

**Full Year 2009 Results:**

**Significant improvement in financial position in 2009**  
**Currency-neutral adidas Group sales decline 6% in 2009**  
**Currency-neutral Group sales expected to increase at a low- to mid-single-digit rate in 2010**

- **Currency-neutral Group sales stable in the fourth quarter**
- **Group inventories down 27% currency-neutral versus the prior year**
- **Net borrowings decrease by € 1.272 billion to reach € 917 million**
- **Full year diluted EPS at € 1.22**

**Changes in segmental reporting following reorganisation initiatives**

In the fourth quarter of 2009, the adidas Group changed its organisational structure to increase its responsiveness to consumer needs and to support sustainable long-term growth. As a consequence of the subsequent changes in internal reporting and in accordance with the new IFRS 8, the adidas Group has now divided its operating activities into six segments: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands. The results of the adidas and Reebok brands are now combined under Wholesale and Retail. For clarity of presentation, the financial results of TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey (the latter two were formerly part of the Reebok segment) as well as Other Centrally Managed Brands (formerly part of the adidas segment) are aggregated under Other Businesses. Following the elimination of regional headquarters, the Group distinguishes seventeen markets which are aggregated into six geographies: Western Europe, European Emerging Markets, North America, Greater China, Other Asian Markets and Latin America.

**Fourth quarter adidas Group currency-neutral sales stable**

Fourth quarter currency-neutral Group sales remained stable compared to the prior year. Currency-neutral revenues in Western Europe and European Emerging Markets increased 3% and 8% respectively, supported by strong growth in the football category. Currency-neutral Group sales in North America declined 7%. However, for the first time since the acquisition, Reebok brand sales in this important region were up 4% during the quarter. In Greater China, currency-neutral sales declined 22% due to the continued efforts to reduce inventories in the market. Sales in Other Asian Markets and in Latin America were up 2% and 20% on a currency-neutral basis, respectively. Currency translation effects negatively impacted sales in euro terms. Group revenues decreased 5% in euro terms to € 2.458 billion in the fourth quarter of 2009 from € 2.574 billion in 2008.

#### **Fourth quarter gross margin stabilises**

The Group's gross margin decreased 0.2 percentage points to 46.2% (2008: 46.4%) in the fourth quarter. Negative currency devaluation effects and higher sourcing costs were almost entirely offset by a positive impact from lower clearance sales compared to the prior year. Gross margin increased in the Wholesale segment as well as in Other Businesses, but declined in the Retail segment. Group gross profit decreased 5% to € 1.136 billion (2008: € 1.194 billion). Other operating expenses as a percentage of sales increased mainly due to higher marketing expenses as a percentage of sales related to the 2010 FIFA World Cup™ as well as the support of Reebok's growth strategy in toning in North America. In addition, write-downs on Reebok's distribution rights in China as well as on own-retail stores negatively impacted the Group's other operating expenses by € 19 million and € 14 million, respectively. As a result, the Group's operating margin decreased 2.4 percentage points to 1.7% in the fourth quarter of 2009 versus 4.2% in the prior year. Operating profit decreased 61% to € 42 million versus € 107 million in 2008. In the fourth quarter of 2009, the Group's net income attributable to shareholders decreased 64% to € 19 million (2008: € 54 million) mainly due to the Group's lower operating profit. Diluted earnings per share for the fourth quarter declined 65% to € 0.09.

#### **Herbert Hainer: "We rose to the challenge"**

"Without question, 2009 was the most difficult year since I became CEO of the Group," commented Herbert Hainer, adidas Group CEO. "However, we rose to the challenge. Despite a 53% decline in operating profit, we generated a 141% increase in net cash from operations for a record € 1.2 billion. This is definitely the outstanding achievement of the year and a credit to all the hard work and dedication of our employees."

#### **adidas Group currency-neutral sales decrease 6% in 2009**

In 2009, Group revenues decreased 6% on a currency-neutral basis, as a result of lower Wholesale and Other Businesses sales, which more than offset an increase in Retail revenues. Currency-neutral **Wholesale** revenues decreased 9% during the period, impacted by declines in both adidas and Reebok sales. Currency-neutral **Retail** sales increased 7% versus the prior year as a result of higher adidas and Reebok sales. Revenues in **Other Businesses** declined 4% on a currency-neutral basis, primarily impacted by lower TaylorMade-adidas Golf and Rockport sales. Currency translation effects positively impacted segmental sales in euro terms. Group revenues in euro terms decreased 4% to € 10.381 billion from € 10.799 billion in 2008.

	2009	2008	Change y-o-y in euro terms	Change y-o-y currency- neutral
	€ in millions	€ in millions	in %	in %
Wholesale	7,174	7,758	(8)	(9)
Retail	1,906	1,738	10	7
Other Businesses	1,283	1,285	(0)	(4)
<b>Total<sup>1)</sup></b>	<b>10,381</b>	<b>10,799</b>	<b>(4)</b>	<b>(6)</b>

1) Including HQ/Consolidation.

### Currency-neutral sales decrease in nearly all regions

Currency-neutral adidas Group sales declined in all regions except Latin America in 2009. Revenues in **Western Europe** declined 5% primarily as a result of lower sales in France and Iberia. In **European Emerging Markets**, Group sales decreased 7% on a currency-neutral basis, primarily due to declines in Russia as a result of the devaluation of the Russian rouble against the functional currency, the US dollar, which could not be offset by price increases. Sales for the adidas Group in **North America** decreased 10% on a currency-neutral basis due to declines in the USA and Canada. Sales in **Greater China** decreased 16% on a currency-neutral basis. Revenues in **Other Asian Markets** declined 3% primarily as a result of decreases in Japan. In **Latin America**, sales grew 19% on a currency-neutral basis, with double-digit increases in most of the region's major markets, also supported by the consolidation of new companies in the region.

Currency translation effects had a mixed impact on regional sales in euro terms. Group revenues in **Western Europe** decreased 8% to € 3.262 billion in 2009 from € 3.527 billion in 2008. In **European Emerging Markets**, sales declined 5% to € 1.122 billion in 2009 from € 1.179 billion in 2008. Sales in **North America** decreased 6% to € 2.360 billion from € 2.520 billion in 2008. Revenues in **Greater China** decreased 10% to € 967 million in 2009 from € 1.077 billion in 2008. In **Other Asian Markets**, sales increased 4% to € 1.647 billion versus € 1.585 billion in the prior year. Revenues in **Latin America** grew 13% to € 1.006 billion from € 893 million in the prior year.

	2009	2008	Change y-o-y in euro terms	Change y-o-y currency- neutral
	€ in millions	€ in millions	in %	in %
Western Europe	3,262	3,527	(8)	(5)
European Emerging Markets	1,122	1,179	(5)	(7)
North America	2,360	2,520	(6)	(10)
Greater China	967	1,077	(10)	(16)
Other Asian Markets	1,647	1,585	4	(3)
Latin America	1,006	893	13	19
<b>Total<sup>1)</sup></b>	<b>10,381</b>	<b>10,799</b>	<b>(4)</b>	<b>(6)</b>

1) Including HQ/Consolidation.

**Gross margin negatively impacted by higher input costs**

The gross margin of the adidas Group decreased 3.3 percentage points to 45.4% in 2009 (2008: 48.7%). This development was mainly due to higher input costs, currency devaluation effects related to the Russian rouble as well as higher clearance sales and promotional activity. As a result, gross profit for the adidas Group declined 10% in 2009 to € 4.712 billion versus € 5.256 billion in the prior year.

**Operating margin at 4.9%**

The operating margin of the adidas Group decreased 5.0 percentage points to 4.9% in 2009 (2008: 9.9%). 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 1.7 percentage points to 42.3% in 2009 from 40.5% in 2008, mainly as a result of higher expenses to support the Group's development in emerging markets. Costs related to the Group's reorganisation and the integration of the Ashworth business also contributed to this development. In absolute terms, other operating expenses remained almost unchanged at € 4.390 billion in 2009 (2008: € 4.378 billion). As a result, Group operating profit decreased 53% to € 508 million versus € 1.070 billion in 2008.

**Financial income down 49%**

Financial income decreased 49% to € 19 million in 2009 from € 37 million in the prior year, mainly due to changes in the fair value of financial instruments.

**Financial expenses decrease 17%**

Financial expenses decreased 17% to € 169 million in 2009 (2008: € 203 million). Negative exchange rate variances were more than compensated by lower interest expenses.

**Income before taxes decreases 60%**

Income before taxes (IBT) as a percentage of sales decreased 4.9 percentage points to 3.5% in 2009 from 8.4% in 2008. This was a result of the Group's operating margin decrease. IBT for the adidas Group declined 60% to € 358 million from € 904 million in 2008.

**Net income attributable to shareholders at € 245 million**

The Group's net income attributable to shareholders decreased 62% to € 245 million in 2009 from € 642 million in 2008. The Group's lower operating profit was the primary reason for this development. The Group's tax rate increased 2.7 percentage points to 31.5% in 2009 (2008: 28.8%), mainly due to the write-down of deferred tax assets.

**Basic and diluted earnings per share decrease 61% and 60%, respectively**

Basic earnings per share decreased 61% to € 1.25 in 2009 from € 3.25 in 2008. The weighted average number of shares used in the calculation of basic earnings per share decreased to 196,220,166 in 2009 (2008 average: 197,562,346). Diluted earnings per share in 2009 decreased 60% to € 1.22 from € 3.07 in the prior year. The weighted average number of shares used in the calculation of diluted earnings per share was 209,238,099 (2008 average: 213,333,203). The dilutive effect largely resulted from approximately sixteen million additional potential shares in relation to the convertible bond that was completely converted in the fourth quarter of 2009.

**Group inventories and receivables decrease significantly**

Group inventories decreased 26% to € 1.471 billion at the end of 2009 versus € 1.995 billion in 2008. On a currency-neutral basis, inventories declined 27%. This was mainly a result of reduced production volumes as well as clearance of excess inventories at all brands. Group receivables decreased 12% to € 1.429 billion (2008: € 1.624 billion) at the end of 2009. On a currency-neutral basis, receivables were down 13%. This decrease reflects strict discipline in implementing the Group's trade terms and improved collection of receivables as the difficult economic situation eased in most markets towards year-end.

**Net debt position reduced by € 1.272 billion**

Net borrowings at December 31, 2009 amounted to € 917 million, which represents a substantial decrease of € 1.272 billion, or 58%, versus € 2.189 billion in the prior year. This development significantly exceeded Management's original target of net debt to be below the prior year level communicated at the beginning of 2009. The decline was driven by a strong increase in net cash generated from operating activities to € 1.198 billion in 2009 (2008: € 497 million) as a result of lower working capital requirements. The strong reduction was also supported by the complete conversion of the Group's € 400 million convertible bond in the fourth quarter. The Group's financial leverage hence declined to 24.3% at the end of 2009 versus 64.6% in the prior year. As a result, the Group achieved its medium-term goal of financial leverage below 50%.

**adidas Group sales to increase at a low- to mid-single-digit rate in 2010**

adidas Group sales are expected to increase at a low- to mid-single-digit rate on a currency-neutral basis in 2010. Despite the projected global economic recovery, sales development will be negatively tempered by a slow turnaround in consumer demand and continuing cautious retailer behaviour. However, positive impacts from the 2010 FIFA World Cup™, the Group's high exposure to fast-growing emerging markets as well as improvements at the Reebok brand are forecasted to more than offset these negative effects. Currency-neutral Wholesale segment revenues are projected to increase at a low-single-digit rate compared to the prior year due to higher adidas and Reebok sales. Retail segment sales are projected to grow at a high-single-

digit rate on a currency-neutral basis in 2010, supported by a net increase in the adidas and Reebok store base. Revenues of Other Businesses are expected to increase at a low-single-digit rate on a currency-neutral basis.

**Earnings per share to increase to a level between € 1.90 and € 2.15**

In 2010, the adidas Group gross margin is forecasted to increase to a level between 46% and 47% (2009: 45.4%). Improvements are expected in all segments. Group gross margin will benefit from lower levels of clearance sales and a decline in sourcing costs compared to the prior year. These positive effects are expected to be partly offset by ongoing price pressure from a highly competitive retail environment, less favourable hedging terms and higher import duties in Latin America. The Group's other operating expenses as a percentage of sales are expected to decrease modestly (2009: 42.3%). Sales and marketing working budget expenses as a percentage of sales are expected to increase modestly versus the prior year to support adidas presence at the 2010 FIFA World Cup™ as well as to sustain Reebok's growth strategy in muscle toning and conditioning. However, this increase is projected to be more than offset by lower operating overhead expenditures as a percentage of sales. As a result of gross margin improvements as well as lower operating expenses as a percentage of sales, the Group expects operating margin to be around 6.5% (2009: 4.9%). In addition, interest rate expenses are projected to decline as a result of a lower average level of net borrowings in 2010 compared to the prior year. The Group tax rate is expected to be slightly below the prior year level (2009: 31.5%). As a result of these developments, diluted earnings per share are expected to increase strongly to a level between € 1.90 and € 2.15 from € 1.22 in the prior year.

**Excess cash to be used to reduce net debt**

Tight working capital management and disciplined investment activities are expected to help optimise the Group's free cash flow in 2010. The Group intends to largely use excess cash to further reduce net borrowings, which are forecasted to be below the prior year level at year-end. Following the achievement of its medium-term goal of financial leverage below 50% in 2009, the Group now aims to maintain a ratio of net borrowings over EBITDA of less than two times (2009 ratio: 1.2).

**Management to propose dividend of € 0.35**

In light of the strong cash flow generation in 2009 and the significantly reduced level of net borrowings, Management has decided to change its dividend policy. Going forward, the Group intends to pay out between 20% and 40% of net income attributable to shareholders (previously: 15% to 25%). At the Annual General Meeting on May 6, 2010, Management intends to propose a dividend per share of € 0.35 for the financial year 2009 (2008: € 0.50). Subject to shareholder approval, the dividend will be paid on May 7, 2010. The proposal represents a payout ratio of 30% for 2009 (2008:15%). The decrease in the dividend per share is a result of the decline in the Group's net income

attributable to shareholders in 2009. Based on the number of shares outstanding at the end of 2009, the dividend payout will decrease 24% to € 73 million (2008: € 97 million).

Herbert Hainer stated: "We emerge from the challenges of 2009 with a very healthy financial position and renewed optimism. And I am convinced that all our brands can capitalise on a rebounding consumer environment in the current year. When I look around the marketplace today, I do not see any other company with a product pipeline as compelling, original or technologically advanced as ours. Therefore, in 2010, we will go on a marketing offensive focussing on three major initiatives: We will convert the excitement of the FIFA World Cup™ into new record sales for the football category. We will launch a new global campaign for adidas Sport Style to accelerate our momentum with the lifestyle consumer. And, last but not least, with the energy we are creating for Reebok in toning and conditioning, we will return the brand to growth in 2010."

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**Contacts:**

**Media Relations**

Jan Runau  
Chief Corporate Communication Officer  
Tel.: +49 (0) 9132 84-3830

Katja Schreiber  
Senior Corporate PR Manager  
Tel.: +49 (0) 9132 84-3810

Kirsten Keck  
Corporate PR Manager  
Tel.: +49 (0) 9132 84-6207

**Investor Relations**

John-Paul O'Meara  
Vice President Investor Relations  
Tel.: +49 (0) 9132 84-2751

Dennis Weber  
Senior Investor Relations Manager  
Tel.: +49 (0) 9132 84-4989

Please visit our corporate website: [www.adidas-Group.com](http://www.adidas-Group.com)

adidas Group  
Consolidated Income Statement (IFRS)

€ in millions	4th quarter 2009	4th quarter 2008	Change
Net sales	2,458	2,574	(4.5) %
Cost of sales	1,322	1,380	(4.2) %
<b>Gross profit</b>	<b>1,136</b>	<b>1,194</b>	(4.8) %
<i>(% of net sales)</i>	46.2%	46.4%	(0.2) pp
Royalty and commission income	23	25	(7.7) %
Other operating income	28	49	(43.1) %
Other operating expenses	1,145	1,161	(1.4) %
<i>(% of net sales)</i>	46.6%	45.1%	1.5 pp
<b>Operating profit</b>	<b>42</b>	<b>107</b>	(60.6) %
<i>(% of net sales)</i>	1.7%	4.2%	(2.4) pp
Financial income	5	7	(34.2) %
Financial expenses	31	60	(48.0) %
<b>Income before taxes</b>	<b>16</b>	<b>54</b>	(71.0) %
<i>(% of net sales)</i>	0.6%	2.1%	(1.5) pp
Income taxes	(4)	1	(606.7) %
<i>(% of income before taxes)</i>	(27.1)%	1.6%	(28.7) pp
<b>Net income</b>	<b>20</b>	<b>54</b>	(62.6) %
<i>(% of net sales)</i>	0.8%	2.1%	(1.3) pp
<b>Net income attributable to shareholders</b>	<b>19</b>	<b>54</b>	(63.8) %
<i>(% of net sales)</i>	0.8%	2.1%	(1.3) pp
<b>Net income attributable to minority interests</b>	<b>1</b>	<b>0</b>	395.7 %
<b>Basic earnings per share (in €)</b>	<b>0.10</b>	<b>0.28</b>	(65.6) %
<b>Diluted earnings per share (in €)</b>	<b>0.09</b>	<b>0.27</b>	(65.4) %

Net Sales

€ in millions	4th quarter 2009	4th quarter 2008	Change	Change (currency-neutral)
Wholesale	1,650	1,794	(8.0) %	(4.3) %
Retail	497	464	7.1 %	13.9 %
Other Businesses	308	318	(3.2) %	2.2 %
Western Europe	636	623	2.1 %	3.2 %
European Emerging Markets	263	271	(3.0) %	8.2 %
North America	543	649	(16.3) %	(7.3) %
Greater China	224	316	(28.9) %	(22.3) %
Other Asian Markets	495	472	5.0 %	2.3 %
Latin America	293	247	18.9 %	19.9 %
adidas	1,742	1,817	(4.2) %	(0.4) %
Reebok	412	445	(7.6) %	(1.1) %
TaylorMade-adidas Golf	198	198	(0.2) %	5.6 %
Rockport	53	62	(14.2) %	(7.3) %
Reebok-CCM Hockey	50	53	(6.8) %	(4.7) %

Rounding differences may arise in percentages and totals.



**adidas Group  
Consolidated Income Statement (IFRS)**

€ in millions	Full Year 2009	Full Year 2008	Change
Net sales	10,381	10,799	(3.9) %
Cost of sales	5,669	5,543	2.3 %
<b>Gross profit</b>	<b>4,712</b>	<b>5,256</b>	(10.4) %
<i>(% of net sales)</i>	45.4%	48.7%	(3.3) pp
Royalty and commission income	86	89	(3.9) %
Other operating income	100	103	(2.8) %
Other operating expenses	4,390	4,378	0.3 %
<i>(% of net sales)</i>	42.3%	40.5%	1.7 pp
<b>Operating profit</b>	<b>508</b>	<b>1,070</b>	(52.6) %
<i>(% of net sales)</i>	4.9%	9.9%	(5.0) pp
Financial income	19	37	(48.6) %
Financial expenses	169	203	(17.0) %
<b>Income before taxes</b>	<b>358</b>	<b>904</b>	(60.4) %
<i>(% of net sales)</i>	3.5%	8.4%	(4.9) pp
Income taxes	113	260	(56.7) %
<i>(% of income before taxes)</i>	31.5%	28.8%	2.7 pp
<b>Net income</b>	<b>245</b>	<b>644</b>	(61.9) %
<i>(% of net sales)</i>	2.4%	6.0%	(3.6) pp
<b>Net income attributable to shareholders</b>	<b>245</b>	<b>642</b>	(61.8) %
<i>(% of net sales)</i>	2.4%	5.9%	(3.6) pp
<b>Net income attributable to minority interests</b>	<b>0</b>	<b>2</b>	(95.1) %
<b>Basic earnings per share (in €)</b>	<b>1.25</b>	<b>3.25</b>	(61.5) %
<b>Diluted earnings per share (in €)</b>	<b>1.22</b>	<b>3.07</b>	(60.2) %

**Net Sales**

€ in millions	Full Year 2009	Full Year 2008	Change	Change (currency-neutral)
Wholesale	7,174	7,758	(7.5) %	(8.7) %
Retail	1,906	1,738	9.7 %	6.9 %
Other Businesses	1,283	1,285	(0.2) %	(3.6) %
Western Europe	3,262	3,527	(7.5) %	(4.9) %
European Emerging Markets	1,122	1,179	(4.8) %	(6.8) %
North America	2,360	2,520	(6.3) %	(10.5) %
Greater China	967	1,077	(10.2) %	(16.2) %
Other Asian Markets	1,647	1,585	3.9 %	(3.1) %
Latin America	1,006	893	12.6 %	19.1 %
adidas	7,520	7,821	(3.8) %	(5.4) %
Reebok	1,603	1,717	(6.6) %	(7.2) %
TaylorMade-adidas Golf	831	812	2.3 %	(2.3) %
Rockport	232	243	(4.8) %	(7.5) %
Reebok-CCM Hockey	177	188	(5.6) %	(5.5) %

Rounding differences may arise in percentages and totals.

**adidas Group  
Consolidated Balance Sheet (IFRS)**

€ in millions	Dec. 31 2009	Dec. 31 2008	Change
Cash and cash equivalents	775	244	218.0%
Short-term financial assets	75	141	(46.5)%
Accounts receivable	1,429	1,624	(12.0)%
Other current financial assets	160	287	(44.3)%
Inventories	1,471	1,995	(26.3)%
Income tax receivables	89	110	(18.9)%
Other current assets	360	502	(28.4)%
Assets classified as held for sale	126	31	296.1%
<b>Total current assets</b>	<b>4,485</b>	<b>4,934</b>	<b>(9.1)%</b>
Property, plant and equipment	723	886	(18.4)%
Goodwill	1,478	1,499	(1.4)%
Trademarks	1,342	1,390	(3.4)%
Other intangible assets	160	204	(21.2)%
Long-term financial assets	91	96	(5.3)%
Other non-current financial assets	58	60	(4.8)%
Deferred tax assets	412	344	19.6%
Other non-current assets	126	120	4.5%
<b>Total non-current assets</b>	<b>4,390</b>	<b>4,599</b>	<b>(4.6)%</b>
<b>Total assets</b>	<b>8,875</b>	<b>9,533</b>	<b>(6.9)%</b>
Short-term borrowings	198	797	(75.1)%
Accounts payable	1,166	1,218	(4.3)%
Other current financial liabilities	101	79	28.2%
Income taxes	194	321	(39.5)%
Provisions	320	324	(1.3)%
Accrued liabilities	625	684	(8.7)%
Other current liabilities	232	216	7.5%
Liabilities classified as held for sale	0	6	(100.0)%
<b>Total current liabilities</b>	<b>2,836</b>	<b>3,645</b>	<b>(22.2)%</b>
Long-term borrowings	1,569	1,776	(11.7)%
Other non-current financial liabilities	25	23	7.1%
Pensions and similar obligations	157	132	19.0%
Deferred tax liabilities	433	463	(6.3)%
Non-current provisions	29	28	2.3%
Non-current accrued liabilities	22	37	(40.7)%
Other non-current liabilities	28	29	(7.7)%
<b>Total non-current liabilities</b>	<b>2,263</b>	<b>2,488</b>	<b>(9.1)%</b>
Share capital	209	194	8.1%
Reserves	212	(10)	-
Retained earnings	3,350	3,202	4.6%
Shareholders' equity	3,771	3,386	11.3%
Minority interests	5	14	(61.0)%
<b>Total equity</b>	<b>3,776</b>	<b>3,400</b>	<b>11.1%</b>
<b>Total liabilities and equity</b>	<b>8,875</b>	<b>9,533</b>	<b>(6.9)%</b>
<b>Additional balance sheet information</b>			
Operating working capital	1,734	2,401	(27.8)%
Working capital	1,649	1,290	27.8%
Net total borrowings	917	2,189	(58.1)%
Financial leverage	24.3%	64.6%	(40.3) pp

Rounding differences may arise in percentages and totals.