

**DAX Tour 2006  
Jyske Bank**

**Hendric Junker,  
Senior IR Manager  
November 16, 2006, Munich**

# Agenda

- Introduction
- Nine Months 2006 Financial Performance
- adidas
- Reebok
- TaylorMade-adidas Golf
- Outlook



## adidas History

- 1920      Adi Dassler starts producing sport shoes
- 1949      adidas is registered as a company
- 1954      The 'Miracle of Bern'
- 1995      adidas IPO
- 1997/98    Acquisition of Salomon and TaylorMade
- 2000      Management changes / Growth and efficiency program
- 2005      Salomon divestiture and announcement of Reebok acquisition
- 2006      World Cup sponsorship most successful ever



# New Structure of the adidas Group



## Three Performance-Oriented Core Brands



- Passion for sport and teamwork
- Enabling athletes to reach their highest performance levels



- Celebrating Individuality
- Redefining performance and lifestyle



- Defining golf excellence
- Best golf products for best players

**Technology and innovation**

**Cutting-edge design**

**Customized products and distribution**

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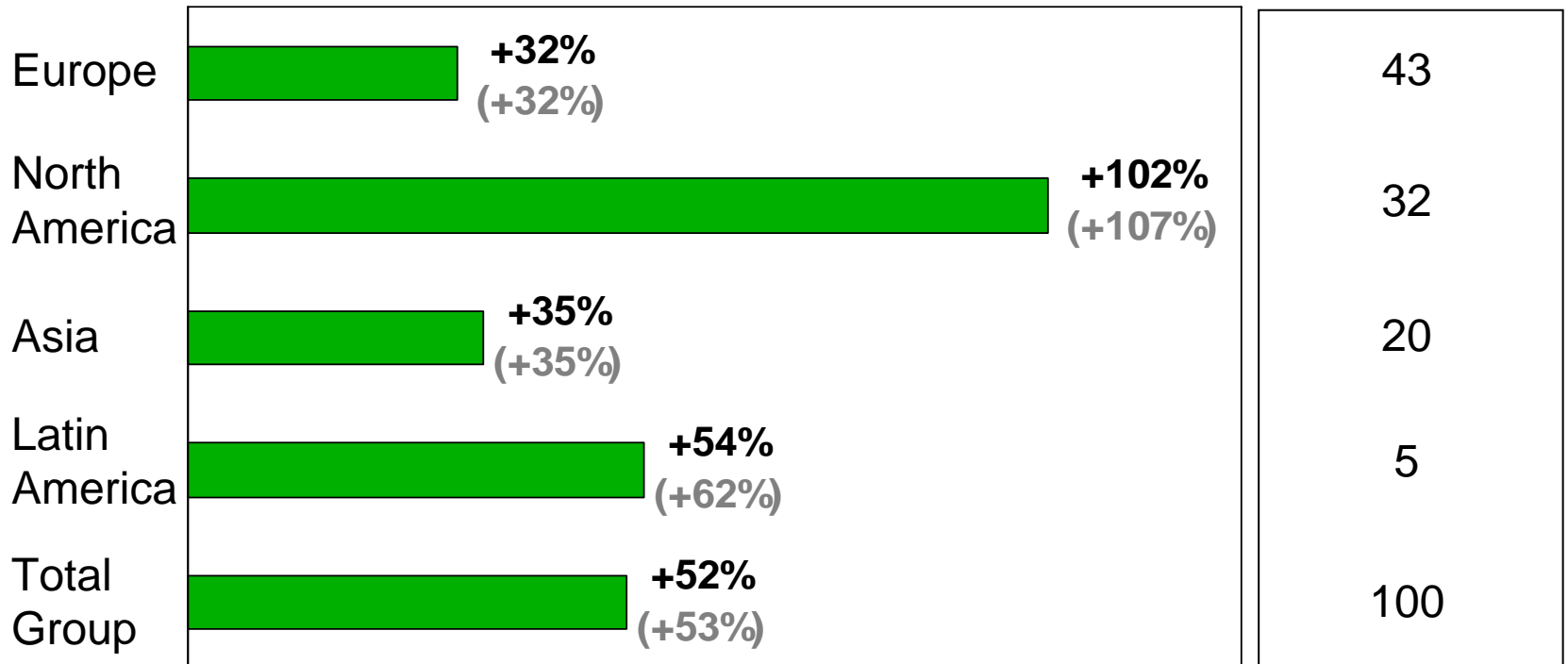
# Strong Year-To-Date Operational Progress And Financial Results

- Currency-neutral sales up 52%
- Double-digit currency-neutral sales growth in all regions
- Double-digit currency-neutral sales growth for adidas and TaylorMade-adidas Golf
- Net income grows 22%
- Reebok integration continues



# Strong Group Sales Growth In All Regions

Currency-neutral adidas Group YTD Net Sales Growth



(Growth rates in euros in brackets)

in % of total Group sales



# Numerous Factors Impact Year-To-Date Gross Margin

adidas Group gross margin 44.9%

 **adidas**

46.9% (+1.1pp)

- Own retail
- Product mix improvements especially in North America

**Reebok**

34.8%





- PPA impact
- US exposure
- Inventory clearance measures
- Tough comps

 **TaylorMade**

44.0% (-1.7pp)

- Golf ball margins
- Metalwood promotion impact
- Greg Norman Collection dilution

## Positive Operating Expense Development

Opex as % of sales	YTD 2006		
 adidas	33.1%	↑	+1.2pp
 Reebok	32.0%	-	-
 TaylorMade	34.4%	↓	(1.7pp)
 adidas GROUP	35.1%	↓	(0.9pp)

**Operating profit +23% to €829 million**  
**Operating margin 10.6% (-2.6pp)**

## Strong IBT And Earnings Performance

- Net financial expenses increase to € 121 million
- Income before taxes grows 10% to € 709 million
- Group tax rate decreases to 31.9%
- Net income from continuing operations increases to € 483 million

**Net income attributable to shareholders  
reaches €469 million**

**Basic earnings per share from continuing and  
discontinued operations increase 10% to €2.31**

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## Outstanding adidas Financial Performance

- Year-to-date currency-neutral sales up 15% (+15% in euros)
- Double-digit growth in all divisions
- Q3 currency-neutral sales up 15% (+12% in euros)
- Year-to-date currency-neutral sales in Europe grow 11% (+15% in Q3)





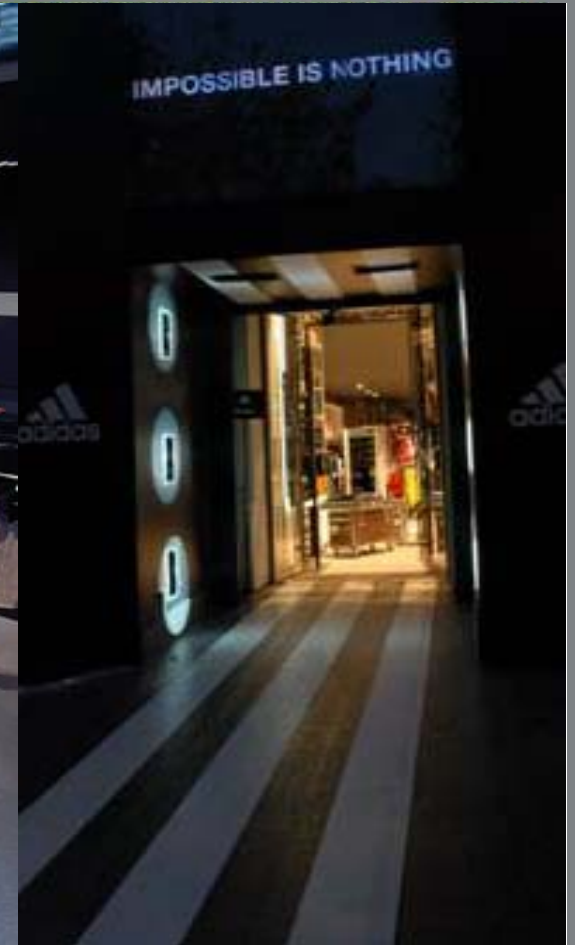
adidas

GROUP

# Successful Performance Category Product Launches



# Largest Sport Performance Store Opens In Paris



## JJB Shop-In-Shop Initiative Kicked Off



## adidas Backlogs Grow 3%

	Change	Currency-neutral change
Footwear	(2%)	2%
Apparel	2%	5%
Total	0%	3%

- European backlogs reflect tough World Cup comparables
- Asian backlogs impacted by trade show timing



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## Reebok Performance Shows Underlying Improvements

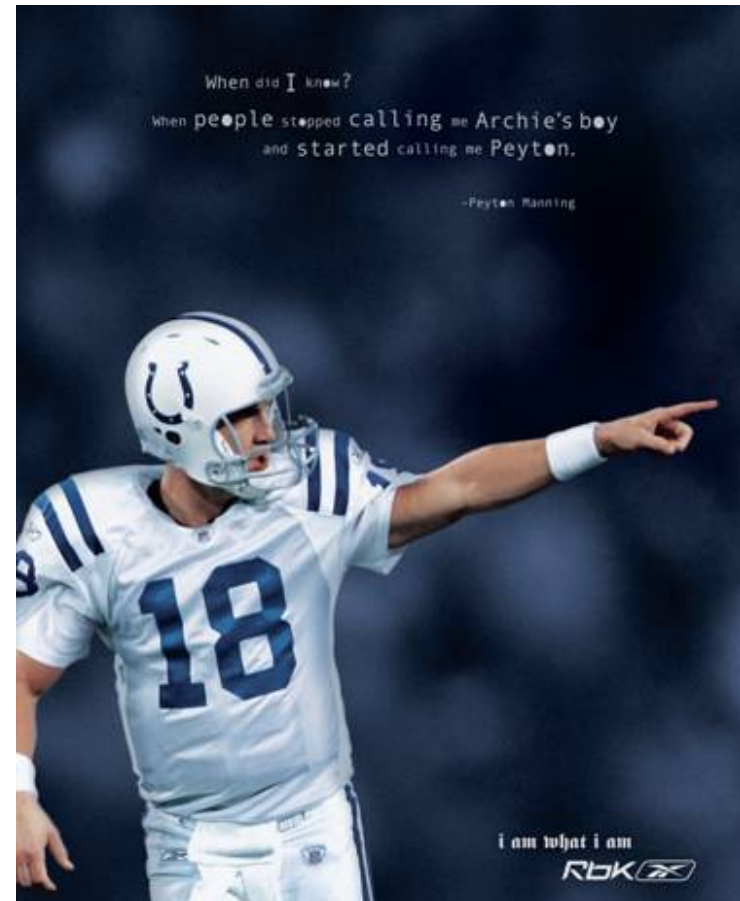
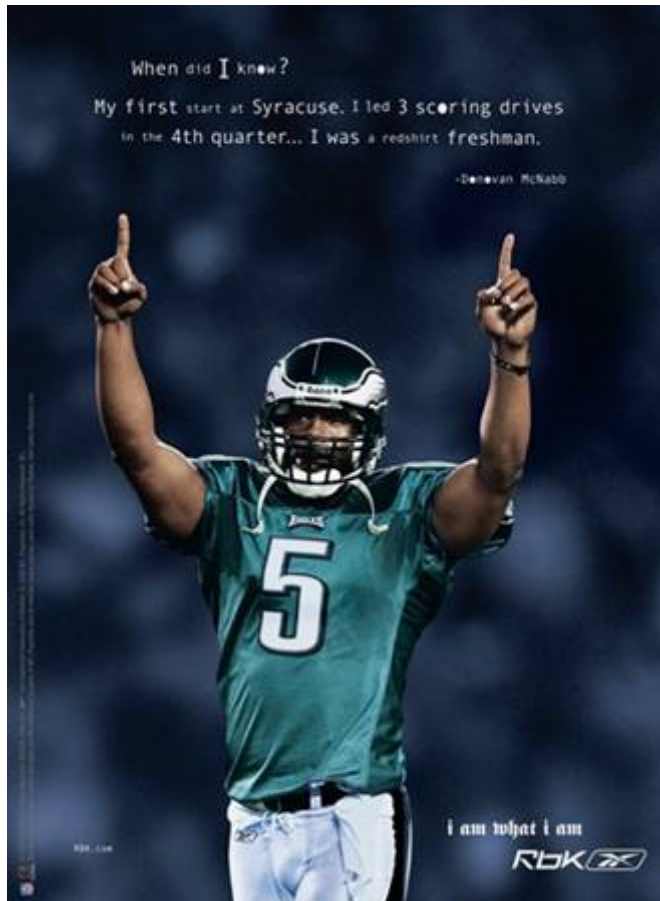
- Year-to-date currency-neutral sales down 9%
- Q3 currency-neutral sales down 4%
- Sequential improvement at brand Reebok
- Challenges continue in US and UK
- Double-digit growth in Asia

**Reebok**

adidas

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# Focus On Performance With “When Did I Know” Campaign



adidas

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# Focus On Performance With Strong NHL Positioning



adidas

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## Focus On Performance With Addition Of Football Superstar Andriy Shevchenko



**EXPLOIT**  
*your*  
**OPPONENT'S**  
**WEAKNESS.**  
**boxing**  
**TAUGHT me**  
**that.**

MORE [RBK.com](http://RBK.com)





## Continued Emphasis On Revitalizing The Reebok Brand

- Cleaning up inventories
- Sales continue to outperform backlogs
- Cancellations significantly reduced
- At-once business grows strongly
- Diversifying distribution
- Broadening lifestyle offering
- Performance categories gaining momentum





## Reebok Backlogs Down 14%

	Change	Currency-neutral change
Footwear	(14)	(11)
Apparel	(21)	(19)
Total	(16)	(14)

- Sequential improvement in Europe and Asia
- Continuing challenges in North America

# Reebok Synergies As Focal Point Within The Group

<b>Annual revenue synergies: €500 million</b>	Branded apparel
	Licensed product
	Regional initiatives
	Distributor buyouts
<b>Annual cost synergies: €175 million</b>	Sourcing
	Marketing & Sales
	Distribution & Warehousing
	Administration & IT

## Phasing of Revenue Synergies on the Fast-Track

€ in millions	<b>2007</b>	<b>2008</b>	<b>2009</b>
Synergy	100	250	500

- Savings equally spread over Asia, North America and Europe
- One-time expenses to average € 15 – 25 million per year

## Phasing of Cost Synergies Leads to Full Impact in 2009

€ in millions	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Synergy	35	87.5	175	175
One-time cost	35	70	70	-
<b>Net effect</b>	<b>0</b>	<b>17.5</b>	<b>105</b>	<b>175</b>

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## TaylorMade-adidas Golf Growth Continues

- Year-to-date currency-neutral sales grow 23%
- Currency-neutral sales up 15% in the third quarter
- Positive Greg Norman Collection impact
- ispo vision award recognizes brand's industry leadership in performance golf apparel



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## Strong Year-To-Date Group Performance

- Outstanding performance of adidas crowned by strong World Cup showing
- Reebok integration on track to realize synergies in 2007
- TaylorMade-adidas Golf continues to grow in a challenging industry

 **adidas**<sup>®</sup>

**Reebok**

 **TaylorMade**<sup>®</sup>

## 2006 Full Year Targets Confirmed

<b>adidas Group 2006</b>	<b><u>Target</u></b>
Net sales	ca. € 10 billion
Gross margin	44 - 46%
Operating margin	ca. 9%
Net income attributable to shareholders	€ 480 - € 490 million

## Looking Out Into 2007

- Continued positive development at adidas and TaylorMade-adidas Golf
  - Product initiatives
- Investing in Reebok's growth opportunities
  - Brand building
  - Product development
  - Emerging markets



**adidas Group net income growth  
to approach 15% in 2007**

## Medium-term Guidance Unchanged

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



An aerial, top-down view of a vibrant green football pitch. The grass is short and dense, with subtle variations in shade and texture across the field. The word "Appendix" is centered in the lower half of the image in a large, white, sans-serif font.

# Appendix



# adidas Backlogs By Product Category And Region

- Development of adidas order backlogs (in %)

	Europe	North America	Asia	Total
Footwear	(7)	(1)	10	(2)
Apparel	(7)	4	14	2
<b>Total</b>	<b>(8)</b>	<b>2</b>	<b>12</b>	<b>0</b>

- Currency-neutral development of adidas order backlogs (in %)

	Europe	North America	Asia	Total
Footwear	(5)	4	16	2
Apparel	(5)	9	20	5
<b>Total</b>	<b>(6)</b>	<b>6</b>	<b>18</b>	<b>3</b>

# Reebok Backlogs By Product Category And Region

- Development of Reebok order backlogs (in %)

	Europe	North America	Total
Footwear	3	(30)	(14)
Apparel	(19)	(25)	(21)
<b>Total</b>	<b>(6)</b>	<b>(29)</b>	<b>(16)</b>

- Currency-neutral development of Reebok order backlogs (in %)

	Europe	North America	Total
Footwear	4	(27)	(11)
Apparel	(18)	(22)	(19)
<b>Total</b>	<b>(5)</b>	<b>(25)</b>	<b>(14)</b>

## Reebok Sales By Region

YTD 2006 Net Sales of Brand Reebok (€ in millions)

in % of total brand sales

