adidas
WestLB
Corporate Germany’s Secrets of Success
Robin Stalker, CFO
Agenda

- Introduction
- Success Factors
- Outlook
Excellent Year-To-Date Financial Performance

- Currency-neutral sales +10%
- Gross margin +0.4pp to 48.5%
- Operating margin +1.1pp to 13.1%
- Highest backlogs in almost 3 years

FULL YEAR SALES AND EARNINGS GUIDANCE INCREASED
## Outstanding Nine Months Regional Performance

<table>
<thead>
<tr>
<th>Region</th>
<th>Currency-Neutral Sales</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>+ 0%</td>
<td>+ 12%</td>
</tr>
<tr>
<td>North America</td>
<td>+ 17%</td>
<td>+ 308%</td>
</tr>
<tr>
<td>Asia</td>
<td>+ 26%</td>
<td>+ 35%</td>
</tr>
<tr>
<td>Latin America</td>
<td>+ 35%</td>
<td>+ 53%</td>
</tr>
</tbody>
</table>
Strong Earnings Growth Supported By Excellent Operating Performance

- Financial expenses reduced by 46%
- IBT up 25% to € 648 million (+19% on a comparable basis)

**Net income from continuing operations up 33% to € 434 million (+23% on a comparable basis)**

- Loss from discontinued operations increases by 97% to € 37 million

**Net income attributable to shareholders from continuing and discontinued operations up 31% to € 386 million**
Build-Up To FIFA World Cup 2006™ Visible In Inventory

- Inventories from continuing operations increase 10% on a currency-neutral basis (+13% in euros)
- DSO significantly reduced
- Receivables from continuing operations decline 1% currency-neutral (+2% in euros)
Debt Reduction Driven By Strong Bottom-Line Profitability

- 36% reduction in net borrowings y-o-y
- Financial leverage at 28% at September 30, 2005
- Temporary character due to Reebok acquisition

(Net Total Borrowings € in millions)
Agenda

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The adidas Success Factors

- Consumer-Oriented Business Model
- Extending Design And Innovation Leadership
- Continuously Strengthening Brand Image
- Clear Focus On Shareholder Value
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Corporate Germany’s Secrets of Success

**Consumer-Oriented Business Model**

**Consumer**
- Performance athletes
- Sports Lifestyle consumers
- Fashion-conscious consumers

**Brand/Division**
- adidas
- adidas
- adidas
- TaylorMade

**Focused Resources**
- Marketing Operations Sales
- Marketing Operations Sales
- Marketing Operations Sales
- Marketing Operations Sales
Reebok Ideally Complements adidas Offering

- Sports performance
- European heritage
- Sports lifestyle inspired
- American sports
## The adidas Success Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer-Oriented Business Model</td>
<td></td>
</tr>
<tr>
<td>Extending Design And Innovation Leadership</td>
<td></td>
</tr>
<tr>
<td>Continuously Strengthening Brand Image</td>
<td></td>
</tr>
<tr>
<td>Clear Focus On Shareholder Value</td>
<td></td>
</tr>
</tbody>
</table>

**adidas Success Factors**

- **Extending Design And Innovation Leadership**
  - Continuously Strengthening Brand Image
  - Clear Focus On Shareholder Value
  - Consumer-Oriented Business Model
adidas Means Performance

- Firmly positioned as the global performance group
- Competitive excellence
- Committed to at least one major technological innovation per year
- Continued headway in design and innovation
Industry Leader in Design and Innovation: adidas_1
adidas and Polar Introduce the First Completely Integrated Performance Measurement System
Innovation On The Basketball Court

• T-MAC launched October 28
• Strong initial sell-throughs
• T-MAC product sales expected to exceed 1 million pieces in the next 12 months
Reebok Acquisition Enables Technology Expansion Across Brands

- Enhance profile as technology and innovation leader
- More products to capitalize on R&D developments
- New technology development and awareness across brands
The adidas Success Factors

- Consumer-Oriented Business Model
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Top Partnerships Assure Exposure at Major Global Sporting Events
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Advertising Campaign Launched
Numerous Marketing Initiatives Ahead Of World Cup

+Predator® Absolute Launched
National Jerseys Launch
November/December
Match Ball Launch
December 2005
Even Stronger License, Team and Event Assets

- Transfer of skills and know-how
- Management of exclusive agreements
- Relationship with teams and athletes
- More active events calendar
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The adidas Success Factors

- Consumer-Oriented Business Model
- Extending Design And Innovation Leadership
- Continuously Strengthening Brand Image
- Clear Focus On Shareholder Value
Continuous Earnings Growth (€ in millions)

- 2000: €182
- 2001: €208
- 2002: €229
- 2003: €260
- 2004: €314

CAGR 15%
## Strong Profitability Development

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2004</th>
<th>2005*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>43.3%</td>
<td>47.2%</td>
<td>ca. 48%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>7.5%</td>
<td>9.0%</td>
<td>ca. 11%</td>
</tr>
<tr>
<td>ROCE</td>
<td>17.0%</td>
<td>26.5%</td>
<td>-</td>
</tr>
</tbody>
</table>

*Targets
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Corporate Germany’s Secrets of Success

**Significantly Improved Balance Sheet**

**Working capital 2000 – 2004**

€ in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,417</td>
<td>1,485</td>
<td>1,445</td>
<td>1,433</td>
<td>1,348</td>
</tr>
</tbody>
</table>

5% reduction

**Net debt 2000 – 2004**

€ in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,791</td>
<td>1,679</td>
<td>1,498</td>
<td>946</td>
<td>594</td>
</tr>
</tbody>
</table>

67% reduction
Steady Dividend Growth


€ 0.56 € 0.84 € 0.84 € 0.92 € 0.92 € 0.92 € 1.00 € 1.00 € 1.30

Ø +11% p.a.
adidas Has Outperformed Major Indices Since 2000

adidas (+96%)
MSCI World Textiles, Apparel & Luxury Goods (+24%)
DAX (-28%)
Executive Remuneration Components

• Fixed component
• Performance bonus dependent on individual performance and the group’s results
• Target-oriented long-term incentive plan
• Stock options

REMUNERATION DIRECTLY LINKED TO CORPORATE SUCCESS FACTORS
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## Backlog Growth Accelerates (YoY)

<table>
<thead>
<tr>
<th></th>
<th>Euros</th>
<th>Currency Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footwear</td>
<td>+ 12%</td>
<td>+ 10%</td>
</tr>
<tr>
<td>Apparel</td>
<td>+ 14%</td>
<td>+ 12%</td>
</tr>
<tr>
<td>Total</td>
<td>+ 14%</td>
<td>+ 12%</td>
</tr>
</tbody>
</table>

- Highest currency-neutral growth in almost three years
- Strongest currency-neutral backlog growth in seven quarters in Europe
## Expectations Increased For 2005 Full Year Outlook

<table>
<thead>
<tr>
<th>Target</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency-neutral revenue growth</td>
<td>High-single-digit</td>
</tr>
<tr>
<td>Gross margin</td>
<td>ca. 48%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>ca. 11%</td>
</tr>
<tr>
<td>Growth of net income attributable to shareholders from continuing and discontinued operations</td>
<td>at least 20%</td>
</tr>
</tbody>
</table>
2006 Set To Be Another Great Year For adidas

- Increased guidance for 2005
- Strong metrics in all brands and regions
- Unique opportunities ahead
- Acquisition of Reebok provides great opportunities

2006 ADIDAS OUTLOOK: HIGH-SINGLE-DIGIT SALES GROWTH AND DOUBLE-DIGIT EARNINGS GROWTH