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First Half Year 2009 Results:

Currency-neutral Group sales decrease 7% in the first half year

- **First half financial results in line with guidance**
- **Currency-neutral Group sales decline 8% in the second quarter**
- **Inventory growth rate sequentially declines versus prior quarter**
- **Group outlook confirmed**

Second quarter adidas Group currency-neutral sales decrease 8%
During the second quarter of 2009, Group sales declined 8% on a currency-neutral basis due to sales declines in all segments with the exception of TaylorMade-adidas Golf. Currency-neutral **adidas** segment revenues decreased 9%. Growth in North America and in Latin America was offset by declines in most major European and Asian markets. Currency-neutral sales in the **Reebok** segment decreased 9% in the second quarter of 2009 versus the prior year due to negative sales development in most major markets. At **TaylorMade-adidas Golf**, currency-neutral revenues increased 3%, driven by growth in nearly all regions and supported by the consolidation of the Ashworth business. Currency movements positively impacted Group sales in euro terms. Group revenues decreased 3% in euro terms to € 2.457 billion in the second quarter of 2009 from € 2.521 billion in 2008.

Second quarter diluted EPS € 0.06
The Group's gross margin decreased 5.1 percentage points to 45.0% (2008: 50.1%) in the second quarter as a result of higher input costs, currency devaluation effects, in particular related to the Russian rouble, as well as a highly promotional retail environment. Group gross profit decreased 13% to € 1.105 billion (2008: € 1.263 billion). As a result of the lower gross margin as well as higher other operating expenses as a percentage of sales the Group's operating margin decreased 5.3 percentage points to 2.9% in the second quarter of 2009 versus 8.2% in the prior year. Operating profit decreased 66% to € 72 million versus € 208 million in 2008. In the second quarter of 2009, the Group's net income attributable to shareholders decreased 93% to € 9 million (2008: € 116 million) mainly due to the Group's lower operating profit. Diluted earnings per share for the second quarter declined 90% to € 0.06.

"The impacts of the economic downturn and repercussions on consumer spending are well documented and certainly continued to influence our performance in the second quarter", commented Herbert Hainer, adidas Group CEO and Chairman. "However, the good news is that we did not see any fundamental deterioration in our business since publishing our first quarter results. Our financials for the first half of 2009 are exactly in line with the guidance we provided in May – if not a little better. As a result, I believe we have seen the bottom in our financial performance this year."

adidas Group currency-neutral sales decline 7% in first half

In the first half of 2009, Group revenues decreased 7% on a currency-neutral basis, as a result of lower sales in all business segments. The **adidas** segment decreased 8%, the **Reebok** segment 6% and the **TaylorMade-adidas Golf** segment 1%. Currency translation effects positively impacted sales in euro terms. Group revenues in euro terms declined 2% to € 5.034 billion in the first half of 2009 from € 5.142 billion in 2008.

	1st Half Year 2009	1st Half Year 2008	Change y-o-y in euro terms	Change y-o-y currency-neutral
	€ in millions	€ in millions	in %	in %
adidas	**3,667**	3,787	(3)	(8)
Reebok	**907**	923	(2)	(6)
TaylorMade-adidas Golf	**449**	417	8	(1)
HQ/Consolidation	**11**	16	(27)	(32)
Total	**5,034**	**5,142**	**(2)**	**(7)**

First half year net sales growth by segment

Currency-neutral sales decrease in nearly all regions

Currency-neutral adidas Group sales declined in all regions except Latin America in the first half of 2009. Group sales in **Europe** decreased 8% on a currency-neutral basis, due to declines in most major countries impacted by the non-recurrence of strong prior year sales related to the UEFA EURO 2008™. In **North America**, Group sales declined 10% on a currency-neutral basis due to declines in both the USA and Canada. This was a result of lower consumer demand and clearance of excess inventories. Sales for the adidas Group in **Asia** decreased 9% on a currency-neutral basis, as a result of declines in Japan and China. In **Latin America**, sales grew 24% 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 9% to € 2.143 billion in the first half of 2009 from € 2.352 billion in 2008. Sales in **North America** grew 1% to € 1.173 billion from € 1.160 billion in 2008. Revenues in **Asia** grew 3% to € 1.245 billion in the first half of 2009 from € 1.214 billion in 2008. Sales in **Latin America** grew 16% to € 443 million from € 381 million in the prior year.

	1st Half Year 2009	1st Half Year 2008	Change y-o-y in euro terms	Change y-o-y currency-neutral
	€ in millions	**€ in millions**	**in %**	**in %**
Europe	**2,143**	2,352	(9)	(8)
North America	**1,173**	1,160	1	(10)
Asia	**1,245**	1,214	3	(9)
Latin America	**443**	381	16	24
Total[1]	**5,034**	**5,142**	**(2)**	**(7)**

First half year net sales growth by region

[1] Including HQ/Consolidation.

Gross profit declines 11%

The gross margin of the adidas Group decreased 4.6 percentage points to 45.1% in the first half of 2009 (2008: 49.6%). 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 11% in the first half of 2009 to € 2.269 billion versus € 2.552 billion in the prior year.

Operating margin declines 7.0 percentage points

The operating margin of the adidas Group decreased 7.0 percentage points to 2.6% in the first half of 2009 (2008: 9.5%). 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 2.7 percentage points to 44.3% in the first half of 2009 from 41.7% in 2008, mainly as a result of higher expenses to support the Group's development in emerging markets. As a result, Group operating profit decreased 74% to € 129 million versus € 490 million in 2008.

Financial income down 55%

Financial income decreased 55% to € 7 million in the first half of 2009 from € 16 million in the prior year, mainly due to changes in the fair value of financial instruments.

Financial expenses increase 15%

Financial expenses increased 15% to € 99 million in the first half of 2009 from € 87 million in the prior year. This development was primarily due to negative exchange rate variances, which were only partly offset by lower interest expenses.

Income before taxes decreases 91%

Income before taxes (IBT) as a percentage of sales decreased 7.4 percentage points to 0.7% in the first half of 2009 from 8.1% in 2008. This was a result of the Group's operating margin decrease and higher net financial expenses. IBT for the adidas Group declined 91% to € 37 million from € 419 million in 2008.

Net income attributable to shareholders declines 95%

The Group's net income attributable to shareholders decreased 95% to € 13 million in the first half of 2009 from € 286 million in 2008. The Group's lower operating profit was the primary reason for this development. The Group's tax rate increased 35.3 percentage points to 66.8% in the first half of 2009 (2008: 31.5%), mainly due to a less favourable regional earnings mix.

Basic and diluted earnings per share in line with guidance

Basic earnings per share decreased 95% to € 0.07 in the first half of 2009 versus € 1.42 in 2008. The weighted average number of shares used in the calculation of basic earnings per share decreased to 193,515,512 in the first half of 2009 (2008 average: 200,415,758) due to the share buyback programme from January to October 2008. Diluted earnings per share in the first half of 2009 decreased 93% to € 0.10 from € 1.35 in the prior year. The weighted average number of shares used in the calculation of diluted earnings per share was 209,259,974 (2008 average: 216,211,434).

Currency-neutral Group inventories increase 8%

Group inventories increased 13% to € 2.041 billion at the end of June 2009 versus € 1.806 billion in 2008. On a currency-neutral basis, inventories grew 8%. This development was mainly a result of accelerated product shipments to Brazil and Argentina due to the threat of higher import tariffs. Lower customer demand compared to the Group's expectations when planning production for the first half of 2009 and the consolidation of the Ashworth business since November 2008 also contributed to the increase.

Currency-neutral accounts receivable increase 4%

At the end of June 2009, Group receivables increased 5% to € 1.729 billion (2008: € 1.641 billion). On a currency-neutral basis, receivables grew 4%. This increase reflects slower receipt of payments due to the difficult economic situation in most markets.

Net borrowings up € 472 million

Net borrowings at June 30, 2009 amounted to € 2.732 billion, which represents an increase of € 472 million, or 21%, versus € 2.260 billion at the end of June 2008. Higher working capital requirements were the main reason for the net debt increase. In addition, since June 30, 2008, cash in an amount of € 136 million has been used for the meanwhile completed share buyback programme. Currency translation effects negatively impacted net borrowings by an amount of € 110 million. Consequently, the Group's financial leverage increased to 85.7% at the end of June 2009 versus 82.3% in the prior year.

adidas Group sales to decrease in 2009

adidas Group sales are expected to decline at a low- to mid single-digit rate on a currency-neutral basis in 2009. The Group projects a low- to mid-single-digit sales decline on a currency-neutral basis for the **adidas** brand in 2009. **Reebok** segment sales are now expected to decline at a low- to mid-single-digit rate 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.

Earnings per share to improve significantly in second half compared to first half year

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 will contribute to this development. Currency devaluation effects, in particular from the depreciation of the Russian rouble, are expected to also have a significant negative impact on gross margin development in 2009. The Group's other operating expenses as a percentage of sales are expected to increase in 2009. Costs related to restructuring activities as well as higher expenses for controlled space initiatives in the adidas and Reebok segments will drive this development, partially compensated by positive effects from efficiency improvements throughout the organisation.

As a result of the expected Group gross margin decline and the projected increase in other operating expenses as a percentage of sales, the operating margin for the adidas Group is expected to decline. The adidas Group expects earnings per share to be significantly more positive in the second half of 2009 compared to the development in the first half year. Profitability will improve compared to the first half year as a result of a more moderate increase of input costs and positive impetus ahead of the 2010 FIFA World Cup™. However, earnings per share in the second half of the year will not reach the levels achieved in the second half of the prior year. Tight working capital management and disciplined investment activities are expected to help optimise the Group's free cash flow in 2009. Excess cash will largely be used to reduce net borrowings, which are forecasted to be below the prior year level at year-end.

Herbert Hainer stated: "Although there are still challenges ahead, I am confident that our results will improve as we go through the remainder of the year. We expect to generate significantly positive earnings per share in the second half of the year, albeit below the record levels of the prior year. And we will make further progress on our inventories, setting our Group up for a fresh start to an event-filled 2010."

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adidas Group
Consolidated Income Statement (IFRS)

€ in millions	2nd Quarter 2009	2nd Quarter 2008	Change
Net sales	2,457	2,521	(2.5) %
Cost of sales	1,352	1,258	7.5 %
Gross profit	**1,105**	**1,263**	(12.5) %
(% of net sales)	45.0%	50.1%	(5.1) pp
Royalty and commission income	24	20	19.1 %
Other operating income	22	17	25.7 %
Other operating expenses	1,079	1,092	(1.3) %
(% of net sales)	43.9%	43.3%	0.6 pp
Operating profit	**72**	**208**	(65.5) %
(% of net sales)	2.9%	8.2%	(5.3) pp
Financial income	3	10	(74.4) %
Financial expenses	47	49	(7.1) %
Income before taxes	**28**	**169**	(83.2) %
(% of net sales)	1.2%	6.7%	(5.5) pp
Income taxes	20	52	(61.1) %
(% of income before taxes)	71.3%	30.8%	40.6 pp
Net income	**8**	**117**	(93.1) %
(% of net sales)	0.3%	4.6%	(4.3) pp
Net income attributable to shareholders	**9**	**116**	(92.6) %
(% of net sales)	0.3%	4.6%	(4.3) pp
Net income attributable to minority interests	**(1)**	**1**	(216.6) %
Basic earnings per share (in €)	**0.04**	**0.59**	(92.5) %
Diluted earnings per share (in €)	**0.06**	**0.56**	(89.7) %

Net Sales

€ in millions	2nd Quarter 2009	2nd Quarter 2008	Change	Change (Currency-neutral)
adidas	1,750	1,818	(3.8) %	(8.8) %
Reebok	449	469	(4.3) %	(8.6) %
TaylorMade-adidas Golf	255	226	12.6 %	2.8 %
Europe	967	1,103	(12.3) %	(12.0) %
North America	636	581	9.3 %	(2.7) %
Asia	617	620	(0.6) %	(12.9) %
Latin America	226	204	10.8 %	17.8 %

Rounding differences may arise in percentages and totals.

adidas Group
Consolidated Income Statement (IFRS)

€ in millions	1st Half Year 2009	1st Half Year 2008	Change
Net sales	5,034	5,142	*(2.1) %*
Cost of sales	2,765	2,590	*6.8 %*
Gross profit	**2,269**	**2,552**	*(11.1) %*
(% of net sales)	45.1%	49.6%	*(4.6) pp*
Royalty and commission income	44	41	*7.1 %*
Other operating income	48	39	*23.9 %*
Other operating expenses	2,232	2,142	*4.2 %*
(% of net sales)	44.3%	41.7%	*2.7 pp*
Operating profit	**129**	**490**	*(73.6) %*
(% of net sales)	2.6%	9.5%	*(7.0) pp*
Financial income	7	16	*(55.3) %*
Financial expenses	99	87	*14.7 %*
Income before taxes	**37**	**419**	*(91.2) %*
(% of net sales)	0.7%	8.1%	*(7.4) pp*
Income taxes	25	132	*(81.4) %*
(% of income before taxes)	66.8%	31.5%	*35.3 pp*
Net income	**12**	**287**	*(95.7) %*
(% of net sales)	0.2%	5.6%	*(5.3) pp*
Net income attributable to shareholders	**13**	**286**	*(95.3) %*
(% of net sales)	0.3%	5.6%	*(5.3) pp*
Net income attributable to minority interests	**(1)**	**1**	*(178.6) %*
Basic earnings per share (in €)	**0.07**	**1.42**	*(95.1) %*
Diluted earnings per share (in €)	**0.10**	**1.35**	*(92.9) %*

Net Sales

€ in millions	1st Half Year 2009	1st Half Year 2008	Change	Change (Currency-neutral)
adidas	3,667	3,787	*(3.1) %*	*(7.5) %*
Reebok	907	923	*(1.7) %*	*(6.5) %*
TaylorMade-adidas Golf	449	417	*7.6 %*	*(1.0) %*
Europe	2,143	2,352	*(8.9) %*	*(8.2) %*
North America	1,173	1,160	*1.1 %*	*(9.9) %*
Asia	1,245	1,214	*2.5 %*	*(9.4) %*
Latin America	443	381	*16.3 %*	*23.9 %*

Rounding differences may arise in percentages and totals.

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adidas Group
Consolidated Balance Sheet (IFRS)

€ in millions	June 30 2009	June 30 2008	Change	Dec. 31 2008
Cash and cash equivalents	176	298	(40.8)%	244
Short-term financial assets	128	35	268.2%	141
Accounts receivable	1,729	1,641	5.4%	1,624
Other current financial assets	157	117	33.3%	287
Inventories	2,041	1,806	13.0%	1,995
Income tax receivables	81	65	25.1%	110
Other current assets	467	520	(10.2)%	502
Assets classified as held for sale	27	54	(49.6)%	31
Total current assets	**4,806**	**4,536**	**6.0%**	**4,934**
Property, plant and equipment	868	725	19.7%	886
Goodwill	1,492	1,393	7.1%	1,499
Trademarks	1,367	1,205	13.5%	1,390
Other intangible assets	186	170	9.2%	204
Long-term financial assets	98	103	(5.3)%	96
Other non-current financial assets	42	50	(15.0)%	60
Deferred tax assets	422	377	11.9%	344
Other non-current assets	126	120	5.0%	120
Total non-current assets	**4,601**	**4,143**	**11.1%**	**4,599**
Total assets	**9,407**	**8,679**	**8.4%**	**9,533**
Short-term borrowings	603	370	62.8%	797
Accounts payable	1,060	928	14.2%	1,218
Other current financial liabilities	111	138	(19.4)%	79
Income taxes	244	319	(23.6)%	321
Provisions	321	328	(2.3)%	324
Accrued liabilities	580	707	(18.0)%	684
Other current liabilities	202	216	(6.3)%	216
Liabilities classified as held for sale	-	2	(100.0)%	6
Total current liabilities	**3,121**	**3,008**	**3.7%**	**3,645**
Long-term borrowings	2,433	2,223	9.5%	1,776
Other non-current financial liabilities	13	39	(66.6)%	23
Pensions and similar obligations	133	129	2.7%	132
Deferred tax liabilities	430	427	0.8%	463
Non-current provisions	30	32	(4.3)%	28
Non-current accrued liabilities	20	39	(47.8)%	37
Other non-current liabilities	34	24	34.7%	29
Total non-current liabilities	**3,093**	**2,913**	**6.2%**	**2,488**
Share capital	194	197	(1.8)%	194
Reserves	(122)	(296)	(59.0)%	(10)
Retained earnings	3,117	2,845	9.6%	3,202
Shareholders' equity	3,189	2,746	16.2%	3,386
Minority interests	4	12	(65.7)%	14
Total equity	**3,193**	**2,758**	**15.8%**	**3,400**
Total liabilities and equity	**9,407**	**8,679**	**8.4%**	**9,533**
Additional balance sheet information				
Operating working capital	2,710	2,519	*7.6%*	2,401
Working capital	1,685	1,527	*10.4%*	1,290
Net borrowings	2,732	2,260	*20.9%*	2,189
Financial leverage	85.7%	82.3%	*3.3 PP*	*64.6%*

Rounding differences may arise in percentages and totals.