

This document is not an exact transcription of the Q&A session. However, in order to provide our shareholders and the interested public who did not attend the Investor Day with an overview of the key questions and answers, the Group has summarized its contents. No guarantee can be given for completeness and accuracy.

Q&A adidas Group

Herbert Hainer, CEO and Chairman of the Executive Board

Robin J. Stalker, CFO

Herbert Hainer

Before we start with the first question, let me clarify a misunderstanding. During the lunch break, I was asked several times whether we expected Reebok sales to grow in 2008. I would underline that we do. Paul [Harrington, President and CEO of the Reebok brand] just said before that we do not expect sales growth for Reebok in 2008 in the US or the UK, but, of course. But we definitely expect to grow Reebok's total sales in 2008.

Question

I assume that most of your manufacturing is done in China. I just wondered what the percentage was, and how would you be impacted if, for some reason, you couldn't any longer source products in China?

Herbert Hainer

Currently, almost 50% of the total footwear volume is sourced in China. On the apparel side, it's less. In general, we regionally balance our production around the world. In the future, we will continue to move more production to countries such as Vietnam and Indonesia. So the percentage of product sourced in China will come down.

Robin Stalker

I'd just add that, obviously, when you look at the competitive landscape, all of our competitors are also producing in the same sort of countries so this isn't a unique risk factor to our Group.

Bernd Janssen, UBS

With respect to the current economic uncertainty in the US. could you please make some overall comments on the Group - to what extent do you see a certain weakness among retailers with regards to your order intake? And a follow-up question on Reebok: When do you expect sales, when backlogs in the U.S. to be positive again?

Herbert Hainer

Let's start with the US. If I sum it up for the Group, then the picture is no different than for the individual brands. We talked about adidas and Reebok in the US. And as we stated earlier, we definitely do believe that the adidas business is going to continue to grow

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further in this important market. Brand adidas US backlogs, at the end of the second quarter, have improved sequentially. But when you look at the general market situation in the US for the sporting goods industry at the moment, you'll see a mixed picture. The market is difficult, only the sporting good retailers have had some good results. For example, Dick's Sporting Goods released their numbers two days ago. They have been quite good, so there definitely is a potential for us to grow in this channel.

With respect to your second question, let me reconfirm that we definitely expect Reebok sales to grow in the US in 2009. Therefore, the brand's backlogs should turn positive in the US in the second half of 2008, reflecting orders for 2009.

Matthias Eifert, MainFirst

You seem really excited about your prospects in China. Do you really believe that China could bail you out if there is any bigger weakness in the US? Or do you expect a negative spill over effect onto China in case the situation in the US worsens?

Herbert Hainer

You said I was always excited about China. Yes, and that's true. You have followed us quite closely over the recent past and everything I have promised for China has come true. You see how fast the business is growing and how many stores we're opening. And if some of you were in China recently, you would definitely have seen how well our brand is presented. I talk especially about the adidas brand, but also with Reebok we are catching up -- and the sales and profit figures confirm that. Currently, I don't foresee any problems in China. I have spoken to our guys in China recently and I'll go over again in September. We haven't had any slowdown in sales. Instead, it's just the contrary. The business is very good. However, the potential impact of the crisis related to the sub-prime mortgage market in the US is quite difficult to foresee at the moment. In our business and within our industry, we currently don't see any issue in China at all.

Brian McGough, Morgan Stanley

You've outlined a lot of opportunities for revenue growth and also potential for cost savings. However, it's tough to find a brand in this space where you can grow revenue and cut costs at the same time. Secondly, you said you expected to spend 11% to 12% of Reebok sales on marketing. I'm wondering if it makes sense to take that up to the mid teens, at least for a year or two, in order to really kick start the top line. Is that something you considered?

Herbert Hainer

You said you wondered how we can drive revenues on the one hand and cut costs on the other hand. If we had a stand-alone business, then this would definitely be more difficult. But we benefit from integration synergies. There is no doubt that - with the integration of

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our sourcing, warehousing, IT, back office functions, and even marketing buy - we are saving real money. As a result, we can invest to drive revenues, for example with the roll-out of our own retail activities in China and Russia, but at the same time also save costs.

Of course, there would be a possibility to raise Reebok's marketing working budget to 15% or so. You just need to tell me by how much you want me to lower my net profit guidance (laughs). Seriously, yes, we could certainly increase our marketing spend, but we would also need to have the products and the concepts that justify a higher spend. At the moment, in light of the products, the concepts and the new media we have in place, I am absolutely convinced that 10% to 11% of sales are a good level for our marketing spend. As Uli said earlier, it's not a question of quantity. It is a question of quality, and we need to be smarter in how we spend our money. There is no doubt that there will be opportunities if you do new things, if you go new ways, if you are the challenger, and if you not just spend your money the old, traditional way.

Mark Josefson, Kepler Equities

Your move to more at-once sales rather than forward orders, and the development of your directly operated stores seem to imply more stock within the business. Yet with your presentation, Robin, you were alluding to further reductions of operating working capital as a percentage of sales. Can you foresee the situation whereby operating working capital actually goes up in the short term and then comes back over the next couple of years? In addition, I remember you historically talked about 30% gearing as the optimum level. Now we talk about 50%. Can you just bring us up to date in terms of what your thinking is about the debt level?

Robin Stalker

When talking about controlled space, it's important to note that these are not our inventories. But, you're right when it comes to our own retail, where we do create more inventories, which will also impact our working capital. Because we have so many potential improvements throughout all of our brands, I remain very confident that the quality of our working capital will continue to improve. So, at the moment, our working capital is around 25% of net sales. You should expect that to continue to improve going forward.

In terms of our leverage, it's not correct that we have just come today with a target of 50% as a debt-equity percentage. We've been saying that for some time, definitely since the acquisition was announced. Whether 50% is the last figure, I think we should wait and see at the moment. We believe that this level offers the appropriate flexibility that we need in this Group. We should get there fairly soon, and then let's look at what our opportunities may be to further decrease that or to use that money for something else at that stage.

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John Shanley, Susquehanna

You pushed back the turnaround timetable on the Reebok brand a couple of times. We're now looking at 2009. At the time of the announcement of the acquisition, it was said you expected it by 2007 to be a turnaround story. What gives you confidence that 2009 is when you're going to see a recovery in terms of the brand's presence and the market, especially given the tough market environment, particularly here in the U.S. and the UK, which continues to be a heavily promoted market? Also, do you have any concern about the rapid build-up of own-retail stores in China? You plan to have 7,000 stores, Reebok 1,000, Nike 6,000 to 7,000 stores. Li Ning stands at 2,000 stores and Puma has even 700 hundred stores. The market appears to be about one-tenth the size of the U.S. in terms of total retail revenue. The U.S. is about a \$19 billion business. We had a big shakeout here in the U.S. in '97 and '98. A lot of people in this room got hurt in that process. Is there a risk, do you believe, that there could be a similar shakeout in China post the Olympic period?

Herbert Hainer

So let me start with your first question, John. You said we had pushed back the Reebok turnaround several times. I don't think this is a fair statement. In 2006, Reebok developed in line with our guidance; revenues declined by a mid-single-digit rate. We have said that in 2007, Reebok sales are expected to grow by a low-single-digit rate, and this still holds true. And I said just 15 minutes ago, I do believe that we will grow the business in 2008 already, and not just in 2009.

Your comments refer to the US market, but let's look at that in more detail. We have extensively outlined our situation in this market today. I believe the decision we have made with regard to the biggest customer here was exactly the right decision and will help to clean the market and to re-position our Reebok brand for the long-term future. I am absolutely convinced that, as Paul said earlier, we will see Reebok grow in the US in 2009.

And we should not neglect the international markets, be it Europe, or be it Asia, because these markets are Reebok's biggest growth drivers. There is no doubt. And when I look at the adidas brand during the last five years, it was also in Europe and in Asia, where we have most grown sales and profitability. So I would ask everybody in this room to please consider the international markets, Europe and Asia, as well, because these will be our most important growth markets, especially for Reebok in the next 12 to 18 months.

Coming back to your second question on China, yes, there are a lot of stores. For sure, all kinds of different brands are expanding heavily in own retail, but due to the huge consumer base, I believe the market isn't overcrowded yet. However, the expansion must be well managed. Just think of the around 1.3 billion people from whom 10% can afford our products - and our products not high investment goods. If 10% of the overall population can afford our products, we talk about a consumer base of around 130 million

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people. Therefore, in total, the market definitely is not saturated yet. There is a focus on certain locations, for example the main shopping streets in Beijing or in Shanghai, where we opened a store with 200 square meters five years ago, a second one with 400 square meters some time later and now a huge one with 3,000 square meters. But we are now expanding into tier two and tier three cities, which are all over 1 million people. So, in the sum of things, I don't think that the total number of stores in the industry, be it 7,000 or 10,000 in 12 months from now, is too high. There may be certain places where there might be too many stores, but this will be a normal cleanout process.

Melanie Flouquet, JP Morgan

I was wondering whether you could help me understand what is going on between apparel and footwear. There seems to be a dichotomy of the performance between these two categories, of course at Reebok, but even at the adidas brand and in the industry in general. In footwear, I appreciate that adidas is doing better than Reebok, but nonetheless it is still a relatively softer performance than apparel and it's also true of the industry. Some people are talking about a shift towards brown shoes. Do you share that view? How long could that cycle last? And in apparel, on the contrary, the growth has been spectacular. Where is that growth coming from? Is it coming from technical products? How do you explain the difference to footwear? Is it coming from fashion and how long is that going to last in that case, now that we know 2007 has been a very strong year for casual fashion and sportswear. Are you expecting this trend to sustain?

Herbert Hainer

Over the last couple of years, apparel was been under-developed in the whole sporting goods industry, be it adidas or Nike. This has been a huge potential for all brands to build upon. We will follow the same strategy with Reebok. Traditionally, Reebok has hardly had any apparel business except for licensed products. We are working hard to develop this potential and building on the brand's licensed apparel business. Remember that the overall apparel market, including the lifestyle segments, is significantly bigger than the footwear market.

As you have seen especially in Erich's presentation, and Uli has alluded to that as well, we are really expanding our performance apparel offering with ForMotion, ClimaCool, and Kinetic Fit. This is what we believe has made us unique in the industry and has completely changed the golf apparel industry, as Mark mentioned. For example, brands like Ashworth which used to dominate the golf apparel market with plain cotton shirts are having a hard time nowadays, because companies like ours have launched new high-performance, technological fabrics. With our innovations in the apparel market, I believe, we have really helped grow the overall market as well. It is not just coming from the fashion side. Clearly, it's about innovation and technology.

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And to your question about brown shoes: Yes, there has been a modest shift to brown shoes recently. However, in the last 20 years, we have seen this trend constantly shifting back and forth between white and brown shoes. That is why we believe Rockport can be a jewel for us. As I have mentioned in my morning presentation, Rockport's urban-type shoes are now being offered at Foot Locker for the first time. So, we see lots of potential for Rockport and we will focus on expanding this offer in the next few years. In the end, that should give us a better balance between sporting goods and brown shoes.

Melanie Flouquet, JP Morgan

I have a follow-up question. Usually, the adidas brand does very well in a year of events. In a non-event year, sales growth tends to be lower. This year has been exceptional on very tough comps, but you're still targeting only mid-single-digit sales growth. What does that imply for '08? Does that mean you've set your sales comps so tough that, even though '08 has two major events, sales could increase by only a high-single-digit rate instead of a double-digit rate, which we would have expected? Or is there something that could sustain these double-digit sales increases going forward, even in non-event years?

Herbert Hainer

I believe in the last six, seven years we have managed to significantly better balance our business between event and non-event years. Let me go back to the year 2000. In this year were the European Football Championships and the Olympics in Sydney. In 2001, we grew. In 2003, we grew after the World Cup in Japan. In 2005, we grew after the European Championships in Portugal and the Olympics in Athens. In 2007, we are growing after the World Cup, and, without going too far, in 2009, we will grow again after the Olympics and the European Championships.

In general, we launch key product innovations in non-event years and support them with strong go-to-market strategies and marketing support. In event years like 2008 with the European Championships and the Beijing Olympics, we concentrate on events to have our biggest impact. This is the way we have structured our business, and it works quite well. We have grown currency-neutral revenues in the last seven years and also expect to continue to do so also in non-event years.

Faye Landes, Ziff Brothers Investments

I promise this question is not as US centric as it may sound. You mentioned basketball as an area of focus, and you also mentioned the NBA Championships this fall, which I think had historically low television ratings in the United States. Also, basketball shoes in general have been a very weak category. This is of course a very expensive category to play in. Could you please talk about whether you think this is a secular trend or is it just cyclical? How does this affect your business and how can you deal with that?

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Herbert Hainer

Your comments are definitely correct. We would all like to see the basketball category do better in the US. But that's not how it is at the moment. Erich has outlined quite clearly what we expect from our relationship with the NBA and what our initiatives are going forward. First and foremost, I believe we are looking at a cyclical trend that has come and gone a couple of times during the last 20 years. Trends regularly shift from category to category, from tennis to running, from running to basketball, from basketball to brown shoes and so on. I'm sure basketball will come back too.

Erich also mentioned is that we see enormous opportunities in basketball internationally. This is especially true for Asia, where we now benefit from our connection with the NBA and can fill our more than 3,000 stores in China with NBA product that we have newly brought to market. This is just one of a number of reasons why we have quite ambitious revenue targets for the next few years in the basketball category.

So, summing it all up, yes, the U.S. basketball market is tough at the moment, but with the assets we have in hand, I believe, we can grow our basketball business in 2008 and going forward.