

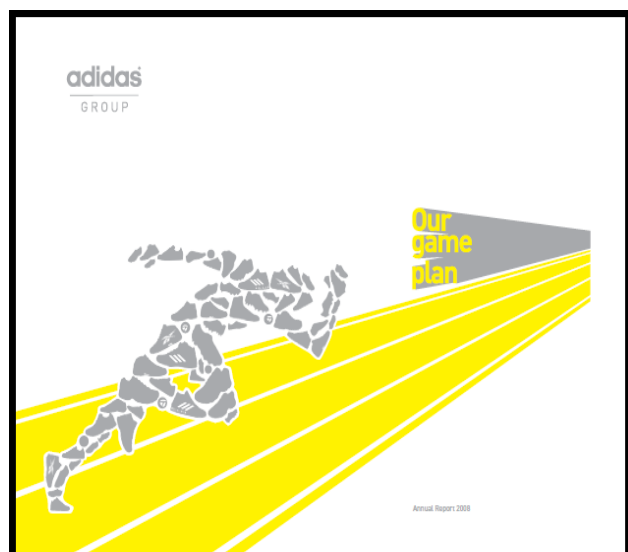
Report of the Month

ReportWatch e.com

September 2009

Adidas

Herzogenaurach, Germany



Report Facts

Company name: Adidas AG
Fiscal year end: December 31, 2008
Report title: *Annual Report 2008. Our game plan*
Chairman and CEO: Herbert Hainer
Number of books: One
Report length: 214 pages
Auditors: KPMG
Concept and design: Häfelinger + Wagner Design
E-mail: investor.relations@adidas-group.com

Report Rating: ★★★★★

(Rating scale below)

Profile-Products

 (Excerpts, as from the report)

We strive to be the global leader in the sporting goods industry....We share values such as performance, passion, integrity and diversity... The brand portfolio comprises: Adidas (two segments: Sport Performance and Sport Style); Reebok (Women's Fitness, Rockport...); TaylorMade (Adidas Golf, Ashworth...).

(Annual Report source) (Italics are own company's words)

Key Figures

Net sales: EUR 10,799 million

Operating profit: EUR 1,070 million

Net income: EUR 642 million

Earnings per share (basic): EUR 3.25

Dividend per share: EUR 0.50

Return on equity: 18.9%

Operating margin: 9.9%

Equity ratio: 35.5%

Number of employees: 38,982

(Source: 2008 figures sourced from the annual report)

Competitors or Rivals

- Amer Sports
- Nike
- Puma
- Callaway Golf
- Fila Korea
- ASICS
-

Report Rating: ★★★★★ Triple A

- > Available without delay, in the inside front cover: ast year results compared to past targets and next year outlook put nearby for ten indicators (see our Selected Page below). Further, the reader may find a detailed comparison of targets with *actual key metrics* (p 61), as well as an in-depth outlook section.
- > A strong theme, and an effective branding exercise: built around the business, in words, visuals, use of colors and gimmicks, worked out throughout the book.
- > Strategies clearly set out, at corporate and divisions' level. And substantiated: e.g. with four pages on R&D.
- > Excellent review of performance and financial conditions (also on treasury matters), backed with clear charts.
- > Thorough *Risk and Opportunity Report*.
- > Comprehensive glossary and index.

Double A

- > Good and nicely formatted Q&A with the CEO.
- > Pictorial overview of products and campaigns: *We define ourselves through our products*.

Simple A

- > *Operational and Sporting Highlights* for the year ended arranged by quarter. Fine, but why so late (p 34)?
- > Sustainability issues underperform compared to the rest.

B sides ?

- > Some find the book too heavy, and typography and layout not most optimized (see the way pages are (not) filled).

Rating Scale

★★★★★: First-rate ★★★★★(★): Excellent ★★★★★: Very good ★★★★★(★): Sound ★★★★★: Average
★★(★): Uneven ★★: Common ★(★): Substandard ★: Poor (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the **Annual Report on Annual Reports**.

*How does the company report in key areas? What are the main report pluses and minuses?
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

Contact e.com@reportwatch.net

Selected Page (Inside front cover of Adidas Annual Report 2008)

Targets 2008

High-single-digit currency-neutral sales growth

Bring major new concepts, technology evolutions and revolutions to market

Currency-neutral sales to grow at all brands and in all regions except North America

Increase gross margin to a level between 47.5 and 48.0%

Operating margin to be at least 9.5%

Further reduce operating working capital as a percentage of sales

Capital expenditure range €300 million - €400 million

Maintain or further reduce net borrowings despite share buyback

Net income to grow at least 15%

Further increase shareholder value

Results 2008

Net sales reach €10.8 billion;
Group currency-neutral sales grow 9%

Major 2008 product launches:
 -- adidas F50 TUNIT™ football boot, new technologies in adistar® and adizero™ running shoe families, men's TECHFIT PowerWEB, miCoach training system
 -- Reebok Premier Verona KFS running shoes, Premier SmoothFit™ Cushion, Freestyle Cities collection
 -- Backout Rockport Signature Series
 -- TaylorMade-adidas Golf Tour Burner® TP driver, r7™ CCB MAX Limited driver, my TP ball, TOUR360 LTD shoe

Currency-neutral sales increase 14% at adidas, grow 7% at TaylorMade-adidas Golf but decrease 2% at Reebok; currency-neutral sales grow in all regions except North America

Gross margin: 48.7%

Operating margin: 9.9%

Operating working capital as a percentage of sales further reduced to 24.5%

Capital expenditure: €380 million

Net borrowings increased to €2.189 billion; year-end financial leverage: 61.6%

Highest ever net income attributable to shareholders at €442 million (+16%)

Share buyback programme in an amount of €409 million completed in October; unchanged dividend of €0.50 per share; adidasAG share price declines 47%

Outlook 2009

Low- to mid-single-digit currency-neutral sales decline

Bring major new concepts, technology evolutions and revolutions to market

On a currency-neutral basis:
 -- low- to mid-single-digit sales decline for adidas segment
 -- at least stable sales for Reebok segment
 -- low-single-digit sales increase at TaylorMade-adidas Golf

Gross margin decline

Operating margin decline

Reduce operating working capital as a percentage of sales

Capital expenditure range €300 million - €400 million

Reduce net borrowings

Net income decline

Further increase shareholder value

