



**Deutsche Bank  
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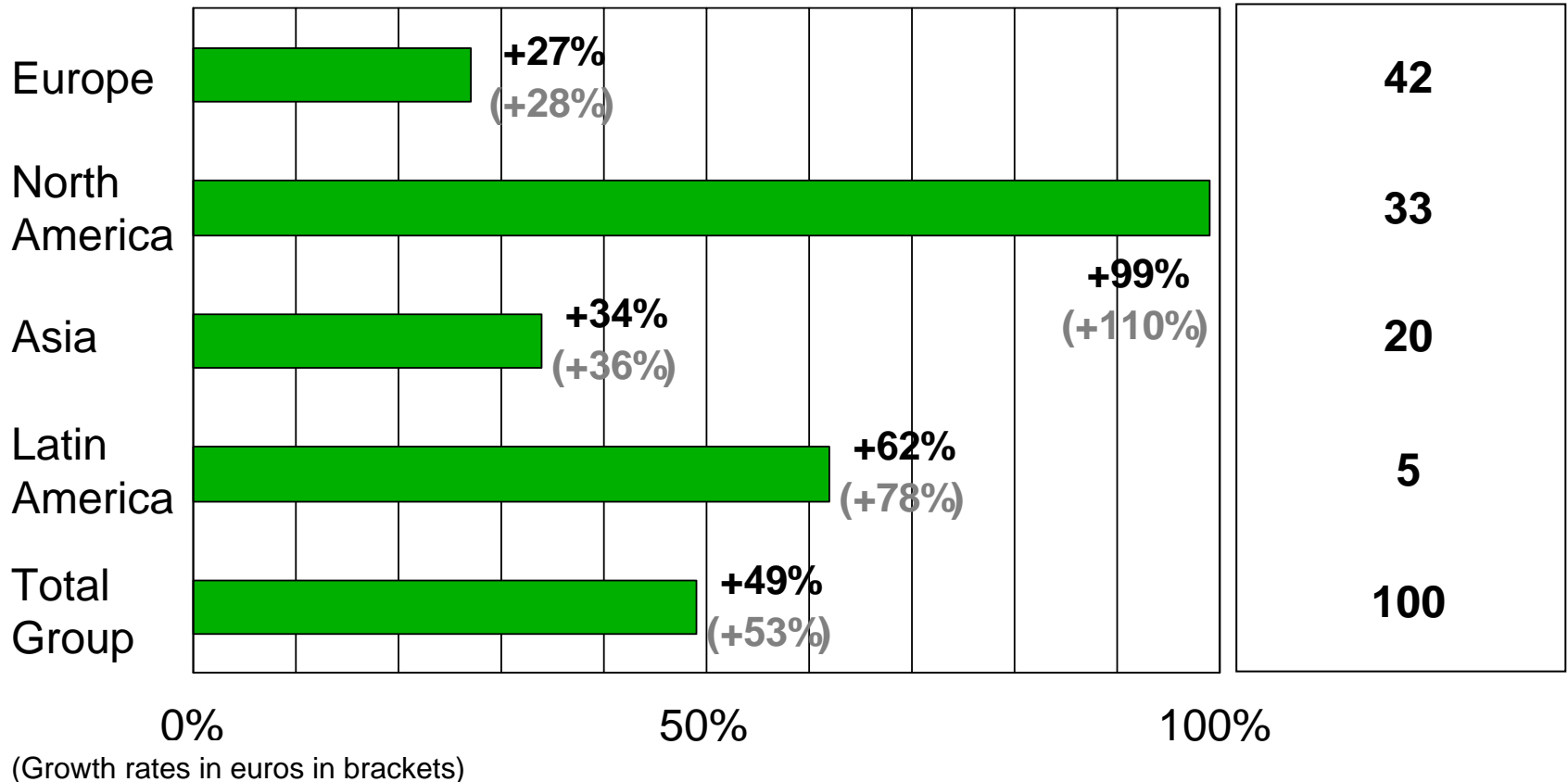
## Strong First Half 2006 Operational Performance

- 2006 FIFA World Cup™ strengthens adidas position as the world's leading football brand
- Strong financial results at adidas and TaylorMade-adidas Golf
- Important steps taken in Reebok integration



# Regional Sales Growth of Combined Group

Currency-neutral adidas Group YTD Net Sales Growth in % of total Group sales



# Numerous Factors Impact First Half Gross Margin

adidas Group gross margin 44.8% (-3.7pp)

 **adidas**

46.5% (+0.9pp)

- Product mix
- Own retail
- Clearance sales at better margins

**Reebok**

33.6%





- US exposure
- PPA impact
- Markdown/  
product mix

 **TaylorMade**

44.1% (-2.5pp)

- Metalwood promotion impact
- Greg Norman

## Positive Operating Expense Development

Opex as % of sales	YTD 2006		
	35.1%	↑	+0.9pp
	33.4%	-	-
	34.7%	↓	(1.2pp)
	37.0%	↓	(1.0pp)

**Operating profit +18% to €420 million**  
**Operating margin 8.6% (-2.6pp)**

## Strong IBT and Earnings Performance

- Net financial expenses increase to € 72 million
- Income before taxes grows 4% to € 348 million
- Group tax rate decreases to 32.9%
- Net income from continuing operations increases to € 234 million (+4%)

**Net income attributable to shareholders  
reaches €226 million**

**Basic earnings per share from continuing and  
discontinued operations increase 19% to €1.11**

## Three Unique Performance-Oriented 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**

## Outstanding adidas Financial Performance

- Q2 currency-neutral sales up 18% (17% in euros)
- Double-digit growth in all divisions and in all regions
- Football sales grow nearly 50%
- Own-retail sales increase 39%,  
on track to surpass € 1 billion in 2006





## World Cup Sales Exceed All Expectations

- Football category generates sales of more than € 1.2 billion in 2006
- On track to exceed all sales targets:
  - 15 million +Teamgeist™ balls
  - 3 million team jerseys
  - 1 million +Predator® boots
- Most recognized brand of the World Cup



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# Ground-breaking Brand Communication Initiatives



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# Football Partnership Portfolio Further Strengthened



## UK: Europe's Toughest Market

- The UK is the toughest sporting goods market in Europe
- New go-to-market strategy:
  - Creation of a new “Concept” range available to retailers who meet trade policy requirements
  - Segmentation supports long-term health of our brands
  - Positive initial responses from many retailers
  - Beneficial medium- and long-term effect on sales and market expected

# Exciting New Running Initiatives

## PORSCHE DESIGN



## adidas Backlog Strength Continues

	<b>Change</b>	<b>Currency-neutral change</b>
Footwear	0%	+3%
Apparel	+10%	+13%
Total	+6%	+9%

- Asia delivers highest growth rates
- NBA and Liverpool transfer support apparel growth

# Reebok Strengthens Partnership Portfolio



## Reebok First Half Performance in Line with Expectations

- No surprises in Reebok's performance
- Revenues decrease -12% on a currency-neutral basis
- Sequential improvement in sales and backlogs





## Strong Pipeline of Reebok Integration Initiatives

<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

## Numerous Initiatives at Reebok

- Distributor buy-outs announced
- Cost savings in sourcing confirmed
- Back-office functions combined
- Go-to-market strategy redesigned
- Co-locations underway



## Numerous Initiatives at Reebok (cont.)

- Media buying activities combined
- New COO for North America named, responsible for all three brands
- New head for branded apparel activities named
- NBA business transferred to adidas



# Reebok Backlogs Better Than in the First Quarter

	<b>Change</b>	<b>Currency-neutral change</b>
Footwear	-15%	-12%
Apparel	-19%	-16%
Total	-16%	-13%

- Sequential currency-neutral improvement versus Q1
- First positive backlogs in Asia

# TaylorMade-adidas Golf Growth Exceeds Expectations

- Currency-neutral sales up 28%
- Metalwoods promotion initiative to protect market share and maintain premium price points
- Initiative led to market share increases
- Short-term impact on gross margin



**Double-digit growth now expected in 2006**

## Full Year Targets Reconfirmed

<b>adidas Group 2006</b>	<b><u>Target</u></b>
Sales growth	double-digit
Gross margin	44 - 46%
Operating margin	ca. 9%
Net income growth	double-digit

## Setting an Even Stronger Pace

- Strong first half
- Ambitious targets
- Exciting operational initiatives



**adidas Group Well on Track to Reach 2006 Targets**

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QUESTIONS & ANSWERS



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 middle of the image in a large, white, sans-serif font.

# Appendix

## 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>