

No change in accounting policy

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). There were no relevant changes in IFRS and no changes in the Group's consolidation and accounting principles see Note 1, p. 157. Therefore, there was no impact on the Group's consolidated financial statements from any such changes in the reporting period.

Total assets increase 15%

At the end of 2008, total assets increased 15% to € 9.533 billion versus € 8.325 billion in the prior year. This was mainly a result of an increase in current assets.

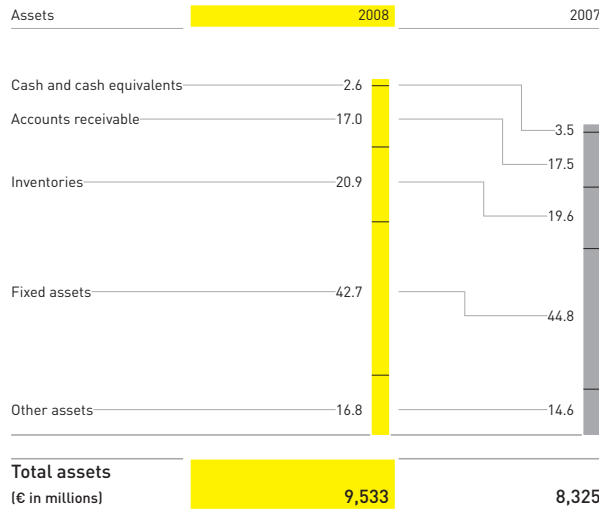
Group inventories up 22%

Group inventories increased 22% to € 1.995 billion at the end of 2008 versus € 1.629 billion in 2007 see Note 8, p. 168. On a currency-neutral basis, inventories grew 21%. This was a result of a higher volume of product shipments received from suppliers towards the end of the year in anticipation of future price increases as well as potential regulatory changes in Latin America. Hesitant customer order patterns also impacted this development see Risk and Opportunity Report, p. 107. In addition, the new Reebok companies in Latin America as well as the consolidation of the Ashworth business acquired in November contributed to the increase.

Accounts receivable increase 11%

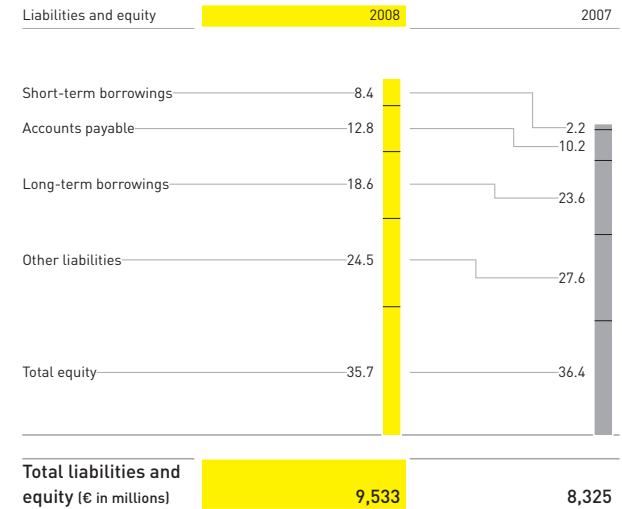
At the end of 2008, Group receivables increased 11% to € 1.624 billion (2007: € 1.459 billion) see Note 7, p. 167. On a currency-neutral basis, receivables grew 13%. This increase reflects slower receipt of payments due to the difficult economic situation in some markets. The new Reebok companies in Latin America as well as the consolidation of the Ashworth business acquired in November also contributed to this increase.

in % of total assets



1) For absolute figures see Consolidated Balance Sheet, p. 152.

in % of total liabilities and equity



1) For absolute figures see Consolidated Balance Sheet, p. 152.

Other current assets up 49%

Other current assets increased 49% to € 789 million at the end of 2008 from € 529 million in 2007. This development was mainly due to higher fair values of financial instruments ■■■ see Note 9, p. 168.

Fixed assets increase 9%

Fixed assets increased 9% to € 4.074 billion at the end of 2008 versus € 3.726 billion in 2007. This was mainly the result of continued own-retail expansion, investment into the Group's IT infrastructure, the transfer of assets held-for-sale to fixed assets as well as the acquisition of Ashworth, Inc. and Textronics, Inc. Additions of € 378 million were partly offset by depreciation and amortisation of € 234 million as well as disposals in an amount of € 41 million. Currency translation effects on fixed assets denominated in currencies other than the euro had a positive effect of € 120 million.

Assets held-for-sale decrease 60%

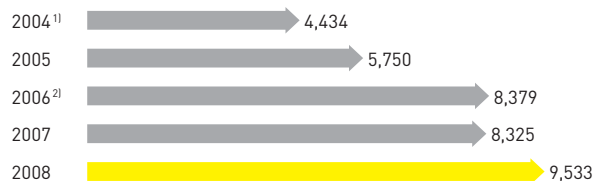
At the end of 2008, assets held-for-sale decreased 60% to € 31 million (2007: € 80 million). In the second quarter of 2008, land and buildings in Herzogenaurach, Germany, which are no longer in the scope of a sale, were transferred to fixed assets. At the end of 2008, assets held-for-sale mainly related to warehouses for sale in the UK and in the USA, property in Herzogenaurach and assets in connection with the planned divestiture of Gekko Brands, LLC acquired with Ashworth, Inc. ■■■ see Note 3, p. 163.

Other non-current assets increase 25%

Other non-current assets increased by 25% to € 180 million at the end of 2008 from € 147 million in 2007, mainly driven by an increase in the fair value of financial instruments ■■■ see Note 14, p. 170.

Total assets

€ in millions

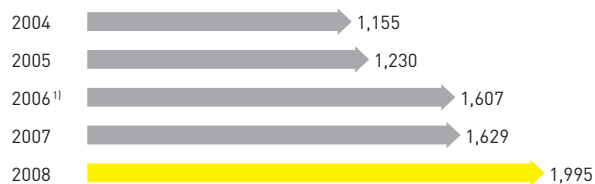


1) Restated due to application of amendment to IAS 19.

2) Including Reebok business segment from February 1, 2006 onwards.

Inventories

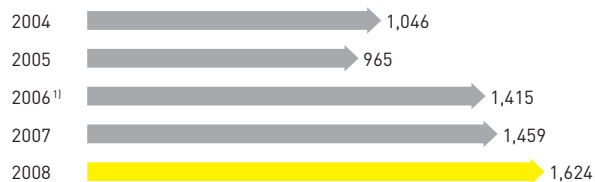
€ in millions



1) Including Reebok business segment from February 1, 2006 onwards.

Receivables

€ in millions



1) Including Reebok business segment from February 1, 2006 onwards.

Accounts payable grow 43%

Accounts payable increased 43% to € 1.218 billion at the end of 2008 versus € 849 million in 2007. On a currency-neutral basis, accounts payable were up 37%. This development was mainly a result of a higher volume of production and product shipments towards the end of the year in anticipation of future price increases as well as potential regulatory changes in Latin America ■■■ see Risk and Opportunity Report, p. 107. The new Reebok companies in Latin America as well as the consolidation of the Ashworth business acquired in November also contributed to the increase.

Other current liabilities increase 11%

Other current liabilities increased 11% to € 295 million at the end of 2008 from € 266 million in 2007, primarily as a result of increases in tax liabilities other than income taxes ■■■ see Note 17, p. 173.

Other non-current liabilities decrease 23%

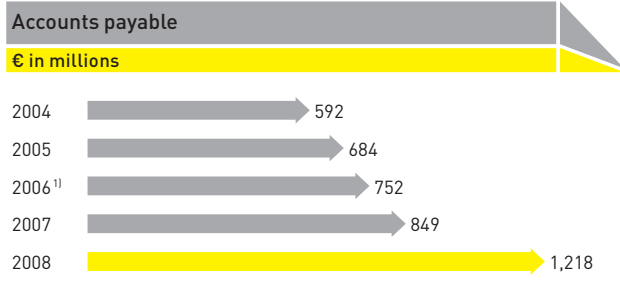
Other non-current liabilities decreased 23% to € 52 million at the end of 2008 from € 69 million in 2007, primarily as a result of a decrease in the fair value of non-current forward contracts ■■■ see Note 19, p. 175.

Equity grows due to increase in net income

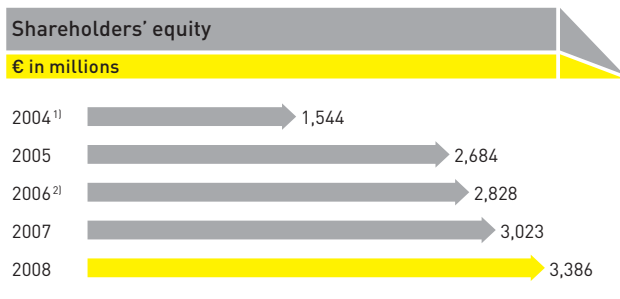
Shareholders' equity rose 12% to € 3.386 billion at the end of 2008 versus € 3.023 billion in 2007. The net income generated during the period more than offset the buyback of adidas AG shares. Currency translation effects and increases in the fair value of forward contracts also positively impacted this development ■■■ see Note 21, p. 176.

Expenses related to off-balance sheet items

Our most important off-balance sheet assets are operating leases, which are related to retail stores, offices, warehouses and equipment. The Group has entered into various operating leases as opposed to property acquisitions to reduce exposure to property value fluctuations. Rent expenses increased 25% to € 422 million in 2008 from € 337 million in the prior year, mainly due to the continued expansion of the adidas Group's own-retail activities ■■■ see Note 22, p. 181.

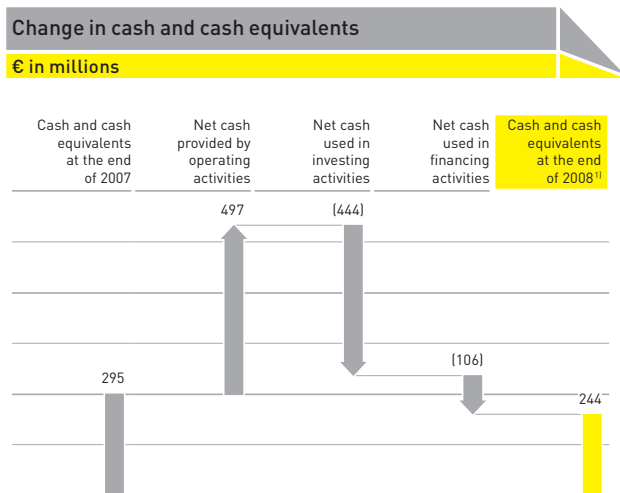


1) Including Reebok business segment from February 1, 2006 onwards.



1) Restated due to application of amendment to IAS 19.

2) Including Reebok business segment from February 1, 2006 onwards.



1) Includes a positive exchange rate effect of € 2 million.

Cash flow development reflects increased working capital needs

In 2008, cash inflow from operating activities was € 497 million (2007: € 780 million). The decrease in cash provided by operating activities compared to the prior year was primarily due to higher working capital needs. Cash outflow for investing activities was € 444 million (2007: € 285 million) and was mainly related to spending for property, plant and equipment such as investments in the furnishing and fitting of adidas and Reebok own-retail stores and in IT systems. Cash outflows for financing activities were related to the buyback of adidas AG shares in an amount of € 409 million and the payment of dividends to shareholders in an amount of € 99 million. Cash outflow in the amount of € 186 million led to a corresponding change in short-term borrowings. An increase of long-term borrowings by € 588 million only partly offset these outflows. Consequently, net cash used in financing activities totalled € 106 million (2007: € 510 million). As a result of this development and despite a positive exchange rate effect of € 2 million (2007: negative € 1 million), cash and cash equivalents decreased by € 51 million to € 244 million at the end of 2008 (2007: € 295 million).

Capital expenditure focus on Group expansion

Capital expenditure is the total cash expenditure for the purchase of tangible and intangible assets. Group capital expenditures increased 32% to € 380 million in 2008 (2007: € 289 million). The adidas segment accounted for 50% of Group capital expenditures (2007: 52%). Expenditures in the Reebok segment accounted for 14% of total expenditures (2007: 20%). The majority of adidas and Reebok expenditures focused on the expansion of own-retail activities. TaylorMade-adidas Golf capital expenditures accounted for 4% of total expenditures (2007: 4%). The remaining 32% of total capital expenditures was recorded in the HQ/Consolidation segment (2007: 24%) and was mainly related to IT infrastructure measures ■■ see Global Operations, p. 064.

