adidas
GROUP

First Quarter Report 2011

FIT FOR THE FUTURE

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First Quarter Results at a Glance 01
€ in millions

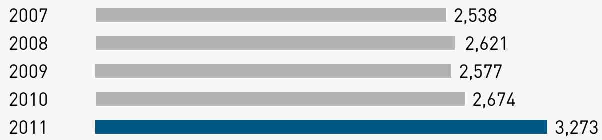
	First quarter 2011	First quarter 2010	Change
Group			
Net sales	3,273	2,674	22.4%
Gross profit	1,587	1,300	22.1%
Gross margin	48.5%	48.6%	(0.1pp)
Operating profit	313	260	20.7%
Operating margin	9.6%	9.7%	(0.1pp)
Wholesale			
Net sales	2,320	1,898	22.2%
Gross profit	1,000	818	22.3%
Gross margin	43.1%	43.1%	0.0pp
Segmental operating profit	802	626	28.0%
Segmental operating margin	34.6%	33.0%	1.5pp
Retail			
Net sales	577	459	25.7%
Gross profit	354	267	32.3%
Gross margin	61.2%	58.2%	3.0pp
Segmental operating profit	89	52	72.1%
Segmental operating margin	15.4%	11.3%	4.2pp
Other Businesses			
Net sales	376	316	19.1%
Gross profit	172	142	20.7%
Gross margin	45.6%	45.0%	0.6pp
Segmental operating profit	106	92	15.3%
Segmental operating margin	28.1%	29.0%	(0.9pp)
Sales by Brand			
adidas	2,439	1,998	22.1%
Reebok	477	376	26.9%
TaylorMade-adidas Golf	281	223	26.2%
Rockport	54	56	(3.0%)
Reebok-CCM Hockey	22	21	4.7%

Rounding differences may arise in percentages and totals.

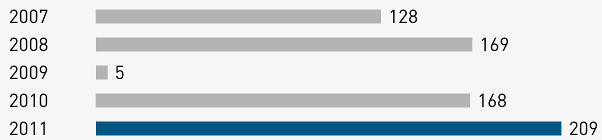
Financial Highlights (IFRS) 02

	First quarter 2011	First quarter 2010	Change
Operating Highlights (€ in millions)			
Net sales	3,273	2,674	22.4%
EBITDA	363	324	12.0%
Operating profit	313	260	20.7%
Net income attributable to shareholders	209	168	24.5%
Key Ratios (%)			
Gross margin	48.5%	48.6%	(0.1pp)
Other operating expenses as a percentage of net sales	40.0%	41.5%	(1.5pp)
Operating margin	9.6%	9.7%	(0.1pp)
Effective tax rate	26.5%	30.5%	(4.0pp)
Net income attributable to shareholders as a percentage of net sales	6.4%	6.3%	0.1pp
Operating working capital as a percentage of net sales [1]	20.5%	22.9%	(2.4pp)
Equity ratio	45.2%	44.6%	0.6pp
Net borrowings/EBITDA	0.8	1.4	(0.6pp)
Financial leverage	20.1%	31.9%	(11.8pp)
Return on equity	4.6%	4.0%	0.7pp
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	10,037	9,531	5.3%
Inventories	2,033	1,680	21.0%
Receivables and other current assets	2,795	2,673	4.6%
Working capital	2,050	1,896	8.1%
Net borrowings	914	1,359	(32.7%)
Shareholders' equity	4,542	4,254	6.8%
Capital expenditure	50	26	92.3%
Net cash used in operating activities	(609)	(430)	41.4%
Per Share of Common Stock (€)			
Basic earnings	1.00	0.80	24.5%
Diluted earnings	1.00	0.80	24.5%
Operating cash flow	(2.91)	(2.06)	41.4%
Share price at end of period	44.46	39.60	12.3%
Other (at end of period)			
Number of employees	44,362	39,155	13.3%
Number of shares outstanding	209,216,186	209,216,186	0.0%
Average number of shares	209,216,186	209,216,186	0.0%

First quarter net sales 03
€ in millions



First quarter net income attributable to shareholders 04
€ in millions



Rounding differences may arise in percentages and totals.
All Group figures comprise the brand segments and HQ/Consolidation.
1) Twelve-month trailing average.

Operational and Sporting Highlights

»» 01

»» 03

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First Quarter 2011

January

07.01. TaylorMade-adidas Golf starts 2011 off with two new partnerships: Camilo Villegas and Jim Furyk (2010 PGA Tour Player of the Year). **10.01.** For the second consecutive time, Lionel Messi is crowned FIFA World Player of the Year. **20.01.** adidas Originals introduces its first in-house denim line as well as a collection of premium accessories led by an assortment of soft fine leather bags »» Picture 01. **23.01.** Yohji Yamamoto and adidas celebrate ten years of collaboration as part of the Paris men's fashion week. **26.01.** Nani, striker for Manchester United and the Portuguese national team, joins the adidas family. **31.01.** adidas team France defends the Handball World Championship in Sweden triumphing over Denmark 37-35. France is the first country to win four successive major titles in the sport (Olympic gold, European Champion, two-time World Champion) »» Picture 02.

February

07.02. adidas and the Spanish Football Federation (RFEF) announce the extension of their sponsorship agreement, extending the relationship until December 2018. **16.02.** Reebok and Giorgio Armani S.p.A. present their spring/summer 2011 collection, which is an evolution of the fusion of EA7's dynamism with Reebok's performance DNA. **17.02.** Well-known producer, artist and designer Swizz Beatz and Reebok Classics join forces »» Picture 03. **27.02.** With his runner-up finish at the WGC Accenture Match Play Championship, TaylorMade-adidas Golf Tour Staff pro Martin Kaymer ascends to No. 1 in the official world golf rankings »» Picture 04. **28.02.** Style icon and actress Eva Mendes joins Reebok as an EasyTone ambassador.

March

03.03. The Official Match Ball for the 2011 UEFA Champions League Final in Wembley stadium, the "adidas Finale London", is unveiled. **10.03.** Y-3 opens its first flagship store in Mayfair, London, in collaboration with luxury retail partner Hervia. **16.03.** adidas launches its largest global brand campaign "all adidas", which embraces every aspect of the different sub-brands to create the most diverse and comprehensive insight into adidas in its history »» Picture 05. **21.03.** 100 days before the official kick-off of the FIFA Women's World Cup 2011, adidas and the German Football Federation (DFB) present the new jerseys for the German national team in Frankfurt »» Picture 06. **22.03.** The adidas Group presents its Environmental Strategy 2015, a five-year plan to re-engineer the company's approach to environmental management. **28.03.** Reebok joins forces with CrossFit, one of the biggest fitness movements in the USA. Together, they will be extending the CrossFit gym concept around the world.

Interview with the CEO

In the first quarter of 2011, the adidas Group has built on the positive momentum created in the prior year, generating record sales and earnings for the period. Strong double-digit growth in key markets such as North America, Greater China and Russia as well as the successful introduction of new products and campaigns by adidas, Reebok and TaylorMade were key highlights of the quarterly performance.
In the following interview, Herbert Hainer, adidas Group CEO, reviews the first quarter of 2011 and discusses the opportunities and challenges the Group faces for the remainder of the year.

Herbert, the adidas Group has delivered exceptional top-line results for the first quarter. Can you walk us through the key highlights?

We are off to a powerful start in 2011, with all facets of the Group accelerating since year-end. We achieved new record first quarter sales of € 3.3 billion, up 18% currency-neutral, which is our highest organic quarterly growth rate in almost five years. adidas, Reebok and TaylorMade all excelled, with growth of 18%, 24% and 20% respectively. The global desirability of our brands is clear. Every region grew at double-digit rates, with Other Asian Markets – which was nonetheless up a healthy 7% – the only exception. Particularly pleasing was the strong momentum in our three key "attack" markets which are pivotal to our Route 2015 strategic plan. In North America, sales were up 26% currency-neutral, driven by 30% growth at adidas and 22% growth at Reebok. In Greater China, we are back in full swing, with sales jumping 36%. This was due to fresher inventory at our retail partners and strong demand for new adidas Sport Style product introductions. Finally, in Russia/CIS, we extended our market share leadership, with sales climbing 44% in the quarter. Our own-retail stores, which represent the majority of our business in this market, saw comparable store sales up an impressive 37%. On that point, we continue to see terrific momentum in our Retail segment around the world as comp store sales were up 17% globally in the first quarter.

Despite the strong top-line development, gross and operating margins declined slightly in the first quarter. Would you not have expected to show more leverage with this growth?

Actually, looking a little closer at our results, there are a lot of positives in our gross and operating margin progress year over year. First of all, Group gross margin was virtually unchanged at 48.5%, which is certainly much better than what many of our peers in the footwear and apparel industry are delivering. Input cost increases actually cost us over one percentage point of gross margin in the first quarter. However, we were able to compensate for this due to less clearance sales and a larger share of higher-margin Retail sales, where, incidentally, gross margin was up three percentage points. By brand, we also saw good progress, as adidas and Reebok's gross margins both increased in the quarter to 48.6% (+0.1pp) and 37.2% (+0.9pp), respectively. In terms of operating margin, here we actually have seen leverage during the first quarter, despite significant increases in marketing investments to support the global launch of our new "all adidas" campaign. This time last year, we benefited from two one-off effects related to the settlement of a lawsuit and the sale of a trademark, each of which represented low-double-digit million euro amounts. If we exclude these effects, operating margin is up around a percentage point on a comparable basis. And this is why we were able to drive new record net income and earnings per share for the first quarter, which increased 25% to € 209 million and € 1.00, respectively.

In March, you launched the biggest marketing campaign in the adidas brand's history. What is the concept behind this and how has the response been? And how do you see total marketing spend evolving this year, after it increased 25% in the first quarter?

A crucial part of our strategy is ensuring we nurture our brands and create demand for our products through investment and excellence in marketing. Historically for adidas, we have predominantly promoted a specific event, athlete or product. We've never really stepped back and celebrated everything that makes adidas and its sub-brands so extraordinary. Without the background noise of a major sports event in 2011, we have taken the opportunity to do just that – highlighting and celebrating every aspect of the adidas brand – from the court to the catwalk, and from the stadium to the street. The raw and authentic emotion of the "all adidas" campaign comes across loud and clear, connecting and resonating in particular with our young target consumer.

Even though the "all adidas" campaign is our largest to-date, marketing as a percentage of sales will be slightly lower than the 13.3% of sales we invested last year. The only difference you will see is the phasing of expenses between the quarters which will be more weighted to the first and third quarters. The campaign itself is quite cost-effective given the tremendous global reach we have with new media. Over the period, we estimate the campaign will be seen by 1.25 billion digital users. And with traditional media, we will reach almost three quarters of all next generation youths worldwide.

The response to the campaign has already been very exciting. From its launch on March 16 to the end of April, adidas has gained 3.2 million new fans on Facebook and now has a total of over 16 million Facebook fans across all categories. Our various video spots have been viewed 7.5 million times on YouTube, with the adidas brand channel itself receiving almost 5 million views. In addition, we have seen an increase of 26% in traffic to our adidas.com website. Our retailers have also noted our efforts to drive consumer demand, which is partly reflected in the strong sell-in we have seen in the first quarter. In the coming months, I am convinced the impact of this campaign will only get stronger, which is very important at a time when driving brand desirability is so crucial given a backdrop of increasing prices.

Given the tragic events in Japan, can you give us some details on the size of your business and the possible impacts you will see this year in this market?

Japan is a very important market for our Group, and we were deeply saddened by the events that happened in March. We have a long history in this market with all of our brands, and we have built a very close connection to the Japanese consumer whose passion for innovation and design is unrivalled around the world. Today, we are the market leader in the sporting goods industry in Japan, and have more than 1,500 employees working there. Japan makes up a high-single-digit percentage of Group sales and is highly profitable.

Since the events, we have been in constant contact with our team who thankfully are all safe and well, although sadly some lost family. The reaction of the Japanese people, our staff and our customers and the camaraderie shown by Group employees around the globe has been inspiring. One of our Group values is integrity and we have seen many great examples over recent weeks of how this can be lived.

In the short term, there will be some setbacks for our Group. This is mainly due to store closures which have affected several of our retail partners and our own retail. Also, the possibility of rolling power cuts through the summer months may affect business. Currently, we have scenarios that imply we may suffer sales declines of 15% to 25% over the nine-month period from April to December. This will obviously in turn have an over-proportional impact on profits in Japan, leading to a significant double-digit million euro negative, which we will have to compensate. The good news is that our business around the globe has started the year strongly. All of our other markets are also rising to the challenge to find opportunities to make up the difference. As a result, I remain confident that, despite the short-term headwinds, we can meet our Group's guidance for 2011.

Despite reported weakness in the toning category in the United States, Reebok posted strong growth of 24% globally in the first quarter. What drove this performance and how sustainable is it for the remainder of the year?

Reebok's growth for the quarter is very pleasing. Don't forget that it was only this time last year that Reebok's sales development turned positive, with 1% currency-neutral sales growth. So the result shows we have successfully translated the potential from new product introductions over a 12-month period. In terms of the phasing of growth over the coming months, given that we will start to anniversary our big global push on toning in the second quarter, the pace of growth will moderate briefly until we ramp up our new product concepts and collections for this year. And again, I am sure these will provide new impetus to growth as we get into the second half of 2011.

One of these is RealFlex, which just launched in the United States in mid-April. The product, just like toning and ZigTech, again symbolises Reebok's attitude of making fitness and training fun and aspirational. RealFlex features 76 independent sensors on the bottom of the shoe, each strategically positioned to twist, bend, expand and support, to help athletes' feet move more naturally. The sensors work together throughout the athlete's stride to help provide all the benefits and ground feel of barefoot running, a movement which runners around the world are embracing, while at the same time helping to eliminate all the negatives that come with running on hard surfaces. The launch is supported by an integrated marketing campaign where we bring the 76 flex-friendly sensors to life as individual characters, working together as a team. Although it is early days yet, the initial sell-through from retail in its first two weeks has been very encouraging. And I am convinced that RealFlex has all the potential to become another hit for Reebok.

Inventories were up 23% currency-neutral at quarter-end. Do you see any inventory issues around the world?

I am not concerned about our inventory position, neither for our brands nor on a market level. The majority of the increase currently stems from two points. First, we dramatically cut inventories on hand this time last year, in view of the uncertainty in the economic environment. Secondly, we have now rebuilt our inventory reserves to match our sales base, given our strong growth over the past 12 months and also bearing in mind our growth expectations for this year. As we outlined in March, the rate of inventory increase has already started to moderate to 23% from the 34% growth reported in the fourth quarter. In fact, our inventories have actually declined from the December levels. As we go through the rest of the year, you will see the rate of growth narrow further and by the end of the year more closely represent future sales growth expectations. If I broaden your question to operating working capital as a percentage of sales, at the end of the first quarter, this metric stood at 20.5%, a new record low for the Group. While we may lose some basis points due to the planned growth of our business, I am very confident that our tight management of working capital will ensure we continue to maximise cash flow generation as we go through 2011 and beyond.

Given the good start and the visibility you now have for the rest of the year, have you changed your guidance?

The strong start to the year and the solid trends we see for our brands through retailer interest and consumer acceptance of new concepts affirm the confidence we have in our potential for 2011. With the strong performance in markets like Greater China, North America and Germany, we have increased our Group's sales guidance to the top end of our March target range and now expect high-single-digit currency-neutral growth for the year. This is driven in particular by the Wholesale segment, where we have increased our guidance to mid- to high-single-digit. Obviously, this growth rate might have been even higher except for the weakness we now see in Japan. As a result of the latter, the rest of our guidance on margins and the bottom line remains the same as already provided in March. While we expect to see a significant profit hit in Japan, strength in our other markets will help to offset the negative effects. Therefore, we continue to project the Group operating margin to increase to a level between 7.5% and 8.0% and earnings per share to improve at a rate of 10% to 15% to a level between € 2.98 and € 3.12.

In summary, I believe that 2011 is a fitting start to our journey on Route 2015. The diversity of our business proves that, even when new challenges emerge, we can count on the tremendous strength and reach of our brands to deliver on our promises.

Herbert, thank you for this interview.

Our Share

In the first quarter of 2011, international stock markets increased despite negative headwinds from the political unrest in the Middle East and the catastrophic earthquake and tsunami in Japan. A strong quarterly earnings season, solid US economic data as well as recuperating M&A activity supported the development of the equity markets. The DAX-30 gained 2% compared to the end of December 2010. The adidas AG share performed weaker than the market and decreased 9% over the three-month period.

Global stock markets start positively in 2011

In the first quarter of 2011, international stock markets continued the positive momentum from the end of the prior year. This development was mainly due to the strong fourth quarter earnings season with many companies releasing better than anticipated 2011 outlooks. Improvements in US economic data points such as the unemployment rate reaching a two-year low and increasing levels of consumer confidence also added to rising investor sentiment. In addition, M&A activity recuperated during the quarter, offering further support to global equity markets.

These positive stimuli were, however, partly offset by the setback from mid-February onwards due to the political unrest and turmoil in Middle Eastern countries such as Egypt and Libya. In addition, the severe earthquake in Japan on March 11 and the devastating tsunami were key negative catalysts for equity markets towards the end of the quarter. In particular, the nuclear meltdown at the Fukushima power plant heightened investors' worries about the global supply chain implications of the catastrophe.

As a result of these developments, the DAX-30 increased 2% and closed the first quarter at 7,041 points. The MSCI World Textiles, Apparel & Luxury Goods Index, which comprises the Group's main competitors, lost 3% during the three-month period.

adidas AG share decreases in the first quarter

The adidas AG share began weaker in 2011. With a lack of positive catalysts and the strong performance of the prior year, the adidas AG share suffered from sector rotation which was broadly visible across the textiles, apparel and luxury goods space. In addition, continued rapid increases of raw material prices such as cotton put further pressure on the sporting goods industry.

However, from February onwards the share price started to increase again as more and more evidence of a current strong athletic cycle became apparent, which supported investors' sentiment. The publication of the Group's 2010 full year financial results on March 2 as well as the increased revenue outlook for 2011 were well received by market participants and positively impacted the adidas AG share price on the day of publication and the day after. In particular, the acceleration of the Group's top-line development throughout 2010, further improvements at the Reebok brand, the significant reduction of net borrowings as well as the higher dividend proposal exceeded analysts' expectations. Towards the end of the quarter, however, the adidas AG share was negatively influenced by the tragic events in Japan, a market where the Group has a strong footprint. In addition, the results release and outlook provided by one of our major competitors led to some pressure on our share. As a consequence, the adidas AG share declined 9% compared to the beginning of the year, closing the first quarter at € 44.46.

The adidas AG share 05

Number of shares outstanding	
First quarter average	209,216,186
At March 31 [1]	209,216,186
Type of share	Registered no-par-value share
Free float	100%
Initial Public Offering	November 17, 1995
Share split	June 6, 2006 (in a ratio of 1:4)
Stock exchange	All German stock exchanges
Stock registration number (ISIN) [2]	DE000A1EWWW0
Stock symbol	ADS, ADSGn.DE
Important indices	DAX-30
	MSCI World Textiles, Apparel & Luxury Goods
	Deutsche Börse Prime Consumer
	Dow Jones STOXX
	Dow Jones EURO STOXX
	Dow Jones Sustainability
	FTSE4Good Europe
	Ethibel Index Excellence Europe
	ASPI Eurozone Index
	ECPI Ethical Index EMU

1) All shares carry full dividend rights.
2) On October 11, 2010, adidas AG converted its shares to registered no-par-value shares. As a result, adidas AG registered shares are now traded under a new ISIN DE000A1EWWW0 on the stock exchange (previously: DE0005003404).

Number of ADRs increases

The number of Level 1 ADRs (American Depository Receipts) increased during the three-month period compared to the end of 2010. At March 31, 2011, 6.6 million ADRs were outstanding (December 31, 2010: 6.4 million), which represents a significant increase versus March 31, 2010, when 5.5 million ADRs were outstanding. The Level 1 ADR closed the quarter at US$ 31.61, reflecting a decrease of 3% compared to the end of December 2010. The less pronounced decrease of the Level 1 ADR price compared to the decrease of the ordinary share price was due to the depreciation of the US dollar versus the euro during the first quarter.

Dividend proposal of € 0.80 per share

The adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 0.80 to shareholders at the Annual General Meeting (AGM) on May 12, 2011 (2009: € 0.35). Subject to the meeting's approval, the dividend will be paid on May 13, 2011. This represents an increase of 129% and reflects the strong improvement in the Group's profitability in 2010. The total payout of € 167 million (2009: € 73 million) represents a payout ratio of 30% of net income, as in the prior year. This is in line with our dividend policy where we intend to pay out between 20% and 40% of net income attributable to shareholders.

Changes in shareholder base

In the first quarter of 2011, the Group received three voting rights notifications according to § 21 section 1 of the German Securities Trading Act (Wertpapier-handelsgesetz – WpHG) see 06. These voting rights notifications and those received thereafter can be viewed on our corporate website www.adidas-Group.com/voting_rights_notifications.

Directors' dealings reported on corporate website

The purchase or sale of adidas AG shares (ISIN DE000A1EWWW0)[1] or related financial instruments, as defined by § 15a WpHG, conducted by members of our Executive or Supervisory Boards, by key executives or by any person in close relationship with these persons, is reported on our website www.adidas-Group.com/directors_dealings. In the first quarter of 2011, adidas AG did not receive any such notification.

Shareholder rights notifications received in Q1 2011 — 06

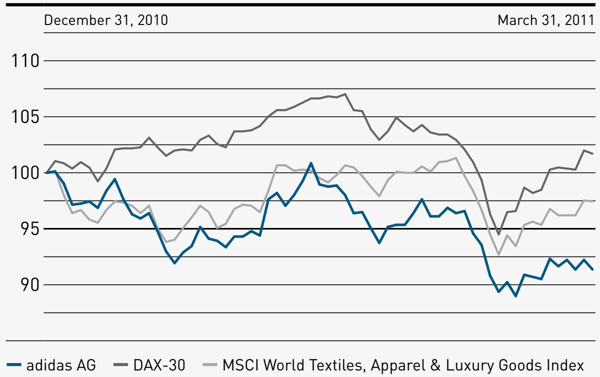
Date of notification	Notifying party	Threshold crossed	Voting rights of total shares outstanding	Date of change
Mar. 8, 2011	BlackRock, Inc. and others	<5%	10,412,345 (4.98%)	Mar. 2, 2011
Mar. 16, 2011	BlackRock, Inc.	>5%	10,471,362 (5.01%)	Mar. 10, 2011
Mar. 24, 2011	BlackRock, Inc.	<5%	10,453,156 (4.996%)	Mar. 18, 2011

Historical performance of the adidas AG share and important indices at March 31, 2011[1] in % — 07

	YTD	1 year	3 years	5 years	since IPO
adidas AG	(9)	11	4	6	360
DAX-30	2	13	5	17	221
MSCI World Textiles, Apparel & Luxury Goods	(3)	27	33	55	234

1) Source: Bloomberg.

Share price development in 2011[1] — 08



1) Index: December 31, 2010 = 100%.

1) On October 11, 2010, the no-par-value bearer shares of adidas AG were converted to registered no-par-value shares. Since this date, adidas AG registered shares are traded under a new ISIN DE000A1EWWW0) on the stock exchange (previously: DE0005003404).

Group Business Performance

In the first quarter of 2011, the adidas Group results further strengthened compared to the prior year. Currency-neutral Group sales increased 18% as a result of double-digit growth in the Wholesale and Retail segments as well as in Other Businesses. In euro terms, adidas Group revenues grew 22% to € 3.273 billion from € 2.674 billion in 2010. The Group's gross margin decreased 0.1 percentage points to 48.5% (2010: 48.6%), as increases in input costs were offset by the positive impact from less clearance sales as well as a larger share of higher-margin Retail sales. The Group's gross profit rose 22% to € 1.587 billion in the first quarter of 2011 versus € 1.300 billion in 2010. The Group's operating margin was down 0.1 percentage points to 9.6% from 9.7% in 2010. This was primarily due to a decrease in other operating income as well as the lower gross margin, which more than offset the positive effects from lower other operating expenses as a percentage of sales. The Group's operating profit grew 21% to € 313 million in the first quarter of 2011 versus € 260 million in 2010. The Group's net income attributable to shareholders increased 25% to € 209 million from € 168 million in 2010. Diluted earnings per share grew 25% to € 1.00 in the first quarter of 2011 versus € 0.80 in 2010.

Economic and Sector Development

Global economy sustains positive growth trajectory in the first quarter

In the first quarter of 2011, the global economy posted solid growth, despite regional shock events such as the earthquake in Japan and the political turmoil in the Middle East. Robust industrial production and export levels supported growth in many regions, with the emerging markets continuing as the growth engine for the global economy.

Western Europe's GDP grew in the quarter, with Germany as the key regional driver. However, strict austerity measures and fiscal tightening to contain public deficits coupled with high unemployment levels in many peripheral economies depressed spending in these markets. European emerging markets recorded solid GDP growth, driven by strong industrial output and increasing commodity prices, which was particularly beneficial for the Russian economy. In the USA, momentum in consumer spending, strong industrial production levels and positive trends in both domestic and export demand supported GDP growth. Nonetheless, budget deficit concerns, the relatively high unemployment level and the weak housing market persisted as negative pressures. In China, GDP grew strongly as rapid income growth supported consumer spending and drove domestic demand. However, these developments have resulted in considerable inflationary pressures and led to the Chinese authorities implementing strict quantitative tightening measures to help mitigate these negative effects. Other Asian markets saw rapid regional economic expansion, with high industrial output as well as rising exports and wage levels. In contrast, Japan, hit by the effects of the earthquake during the quarter, had weak GDP growth, which was mainly supported by exports, particularly to other Asian countries. In Latin America, high commodity prices were a major economic stimulus for many economies, which, coupled with low unemployment levels and rising incomes, drove GDP growth and promoted confidence and spending.

Quarterly consumer confidence development 09
by region

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
USA [1]	52.3	54.3	48.6	63.4	63.4
Euro Zone [2]	(17)	(17)	(11)	(11)	(11)
Japan [3]	41.0	43.6	41.4	40.2	38.3
China [4]	107.9	108.5	104.1	100.4	99.6
Russia [5]	(10)	(7)	(11)	(10)	(13)

1) Source: Conference Board.
2) Source: European Commission.
3) Source: Economic and Social Research Institute, Government of Japan.
4) Source: China National Bureau of Statistics.
5) Source: Russia Federal Service of State Statistics.

Exchange rate development [1] 10
€ 1 equals

	Average rate 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Average rate 2011 [2]
USD	1.3279	1.2271	1.3648	1.3362	1.4207	1.3668
GBP	0.8584	0.8175	0.8600	0.8608	0.8837	0.8529
JPY	116.56	108.79	113.68	108.65	117.61	112.37
RUB	40.303	38.282	41.692	40.820	40.285	40.016
CNY	8.9885	8.3269	9.1457	8.8493	9.3147	8.9982

1) Spot rates at quarter-end.
2) Average rate for the first quarter.

Positive trends in the global sporting goods industry in the first quarter

In the first quarter of 2011, the global sporting goods industry saw healthy growth, driven by increases in volumes and average selling prices. Nevertheless, the industry started to see margin pressures due to higher input costs. From a category perspective "lightweight" continued to gain significance with the consumer, with lightweight running being a particularly important sales driver. Additionally, training and outdoor were highlight categories in the period and the women's segment also recorded strong growth. In Western Europe, France and Germany's sporting goods retailers reported solid sales trends, however in the UK and many peripheral eurozone countries sales softened as the quarter progressed. In European emerging markets, the sporting goods industry's performance was mixed. While countries such as Russia, Poland and Turkey grew solidly, challenges remained in many of the other countries in the region, reflecting the overall macroeconomic trends.

In North America, improving retail sales trends in lightweight products, running and outdoor supported the positive development of the sporting goods industry. In China, the sporting goods industry developed rapidly in the quarter as higher disposable income levels and demand for discretionary items drove sales, particularly for Western brands. In other Asian markets, the industry recorded strong growth, which was supported by the ICC Cricket World Cup, hosted by India. However, Japan's sporting goods industry, which was already affected by low consumer confidence in the first quarter, suffered a further setback due to the earthquake and tsunami catastrophe. Latin America's sporting goods sector had a strong start to the year, with high levels of consumer spending driving sales and this summer's main regional football tournament, the Copa América, spurring demand in the industry.

Income Statement

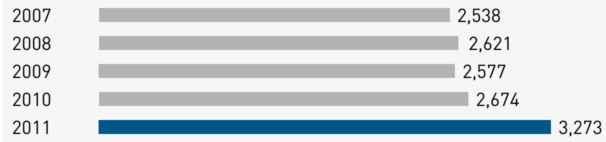
adidas Group currency-neutral sales increase 18% in the first quarter of 2011

In the first quarter of 2011, Group revenues grew 18% on a currency-neutral basis as a result of double-digit sales increases in Wholesale, Retail and Other Businesses. Currency translation effects had a positive impact on sales in euro terms. Group revenues grew 22% to € 3.273 billion in the first quarter of 2011 from € 2.674 billion in 2010 »» see 11.

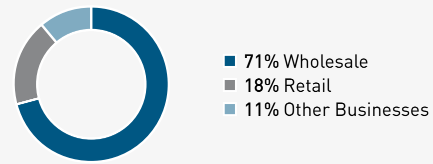
Wholesale and Retail segments drive strong sales growth in Q1

In the first quarter of 2011, currency-neutral Wholesale revenues increased 18% due to double-digit sales growth at both adidas and Reebok. Currency-neutral Retail sales increased 22% versus the prior year, mainly as a result of double-digit growth of comp store sales. Revenues in Other Businesses were up 14% on a currency-neutral basis driven by double-digit sales increases at TaylorMade-adidas Golf. Currency translation effects had a positive impact on segmental sales in euro terms. Wholesale revenues increased 22% to € 2.320 billion in the first quarter of 2011 from € 1.898 billion in 2010. Retail sales rose 26% to € 577 million versus € 459 million in the prior year. Sales in Other Businesses grew 19% to € 376 million in the first quarter of 2011 (2010: € 316 million).

First quarter net sales 11
€ in millions

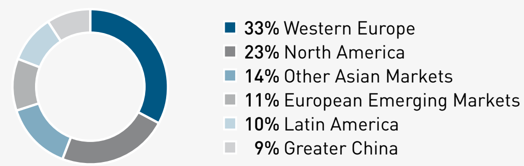


First quarter net sales by segment[1] 12



1) HQ/Consolidation accounts for less than 1% of sales.

First quarter net sales by region[1] 13



1) Excluding HQ/Consolidation.

Currency-neutral sales increase in all regions

In the first quarter of 2011, currency-neutral adidas Group sales grew in all regions. Revenues in Western Europe increased 14% on a currency-neutral basis, primarily as a result of double-digit sales growth in Germany, France and Italy. In European Emerging Markets, Group sales increased 26% on a currency-neutral basis due to growth in most of the region's markets, in particular Russia. Sales for the adidas Group in North America grew 26% on a currency-neutral basis due to strong increases in both the USA and Canada. Sales in Greater China increased 36% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets grew 7% due to increases in most markets, in particular South Korea. In Latin America, sales grew 15% on a currency-neutral basis, with double-digit increases in most of the region's major markets. Currency translation effects had a positive impact on regional sales in euro terms see 14.

Group sales up in all product categories

In the first quarter of 2011, Group sales grew at double-digit rates in all product categories on a currency-neutral basis. Currency-neutral footwear sales increased 23% during the period. This development was due to growth in the running, football and training categories. Apparel revenues increased 13% on a currency-neutral basis, driven by growth in training, running and basketball. Currency-neutral hardware sales increased 17% compared to the prior year, primarily due to strong growth at TaylorMade-adidas Golf. Currency translation effects had a positive impact on sales in euro terms see 15.

New product introductions contributed to the sales growth in all product categories. An overview of major product launches in the first quarter of 2011 is provided in the adjacent table see 16.

Net sales by region 14
€ in millions

	First quarter 2011	First quarter 2010	Change	Change currency-neutral
Western Europe	1,094	945	16%	14%
European Emerging Markets	370	290	28%	26%
North America	751	585	28%	26%
Greater China	284	198	43%	36%
Other Asian Markets	446	384	16%	7%
Latin America	328	271	21%	15%
Total [1]	**3,273**	**2,674**	**22%**	**18%**

1) Including HQ/Consolidation.

Net sales by product category 15
€ in millions

	First quarter 2011	First quarter 2010	Change	Change currency-neutral
Footwear	1,619	1,272	27%	23%
Apparel	1,323	1,130	17%	13%
Hardware	331	272	22%	17%
Total [1]	**3,273**	**2,674**	**22%**	**18%**

1) Including HQ/Consolidation.

Major product launches in Q1 2011 16

Brand	Product
adidas	adidas by Stella McCartney performance tennis collection
adidas	adiZero F50 Runner running shoe
adidas	adiZero F50 football boot
adidas	CC Ride running shoe
Reebok	Reebok Armani ZigTech footwear
Reebok	EasyTone apparel with ResisTone technology
Reebok	Premier ZigFly running shoe
Reebok	ClassicLite footwear and apparel collection
TaylorMade	R11 and R11 TP drivers
TaylorMade	Burner SuperFast 2.0 and Burner SuperFast 2.0 TP driver
TaylorMade	Tour Preferred MB iron and MC iron
adidas Golf	Climacool apparel with Coolmax Energy fabric technology
CCM Hockey	CCM U+ Crazy Light II stick

Group gross margin at 48.5% virtually unchanged

The gross margin of the adidas Group decreased 0.1 percentage points to 48.5% in the first quarter of 2011 see 18. Higher input costs were offset by the positive impact from less clearance sales as well as a larger share of higher-margin Retail sales. Gross profit for the adidas Group grew 22% in the first quarter of 2011 to € 1.587 billion versus € 1.300 billion in the prior year see 17.

Royalty and commission income declines

Royalty and commission income for the adidas Group decreased 16% to € 18 million in the first quarter of 2011 from € 22 million in the prior year. On a currency-neutral basis, royalty and commission income was down 17%, mainly as a result of lower licensee sales at Reebok.

Other operating income decreases 63%

Other operating income includes items such as gains from the disposal of fixed assets and releases of accruals and provisions. In the first quarter of 2011, other operating income decreased 63% to € 17 million (2010: € 47 million). This was mainly due to the non-recurrence of positive one-off effects in conjunction with the settlement of a lawsuit and the divestiture of a trademark in the prior year, each of which had a positive low-double-digit million euro impact on the Group's financial results in 2010.

Other operating expenses as a percentage of sales down 1.5 percentage points

Other operating expenses, including depreciation and amortisation, consist of items such as sales working budget, marketing working budget and operating overhead costs. Other operating expenses as a percentage of sales decreased 1.5 percentage points to 40.0% in the first quarter of 2011 from 41.5% in 2010. In euro terms, other operating expenses increased 18% to € 1.309 billion in the first quarter of 2011 (2010: € 1.109 billion), as a result of higher marketing expenditure as well as the expansion of the Group's own-retail activities see 19. Thereof, sales and marketing working budget expenditures amounted to € 417 million, which represents an increase of 25% versus the prior year level (2010: € 333 million). The increase was primarily related to higher expenditures for both the adidas and the Reebok brand. During the quarter, adidas launched the "all adidas" campaign, which is the biggest marketing campaign in the brand's history. As a result, sales and marketing working budget expenditure as a percentage of sales increased 0.3 percentage points to 12.7% (2010: 12.4%).

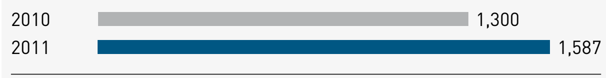
Number of Group employees up 13%

At the end of the first quarter of 2011, the Group employed 44,362 people. This represents an increase of 13% versus the prior year level of 39,155. New hirings related to the expansion of the Group's own-retail store base were the main driver of this development. On a full-time equivalent basis, the number of employees increased 16% to 39,428 at the end of the first quarter of 2011 (2010: 33,963).

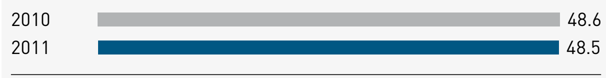
Operating profit increases 21%

Group operating profit increased 21% to € 313 million versus € 260 million in 2010 see 20. As a percentage of sales, the operating margin of the adidas Group was down 0.1 percentage points to 9.6% in the first quarter of 2011 (2010: 9.7%) see 21. This development was primarily due to the non-recurrence of prior year positive effects related to the settlement of a lawsuit and the divestiture of a trademark, which more than offset lower other operating expenses as a percentage of sales. Excluding these effects, on a comparable basis, the Group's operating margin was up around 1.0 percentage points.

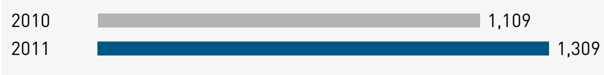
First quarter gross profit 17
€ in millions



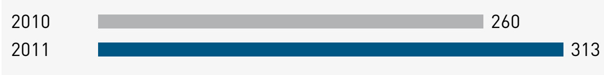
First quarter gross margin 18
in %



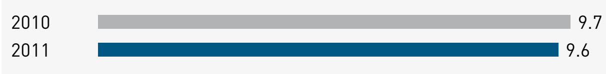
First quarter other operating expenses 19
€ in millions



First quarter operating profit 20
€ in millions



First quarter operating margin 21
in %



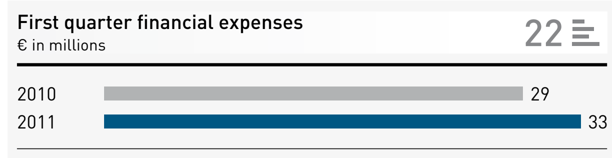
Financial income down 61%
Financial income decreased 61% to € 5 million in the first quarter of 2011 from € 12 million in the prior year, mainly due to the non-recurrence of positive exchange rate effects in the prior year.

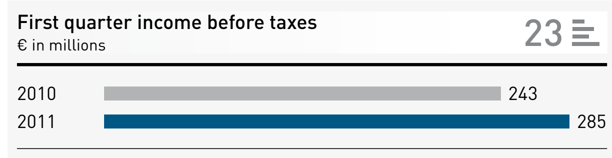
Financial expenses increase 14%
Financial expenses increased 14% to € 33 million in the first quarter of 2011 (2010: € 29 million) see 22, mainly as a result of negative exchange rate effects. Excluding these effects, financial expenses decreased 16%.

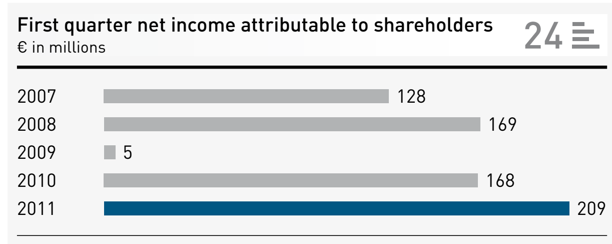
Income before taxes increases 17%
Income before taxes (IBT) for the adidas Group increased 17% to € 285 million from € 243 million in 2010 see 23. IBT as a percentage of sales declined 0.4 percentage points to 8.7% in the first quarter of 2011 from 9.1% in 2010. This was primarily a result of the Group's operating margin decrease and the lower financial result.

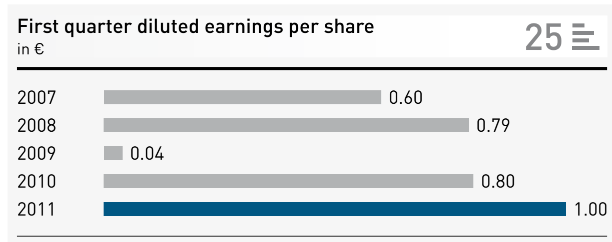
Net income attributable to shareholders up 25%
The Group's net income attributable to shareholders increased to € 209 million in the first quarter of 2011 from € 168 million in 2010 see 24. This represents an increase of 25% versus the prior year level. Higher IBT was the primary reason for this development. The Group's tax rate decreased 4.0 percentage points to 26.5% in the first quarter of 2011 (2010: 30.5%), mainly due to a more favourable earnings mix.

Earnings per share reach € 1.00
In the first quarter of 2011, basic and diluted earnings per share amounted to € 1.00 (2010: € 0.80) see 25, representing an increase of 25%. The weighted average number of shares used in the calculation was 209,216,186 in the first quarter of 2011.









Statement of Financial Position and Statement of Cash Flows

Total assets increase 5%

At the end of March 2011, total assets grew 5% to € 10.037 billion versus € 9.531 billion in the prior year. This was the result of an increase in current assets, which more than offset a decrease in non-current assets. Compared to December 31, 2010, total assets decreased 5%.

Group inventories up 21%

Group inventories increased 21% to € 2.033 billion at the end of March 2011 versus € 1.680 billion in 2010 see 28. On a currency-neutral basis, inventories grew 23%, which reflects our expectations for continued growth in the coming quarters.

Accounts receivable increase 8%

At the end of March 2011, Group receivables increased 8% to € 2.155 billion (2010: € 1.987 billion) as a result of the Group sales growth see 29. On a currency-neutral basis, receivables were up 10%. This growth is lower than the 18% currency-neutral Group sales increase in the first quarter of 2011 and mirrors strict discipline in the Group's trade terms management and concerted collection efforts in all segments.

Other current financial assets down 19%

Other current financial assets decreased 19% to € 170 million at the end of March 2011 from € 210 million in 2010. This development was mainly due to the decrease in the fair value of financial instruments.

Other current assets up 4%

Other current assets increased 4% to € 418 million at the end of March 2011 from € 401 million in 2010, mainly as a result of an increase in tax receivables other than income taxes.

Fixed assets decrease 2%

Fixed assets include property, plant and equipment, goodwill, trademarks and other intangible assets as well as long-term financial assets. Fixed assets decreased 2% to € 3.905 billion at the end of March 2011 versus € 3.995 billion in 2010. Additions in an amount of € 292 million were primarily related to the continued expansion of our own-retail activities, investments into the Group's IT infrastructure as well as the further development of the Group's headquarters in Herzogenaurach. A net transfer of fixed assets from assets held for sale totalling € 27 million also contributed to the increase. Additions were offset by depreciation and amortisation amounting to € 263 million, negative currency translation effects in an amount of € 129 million on fixed assets denominated in currencies other than the euro as well as disposals of € 14 million. Compared to December 31, 2010, fixed assets decreased 4%.

Assets held for sale decrease 61%

At the end of March 2011, assets held for sale declined 61% to € 30 million compared to € 77 million in 2010. This decrease was due to the reclassification of certain assets held for sale back to fixed assets, as it is not considered likely that they will be sold in the foreseeable future, as well as the sale of a warehouse in the Netherlands. Assets held for sale primarily relate to the planned sale of land and buildings in Herzogenaurach, Germany.

Other non-current assets down 10%

Other non-current assets decreased 10% to € 111 million at the end of March 2011 from € 122 million in 2010, mainly driven by a decline in prepaid promotion partnerships.

Accounts payable increase 16%

Accounts payable were up 16% to € 1.316 billion at the end of March 2011 versus € 1.133 billion in 2010 see 30. On a currency-neutral basis, accounts payable increased 17%, reflecting the growth in inventories during the first quarter.

Structure of statement of financial position[1] 26
in % of total assets

	March 31, 2011	March 31, 2010
Cash and cash equivalents	4.1%	4.1%
Accounts receivable	21.5%	20.8%
Inventories	20.2%	17.6%
Fixed assets	38.9%	41.9%
Other assets	15.3%	15.6%
Total	**100%**	**100%**
Total assets (€ in millions)	10,037	9,531

1) For absolute figures see adidas AG Consolidated Statement of Financial Position (IFRS), p. 29.

Structure of statement of financial position[1] 27
in % of total liabilities and equity

	March 31, 2011	March 31, 2010
Short-term borrowings	2.2%	3.2%
Accounts payable	13.1%	11.9%
Long-term borrowings	13.2%	16.1%
Other liabilities	26.2%	24.1%
Total equity	45.3%	44.7%
Total	**100%**	**100%**
Total liabilities and equity (€ in millions)	10,037	9,531

1) For absolute figures see adidas AG Consolidated Statement of Financial Position (IFRS), p. 29.

Other current financial liabilities increase 62%

At the end of March 2011, other current financial liabilities increased 62% to € 126 million from € 78 million in 2010, primarily as a result of an increase in the negative fair value of financial instruments.

Other current provisions up 24%

Other current provisions were up 24% to € 418 million at the end of March 2011 versus € 338 million in 2010. This primarily relates to increases in provisions for returns, allowances and warranty as well as marketing initiatives.

Current accrued liabilities grow 20%

Current accrued liabilities increased 20% to € 805 million at the end of March 2011 from € 672 million in 2010, mainly due to an increase in accruals for payment of goods and services not yet invoiced.

Other current liabilities up 7%

Other current liabilities were up 7% to € 285 million at the end of March 2011 from € 265 million in 2010, mainly due to an increase in tax payables other than income taxes.

Equity grows due to increase in net income

Shareholders' equity rose 7% to € 4.542 billion at the end of March 2011 versus € 4.254 billion in 2010 see 31. The net income generated during the last 12 months was the main contributor to this development. This development was partly offset by negative currency translation effects in an amount of € 126 million, declines in the fair value of financial instruments in an amount of € 107 million as well as the dividend in an amount of € 73 million paid during the period. Compared to December 31, 2010, shareholders' equity decreased 2%, mainly as a result of negative currency translation effects.

Cash flow reflects improved Group profitability

In the first quarter of 2011, net cash outflow from operating activities was € 609 million (2010: € 430 million). The increase in cash used in operating activities compared to the prior year was primarily due to higher operating working capital requirements, partly offset by the improved Group profitability. Net cash outflow from investing activities was € 55 million (2010: € 37 million). This was mainly related to spending for property, plant and equipment such as investments in the furnishing and fitting of stores in our Retail segment, in new office buildings and in IT systems. Net cash outflows from financing activities totalled € 62 million (2010: inflow € 75 million). Cash outflows from financing activities were related to the repayment of short-term borrowings totalling € 248 million, partly offset by an increase in long-term borrowings in an amount of € 186 million. Exchange rate effects in an amount of € 22 million negatively impacted the Group's cash position in the first quarter of 2011 (2010: positive € 5 million). As a result of all these developments, cash and cash equivalents decreased by € 748 million to € 408 million at the end of March 2011 compared to € 1.156 billion at the end of December 2010.

Net borrowings decrease € 444 million

Net borrowings at March 31, 2011 amounted to € 914 million, which represents a decrease of € 444 million, or 33%, versus € 1.359 billion at the end of March 2010 see 32. The decrease was driven by the strong operating cash flow development over the past 12 months. Currency translation had a positive effect in an amount of € 28 million. The Group's ratio of net borrowings over 12-month rolling EBITDA decreased to 0.8 at the end of March 2011 versus 1.4 in the prior year.

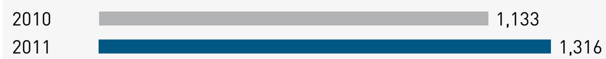
Inventories [1]
€ in millions
28

1) At March 31.

Accounts receivable [1]
€ in millions
29

1) At March 31.

Accounts payable [1]
€ in millions
30



1) At March 31.

Shareholders' equity [1]
€ in millions
31

1) At March 31, excluding non-controlling interests.

Net borrowings [1]
€ in millions
32

1) At March 31.

Business Performance by Segment

The adidas Group has divided its operating activities into three reported segments: Wholesale, Retail and Other Businesses. The Wholesale segment comprises the adidas and Reebok business activities with retailers. The Retail segment comprises the own-retail activities of the adidas and Reebok brands. The financial results of TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands are aggregated under Other Businesses. In the first quarter of 2011, currency-neutral sales of the adidas Group grew at double-digit rates in Wholesale, Retail and Other Businesses.

Wholesale Business Performance

Wholesale results in summary

The Wholesale segment comprises the adidas and Reebok business activities with retailers. In the first quarter of 2011, currency-neutral sales in the Wholesale segment increased 18%. In euro terms, Wholesale sales improved 22% to € 2.320 billion from € 1.898 billion in the prior year. Gross margin remained stable at 43.1%, as higher input costs were offset by the positive impact from a more favourable product mix as well as less clearance sales. Gross profit grew 22% to € 1.000 billion in the first quarter of 2011 from € 818 million in 2010. Segmental operating expenses as a percentage of sales decreased 1.5 percentage points to 8.6% (2010: 10.1%). As a result of lower segmental operating expenses as a percentage of sales, segmental operating margin increased 1.5 percentage points to 34.6% in the first quarter of 2011 (2010: 33.0%). In absolute terms, segmental operating profit grew 28% to € 802 million in the first quarter of 2011 versus € 626 million in 2010.

Currency-neutral segmental sales up 18%

In the first quarter of 2011, Wholesale segmental revenues increased 18% on a currency-neutral basis, driven by double-digit growth in all three brand divisions: adidas Sport Performance, adidas Sport Style and Reebok. Currency translation effects positively impacted segmental revenues in euro terms. Sales in the Wholesale segment grew 22% to € 2.320 billion in the first quarter of 2011 from € 1.898 billion in 2010 »» see 34.

Currency-neutral Wholesale sales grow in all regions

In the first quarter of 2011, currency-neutral Wholesale sales increased in all regions. Currency-neutral revenues in Western Europe rose 14%, mainly driven by strong sales growth in Germany and France. Currency-neutral sales in European Emerging Markets increased 9%, primarily as a result of double-digit growth in Russia. Currency-neutral Wholesale sales in North America grew 31% due to double-digit growth in both the USA and Canada. Revenues in Greater China increased 39% on a currency-neutral basis. Sales in Other Asian Markets grew 11% on a currency-neutral basis due to increases in most markets. In Latin America, currency-neutral sales were up 13%, supported by double-digit sales growth in Argentina and Chile. Currency translation effects had a positive impact on regional sales in euro terms »» see 35.

Currency-neutral adidas Sport Performance sales up 16%

In the first quarter of 2011, adidas Sport Performance wholesale revenues grew 16% on a currency-neutral basis. Growth was mainly a result of double-digit sales increases in the training and running categories. Sales growth in basketball and outdoor also contributed to this positive development. Currency translation effects had a positive impact on revenues in euro terms. In the first quarter of 2011, adidas Sport Performance sales grew 20% to € 1.428 billion from € 1.192 billion in the prior year.

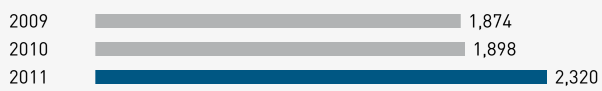
adidas Sport Style sales grow 21% on a currency-neutral basis

Currency-neutral adidas Sport Style wholesale revenues grew 21% in the first quarter of 2011. This increase was driven by strong momentum in all categories, particularly adidas Originals and the adidas NEO label. Currency translation effects positively impacted revenues in euro terms. adidas Sport Style sales grew 25% to € 512 million in the first quarter of 2011 (2010: € 409 million).

Wholesale at a glance 33
€ in millions

	First quarter 2011	First quarter 2010	Change
Net sales	2,320	1,898	22%
Gross profit	1,000	818	22%
Gross margin	43.1%	43.1%	0.0pp
Segmental operating profit	802	626	28%
Segmental operating margin	34.6%	33.0%	1.5pp

Wholesale first quarter net sales 34
€ in millions



Reebok sales grow 26% on a currency-neutral basis

In the first quarter of 2011, Reebok wholesale revenues increased 26% on a currency-neutral basis. This was the result of significant sales growth in the training and running categories due to the toning and ZigTech platforms. In euro terms, Reebok sales improved 29% to € 384 million in the first quarter of 2011 from € 297 million in 2010.

Gross margin remains stable

Wholesale gross margin was stable at 43.1% in the first quarter of 2011. Higher input costs were offset by the positive impact from a more favourable product mix as well as less clearance sales. The adidas brand wholesale gross margin increased 0.2 percentage points to 45.2% in the first quarter of 2011 (2010: 45.0%). The wholesale gross margin of the Reebok brand decreased 0.2 percentage points to 32.5% in the first quarter of 2011 versus 32.7% in the prior year. Wholesale gross profit improved 22% to € 1.000 billion in the first quarter of 2011 versus € 818 million in 2010 » see 33.

Segmental operating expenses as a percentage of sales down 1.5 percentage points

Segmental operating expenses in Wholesale primarily relate to sales working budget expenses as well as expenditure for sales force, administration and logistics. Segmental operating expenses as a percentage of sales decreased 1.5 percentage points to 8.6% (2010: 10.1%). In euro terms, segmental operating expenses grew 4% to € 199 million in the first quarter of 2011 from € 192 million in 2010. This was primarily due to higher warehousing and distribution costs as a result of the Wholesale segment's expansion.

Segmental operating profit increases 28%

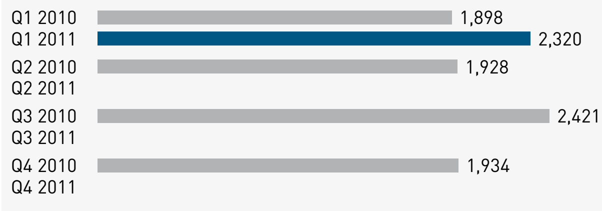
Segmental operating profit improved 28% to € 802 million in the first quarter of 2011 versus € 626 million in the prior year » see 37. Segmental operating margin increased 1.5 percentage points to 34.6% (2010: 33.0%), due to lower segmental operating expenses as a percentage of sales.

Wholesale net sales by region 35
€ in millions

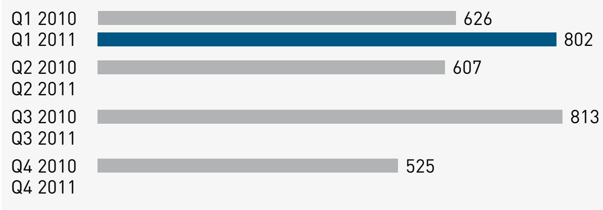
	First quarter 2011	First quarter 2010	Change	Change currency-neutral
Western Europe	926	797	16%	14%
European Emerging Markets	142	128	11%	9%
North America	445	333	33%	31%
Greater China	239	164	46%	39%
Other Asian Markets	291	242	20%	11%
Latin America	277	234	19%	13%
Total [1]	**2,320**	**1,898**	**22%**	**18%**

1) Rounding differences may arise in totals.

Wholesale net sales by quarter 36
€ in millions



Wholesale segmental operating profit by quarter 37
€ in millions



Retail Business Performance

Retail results in summary

The Retail segment comprises the own-retail activities of the adidas and Reebok brands. In the first quarter of 2011, currency-neutral Retail sales increased 22%. In euro terms, Retail sales grew 26% to € 577 million (2010: € 459 million). Currency-neutral comparable store sales were up 17% versus the prior year. Gross margin increased 3.0 percentage points to 61.2% (2010: 58.2%), which was mainly a result of a higher proportion of concept store sales at higher margins. Gross profit increased 32% to € 354 million in the first quarter of 2011 from € 267 million in 2010. As a result of the increase in gross margin and lower segmental operating expenses as a percentage of sales, segmental operating margin improved 4.2 percentage points to 15.4% (2010: 11.3%). In absolute terms, segmental operating profit grew 72% to € 89 million in the first quarter of 2011 versus € 52 million in 2010.

Currency-neutral segmental sales grow 22%

In the first quarter of 2011, Retail revenues increased 22% on a currency-neutral basis. Concept store, factory outlet and other retail format sales were all up versus the prior year. Currency translation effects positively impacted segmental revenues in euro terms. Sales grew 26% to € 577 million from € 459 million in the prior year see 39. Currency-neutral comparable store sales rose 17% versus the prior year, with double-digit growth in all store formats.

Own-retail store base increases

At March 31, 2011, the adidas Group Retail segment operated 2,297 stores. This represents a net increase of 27 or 1% versus the prior year-end level of 2,270. Of the total number of stores, 1,730 were adidas and 567 Reebok branded (December 31, 2010: 1,712 adidas stores, 558 Reebok stores). During the first quarter of 2011, the Group opened 83 new stores, 56 stores were closed and 45 stores were remodelled.

Currency-neutral Retail sales grow in all regions

Currency-neutral Retail sales increased in all regions. Retail revenues in Western Europe grew 12% on a currency-neutral basis, mainly due to increases in Germany, France and Italy. Sales in European Emerging Markets rose 39% on a currency-neutral basis, driven by growth in Russia where both the adidas and Reebok brands had strong double-digit sales increases. Currency-neutral Retail sales in North America grew 13% due to double-digit growth in the USA. Retail revenues in Greater China rose 19% on a currency-neutral basis. Sales in Other Asian Markets grew 4% on a currency-neutral basis, with increases in South Korea partially offset by decreases in Japan. However, the Reebok brand grew at a double-digit rate in Japan. In Latin America, currency-neutral Retail sales were up 33%, with particularly strong growth in Brazil, Argentina and Chile. Currency translation effects had a positive impact on regional sales in euro terms see 40.

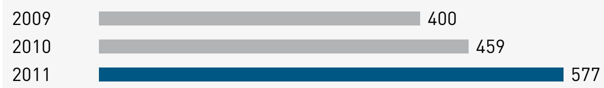
Retail at a glance 38

€ in millions

	First quarter 2011	First quarter 2010	Change
Net sales	577	459	26%
Gross profit	354	267	32%
Gross margin	61.2%	58.2%	3.0pp
Segmental operating profit	89	52	72%
Segmental operating margin	15.4%	11.3%	4.2pp

Retail first quarter net sales 39

€ in millions



Concept store sales up 25% on a currency-neutral basis

Concept store revenues include sales from adidas Sport Performance, adidas Sport Style and Reebok concept stores. In the first quarter of 2011, concept store revenues grew 25% on a currency-neutral basis. Sales increased at double-digit rates at both adidas and Reebok. Currency-neutral comparable concept store sales were up 18%. During the first quarter of 2011, the Group opened 44 new concept stores, 31 concept stores were closed and 110 concept stores were reclassified as stores in other retail formats. As a result, the number of concept stores decreased by 97 to 1,255 at the end of the first quarter of 2011 (December 31, 2010: 1,352). Currency translation effects had a positive impact on sales in euro terms. Concept store sales increased 29% to € 270 million in the first quarter of 2011 from € 210 million in 2010.

Factory outlet sales grow 16% on a currency-neutral basis

Factory outlet revenues include sales from adidas and Reebok factory outlets. In the first quarter of 2011, factory outlet revenues grew 16% on a currency-neutral basis. Comparable factory outlet sales increased 14% in the first quarter of 2011 on a currency-neutral basis. The number of factory outlets increased by 1 to 726 at the end of the first quarter (December 31, 2010: 725). Factory outlet sales increased at a double-digit rate at adidas. Reebok sales also grew. Currency translation effects had a positive impact on sales in euro terms. Factory outlet sales increased 20% to € 271 million in the first quarter of 2011 from € 226 million in 2010.

Currency-neutral sales from other retail formats up 53%

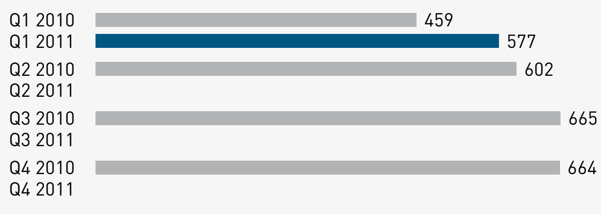
Revenues from other retail formats include adidas and Reebok concession corners and e-commerce operations. In the first quarter of 2011, sales from other retail formats increased 53% on a currency-neutral basis. Currency-neutral comparable sales from other retail formats grew 38%. During the first quarter of 2011, the Group opened 23 new stores in other retail formats and closed 10. In addition, 110 concept stores were reclassified as stores in other retail formats. As a result, the number of other retail formats increased by 123 to 316 at the end of the first quarter (December 31, 2010: 193). Sales from adidas and Reebok e-commerce platforms were up 66% on a currency-neutral basis compared to 2010. Currency translation effects had a positive impact on sales from other formats in euro terms. Other retail format sales increased by 56% to € 36 million (2010: € 23 million).

Retail net sales by region 40
€ in millions

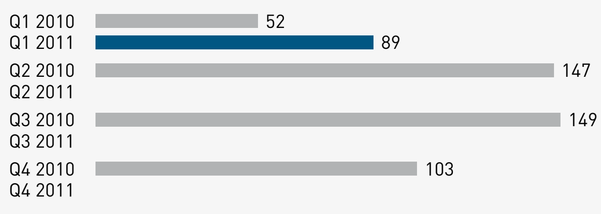
	First quarter 2011	First quarter 2010	Change	Change currency-neutral
Western Europe	100	89	13%	12%
European Emerging Markets	218	155	40%	39%
North America	93	81	15%	13%
Greater China	37	30	25%	19%
Other Asian Markets	81	71	15%	4%
Latin America	48	34	40%	33%
Total[1]	**577**	**459**	**26%**	**22%**

1) Rounding differences may arise in totals.

Retail net sales by quarter 41
€ in millions



Retail segmental operating profit by quarter 42
€ in millions



adidas and Reebok branded own-retail sales increase

In the first quarter of 2011, adidas Group Retail sales increased at a double-digit rate at both adidas and Reebok. Currency-neutral adidas Sport Performance revenues grew 14% in the period. adidas Sport Style sales rose 45% versus the prior year on a currency-neutral basis. Currency-neutral Reebok sales were 16% higher compared to the prior year. Comparable store sales for the adidas brand increased 17% on a currency-neutral basis, driven by double-digit growth in the training, football and running categories. Comparable store sales for Reebok grew 15%, driven by strong growth in training and running. Currency translation effects had a positive impact on revenues in euro terms. adidas Sport Performance own-retail sales increased 18% to € 317 million in the first quarter of 2011 from € 269 million in 2010. adidas Sport Style own-retail sales were up 50% to € 167 million in the first quarter of 2011 from € 111 million in 2010. Own-retail sales of Reebok branded products grew 19% to € 93 million in the first quarter of 2011 (2010: € 79 million).

Retail gross margin improves 3.0 percentage points

Gross margin in the Retail segment increased 3.0 percentage points to 61.2% in the first quarter of 2011 from 58.2% in 2010, with improvements in all store formats. This was mainly a result of a higher proportion of concept store sales at higher margins. By brand, the adidas gross margin grew 2.1 percentage points to 62.2% (2010: 60.0%) and Reebok's gross margin improved 7.0 percentage points to 56.5% (2010: 49.5%).
Retail gross profit increased 32% to € 354 million in the first quarter of 2011 from € 267 million in 2010 see 38.

Segmental operating expenses as a percentage of sales down 1.1 percentage points

Segmental operating expenses in Retail primarily relate to personnel and rent expenses as well as the sales working budget. Segmental operating expenses increased 23% to € 264 million in the first quarter of 2011 from € 216 million in 2010. This was a result of higher sales working budget expenses and higher expenses related to the expansion of the Group's store base, particularly in emerging markets. Segmental operating expenses as a percentage of sales declined 1.1 percentage points to 45.8% (2010: 46.9%), as a result of operating leverage in the segment.

Segmental operating profit up 72%

Segmental operating profit increased 72% to € 89 million in the first quarter of 2011 versus € 52 million in the prior year see 42. Segmental operating margin improved 4.2 percentage points to 15.4% (2010: 11.3%). This was a result of the gross margin increase and lower segmental operating expenses as a percentage of sales.

Other Businesses Performance

Other Businesses results in summary

Other Businesses primarily include the TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey segments. In addition, the segment Other Centrally Managed Brands, which comprises brands such as Y-3, is also included. In the first quarter of 2011, currency-neutral sales of Other Businesses increased 14%. In euro terms, sales grew 19% to € 376 million (2010: € 316 million). Gross margin increased 0.6 percentage points to 45.6% (2010: 45.0%), mainly as a result of improving product margins in most segments. Gross profit improved 21% to € 172 million in the first quarter of 2011 from € 142 million in 2010. As a result of higher segmental operating expenses as a percentage of sales, which more than offset an increase in gross margin, segmental operating margin decreased 0.9 percentage points to 28.1% (2010: 29.0%). In absolute terms, segmental operating profit grew 15% to € 106 million in the first quarter of 2011 versus € 92 million in 2010.

Currency-neutral sales of Other Businesses up 14%

In the first quarter of 2011, revenues of Other Businesses increased 14% on a currency-neutral basis, driven by double-digit growth at TaylorMade-adidas Golf. Currency translation effects positively impacted revenues in euro terms. Sales of Other Businesses grew 19% to € 376 million in the first quarter of 2011 (2010: € 316 million) see 44.

Currency-neutral sales of Other Businesses grow in most regions

Currency-neutral sales of Other Businesses increased in all regions except Other Asian Markets and Latin America. Revenues in Western Europe were up 10% on a currency-neutral basis due to double-digit sales growth at TaylorMade-adidas Golf. Sales in European Emerging Markets increased 51% on a currency-neutral basis, driven by strong double-digit growth at TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey. Currency-neutral sales in North America were up 22%, due to strong double-digit growth at TaylorMade-adidas Golf, which was partly offset by declines at Rockport. Revenues in Greater China were up 52% on a currency-neutral basis as a result of higher TaylorMade-adidas Golf sales. Sales in Other Asian Markets were down 4% on a currency-neutral basis. Sales increases at Rockport could not offset declines at TaylorMade-adidas Golf. In Latin America, currency-neutral sales declined 2% due to decreases at TaylorMade-adidas Golf, which more than offset increases at Rockport. Currency translation effects had a positive impact on regional sales in euro terms see 45.

Currency-neutral TaylorMade-adidas Golf sales increase 20%

In the first quarter of 2011, TaylorMade-adidas Golf revenues increased 20% on a currency-neutral basis. Growth was driven by strong double-digit revenue increases in metalwoods, as well as double-digit growth in putters and balls. Sales for adidas Golf also increased, mainly driven by apparel. Currency translation effects positively impacted TaylorMade-adidas Golf sales in euro terms. In the first quarter of 2011, revenues increased 26% to € 281 million from € 223 million in the prior year.

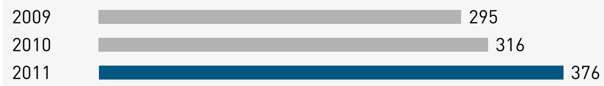
Currency-neutral Rockport sales down 6%

In the first quarter of 2011, Rockport revenues decreased 6% on a currency-neutral basis. Regionally, declines in Western Europe and North America more than offset sales growth in European Emerging Markets, Other Asian Markets as well as Latin America, where revenues grew at double-digit rates. Currency translation effects positively impacted sales in euro terms. Revenues in the Rockport segment decreased 3% to € 54 million in the first quarter of 2011 from € 56 million in 2010.

Other Businesses at a glance 43
€ in millions

	First quarter 2011	First quarter 2010	Change
Net sales	376	316	19%
Gross profit	172	142	21%
Gross margin	45.6%	45.0%	0.6pp
Segmental operating profit	106	92	15%
Segmental operating margin	28.1%	29.0%	(0.9pp)

Other Businesses first quarter net sales 44
€ in millions



Currency-neutral Reebok-CCM Hockey sales remain stable

Currency-neutral Reebok-CCM Hockey sales remained stable in the first quarter of 2011. Increases in apparel were offset by a decline in hardware. Regionally, double-digit sales growth in European Emerging Markets was offset by declines in Western Europe. Currency translation effects positively impacted sales in euro terms. Reebok-CCM Hockey revenues increased 5% to € 22 million in the first quarter of 2011 from € 21 million in 2010.

Gross margin of Other Businesses improves 0.6 percentage points

Gross margin of Other Businesses increased 0.6 percentage points to 45.6% in the first quarter of 2011 from 45.0% in 2010. This was mainly due to improving product margins in all segments, in particular at Reebok-CCM Hockey as well as at Rockport. In absolute terms, gross profit increased 21% to € 172 million in the first quarter of 2011 versus € 142 million in 2010 »» see 43.

Segmental operating expenses as a percentage of sales increase 1.5 percentage points

Segmental operating expenses rose 30% to € 66 million in the first quarter of 2011 from € 51 million in 2010. This was driven in particular by Rockport's own-retail expansion. Segmental operating expenses as a percentage of sales increased 1.5 percentage points to 17.5% (2010: 16.0%).

Segmental operating profit up 15%

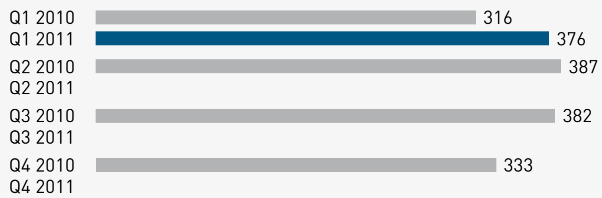
Segmental operating margin declined 0.9 percentage points to 28.1% (2010: 29.0%). This was the result of higher segmental operating expenses as a percentage of sales which more than offset an increase in gross margin. In absolute terms, segmental operating profit increased 15% to € 106 million in the first quarter of 2011 versus € 92 million in the prior year »» see 47.

Other Businesses net sales by region 45
€ in millions

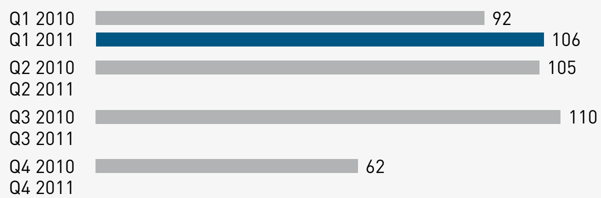
	First quarter 2011	First quarter 2010	Change	Change currency-neutral
Western Europe	68	60	13%	10%
European Emerging Markets	10	6	56%	51%
North America	213	171	25%	22%
Greater China	8	5	60%	52%
Other Asian Markets	75	71	5%	(4%)
Latin America	3	3	(0%)	(2%)
Total[1]	**376**	**316**	**19%**	**14%**

1) Rounding differences may arise in totals.

Other Businesses net sales by quarter 46
€ in millions



Other Businesses segmental operating profit by quarter 47
€ in millions



Subsequent Events and Outlook

In 2011, most major economies are projected to expand, with the sporting goods industry and the adidas Group expected to benefit from increasing consumer confidence and spending. Based on our innovative strength, extensive pipeline of new and fresh products as well as marketing initiatives, we expect top- and bottom-line improvements in our Group's financial results in 2011. We forecast adidas Group sales to increase at a high-single-digit rate on a currency-neutral basis due to growth in the Wholesale and Retail segments as well as in Other Businesses. Group gross margin is expected to be in a range between 47.5% and 48.0%. Pressures from higher input costs as well as the setback from the earthquake and tsunami catastrophe in Japan will weigh on otherwise positive effects anticipated from our regional and product mix. Operating margin is forecasted to improve to a level between 7.5% and 8.0%, driven by lower other operating expenses as a percentage of sales. As a result, we project earnings per share to grow at a rate between 10% and 15% to a level between € 2.98 and € 3.12.

Subsequent Events

No subsequent events

Since the end of the first quarter of 2011, there have been no significant organisation, management, economic, socio-political, legal or financial changes which we expect to influence our business materially going forward.

Outlook

Forward-looking statements

This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of the adidas Group. The outlook is based on estimates that we have made on the basis of all the information available to us at this point in time. In addition, such forward-looking statements are subject to risks and uncertainties as described in the Risk and Opportunity Report of the adidas Group Annual Report 2010, which are beyond the control of the adidas Group. In case the underlying assumptions turn out to be incorrect or described risks materialise, actual results and developments may materially deviate from those expressed by such statements. The adidas Group does not assume any obligation to update any forward-looking statements made in this Management Report beyond statutory disclosure obligations.

Global economy forecasted to grow in 2011

According to the World Bank, growth of the global economy in 2011 is expected to be at around 3.3%. Forecasters in general predict strong growth in emerging markets and a continuation of the modest recovery in advanced economies. Nonetheless, structural issues such as high levels of sovereign debt and high unemployment in many developed economies as well as the potential impacts on the global supply chain from the natural disaster in Japan pose risks to global economic growth. In addition, inflationary pressures are a concern in several economies due to the rapid rise in commodity prices. However, on the positive side, economists predict that consumer spending will pick up globally in 2011, which will be supportive to our growth aspirations for the year.

In Western Europe, GDP is expected to increase at a low rate of around 1.5% in 2011, driven by growth in Germany and France. Manufacturing investments, export activity and a steady improvement in consumer spending are expected to be the key drivers of growth. However, negative headwinds from austerity measures due to sovereign debt concerns and high unemployment levels in many peripheral economies of the region are expected to persist. European emerging markets are estimated to grow at around 4.1% in 2011, driven by rising exports and steadily improving consumer spending. Russia in particular is projected to benefit from increases in commodity prices.
In North America, GDP is forecasted to grow approximately 2.9% in 2011. Low interest rates, increases in consumer and corporate spending as well as strong exports are forecasted to contribute to growth.

Nevertheless, the USA's significant debt obligations, high unemployment rates and low wage growth are all negative factors for the region. In Asia, growth rates are expected to remain high, but to decelerate slightly to 4.5% in 2011. Increases will be driven by growth in the region's emerging markets. Of these, GDP growth in China and India is expected to remain robust at 8.9% and 8.0%, respectively, driven by domestic demand. In Japan, however, due to the negative effects of the natural disaster in March and persistent low domestic demand, economic growth is projected to be very modest in 2011. In Latin America, growth rates are likely to moderate to a level of around 4.8% in 2011. Increases in commodity prices as well as strong export levels are expected to positively impact many of the region's economies.

Increases in consumer spending to support sporting goods industry growth

We expect the global sporting goods industry to expand in 2011; however, inflation in footwear and apparel prices due to higher input costs may dampen growth rates towards the end of the year. In Western Europe, the sporting goods industry is expected to grow modestly in 2011, despite tough prior year comparisons due to the 2010 FIFA World Cup and increasing pressure on prices from rising input costs. The improvement in trends seen in the European emerging markets is expected to continue in 2011, led by Russia, where increasing incomes and spending are promoting expansion of the sporting goods industry.

In North America, footwear and apparel sales growth rates in the sporting goods industry are projected to accelerate in 2011. From a category perspective, basketball, lightweight running and outdoor are seen as particular drivers for the year. In Greater China, rising domestic consumption is forecasted to propel sporting goods sales in 2011. Income levels have also been growing in the lower tier cities, which will support the expansion of the industry into this market. In other Asian markets, the sporting goods industry is forecasted to extend its presence, with rapidly growing markets such as India, Indonesia and Vietnam providing significant potential for sporting goods brands. However, in Japan the effects of the March earthquake will add to the already falling levels of consumer confidence and spending, which will lead to significant challenges for consumer discretionary products including the sporting goods sector. The sporting goods industry in Latin America is projected to grow in 2011, with falling unemployment rates and rising income levels promoting consumer spending. This is expected to support discretionary spending in this region and positively impact the sporting goods sector.

adidas Group currency-neutral sales to increase at a high-single-digit rate in 2011

We expect adidas Group sales to increase at a high-single-digit rate on a currency-neutral basis in 2011. The positive sales development will be driven by rising consumer confidence as the global economy continues to improve. The positive impacts of our high exposure to fast-growing emerging markets, the further expansion of Retail as well as continued momentum at the Reebok brand will more than offset the non-recurrence of sales related to the 2010 FIFA World Cup. As a result, we expect the adidas Group to outperform global economic growth in 2011.

Currency-neutral Wholesale revenues expected to increase at a mid- to high-single-digit rate

We project currency-neutral Wholesale segment revenues to increase at a mid- to high-single-digit rate compared to the prior year. Order backlog development as well as positive retailer and trade show feedback support our growth expectations for 2011. Currency-neutral adidas Sport Performance sales are forecasted to increase at a mid-single-digit rate due to growth in key categories such as running and training. adidas Sport Style revenues are projected to increase at a high-single- to low-double-digit rate on a currency-neutral basis as a result of the expanded distribution scope and continued momentum in our product lines, in particular adidas NEO. Currency-neutral Reebok sales are expected to increase due to growth in the women's fitness and men's training category as well as increases in the Classics business.

Retail sales to increase at a low-double-digit rate on a currency-neutral basis

adidas Group currency-neutral Retail segment sales are projected to grow at a low-double-digit rate in 2011. Comparable store sales are expected to increase at a high-single-digit rate and to contribute to revenue growth at a higher rate than the expansion of the Group's own-retail store base. The Group expects a net increase of its store base by around 100 adidas and Reebok stores in 2011. We forecast to open around 200 new stores, depending on the availability of desired locations. New stores will primarily be located in emerging markets in Eastern Europe. Approximately 100 stores will be closed over the course of the year. Around 220 stores will be remodelled. As a result of the forecasted improvements in the consumer environment in 2011, concept stores are expected to perform slightly better than factory outlets.

Currency-neutral sales of Other Businesses to increase at a mid-single-digit rate

In 2011, revenues of Other Businesses are expected to increase at a mid-single-digit rate on a currency-neutral basis. TaylorMade-adidas Golf currency-neutral sales are projected to grow at a low- to mid-single-digit rate compared to the prior year. Product launches in core categories such as metalwoods, irons and putters should support growth in this segment against a slow recovery in the global golf market. Revenues at Rockport are forecasted to increase at a high-single- to low-double-digit rate on a currency-neutral basis as a result of improvements in the brand's product portfolio and own-retail expansion. Currency-neutral sales at Reebok-CCM Hockey are expected to grow at a low-single-digit rate in 2011, mainly due to new product introductions.

adidas Group sales expected to grow in most regions

We expect Group currency-neutral revenues to increase in all our regions in 2011, except Other Asian Markets. In Western Europe, despite the non-recurrence of the 2010 FIFA World Cup, which provided a positive stimulus in the region in 2010, the gradual improvement in the macroeconomic environment will positively impact sales development in this region, albeit at a moderate level. Growth in Central Europe is likely to offset challenging conditions in the region's peripheral markets. In European Emerging Markets, the expansion of and increasing sophistication in our own-retail activities as well as improving wholesale conditions in some of the region's markets are forecasted to have a positive influence on Group sales. In North America, we expect to benefit from continued momentum in particular with the adidas and Reebok brands. This will be driven by new product introductions and product extensions. In Greater China, following a sales decline in 2010, we expect a return to strong growth in this region in 2011. This will be driven by more current levels of inventory as well as the expansion of our retail footprint, including the further roll-out of adidas Originals and adidas NEO. In Other Asian Markets, the setback from the earthquake and tsunami catastrophe in Japan on March 11 will more than offset the good performance in the region's other markets such as South Korea and India. Lastly, in Latin America, the strong positioning of our brands is expected to more than compensate for the non-recurrence of the positive impetus from sales associated with the 2010 FIFA World Cup.

Group gross margin to be in a range from 47.5% to 48.0%

In 2011, the adidas Group gross margin is forecasted to reach a level between 47.5% and 48.0% (2010: 47.8%). While we expect gross margin in our Retail segment as well as Other Businesses to improve, gross margin in the Wholesale segment is forecasted to decline. In 2011, Group gross margin will benefit from positive regional mix effects, as growth rates in emerging markets are projected to be above growth rates in more mature markets. In addition, improvements in the Retail segment as well as at the Reebok brand will positively influence Group gross margin development. However, these positive effects will be offset by several factors. In particular, sourcing costs will increase significantly compared to the prior year as a result of rising raw material costs and capacity constraints. In addition, as a consequence of the dramatic events in Japan during the first quarter of 2011, Group gross margin will be negatively impacted by sales declines in this market. Further, hedging terms in 2011 will be slightly less favourable compared to the prior year.

Group other operating expenses to decrease as a percentage of sales

In 2011, the Group's other operating expenses as a percentage of sales are expected to decrease modestly (2010: 42.1%). Sales and marketing working budget expenses as a percentage of sales are also projected to decline modestly compared to the prior year. Marketing investments to support Reebok's growth strategy in the men's and women's fitness category, as well as investments to support growth in our key attack markets North America, Greater China and Russia/CIS will be offset by the non-recurrence of expenses in relation to adidas' presence at the 2010 FIFA World Cup. Operating overhead expenditures as a percentage of sales are forecasted to decline slightly in 2011. Higher administrative and personnel expenses in the Retail segment due to the planned expansion of the Group's store base will be offset by leverage and efficiency gains in the Group's non-allocated central costs. We expect the number of employees within the adidas Group to increase versus the prior year level. Additional hires will be mainly related to own-retail expansion. The majority of new hires will be employed on a part-time basis and will be located in emerging markets. The adidas Group will continue to spend around 1% of Group sales on research and development in 2011. Areas of particular focus include customisation and digital sports products at adidas, as well as supporting the expansion of Reebok's fitness and training positioning.

Operating margin to continue to expand

In 2011, we expect the operating margin for the adidas Group to increase to a level between 7.5% and 8.0% (2010: 7.5%). Lower other operating expenses as a percentage of sales are expected to be the primary driver of the improvement.

Earnings per share to increase to a level between € 2.98 and € 3.12

Earnings per share are expected to increase at a rate of 10% to 15% to a level between € 2.98 and € 3.12 (2010 diluted earnings per share: € 2.71). Top-line improvement and an increased operating margin will be the primary drivers of this positive development. In addition, we expect lower interest expenses in 2011 as a result of a lower average level of net borrowings. The Group tax rate is expected to be at a similar level compared to the prior year level (2010: 29.5%).

Operating working capital as a percentage of sales to increase

In 2011, average operating working capital as a percentage of sales is expected to increase compared to the prior year level (2010: 20.8%). This is mainly due to working capital increases to support the growth of our business.

Investment level to be between € 350 million and € 400 million

In 2011, investments in tangible and intangible assets are expected to amount to € 350 million to € 400 million (2010: € 269 million). Investments will focus on adidas and Reebok controlled space initiatives, in particular in emerging markets. These investments will account for almost one-third of total investments in 2011. Other areas of investment include the further development of the adidas Group Headquarters in Herzogenaurach, Germany, and the increased deployment of SAP and other IT systems in major subsidiaries within the Group. All investments within the adidas Group in 2011 are expected to be fully financed through cash generated from operations.

Excess cash to be used to support growth initiatives

In 2011, we expect continued positive cash flows from operating activities. Cash will be used to finance working capital needs, investment activities, as well as dividend payments. We intend to largely use excess cash to invest in our Route 2015 growth initiatives and to further reduce net borrowings. Over the long term, we aim to maintain a ratio of net borrowings over EBITDA of less than two times as measured at year-end (2010 ratio: 0.2).

Management to propose dividend of € 0.80

In light of the strong cash flow generation in 2010 and the significantly reduced level of net borrowings, Management will recommend paying a dividend of € 0.80 to shareholders at the Annual General Meeting (AGM) on May 12, 2011, representing an increase of 129% compared to the prior year (2009: € 0.35). Subject to shareholder approval, the dividend will be paid on May 13, 2011. The proposal represents a payout ratio of 30% of net income as in the prior year and complies with our dividend policy, according to which we intend to pay out between 20% and 40% of net income attributable to shareholders annually. Based on the number of shares outstanding at the end of 2010, the dividend payout will increase to € 167 million compared to € 73 million in the prior year.

adidas Group 2011 Outlook — 48

		Previous guidance [1]
Currency-neutral sales development (in %):		
adidas Group	high-single-digit increase	mid- to high-single-digit increase
Wholesale	mid- to high-single-digit increase	mid-single-digit increase
Retail	low-double-digit increase	—
Comparable store sales	high-single-digit increase	mid-single-digit increase
Other Businesses	mid-single-digit increase	—
TaylorMade-adidas Golf	low- to mid-single-digit increase	—
Rockport	high-single- to low-double-digit increase	—
Reebok-CCM Hockey	low-single-digit increase	—
Gross margin	47.5% to 48.0%	—
Operating margin	7.5% to 8.0%	—
Earnings per share	€ 2.98 to € 3.12	—
Average operating working capital as a percentage of sales	increase	—
Capital expenditure	€ 350 million to € 400 million	—
Store base	net increase by around 100 stores	—
Net borrowings	decline	—

1) As published on March 2, 2011.

Major product launches in Q2 2011 — 49

Brand	Product
adidas	Supernova Sequence 4 running shoe
adidas	adiZero Trainer training shoe
adidas	adiZero Crazy Light basketball shoe
adidas	adiPower Howard basketball shoe
adidas	adiPower Predator football boot
adidas	adiZero Feather tennis shoe
adidas	Terrex Faster outdoor collection
Reebok	RealFlex footwear
Reebok	Kamikaze Classic footwear
Ashworth	Men’s golf lifestyle apparel collection
Ashworth	Leucadia spikeless golf shoe
Reebok Hockey	11K KFS protective equipment
Reebok Hockey	Reebok 11K ReeFit helmet

adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions

	March 31, 2011	March 31, 2010	Change in %	Dec. 31, 2010
Cash and cash equivalents	408	388	5.1	1,156
Short-term financial assets	220	92	137.9	233
Accounts receivable	2,155	1,987	8.5	1,667
Other current financial assets	170	210	(19.0)	197
Inventories	2,033	1,680	21.0	2,119
Income tax receivables	52	76	(31.8)	71
Other current assets	418	401	4.4	390
Assets classified as held for sale	30	77	(60.5)	47
Total current assets	**5,486**	**4,911**	**11.7**	**5,880**
Property, plant and equipment	824	782	5.4	855
Goodwill	1,491	1,530	(2.5)	1,539
Trademarks	1,361	1,434	(5.1)	1,447
Other intangible assets	134	158	(15.0)	142
Long-term financial assets	94	91	3.6	93
Other non-current financial assets	31	75	(58.6)	54
Deferred tax assets	505	428	18.0	508
Other non-current assets	111	122	(9.6)	100
Total non-current assets	**4,551**	**4,620**	**(1.5)**	**4,738**
Total assets	**10,037**	**9,531**	**5.3**	**10,618**
Short-term borrowings	222	307	(27.8)	273
Accounts payable	1,316	1,133	16.1	1,694
Other current financial liabilities	126	78	62.0	123
Income taxes	263	220	19.7	265
Other current provisions	418	338	23.9	470
Current accrued liabilities	805	672	19.8	842
Other current liabilities	285	265	7.2	241
Liabilities classified as held for sale	0	1	(33.8)	0
Total current liabilities	**3,435**	**3,014**	**14.0**	**3,908**
Long-term borrowings	1,321	1,533	(13.8)	1,337
Other non-current financial liabilities	20	13	52.7	15
Pensions and similar obligations	183	161	13.7	180
Deferred tax liabilities	428	461	(7.2)	451
Other non-current provisions	40	23	74.5	29
Non-current accrued liabilities	31	35	(11.0)	39
Other non-current liabilities	30	30	(2.3)	36
Total non-current liabilities	**2,053**	**2,256**	**(9.0)**	**2,087**
Share capital	209	209	—	209
Reserves	280	527	(47.1)	563
Retained earnings	4,053	3,518	15.2	3,844
Shareholders' equity	**4,542**	**4,254**	**6.8**	**4,616**
Non-controlling interests	7	7	7.8	7
Total equity	**4,549**	**4,261**	**6.8**	**4,623**
Total liabilities and equity	**10,037**	**9,531**	**5.3**	**10,618**

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Income Statement (IFRS)

€ in millions

	First quarter 2011	First quarter 2010	Change
Net sales	3,273	2,674	22.4%
Cost of sales	1,686	1,374	22.7%
Gross profit	**1,587**	**1,300**	**22.1%**
(% of net sales)	48.5%	48.6%	(0.1pp)
Royalty and commission income	18	22	(15.8%)
Other operating income	17	47	(63.1%)
Other operating expenses	1,309	1,109	18.1%
(% of net sales)	40.0%	41.5%	(1.5pp)
Operating profit	**313**	**260**	**20.7%**
(% of net sales)	9.6%	9.7%	(0.1pp)
Financial income	5	12	(60.9%)
Financial expenses	33	29	14.3%
Income before taxes	**285**	**243**	**17.3%**
(% of net sales)	8.7%	9.1%	(0.4pp)
Income taxes	76	74	1.9%
(% of income before taxes)	26.5%	30.5%	(4.0pp)
Net income	**209**	**169**	**24.1%**
(% of net sales)	6.4%	6.3%	0.1pp
Net income attributable to shareholders	**209**	**168**	**24.5%**
(% of net sales)	6.4%	6.3%	0.1pp
Net income attributable to non-controlling interests	**0**	**1**	**(55.5%)**
Basic earnings per share (in €)	1.00	0.80	24.5%
Diluted earnings per share (in €)	1.00	0.80	24.5%

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Statement of Comprehensive Income (IFRS)

€ in millions

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	First quarter 2011	First quarter 2010
Net income after taxes	209	169
Net (loss)/gain on cash flow hedges, net of tax	(58)	80
Actuarial gain of defined benefit plans (IAS 19), net of tax	0	4
Currency translation	(225)	232
Other comprehensive income	**(283)**	**316**
Total comprehensive income	**(74)**	**485**
Attributable to shareholders of adidas AG	(74)	483
Attributable to non-controlling interests	0	2

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Statement of Changes in Equity (IFRS)

€ in millions

	Share capital	Capital reserve	Cumulative translation adjustments	Hedging reserve	Other reserves[1]	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2009	**209**	**722**	**(451)**	**(41)**	**(18)**	**3,350**	**3,771**	**5**	**3,776**
Total comprehensive income			231	80	4	168	483	2	485
Reclassifications of non-controlling interests in accordance with IAS 32						(0)	(0)		(0)
Balance at March 31, 2010	**209**	**722**	**(220)**	**39**	**(14)**	**3,518**	**4,254**	**7**	**4,261**
Balance at December 31, 2010	**209**	**722**	**(121)**	**(10)**	**(28)**	**3,844**	**4,616**	**7**	**4,623**
Total comprehensive income			(225)	(58)	0	209	(74)	0	(74)
Reclassifications of non-controlling interests in accordance with IAS 32						(0)	(0)		(0)
Balance at March 31, 2011	**209**	**722**	**(346)**	**(68)**	**(28)**	**4,053**	**4,542**	**7**	**4,549**

1) Reserves for actuarial gains/losses and share option plans.
Rounding differences may arise in percentages and totals.

adidas AG Consolidated Statement of Cash Flows (IFRS)

€ in millions

	First quarter 2011	First quarter 2010
Operating activities:		
Income before taxes	285	243
Adjustments for:		
Depreciation, amortisation and impairment losses	59	59
Reversals of impairment losses	(0)	(1)
Unrealised foreign exchange (gains)/losses, net	(18)	22
Interest income	(5)	(6)
Interest expense	24	29
Gains on sale of property, plant and equipment, net	(1)	(13)
Operating profit before working capital changes	**344**	**333**
Increase in receivables and other assets	(589)	(510)
Decrease/(increase) in inventories	27	(165)
(Decrease)/increase in accounts payable and other liabilities	(304)	3
Cash used in operations before interest and taxes	**(522)**	**(339)**
Interest paid	(27)	(29)
Income taxes paid	(60)	(62)
Net cash used in operating activities	**(609)**	**(430)**
Investing activities:		
Purchase of trademarks and other intangible assets	(7)	(4)
Proceeds from sale of trademarks and other intangible assets	1	14
Purchase of property, plant and equipment	(43)	(28)
Proceeds from sale of property, plant and equipment	1	4
Proceeds from sale/(purchase) of short-term financial assets	2	(16)
Purchase of investments and other long-term assets	(14)	(13)
Interest received	5	6
Net cash used in investing activities	**(55)**	**(37)**
Financing activities:		
Proceeds from long-term borrowings	186	225
Cash repayments of short-term borrowings	(248)	(150)
Net cash (used in)/generated from financing activities	**(62)**	**75**
Effect of exchange rates on cash	**(22)**	**5**
Net decrease of cash and cash equivalents	(748)	(387)
Cash and cash equivalents at beginning of the year	1,156	775
Cash and cash equivalents at end of the period	**408**	**388**

Rounding differences may arise in percentages and totals.

Selected Explanatory Notes to the Interim Consolidated Financial Statements (IFRS) as at March 31, 2011

Basis of preparation ⋙ 01

The interim consolidated financial statements of adidas AG and its subsidiaries (collectively the "Group") for the first three months ending March 31, 2011 are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The Group applied all International Financial Reporting Standards and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective as at March 31, 2011.

These interim consolidated financial statements have been prepared in compliance with IAS 34 "International Accounting Standard No. 34 – Interim Financial Reporting" and with GAS 16 "German Accounting Standard No. 16 – Interim Financial Reporting". Accordingly, these interim consolidated financial statements do not include all of the information and notes required for consolidated financial statements for financial year ends. Therefore, these interim consolidated financial statements should be read in conjunction with the 2010 annual consolidated financial statements. The accounting policies as well as principles and practices applied in the consolidated financial statements for the year ending December 31, 2010 also apply to the interim consolidated financial statements for the first three months ending March 31, 2011.

An exemption to this principle is the application of new/revised standards and interpretations which are effective for financial years starting from January 1, 2011. The application of new/revised standards does not have any material impact on the Group's financial position, results of operations and cash flows.

The interim consolidated financial statements and the interim Group management report have not been audited in accordance with § 317 German Commercial Code (Handelsgesetzbuch – HGB) or reviewed by an auditor.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim consolidated financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

The results of operations for the first three months ending March 31, 2011 are not necessarily indicative of results to be expected for the entire year.

Seasonality ⋙ 02

The sales of the Group in certain product categories are seasonal and therefore revenues and attributable earnings may vary within the financial year. Sales and earnings tend to be strongest in the first and third quarters of the financial year because these coincide with the launch of the spring/summer and fall/winter collections, respectively. This is especially relevant for the adidas and Reebok brands, whose sales account for approximately 90% of the Group's net sales. However, shifts in the share of sales and attributable earnings of particular product categories, brands or the regional composition may occur throughout the year.

Assets/liabilities classified as held for sale ⋙ 03

With the exception of a warehouse in the Netherlands which was sold in the first quarter, the composition of assets/liabilities classified as held for sale is unchanged versus December 31, 2010.

Shareholders' equity ⋙ 04

In the period from January 1, 2011 to March 31, 2011, the nominal capital of adidas AG did not change. Consequently, on March 31, 2011, the nominal capital of adidas AG amounted to € 209,216,186, divided into 209,216,186 registered no-par-value shares ("registered shares").

Other operating income and other operating expenses ⋙ 05

Other operating income mainly includes income from the release of accrued liabilities and other provisions as well as sundry income.

Other operating expenses include expenses for marketing, sales and research and development, as well as for logistics and central administration. In addition, they include impairment losses as well as depreciation on tangible assets and amortisation on intangible assets, with the exception of depreciation and amortisation which is included in the cost of sales. In the first three months of 2011, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 58 million (2010: € 57 million).

Segmental information ⋙ 06

The Group's internal management reporting is structured into six operating segments: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands.

The adidas and Reebok brands are reported under the segments Wholesale, Retail and Other Centrally Managed Brands.

The operating segment TaylorMade-adidas Golf contains the brands TaylorMade, adidas Golf and Ashworth.

TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands do not meet the definition of a reportable segment according to IFRS 8 "International Financial Reporting Standard No. 8 – Operating Segments" and are therefore aggregated under "Other Businesses" due to their only subordinate materiality.

Certain centralised Group functions do not meet the definition of IFRS 8 for a reportable operating segment. This includes functions such as central treasury, global sourcing as well as other headquarters departments. Income and expenses relating to these corporate functions are presented together with other non-allocable items and intersegment eliminations in the reconciliation of segmental operating profit. Segmental operating profit is defined as gross profit minus costs directly attributable to the segment or the group of segments (primarily sales and logistics costs) before marketing working budget expenditures and operating overhead costs not directly attributable.

Segmental assets include accounts receivable and inventories.

Segments
€ in millions

55

	Wholesale		Retail		Other Businesses		Total Segments	
	2011	2010	2011	2010	2011	2010	2011	2010
Net sales (non-Group) [1]	2,320	1,898	577	459	376	316	3,273	2,673
Segmental operating profit [1]	802	626	89	52	106	92	997	770
Segmental assets [2]	2,953	2,623	534	454	645	546	4,132	3,623

1) First quarter.
2) At March 31.

Reconciliation

Operating profit
€ in millions

56

	First quarter 2011	First quarter 2010
Operating profit for reportable segments	891	678
Operating profit for Other Businesses	106	92
HQ/Consolidation	45	59
Marketing working budget	340	271
Other operating expenses	407	320
Royalty and commission income	18	22
Operating profit	**313**	**260**
Financial income	5	12
Financial expenses	33	29
Income before taxes	**285**	**243**

Subsequent events ⋙ 07

Between the end of the first quarter of 2011 and the finalisation of the interim consolidated financial statements on May 2, 2011, there were no major Group-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, May 2, 2011
The Executive Board of adidas AG

Executive and Supervisory Boards

Executive Board

Herbert Hainer
Chief Executive Officer

Glenn Bennett
Global Operations

Robin J. Stalker
Chief Financial Officer

Erich Stamminger
Global Brands

Supervisory Board

Igor Landau
Chairman

Sabine Bauer [1]
Deputy Chairwoman

Willi Schwerdtle
Deputy Chairman

Dieter Hauenstein [1]

Dr. Wolfgang Jäger [1]

Dr. Stefan Jentzsch

Herbert Kauffmann

Roland Nosko [1]

Alexander Popov

Hans Ruprecht [1]

Heidi Thaler-Veh [1]

Christian Tourres

1) Employee representative.

Biographical information on our Executive Board members as well as on mandates of the members of the Executive Board and the members of the Supervisory Board is available at www.adidas-Group.com/executive-board and www.adidas-Group.com/supervisory-board.

Financial Calendar 2011

First Quarter 2011 Results .... **May 5, 2011**
Press release, conference call and webcast
Publication of First Quarter 2011 Report

Annual General Meeting .... **May 12, 2011**
Fürth (Bavaria), Germany
Webcast

Dividend paid .... **May 13, 2011**
(Subject to Annual General Meeting approval)

First Half 2011 Results .... **August 4, 2011**
Press release, conference call and webcast
Publication of First Half 2011 Report

Nine Months 2011 Results .... **November 3, 2011**
Press release, conference call and webcast
Publication of Nine Months 2011 Report

Publishing Details & Contact

adidas AG
Adi-Dassler-Str. 1
91074 Herzogenaurach
Germany

Tel: + 49 (0) 91 32 84 - 0
Fax: + 49 (0) 91 32 84 - 22 41
>>> www.adidas-Group.com

Investor Relations
Tel: + 49 (0) 91 32 84 - 32 96
Fax: + 49 (0) 91 32 84 - 31 27
Email: investor.relations@adidas-Group.com
>>> www.adidas-Group.com/investors

adidas Group is a member of DIRK (German Investor Relations Association) and NIRI (National Investor Relations Institute, USA).

This report is also available in German.

For further adidas Group publications, please see our corporate website.

To improve readability, registered trademarks are omitted in this Quarterly Report.

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