Michael Geiger - Credit Suisse
Good afternoon. Firstly, could you please repeat the new full year guidance on Reebok? Secondly, you mentioned that there is a lot of work to be done at Reebok. Could you please outline your initiatives and the drivers for improvement going forward? How is your confidence on Reebok? My third question is on currency impacts. The dollar has been significantly weak in the last few months, and I know you hedge your net US dollar exposure roughly 12 to 18 months in advance. By when would you expect a positive impact on your gross margin and cost of goods sold? So far, we haven’t seen a positive impact yet, but just a negative currency translation impact on the top line. And congratulations to the 27% increase in the quarterly numbers, certainly better than we expected. Thank you.

Herbert Hainer - Chairman and CEO
Hello, Michael. This is Herbert, answering your first two questions on Reebok. Let me first emphasize that our guidance for Reebok remains unchanged. We continue to expect low-single-digit currency-neutral sales growth in 2007. But definitely, we currently see a mixed picture at Reebok.

You were asking for the drivers of improvement going forward. You can see from our results that in Asia, Latin America and the European emerging markets, we’re really driving our business as we have always projected it. As a result of the opening of our own stores and the better representation of the Reebok collection, products in these regions are selling through well.

Point number two is that we have launched a big advertising campaign, Run Easy. Market research proved that this campaign is connecting to the consumers. And the consumers like it, they find it new, they find it creative. So, we have definitely improved brand communication, but, of course, we will have to speed it up and broaden it going forward.

Let me come back to the U.S., which is a tough market for us at the moment, especially given the situation at Reebok. In our relationship with Footlocker, we had to take a decision, which - I am absolutely convinced - is good for both parties in the medium and long term. Our decision was not to accept any cancellations and to limit our Reebok product offering to Footlocker to make sure we have the
right quantity of product in the market and in the stores, and that these products are definitely selling through. This will help the profitability of both companies in the medium and long term.

Yes, there is, as I said, still a lot of work to be done. But we already see a lot of things that work. There are a lot of positive developments, but obviously there are still some challenges. However, we are sure that we will master them.

Michael Geiger
So you are confident that Reebok hasn't had a setback. You are still on the same optimistic assumptions. Correct?

Herbert Hainer
Absolutely, there is no change. We will bring Reebok back to where it was. It’s just a matter of time. My confidence has not changed.

Michael Geiger
What portion of the backlogs is old product, what portion is new?

Herbert Hainer
Already, a big portion of the backlogs is new product. But it’s also fair to say that we are still challenged with the sell-through of the older Spring/Summer collection. This has an impact on current orders, especially in the US, as retailers are more reluctant to order new products if they still haven’t sold through the old collection.

But what I see is that the collections will get better quarter by quarter, season by season. And now we have to rebuild confidence among our retailers, which is also a quarter-by-quarter process.

Robin Stalker - CFO
And, Michael, to the currency question, you are right. We obviously have a delay in getting the full benefit of the weakening of the dollar. We are starting to see some small gains coming through. You can see some improvement at the headquarter gross profit line in our segmental reporting, because of this non-attributable hedging gain. But I think we should be looking at 2008 as the real benefit here.

Antoine Belge - HSBC
Good afternoon. I have two questions. At Reebok, we've seen apparel doing much better than footwear, and emerging markets doing much better than Europe and
We don't give any particular guidance on EBIT by brands. Looking at apparel versus footwear, you know that, as a generalization, gross margins are normally a bit better in apparel. So, definitely an accelerating apparel growth is normally good for profitability.

Regarding Q3 and Q4, we remain committed to our guidance of double-digit earnings growth for both quarters.

Robin Stalker
We don’t give any particular guidance on EBIT by brands. Looking at apparel versus footwear, you know that, as a generalization, gross margins are normally a bit better in apparel. So, definitely an accelerating apparel growth is normally good for profitability.

Regarding Q3 and Q4, we remain committed to our guidance of double-digit earnings growth for both quarters.

Antoine Belge
Could you confirm that, overall, you maintain your guidance on Reebok, because the emerging markets do even better than previously anticipated, offsetting the development at Footlocker you mentioned?

Robin Stalker
Yes. I think that is a fair assumption. We are getting very good traction in the developing markets, but we are also seeing that the American market is challenging.

Jürgen Kolb - Cheuvreux
You mentioned that the adidas order backlogs include some first positive impact from the European Championships. Could you quantify this impact? Secondly, do you think Reebok’s current situation makes it necessary to put additional costs behind the brand, for example for new marketing or product initiatives? And looking out on Reebok, you shared your view that you expect a certain improvement in the second half. If you look out a little bit longer, onto 2008 and 2009, what expectation do you have for Reebok on a regional basis? Asia will probably be the growth area. But how should we expand the trends in its core market, the US? Thank you.
Robin Stalker
We estimate orders for EURO 2008 product to have a 2 percentage point impact on European backlogs and a 1 percentage point impact overall.

Herbert Hainer
Let me answer your second question. No, there will be no additional unplanned marketing spend in 2007, because in the very promotional market environment in the US, that wouldn’t make sense. We have a clearly targeted marketing spend, and we try to increase the reputation and the image of the brand, as you have seen with the Run Easy campaign. For 2008, it’s still too early to give guidance, but we definitely expect growth for Reebok in 2008.

Jürgen Kolb
In general, were you happy with your Run Easy campaign and the results?

Herbert Hainer
The market research results were very positive. They clearly said the Run Easy campaign is connecting with the consumer. It’s new, it’s creative, and it was really appealing. It also helped us to have good sell-throughs with our Premier line, our running shoe collection priced at around US$100. But we had expected more on the mid-price level, that means for our running shoes between US$60 and US$80. And don’t forget, the campaign was concentrated on major cities. Where we didn’t have the campaign, results were lower. But it clearly showed where we are heading. In the cities, where the campaign ran, it really worked.

Bernd Janssen - UBS
I do understand that you don’t want to be too specific about the impact on one particular customer, but if I do the maths in the US, I learned today that Footlocker accounts for about 10% of Reebok’s US sales. So, for footwear, as Footlocker should predominantly be important for footwear, it probably accounts for something like 15%. So, could you guide or add some color to the 27% decline in footwear orders? What does this mean for other accounts?

Robin Stalker
The footwear backlog in the U.S. would have been down a little bit in any case. We estimate that the Footlocker impact accounts for approximately half of the 27% footwear backlog decline.
Bernd Janssen
In Europe and Asia, Reebok’s backlogs at the end of Q1 were a bit better than Q2 sales. How good should backlogs at the end of the second quarter be an indication for Reebok’s sales going forward?

Herbert Hainer
We definitely expect Reebok sales in Asia to be in line with our backlog growth for the rest of the year. Especially in China, we will have opened 350 stores by the end of the year. This will help us accelerate backlogs in the region even further over the next several months. In Europe, we foresee growing sales in the emerging markets. The rest of the region will be more or less stable.

Bernd Janssen
The operating result of the HQ/Consolidation segment came in a bit more negative in the second quarter. Does this account for some of the integration costs, while some of the integration benefits may be accounted for under the brands? And how could we expect the headquarters consolidation number to move going forward?

Robin Stalker
You’re absolutely right. It is very difficult for external people to interpret what’s in the headquarter consolidation statement. In HQ/Consolidation, you will find all non-allocable costs and also some of the non-allocable benefits, for instance treasury additional gains and hedging. You’re right with your assumption that, particularly in Q2, we had a lot of integration-related costs and shifts of functions to a global level. We are, as you know, consolidating operating units. We’re developing shared services. And you will see this sort of cost impacting the headquarter function more and more in the future.

Bernd Janssen
Okay. We had a EUR65m loss in HQ/Consolidation in 2006, and we are already at EUR74m in the first half of 2007. So, despite some higher benefits on the hedging side that should be accounted for under HQ/Consolidation, the total loss for the year should exceed the EUR65m from last year?

Robin Stalker
Yes, that’s correct. But also bear in mind that - when we’re looking at integration costs and the one-off costs that we’ve identified for this year - you also see the synergies, the cost savings that we’re getting through this integration. So net/net, it doesn’t matter where those costs fall in our P&L. Net/net we’re going to have
around EUR17.5m net cost synergies from the integration already in 2007. The majority of these synergies will be on the adidas side, but as we have consolidated our sourcing organization, obviously everybody is treated the same. And we are also able to apply efficiency gains on the adidas side to Reebok’s sourcing.

Aurelie Husson - Societe Generale
What do you think the Reebok performance would have been if there had been no Run Easy campaign? In other words, was it worth it? And what can we expect for Reebok’s Q3 backlogs? You were very cautious on your guidance for Q2 backlogs, so I guess the consensus was expecting negative figures. Should we still expect a negative figure in Q3 for Reebok?

Herbert Hainer
So let me start with the first question, the impact of Run Easy. The development of the sales and backlog numbers wouldn’t have been different without the campaign. As I have already said before, this is a brand campaign and it helps us raising the brand image in the medium and long term. And we will continue to take these kinds of investments to bring the message through to the consumer. Of course, it has helped us on the sell-through numbers with our Premier shoe line, but, as I said before, this is a running shoe line priced at over US$100. We distribute these shoes very selectively at specialist running retailers. This business is not big enough to have any impact on the numbers.

Robin Stalker
Your second question was about backlog guidance for Q3. We are obviously striving for continued positive or at least stable backlog development. But clearly, the situation at the moment, considering the Footlocker development and the state of the American market in general, could make that original expectation vary by a couple of points up or down.

Andreas Inderst - Exane BNP
Just a follow-up on Reebok: You mentioned that 50% of the decline in orders came from Footlocker, which is leaving another 50% for the rest. Is it fair to assume that the rest is coming from, first, a weaker overall market and, second, from your proactive moves in the family footwear channel? Also, how’s the market feedback for the spring/summer 2008 collection for both brands? Could you share with us some insight on Reebok and on adidas from key accounts? And my third question is on adidas, which developed very strongly indeed in the first half of the year, with sales and orders both up 9%. The base in the second half is
not that high compared to the first half, but yet you guide for mid-single-digit sales growth for the full year. Why so shy?

**Herbert Hainer**
On your first question, you’re absolutely right. The remaining 50% of the backlog decrease in the U.S. is due to these two reasons - family footwear, where we reduced our offering at the entry-price levels of US$20 or US$25, and a tougher market. Your second question was on retailer feedback for the spring/summer ’08 collection. Yes, we are out showing our product already, and all what I have heard so far has been encouraging. But it is still too early to say more, as we’re just collecting the numbers. And the third question was on adidas. Yes, we may have been shy in raising our guidance. We’re pleased with the year-to-date performance and there might be a possibility going forward. But more important is our overall Group guidance and there I don’t expect any changes. We believe in our full year Group guidance of mid-single-digit growth on a currency-neutral basis.

**Andreas Inderst**
And coming back to the family footwear channel and the U.S. market - when do you expect the channel to be cleared from these old uninspiring products?

**Herbert Hainer**
This also is also a process which goes step by step, quarter by quarter. This means, on the one hand, we’re reducing offerings at certain price levels and, on the other hand, we are bringing in new products. And I am convinced that quarter by quarter, as we will show better products going into the market and then supporting it by brand marketing and brand campaigns, we will see an increase in our offerings also in the family footwear channel. But, of course, we cannot replace immediately the US$29 volumes with US$49, US$59 or US$69 shoes. But it will definitely be a healthier and more profitable business going forward.

**Virginia Genereux - Merrill Lynch**
On an apples-to-apples basis, excluding the addition of the month of January, do you now see Reebok sales down this year? Also, last year, North America accounted for 57% of Reebok’s sales. If it’s around 50% this year, North America is still over half of the business. How do you stabilize that? How do you keep sales in this region from being down in 2008, given the current backlog trends?

**Robin Stalker**
Virginia, I think we have to go back to the guidance we’re giving on top line growth. We’re still seeing low-single-digit top-line growth for the full year for Reebok. This
We continue with the strategy we outlined 12 months ago and I'll repeat it: We will clean up our offering of low-priced products. We will bring in better functional products. We will have a selective distribution. We will put more money behind marketing, especially in brand communication. This will take a while, there is no doubt. But we are making progress, and we want to replace the sales we might lose in the short term with sales gains in emerging markets. This is what we have said from the very beginning. That’s also why we have bought back the distribution rights for China and Russia - you can see the effect in our sales and backlogs already. Asian backlogs are up 50%. So, yes, it will take a few more quarters in America, no doubt, but we are continually following our strategy and build on it to make North America a better and healthier business for Reebok in the future. And in the meantime, we accelerate growth in the emerging markets.

**Herbert Hainer**

We haven’t given any guidance for 2008 yet and it’s too early to do so today. But we will definitely invest the money that is necessary to build our business and to follow our strategy. This is a two-fold strategy: On the one hand, we will build up our own retail activities in the emerging markets, where there is no infrastructure. And on the other hand, in mature markets like the US, the UK and Europe, we will spend on brand communication and marketing. That’s all in our plans.
Herbert Hainer
Yes. This is a very good question, because there definitely is a trend to more at-once business, because we are building our apparel business. We are speeding up our sourcing operations. You know that we have introduced a “world-class supply chain” program at adidas, which really helps us to react much faster to market needs. So the trend towards at-once is a fact, no doubt.

But I do believe the best way to protect against excess inventory is to look closer into the markets and the consumer via market research, and to find out what the consumer really wants. You then develop the product and make sure you have a better sell-through. And this is a situation which I have described during my speech with Footlocker. We have to make sure that the sell-through is ok and that we bring those products to market that are demanded by the consumer. This is the best way to protect against inventory risk.

This is what we will do in the future with our selective distribution policy, as I have told you. We have to make sure we sell the right products to the customers in the right amount, meaning that we will increasingly sell different products to different customers. And our products need a functional offering so that they can sell through.

Virginia Genereux
The operating margin for the old adidas Group (excluding Reebok) was 10.5% last year and it looks like it might be flat to up again in 2007. In 2008, taking into consideration additional marketing expenses related to the two major sporting events, is it fair to assume that margins won’t come under pressure? Instead, can you maintain or maybe even improve the adidas operating margin, also helped by currency gains?

Herbert Hainer
As you know, it is definitely too early to give any guidance for 2008, but there is no doubt that we will stick to our medium-term guidance. By 2009, we expect to achieve a Group operating margin of around 11%.

Matthias Eifert, MainFirst
Could you give us some more flavors on the Reebok revenue synergies, especially from the distributor buybacks in Russia and China, please?
Robin Stalker
In the first six months of this year, we have already recognized about EUR40m in revenue synergies. Obviously, a large part of that is coming from Reebok’s new markets. We have a few other integration revenue initiatives also starting to kick-in in 2007, but we will realize the majority of the revenue synergies in 2008 and 2009.

Katja Filzek - Deutsche Bank
In your net income guidance for 2007, you’re mentioning now you expect “double-digit growth approaching 15%”. This kind of “double digit, approaching 15%” is new, or am I reading too much into that? Is this a change to your previous view? And then, secondly, you already bought back a couple of Reebok distributors. Are there any additional countries you expect to buy back going into 2008? Last, you had a very strong gross margin improvement of 230 basis points in the first half. If I’m calculating it right, thereof roughly 100 basis points come from the non-recurrence of purchase price accounting charges at Reebok. How much then is coming from cost synergies and currency?

Robin Stalker
In terms of the wording about net income increasing at a “double-digit rate, approaching 15%”, we are absolutely consistent here with the wording we’ve used since November last year and repeated on all occasions since then. So there’s no change in tone whatsoever. We remain very confident about our earnings outlook for the year.

In terms of the gross margin drivers, the biggest impact here is coming from our “world-class buyer” program, where we have, through the integration, been able to negotiate and achieve better cost of sales. That applies to both brands, as I mentioned earlier, with the majority of that, however, affecting the adidas brand. There are some small currency improvements but in comparison they’re pretty limited.

Herbert Hainer
Coming to your second question on Reebok distributors, yes, we still have some smaller ones outstanding in Asia and in Latin America. And we look at them on a case by case basis. The only bigger one left is Brazil. However, at the moment, there is nothing new to report in this area.
Melanie Flouquet - JP Morgan
You've given us the sales decline there would've been at Reebok excluding the NBA and Liverpool transfer. Could you give us the sales increase that you would have had at adidas excluding this transfer as well, please? Was Q2 particularly impacted by this transfer in terms of any seasonality? My second question is regarding Reebok and its growth in Asia. Could you give us an indication of how many stores you had a year ago corresponding to the same period and how many do you have today, so we can try and understand whether there is like-for-like growth in Asia?

Robin Stalker
The move of the NBA and Liverpool business from Reebok to adidas did have an impact on the adidas performance. But because of the size of the adidas top-line, you can safely assume it's less than 1% for the adidas business year-to-date.

We're definitely experiencing underlying top line growth in Asia, because we are growing the business beyond what the previous distributors had. We haven't given a specific figure but we are growing on an underlying basis, albeit from a low level. For example, we will have about 350 additional stores in China by the end of this year, as Herbert mentioned earlier.

Melanie Flouquet
The 50% growth we are experiencing - how much of this is actually store rollout base and consolidation impact versus a sell-out increase at the same store?

It is the vast majority. We are growing the business and that would also be on a comparable basis. So, yes, there are certainly new shops that we're opening, but the existing business that we took over is now performing a lot better, because we approach it differently. We own the business now; it's not a distributor business. That, as we've seen in the history of the adidas takeovers of distributors, always leads to improvement of the business. To give you further confidence on Asia, let me mention that the Reebok business in India - as you know, Reebok is the market leader there - continues to grow. And, obviously, that's an underlying business.

Mark Josefson - Kepler Equities
Congratulations on a good set of figures against a tough Q2 last year. The situation between Reebok and Footlocker reminds me of the situation with adidas back in 2002. You said, it took four quarters or so to work through the system at that time. Should we assume a similar pattern with the new negotiations with Reebok or might it be a bit quicker than that? And sticking to
the U.S., NPD data implies a loss of market share for brand adidas in U.S. footwear. The figures released today seem to belie that. Can you shed some light on what you think is going on in terms of market share movements there?

Herbert Hainer
Yes. Today’s situation is similar to the one we had with adidas five years ago. So it could be that it takes us four quarters, but I believe we can do it faster. As I said in my speech, we expect about two to three quarters. But it is, as you rightly said, a similar picture compared to adidas in North America several years ago. And, by the way, we turned it around quite successfully in adidas. As we have stated, the brand is in a much better shape today than it was five years ago.

So your second question was on adidas’ market shares in the U.S. Yes, our market shares are improving in the U.S. as we are building the business. There is no doubt. But you know that you have to be careful with market shares in the U.S., as it not always includes all customers. But overall, we are definitely improving and we are happy with the progress of our brand in general, not only in terms of market share, but also brand perception, brand image, brand recognition with the consumer, etc., etc.

Mark Josefson
I’m thinking back to reduction of net borrowings in the second half of last year. There were maybe some easy fruits there, but debt came down about EUR800m between the half and the year-end. The guidance this year is for a reduction of EUR400m or so. My impression is that there’s still some more to come out of working capital. Can you comment on that? And then a hypothetical question perhaps, but you’ve mentioned consolidation in the golf market a couple of times in your opening presentation. Do you see TaylorMade-adidas Golf as the potential acquirer of brands in the golf market?

Robin Stalker
There are always further opportunities to improve our working capital and we will keep focused on that. Obviously, in absolutes that’s pretty difficult, but definitely in the quality of the working capital. And the figure I mentioned for the average operating working capital as a percentage of net sales at the end of June of 25.6% - I definitely do believe we can further improve on that. You’ll see a slight improvement by the end of this year, but in the future we aim to take steps to further improve that.
In terms of net borrowings, the best guidance I can give you at the moment is, yes, we will continue to pay down debt. Our estimate is we’re definitely going to be under the EUR2b level by the end of this year.

**Herbert Hainer**
Coming to TaylorMade-adidas Golf in the golf market, it’s definitely our duty to always look into the market and the consolidation that is going on, to see what our position should be and whether there is something that can help bringing our business in the golf market to the next level. We have proven quite successful with the golf unit, TaylorMade-adidas Golf, and the integration of Maxfli. I do believe, between the lines, you may be referring a bit to Cleveland or other names floating through the press these days. And of course, we look into these things and then we see how things move forward, but we certainly haven’t made any decisions yet on any specific areas.