

**First Quarter 2008 Results  
Analyst Presentation  
Herzogenaurach, May 6, 2008**

**UNITED  
BY SPORT**

SPORT KNOWS NO BOUNDARIES. SPORT IS PASSION. ALL OVER THE WORLD.  
EVERY ATHLETE LIVES IT. AND WE DO, TOO. EVERY SECOND.

# INTRODUCTION

Natalie Knight  
Vice President Investor Relations

# OPERATIONAL HIGHLIGHTS

Herbert Hainer  
CEO and Chairman adidas Group

# Strong Q1 Group Performance

- adidas momentum continues
- TaylorMade-adidas Golf growth accelerates
- Reebok focused on executional excellence



# Financial Strength In Tough Markets

- ✓ Currency-neutral sales grow 10%
- ✓ Gross margin at record 49.1%
- ✓ Highest Q1 operating margin since Reebok acquisition
- ✓ Net income grows 32%

adidas<sup>®</sup>

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# adidas Strength Continues



# adidas Delivers Excellent Financial Performance

- Currency-neutral sales grow 14%
- Gross margin at 49.0%
- New Q1 operating margin record at 17.1%



# adidas Backlog Momentum Continues

	Europe	North America	Asia	Total
FW	19	(5)	18	14
APP	10	(2)	22	13
<b>Total</b>	<b>14</b>	<b>(2)</b>	<b>19</b>	<b>13</b>

Currency-neutral development of adidas order backlogs by product category and region at quarter-end (in %)

- UEFA EURO 2008™ positively impacts backlog by 1pp
- North America impacted by tough retail environment
- 27th consecutive quarter of double-digit currency-neutral backlog growth in Asia



# Reebok Financial Performance Highlights Brand's Strengths And Weaknesses

- Currency-neutral sales decline 6%
- Gross margin grows 0.3pp to 37.1%
- Operating margin declines to -2.8%

# Reebok

# Reebok Backlogs Reflect Tougher Macroeconomic Environment

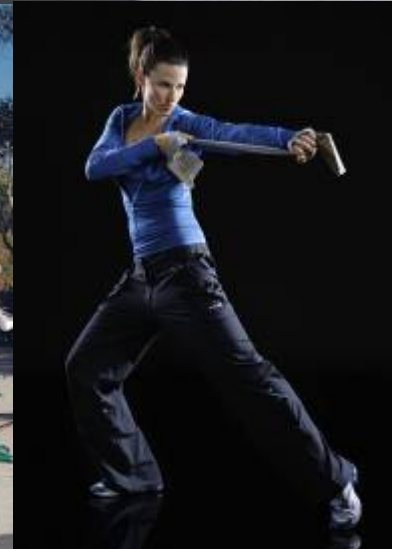
	Europe	North America	Asia	Total
FW	(8)	(40)	(6)	<b>(22)</b>
APP	(13)	(15)	6	<b>(12)</b>
<b>Total</b>	<b>(8)</b>	<b>(22)</b>	<b>4</b>	<b>(13)</b>

Currency-neutral development of adidas order backlogs by product category and region at quarter-end (in %)

- Declines driven by US, UK and Japan
- Double-digit currency-neutral increases in Italy, Central Europe and emerging markets
- Exclusion of at-once and own-retail activities understates sales expectations

# Execution Is Clear Focus At Reebok

- Improving point-of-sale impact and distribution
- Consistent fit and comfort focus in all products
- Brand communication about individuality and choice



# TaylorMade-adidas Golf Strengthens Leadership Position



# Impressive Profitability Gains At TMaG

- Currency-neutral sales grow 17%
- Gross margin increases 2.7pp to 46.6%
- Operating profit reaches € 23 million



 **TaylorMade<sup>®</sup>**

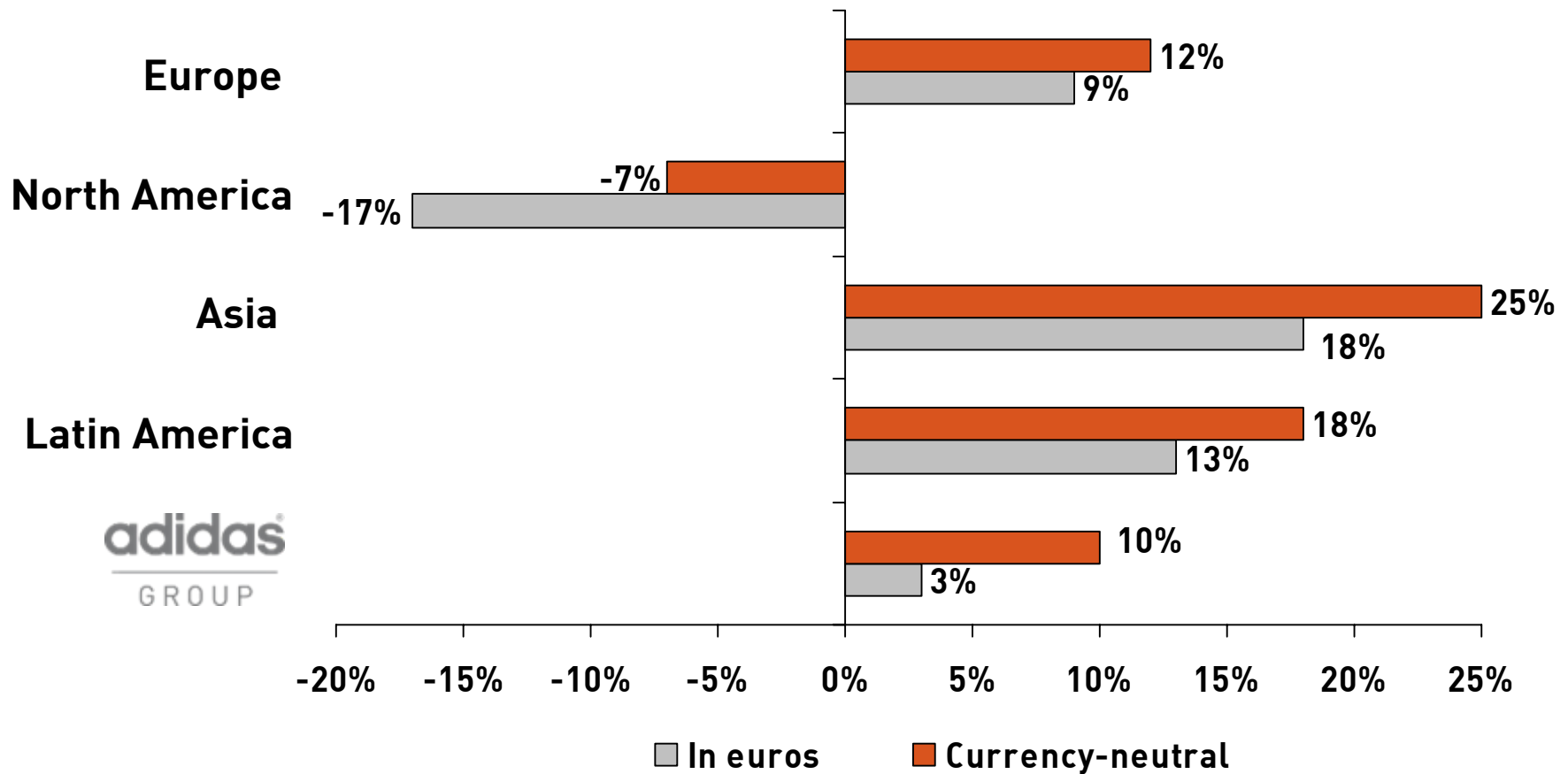
# UEFA EURO 2008™ Just 32 Days Away



# FINANCIAL HIGHLIGHTS

Robin Stalker  
CFO adidas Group

# Sales Increase At Double-Digit Rate In All Regions Except North America





# Positive Gross Margin Developments In All Segments

## Positives:

- Product and regional mix
- Currency benefits
- Own-retail
- Cost synergies

## Negatives:

- Input costs

 **↑ 49.0%**

**+1.7pp**

**Reebok** **↑ 37.1%**

**+0.3pp**

 **↑ 46.6%**

**+2.7pp**

 **↑ 49.1%<sup>1)</sup>**

**+2.3pp**

**Record First Quarter Gross Margin**

1) Includes HQ/Consolidation

# Factors Driving Operating Expense Increase

## **Positives:**





- Timing of marketing focused on big 2008 sporting events
- Operating leverage at TaylorMade-adidas Golf

## **Negatives:**

- Higher cost base at Reebok due to lower sales
- Launch of Reebok's global brand campaign
- Emerging market infrastructure expansion

# First Quarter Operating Margin Increases Strongly

**Q1 2008**

Royalty and commission income	 -7%	€ 21 million
Operating expenses	 +5%	€ 1.028 billion
Operating profit	 +23%	€ 282 million
Operating margin	 +1.7pp	10.8%

# Net Income Growth Accelerates 32%

**Q1 2008**

Net financial expenses

  
-16%

€ 32 million

Income before taxes  
(IBT)

  
+31%

€ 250 million

Effective tax rate

  
-0.4pp

32.0%

Net income attributable  
to shareholders

  
+32%

€ 169 million

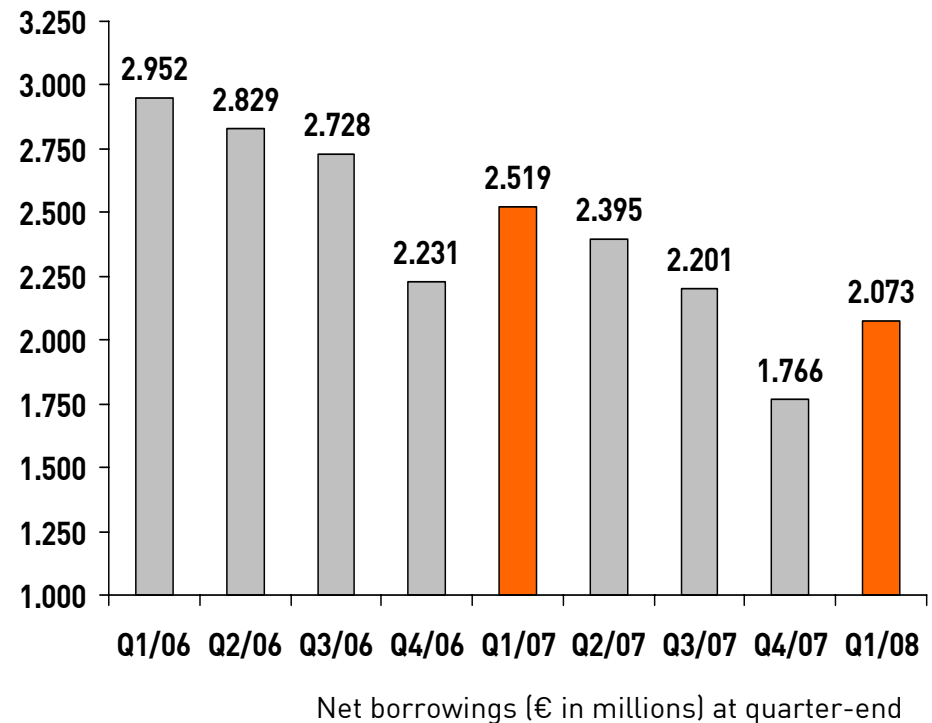
# Operating Working Capital Improvements

- Average operating working capital as a percentage of sales reduced by 0.8pp to 24.7%
- 13% currency-neutral inventory increase in line with growth expectations
- Receivables stable on a currency-neutral basis despite strong sales growth



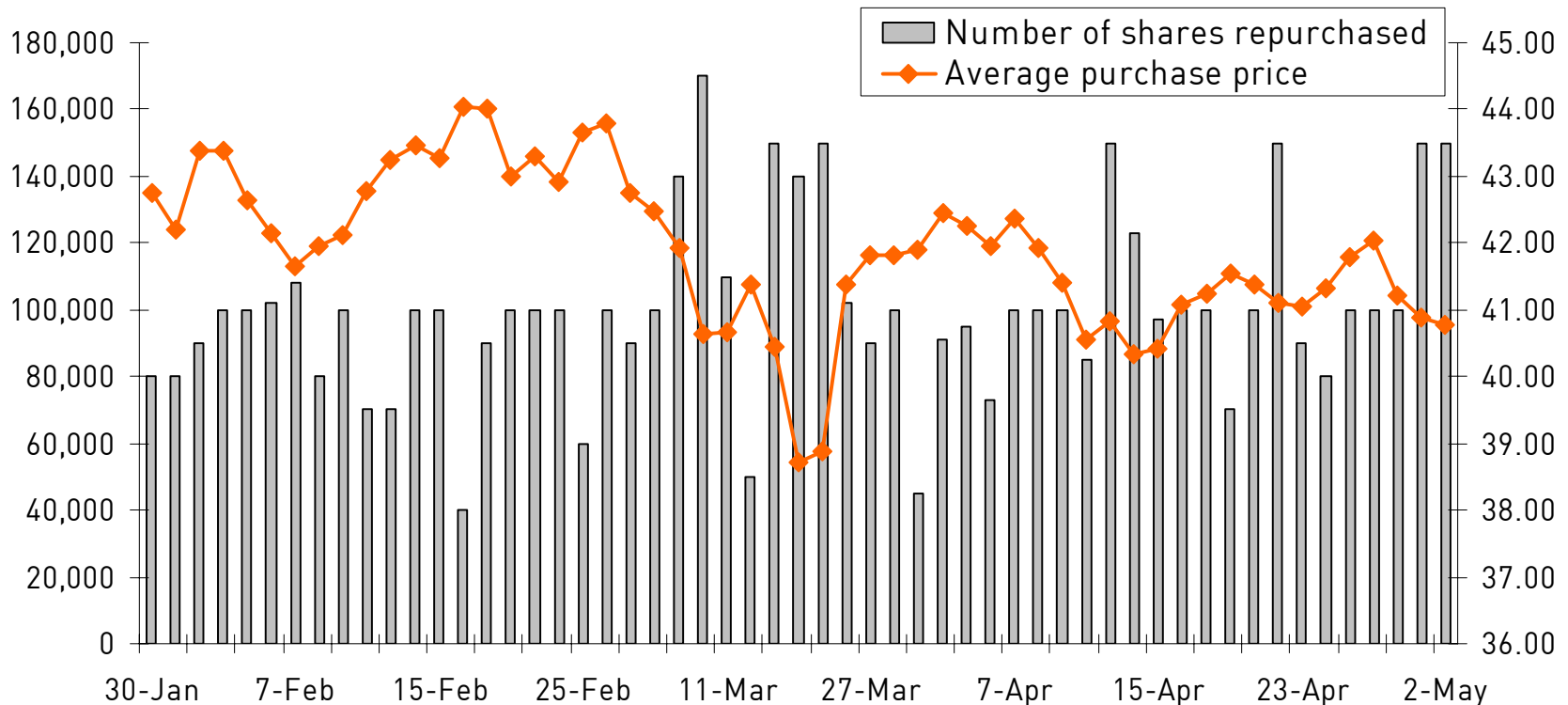
# Net Borrowings Reduced By Nearly € 450 Million

- Net borrowings decrease 18% to € 2.073 billion
- Positive benefit from currency movements
- Financial leverage reduced 13 percentage points
- Free cash flow focused on share buyback program



**Underlying development even better excluding share buyback**

# Progress On Share Buyback Program Continues



**5.5 million shares (2.71%) repurchased for € 230 million**

# 2008 Outlook Reconfirmed

adidas Group Targets 2008	
Currency-neutral sales growth	high-single-digit
Gross margin	47.5 to 48.0%
Operating margin	at least 9.5%
Net income growth	at least 15%



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QUESTIONS & ANSWERS

# adidas Group Investor Field Trip To China

- June 10th to June 13th
- Beijing and Shanghai
- Meet adidas, Reebok, TaylorMade-adidas Golf regional management
- Sneak preview of new adidas Beijing store
- Shop and factory tours
- RSVP by May 9



# APPENDIX

# 2008 Financial Calendar

- |            |  |
|------------|--|
| May 8      | Annual General Meeting in Fürth (Bavaria),<br>Germany<br>Webcast       |
| May 9      | Dividend Payment<br>(subject to AGM approval)                          |
| June 10-13 | Investor Field Trip: China<br>Beijing, Shanghai                        |
| August 5   | First Half 2008 Results<br>Press release, conference call and webcast  |
| November 6 | Nine Months 2008 Results<br>Press release, conference call and webcast |

# adidas Group Revenues Increase 10% In Q1 2008

