



**Private Investor Online Chat  
November 9, 2007, 3 p.m.  
Nine Months Results 2007**

**Dennis Weber** (Moderator):

Ladies and Gentlemen,

Welcome to the private investor online chat of adidas AG. We are looking forward to again giving you the chance to inform yourselves first hand about the business development of the adidas Group.

Natalie Knight, Vice President and Head of Investor Relations, will be available until around 4 pm to give you an insight into the Group's quarterly results. We are looking forward to your questions!

**Q1: The adidas Group increased earnings by over 20% for the second consecutive quarter. What do you say to that? Will things continue this way?**

**Natalie Knight:** As our Q3 results clearly show, increasing profitability is our top priority. In this quarter, gross margins and operating margins in all brand segments improved on an underlying basis. Together with the cost synergies we are realizing with the Reebok integration and the non-recurrence of effects from purchase price allocation, which artificially lowered Reebok's gross margin in the past year, our gross margin in the third quarter was up 3.6pp to 48.6% compared to the prior year. In addition, we recorded solid sales growth and a 22% increase in earnings. And we believe that we will be able to achieve even higher top- and bottom-line growth in the fourth quarter.

**Q2: Great results! This is a shareholder saying Thank You. Will there be a higher dividend for us?**

**Natalie Knight:** The dividend is based on our Group's net development as, according to our dividend policy, we pay out between 15 and 25% of our annual net earnings in dividends. Since we will increase net earnings this year by up to 15%, you can expect a higher dividend.

**Q3: How do you explain and evaluate the repeated declines in sales in North America?**

**Natalie Knight:** We are currently facing a very tough retail environment in North America. The situation is particularly challenging for mall-based retailers. Nevertheless, we are gaining sales at brand adidas. With Reebok we plan to grow again in the US in 2009. Additionally, the strong euro negatively affects translation of our US dollar sales into euro.

**Q4: Hello, have you planned any further acquisitions for 2008?**

**Natalie Knight:** We acquired Reebok last year and we continue to focus on the integration of Reebok into the adidas Group. Still, we cannot generally rule out the possibility that there might be further acquisitions on a smaller scale.

**Q5: What will your presence at the Women's World Cup look like?**

**Natalie Knight:** The Women's World Cup was a tremendous success for our company. The German women's football team, sponsored by us, recently claimed the World Cup trophy again. Moreover, we were Official Outfitter for all referees. And of course we supplied the match ball.

**Q6: Which results for Q4 2007 will vary the most compared to Q3 2007 and in what dimensions do you expect these variations to be?**

**Natalie Knight:** We expect improvements in several items of our P&L statement. For Q4 in particular, we expect to see a double-digit increase in net income. This means that we are right on track to achieve our targets for the full year.

**Q7: When will adidas cancel its contract with the T-Mobile cycling team?**

**Natalie Knight:** adidas will not be extending its supplier agreement with Team T-Mobile, which runs until 2008, and is currently considering immediate termination. This decision, which was recently communicated to Team T-Mobile, is a logical consequence, as in light of recent developments a new start in cycling does not appear realistic. Our position is clear: adidas is definitively against doping in sport. As sports partner and sponsor of the national anti-doping agency, we expressly distance ourselves from the recent events. We condemn illegal means of performance enhancement in any shape or form and will continue to adhere to our principle of cancelling contracts with athletes found guilty of doping without delay (as done in the past, e.g. with Jan Ullrich and Greek sprinter Ekaterini Thanou).

**Q8: To reach your operating margin target of 11% in 2009, probably margins have to improve at all brands. How can you get there taking into consideration that this year's operating margin is expected to be at 9%? What brand will be the driver of the targeted 2pp improvement?**

**Natalie Knight:** As you can see in our Q3 results, we are making great progress towards our 2009 margin targets, with underlying increases at all of our brands. On our way to the 11% target, we expect all brands to contribute due to: a) synergies from the Reebok integration, b) fast growth in markets outside of North America (where margins are higher), and c) growth in controlled space and our own-retail operations.

**Q9: 2008 will be a year of great sports events. What does adidas expect in terms of sales and earnings?**

**Natalie Knight:** 2008 will be yet another milestone for our Group and we expect further increases in sales and net income for this year. We expect sales to be up at a high-single-digit rate on a currency-neutral basis to reach a new record level. In addition, we expect even stronger earnings growth in 2008 compared to this year, where we anticipate net income to increase by up to 15%. The major sports events, the EURO 2008 in Austria and Switzerland as well as the Beijing Olympics, will positively contribute to this. Moreover,

we are Official Partner for both events – which guarantees center stage for brand adidas once again.

**Q10: The oil price keeps rising! How does this affect energy costs at adidas?**

**Natalie Knight:** The influence of commodity prices, such as the price of oil for example, on our production costs is limited. However, we are of course dependent on consumers' propensity to buy. And this is where the rising oil price has a potentially negative effect. Yet due to our wide range of products we are confident in our ability to further grow in a profitable way.

**Q11: The Footlocker business took a hit – how much in terms of your sales went via Footlocker? Why didn't adidas simply take over Footlocker to secure this distribution channel?**

**Natalie Knight:** Only brand Reebok has suffered sales losses due to the changing relationship with this retailer. This accounts for approximately half of the Q 3 decrease in sales for Reebok in North America. Brand adidas is enjoying a very positive business relationship with Footlocker and is recording rising sales figures.

**Q12: What is the reason behind the latest increase of inventories? Will there be action to improve the OWC situation?**

**Natalie Knight:** Our inventories increased 7% in euro terms (14% currency-neutral) at the end of Q3. Firstly, this increase reflects the sales expectations we have for the coming quarters, in particular at brand adidas where our orders are up 16%. Secondly, compared to the prior year, we have inventories for the Reebok brand in markets where we have taken full control of the brand (such as China and Russia), which were formerly operated by distribution partners. And finally, the increase also reflects the continuing growth of our own-retail operations. Working capital management especially inventory management is a priority for our Group, and we continue to work on lowering our working capital requirement.

**Dennis Weber** (moderator):

Our chat will be open another 30 minutes. Please take the chance to ask your questions now!

**Q13: Nike buys Umbro – what are the risks for adidas? Will the gap widen and will you still be able to close it?**

**Natalie Knight:** It's not clear yet whether Nike really will acquire Umbro. If so, I see no direct threats. Instead of two competitors we will then have one larger one. adidas rose to the top with football and in this category we continue to trust our strengths. At the upcoming European Championship, we will be Official Partner again, we will supply the match ball and outfit ball boys and referees. With Germany, among others, we will also sponsor strong teams with the potential to win the title.

**Q14: How does the strong euro affect your balance sheet in absolute terms?**

**Natalie Knight:** The adidas Group generally profits from a strong euro compared to the US dollar, as our cost of sales are mainly denominated in US dollar whereas sales are primarily generated in euro. The current exchange rate development therefore is very positive for our company. As a result of our hedging strategy, however, the positive impact is limited.

**Q15: Rising sales, rising income – will adidas also create more jobs?**

**Natalie Knight:** For sure. Meanwhile, we employ almost 30,000 people, which is an increase of over 14% compared to the prior year. Jobs will be created particularly within our own retail organization and in emerging markets, but also in Germany.

**Q16: Puma intends to build a new Plaza right next to you. How do you take this? Will this result in a new kind of one-upmanship?**

**Natalie Knight:** I think we will take this in our stride... Competition is good for business and our location surely is not any less attractive.

**Q17: How much do you expect in terms of sales increases from the European Football Championships in Austria and Switzerland? Or at least what percentage?**

**Natalie Knight:** In the year of the EURO, we anticipate even higher sales than we recorded in the World Cup year 2006, when we generated sales of approximately 1.2 billion euro with football products alone. Our excellent backlog development with football products at the end of Q 3, together with our strong product pipeline, makes us more than confident in our ability to achieve our target in the coming year.

**Q18: I read about full order books in your report. What exactly does this mean?**

**Natalie Knight:** Full order books means that we have already received a lot of orders from retailers, which will be carried out within the next months. In our industry, orders serve as an indicator for future sales, even if orders and sales may vary, for example due to own retail for which we do not report orders.

**Q19: When do you expect adidas to profit from cost synergies from the Reebok integration?**

**Natalie Knight:** The Reebok integration is already starting to pay off for us this year. Currently, we have already achieved 60% of our target for cost synergies for this year and are very confident that we will realize net savings of € 17.5 million for the full year. For 2008, we anticipate cost synergies amounting to € 105 million and from 2009, cost synergies will amount to € 175 million.

**Q20: A possible further weakening of the US economy poses an essential risk. How do you assess this?**

**Natalie Knight:** We currently see no signs that the weak US economy of the past months will have any major negative effect on our business. During yesterday's presentation on

our Q3 results we pointed out that the adidas brand is growing despite this challenging environment. The sales declines at Reebok are not so much due to the environment as to the repositioning of the brand, which led to lower sales in the low-price segment and with Footlocker.

**Q21: Is there a stock option program for adidas employees?**

**Natalie Knight:** No. We are evaluating this form of compensation but currently there is no stock option program for adidas employees. Due to recent tax changes, however, this form of compensation has become less attractive for both the employees and our Group.

**Dennis Weber** (Moderator):

Our chat will be open another 5 minutes. Please take the opportunity to ask your questions now!

**Q22: Hi, how do you see the future, what is the position and strengths of adidas compared to your competitors like Nike and Amer Sports during the next 24 months?**

**Natalie Knight:** We look to the future with great confidence, as is visible in our strong backlog growth. We will be front and center for the big sporting events of 2008. As you may know we are the official partner of both the Beijing Olympics and European Football Championships. We are the market leader in high growth emerging markets such as Asia and Eastern Europe where growth is set to continue at a rapid pace. With a strong portfolio of brands and an unrivalled portfolio of high profile partners, we believe we have all the tools in place to be successful versus our competitors.

**Q23: Reebok sales are down 4%. What now? Do you have plans to stop this downtrend?**

**Natalie Knight:** With Reebok, our focus is on developing more innovative products, improving brand communication and broadening our distribution base, especially in North America. For 2007 as well as 2008, we anticipate sales for the Reebok segment to increase. In Asia, Latin America and Eastern Europe, we already see strong growth for the brand.

**Q24: How does an idea get to be a product? How much time and how many steps are involved? Weeks, months, years or what? Who "makes" products?**

**Natalie Knight:** This usually is a long process, which takes 12 to 18 months from first drawings to market launch. We develop and design our products ourselves, but we employ independent suppliers for production.

**Q25: What is the adidas Group doing in order to enhance company value in terms of shareholder value?**

**Natalie Knight:** The steering of our company is focused on continuously increasing shareholder value. We want to generate a maximum of free cash flow through profitable sales increases as well as optimizing capital expenditure. We therefore focus on our growth strategies, which at the same time will result in margin improvement. In the past

years, we were thus able to achieve overproportional increases in earnings compared to the development of our sales. As our dividend policy is linked to net income development, this has led to a sustainable higher dividend in addition to a continuously rising share price.

**Q26: Football boots are being produced in increasingly garish, bold colors. Is this by request of footballers or is it adidas' call?**

**Natalie Knight:** Design and style play an important role in the sporting goods industry. Of course, this is also true for football boots. It isn't only professional footballers who want "colorful" shoes, they are especially popular with young consumers. As a consumer-oriented company, we always strive to meet our consumers' demands and offer the best products.

**Dennis Weber** (moderator):

Unfortunately, we have reached the end of our private investor online chat. We would like to thank you for your active participation. For further questions and comments, please contact [investor.relations@adidas-Group.com](mailto:investor.relations@adidas-Group.com) and +49-9132-842920. See you on March 6 next year for the next online chat!