in the coming years. We are opening new stores for adidas and Reebok and expanding our mono-branded stores in China and our shop-in-shop concepts with our retail partners in selected markets worldwide.

**Strengthening Our Presence In Emerging Markets**

In addition, we are strengthening our presence in the emerging markets. These are the up-and-coming markets in Asia, Europe and Latin America which, over the past few years, have grown a lot faster than mature markets. We are convinced that these markets will continue to be growth drivers for our industry in future. We expect higher standards of living, rising income and positive demographic development to continue to drive private consumption in these markets. Provided that exchange rates remain stable, we believe our Group will be able to generate more than 35 percent of our worldwide sales in the emerging markets.

Our strategy to expand controlled space and at the same time generate higher sales in emerging markets will also lead to an even stronger presence of our brands in all regions around the world.

What's more, with our broad and well-balanced product offering, we enjoy a leading position in our industry. No matter on which playing field – there is no doubt that today our Group leads the industry when it comes to innovation, design and service. We are present in all key sports categories and it goes without saying that we want to not only maintain but further expand our position.

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### **adidas To Supply Official Bundesliga Match Ball**

On this note, I would like to share a piece of news with you: We have secured for four years the rights to the official match ball of the German Football League (DFL) which will be used in the games of the top two German leagues from the 2010/2011 season. All 36 Bundesliga teams will play with an adidas ball, once again underlining our clear global leadership position in the football category and in our important home market, Germany.

### **Medium-Term Targets For The adidas Group**

Let me now turn briefly to our medium-term targets. We clearly have the potential to improve the Group's operating margin to more than 11 percent in the medium term. We are safeguarding this growth momentum through sound management of our balance sheet. As already mentioned, we are working on reducing our net debt in order to increase our financial flexibility. In the medium term, we aim to reduce our financial leverage to below 50 percent. With a strong balance sheet and a low debt level, we will be in a better position at all times to capitalise on market opportunities in the best interest of our shareholders.

### **Sport Is Part Of The Fabric Of Society**

Ladies and gentlemen, I believe that with our strategies and measures we will be able to decouple from at least some of the negative macroeconomic trends. We will benefit from the fact that sport is part of the fabric of society – right from the professional athlete to the Sunday sports fan. Individuals and governments place increasing importance on fitness and health.

Sport participation rates will continue to grow, particularly in the emerging markets, as personal wealth increases. In addition, we address young consumers – a target audience that is less susceptible to economic downturns. And don't forget we are talking here about fairly low-ticket items relative to many other consumer goods.

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**2010 FIFA Football World Cup™ In South Africa**

These are strong points in our favour. But we still have an ace to play. The Football World Cup in South Africa kicks off in exactly 400 days from now. We are expecting to see the first positive effects on our business this year already. The bar, however, has been set quite high: The 2006 World Cup held in our own country was an excellent opportunity to enhance our sales, brand awareness and association, and our image. We seized all the opportunities presented to us and scored on all fields. This is something we of course intend to build on.

South Africa will be the perfect platform to present our brand and showcase our strengths. We enjoy outstanding acceptance. We are Official Sponsor, Official Supplier and Official Licensee of FIFA, football's world governing body. We will again supply the official match ball, as we have done since 1970. This all-important "tool" for football players is the standout symbol of the World Cup: It's all about the ball, and about adidas.

This close association between the adidas brand and the FIFA World Cup™ creates a unique identity and presence. Football is synonymous with adidas. Wherever you look, our 3-Stripes are in the limelight: in stadiums, on TV or at press conferences. This "psychologisation" ensures sustained perception of adidas as the leading football brand. This is a strong claim, which we totally fulfil through our relentless determination to deliver top performance at all times.

Let us now share together an impression of things to come at the first Football World Cup to take place on the African continent.

**Long-Term adidas AG Share Price Development Outperforms DAX-30 And MSCI**

Ladies and gentlemen, we are passionately working at making the adidas Group even stronger. Our clear objective is to continuously increase profits for you, the shareholders. The long-term trend in our share price reflects our Group's sustainable growth. Since our IPO in November 1995, our share price has risen by 212 percent, clearly outperforming both the DAX and the MSCI Index, which in the same period increased by 118 percent and 55 percent, respectively.

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In 2008, the development of international stock markets and the adidas AG share was profoundly impacted by the financial crisis and the spillover effects on the global economy. Significant losses in the financial industry, recessionary fears, inflationary pressure, record oil prices and rapid currency movements contributed to highly volatile financial markets during the year. In tandem with the negative trends on international stock markets, the adidas AG share declined 47 percent in 2008.

**Dividend Proposal At Prior Year Level**

adidas Group Management has decided to maintain the dividend level and is proposing to this Annual General Meeting a dividend of 50 cents per share for 2008. The total payout of 97 million Euro reflects a payout ratio of 15 percent of net income. The dividend proposal is in line with our long-term dividend policy under which the adidas Group intends to pay out between 15 and 25 percent of consolidated net income. The proposal also takes into consideration the currently tough business environment and our focus on reducing net borrowings.

**Share Buyback Programme Completed in 2008**

Now I would like to provide you with some information on the share buyback programme we conducted in 2008. On January 29, 2008, adidas AG announced a share buyback programme. The buyback was initially conducted between January 30 and May 2, 2008, on the basis of the authorisation given by the Annual General Meeting on May 10, 2007. In this period, the Company purchased around 5.5 million adidas AG shares. We reported on this at the last Annual General Meeting on May 8, 2008. These shares were cancelled on July 2, 2008, thus reducing the stock capital.

The share buyback programme then continued from May 21, 2008, on the basis of the authorisation given by the Annual General Meeting on May 8, 2008. Between May 21 and October 22, 2008, adidas AG repurchased a further 4,671,225 adidas AG shares via the stock exchange, representing 4,671,225 Euro of the stock capital. This represented 2.29 percent of the stock capital of adidas AG at the time the authorisation was first utilised. The aggregate value of the shares repurchased in this period for cancellation amounted to 179 million Euro. These shares were

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cancelled on December 15, 2008, in accordance with the authorisation given by the Annual General Meeting in May 2008, thus reducing the stock capital.

Altogether in 2008, 5 percent of the adidas AG stock capital or just under 10.2 million shares with an aggregate value of 409 million Euro were repurchased. All repurchased shares have been cancelled. Since December 15, 2008, the stock capital thus amounts to 193,515,512 Euro. Through cancellation of the shares, earnings per share increased proportionately.

**Constructive And Committed Dialogue Between adidas AG And NGOs**

Ladies and gentlemen, the adidas Group has a responsibility to perform and engage towards its owners, the shareholders. But we also perceive this as a responsibility towards all stakeholders, i.e. customers, employees, representatives of interest groups, associations and government organisations.

We are of the opinion that a company like adidas AG, which with its brands and ideas interacts so broadly and intensely with society, should not restrict itself solely to the interests of individual stakeholders. Therefore, for example, we maintain a constructive and committed dialogue with non-governmental organisations even if you, ladies and gentlemen, in view of individual protests at our Annual General Meetings must sometimes have a different impression. Critics find it difficult to accept the fact that we do not fit the mould of their carefully nurtured preconceptions. They even question the very nature of our commitment to the people working for us in emerging nations.

Yet, it's not so easy to voice well-founded criticism. Those who want to have their say have to know what they're talking about when it comes to scientific expertise regarding environmental impacts as well as micro- and macroeconomic conditions in emerging nations. We have the greatest respect for these highly complex interrelationships and therefore we are often amazed at the over-simplified claims and sweeping demands of some of our critics.

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We will again listen to the criticism at this Annual General Meeting with great attention and tried-and-tested patience. But we invest our energies entirely into the rewarding cooperation with stakeholders commanding experience as well as knowledge. We involve these experts in important decisions that have social and ecological consequences. We make it explicitly clear that there is no way we could do this on our own, and that it is therefore imperative for us to rely on honest and well-grounded support. The numerous awards we have received over the past few years for our commitment and efforts in the social and environmental sector confirm that our strategy is right.

Ladies and gentlemen, the adidas Group looks back on eight years of fantastic growth and an extremely successful 2008. But now we have to look forward and prepare our company to achieve the next level of success mid- and long-term. During the remainder of 2009, you will see that we are doing just that by positioning our Group so as to be able to emerge from this difficult period stronger than before, and keeping our company on its long-term growth path. You will see a notable improvement in our results in the second half of the year already. And our Group is optimally positioned for accelerated, profitable growth once the economic crisis is over – just like you have been accustomed to see from us in the past.

Ladies and gentlemen, dear shareholders, the adidas AG Executive Board thanks you for your trust in us, and we know that we have to keep on earning this trust.

Thank you for your attention.