adidas GROUP

adidas Group Full Year 2009 Results
March 3, 2010
Q&A session
adidas Group participants:
Herbert Hainer, adidas Group CEO
Robin Stalker, adidas Group CFO
John-Paul O'Meara, Vice President Investor Relations

Matthias Eifert – MainFirst Bank
I have a question regarding your 11% operating margin target, which was so far defined as a mid-term target. Does this now become a long-term target with the 6.5% target for this year? Can you maybe look a little bit beyond 2010? How should we think of this subject, is there going to be progress?
Second question regarding the net debt reduction, you gave out this 2 times net debt to EBITDA target. Does that mean there is room for potential acquisitions again?
And as a last question, do you have any kind of target in mind, regarding own retail as a percentage of total sales? I had the impression that you are quite happy with the current 18% to 20% share you have right now? Is that getting much bigger now? Thank you.

Robin Stalker
Firstly, no, we are definitely not moving away from our 11% operating margin target. It is definitely still a very realistic mid-term target. For us, 2010 is going to be a year of investment to ensure that we accelerate our growth opportunities and that this is going to be profitable growth. We have significant growth drivers going forward. You've seen them in the very obvious and visible turnaround of the Reebok brand and it needs to be supported, or it warrants support, so that we can capitalise on this growth in the medium term. Not just in this year but obviously also in the years to come.
Secondly, the clarity that we are providing now, also on our retail business, and the focus we have in our retail should give you a good transparency on our retail business. There's a tremendous opportunity to further improve the profitability of retail and that also obviously will contribute to reaching that 11%.
And finally, I think the initiatives that the Group has taken in 2009 to reorganise are effective, not just in terms of the direct approach to the consumers and the speed to the consumers, but we are also becoming more efficient. Our joint operating model and the removal of regions gives us a much more efficient cost base upon which to grow our profitability going forward.
So the 11% is very much a mid-term goal and realistic at that. The same point was about the debt. We have absolutely no plans at the moment to do any acquisition. However I think it is appropriate at the moment in the short term to focus still on this financial flexibility and paying down debt. We do want to maintain giving this sort of long-term guidance about our balance sheet and guidance about debt equity, so that we have enough room in there also at some later stage to be able to take advantage of an opportunity should an opportunity be available.
We have no plans to do so at the moment and I would suggest that the progress we are making on the Reebok turnaround is extremely good. But we have no other expectations at the moment in terms of acquisitions.

The third point about retail, we have always talked about retail in the last, at least, two or three years in terms of controlled space, so retail is a part of controlled space but there are other parts also. That is shop in shops. There's also franchisees. At the moment we're probably looking at a controlled space share of our total sales somewhere between 25% and 30% and we would expect this to grow to over approximately 35% to 40%.

Andreas Inderst – Exane BNP Paribas
First question on current sales trends, you had flattish sales development in Q4. How did the year start? I hear that some new products were well received but maybe you can provide us with more information particularly on Reebok and the toning category. Has this further accelerated? Also in TaylorMade and maybe from a regional perspective?
Second point on your operating expenditure guidance, I still don't fully understand. You talk about a modest increase in marketing spend overall. On the other hand, we have significant one-offs, more than €100 million in 2009. We have savings from the restructuring. I assume we should reach € 80 million to € 100 million. So what do I miss here? You talk about investments in own retail. Is that maybe the link? Maybe you can give us a number how this compares to 2009 for the year, the remodelling and new store openings.
My third question is on own retail. A 14% EBIT margin, which is good, you excluded marketing spend, what would your target be for the mid term in terms of margins and how do you want to achieve that? Thank you.

Robin Stalker
So I will start with questions two and three and then Herbert will come back for the answer to your first question. In operational expenses, well, I don't think we did say that there would be a moderate increase in marketing. We are highlighting that 2010 is a year to invest again in marketing. We saved about € 160 million in 2009 on the sales and marketing working budget.
And that is not able to be saved again in 2010. In particular because 2010 we have not just for the adidas brand, Sport Performance, the World Cup, we have the initiatives that Herbert spoke about in his address in terms of Sport Style and of course we have the turnaround of Reebok and the support on that. So it will be an increase, a more significant increase in marketing than perhaps what you are anticipating.
In terms of retail, yes, there will be a further investment in retail and here we are not just talking about the shop openings or the refurbishments. Herbert mentioned there would be about 150 shops opened and 200 refurbished, but also we are setting up a new and separate retail management organisation. We believe that that is necessary and good to ensure that we run this as a retailer in the future and get the benefits out of that in retail.
And that leads onto the answer to your third question about retail profitability. No, I am not in a position today to give you specific guidance about a percentage for retail, but you can be assured that we are now separating this, and managing it separately should suggest to you that we see a lot of opportunity to grow profitability here and we clearly expect to grow profitability in 2010. But more significantly in the future as we learn from the investment that we are putting into retail at the moment and the management structure that we are putting into that.

Herbert Hainer
Coming back to your first question, sales trends for 2010, obviously we will not give you any indication for January. As you know, we only report on quarterly results, but be assured out of all of the knowledge which we have in terms of backlogs, retailer reaction, and to a certain extent consumer reaction to our first two months product offering, we are quite confident that we are on a good way to achieve our guidance for sales in 2010 and revenue just mentioned a few minutes ago. And we therefore feel assured that we will grow our business in 2010.
And the same, by the way, for Reebok, it will be little bit more loaded on the second half of 2010 because we now expand for the third quarter our offering on EasyTone™. Also, we will have JumpTone™, RunTone™, etc., so Reebok will definitely grow in 2010.

Michael Kuhn – Deutsche Bank
Three questions also from my side. The first one also on guidance. I think expectation in the market was that we see a big step back to normality in 2010 and a smaller step in 2011. 2010 seems to be a year of investment. So can we assume that the step in 2010 is somewhat smaller and expectations for 2011 and beyond should be somehow more positive?
The second question again on marketing spending which was cut by about a percentage point of sales last year. Could you give us an indication, do we go back to 13% this year or is it a smaller step back?
And finally on the toning category in the U.S., where you obviously have big hopes and the category had some USD 250 million of sales last year. Can you give us an indication on what you expect in terms of market growth in the toning category and which market share you currently have?

Herbert Hainer
Let me start with your question on 2010. I have of course seen this morning that some people were disappointed because of our outlook for net income, but I can tell you that we are not here just for 2010. We definitely see a big opportunity in 2010 to invest and to steal market share from a lot of other competitors. Because I do believe that there is no other company – at least I haven't seen one yet in the first eight weeks this year – with such innovative concepts as we have. And you have seen what we are bringing to the market not only in adidas football but also on the Reebok and TaylorMade side. I think there is no need for any further proof how innovative we can be.
This is why we are investing more than normal and this is why we believe that this is the platform and the foundation for our future success and not just for 2010 but for the years ahead. And therefore answering your second question, yes, we will invest more in marketing but it will not be just a smaller amount. We will go back to our 13% to 13.5% on marketing working budget which we spend in the years where we have big sports events like the Football World Cup.
Last but not least, toning in the U.S., you are correct, this was a business of around USD 250 million in 2009. All the experts expect a USD 1 billion business in the U.S. alone in 2010. Reebok had a trend of up to 40% of market share by the end of 2009 with EasyTone™. We are by far the clear market leader. We have shown you how we are expanding our product offering and distribution policy. And with our pricing strategy through the various different models we believe that we will be the key leader in this category.

And I told you already a few minutes ago that we will sell over 5 million pairs of EasyTone™ in 2010 alone. This does not include any ZigTech™ shoes for conditioning, which is also part of the toning and conditioning category.

Christoph Dolleschal – Commerzbank
Three questions, if I may. Firstly on the regions: Robin, you talked about Russia and a third of Russia being the drag to the gross margin. Can you give us an idea at which dollar/rouble rate you would be profitable in Russia? Obviously Russia being such a big problem.
Second thing, China with a 22% currency-neutral decline in the fourth quarter, I'm wondering whether the channels are clean now in China and whether we can go back to the growth pattern then in 2010 or 2011?
And last but not least, a bit of a more general question on the pricing sensitivity of consumers. I know you were asked that question a couple of times but probably an update there, whether you see a change in the pricing sensitivity and whether there is some sort of down-trading for example in the U.S. market?

Robin Stalker
Your question about the Russian rouble: We obviously don't disclose profitability by country level. And what we are talking about with the rouble is the impact that it has had on our top line and obviously the gross margin. And you are seeing the rate to the euro go from somewhere around the high 20s up to 45 or so. I think we are back down again now to around 40.
There is an opportunity for us to benefit a little bit from that improvement in 2010, but the significance of that devaluation over the 2009 period was the reason for that negative impact. Again, we are very confident we can get benefit out of that, obviously.

Herbert Hainer
So second question on China, for the full year when you look, we have a minus of 16% and this is exactly in line with what our key competitor has announced for their China business in 2009. In the first quarter, we have deliberately not shipped so much products into the channels as they still have excess inventory. Not as much as in the second half of 2008 and the first half of 2009, but there are still one to one and a half months too much inventory in the retail sector.
We will also clean this out to a lesser extent, because it's not that big anymore, in the first half of 2010. In the second half of 2010, we do believe that we will already get back to growth in China.
The last question, pricing sensitivity, of course when you have a financial and economic crisis you immediately see that there is a price sensitivity out in the market. People start to down-trade both on the retail side and consumer side, both are more cautious about how they buy.
On the other hand, when you look for example at the U.S. where the market was heavily influenced and impacted by the financial crisis, Reebok is coming out with a new product idea, EasyTone™, and they are able to sell it at USD 99. Reebok was not able to sell product for USD 99 in 2007 and 2008 when we didn't have a financial crisis.
So yes, it is more price sensitive, but when you come up with the right product and new, innovative concepts, then you are able to sell. This brings me back to the point that I said before. I do believe that we have a pipeline of much more innovative concepts in 2010 than any of our competitors.

Louise Singlehurst – Morgan Stanley
Good afternoon. Three quick questions please, if I may. Firstly, what is the underlying cost inflation that you are assuming for 2010? And within the additional operating expenses that we have had this morning, are there any costs in this year which are one-off? So we've got the World Cup costs but any one-offs within Reebok as well?
Then we have heard a lot about the new marketing initiatives for Reebok. What is the sales uplift that we should expect from the brand over the next two to three years.
Then finally, if you could give us some colour on inventory by different geography? We've got the improvement across all regions and brands, but what's the flavour across Europe? Thank you.

Robin Stalker
Okay, well, that obviously depends on the individual regions. So it's not a general estimate for the cost inflation. We are definitely benefiting in 2010 from improving import prices, compared to 2009.
We are certainly not anticipating either any particular one-offs in the guidance that we are giving you, in terms of our costs. We wouldn't necessarily suggest that the World Cup is a one-off either, because we do marketing, obviously, every year.
Then in terms of inventories it is definitely the case that our inventories have gone down double-digit basically everywhere. So there isn't a particular area that I would highlight to say that was particularly good or that was less good. It really is across-the-board double-digit improvements in our inventory.

Herbert Hainer
Second question was sales uplift from the Reebok initiatives which we are doing in 2010 and beyond. Of course, you will see a big uplift on the EasyTone™ product range and on the toning category. We will sell more than 5 million pairs of shoes in 2010, let me put it that way.
ZigTech™ will also be a very successful launch next week on March 11th. We got a fantastic reaction from retailers and from the media when we pre-launched it a few weeks ago at the Super Bowl in Fort Lauderdale. And all the feedback which we have got from our customers in America is very promising.
But these are only two key pillars. We are working on a lot of other initiatives. I mentioned the collaboration with Giorgio Armani. And let me tell you that we are quite proud that one of the most famous fashion designers, Giorgio Armani, is partnering with Reebok and he is doing it because he sees the potential of this brand in the future, and he wants to gain from our sports credibility and the combination of sports and lifestyle which Reebok will deliver in the future. So yes, you definitely will see a continuing uplift for Reebok in 2010, 2011, and going forward.
Last but not least, the third question was on the European market; how do we see Europe from a geographical perspective? In Europe, of course, we have a lot of mature markets. We have to differentiate between a very stable Germany, I would say, a recovering UK, but a still struggling Spain and also consider all the macroeconomic surroundings. Nevertheless, the World Cup will help us because in all these countries football is the dominant game. And especially with the World Cup, we are outfitting three of the teams, France, Spain and Germany, as you know. So I

believe that we will see growth in all of these countries even if it is moderate for 2010, but with the help of World Cup, I think we will have good momentum there.

Louise Singlehurst
Thank you, and just a quick follow-up in terms of Reebok, the gross margin being low 30s in 2009, within the Group target for 2010 what is the assumption for Reebok? Thanks.

Herbert Hainer
The assumption is definitely that our margin will increase. As we've discussed, if we are able to sell a product for $99, an EasyTone™ or a ZigTech™ will be similarly priced and the margins are definitely better than if we sell a product for $40 or $50, which we did in prior years.
And also with the extension into Europe and Asia, we will see in the future, not just in 2010 but also going forward, an up-lift in the margin. Our strategy is quite clear. We first want to conquer the U.S. market because this is where Reebok is most well known and prominent and with this success, we roll all the programmes out globally into Europe and to Asia and Latin America.

Antoine Belge - HSBC
Three questions, if I may, please. First of all, coming back on the World Cup, I think you were expecting more or less the same amount of sales in the last World Cup. Could you comment if you are expecting further higher marketing budgets related to the World Cup? In other words, is it more costly now compared to four years ago?
And then a question on the U.S.: What kind of environment do you expect in the U.S. in 2010 or what is included into your guidance?
Finally, regarding the guidance in general, I think the market seems to have been surprised by the announcement of such a heavy investment or at least when you look at what the consensus figures were ahead of that communication. So could you perhaps share with us how you came to the decision that it was right to spend much more in the short term? Was this decision the conclusion that you have done such a great job in terms of free cash flow and you should be spending more?
And if so, what has been the timing of that decision given that your estimates have been going up over the last couple of months and so people maybe could have been adjusting their figures?

Herbert Hainer
Let me start with the World Cup. You have been assuming that, we are expecting more or less the same amount of sales this year as four years ago. This is not the case. We do expect record sales for football in 2010. I believe we will overachieve the € 1.3 billion which we reached in 2006. And everything that we've seen so far on our World Cup programme is pointing in this direction: the jerseys which we launched in October or the ball launch in December, and then going into the new year with all the other initiatives, our white German federation jersey, the golden ball for the final and so on. Hence, we are quite confident that we will see new record sales. And in terms of marketing working budget, this will be similar to that what we spent on the World Cup in 2006.
For your second question on the U.S.: I think the U.S. environment will still be challenging in 2010. On the one hand, we see that consumer confidence is not back at the levels which it was at before the crisis. On the other hand, as I said before, when you are able to bring innovative

concepts to the market, then you can still be quite successful. Our EasyTone™ shoes for example are selling with sell-through rates between 20% and 40% in special accounts. And I also expect for adidas in North America, after a reduction in 2009, growth in 2010. It will not be double-digit rates, but we definitely think that we will grow our business in North America for adidas as well.

Robin Stalker
And for your question on our investment decisions: They are in line with our long-term communicated guidance that we view marketing as an investment. We support our brands. We support our events and I think, as Herbert already mentioned, we are going back to 2010 at a level of marketing working budget to be 13% to 13.5%. That's our normal level. It was just that 2009 obviously was at a lot lower level because of the economic environment. Also, because we were able to save on flexible marketing spending in a number of regions and brands in line with probably what our competitors also did, but without losing any particular share of voice.

Antoine Belge
Okay, so second follow-up, if I may: Since you are expecting higher sales in football, you are expecting even the U.S. market to grow. Does this mean then that your sales guidance is a bit conservative in that context?

Herbert Hainer
Well, please bear in mind that there are some markets out there which are really challenging. One is definitely Japan, which is not in good shape. We have deflation in Japan. The economy has not been growing for I don't know how many years. And this is a big market for us. And then, in China, we are still doing some clean-up in the first half. We also have some of the European markets where we still see a challenging situation. We therefore don't think that our guidance is conservative.
When you look around at what is happening in the world at the moment, we cannot predict a situation without any risks. Look at for example Greece and the issues we are facing there these days. People are speculating on the pound in the UK. Therefore, we feel quite comfortable with our guidance. If it should be better during the course of the year, we will let you know early in advance.

Julian Easthope - Barclays Capital
Good afternoon. Three questions as well, please. Coming back to the working capital. You obviously had a fantastic year in 2009 but you did say at least in your commentary that working capital would increase or will get worse as soon as you start going back to growth. As we are expecting growth in 2010, I just wondered if you could give us some guidance as to what you think will happen this year in this area.
Coming next to foreign exchange sensitivity, there have been so many movements in all the various different currencies and you have obviously given more details in terms of the top line and revenues. I wondered if you could give us some idea on how you estimate the current sensitivity to movements in the dollar rate?
And lastly, in terms of marketing budgets increasing this year: What was the market like for sponsorships? Is the environment there getting more competitive? Are you actually still going to get good value for money now compared to last year? Thanks.

Robin Stalker
Regarding your question on operating working capital, it is our very clear intention to continue to improve operating working capital as a percentage of sales. So the quality should improve, definitely that is one of the goals we have also for 2010. However, as a growing company again, the requirements are going to be higher, therefore we expect that it will be higher.
But we're still showing good discipline on all of the balance sheet items and it is our intention also through disciplined working capital control that we will still be in a position to improve our debt position in 2010.
In terms of foreign exchange sensitivity, yes, that is a major issue for our Group. It always has been because we have a particular need for the U.S. dollar: We purchase in dollars and we have a dollar deficit against the euro of something close to 2 billion. And therefore, a strengthened dollar will have a negative impact on our purchasing activities. While it brings us, however, probably some positive effects on the translation.
But the negative impact will definitely not show in the next year and a half because for 2010, we are fully hedged. For 2011, we are at least 50% hedged. So a strengthening of the dollar is an issue that comes to us some time in 2011.

Herbert Hainer
Regarding your third question on marketing working budget: Every coin has two sides and this question also has two sides. On the one hand we have seen a certain discipline on all the partners involved in 2009 when it comes to sports assets and sports marketing deals. On the other hand, I am also absolutely convinced when it comes to the real key symbols – these are a few football players, a few football teams, etc. – they will not get cheaper.

Tony Shiret – Credit Suisse
I've got two questions, one on pricing and one on retail efficiency. On pricing, I know you've got an incredibly complex business and it's probably not a very straightforward answer to give. But in terms of the price per unit that you set out to achieve in 2009 as a change from the year before, what was that? And for 2010, what will that be? And within the pricing question, the price per unit you actually achieved in 2009 versus 2008?
Moving on to retail efficiency, I was wondering when you talk about the improvement in your retail efficiency – what are the areas in terms of operations where you think you could be significantly better? And if you could give us a feeling for what the metrics in this are. I presume you are talking about sales densities, achieved availability, return on invested capital, that sort of thing, where you are versus where you want to be.

Robin Stalker
So, let me give you an answer on your question on average selling prices. In 2009 we were definitely under pressure. We anticipated that obviously. In fact, in light of the mitigation efforts that we had for the increase in input costs, you may remember a year ago we were expecting we might be able to mitigate some of those by increasing prices. We were not able to do that. Therefore, everything in the area of selling prices was under pressure in 2009 compared to 2008, but definitely our expectation for 2010 is higher and we expect to see an improvement in 2010 over 2009.

Herbert Hainer
On your second question on retail efficiency. As we said in our presentation, we do believe we can be more efficient and this is one of the reasons why we have separated our sales division into wholesale and retail. First and foremost to run our business more efficiently and then to have more transparency in the future and also to be able to be more transparent.
In terms of retail efficiency, we have started own retail mainly by giving the consumer a better opportunity to see our brands in their full breadth and depth. This was originally more a marketing-driven and marketing showcase for our products and categories. I said in my speech already that we have to become more commercially driven also in our own retail. This means supply chain, replenishment in the stores, IT, etc. We must know every minute what our retail sales around the world are. We must get more transparency on the processes, how we bring products to market efficiently, etc.
In every category there are improvement opportunities and areas where we are not yet where we want to be. But we are tackling this really hard. We have hired Michael Stanier, some of you might know him. He has worked his whole life in retail. He started at Marks & Spencer and his last position was with Gap. He started six months ago and is building up our whole retail organisation.
We have six so-called "ROCs", Retail Operations Centers" now according to our markets, as Robin said before. And we will take it cluster by cluster. We have therefore also split our reporting into these new three segments, so that you will get more and more transparency on our own-retail business in the future.

Thomas Rosenke – WestLB
I've got two questions regarding China. First, you said that you've signed a memorandum of understanding in China in cooperation with Reebok and the shoe retailer Pou Sheng. Could you give us some further details on that?
Secondly on China, regarding the adidas brand, in earlier statements you said that you target revenues of € 1 billion in China by 2010. While this looks rather unlikely now for this year, but when do you expect to achieve this target in China?

Herbert Hainer
Let me start with your second question. What you said was correct. I said in earlier statements that we are targeting to generate € 1 billion sales for China by 2010. We were relatively close to achieving this in 2008. 2009, obviously, has thrown us back with a minus of 16%. But we are expecting to get back to growth within the second half of 2010. I cannot tell you now if we will achieve our target then in 2011 or 2012, but we are not far away. We have not been so close already and we will get back to growth. And all I can say is that there is still a lot of potential out of China.
You might also have realised that we have changed our management. We have brought Christophe Bezu, who was running our Asian business for 10 years, back to China because I see a lot of potential still in this market especially in the tier 4, 5, 6 cities where we are not as present as our local competitors.
On your first question on Pou Sheng and Reebok: Yes, we have signed a memorandum of understanding. Pou Sheng is not only a shoe retailer. Pou Sheng is by far the biggest producer

of shoes in China and belonging to the YY Group. They are on the one hand a supplier to us. On the other hand, they are one of our key retailers as well.
So we believe that they can help us to build the Reebok business by being much faster in the market and producing exactly what the market needs and expects in terms of sports, lifestyle etc., which Reebok is positioned for.

Tim Burkhardt – Landesbank Baden-Württemberg
Two quick follow-up questions from my side. The first is on your US dollar hedging rate for 2010, especially for the first half of 2010 versus the second half.
The second question is then a follow-up question on the nearly € 800 million cash on your balance sheet: What do you intend to do with that cash? Is it actually used to reduce debt in the next month? Or what are you planning to do with that cash?

Robin Stalker
Regarding the hedging rate, we obviously started hedging for 2010 back in 2008, when the dollar was quite strong. Therefore, the hedge rate for the second half of 2010 is a bit better than it was for the first half. For the full year 2010, our hedge rate will probably be at just under the € 1.40 to the euro, which would compare negatively obviously to the 2009 figure which was around € 1.44 or something like that.
In terms of your question on cash and what we are going to do with this cash: Firstly, you should bear in mind that the cash that you see as cash on hand at the balance sheet date is also a timing issue. Some of that has to do with timing of dividend, etc. We made the comment about our debt policy and that is we continue to expect to pay down debt. We have no other plans for that cash. We have however increased our dividend payout ratio as a step to reflect that our future cash flows should be positive.

Jürgen Kolb – CAI Cheuvreux
Just a follow-up, Robin. Hedge rate for the first half 2011: You said about 50% has been hedged. Any indication as to what rate?
Secondly, on retail: You are putting more emphasis behind retail in a world where the Internet is growing and it becomes more and more important to distribute ideas, to build up communities, etc. What are your plans in this area? And do you put more emphasis on the emerging markets, China, Eastern Europe? And then, can you give us some insight on your strategy in terms of Internet and how you plan to interact and why? Thanks.

Robin Stalker
Quick answer from my side: the hedge rate. We are probably a bit better for 2011 than for the 2010 full year. So we're probably looking at something just above the € 1.40.

Herbert Hainer
Let me answer your question on the Internet. What you are seeing in our reporting, and this means in our organisational structure as well, is that we have two pillars for sales: wholesale and retail and they are just building on the third leg, which will be e-commerce.
We have already an e-commerce business in place. But we are currently looking at this in detail and have a project team working on that and analysing the potential and opportunities. Within

the next three to four months we will have a clearer view on this and will then let you know what exactly we are planning to do. But this will definitely be our third leg on the sales pillars.

Christopher Svezia – Susquehanna International Group
Good afternoon, everyone. I have three questions, please. Firstly, on your full-year guidance: I was wondering if you can give us some colour on the first half and second half? When will the World Cup become a more meaningful factor – if possible, can you give us a quarterly estimation and a better feeling for this?
The second question relates to the adidas brand in North America. It seems to be somewhat challenged at this point outside of what you are doing on the sports lifestyle side. And I was also wondering if you can share what you are thinking about and what you might be doing to revive the performance business? I know you are doing the NBA shops at Foot Locker, but I think you also mentioned, Herbert, that you are closing the gap or potentially closing the gap with Nike this year. I am just wondering if you can elaborate a little bit there what you are doing for the adidas brand?
Lastly just on Reebok, certainly congratulations. It's nice to see a return to growth for that business. But I was curious just in terms of any thoughts about supply constraints on the toning business. We are hearing from some retailers that the business is moving pretty quickly and having a tough time keeping up. So I was curious what you are doing there in terms of catching up with supplies of that five million pairs, is that the global number or is that just strictly in the U.S.? Thank you.

Robin Stalker
So the guidance question about the flavour on the first and second half: Clearly the World Cup gives us some good revenue generation opportunities particularly in the first and second quarters. But because of the comments that we have made about the general macroeconomic environment and also the comments we are talking about in terms of China, I think we could look to the second half of the year being even better than the first half of the year.

Herbert Hainer
Regarding your second question on adidas in the U.S. As we know the U.S. market quite well and have close relationships with key retailers, we are making progress in a lot of different areas. For example, you mentioned the Champs NBA store. We will have 500 stores by the end of the year. You might have seen that we are building up white walls in the Foot Locker stores, with one, two, or three panels, depending on the size of the store. For Originals, we are working very closely with the sporting goods retailers TSA and Dick's to put our performance story forward, and so on and so forth.
Our second pillar is the Football World Cup, which will help us in the U.S. as well. Please bear in mind that we still have over 50% market share on the football boot side. For the Football World Cup, we have an exclusive collaboration with ESPN and with the MLS and we will do a lot more.
All of this makes us confident that we will grow with the adidas brand in North America in 2010.
Last but not least, your question on Reebok and the supply chain: As you can see, our Executive Board member for operations, Glenn Bennett, is here as well, and he is smiling. He doesn't have a microphone, so I will give you the answer.
Yes, this is a challenge for us because the demand is much, much higher than what we foresaw and as you say, most of the retailers are sold out in the U.S., but we will do whatever is

necessary. We will fly in product. We have built up new factories for EasyTone™, refitting one production line to another, etc, to get the most efficiency out of it.
We are expanding our production capabilities and we are therefore able to fulfil and deliver on about 85% to 90% of the deman and requests from our retailers. The product is selling through that fast that it might be a shortage at one or the other location, but fortunately this will not be for long.

Christopher Svezia
Okay, Herbert, and a 5 million unit number, is that globally or just the U.S.?

Herbert Hainer
Yes this is the U.S. But bear in mind that the U.S. is by far the biggest one. As I said before, we first want to be successful in the U.S. and then translate Reebok's American brand into the other areas. Of course you will have EasyTone™ sales in Europe and in Asia as well, but the U.S. is by far the biggest part.

Christopher Svezia
Robin, one last quick follow-up question, please. When you talked about the sales trends, any thoughts or colours from an operating expense perspective? It seems like the first half would be weighted a little bit heavier just given the events and given the product launches for Reebok. Is that a fair assumption?

Robin Stalker
I think that is definitely a fair assumption. Also because of the reorganisation initiatives that we carried out in 2009, it is a better comparison with that in the second half of the year.

Luca Orsini – One Investments
I just have one question on your marketing spending. Is it fair to assume that those marketing spendings will be concentrated on the first half of the year and then they will go down in the second part of the year or will they be spread out throughout the year?

Robin Stalker
I think we have to look at it as being spread out throughout the year with the exception obviously for the weighting of the World Cup, which is something that is really affecting the first and second quarter. But we are continuing to invest in other initiatives throughout the adidas brand, not just in the World Cup, and also for the turnaround in Reebok. That will be throughout the year.