adidas GROUP

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First Quarter 2009 Results:

adidas Group first quarter 2009 results impacted by higher input prices, currency devaluation effects and restructuring costs

- **Currency-neutral Group sales decrease 6% in the first quarter**
- **Gross and operating margin decline**
- **Strong focus on debt reduction for the remainder of 2009**

First quarter adidas Group currency-neutral sales decline 6%
In the first quarter of 2009, Group revenues decreased 6% on a currency-neutral basis, as a result of lower sales in all business segments. Currency translation effects positively impacted sales in euro terms. Group revenues in euro terms declined 2% to € 2.577 billion in the first quarter of 2009 from € 2.621 billion in 2008.

"We've faced a number of economic and market challenges in the first quarter of 2009," commented Herbert Hainer, adidas Group CEO and Chairman. "Our results have been materially affected by higher input prices, currency devaluation effects and restructuring costs. Although some of these items will recur again as we go through the balance of the year, I am convinced we will put most of these effects behind us in the current year."

adidas Group currency-neutral sales decline in all segments
Currency-neutral **adidas** segment revenues decreased 6% in the first quarter of 2009, driven in particular by a decrease in the football category resulting from the non-recurrence of strong prior year sales related to the UEFA EURO 2008™. Currency-neutral sales in the **Reebok** segment declined 4% versus the prior year. Double-digit growth in the women's category was more than offset by declines in most other categories. At **TaylorMade-adidas Golf**, currency-neutral revenues decreased 6% due to declines in all major categories. However, this development was partly offset by the consolidation of Ashworth revenues.

Currency translation effects positively impacted sales in all segments in euro terms. **adidas** sales in euro terms decreased 3% to € 1.917 billion in the first quarter of 2009 from € 1.968 billion in 2008. Revenues at **Reebok** grew 1% to € 458 million versus € 454 million in the prior year. **TaylorMade-adidas Golf** sales increased 2% to € 194 million in the first quarter of 2009 from € 191 million in 2008.

	First quarter 2009	First quarter 2008	Change y-o-y in euro terms	Change y-o-y currency-neutral
	€ in millions	€ in millions	in %	in %
adidas	**1,917**	1,968	(3)	(6)
Reebok	**458**	454	1	(4)
TaylorMade-adidas Golf	**194**	191	2	(6)
HQ/Consolidation	**8**	8	(2)	(10)
Total	**2,577**	**2,621**	**(2)**	**(6)**

First quarter net sales growth by segment

adidas Group currency-neutral sales decrease in nearly all regions

Currency-neutral adidas Group sales declined in all regions except Latin America in the first quarter of 2009. Group sales in **Europe** decreased 5% on a currency-neutral basis, due to declines in most major countries impacted by the non-recurrence of prior year sales related to the UEFA EURO 2008™. In **North America**, Group sales declined 17% on a currency-neutral basis due to lower consumer demand and retailer destocking in the USA. Sales for the adidas Group in **Asia** decreased 6% on a currency-neutral basis, as a result of declines in Japan and China. In **Latin America**, sales grew 31% on a currency-neutral basis, with double-digit increases coming from most of the region's major markets, supported by the new Reebok companies in Brazil/Paraguay and Argentina.

In euro terms, sales in **Europe** decreased 6% to € 1.175 billion in the first quarter of 2009 from € 1.249 billion in 2008. Sales in **North America** declined 7% to € 538 million from € 578 million in 2008. Revenues in **Asia** grew 6% to € 628 million in the first quarter of 2009 from € 594 million in 2008. Sales in **Latin America** grew 23% to € 218 million from € 177 million in the prior year.

	First quarter 2009	First quarter 2008	Change y-o-y in euro terms	Change y-o-y currency-neutral
	€ in millions	**€ in millions**	**in %**	**in %**
Europe	**1,175**	1,249	(6)	(5)
North America	**538**	578	(7)	(17)
Asia	**628**	594	6	(6)
Latin America	**218**	177	23	31
Total[1]	**2,577**	**2,621**	**(2)**	**(6)**

First quarter net sales growth by region

[1] Including HQ/Consolidation.

Gross margin negatively impacted by higher input costs
The gross margin of the adidas Group decreased 4.0 percentage points to 45.2% in the first quarter of 2009 (2008: 49.1%). This development was mainly due to higher input costs, currency devaluation effects, in particular related to the Russian rouble, as well as a highly promotional retail environment. As a result, gross profit for the adidas Group declined 10% in the first quarter of 2009 to € 1.164 billion versus € 1.288 billion in the prior year.

Operating margin declines 8.5 percentage points
The operating margin of the adidas Group decreased 8.5 percentage points to 2.2% in the first quarter of 2009 (2008: 10.8%). The operating margin decline was due to the decrease in Group gross margin as well as higher other operating expenses as a percentage of sales. Other operating expenses as a percentage of sales increased 4.7 percentage points to 44.7% in the first quarter of 2009 from 40.0% in 2008, mainly as a result of higher expenses to support the Group's development in emerging markets. Costs related to restructuring at Reebok, higher allowances for doubtful debts and the integration of the Ashworth business also contributed to this development. These one-time effects in nature and the non-recurrence of prior year book gains impacted net other operating expenses in an amount of € 80 million. As a result, Group operating profit decreased 79% to € 58 million versus € 282 million in 2008.

Income before taxes decreases 97%
Income before taxes (IBT) as a percentage of sales decreased 9.2 percentage points to 0.3% in the first quarter of 2009 from 9.6% in 2008. This was a result of the Group's operating margin decrease and higher net financial expenses. Net financial expenses were negatively impacted by foreign exchange losses in an amount of € 19 million resulting from the revaluation of balance sheet items in foreign currencies. IBT for the adidas Group declined 97% to € 9 million from € 250 million in 2008.

Net income attributable to shareholders declines 97%
The Group's net income attributable to shareholders decreased 97% to € 5 million in the first quarter of 2009 from € 169 million in 2008. The Group's lower operating profit was the primary reason for this development. The Group's tax rate increased 19.7 percentage points to 51.7% in the first quarter of 2009 (2008: 32.0%), mainly due to a less favourable regional earnings mix throughout the Group.

Basic and diluted earnings per share decrease 97% and 95% respectively
Basic earnings per share declined 97% to € 0.02 in the first quarter of 2009 versus € 0.84 in 2008. Diluted earnings per share in the first quarter of 2009 decreased 95% to € 0.04 from € 0.79 in the prior year.

Group inventories up 18% currency-neutral

Group inventories increased 18% on a currency-neutral basis at the end of March 2009. In euro terms, inventories increased 28% to € 2.016 billion versus € 1.578 billion in 2008. This was mainly a result of lower customer demand compared to the Group's expectations when planning production for the first half of 2009. In addition, the new Reebok companies in Latin America as well as the consolidation of the Ashworth business acquired in November 2008 contributed to the increase. Accounts receivable increased 11% on a currency-neutral basis. In euro terms, receivables grew 15% to € 1.884 billion (2008: € 1.645 billion). This increase reflects slower receipt of payments due to the difficult economic situation in some markets. The new Reebok companies in Latin America as well as the consolidation of the Ashworth business also contributed to this increase.

Net borrowings up by € 810 million

Net borrowings at March 31, 2009 amounted to € 2.883 billion, which represents an increase of € 810 million, or 39%, versus € 2.073 billion at the end of March 2008. Higher working capital requirements were the main reason for the net debt increase. Since March 31, 2008, cash in an amount of € 275 million has been used for the meanwhile completed share buyback programme. Currency translation effects negatively impacted net borrowings by an amount of € 136 million. Consequently, the Group's financial leverage increased to 81.8% at the end of March 2009 versus 72.9% in 2008.

Group business outlook affected by uncertain global macroeconomic development

Expectations for the development of the global economy and the sporting goods industry in 2009 are subject to a high degree of uncertainty. Consequently, the effect global macroeconomic developments could have on the adidas Group's business outlook continues to be difficult to forecast, especially with regard to the second half of the year. In particular, it is difficult to quantify the impact negative currency translation effects could have on the Group's top- and bottom-line performance.

Group sales to decline at a low- to mid-single-digit rate

adidas Group sales are expected to decrease at a low- to mid-single-digit rate on a currency-neutral basis in 2009. Sales for brand **adidas** are projected to decline at a low- to mid-single-digit rate on a currency-neutral basis in 2009. **Reebok** segment sales are expected to be at least stable compared to the prior year on a currency-neutral basis in 2009. Currency-neutral sales at **TaylorMade-adidas Golf** are forecasted to increase at a low-single-digit rate, supported by the consolidation of Ashworth for the full twelve-month period.

adidas Group earnings per share to decrease in 2009

In 2009, the adidas Group gross margin is forecasted to decline. A promotional environment in mature markets, as well as expected higher sourcing costs due to increased raw material and wage costs, in particular in the first half of the year, will contribute to this development. Currency devaluation effects, especially from the depreciation of the Russian rouble, are expected to also have a significant negative impact on gross margin in 2009. Other operating expenses as a percentage of sales are expected to increase as a result of higher expenses for controlled space initiatives in the adidas and Reebok segments as well as costs related to restructuring activities.

As a result of the expected Group gross margin decline and the projected increase in other operating expenses as a percentage of sales, the Group's operating margin and earnings per share are expected to decline. The adidas Group expects earnings per share to be around breakeven in the first six months of 2009. However, the Group will generate significantly positive earnings per share again in the second half of the year, albeit at lower levels compared to the prior year. This will be a consequence of a moderation of input cost increases and positive impetus ahead of the 2010 FIFA World Cup™. In 2009, reduction of net borrowings will continue to be a key priority for the Group. Tight working capital management, particularly through inventory management, and disciplined investment activities are expected to help optimise the Group's free cash flow and contribute to this goal.

Herbert Hainer stated: "We feel the effects of the economic downturn in many of our key markets. However, our Group is well positioned for this challenging period, and we are doing all the right things to keep our company on its long-term growth path. Our biggest asset in this or any other environment is the strengths of our brands and our commitment to provide unrivalled consumer experience. We will work hard throughout the remainder of the year on strengthening our brands while at the same time implementing a series of initiatives to better position our Group for sustainable long-term growth"

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Please visit our corporate website: www.adidas-Group.com

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Consolidated Income Statement (IFRS)

€ in millions	First Quarter 2009	First Quarter 2008	Change
Net sales	2,577	2,621	(1.7) %
Cost of sales	1,414	1,333	6.0 %
Gross profit	**1,164**	**1,288**	(9.7) %
(% of net sales)	45.2%	49.1%	(4.0) pp
Royalty and commission income	20	21	(4.1) %
Other operating income	27	22	22.5 %
Other operating expenses	1,153	1,050	9.9 %
(% of net sales)	44.7%	40.0%	4.7 pp
Operating profit	**58**	**282**	(79.5) %
(% of net sales)	2.2%	10.8%	(8.5) pp
Financial income	6	6	8.1 %
Financial expenses	56	38	48.3 %
Income before taxes	**9**	**250**	(96.6) %
(% of net sales)	0.3%	9.6%	(9.2) pp
Income taxes	4	80	(94.5) %
(% of income before taxes)	51.7%	32.0%	19.7 pp
Net income	**4**	**170**	(97.6) %
(% of net sales)	0.2%	6.5%	(6.3) pp
Net income attributable to shareholders	**5**	**169**	(97.2) %
(% of net sales)	0.2%	6.5%	(6.3) pp
Net income attributable to minority interests	**(1)**	**1**	(164.2) %
Basic earnings per share (in €)	**0.02**	**0.84**	(97.0) %
Diluted earnings per share (in €)	**0.04**	**0.79**	(95.1) %

Net Sales

€ in millions	First Quarter 2009	First Quarter 2008	Change
adidas	1,917	1,968	(2.6) %
Reebok	458	454	0.9 %
TaylorMade-adidas Golf	194	191	1.6 %
Europe	1,175	1,249	(5.9) %
North America	538	578	(7.0) %
Asia	628	594	5.8 %
Latin America	218	177	22.7 %

Rounding differences may arise in percentages and totals.

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Consolidated Balance Sheet (IFRS)

€ in millions	Mar. 31 2009	Mar. 31 2008	Change	Dec. 31 2008
Cash and cash equivalents	236	288	(18.1)%	244
Short-term financial assets	121	80	50.3%	141
Accounts receivable	1,884	1,645	14.5%	1,624
Other current financial assets	263	92	186.0%	287
Inventories	2,016	1,578	27.8%	1,995
Income tax receivables	78	75	3.0%	110
Other current assets	508	488	4.1%	502
Assets classified as held for sale	23	71	(67.7)%	31
Total current assets	**5,129**	**4,317**	**18.8%**	**4,934**
Property, plant and equipment	907	673	34.8%	886
Goodwill	1,540	1,391	10.7%	1,499
Trademarks	1,452	1,201	20.9%	1,390
Other intangible assets	198	184	7.8%	204
Long-term financial assets	97	104	(7.1)%	96
Other non-current financial assets	65	42	54.4%	60
Deferred tax assets	387	369	4.8%	344
Other non-current assets	129	125	3.8%	120
Total non-current assets	**4,775**	**4,089**	**16.8%**	**4,599**
Total assets	**9,904**	**8,406**	**17.8%**	**9,533**
Short-term borrowings	729	231	214.8%	797
Accounts payable	880	656	34.1%	1,218
Other current financial liabilities	44	162	(73.1)%	79
Income taxes	305	335	(8.8)%	321
Provisions	319	328	(2.7)%	324
Accrued liabilities	634	720	(11.9)%	684
Other current liabilities	241	223	8.1%	216
Liabilities classified as held for sale	0	3	(100.0)%	6
Total current liabilities	**3,152**	**2,658**	**18.6%**	**3,645**
Long-term borrowings	2,511	2,210	13.6%	1,776
Other non-current financial liabilities	17	56	(69.9)%	23
Pensions and similar obligations	133	126	4.9%	132
Deferred tax liabilities	475	426	11.7%	463
Non-current provisions	30	29	2.3%	28
Non-current accrued liabilities	24	23	5.2%	37
Other non-current liabilities	32	23	39.3%	29
Total non-current liabilities	**3,222**	**2,893**	**11.4%**	**2,488**
Share capital	194	200	(3.5)%	194
Reserves	126	(185)	(168.2)%	(10)
Retained earnings	3,205	2,828	13.4%	3,202
Shareholders' equity	3,525	2,843	24.0%	3,386
Minority interests	5	12	(61.4)%	14
Total equity	**3,530**	**2,855**	**23.7%**	**3,400**
Total liabilities and equity	**9,904**	**8,406**	**17.8%**	**9,533**
Additional balance sheet information				
Operating working capital	3,020	2,567	*17.7%*	2,401
Working capital	1,977	1,659	*19.2%*	1,290
Net total borrowings	2,883	2,073	*39.1%*	2,189
Financial leverage	81.8%	72.9%	*8.9 PP*	*64.6%*

Rounding differences may arise in percentages and totals.