

SUBSEQUENT EVENTS Since the end of 2007, there have been subsequent events which will influence the future development of the adidas Group. In addition to the announcement of a share buyback program, other subsequent events include the expansion of the Amsterdam-based adidas International Trading B.V., adidas Canada's purchase of Saxon Athletic as well as TaylorMade-adidas Golf's divestiture of the Maxfli brand. However, there has been no subsequent event since the end of 2007 which we expect to influence our business materially going forward or that has changed Management expectations for 2008.

SUBSEQUENT CHANGES IN THE GROUP'S STRUCTURE

On February 5, 2008, we announced the expansion of the Amsterdam-based adidas International Trading B.V. to create a global, multi-brand trading platform for the adidas Group. Primary responsibility will be to purchase product from our suppliers and sell it to the adidas and Reebok sales organizations and distributors around the globe. As a result, we expect to improve service levels to our sales organizations and increase the speed with which our supply chain responds to change. Around 60 positions, in particular in the Global Operations and Logistics sectors, will be transferred from various locations to Amsterdam. Ultimately, we expect this company to employ more than 150 employees.

SUBSEQUENT EVENTS AT ADIDAS Effective January 3, 2008, adidas Canada acquired Saxon Athletic Manufacturing Inc. (based in Brantford/Ontario, Canada) to strengthen adidas' position in the teamwear business in North America. Canadian-based Saxon Athletic is a design, development, marketing and manufacturing company for team uniforms worn by professional and amateur teams throughout North America. Both Saxon Athletic sales and the transaction value in euros represent an amount in the low-single-digit millions.

SUBSEQUENT EVENTS AT TAYLORMADE-ADIDAS GOLF

Effective February 11, 2008, TaylorMade-adidas Golf divested the Maxfli brand, which will allow the segment to increase and improve the focus of its golf ball business under the TaylorMade brand. As the divested business accounted for approximately 1% of TaylorMade-adidas Golf sales in 2007, this will have a minor negative impact on the segment's sales development in 2008. The transaction value in euros represents an amount in the low-double-digit millions.

SUBSEQUENT SHARE COUNT CHANGES As a result of stock options exercised as part of various tranches of the Management Share Option Plan (MSOP) for executives of adidas AG, the number of outstanding shares increased by 16,000 to 203,644,960 no-par value shares on January 15, 2008.

On January 29, 2008, adidas AG announced the launch of a share buyback program. Treasury shares of up to 5% of the Company's stock capital (up to 10,182,248 shares) with an aggregate value of up to € 420 million (excluding incidental purchasing costs) shall be repurchased, exclusively via the stock exchange. adidas AG intends to cancel the repurchased shares, thus reducing its stock capital. As a result, the Group's equity ratio will decrease and earnings per share will increase. Further, shares may also be used to meet obligations towards Group employees arising from share option programs. The share buyback will be financed exclusively from the Group's free cash flow. The buyback program started on January 30, 2008, and will be conducted in accordance with the Commission Regulation (EC) No. 2273/2003 of December 22, 2003. As at February 15, 2008, adidas AG had bought back 1,180,000 shares with an average purchase price of € 42.68. In line with the Commission Regulation (EC) No. 2273/2003, adidas AG provides regular updates on the progress of the share buyback on its corporate website.

➤ www.adidas-Group.com/sharebuyback

NO OTHER SUBSEQUENT CHANGES Since the end of 2007, there have been no significant macroeconomic, sociopolitical, legal or financing changes which we expect to influence our business materially going forward. In addition, there have been no major management changes since the end of 2007.

OUTLOOK 2008 is poised to be another strong year for the adidas Group. Based on our current product pipeline and planned marketing initiatives, we expect strong top- and bottom-line results despite some negative macro-economic signals in important markets such as the USA. This year's two global sporting events, the UEFA EURO 2008™ and the Beijing 2008 Olympic Games, are expected to support development of the adidas segment in 2008. Further progress on the Reebok revitalization process will be another area of particular focus. Compared to the prior year, Group revenue and cost synergies resulting from the Reebok integration will increase. Consequently, we expect to grow currency-neutral sales at a high-single-digit rate for the adidas Group, driven by growth at all our brands. In addition, we project increases in both our gross and operating margins, which will be between 47.5 and 48% and at least 9.5%, respectively. Further, we forecast net income attributable to shareholders to grow by at least 15%.

MAJOR SPORTING EVENTS TO IMPACT 2008 RESULTS Our Group's operating activities will be positively influenced by this year's major sporting events: the UEFA EURO 2008™ and the Beijing 2008 Olympic Games.

As Official Sponsor of the UEFA EURO 2008™, adidas will benefit from this event in terms of positive brand visibility but also in terms of additional sales of adidas football products. As a result, we forecast brand adidas sales in the important football category to increase strongly to a new record level of over € 1.2 billion in 2008. The operating margin of the adidas brand, however, is not expected to be positively impacted by this event as the related top-line growth is projected to be offset by a modest marketing working budget increase.

The Olympic Games will be the most important sports event ever in China, one of the fastest-growing markets for sporting goods in the world. adidas is the Official Sportswear Partner for the Beijing 2008 Olympic Games and the outfitter of 16 National Olympic Committees. As a result, adidas will be the most visible brand during this event, outfitting all technical officials and more than 100,000 volunteers. Further, we anticipate a positive impact on brand Reebok. In China, Reebok will benefit from the partnership with Yao Ming, China's most prominent athlete. As a result, we expect our involvement in the Beijing 2008 Olympic Games to have a positive long-term impact on the image and sales development of both adidas and Reebok. Supported by this event, we expect the adidas Group to become the market leader in China in 2008. However, we expect no significant sales increase related to the Olympic Games in 2008, as we have only limited opportunities to commercialize products for highly specialized Olympic disciplines. Additionally, event-related marketing costs will lead to a minor marketing working budget increase at both brands.

INCREASING REVENUE AND COST SYNERGIES IN 2008

We have ambitious revenue and cost synergy targets related to the Reebok integration in 2008. adidas Group revenue synergies will grow to around € 250 million in 2008 (2007: around € 100 million) and are expected to positively impact the sales development of both the adidas and Reebok segments. The majority of revenue synergies will be related to accelerating sales growth in Europe's emerging markets and Asia where Reebok has bought out distributor and joint venture partners. We also expect adidas to continue to benefit from increasing revenue synergies. These relate to the further expansion of adidas' exclusive relationship with the NBA – particularly in Asia – as well as to the utilization of the Sports Licensed division for other licensed products in North America such as college sports. One-time costs associated with achieving these synergies are estimated to be between € 15 million and € 25 million in 2008 (2007: around € 25 million).

We expect cost synergies related to the Reebok integration to be around € 175 million in 2008 (2007: around € 90 million). This increase will positively impact both cost of sales and operating expense development. We will continue to achieve cost of sales synergies through supply chain optimization. Cost synergies within the Group's operating expenses will be realized through various initiatives such as joint media buying, office consolidation in Europe and Asia, harmonizing and consolidating our IT systems, eliminating duplicative corporate functions as well as sharing finance and administrative services across the Group. One-time costs associated with achieving these cost synergy targets are expected to remain on a level of around € 70 million in 2008 (2007: around € 70 million). As a result, net cost synergies are expected to rise to around € 105 million in 2008 (2007: around € 20 million).

EXPIRATION OF AMER SOURCING AGREEMENT TO NEGATIVELY IMPACT HQ/CONSOLIDATION SALES Sales recorded in the HQ/Consolidation segment will decrease during 2008, as a result of the expiration of the Group's cooperation agreement with Amer Sports Corporation in the first quarter. Under this agreement, the adidas Group sourced product for Salomon at a fixed buying commission for a limited period in an effort to support the transfer of Salomon's business activities to Amer Sports Corporation. However, as this agreement includes margins below the Group's average, the expiration of this contract is expected to have a positive impact on the Group's gross and operating margins. However, this impact will be limited due to the small size of the business contained in the cooperation agreement.

SLOWDOWN IN GLOBAL ECONOMIC EXPANSION PROJECTED IN 2008 According to the World Bank, growth of the global economy is expected to decline in 2008 with a projected GDP growth rate of around 3%. Recent turbulence in financial markets triggered by the US subprime crisis and its spillover effects are seen as the main catalyst.

In Europe, GDP in the Euro Zone is expected to grow at a level of below 2% in 2008. Financial market uncertainties, lower exports and a further strengthening of the euro are all expected to hamper growth in the region. Consumer confidence is forecasted to continue to decline mainly due to tight credit and unstable financial market conditions as well as increasing energy prices. The region's emerging markets will remain largely unaffected by these uncertainties, with GDP growth forecasted to be around 5%.

In North America, GDP growth is projected to decline versus the prior year to a level below 2%. Of particular concern is an expected further weakening of consumer spending in the first six months of the year, driven by the persistent challenges of the housing market and continuing high oil prices. A government-sponsored stimulus package, however, is expected to help US consumer confidence improve modestly in the second half of 2008.

In Asia, the region's most populous countries, such as China and India, are expected to remain the largest contributors to the region's growth in 2008. Compared to 2007, growth in Asia excluding Japan is likely to slow slightly to a level around 9%, with consumer confidence in most countries expected to continue to grow strongly despite financial market volatility. For Japan, increased global financial market instability has clouded the near-term outlook and economic growth is projected to slow to a level of no more than 2%. Sound corporate earnings, rising employment and encouraging export signals are expected to be tempered by a weakening in domestic demand led by lackluster consumer spending.

Growth in Latin America is likely to decline slightly compared to the prior year to a level below 4.5%. As in previous years, private consumption as well as buoyant exports will be the key drivers of economic growth. Nevertheless, consumer confidence in the region is expected to moderate.

MIXED OUTLOOK FOR THE GLOBAL SPORTING GOODS INDUSTRY In 2008, the global sporting goods industry is projected to grow modestly. Although strong increases are expected in Asia, Latin America and Europe's emerging markets, the US market is forecasted to decline modestly.

EUROPEAN SPORTING GOODS INDUSTRY TO GROW MODERATELY We expect the European sporting goods market to grow at a low-single-digit rate. During the first half of 2008, the industry is expected to largely focus on the UEFA EURO 2008™. This should provide positive impetus to otherwise slow retail markets in Western Europe. However, the impact is likely to be somewhat less than what was initially anticipated due to the failure of England to qualify. Traditionally, England has been the region's largest football licensed apparel market. Following the event, regional growth for the sector is likely to be driven by emerging markets, in particular Russia.

NORTH AMERICAN SPORTING GOODS MARKET EXPECTED TO DECLINE In North America, we project a declining market in 2008. Lower overall consumer spending coupled with promotional activity among mall-based retailers and a polarization of price points are likely to further burden the market. Mixed development of product categories and distribution channels is expected to continue throughout 2008. Whereas growth in running and soccer footwear as well as training apparel is projected to continue, sales in the basketball and Classics categories are expected to decline. In addition, we expect the region's golf market to remain highly competitive in 2008 as many market participants introduce new technologies that capitalize on the recent rulings by the USGA (United States Golf Association), allowing for a broader interpretation of adjustability in both metalwoods and irons.

ASIAN SPORTING GOODS INDUSTRY FORECASTED TO EXPAND FURTHER The sporting goods market in Asia is expected to continue to grow at a high-single-digit rate. In Japan, weak overall private consumption may affect average selling prices in the industry. In the emerging markets, especially China, the industry is likely to grow at low-double-digit levels driven by the upcoming Olympics Games in Beijing.

INCREASING TRADE BARRIERS DAMPEN LATIN AMERICAN SPORTING GOODS INDUSTRY GROWTH Mid-single-digit industry growth rates are expected in Latin America. The momentum of the region's sporting goods industry is projected to remain intact, but there are concerns related to increasing trade barriers being implemented in certain markets such as Argentina and Brazil.

ADIDAS ORDER BACKLOGS (CURRENCY-NEUTRAL)¹⁾

Development by product category and region in %

	Europe	North America	Asia	Total
Footwear	14	(5)	29	13
Apparel	20	4	30	20
Total²⁾	18	(2)	28	17

1) At year-end, change year-over-year.

2) Includes hardware backlogs.

ADIDAS ORDER BACKLOGS (IN €)¹⁾

Development by product category and region in %

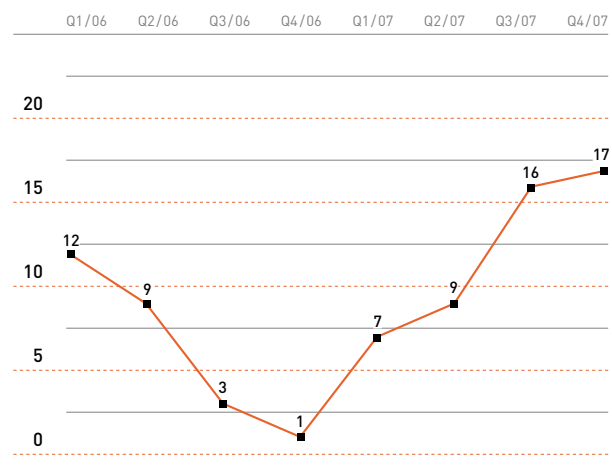
	Europe	North America	Asia	Total
Footwear	11	(14)	22	8
Apparel	17	(6)	23	15
Total²⁾	15	(11)	22	12

1) At year-end, change year-over-year.

2) Includes hardware backlogs.

ADIDAS ORDER BACKLOGS (CURRENCY-NEUTRAL)¹⁾

Development by quarter in %



1) Change year-over-year.

ADIDAS GROUP SALES TO EXCEED ECONOMIC GROWTH RATES

Based on our strength in innovation, operational execution and regional diversification, we are confident that the Group's net sales increase in 2008 will again exceed growth rates of the global economy. We also expect Group sales growth to be at least in line with the overall development of the sporting goods industry. Sales in Asia and Latin America are expected to grow at double-digit rates due to our strong brand recognition and growing distribution infrastructure. This increase is forecasted to exceed both economic and industry growth rates. Mid- to high-single-digit growth rates are expected in Europe, positively impacted by the UEFA EURO 2008™. This expectation exceeds projected growth rates for both the economy and the industry in this region. Sales in North America, however, are projected to decline modestly as a result of the challenging market environment and intensified retail competition. This development is likely to be in line with sector development in the region.

HIGH-SINGLE-DIGIT SALES INCREASE EXPECTED AT BRAND

ADIDAS We project high-single-digit currency-neutral sales growth for brand adidas in 2008. Both the adidas Sport Performance and adidas Sport Style divisions are forecasted to grow. In the Sport Performance division, we expect football to be one of the fastest-growing category in 2008. As Official Sponsor of the UEFA EURO 2008™, adidas will benefit from this event in terms of additional sales of football products. In addition, we expect strong improvements in the Sport Performance running, training and basketball categories, supported by a compelling pipeline of product launches. Strong order backlogs and positive retailer and trade show feedback as well as expected further own-retail expansion, for which order backlogs are not included in the order book, support our ambitious growth expectations for 2008.

ADIDAS BACKLOGS GROW STRONGLY Backlogs for the adidas brand at the end of 2007 increased 17% versus the prior year on a currency-neutral basis. This improvement was supported by adidas' strength in all major categories. Order backlogs in Europe were positively impacted by orders for UEFA EURO 2008™ related products. In euro terms, adidas backlogs grew 12%. Footwear backlogs increased 13% in currency-neutral terms (+8% in euros). Double-digit growth in both Asia and Europe more than offset a decline in North America. Apparel backlogs grew 20% on a currency-neutral basis (+15% in euros), driven by strong double-digit increases in Asia and Europe. Hardware backlogs grew at a double-digit rate due to increases in Asia and Europe.

REEBOK ORDER BACKLOGS (CURRENCY-NEUTRAL)¹⁾

Development by product category and region in %

	Europe	North America	Asia	Total
Footwear	9	(30)	6	(12)
Apparel	(13)	19	20	3
Total²⁾	(1)	(20)	12	(8)

1) At year-end, change year-over-year.
2) Includes hardware backlogs.

REEBOK ORDER BACKLOGS (IN €)¹⁾

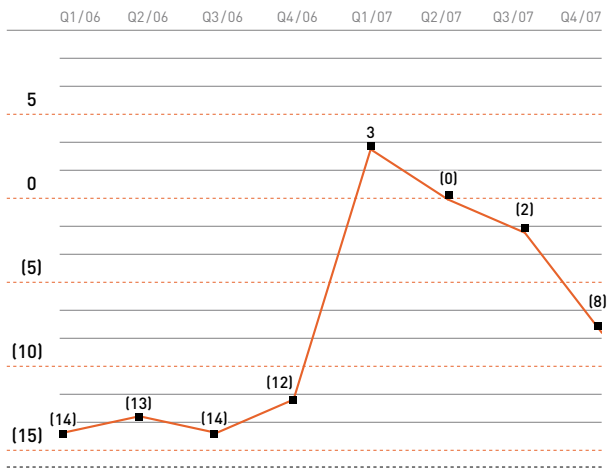
Development by product category and region in %

	Europe	North America	Asia	Total
Footwear	6	(36)	(0)	(18)
Apparel	(16)	8	14	(3)
Total²⁾	(4)	(27)	5	(14)

1) At year-end, change year-over-year.
2) Includes hardware backlogs.

REEBOK ORDER BACKLOGS (CURRENCY-NEUTRAL)¹⁾

Development by quarter in %



1) Change year-over-year.

LOW- TO MID-SINGLE-DIGIT SALES INCREASE EXPECTED FOR REEBOK SEGMENT

Currency-neutral Reebok segment sales are projected to grow at a low- to mid-single-digit rate in 2008. Sales are expected to increase at Reebok, Reebok-CCM Hockey and Rockport. At brand Reebok, we continue to focus on improving the brand's position in performance sports. This effort will be driven by several product launches in Reebok's running and women's categories. [see Reebok Products and Campaigns, p. 138](#) In addition, product launches in American sports will highlight additional focus on the key North American market. Our efforts to broaden the brand's lifestyle offering will also become more visible. We anticipate a positive sales development at Reebok-CCM Hockey and Rockport, supported by the launch of new product lines. Retailer and trade show feedback, especially in emerging markets, supports Reebok's 2008 growth expectations.

REEBOK BACKLOGS DECLINE Currency-neutral Reebok backlogs at the end of 2007 were down 8% versus the prior year on a currency-neutral basis. In euro terms, this represents a decline of 14%. Footwear backlogs decreased 12% in currency-neutral terms (-18% in euros). This is the result of lower orders from mall-based retailers in North America scheduled for delivery in the first half of 2008. Apparel backlogs grew by 3% on a currency-neutral basis (-3% in euros). Hardware backlogs declined at a double-digit rate due to decreases in the hockey category. Backlogs at Reebok, however, are expected to improve over the course of the year due to an improved product mix and the launch of the "Your Move" brand campaign.

MID-SINGLE-DIGIT SALES INCREASE EXPECTED AT TAYLORMADE-ADIDAS GOLF

We expect our strong product pipeline to help increase currency-neutral TaylorMade-adidas Golf sales at a mid-single-digit rate in 2008. Growth will mainly be driven by new product launches including TaylorMade metalwoods and irons as well as adidas Golf footwear and apparel.

Because the order profile in golf differs from other parts of our Group's business, we do not provide order information for TaylorMade-adidas Golf. However, trade show performance and ongoing dialog with customers both support our expectation of continued positive development in the segment.

2008 PRODUCT LAUNCH SCHEDULE

Product	Brand	Launch Date
Predator® PowerSwerve football boot	adidas	Nov. 2007
adiPure football boot	adidas	Dec. 2007
UEFA EURO 2008™ Match Ball, EUROPASS	adidas	Dec. 2007
adiSTAR Control 4 running shoe	adidas	Jan.
adidas Originals "Handbags For Feet" collection	adidas	Jan.
adidas Originals Denim by Diesel apparel collection	adidas	Feb.
Stella McCartney "Golf" apparel collection	adidas	Feb.
adidas Originals "adidas Grün" collection	adidas	Mar.
adiZero CS running shoe	adidas	Mar.
F50 TUNi™ football boot	adidas	Mar.
miCoach training system	adidas	Mar./Apr.
Women's Yatra training collection	adidas	Jul.
adiSTAR Revolt running shoe	adidas	Sep.
Team Signature Creator basketball shoe	adidas	Oct.
Men's training adidas TECHFIT™ POWERWEB	adidas	Dec.
Freestyle Cities Collection	Reebok	throughout 2008
Avon Pink Ribbon collection	Reebok	Jan./Feb.
Hex Ride Rally running shoe	Reebok	Feb.
KFS Sprintfit II Pro football boot	Reebok	Feb. - Jul.
Vince Young Electrify SD (American football boot)	Reebok	May
Voltron Men's footwear collection	Reebok	Jun.
Premier Verona KFS running shoe	Reebok	Jul.
Yao Pump Omni Hex Ride basketball shoe	Reebok	Aug.
Women's American football apparel collection	Reebok	Aug./Sep.
Big Papi 2M (baseball footwear)	Reebok	Oct.
Rbk OPS 7K Sickick Stick	Reebok-CCM Hockey	Nov. 2007
CCM Vector U+ Stick	Reebok-CCM Hockey	May
Rockport Signature Series	Rockport	Mar.
Tour Preferred® Red and Black balls	TaylorMade-adidas Golf	Jan.
Burner® and Burner® TP balls	TaylorMade-adidas Golf	Jan.
TOUR360 LTD adidas Golf shoe	TaylorMade-adidas Golf	Feb.
TECHFIT™ POWERWEB adidas Golf apparel line	TaylorMade-adidas Golf	Mar.
r7® CGB MAX Limited driver	TaylorMade-adidas Golf	Apr.
r7® CGB MAX Rescue hybrid	TaylorMade-adidas Golf	Apr.
Tour Burner® TP driver	TaylorMade-adidas Golf	Apr.
Tour Burner® iron	TaylorMade-adidas Golf	Apr.

GROUP GROSS MARGIN TO FURTHER IMPROVE In 2008, the adidas Group gross margin is expected to increase modestly to a range of 47.5 to 48%, driven by improvements in all three brand segments.

Gross margin improvement in the adidas segment will be largely related to further own-retail expansion and an improving product and regional mix.

We also anticipate a gross margin improvement in the Reebok segment due to an improving product mix as a result of the focus on higher-margin product segments. Lower clearance activities as well as an improving distribution and regional mix are also expected to contribute to gross margin expansion within the Reebok segment. Further, for both adidas and Reebok, we will continue our efforts to increase operational efficiency throughout the Group's supply chain in 2008, which will continue to positively impact cost of sales.

The gross margin at TaylorMade-adidas Golf is also expected to increase, largely driven by an improving product mix and lower clearance activities.

In addition, the expiration of the Group's cooperation agreement with Amer Sports Corporation in the first quarter of 2008 is expected to support gross margin development in the HQ/Consolidation segment. The continued strength of the euro is likely to have a modest positive impact on gross margin in 2008.

Further, positive gross margin developments in all segments are expected to moderate during the course of 2008, mainly as a result of higher raw material prices, increased freight rates and higher labor costs.

OPERATING EXPENSES TO INCREASE In 2008, Group operating expenses as a percentage of sales are expected to be higher than in the prior year, as a result of increases in all three brand segments. This mainly reflects increases in the marketing working budget as a percentage of sales at both adidas and Reebok. Operating overhead costs as a percentage of sales are expected to increase modestly in all brand segments.

MARKETING WORKING BUDGET TO INCREASE Group marketing working budget as a percentage of sales is expected to increase in 2008. Marketing expenses at brand adidas are forecasted to increase mainly in conjunction with the major 2008 sporting events: the UEFA EURO 2008™ and the Beijing 2008 Olympic Games. Reebok's marketing working budget is forecasted to grow as a result of the launch of Reebok's new 2008 brand campaign "Your Move". [see Reebok Products and Campaigns, p. 138](#) The marketing working budget at TaylorMade-adidas Golf is expected to remain stable as a percentage of sales in 2008.

ADIDAS GROUP 2008 TARGETS

Currency-neutral sales growth	high-single-digit
Gross margin	47.5 to 48%
Operating margin	at least 9.5%
Net income growth	at least 15%

ADIDAS SEGMENT 2008 TARGETS

Currency-neutral sales growth	high-single-digit
Gross margin	increase
Operating expenses as a percentage of sales	increase
Operating margin	increase

REEBOK SEGMENT 2008 TARGETS

Currency-neutral sales growth	low- to mid-single-digit
Gross margin	increase
Operating expenses as a percentage of sales	increase
Operating margin	increase

TAYLORMADE-ADIDAS GOLF SEGMENT 2008 TARGETS

Currency-neutral sales growth	mid-single-digit
Gross margin	increase
Operating expenses as a percentage of sales	increase
Operating margin	increase

MODEST INCREASE IN OPERATING OVERHEAD COSTS EXPECTED

The adidas Group's operating overhead costs as a percentage of sales are expected to grow modestly due to increases in all brand segments, largely as a result of the expansion of own-retail activities at adidas and Reebok in fast-growing emerging markets such as Russia. This will more than offset cost synergies related to the Reebok integration into the adidas Group. Operating overhead costs as a percentage of sales at TaylorMade-adidas Golf are also expected to increase modestly due to our plans to expand TaylorMade's presence in the golf ball category. A portion of the operating overhead increases at the brands will be offset by lower costs in the HQ/Consolidation segment. These are expected to decline as a percentage of sales due to increasing cost synergies resulting from the Reebok integration.

Primarily as a result of the anticipated strong retail expansion and growth in the emerging markets, we expect the number of employees within the adidas Group to grow modestly. Accordingly, personnel expenses for the adidas Group will also increase.

The adidas Group will continue to spend around 1% of sales on research and development in 2008. Areas of particular focus include running, football, basketball and training at the adidas and Reebok brands, as well as golf hardware at TaylorMade-adidas Golf. The number of employees working in research and development throughout the Group will increase in 2008 to support our increasing number of innovation projects.

Accounting effects related to purchase price allocation following the Reebok acquisition are expected to impact Group operating expenses in a range of € 10 million to € 20 million in 2008 (2007: € 12 million).

OPERATING MARGIN TO SHOW IMPROVEMENT In 2008, we expect the operating margin for the adidas Group to increase to at least 9.5% from 9.2% in 2007 as a result of operating margin improvements in all segments. Gross margin improvements are expected to more than compensate operating overhead increases as a percentage of sales in all segments.

NET INCOME FOR THE ADIDAS GROUP TO GROW AT LEAST 15%

Net income attributable to shareholders is projected to grow by at least 15% in 2008 versus the 2007 level of € 551 million. This represents the eighth consecutive year of double-digit net income growth. Top-line improvement and an increased operating margin will be the primary drivers of this positive development. In addition, we expect slightly lower interest expenses as a result of a reduction in average debt to also have a positive impact on net income. However, this effect will be partially offset by a higher tax rate versus the prior year as a result of small changes in the earnings mix. Minority interests are expected to remain broadly unchanged in 2008.

WORKING CAPITAL MANAGEMENT TO IMPROVE BALANCE SHEET

Operating working capital management is a major focus of our efforts to improve the Group's balance sheet. [see Internal Group Management System, p. 056](#) Our goal is to further reduce operating working capital as a percentage of sales in 2008. Inventory management in particular will be an important mechanism for the realization of further improvements. Optimizing inventory levels for fast replenishment and rigorous control of inventory aging are the top priorities for our Working Capital Task Force in 2008. We also target further improvement in accounts receivable by improving collection efforts, and in accounts payable by optimizing payment terms with our suppliers.

INVESTMENT LEVEL TO BE BETWEEN € 300 MILLION AND € 400 MILLION

In 2008, investments in tangible and intangible assets are expected to amount to € 300 million to € 400 million (2007: € 289 million). Expenditures will focus on own-retail expansion and retail support at brand adidas. In emerging markets, own-retail expansion of the Reebok brand will also impact investments. Expenditure per brand will be roughly in line with our sales split.

Around 50 % of total investments in 2008 will be dedicated to controlled space initiatives within the adidas Group. Other areas of investment are the increased deployment of SAP and other IT systems in major subsidiaries within the Group, the further development of the adidas Group Headquarters in Herzogenaurach, Germany, as well as investments for the joint adidas and Reebok warehouse projects in the USA and UK in order to generate cost synergies in the future. The most important factors in determining the exact level and timing of investments will be the rate at which we are able to successfully secure controlled space opportunities and integrate new SAP systems within existing applications. All investments within the adidas Group are expected to be fully covered through cash generated in our operating business.

EXCESS CASH TO BE USED FOR ADIDAS SHARE BUYBACK

In 2008, we expect continued strong cash flows from operating activities. We intend to largely invest our excess cash of € 300 million to € 400 million in the buyback of adidas shares to support earnings per share growth for increasing shareholder value. [▷ see Subsequent Events, p. 117](#) As a result, we expect net borrowings to be at or slightly below the prior year level. Cash inflows from operating activities will be used to finance working capital needs, investment activities as well as dividend payments. Tight working capital management and disciplined investment activities are expected to help optimize the Group's cash flow in 2008. For 2009 and beyond, we see the potential for free cash flow generation to increase and we are well on track to achieving our medium-term financial leverage target of below 50 % (2007: 58.4 %).

EFFICIENT LIQUIDITY MANAGEMENT IN PLACE FOR 2008 AND BEYOND

Efficient liquidity management continues to be a priority for the adidas Group in 2008. We focus on continuously anticipating the cash inflows from the operating activities of our Group segments as this represents the main source of liquidity within the Group. Liquidity is forecasted on a multi-year financial and liquidity plan on a quarterly basis. Long-term liquidity is ensured by continued positive free cash flows and sufficient unused credit lines. [▷ see Treasury, p. 091](#) Consequently, we do not plan any significant financing initiatives in 2008.

19 % DIVIDEND INCREASE TO BE PROPOSED

We are committed to maintaining the Group's dividend payout ratio corridor of between 15 and 25 % of net income. At our Annual General Meeting on May 8, 2008, we intend to propose a dividend of € 0.50 per share for the 2007 financial year (2006: € 0.42). Based on the number of shares outstanding at the end of 2007, the dividend payout will increase 19 % to € 102 million (2006: € 85 million), outpacing the earnings growth of 14 % for the year. This represents a payout ratio of 19 % versus 18 % in 2006, highlighting our confidence in the Group's future business performance. However, as a result of the share buyback program, the total dividend payout and the payout ratio could decrease slightly. Going forward, we expect the dividend payout to grow broadly in line with net income attributable to shareholders.

NO MAJOR CHANGES IN LEGAL STRUCTURE EXPECTED

In 2008, we expect only minor legal changes within the adidas Group. Changes in the Reebok segment could arise from the buyback of Reebok distribution rights, which will be evaluated on a case-by-case basis in 2008. Buybacks could be realized in countries where we anticipate long-term growth opportunities for the Reebok business and the price for a buyback is reasonable. In the TaylorMade-adidas Golf segment, no major changes will arise from the divestiture of the Maxfli brand.

[▷ see Subsequent Events, p. 117](#)

AMBITIOUS NON-FINANCIAL GOALS FOR 2008 AND BEYOND

In addition to our Group's ambitious financial targets for 2008, we have several non-financial targets to ensure the continued long-term success of the adidas Group. Major non-financial developments within the adidas Group in 2008 and beyond are expected to be:

⇒ *Controlled space:* We intend to increase our controlled space initiatives [▷ see Group Strategy, p. 044](#) to at least 30 % of Group sales by 2010. As a result, we intend to further grow our Group's own-retail activities. New openings will concentrate on emerging markets, in particular Russia. Here, we plan to open over 100 stores for the Group in 2008. We are also extending our franchise network in countries such as India, Turkey, Korea and Poland. Our mono-branded adidas and Reebok store base in China is targeted to increase to 7,000 stores by 2010 (year-end 2007: around 4,000). In addition, key account initiatives such as shop-in-shop or similar solutions, especially in the USA and UK, are an important trend that we plan to extend substantially going forward.

⇒ *Global Operations:* As our products are almost entirely manufactured by independent suppliers, our Group's Global Operations function continuously strives to optimize our Group's supplier network and implement initiatives to maximize cost efficiency, reduce lead times and ensure consistently high product quality. In 2008, we are again committed to further supply chain improvements. [▷ see Global Operations, p. 062](#)

⇒ *Sustainability:* As a responsible company, we are committed to further strengthening our social and environmental performance in the coming years. For 2008, we plan to further intensify our outreach to governments in key sourcing countries to promote social and legislative changes for the benefit of our employees and our suppliers' workers. In addition, we strive to improve the external monitoring of our tier two and three suppliers. Finally, we plan to commission external verification of the tools and processes developed for selecting organic and recycled materials used in our products.

2009 REVENUE SYNERGIES FROM REEBOK INTEGRATION

We have an ambitious target to generate around € 500 million of incremental revenues by 2009 related to the Reebok integration. We estimate one-time expenses associated with the generation of revenue synergies to be between € 15 million and € 25 million in 2009. Specific initiatives to generate revenue synergies include:

- ⇒ *Branded apparel:* We expect to deliver around € 100 million from leveraging adidas' industry-leading branded apparel know-how to strengthen and expand Reebok's branded apparel efforts.
- ⇒ *Licensed products:* At brand adidas, we expect to generate around € 100 million of additional sales in licensed products. Having transferred the NBA contract to adidas, we can further expand this exclusive partnership more effectively – in particular outside of North America. We will also focus on utilizing Reebok's sales and production capabilities for licensed products of brand adidas, particularly in North America.
- ⇒ *Regional initiatives:* We expect around € 100 million of incremental revenue synergies from greater regional traction in Europe and Asia. This will result from Reebok product category initiatives in underdeveloped markets with a strong existing adidas infrastructure.
- ⇒ *Distributor buyouts:* We project around € 200 million in incremental sales synergies to result from exercising more control over the Reebok brand around the globe, particularly in high-growth markets in Asia and Latin America as well as Emerging Europe. This will be achieved by buying out distributors and joint venture partners.

PHASING OF INTEGRATION REVENUE SYNERGIES

€ in millions	2008	2009
Annual revenue synergies	250	500
Average one-time cost per year	15 – 25	15 – 25

PHASING OF INTEGRATION COST SYNERGIES

€ in millions	2008	2009
Annual cost savings	175	175
Average one-time cost per year	70	—
Net cost savings	105	175

GROUP 2009 FINANCIAL TARGETS

Currency-neutral sales growth	high-single-digit
Gross margin	46 % to 48 %
Operating margin	approx. 11 %
Net income growth	double-digit

2009 COST SYNERGIES FROM REEBOK INTEGRATION During our integration planning phase, we identified significant annual cost of sales and operating expense synergy potential. We expect to realize the full amount of around € 175 million in 2009. In particular, we project cost savings to come from the following areas:

- ⇒ *Cost of sales:* By integrating Reebok into our Global Operations function, we expect to achieve a cost of sales reduction through optimized purchasing processes by 2009.
- ⇒ *Sales and marketing, distribution, administration and IT:* We have also identified the opportunity to generate operating expense savings by realizing various initiatives such as joint media buying, office consolidation in Europe and Asia, harmonizing and consolidating our IT systems, eliminating duplicative corporate functions and sharing finance and administrative services across the Group.

2009 OUTLOOK CONFIRMED As a result of continued underlying growth of our brands and the synergies from the Reebok integration, we expect a strong top- and bottom-line development again in 2009. We project Group sales to increase at a high-single-digit rate on a currency-neutral basis. This development will be driven by continued strength at adidas and TaylorMade-adidas Golf as well as the ongoing revitalization of the Reebok business segment. The Group's gross margin is expected to be between 46 and 48% in 2009. Positive effects from an improving product and geographical mix, own-retail expansion and cost synergies derived as a result of the integration of Reebok will be largely offset by increasing input prices driven by higher raw material prices, freight rates and labor costs. We also expect the Group's operating margin to increase to approximately 11% in 2009, driven by a modestly lower marketing working budget as well as efficiency gains largely related to Reebok integration cost synergies. This is expected to lead to an improvement of the Group's operating expenses as a percentage of sales. Net income is forecasted to increase at a double-digit rate in 2009 as a result of our continuing top-line growth and improved profitability projected at all brands.