

**adidas Group Nine Months 2009 Results**

**November 4, 2009**

**Q&A session**

**adidas Group participants:**

**Herbert Hainer, adidas Group CEO**

**Robin Stalker, adidas Group CFO**

**John-Paul O'Meara, Head of Investor Relations**

**Jürgen Kolb – Cheuvreux**

**Good afternoon, I have three questions. The first one is: What is the feedback you get from retailers regarding the workout products that I am sure you already presented to them? Could you talk a little bit about the current trends that you're seeing from that angle? Are retailers becoming a bit more optimistic for this kind of product?**

**Secondly, can you comment on average selling prices? How are they developing – maybe also broken down into different regions?**

**And lastly, we're hearing a lot about marketing for the World Cup, obviously, and also on the new initiatives at Reebok. Can you maybe comment on what we should expect in terms of the marketing working budget for 2010? I know that it is early, but any additional colour would be highly welcomed. Thank you.**

**Herbert Hainer**

Ok, Jürgen, regarding your question about feedback on the World Cup products. As you said, we have shown them to all our countries and key retailers around the world. And I can tell you that the feedback was very positive. As I said in my speech already: We are expecting a record year for football in 2010. And, be assured, I wouldn't be that optimistic if all the indications which we have got so far from the retailers around the world weren't be what they are.

We have a firework of new introductions, starting for example with the PREDATOR®\_X this month, in November. In one week, we will launch all the jerseys for our teams. On December 4th, we will unveil the World Cup ball, the official match ball. Then in January, we will continue with the adiPure. So far everything is going according to our plan – and reactions are quite positive.

Regarding your question on the marketing initiatives for the World Cup and, of course, for our new initiatives at Reebok, you are right: We will spend whatever is necessary to push these initiatives. It's a little bit too early to give you guidance already. But as you know we are quite disciplined. Yes, we will spend more in 2010 because of these events, but we will not overinflate our marketing spendings.

**Robin Stalker**

Regarding your question on average selling prices, Jürgen, I don't think we can give very much color on that at all at the moment. It is still a very competitive environment out there. We have not been able to increase prices significantly. You might have seen that also in the development of the gross margin.

But, as you can see in the third quarter results for the Reebok segment, the decline of the segment's gross margin in this quarter is the lowest it's been this year. And that is also indicative of the quality of the new products that they are bringing to market. And there, we are enjoying slight increases in the average net selling prices.

**Andreas Inderst – Exane BNP Paribas**

**I have also three questions. The first one is on Reebok: Quite good developments on the operating cost side, if I have calculated correctly, minus 13% in Q3. How sustainable is that, particularly heading into 2010? You mentioned already additional marketing costs, but maybe you can give us a little bit more insight here. What about the fourth quarter? Do you think Reebok will also be profitable in Q4?**

**And regarding your guidance for Reebok: Nine months sales down 9%, but you are still guiding a low- to mid-single-digit decline. This implies almost some growth in Q4. How is the order book situation? Is that based on hope or do you have some good order support?**

**My second question is related to the one-off costs. Can you repeat how much the one-off costs were in Q3 and how much one-off costs you expect for the full year?**

**And my third question is on your investment priority for 2010. Of course there will be marketing, given the situation at Reebok and the FIFA World Cup. But how about store expansion? Do you expect acceleration here? What about IT? Maybe you can give us a little bit more flavour on that. Thank you.**

**Robin Stalker**

Let me firstly talk about the development of operating expenses and Reebok. Yes, you're right, there is an improvement there, as you would expect. We announced at the beginning of this year significant organisational changes which included a reduction in personnel. We announced at the time something over 500 people. And as we said, we're already starting to see some of the benefits here for this year, which is coming through in the Reebok numbers. So, I would suggest a large part of that is sustainable. In terms of Q4 guidance for Reebok, please understand that we don't give quarterly segmental profitability guidance. But please remember that the fourth quarter is a small quarter, also bearing in mind the significant clearance activities we had in last year's fourth quarter. But we remain confident on our guidance in terms of the mid-single-digit top-line decline.

Your second question about the reorganisation charges: In the third quarter we've faced about € 10 million additional charges. That brings us up to a year-to-date of about € 40 million. We're anticipating that we will conclude the year with fourth quarter charges of between € 10 million and € 20 million. That means we will obviously be significantly lower than what we had initially anticipated for the costs in this area.

**Herbert Hainer**

Andreas, the third question on store expansion and marketing investment, you are right: Those are the key pillars. On store expansion: We will further expand, but we will definitely slow it down compared to what you saw in 2007 and 2008. We have areas like Russia where we will further expand. But our focus will be on making our comp sales with the existing stores even better. As we announced earlier this year, we have Michael Stanier on board now, heading up own-retail. He has 25 years of experience in the retail business. And he will help us in pushing our comp store sales and making the existing stores better. But nevertheless, when there are opportunistic opportunities and locations, we will take them. But all in all it will not be at the pace we saw back in 2007 and 2008.

**Andreas Inderst**

**Okay. Just one more question on Reebok again, regarding your Q4 sales: Do you have special campaigns running in Q4? You mentioned the EasyTone™. Do I understand right, that the expansion**

**of this product family on a global basis will be more in 2010? Or is that something you already planned for the fourth quarter?**

**Herbert Hainer**

We have, Andreas, in the fourth quarter, for the first time now, more EasyTone™ products and different variations of the EasyTone™ in the market, mainly colour variations. We started, as you might remember, in spring/summer 2009 with only one product. Now, we have much more colour variation. And we have just started a big TV advertising campaign with the Try-On Tour, bill-boards and in-store material for EasyTone™. When you click on Reebok's website, you will see it. These initiatives will continue in December and will support sales of the EasyTone™ and stimulate the whole Toning category. And then in 2010, we will come in with even more categories like JumpTone, which is a basketball shoe, and RunTone, which is a running shoe, et cetera.

**Aurelie Husson – Société Générale**

**Good afternoon, everybody. I have also three questions, thereof two on Reebok: As you might know, there were some market concerns that there could be an impairment for the Reebok brand. And now that the brand has turned back to profit, do you think we should forget about this concern?**

**Secondly: You mentioned the EasyTone™ and how successful the franchise was. Could you give us some flavour about the size of this franchise? Are we talking about € 100 million or more about € 250 million?**

**And my last question is on China. What impact on sales do you expect to gain through the 2010 Asian Games and the World Expo in China next year? Will that be material or not? Thank you.**

**Robin Stalker**

Okay, Aurelie. A decision on impairment is never based on just one quarter. We obviously have to look out over a five-year projection. We remain confident on the progress as we've explained. There is, obviously, always a risk here and we have to analyse this further in the future. I think there is a higher risk this year than last year. But I think you've pointed out exactly the right sort of thing. We see an improvement in the business and that means that we don't see a high risk at the moment.

**Herbert Hainer**

On your second question, EasyTone™. As mentioned before, we started with just one product and have now extended it. I am happy to tell you that from several thousand pairs this year we will expand the programme in 2010 to several millions of pairs. I can't give you the exact figure now because we just are currently in the planning process for the second half. But from what we are planning so far, you will see several million pairs of EasyTone™ in the market next year.

Your third question was on China and what the impact of several events in China next year will be. Of course, this will help bring the excitement back to consumers. But nevertheless, let's be realistic: China is still a challenging environment. Up to the Olympics, there was a huge build-up in store bases and inventories. And since the Olympics are over, there is too much inventory in the market.

And tough times are also showing that not every retailer is as professional and profitable as we would like. Therefore, there is a clean-up of inventories going on, and also a clean-up on stores.

Nevertheless, I'm cautiously optimistic for China in 2010, after having gone through clean-up activities in 2009.

**Aurelie Husson**

**Do you keep the guidance of € 1 billion for sales in China?**

**Herbert Hainer**

This is definitely our goal.

**Louise Singlehurst – Morgan Stanley**

**I have a couple of questions, firstly on inventories. Can you share with us in which regions you saw the biggest improvements? And then one question on China: We heard from Nike last month that, based on trade fair feedback and order books, they were expecting growth by spring 2010. Can you share any comments with us on that? And do you think you need any more outlets within the Chinese market?**

**Robin Stalker**

Regarding your question on inventories: Here, actually there's very good news across the board. We acknowledged that for the adidas brand, the only market where there's growth in inventory is in Latin America. You may recall our earlier comments about this. If I had to pick a country, I'd say that in countries like Japan and America, we've seen the most significant improvement with all our brands there. But as I said, we're very happy with the development in inventories across the board.

**Herbert Hainer**

And regarding your question on China, as I said, we are cautiously optimistic for China in the next year. There will still be clean-up in some stores in the first half. But overall, I think we will get back to growth in China in 2010.

**Louise Singlehurst**

**Ok, thank you. Obviously, ahead of expectations in terms of cost savings, I think you mentioned € 20 million for this year. Does that mean we might be able to expect a higher exit rate of the € 100 million from 2010? Or is it a bit too early to tell?**

**Robin Stalker**

Louise, what we're saying with that is that on an annual basis the €100 million is probably still the right sort of figure. But I had initially not expected to get any of those benefits until 2010. Now, we're saying it looks as though we're already going to get some of this benefit in 2009.

**Uwe Weinreich – UniCredit**

**I have a question concerning sourcing in 2010. Could you describe your sourcing and order behaviour for the first half of 2010? Is it fair to say that you have reduced your order volumes at a mid-single-digit rate versus the prior year?**

**And then, Herbert, could you describe which categories in the adidas Sport Performance segment besides soccer have the highest potential to improve in 2010? And then on Christophe Bezu's move from Asia to Greater China, should we take it that Christophe is troubleshooting in China?**

**Herbert Hainer**

Okay, Uwe, let me start with your third question. No, definitely not. The point here is that we eliminated the regional offices as we want to have direct and a faster interaction between the

countries and marketing. Our intention is that the countries can faster do what they need to do in their markets and get a faster response on that. Therefore there is no regional office anymore. Christophe is one of our key executives. As you know, he has built up Japan and Asia quite successfully and was instrumental in building up all over China. I think he's the best guy to put in there. Greater China is the second biggest country for us and one of the most profitable ones. And we want to make sure that we have the best people there to drive our growth for the future. Regarding your second question on adidas Sport Performance: Of course football is definitely one category with the highest potential, the other one is running. We're making great progress in Performance Running. You might hear and have anticipated that our running shoes adiStar, adiZero and Supernova did get great ratings. And I definitely do believe that there is a huge potential for us going forward in this category. These are the two main categories for 2010.

**Uwe Weinreich**

**What about basketball and training?**

**Herbert Hainer**

Basketball is still I wouldn't say in a declining mode, but definitely not an increasing mode overall around the world.

**Robin Stalker**

And regarding your question on sourcing, well yes, as we've acknowledged, we clearly bought too much or ordered too much for the first half of 2009. And so, it is correct to assume that our orders and what we require from our suppliers for the first half of next year will be down. And your guess at the mid-single-digit is fair enough. We have made considerable improvements in our sourcing chain over the last few years. We're able to respond a lot quicker. And it's clearly our intention not to hold as much in inventory in the future, and to be able to respond quicker. And therefore, you should see our sourcing in advance hopefully reducing over time.

**Uwe Weinreich**

**And then slightly up in the second half, I assume? Next, from Brazil, the messages are not very helpful so far. You are focusing in Brazil on profitability, or are you trying to keep your market share there?**

**Herbert Hainer**

Be assured, Uwe, we are permanently working on supply chain efficiency, as Robin said. And we definitely want to shorten our lead times. This means we want to move away from placing our orders six or nine months. Instead, we want to react much quicker to the needs of the market, as we have said in the past.

Brazil is a very good country for us, we have grown very fast in Latin America once again and the first nine months have been very good. We have local sourcing in Brazil already. With the anti-dumping measures the government has imposed, we will of course most probably further increase our local sourcing there.

On the one hand, yes, we don't like these import duties. But on the other hand, we are prepared because we have local sourcing in place which we will expand. This might have some negative short-term impacts, but definitely in the mid- and long-term, we are prepared for that.

**Michael Kuhn – Deutsche Bank**

**Also a few questions from my side: First of all, some more Q3 number crunching, if I may. If I understood you correctly, you had cost savings of about € 10 million in the third quarter, standing against one-off costs also in an amount of € 10 million. So, overall a neutral effect. At the same time, overall operating expenses were down about € 60 million. Is the conclusion correct that the majority of the € 60 million saving comes from lower marketing spending? That's the first question. Second question, also back to purchasing conditions, could you remind us of your dollar hedge rate for this and next year? And what do you expect in terms of currency-neutral figures? Can we expect you to go back to 2008 sourcing cost levels or maybe even better? Finally, again on some key growth markets, China and Russia, did I get the number correctly that about 700 stores will be closed in China? And on Russia, you spoke about deceleration. Do I interpret that correctly as a negative growth in the third quarter? And could you also give us some like for like numbers for your stores in China and Russia?**

**Robin Stalker**

Regarding your questions on savings: We were talking about the costs related to the initiatives we implement and what they are going to cost us. Those costs were mainly related to personnel and the reduction of headcounts. We've been able, through natural attrition and our headcount freeze, to reduce our numbers considerably. We will therefore then get these savings without as much costs. The € 10 million part that we mentioned relate to the third quarter. But we've also made significant improvements in other costs savings. And it is not just the marketing we've been budgeting. In the third quarter we're probably looking at savings that are around 50% of a marketing nature and 50% in other costs, e.g. travel costs, consultant fees, all those other sort of costs that a corporation has. We've also been very disciplined here and will continue to be in the future.

In terms of the currency developments and hedging rates, here we've had a hedge rate for 2009 very similar to the 2008 rate, probably around the 1.43. For the 2010 period, because we obviously try and hedge up to 12 months in advance, we will have a hedge rate that is definitely below 1.40. In hedging for 2011, however, we'll get the benefit of the current weak dollar. And regarding the general sourcing situation, in terms of our input cost expectation for 2010: There we are expecting that our input costs for 2010 will definitely be below what they were for 2009, probably approaching the 2008 levels. I'm obviously talking about the FOBs, the cost from our suppliers. But against that, you will again have to look at the hedging impact, because we don't have such a good hedging rate. I still think net-net there's a slight benefit for us in next year's margin.

One of your other questions was on Russia. We mentioned a deceleration in Russia, that's correct. You can interpret that as a negative rouble sales figure for Q3. But we are still very happy with our position in Russia.

**John-Paul O'Meara**

And regarding your question on store closing: Yes, we've closed 700 stores in China this year in both brands adidas and Reebok. But we've also opened around 500 adidas stores. So overall we have for the Group a reduction of 200 stores in China this year, mainly related to Reebok.

**Michael Kuhn**

**Okay, and can you share any data on like-for-like sales?**

**Robin Stalker**

Sorry, Michael, we don't do that. But I don't think there'd be any surprise in assuming that the comparable store sales will be down at the moment there.

**Erwan Rambourg – HSBC**

**I have three quick additional questions. Firstly, for Robin: Looking at inventories, I think you mentioned we should expect a significant improvement in Q4 following Q3. Does this mean that inventories will be much lower versus the sales trends, or does it mean that inventories will decrease by more than the minus 8% you posted in Q3? And where do you believe clearance needs to take place in Q4? Is there any specific brand you'll be focusing on?**

**Secondly, Herbert was mentioning that there were challenges specifically in the US in H1 2010. Can you tell us what you were referring to with this comment, please?**

**And then thirdly, probably for both of you, I think the 50% gearing target was a mid-term target and now you are going to reach that target as of this year. So, how do you think about debt management or cash management, I should say, for the future? Thank you.**

**Robin Stalker**

My comment about a figurative improvement in the inventory again in the fourth quarter means that we are to be expecting figure, a year-over-year at the end of the fourth quarter, to be even better than the minus 8%. Clearance, well, you see we've made good progress. I don't think there's a particular country that I'd highlight in terms of where there needs to be clearance. I suppose from all of the comments you've heard today, we're still unhappy with the amount of inventory in the market in China. So there's possibly some opportunity to further clear.

Our guidance on the financial leverage, yes, it was medium-term guidance. And obviously we would not be there yet if we hadn't had the opportunity to redeem the convertible bond earlier. So yes, we're already there this year - particularly in this environment. At the moment, we have no other plans to use our cash other than to continue to use it within the current financing. And I'm sure we will update you in the new year if there's a change in that strategy.

**Herbert Hainer**

And regarding your second question on the first half 2010. I didn't make any specific comments on the US. I talked about the market in general. And I still do expect some difficult market environment. On one hand we see some positive signs, but on the other hand, looking at the big retailers in the US and not just in the sporting goods industry but also in the textiles industry, the numbers are not pleasant yet. And I don't think that we will see a big increase in the first half. I think we still have to go the next six to 12 months through this difficult period before we see the uptick in the retail scene.

**Allegra Perry – Nomura**

**I have three quick questions, please. The first one is on adidas. I was wondering if you could give us your thoughts on pricing for the full year 2010, in the light of obviously better input costs coming ahead and a also deteriorating foreign exchange rate environment.**

**Secondly, I was wondering if you could give us an update on the percent of sales generated through controlled space, as well as the outlet channel within that. And lastly, on capital expenditure, are you sticking to your guidance of € 300 million to € 400 million for the full year? And if you could give us a little more colour on where you think you'll end up within that range. Thank you.**

**Robin Stalker**

In terms of pricing, we will not give any specific guidance. We set our pricing at what the market will bear. And we continue to try and maximise our margins there. In terms of our own retail share and its current percentage of our sales: That is 20% as of the end of the third quarter. Controlled space would be somewhat over 30%.

In terms of capital expenditure guidance, we've amended our guidance. We've been very focused on what we're allowing to be spent at the moment. Our guidance before we went into this third quarter around € 300 million. Now we expect investments "to approach € 300 million".

**Matthias Eifert – MainFirst Bank**

**I have a question regarding your quite volatile development in the US. Could you give us a bit more detail on that? I mean, will Q1 be better than Q2? And then a step back again in the third quarter, with adidas being down 10% and Reebok being down 15%. What is your approach here going forward? What kind of strategies do you have to regain market share? I think the decline is a bit bigger than the overall market development.**

**Secondly, on Reebok: It's good to see that the gross margin decline is getting smaller. But overall, gross margin is still just in the mid thirties. Could you give us an idea where you see Reebok gross margin in the mid- or long-term? Could that be also above 40% and getting closer to brand adidas gross margin?**

**And then thirdly on HQ consolidation: You had another € 50 million EBIT loss there. Can you give us an idea of the appropriate run rate by quarter? And if there are no exceptional items, or what kind of items have been included here to this € 50 million loss?**

**Robin Stalker**

I'll just clear that last point, because the headquarter consolidation segment you'll always have difficulties to anticipate, unfortunately. The major item in here, that is very difficult for anybody to forecast, is the hedging portion that is not included in the internal billing rate that goes into the countries. And that is what you're seeing there as a negative. Its simply showing that the distribution of the hedging benefits in 2009 compared to 2008 was less in treasury this year and more in the countries. And last year we saw it was the other way around. It was less in the countries and more in the central organisation. We don't give any other guidance here.

**Matthias Eifert**

**But what would be the number without any kind of hedging effect posted?**

**Robin Stalker**

I think you'd have to look at the normal headquarter costs, which you can see in the operational expenses line and take that as a run rate. But I'm warning that I don't think that you can really base an estimate just on that.

**Herbert Hainer**

Your second question was on the margin for Reebok in the mid- and long-term. From a long-term perspective we definitely want to get to the same levels as with adidas. Of course we know there is still a long way to go. But we are now introducing products like EasyTone™, which clearly show our strategy in this regard. And you will see new concepts in 2010 as well, which have high technology aspects and a unique selling proposition, which will allow us then to achieve higher prices in the

market. EasyTone™ is sold at price points of \$100 or even a little bit above. It depends on which one you take. But this obviously will give us better margins.

And we have the same effect when we export Reebok products from the US into Europe and into Asia. In these markets, we're generally achieving higher margins. This has always been our strategy. We have lost revenues because we took out \$29 and \$39 shoes. But these products wouldn't have helped us grow our margin.

Your first question was on the volatility in the US and the variance between the three quarters. The market is still tough in the US, also for us, no doubt. I think the second quarter was better because in the prior year quarter, we had a lot of returns from a major key account. Going into 2010, I definitely foresee a better business for us. But 2009 there will not be a big change until the end of the year.

**Matthias Eifert**

**And can I ask one follow up to the Reebok average selling prices? Do you have something like a price that includes this promotional activity to clean-up inventory? And can you comment on where average selling prices are coming from, and currently heading to for Reebok?**

**Herbert Hainer**

I don't think that it would help you tremendously if I gave you the numbers of the past or of when we sold on clearance and how our average selling price has developed against that. I think it is much more important to look how we go forward. And as you have seen, our inventories at Reebok are now minus 15%. We really have cleared most of the old products at lower price points. And you will see going forward much more mid- to high price points at Reebok. At least high price points when it comes to the US market, between \$ 50 and \$ 100. And this will definitely help us to increase our margin.

**Christopher Svezia – Susquehanna**

**Four questions, if I may, the first one is on Reebok. Herbert, can you give us an idea on what other categories, outside of EasyTone™ or the Fitness category will be working for Reebok? Or to put it more specifically: It seems that Classic products such as the Princess continue to be pretty significant for the Reebok brand but continue to see declines. I'm trying to get an understanding of the balance between the new Fitness category, EasyTone™ and categories that Reebok is still very involved in and that are still very significant components of the business. Second question is just for clarification purposes: Do you expect actually top line growth for the adidas Group in the first quarter of 2010?**

**The third question is with regards to the € 100 million benefit that you're getting from the restructuring. I was wondering to what degree those proceeds and funds are reinvested back into the business. And could you clarify where they will be reinvested?**

**And lastly, the percent of sales on marketing expenditures in 2009, and any thoughts on going into 2010, certainly with regards to the World Cup, and what influence that might have there. Thank you.**

**Herbert Hainer**

Christopher, it is unfortunately too early to give you guidance on top line growth, as we have said already before. Regarding your question on Reebok's categories, it's Women's, Men's Training and Classics. Let me start with Women's and Men's Training.

For the Women's category, it is not just the EasyTone™, it's the whole Toning category, Muscle Activation as we call it. We will extend the EasyTone™ into Men's. And the other pillar, of course, is Classics, a core business of Reebok with a very rich tradition. You have named a few products: the Princess, the Freestyle, but also the Pump™ whose twenties birthday we're celebrating this year. These are the key categories for Reebok.

**Robin Stalker**

And Chris, I think you asked about the benefits of the €100 million savings that we expect to see from our reorganisation activities. Yes, we may reinvest some of that. Obviously, we will invest in the business. Our point about the reorganisation was to make us leaner and faster, to bring us closer to the consumer and also to make our cost base more efficient. Reducing our cost base, we may choose to use that to support the business of our brands. But firstly we have to achieve the € 100 million.

**Christopher Svezia**

**Herbert, one quick follow up on the Reebok brand, if I may. You mentioned some of the Classic products. Do you believe that things that you're doing on the fitness side, and how much you're expanding there, is that enough to offset more declines or more moderation in the core elements of the Reebok business, e.g. in the Classics category and its products, e.g. the Princess, Freestyle, et cetera?**

**Herbert Hainer**

We definitely do believe, Christopher, that the direction we're going is the right one. We do believe the Toning category and the fitness business, the idea of having fun doing sports, will be a growing area. Wherever you look it's about fitness, it's about wellness, it's about well being. This is obviously a trend. I also do believe that there's a huge potential out in the market when you look at the Women's business. There are not so many brands with a real focus on women. I think Reebok definitely has a great ability for that.

For Fitness, we have said that we want to repeat what Reebok did twenty years ago with step aerobics. We started with JUKARI, a complete new and groundbreaking concept. We now bring it down that everybody can use the workout in the future, not just some exclusive gyms. Yes, we definitely do believe that this is a huge category.

But also Classics: We will further expand on Classics and this category is also being redesigned and redefined. And I think we have proven our ability here with adidas Originals. In the first nine months, our Style division is up 11% in a very tough retail and consumer environment out there.

**Peter Farren – Bryan Garnier & Co.**

**I have just a couple of questions left. The first one for Robin – could you be more specific on the hedge rate for the dollar in the first half of 2010? And should we assume that the second half will be roughly in line with the spot price? My the second question is regarding Europe. You mentioned that North America and China inventories were still quite bad. Should we assume that in Europe, things in retail were never as bad as they were, for example, in the US? And is Europe therefore without the World Cup looking better than North America or Asia?**

**Robin Stalker**

If I look at the first half of 2010, hedge rates are around 1.37. Obviously it should be a little bit better for the second half of 2010.

But you seem to have misunderstood my comment on inventories. I did not say that there's still an inventory problem in America. I said that in fact America is probably one of the countries that has done an extremely good job on bringing down the inventory levels.

**Peter Farren**  
**Sorry, I meant retail.**

**Robin Stalker**

Ok, I think retail has been very disciplined and very clean, also in America. We believe that there is an overhang of inventories in China. But I think the rest of the markets look pretty good.

**Herbert Hainer**

Concerning your last question on Europe, which we think is not as volatile as some other markets, especially as America. It's definitely not good, but also not declining as fast. Within Europe, we have different situations. Germany, for example, is still doing well, holding up. On the other hand, Spain is a very difficult market with an unemployment rate up to 20%. And then you have the emerging markets.

Of course the World Cup will have a big impact on Europe, as well as on the mature markets. They all will be there, represented with their teams and most probably as I do hope, France and Russia will be there as well. Therefore in the first wave, what retailers order in terms of World Cup product might have a negative impact on other categories, because they don't spend 10% or 20% in addition to their normal buying volumes.

But when we go through the year, I definitely think that we will then see the other categories coming up. And in addition to that, Running is still a quite stable category in Europe. This is how I see it at the moment.