



**Full Year Results 2005  
Roadshow Presentation  
March 2006**



An aerial photograph of a soccer field, showing the vibrant green grass and the white lines of the pitch. The field is well-maintained and occupies the majority of the slide's background.

## 2005 Operational Highlights

## All 2005 Financial Targets Achieved

- Deliver mid- to high-single-digit currency-neutral sales growth
- Exceed medium-term gross margin range of 45 to 46%
- Achieve highest operating margin ever
- Drive earnings growth of 10 to 15% versus 2004 level of €314 million

- ✓ Currency-neutral sales grow 12%
- ✓ Gross margin +0.2pp to 48.2%
- ✓ Operating margin +0.7pp to 10.7%
- ✓ Group earnings grow 22% to €383 million, the highest earnings ever



# Design and Innovation Leadership Strengthened in 2005

- Successful adidas\_1 launch
- Red Dot's "Design Team of the Year"



reddot design award



# Events and Teams Secured for 2006 and Beyond



# Partnership Strategy Paying Off

## PORSCHE DESIGN



stella mccartney



## Own-Retail Success Continues



- Sales grow 36% to €757 million
- Comp sales increase at double-digit rates
- Future openings concentrate on high-growth markets

# TaylorMade-adidas Golf Position Strengthened

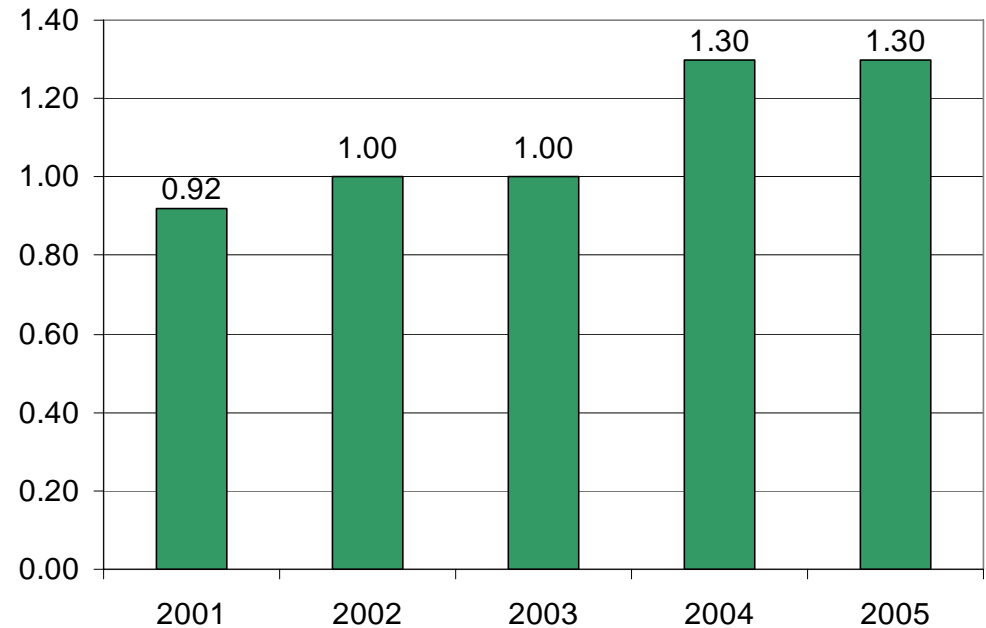
- TMaG currency-neutral sales grow 11%
- US sales increase 21%, highest growth rate in 3 years
- New cost leadership-oriented golf ball production strategy





## Stable Dividend Payment Proposed

- Proposing stable dividend at € 1.30 per share
- Payout ratio of 17% of net income



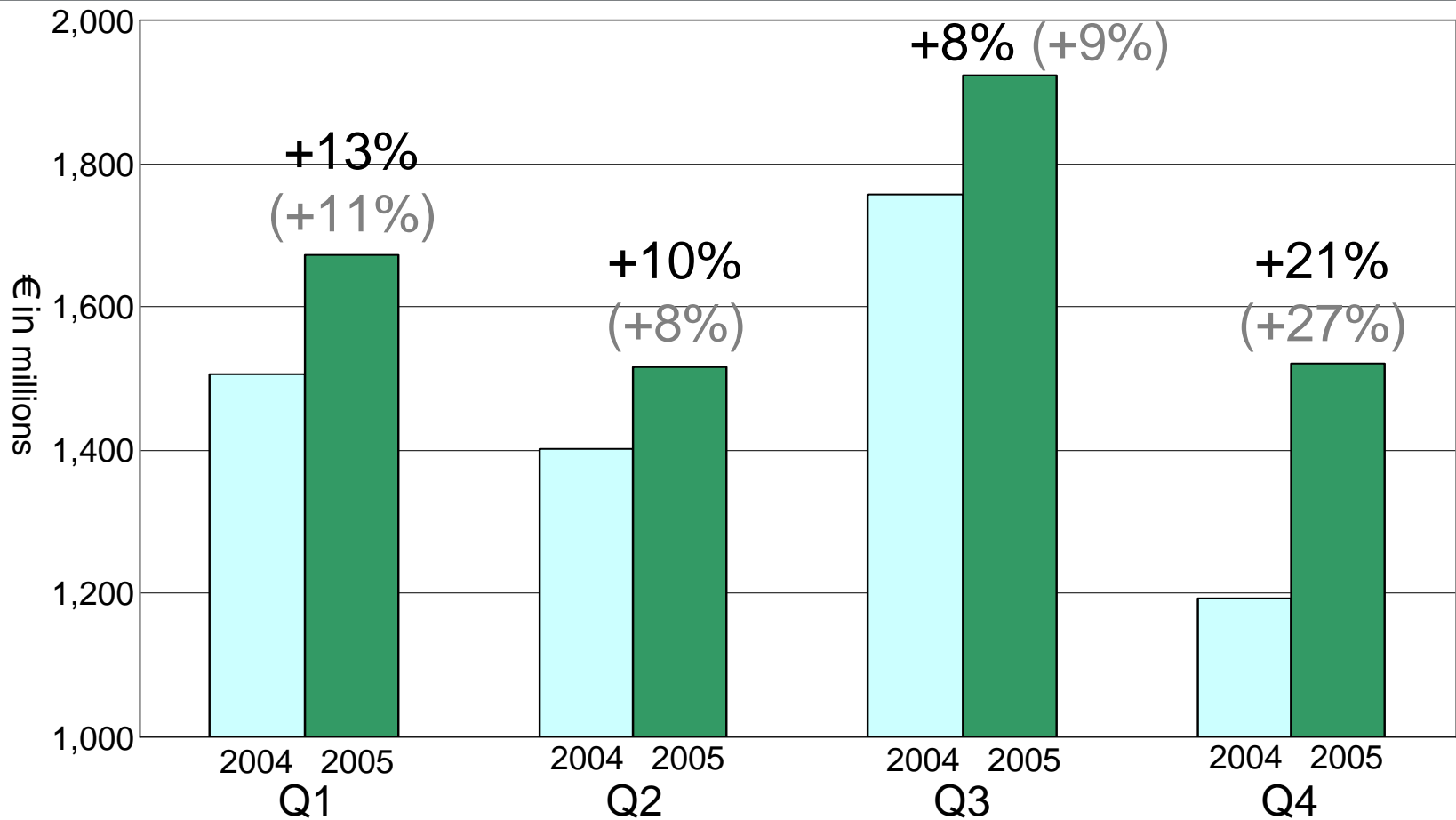
**Dividend Payment Increases 10% to €66 million due to Capital Increase**

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## 2005 Financial Highlights

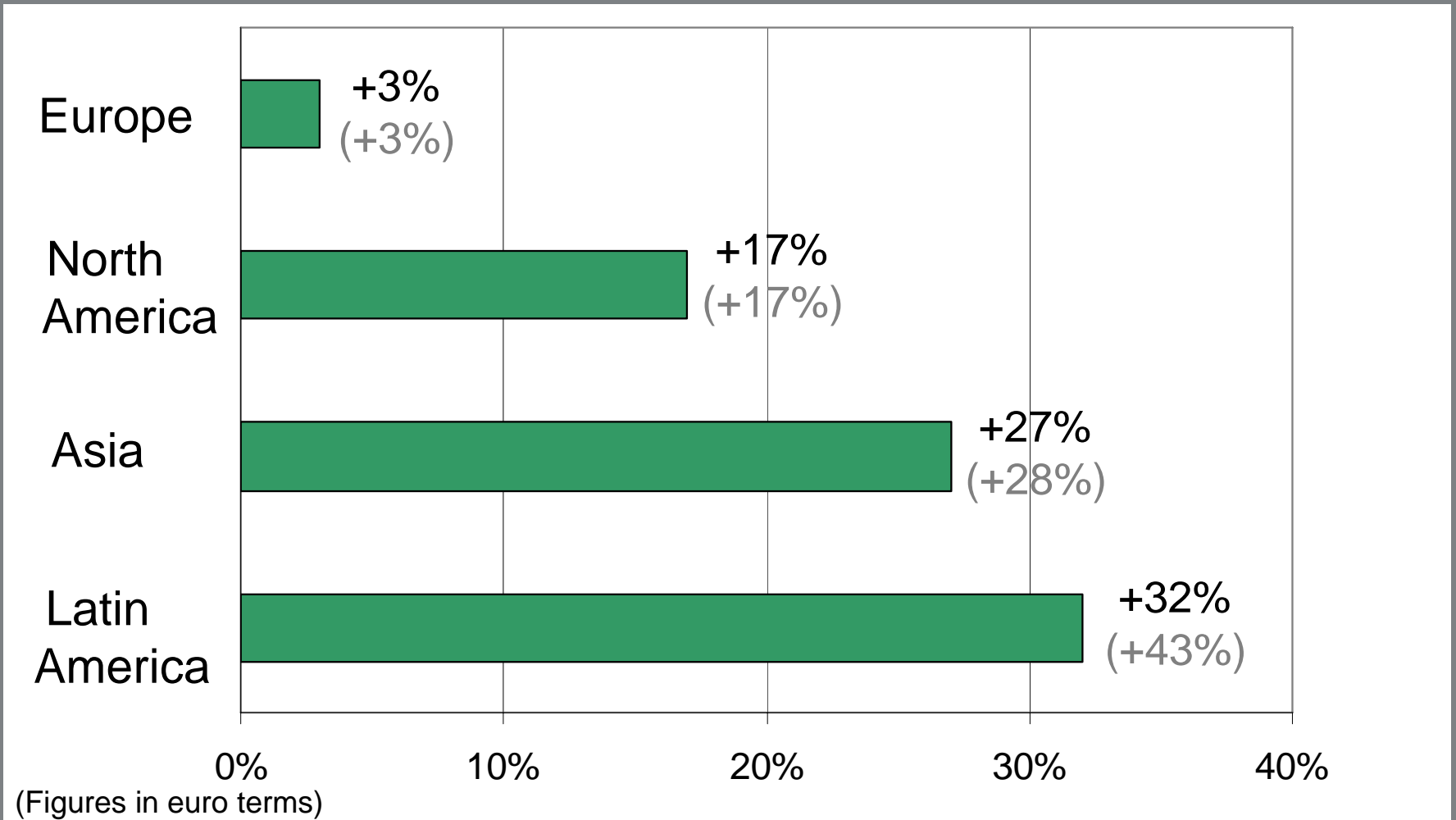


## Q4 Sales Grow at Highest Rate in 5 Years



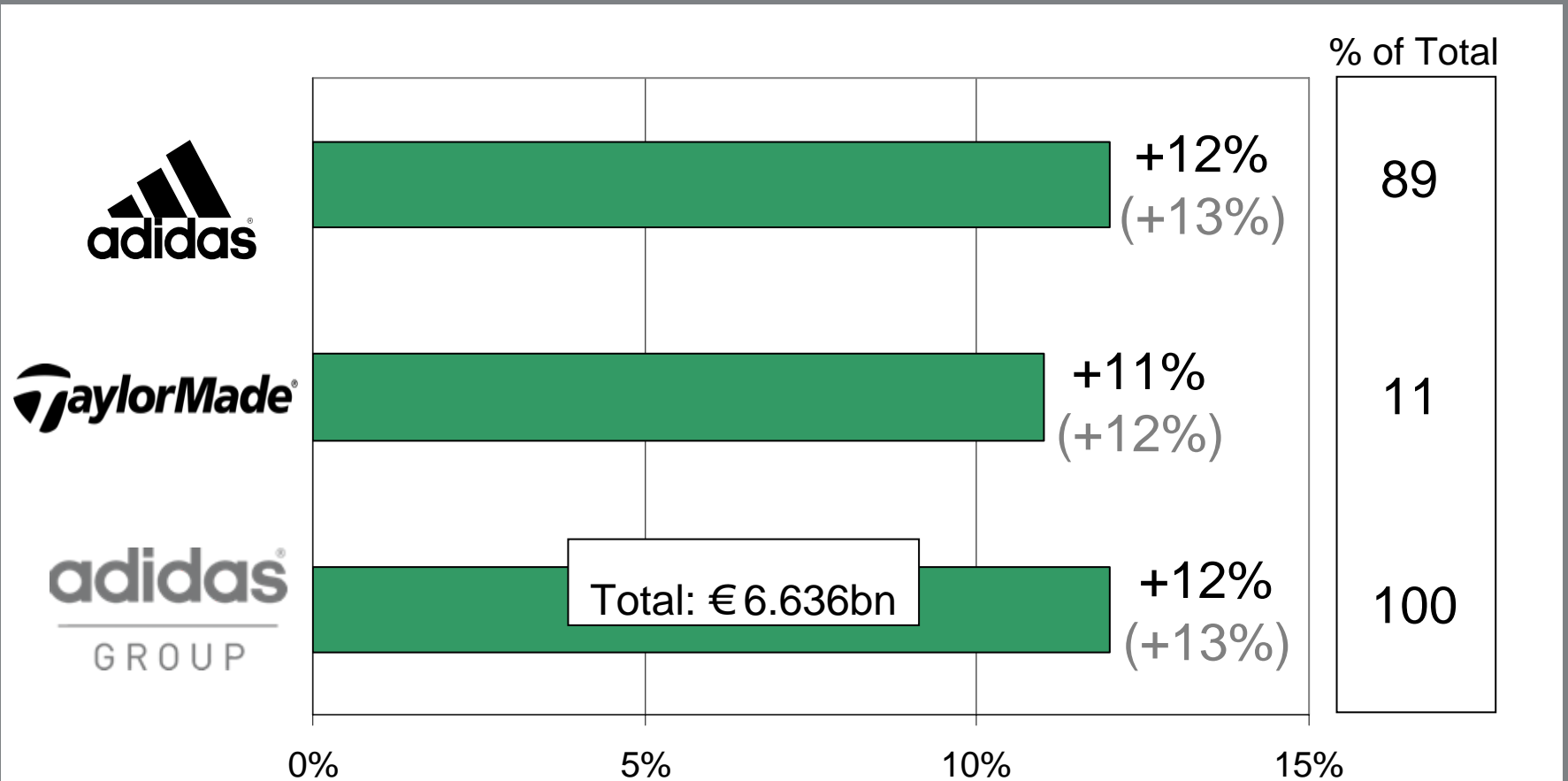
(Figures in euro terms)

# Currency-Neutral Sales Increase in All Regions in 2005








## 2005 Brand Sales Grow at Double-Digit Rates



(Figures in euro terms)

# Highest Gross Margin Ever Despite TMaG Decline

	Q4/2005			Full Year 2005		
	43.6%	↑	0.9pp	45.3%	↑	1.1pp
	39.0%	↓	(6.2pp)	44.0%	↓	(3.0pp)
	47.1%	↓	(0.6pp)	48.2%	↑	0.2pp

\*Includes HQ/consolidation



## Excellent Q4 and Full Year Operating Results

	Q4 2005	Full Year 2005
Royalty and commission income	+20%	+11%
Operating expenses as a percentage of net sales	(0.4pp)	+0.1pp
Operating margin	+0.6pp	+0.7pp
Operating profit	+74%	+21%

## Higher Financial Expenses Hide Operational Performance Improvement

- New reporting requirements for financial income and financial expenses
- Financial income improves significantly
- Financial expenses increase strongly in Q4 due to one-time effects
- Net financial expenses decrease 11% to €52 million in 2005

## Full-Year Group Net Income Increases 22%

### Q4 2005

- Net income attributable to shareholders from continuing and discontinued operations at negative € 4 million
- Negatively impacted by
  - Net financial expenses
  - Income tax
  - Absence of Salomon segment

### Full Year 2005

- Net income attributable to shareholders from continuing and discontinued operations at € 383 million (+22%)
- Net income from continuing operations at € 434 million (+31%)

## Net Cash Position at Year-End

- Inventories from continuing operations increase 13% on a currency-neutral basis (+22% in euros)
- Receivables from continuing operations increase 14% currency-neutral (+24% in euros)
- Net borrowings reduced by € 1.216 billion

**Net Cash Position of €551 million  
for First Time Since IPO**



## adidas Currency-Neutral Backlog Grows 8% (YOY)

	euros	currency-neutral
Footwear	+ 11%	+ 4%
Apparel	+ 16%	+ 9%
Total	+ 15%	+ 8%

- Hardware and apparel deliver highest growth rates
- North America major regional growth driver

## Q4 2005 Reebok Results

- Currency-neutral sales excluding Ralph Lauren increase 1%
- Gross margin increases 100 basis points to 39.5%
- SG&A expenses reduced by \$10 million
- Net income virtually stable at \$47.4 million
- EPS excl. integration costs and tax effects: \$0.60

## Reebok Backlogs Indicate Challenges Ahead (YOY)

	dollars	currency-neutral
Footwear	- 25%	- 22%
Apparel	- 21%	- 20%
Total	- 24%	- 22%

- Currency-neutral international backlogs down 12%
- US backlogs -28%



An aerial photograph of a soccer field, showing the vibrant green grass and the white lines of the pitch. The field is viewed from a high angle, looking down. The text "2006 Outlook" is centered over the field.

**2006 Outlook**



# The World Cup is Just Around The Corner

- 99 days to the World Cup
- Official Sponsor, Supplier and Licensee
- Largest advertising campaign ever
- Global football revenues targeted to increase at least 20%
- Sales to exceed 1 billion Euro



## Football Market Share Update

- 50% market share in Germany
- Europe: adidas the only brand that grew market share and sales in a declining football market in Europe in 2005
- 48% market share in the USA
- Market leader in Japan
- adidas worldwide market share: ca. 35%



## Revitalization of Reebok

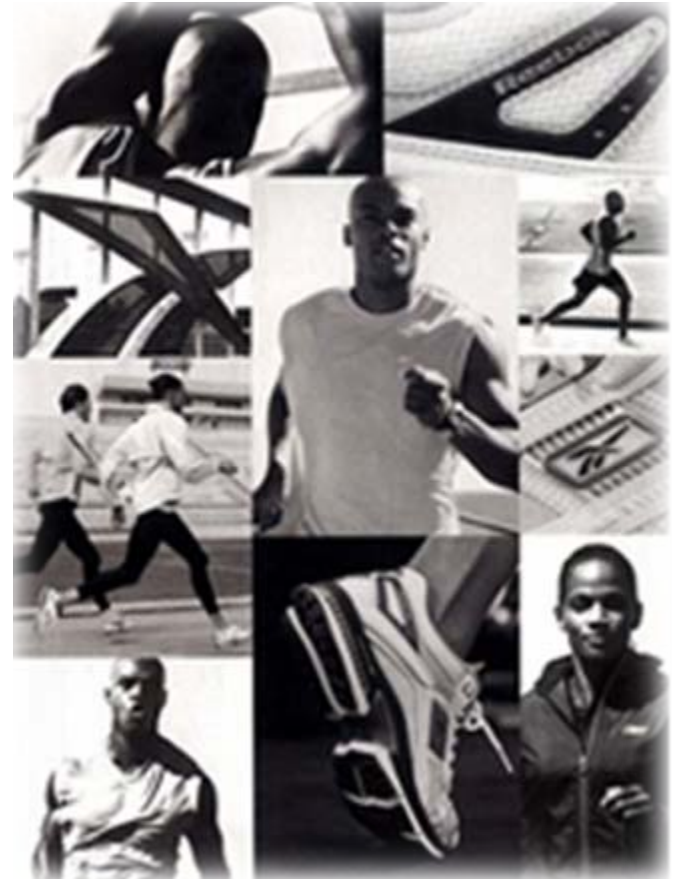
- Need for stronger brand profile and marketing orientation
- Reasons for backlog decline:
  - Product needs to be updated and upgraded
  - Market misperception
  - Increasingly selective distribution





## Creating Product that Appeals to Consumers

- Capitalize on adidas strength in design and technological innovation
- Better product expected in second half of 2006
- Knowledge transfer in product development for 2007 and beyond



# Eliminating Market Misperception to Empower Reebok with Customers

- Open dialog with retailers
- Reebok is a performance brand
- Positive response following transaction close



## More Selective Distribution Going Forward to Maximize Business Quality

- Limited distribution of key products
- Better utilize Group knowledge of what consumers want and need
- Strategic pillar of sales strategy going forward



## Difficult Comparability of Financials

- Ca. € 80 million impact from purchase price accounting
- Numerous accounting changes required in the shift between US GAAP and IFRS
- Integration costs to impact multiple segments

**Outlook Provided for Combined Group  
and adidas Group Excluding Reebok**



## 2006 Financial Targets

	<u>Group</u>	<u>Group (excl. Reebok)</u>
Currency-neutral revenue growth	Double-digit	High-single-digit
Gross margin	44-46%	47-48%
Operating margin	ca. 9%	ca. 10-10.5%
Net income growth	Double-digit	Double-digit

## Medium-Term Financial Guidance

	<u>Target</u>
Annual sales growth	Mid- to high-single-digit
Gross margin	46 - 48%
Operating margin	ca. 11%
Annual growth of net income	Double-digit

**adidas**<sup>®</sup>

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GROUP

**QUESTIONS & ANSWERS**



# Appendix



## adidas European Backlogs (YOY)

	euros	currency-neutral
Footwear	+ 2%	+/- 0%
Apparel	+ 4%	+ 2%
Total	+ 4%	+ 3%

- Double-digit hardware order increase helps backlog development
- Excludes at-once and own-retail sales

## adidas North America (YOY)

	euros	currency-neutral
Footwear	+ 33%	+ 15%
Apparel	+ 37%	+ 19%
Total	+ 35%	+ 17%

- 9<sup>th</sup> consecutive quarter of sequential improvement
- Across-the-board increases in footwear and apparel

## adidas Asia Backlog (YOY)

	euros	currency-neutral
Footwear	+ 12%	+ 2%
Apparel	+ 28%	+ 18%
Total	+ 22%	+ 13%

- 18<sup>th</sup> consecutive quarter of double-digit currency-neutral growth
- Footwear and apparel sales expected to grow at double-digit rates

## Reebok Backlogs – USA (YOY)

	dollars	currency-neutral
Footwear	- 30%	- 30%
Apparel	- 23%	- 23%
Total	- 28%	- 28%



## Reebok Backlogs – International (YOY)

	dollars	currency-neutral
Footwear	- 16%	- 7%
Apparel	- 20%	- 18%
Total	- 18%	- 12%