adidas GROUP

FOR THE LOVE OF SPORT

adidas Group
Annual Report
2013

TARGETS – RESULTS – OUTLOOK

Targets 2013	Results 2013 [1]	Outlook 2014
Currency-neutral sales development: **adidas Group** increase at a mid-single-digit rate	**Currency-neutral sales development:** **adidas Group** increase of 3% | Group sales of € 14.492 billion	**Currency-neutral sales development:** **adidas Group** increase at a high-single-digit rate
Wholesale segment increase at a low-single-digit rate	**Wholesale segment** stable versus prior year	**Wholesale segment** increase at a mid-single-digit rate
Retail segment increase at a high-single- to low-double-digit rate	**Retail segment** increase of 8%	**Retail segment** increase at a high-single- to low-double-digit rate
Other Businesses increase at a mid- to high-single-digit rate	**Other Businesses** increase of 5%	**Other Businesses** increase at a low- to mid-single-digit rate
TaylorMade-adidas Golf increase at a mid-single-digit rate	**TaylorMade-adidas Golf** increase of 3%	**TaylorMade-adidas Golf** increase at a low- to mid-single-digit rate
Rockport increase at a mid- to high-single-digit rate	**Rockport** increase of 6%	**Rockport** increase at a mid- to high-single-digit rate
Reebok-CCM Hockey increase at a low-double-digit rate	**Reebok-CCM Hockey** increase of 11%	**Reebok-CCM Hockey** increase at a mid-single-digit rate
Gross margin 48.0% – 48.5%	Gross margin 49.3%	Gross margin 49.5% – 49.8%
Operating margin increase to a level approaching 9.0%	Operating margin 8.7%	Operating margin 8.5% – 9.0%
Average operating working capital (in % of sales) moderate increase expected	Average operating working capital (in % of sales) increases to 20.9%	Average operating working capital (in % of sales) moderate decline expected
Capital expenditure € 500 million – € 550 million	Capital expenditure € 479 million	Capital expenditure € 500 million – € 550 million
Gross borrowings further reduction	Gross borrowings € 1.334 billion	Gross borrowings further reduction
Net borrowings/EBITDA ratio to be maintained below 2	Net borrowings/EBITDA ratio – 0.2	Net borrowings/EBITDA ratio to be maintained below 2
Net income attributable to shareholders increase at a rate of 12% to 16% to a level between € 890 million – € 920 million	Earnings per share increase 6% to € 4.01 | Net income attributable to shareholders increases 6% to € 839 million	Net income attributable to shareholders € 830 million – € 930 million
Shareholder value further increase	adidas AG share price increases 38% | Dividend per share € 1.50 [2]	Shareholder value further increase

1) Excluding goodwill impairment of € 52 million.
2) Subject to Annual General Meeting approval.

adidas GROUP

FOR THE LOVE OF SPORT

adidas Group
Annual Report
2013

We are at home on all the stages of this world: on the field of play, in the stadium, on the track, in the gym, on the golf course, on the catwalk and on the street.

For us, sport is so much more than a game. We live and love sport, and we continuously strive to reach the next level. We love achievement and success: of our people, our athletes and our products.

We are driven by our ambition and our passion for what we do. Always one step ahead – always giving our best. True to our heritage and our values.

We are the adidas Group.
And everything we do, we do for the love of sport.

FINANCIAL HIGHLIGHTS
2013

01 / **Financial Highlights (IFRS)**

	2013	2012	Change
Operating Highlights (€ in millions)			
Net sales	14,492	14,883	(2.6%)
EBITDA	1,523	1,445	5.4%
Operating profit [1) 2)]	1,254	1,185	5.8%
Net income attributable to shareholders [1) 2)]	839	791	6.0%
Key Ratios (%)			
Gross margin	49.3%	47.7%	1.5pp
Operating expenses in % of net sales	42.3%	41.3%	1.0pp
Operating margin [1) 2)]	8.7%	8.0%	0.7pp
Effective tax rate [1) 2)]	29.0%	29.3%	(0.3pp)
Net income attributable to shareholders in % of net sales [1) 2)]	5.8%	5.3%	0.5pp
Average operating working capital in % of net sales	20.9%	20.0%	0.9pp
Equity ratio	47.3%	45.5%	1.8pp
Net borrowings/EBITDA	(0.2)	(0.3)	
Financial leverage	(5.4%)	(8.5%)	3.1pp
Return on equity	14.3%	9.9%	4.4pp
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	11,599	11,651	(0.4%)
Inventories	2,634	2,486	5.9%
Receivables and other current assets	2,583	2,444	5.7%
Working capital	2,125	2,504	(15.1%)
Net cash	295	448	(34.3%)
Shareholders' equity	5,489	5,304	3.5%
Capital expenditure	479	434	10.4%
Net cash generated from operating activities	634	942	(32.7%)
Per Share of Common Stock (€)			
Basic earnings [1) 2)]	4.01	3.78	6.0%
Diluted earnings [1) 2)]	4.01	3.78	6.0%
Net cash generated from operating activities	3.03	4.50	(32.7%)
Dividend	1.50 [3)]	1.35	11.1%
Share price at year-end	92.64	67.33	37.6%
Other (at year-end)			
Number of employees	50,728	46,306	9.5%
Number of shares outstanding	209,216,186	209,216,186	—
Average number of shares	209,216,186	209,216,186	—

1) Excluding goodwill impairment of € 52 million in 2013.
2) Excluding goodwill impairment of € 265 million in 2012.
3) Subject to Annual General Meeting approval.

OUR BRANDS

adidas GROUP

adidas

adidas is a true global brand
with German roots.

→ adidas Sport Performance

The guiding principle of adidas Sport Performance is to make athletes better by making them faster, stronger, smarter, cooler and more natural. The main focus is on five key categories: football, basketball, running, training and outdoor.

→ adidas Originals & Sport Style

adidas Originals: adidas Originals is the authentic, iconic sportswear label for the street, and its philosophy is to "Celebrate Originality". **adidas Sport Style:** adidas Sport Style is defined as the "Future of Sportswear" and includes the labels Y-3, Porsche Design Sport and adidas NEO. adidas Sport Style's positioning statement is "Style your Life".

→ Five Ten

Five Ten, the "Brand of the Brave", is a leader in performance, high-friction footwear. From downhill mountain bike racing to rock climbing, from wingsuit flying to kayaking, Five Ten makes footwear for the world's most dangerous sports. The company has been producing cutting-edge designs and proprietary Stealth rubber soles for nearly 30 years.

TaylorMade

→ TaylorMade

TaylorMade leads the golf industry in metalwood sales and is the No. 1 driver brand on the world's six major professional golf tours. The brand is recognised globally for its capacity to develop innovative and performance-enhancing technologies for drivers, fairway woods, hybrids, irons, putters and balls.

→ adidas Golf

adidas Golf develops high-performance golf footwear and apparel for active, serious, athletic-minded golfers seeking products to elevate their game.

→ Adams Golf

Adams Golf designs and produces easy-to-hit equipment that makes playing the game more enjoyable for golfers of all skill levels. The brand ranks as the No. 1 hybrid brand on the world's major professional golf tours.

→ Ashworth

Ashworth is an authentic golf apparel and footwear brand with powerful name recognition among true, authentic golfers, offering products that move effortlessly from the golf course to the clubhouse and beyond.

Reebok

Reebok is an American-inspired global brand with the clear objective to become the leading fitness brand in the world. Reebok believes that each person has tremendous potential that can be fulfilled when they fight complacency and allow themselves to push beyond the limits and expectations they've become accustomed to. Reebok provides consumers with innovative products, rewarding experiences and the inspiration to empower them to fulfil their potential and ultimately be fit for life.

ROCKPORT

Rockport was founded in 1971 on the idea of making fashion footwear comfortable by using the latest in athletic shoe technologies. Today, the brand continues to combine this DNA with the innovation resources of the adidas Group, to design products which deliver uncompromised style with state-of-the-art engineered comfort for metropolitan consumers around the world.

For more information on
our brands:

://

WWW.ADIDAS-GROUP.COM

Reebok | CCM

Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and apparel, with two of the world's most recognised ice hockey brand names: Reebok Hockey and CCM.

FOR THE LOVE OF SPORT 2013

01 TO OUR SHAREHOLDERS

02 OUR GROUP

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT:
This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

03 FINANCIAL REVIEW

GROUP MANAGEMENT REPORT

04 CONSOLIDATED FINANCIAL STATEMENTS

05 ADDITIONAL INFORMATION

Endless energy for the athlete

"Hi, my name is Andrew and, as a passionate runner, I couldn't be in a better position than as part of the adidas Running team. Innovation for the runner is at the heart of everything we do, and we relentlessly strive to find new technologies, materials and products that help them be better and run faster. Our industry-changing innovation, the Energy Boost running shoe, is now one year old. As you would expect from us, we literally and figuratively never stand still. Our big ambition is to bring our energy technology ultimately to all of our running shoes above € 100. We have just rolled out our new Supernova Glide Boost. This new shoe enhances the elements that Supernova consumers already love and takes the shoe series to the next level with the revolutionary Boost cushioning technology, which provides the highest energy return in the running industry. Only the best will do for our runners. Boost your run!"

For the love of sport.

4 / 2013

ANDREW BARR
ADIDAS / BUSINESS UNIT RUNNING
HERZOGENAURACH, GERMANY

FOR THE LOVE OF SPORT

To be sold in 2014:

8 MILLION PAIRS OF BOOST RUNNING SHOES

AWARD!

Supernova Glide Boost wins International Editor's Choice Award from Runner's World

Find out more here:
WWW.ADIDAS-GROUP.COM/LOVE_BOOST

DECEMBER 2013: LAUNCH

Launch of the Supernova Glide Boost

Brazuca

THE NAME "BRAZUCA" WAS VOTED
BY OVER 1 MILLION FANS

6
2013

MATTHIAS MECKING
ADIDAS / BUSINESS UNIT FOOTBALL
HERZOGENAURACH, GERMANY

FOR THE LOVE OF SPORT

2.5 YEARS
In development

600 PLAYERS
Tested in 10 different countries
by 600 players

An icon is born

"Hi, I am Matthias and I have the privilege of being part of the adidas Football team who brought the official match ball for the 2014 FIFA World Cup, the Brazuca, to life. adidas is football and this summer our iconic match ball once again will be at the heart of the planet's biggest sporting event. The name was picked by Brazilian fans through a huge social media activation and refers to their national pride and their passion for football – full of emotion and goodwill to all. Brazuca's unique, high-precision and revolutionary construction is considered to be a geometrical wonder, with six identical panels which eliminate almost all sources of imperfection. It is also the most-tested ball that adidas has ever created and was played by over 600 footballers, such as Lionel Messi and Zinedine Zidane, as well as used 'undercover' at official tournaments such as the FIFA U-20 World Cup, all before its official launch. We are football. We are ready."

For the love of sport.

Find out more here:

WWW.ADIDAS-GROUP.COM/LOVE_BRAZUCA

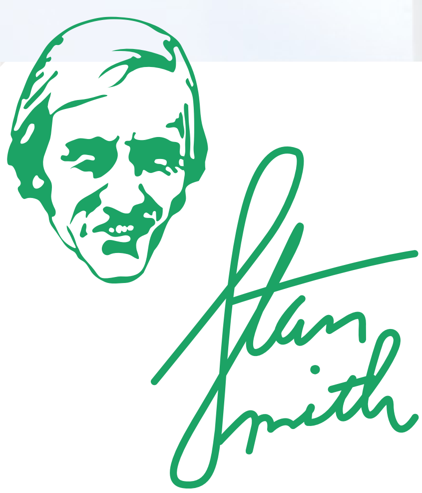
DECEMBER 3, 2013: LAUNCH

Launched on December 3, 2013, available simultaneously across all channels (Wholesale, Retail and eCommerce)

1973

THE BEGINNING

FOR THE LOVE OF SPORT



JAEWON SHIN
ADIDAS ORIGINALS WOMEN'S /
FOOTWEAR DESIGN
HERZOGENAURACH, GERMANY

STAN SMITH

Named after the American tennis player Stan Smith

2013: 40TH BIRTHDAY

The return of the Stan Smith. Just in time for its 40th birthday, adidas relaunches the icon

Evolving originality

"Hi, I am Jaewon, part of the adidas Originals design team. I am pretty sure that I share a common passion with you: the Stan Smith. I think that this sneaker is one of the all-time greatest. These iconic shoes mean a lot of different things to a lot of different people, from sneakerheads to style setters. I have had the privilege to become a part of Stan Smith's history by evolving this sneaker into a wedge shoe for women. We knew that we had to be very careful with our adjustments and changes, to make sure we keep the strong and timeless recipe of the original classic untouched. This is how the Stan Smith Up was born. I am very proud of this outcome and the way Stan Smith Up is writing a new chapter in the 40-year heritage of this timeless shoe. Evolving originality with respect to our past."

For the love of sport.

Find out more here:

WWW.ADIDAS-GROUP.COM/LOVE_STAN_SMITH

MARCH 1, 2014

Release of the Stan Smith Up

A truly world-class infrastructure

"Hi, my name is Karen, and – together with my great team – we make the magic happen every day to get our extraordinary products to consumers all over the world. We all know it has become incredibly easy for a consumer to purchase a product across multiple channels, such as in stores, online, via mobile, etc. The best way we can service this is by being smarter and faster and building a truly world-class infrastructure. A great example is our new Central Distribution Centre (CDC) near Osnabrueck in Germany, which gives a state-of-the-art answer to these growing demands. Serving all sales channels and handling products from all of our brands, the CDC is the 'heart' of our Group's European distribution landscape and I am proud to see it beating!"

For the love of sport.

KAREN PARKIN
GLOBAL OPERATIONS / SUPPLY CHAIN
PORTLAND, USA

FOR THE LOVE OF SPORT

JUNE 28, 2013: OPENING → 55,000 m²

With an 8 km flat conveyor

Output by 2015:

100 MILLION PIECES PER YEAR

CAPACITY

Warehouse capacity: more than 35 million pieces, more than 900,000 boxes and more than 95,000 palettes

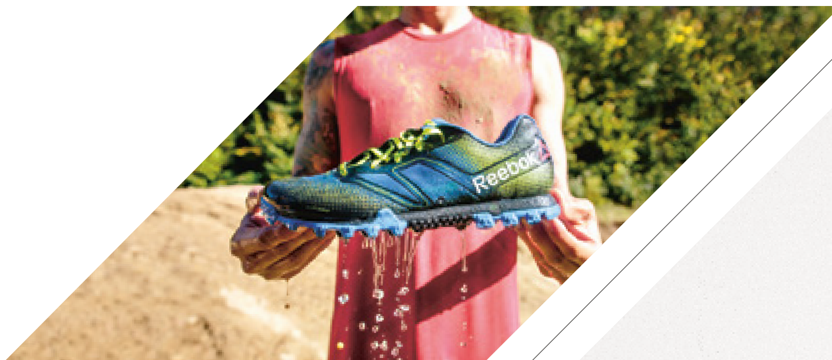
FOR THE LOVE OF SPORT

JANUARY 2013

Reebok and Spartan Race announce a multi-year partnership

MARCH 2013

The Reebok Running team competes in the Atlanta Spartan Race and interviews Spartan athletes on site



MATTHEW BILODEAU
REEBOK / RUNNING
CANTON, USA

Conquer any obstacle

“Hi, my name is Matt and I am part of the Reebok Running Footwear product development team. It’s a dream come true to get the opportunity to completely redefine the footwear for a sport. The Spartan Race partnership gave us this unique chance! Our objective was clear – to build a shoe that would conquer any difficulty in a Spartan Race and ultimately improve the performance of the athletes. To gain a clear understanding of the footwear needs for Spartan Races, our product team first met with several elite Spartan athletes. We then decided to get a feeling for the challenges first-hand by competing in a Spartan Race ourselves! The lessons learned from this great experience drove us to incorporate state-of-the-art technology that actively pumps water out of the Spartan shoes. This is just one of the many solutions we created and so I am incredibly proud to present the only shoe on the market that can truly conquer any obstacle: the Reebok All Terrain Series.”

For the love of sport.

SEPTEMBER 2013

The Reebok All Terrain Series product is unveiled to the public at the Reebok Spartan Race World Championships

DECEMBER 2013

The Reebok Spartan Race debuts on the NBC Sports Network

DAVE CORDERO
TAYLORMADE / GLOBAL PUBLIC RELATIONS
CARLSBAD, USA

Speed injected with speed

"Hi, I am Dave and I am part of TaylorMade's PR department. For my team, the main ingredient of success is and always will be innovation and this equally applies to our product launches. Each year, we introduce new groundbreaking products, and the task of generating excitement around the market is always challenging in an increasingly demanding world. Fortunately, for our team, coming up with new ideas and ways to storytell is our strong suit. For our latest metalwood franchise called 'JetSpeed', the team decided to announce this product in the most appropriate way – with an unforgettable media experience on a private jet at 30,000 feet on route to Las Vegas. The boundaries for innovation are non-existent."

For the love of sport.

FOR THE LOVE OF SPORT

MEDIA EVENT

First golf company PR team to launch a product to media on a jet

Find out more here:

WWW.ADIDAS-GROUP.COM/LOVE_JETSPEED

NOVEMBER 15, 2013: RELEASE

Release of JetSpeed, a breakthrough line of metalwoods

MEDIA COVERAGE

The JetSpeed product received substantial media coverage as a result of the trip

25

HOMECOURT STORES
TO OPEN GLOBALLY
BY THE END OF 2014

FOR THE LOVE OF SPORT

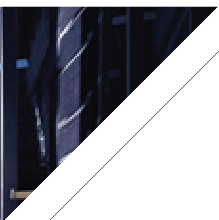
Find out more here:

WWW.ADIDAS-GROUP.COM/LOVE_HOMECOURT

JANUARY 1, 2014

HomeCourt retail concept launches in Beijing Brand Centre

HomeCourt brings the spirit of sport to retail



TED MAGER
ADIDAS / RETAIL ENVIRONMENTS
HERZOGENAURACH, GERMANY

"Hi, my name is Ted, and I am part of the Global Retail Environments team, which is the creative brain behind bringing to life the best consumer experience of our brands and inspiring our consumers in our stores. I am proud to say that our new and interactive retail store concept HomeCourt celebrates adidas' proud authentic sports heritage. It brings our DNA – the spirit of sport – to our consumers. Every element in these stores references sport: from the materials selected, to the inspirations of the designs used and all the tools and signage we have for story-telling. Take for example the store entrance, with its tunnel entry design. It draws consumers into the thrill of a big game, welcoming every visitor with a sound shower of cheering fans, as if in a stadium on matchday. The HomeCourt concept brings the spirit of sport to retail, creating a place where consumers can feel the energy of the game and experience the unprecedented breadth and depth of the adidas brand."

For the love of sport.

APRIL 11, 2014

HomeCourt store opens in Bluewater in the UK

CLAIRE MIDWOOD
ADIDAS NEO LABEL
HERZOGENAURACH, GERMANY

16

NEO STORES
TO OPEN IN 2014

NEO – the love story

"Hi, my name is Claire, and almost every week one of my great joys is receiving love letters from our NEO lovers. Of course, it's not me who is addressed in those letters, it is NEO. These are spontaneous letters from teenagers who want to share their 'NEO love' with us. I have never seen anything like it, it is truly amazing. But what is the magic behind this love? It's a simple formula, it's giving our teens direct access to the label and handing control over to them, such as our #NEO Runway event in New York, where we let NEO teens curate the looks that walked the catwalk. No other brand acts in this way. This is what sets us apart from our competition. NEO offers teens the desirable products and experiences they want and can afford to buy. This love story has only just started."

For the love of sport.

FEBRUARY 2013

NEO's first fashion show in New York City with Selena Gomez, curated by teenagers from around the world

FOR THE LOVE OF SPORT

Selena inspires my life & my style
so when it comes to clothes I'm a Neonator
Neo inspires me and my style.
Neo clothes are so fun.

Love letter from: @DreamGiiirl Laura

Find out more here:

WWW.ADIDAS-GROUP.COM/LOVE_NEO

AUGUST 2013
NEO receives first love letter

DECEMBER 2013
NEO reaches over 2 million Facebook fans

WORK IN A WAY THAT MAKES YOU PROUD OF THE RESULT.

ADI DASSLER

adidas GROUP

FOR THE LOVE OF SPORT

2013

All-Star Authentic

FOR THE LOVE OF SPORT

PAUL JACKIEWICZ
ADIDAS / GLOBAL PR
PORTLAND, USA

"Hi, my name is Paul and I love the exciting and creative work we do here at adidas Basketball. Every day is inspiring and motivating when you are as passionate about basketball as I am and you work with incredible and interesting products. A great example of this is our latest Derrick Rose basketball shoe – the D Rose 4.5 – and the apparel for the 63rd NBA All-Star Game in New Orleans, which celebrates the rich culture and fun atmosphere of this unique city by featuring vibrant Mardi Gras colours with shiny brass and silver accents."

For the love of sport.

01 TO OUR SHAREHOLDERS

Corporate Mission Statement

adidas GROUP

The adidas Group strives to be the global leader in the sporting goods industry with brands built on a passion for sports and a sporting lifestyle.

1

We are committed to continuously strengthening our brands and products to improve our competitive position.

2

We are innovation and design leaders who seek to help athletes of all skill levels achieve peak performance with every product we bring to market.

3

We are consumer-focused and therefore we continuously improve the quality, look, feel and image of our products and our organisational structures to match and exceed consumer expectations and to provide them with the highest value.

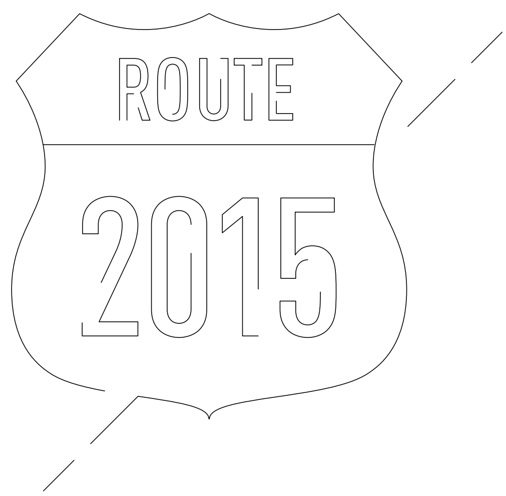
4

We are a global organisation that is socially and environmentally responsible, that embraces creativity and diversity and is financially rewarding for our employees and shareholders.

5

We are dedicated to consistently delivering outstanding financial results.

Strategic Business Plan



Based on our strong brands, premium products, extensive global presence and commitment to innovation and the consumer, we aspire to grow our business significantly in the five-year period from 2010 to 2015. Our financial aspirations include increasing Group sales to € 17 billion, achieving an operating margin of 11% and increasing annual earnings at a compound annual rate of 15%.

Our Group sales growth implies outperforming total market growth, both GDP and the sporting goods industry. Our three key "attack markets" North America, Greater China and Russia/CIS are targeted to contribute around 50% of total Group sales growth. We intend to increase the portion of sales generated through controlled space initiatives to over 50% of Group sales in the coming years.

Operational and Sporting Highlights 2013

Q1

JAN

03. adidas Golf launches the new adizero golf footwear collection. Revolutionising the fit, feel and shape of adidas Golf footwear, the new adizero line has been specially engineered from the ground up to include only what's essential to perform. / **PICTURE 01**

07. adidas sponsored Lionel Messi wins the FIFA "Ballon d'Or" award. He is the first player in history to be crowned FIFA World Player of the Year four times in a row. / **PICTURE 02**

17. Reebok announces a multi-year partnership with Spartan Race, the world's leading obstacle racing series. / **PICTURE 03**

23. The adidas Group is amongst the top 20 most sustainable corporations in the world, as announced at the 2013 World Economic Forum in Davos, Switzerland.

FEB

07. TaylorMade-adidas Golf Tour Staff Professional Dustin Johnson wins the Hyundai Tournament of Champions with the new R1 driver and RocketBladez Tour irons.

10. The adidas sponsored Nigerian national team, nicknamed the Super Eagles, wins the 2013 Africa Cup of Nations, beating Burkina Faso 1-0 in the final.

13. adidas launches its groundbreaking Boost technology in New York City, a cushioning technology that provides the highest energy return in the running industry. / **PICTURE 04**

15. Reebok launches its new global brand campaign "Live With Fire". With this campaign, the brand aims to show how living an active lifestyle can inspire people to live their lives with passion, intent and purpose. / **PICTURE 05**

24. Reebok-CCM Hockey previews the much-anticipated RBZ skates and RBZ Stage 2 sticks to media in Quebec, Canada.

27. As part of the global "Live With Fire" campaign, Reebok unveils its latest "Reebok Fitness App". The app helps users to create new customised workouts using a combination of popular disciplines such as walking, running, dance, yoga and training.

MAR

05. adidas Originals launches its new 2013 global campaign "Unite All Originals". At the centre of the launch is the adidas collider hosted at :// **WWW.ADIDAS.COM/UNITE**, an online application enabling people to dive into a world of original content. / **PICTURE 06**

08. adidas introduces "all in for #mygirls", an inspirational new cross-category brand direction designed to celebrate the special bonds between girls and how they inspire one another to go all in.

08. adidas and NBA star John Wall unveil the Crazyquick basketball shoe. The shoe is designed specifically to make players quicker on the court, giving athletes greater controlled flexibility, better traction and optimal foot lock-down. / **PICTURE 07**

14. Rockport is showcased in the March 2013 issue of Footwear Plus as a winner of "The Plus Award". The award recognises excellence in design and retail. The magazine praises Rockport for its ability to maintain style without sacrificing comfort.

Q2

APR

11. Reebok presents its strength in fitness at FIBO, the world's leading international trade show for fitness, wellness and health. Celebrating the new "Live With Fire" campaign, Reebok kicks off "Fitness Fireworks" – a series of fitness events and initiatives taking place in Germany, Austria and Switzerland. / **PICTURE 08**

18. TaylorMade brings "counterbalanced" putters to market with Daddy Long Legs and Spider Blade. Daddy Long Legs is the highest putter in the Spider Line with an MOI exceeding 8,500. The Spider Blade is the most stable blade-style putter the company has ever produced. / **PICTURE 09**

20. adidas Outdoor wins Outside magazine's 2013 "Gear of the Year" award for the Terrex Fast X GTX hiking shoe thanks to its continuous focus on product design and technology.

MAY

16. adidas unveils Nitrocharge, the energy-retaining football boot designed for the next generation of football player, called "The Engine". Featuring stars such as Daniele De Rossi, Dani Alves and Javi Martínez, the Nitrocharge complements the existing adidas football franchises such as the Predator, 11Pro and f50 ranges. / **PICTURE 10**

17. Reebok kicks off the CrossFit Games Regionals, the next step of its 2013 journey to name the Fittest On Earth. The three best male and female athletes as well as teams from each of the 17 regions receive invitations to the 2013 Reebok CrossFit Games in Carson, California.

25. FC Bayern Munich wins the Champions League final and becomes the new leader in European football. One week later, the Bavarian club makes history as the first German team ever to win the Bundesliga, German Cup and Champions League title in the same season. / **PICTURE 11**

JUN

06. adidas and Porsche Design Sport mark a new milestone with their launch of the first Porsche Design Sport womenswear collection during an exclusive event in Munich.

10. TaylorMade releases the R1 Black – the company's first black driver since 2010. Similar to the white version, the R1 Black driver features the greatest range of adjustability of any driver in the brand's history. / **PICTURE 12**

18. During a media event in Herzogenaurach, adidas underlines its leading position in football, announcing that it expects to generate € 2 billion in sales in the category in 2014. The 2014 FIFA World Cup will be the perfect stage to showcase adidas as the clear number one football brand – in terms of sales, innovative power and brand visibility.

20. The Reebok One Series officially launches at the Reebok FitHub in New York City, underlining the brand's commitment to fitness running. / **PICTURE 13**

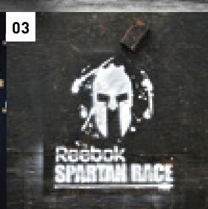
20. At Wimbledon, Caroline Wozniacki, Maria Kirilenko and Laura Robson launch the new adidas by Stella McCartney Barricade shoe, showcasing cutting-edge design and standout aesthetics combined with an unparalleled blend of support and breathability.

Q1

01


06


02


03


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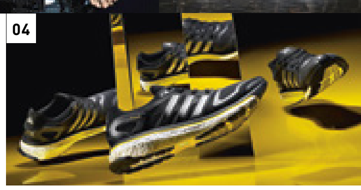

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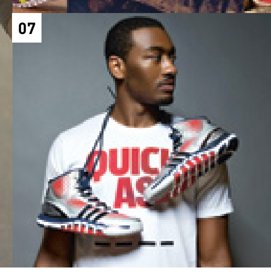

08


10


12


09


11


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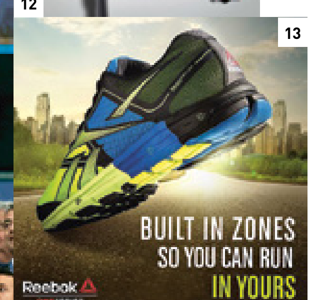


Q2

Q3

JUL

07. adidas athlete Andy Murray becomes the first British man to be crowned Wimbledon champion in 77 years, after beating the world number one at the time, Novac Djokovic, in three straight sets.

11. German international football player Mesut Özil joins the adidas family, enhancing the brand's portfolio of great players worldwide. **PICTURE 01**

11. During the 20th international OutDoor fair in Friedrichshafen, adidas Outdoor is awarded the OutDoor Industry Award in Gold for the Terrex Scope GTX with Stealth rubber.

29. TaylorMade introduces SLDR, the company's longest driver ever. The revolutionary new club features a sliding weight system, engineered to launch the golf ball higher, faster and longer. **PICTURE 02**

AUG

01. adidas launches Springblade, the first running shoe with individually tuned blades engineered to help propel runners forward. The highly elastic blades instantaneously react to any environment, compressing and releasing energy to create an efficient push-off. **PICTURE 03**

05. Rockport introduces Total Motion, its latest footwear collection for both men and women. The collection is engineered for the active professional, providing the ultimate in comfort with the combination of a glove-like fit and controlled flexibility.

16. Reebok Hockey launches the revolutionary Reebok RibCor, the first ribbed stick with a loaded shaft. The RibCor's unique ribbed shaft technology features carbon fibres that are permanently in tension to help increase power transfer from the hands directly to the puck. **PICTURE 04**

SEP

12. For the 14th consecutive time, adidas AG is selected to join the Dow Jones Sustainability Indices (DJSI) and is rated as industry leader in sustainability issues and corporate responsibility for the tenth time.

16. The adidas Group opens the "World of Kids". Located at its headquarters in Herzogenaurach, Germany, this company-owned day-care centre offers full-time care for up to 110 children.

17. Reebok's first FitHub store in the UK opens its doors to consumers. The store's unique offerings include an agenda full of fitness classes happening right inside the store, guaranteeing a holistic and authentic brand experience. **PICTURE 05**

19. Roland Auschel is appointed to the Executive Board of adidas AG, assuming responsibility for Global Sales on Board level effective October 1, 2013. **PICTURE 06**

19. Reebok announces a new partnership with world-renowned group fitness programmer Les Mills, aiming to reinvigorate the studio fitness category on a global scale.

29. adidas sponsored Wilson Kipsang sets a new world record at the 40th anniversary of the Berlin Marathon. Wearing the adizero adios 2 running shoe, Kipsang breaks the marathon world record by 15 seconds with a finish time of 02:03:23. **PICTURE 07**

Q4

OCT

02. adidas announces its latest innovation in digital training technology, the miCoach X_Cell that provides athletes with a complete system to evaluate, train and improve their game.

10. adidas and A.C. Milan announce the extension of their partnership until 2023. The partnership started in 1998. **PICTURE 08**

16. adidas NEO releases an interactive lookbook to celebrate the launch of its 2013/2014 winter collection and campaign imagery featuring pop/R&B superstar Justin Bieber. **PICTURE 09**

NOV

01. adidas introduces miCoach Smart Run, a running watch enabling runners to track their runs using GPS mapping, monitor their heart rate off their wrist, listen to their favourite music and get real-time coaching.

06. adidas excites football fans around the globe with its colourful Samba Collection, including a new boot from each of its four boot ranges, adizero f50, Predator, Nitrocharge and 11Pro. The Samba Collection launch marks the start of the adidas "All in or Nothing" 2014 FIFA World Cup Brazil campaign. **PICTURE 10**

12. Reebok announces a partnership with mixed martial artist Johny Hendricks. A true fan favourite, Hendricks is currently the number one ranked contender in the welterweight division. **PICTURE 11**

15. adidas launches the 2014 FIFA World Cup kits of leading national football federations, encouraging fans to "show your colours or fade away". The kits inspired by pride, passion and the vision of next-generation football fans are 40% lighter than any previous adidas kit.

15. TaylorMade unveils JetSpeed, a breakthrough line of metalwoods that includes the company's first driver to feature Speed Pocket technology. **PICTURE 12**

15. Reebok opens its first FitHub and CrossFit Box in France, located at 31 Avenue de l'Opéra, one of the premier shopping destinations in Paris. This original and innovative concept combines a Reebok retail store and a CrossFit gym.

21. adidas and FIFA announce the extension of their long-term partnership agreement granting adidas the Official Partner, Supplier and Licensee rights for the FIFA World Cup and all FIFA events until 2030.

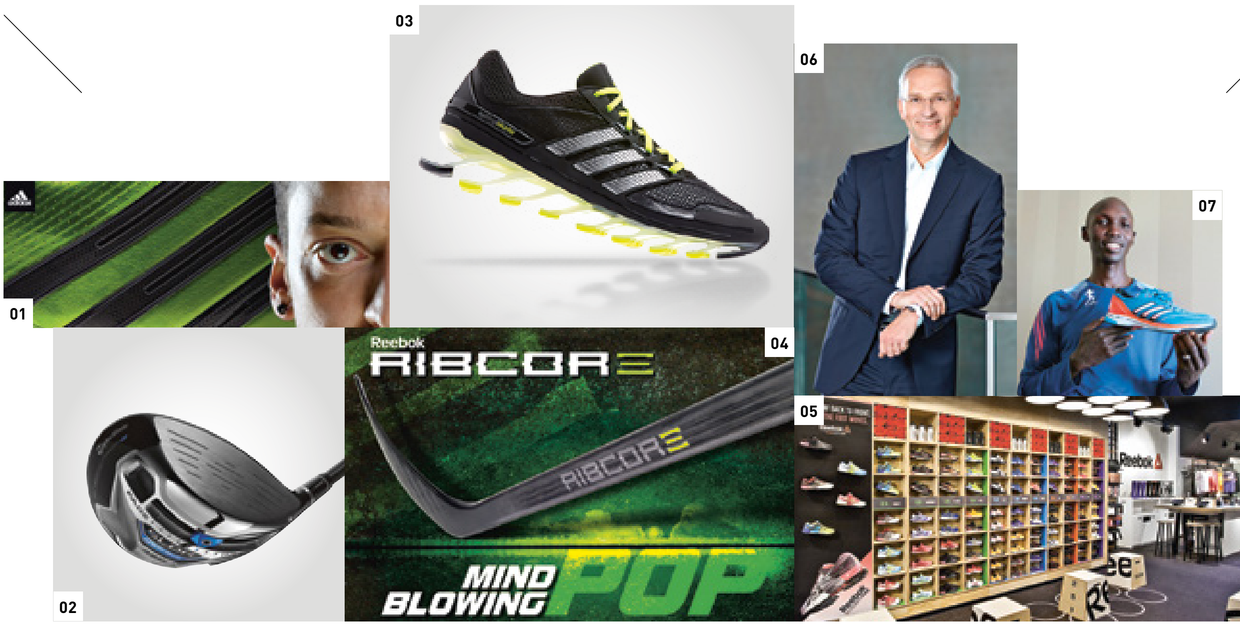
DEC

03. At the 2013 Investor Field Trip in Herzogenaurach, the adidas Group confirms its Route 2015 targets, which forecast sales of € 17 billion and an operating margin of 11% in 2015.

04. adidas unveils Brazuca, the official 2014 FIFA World Cup Brazil match ball. **PICTURE 13**

30. adidas unveils the D Rose 4.5 signature basketball shoe. The D Rose 4.5 launches first in China and then worldwide. **PICTURE 14**

Q3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Reebok
RIBCORE
MIND BLOWING POP


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AC MILAN
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Fly Emirates
ADIDAS
23

Q4

Letter from the CEO

Herbert Hainer
adidas Group CEO

In 2013, the adidas Group delivered solid financial results despite several external and internal challenges. In particular, the depreciation of several currencies versus the euro resulted in significant currency translation negatives for the year. Nevertheless, the Group's commitment to increase consumer desire for its brands through innovation and marketing excellence was again visible in several key categories and markets. This enabled the Group to deliver further progress towards its long-term sustainable margin objectives, which resulted in record earnings per share, excluding goodwill impairment losses, of € 4.01. As a result of this and the Group's strong balance sheet, Management is proposing a dividend to shareholders of € 1.50 per share, reiterating its commitment to steadily increase shareholder returns over time.

Looking out to 2014, while the Group will again face significant translation and margin challenges due to currency declines, from an operational perspective, Management is confident of strong underlying growth momentum compared to 2013. This will be fuelled in particular by the 2014 FIFA World Cup in Brazil and the further roll-out of highly innovative technologies such as Boost.

In the following letter, adidas Group CEO Herbert Hainer reflects on 2013, clarifies the impacts from currencies and one-off items and discusses the Group's strategic and financial outlook for 2014.

adidas GROUP

Dear Shareholders,

In a marathon, every inch of every mile counts. In this spirit, I am pleased to report that our Group finished 2013 strongly. Towards year-end, we regained the kind of growth momentum more typical of our high-performance standards. We delivered an exceptional fourth quarter result, with robust currency-neutral sales growth of 12% and operating profit excluding goodwill impairment losses increasing almost fourfold compared to the prior year. That's a new fourth quarter record for our Group. This is a clear testament to the persistence and energy we have exercised in making the most out of a challenging year in several areas for the adidas Group. And this strong finish puts the Group in a great position as we begin an exciting 2014 for our brands and for our Group.

Before I come to that, looking back over the past twelve months, my review of the year shows a mixed but overall positive picture.

The key developments of the year from a financial perspective were as follows:

- Sales were up 3% on a currency-neutral basis or declined 3% in absolute euros to € 14.5 billion.
- Gross margin increased 1.5 percentage points to a new record level of 49.3%.
- Operating margin excluding goodwill impairment losses increased 70 basis points to 8.7%.
- Net income attributable to shareholders excluding goodwill impairment losses increased 6% to € 839 million.
- Operating working capital as a percentage of sales increased 90 basis points to 20.9%.
- Equity ratio expanded 2 percentage points to 47.3%.
- Net cash at year-end amounted to € 295 million.

On the one hand, my senior management team and I were disappointed that we had to negatively adjust our initial guidance for the year in September. With a Group of our size, every year has its challenges, that's business life and we plan for that. Over the course of the year, however, considerable negative currency developments versus the euro, distribution constraints in Russia/CIS as well as a stalling global golf market put additional pressure on our financial results. I discussed the latter two of these three issues in detail in my letter on the first nine months results. And while they impacted us significantly in terms of our profitability and top-line achievements, in the end, the devaluation of major currencies versus the euro was simply the factor that was too significant in magnitude to cover operationally. And there were many, such as the Russian rouble, Japanese yen, Argentine peso, Brazilian real, Turkish lira, Australian dollar and Canadian dollar. Accumulated for the twelve months, currencies alone wiped out more than € 750 million from our top-line result. Unfortunately, these uncontrollable and unavoidable negative effects will continue in 2014, and I will come back to that later, given its significance to our financial statements.

On the other hand, we shouldn't ignore our many successes in 2013. These definitely outweigh the negatives, as they derive from key wins in strategic categories and growth markets. This is all the more important, as winning in these areas fulfils a key deliverable of our Route 2015 strategy – to drive quality growth and sustainable success for our Group by fuelling consumer desire with premium products and brand experiences.

Let me share with you a few examples:

- We called out 2013 as the year of running, and it was exactly that. Sales grew an impressive 17% currency-neutral, driven by the introduction of our game-changing innovative Boost technology in spring.

- In the football category, despite tough comparisons, sales were up 4% currency-neutral in a so-called bridge year between big events. We ended the year with a signal of our intent for 2014 by exciting football fans around the globe with our colourful and unexpected Samba collection, including a new boot from each of adidas' four boot ranges, adizero f50, Predator, Nitrocharge and 11Pro.

- For our strategically important and youngest sub-brand adidas NEO, we continued to make solid progress deepening our relationship to the teenage lifestyle consumer. Sales increased 14% currency-neutral in 2013, with the label now generating almost € 700 million in sales. With a four-year compound annual growth rate of almost 40%, that is impressive by any standards.

- At Originals, we are very encouraged by the robust 62% sales increase in action sports. This is a target consumer group we have been steadily building a strong commitment to, as their flair and sophistication as curators of product match the essence of what Originals is all about.

- As promised, we returned to growth with the Reebok brand in 2013, with sales increasing 2% currency-neutral. Excluding the NFL licence impact that still burdened the first quarter, sales increased 4% currency-neutral. Add to that the tremendous increase in gross margin of 4.0 percentage points to 39.7%, we are now in touching distance of our Route 2015 goal to lift the brand margin above 40%.

- Finally, despite the challenging golf market, TaylorMade-adidas Golf continues to be the undisputed number one in metalwoods and irons. While it was a tough year overall, we continued to extend our market share lead in irons across the globe and also gained good market share in footwear, where sales were up a healthy 16% currency-neutral.

Additionally, from a regional perspective, we again led from the front in key emerging markets such as Latin America and Greater China, which grew 19% and 7% currency-neutral, respectively. In Latin America, which will have a lot of attention in 2014, this was of course fuelled by the rising anticipation and excitement ahead of the World Cup in Brazil. But it also reflects our continuous investments and improvements in this vibrant part of the world. In China, we continued to hold both our major competitor and the local brands at bay. Sales increased to over € 1.6 billion. Our management team there continues to execute with excellence, blending the appeal and attractiveness of adidas, with a deep understanding of the Chinese consumer. All research confirms that we are one of the hottest brands in China right now, with a fantastic brand footprint, being in over 7,600 stores in more than 1,000 cities.

In other regions, our development in 2013 was more mixed. In Western Europe, where sales declined 6% currency-neutral, we faced particular headwinds from high prior year comparisons related to major sports events. North America also developed lower than our expectations, as some lifestyle trends moved against us and we suffered from lower growth in basketball footwear due to the injury of our star athlete Derrick Rose. In both of these regions, I am confident that our performance will pick up in 2014, as we have worked hard on our offerings for these important regions. But we have also introduced a number of new organisational initiatives to help us become faster and better in these regions. In order to continue to lead the game on our home turf, we implemented one aligned strategy for Western Europe, creating a new market structure. I am convinced that our new and more coordinated set-up will make us even more attractive for consumers and customers and will enable us to further extend our leadership position in this important region. In North America, we have united adidas and Reebok under one management team to maximise the potential of both brands in that region.

Additionally, at the Board level, we are also conscious about preparing for the future. I have always highlighted that our Group has a wide range of international talents and we are committed to giving our next generation of leaders more responsibility. Following the appointment of Roland Auschel, who assumed responsibility for Global Sales on a Board level last October, I am very pleased to welcome Eric Liedtke to the Executive Board, who will succeed Erich Stamminger, responsible for Global Brands. Over the past years, Eric Liedtke has contributed to the extremely positive development of the adidas brand. We are convinced that he will lead our brands into the next era of desirability, success and growth. At the same time, on behalf of the adidas Group, I would like to thank Erich Stamminger for his leadership and expertise and the many contributions he has made to the success of the Group and its brands in the last three decades.

Turning to the future: the passion, the inspiration and the drive for success our employees have shown in delivering results underpin our common desire – to build the leading sporting goods company in the world. And 2014 will be no different.

Be it products, be it campaigns, be it imagination, we have everything we need to be successful. And we will do it with determination, speed and leadership.

- As the Official Partner of the 2014 FIFA World Cup in Brazil, the adidas brand will be the most visible brand during the event, which will contribute considerably to record sales of € 2 billion in the football category. Our first 2014 FIFA World Cup products have been on the market since mid-November and are selling extremely well, with federation jerseys as well as the official match ball of the tournament, Brazuca, beating all our internal expectations so far.

- In running, we will continue to be focused on the expansion of the highly successful Boost franchise, targeting more than eight million pairs in the category in 2014, as well as the further global roll-out of Springblade into new markets.

- Basketball will see the introduction of Boost with the launch of D Rose 5.0 in the second half of 2014. Furthermore, we will leverage our on-court visibility through top NBA players such as Derrick Rose, Jeremy Lin, Dwight Howard, Damian Lillard, John Wall and Ricky Rubio.

- In Originals, the relaunch of Stan Smith and the introduction of ZX Flux are set to be major hits at retail in 2014 with strong early sell-throughs to date. We are also going to introduce a new store concept called "Neighbourhood", which we will roll out to over 30 cities in the next few years, as well as focus on new collaborations with premium retailers, such as Topshop, Urban Outfitters and Farm.

- After successfully piloting adidas NEO stores in Germany in 2012/2013, we will extend our test phase by opening stores in Poland and the Czech Republic in 2014, as we continue to drive towards our long-term target to grow NEO into a one billion euro business. The first NEO store in Poland opened its doors in Warsaw on February 20.

- For Reebok, our category approach will drive quality growth for the brand again in 2014, as we leverage our strategic collaborations with CrossFit, Spartan Race and Les Mills, as well as with pop icons and celebrities such as Alicia Keys, Shaq O'Neal and Tyga in our Classics business.

- While the golf market is likely to remain difficult in 2014, TaylorMade-adidas Golf will sustain its leadership via game-changing innovations such as the JetSpeed driver, which incorporates TaylorMade's renowned Speed Pocket technology, or via the adizero One golf shoe, which is the lightest performance golf shoe in the company's history.

As you know, in 2010 we created our strategic business plan Route 2015. The centrepiece of the plan is to prepare and, in many respects, to transform the Group for long-term sustainable growth and success. Now, just after the half-way point of our journey, it's time to reflect and refine our focus. After three years, while I am satisfied that we are well on track operationally, unfortunately the environment has served up more challenges than we had anticipated. Be it input cost pressures, a persistently weaker European market environment or, most significantly, adverse currency movements. And to be fair and frank, we have also made a few executional mistakes.

However, the most important thing about a high-quality management team is that they know how to tackle challenges – and believe me, we have all the insight, character and determination to do so. Excluding currencies, I am convinced that we will achieve most, if not all of the operational targets we set ourselves for Route 2015. Nevertheless, the currency situation, as it is right now, represents a significant risk to the achievement of our goals. This is already reflected in our financial guidance for 2014, where we expect another year of significant currency translation negatives. Right now, the order of magnitude could be as much as we saw in 2013, i.e. a mid-single-digit percentage point negative just from translation. On top of that, we will see additional gross margin pressures given the sharp weakening of currencies such as the Argentine peso and the Russian rouble already so early in 2014. This is because these markets have open exposures against the US dollar, related to our US dollar sourcing costs, which in these markets are too expensive to hedge. We have reflected this situation in our 2014 guidance range for net income attributable to shareholders of € 830 million to € 930 million.

So, what does that mean for our 2015 targets? As we start our approach and final ascent to the top of the mountain, currency headwinds will make our climb to the summit more challenging than we thought when setting out from base camp. But let me assure you we have the right equipment, the best know-how and the most talented people to complete this climb, and the endurance to get there, even if it does take us a little longer to achieve every goal outlined in the plan.

The next two years will nonetheless be our most successful ever. We will drive high-single-digit currency-neutral growth in line with our plan. In euro terms, we will grow our bottom line at a much faster rate than the top line. As long as currencies do not worsen materially from today's standpoint, I am confident we will achieve a double-digit compound annual earnings growth rate over the Route 2015 period. That, in my view, is an exceptional return given the difficult and uncertain global economic environment.

If there is one message I want you to take from this letter, it is this: we are a growth company. In 2014, we will grow in all markets, all channels and all brands, and we will do so again in 2015. I am proud we have been able to share a lot of success together with you, dear shareholders, on our Route 2015 journey so far. To date, we have already generated a 14% compound annual earnings growth rate. You have shown your confidence in us and our Group's potential, which is clearly reflected in our strong share price development. In 2013, our share price rose 38% and again outperformed the DAX-30, which gained 25% in the same period. With a market capitalisation of € 19 billion, adidas AG has never been as valuable as at year-end 2013. And as a result of our strong balance sheet, we are pleased to continue our progress on improving our payout ratio from 35.7% to 37.4% (excluding goodwill impairment losses), representing a dividend per share of € 1.50.

But we are a high-performance company and we want to achieve more, for ourselves and for you. We have a proven track record and can deliver the big results when it counts. Be assured, we are ready, willing and able to do this again as is clearly visible in our strong fourth quarter momentum. We will make sure we do what is right for the long-term success of our Group. We will make bold decisions and pursue our goals with determination and focus. While currencies will interfere with our financial results, they will not deter our willpower to follow the vision of the Group – to be the leading sporting goods company in the world. We are here for the love of sport. This is our passion. And we will continue to work in a way that makes us proud of the result. I am convinced that we have everything in place to reach new heights, break records and drive long-term sustainable value.

Yours sincerely,

HERBERT HAINER
adidas Group CEO

Executive Board

Our Executive Board is comprised of five members. Each Board member is responsible for at least one major function within the Group.

HERBERT HAINER
Chief Executive Officer

FOR THE LOVE OF SPORT

HERBERT HAINER

Herbert Hainer was born in Dingolfing, Germany, in 1954. Following his business studies, he spent eight years with Procter & Gamble in various sales and marketing positions. Herbert Hainer joined adidas Germany in 1987 and has held numerous management positions within the Group, including Managing Director Germany and Senior Vice President for Sales and Logistics in Europe, Africa and the Middle East. Herbert Hainer joined the Executive Board in 1997 and became CEO of adidas AG in 2001. He is married, has two daughters and lives in Herzogenaurach, Germany.

Herbert Hainer is also:
- ⁄ Deputy Chairman of the Supervisory Board, FC Bayern München AG, Munich, Germany
- ⁄ Member of the Supervisory Board, Allianz Deutschland AG, Munich, Germany
- ⁄ Member of the Supervisory Board, Deutsche Lufthansa AG, Cologne, Germany

ROBIN J. STALKER
Chief Financial Officer

For more information on the adidas Group's Executive Board:

WWW.ADIDAS-GROUP.COM⁄EXECUTIVE-BOARD

ROLAND AUSCHEL
Global Sales
/ Since October 1, 2013

ROLAND AUSCHEL

Roland Auschel was born in Bad Waldsee, Germany, in 1963. After obtaining his Bachelor's degree in European business studies in Germany and the UK as well as an MBA in the United States, he joined the adidas team as a Strategic Planner in 1989. During his career with the adidas Group, he has held many senior management positions, including Business Unit Manager, Key Account Manager Europe and Head of Region Europe, Middle East and Africa. In 2009, he became Chief Sales Officer Multichannel Markets. In 2013, Roland Auschel was appointed to the Executive Board where he assumed responsibility for Global Sales. He is married, has two children and lives in Erlangen, Germany.

GLENN BENNETT
Global Operations

GLENN BENNETT

Glenn Bennett was born in New Hampshire, USA, in 1963. With a degree in computer science, he began his professional career with Reebok International Ltd. in 1983, where he worked for ten years in various operations and product functions, of which the latest was Director of Footwear Development. In 1993, Glenn Bennett joined adidas AG and began working as the Head of Worldwide Footwear Development. He was promoted to Senior Vice President of Footwear Operations a few months later. In 1997, Glenn Bennett was appointed to the Executive Board where he assumed responsibility for all Footwear, Apparel and Accessories & Gear Operations activities shortly thereafter. Glenn Bennett lives in Boston/Massachusetts, USA.

ROBIN J. STALKER

Robin J. Stalker was born in Palmerston North, New Zealand, in 1958. In 1982, following his degree in business studies, he began his professional career and qualified as a Chartered Accountant. He worked for Arthur Young in New Zealand and London and subsequently held financial and controlling positions in the entertainment industry, including United International Pictures and Warner Bros. International, and also worked as an independent consultant. Robin J. Stalker joined adidas AG in 1996. Since February 2000, he has been Chief Financial Officer of adidas AG and was appointed to the Executive Board, responsible for Finance, in 2001. In 2005, he assumed additional responsibility as Labour Director. Robin J. Stalker is married and lives near Herzogenaurach, Germany.

Robin J. Stalker is also:
- Member of the Supervisory Board, Schaeffler AG, Herzogenaurach, Germany

ERICH STAMMINGER
Global Brands

ERICH STAMMINGER

Erich Stamminger was born in Rosenberg, Germany, in 1957. After obtaining a degree in business studies, he started his career at GfK, a German consumer research institute. In 1983, Erich Stamminger joined adidas Germany. He served in numerous marketing positions before becoming Managing Director for Germany and later Europe and Asia/Pacific. In 1997, he was appointed to the Executive Board and became Head of Global Marketing in 2000. Four years later, he was named President of adidas North America, while maintaining his position as Head of Global Marketing. In 2006, he was named President of the adidas brand, and in 2010 he assumed responsibility for Global Brands. Erich Stamminger is married and lives in Nuremberg, Germany.

All our employees put their entire dedication and energy into our mission of making the adidas Group the global leader in the sporting goods industry. Why? Because we want to create as much sustainable value for all our stakeholders as possible. No matter whether you are an athlete, a fashionista or any other stakeholder, we strive with passion and integrity to create the best for you.

For the love of sport.

FOR THE LOVE OF SPORT

Supervisory Board

IGOR LANDAU
Chairman

Former Chief Executive Officer of Aventis S.A., Paris, France

- Member of the Supervisory Board, Allianz SE, Munich, Germany
- Member of the Board of Directors, Sanofi-Aventis S.A., Paris, France

SABINE BAUER [1]
Deputy Chairwoman

Chairwoman of the Central Works Council, adidas AG

WILLI SCHWERDTLE
Deputy Chairman

Partner, WP Force Solutions GmbH (in the course of incorporation), Bad Homburg, Germany [2]

- Member of the Supervisory Board, Eckes AG, Nieder-Olm, Germany

DIETER HAUENSTEIN [1]

Deputy Chairman of the Works Council Herzogenaurach, adidas AG

DR. WOLFGANG JÄGER [1]

Managing Director, Hans-Böckler-Stiftung, Düsseldorf, Germany

DR. STEFAN JENTZSCH

Partner, Perella Weinberg Partners UK LLP, London, Great Britain

- Member of the Supervisory Board, Sky Deutschland AG, Unterföhring, Germany
- Deputy Chairman of the Supervisory Board, AIL Leasing München AG, Grünwald, Germany

Standing Committees

Steering Committee / Igor Landau (Chairman), Sabine Bauer, Willi Schwerdtle
General Committee / Igor Landau (Chairman), Sabine Bauer, Roland Nosko, Willi Schwerdtle
Audit Committee / Herbert Kauffmann (Chairman), Dr. Wolfgang Jäger, Dr. Stefan Jentzsch, Hans Ruprecht
Nomination Committee / Igor Landau (Chairman), Willi Schwerdtle, Christian Tourres
Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG) / Igor Landau, Sabine Bauer, Willi Schwerdtle, Heidi Thaler-Veh

1) Employee representative. 2) Since October 2, 2013; formerly Management Consultant, Hofheim am Taunus, Germany. 3) Since December 31, 2013.

HERBERT KAUFFMANN

Management Consultant, Stuttgart, Germany

- Chairman of the Supervisory Board, Uniscon universal identity control GmbH, Munich, Germany
- Member of the Supervisory Board, DEUTZ AG, Cologne, Germany[3)]

ROLAND NOSKO [1)]

Trade Union Official, IG BCE,
Headquarter Nuremberg, Nuremberg, Germany

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany

ALEXANDER POPOV

Chairman, RFSO "Lokomotiv",
Moscow, Russia

HANS RUPRECHT [1)]

Sales Director Customer Service Central Europe West, adidas AG

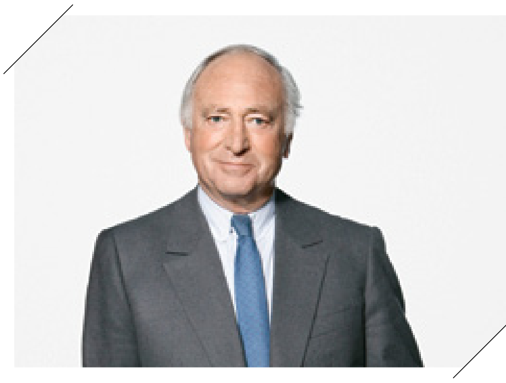
HEIDI THALER-VEH [1)]

Member of the Central Works Council,
adidas AG

CHRISTIAN TOURRES

Former Member of the Executive Board
of adidas AG

Supervisory Board Report



Igor Landau
Chairman of the Supervisory Board

Dear Shareholders,

We look back on 2013 as a challenging but also successful year. Thanks to strong brands and partnerships in the world of sports, as well as first-class innovations, the adidas Group was again able to achieve good overall business results. Growth in the emerging markets as well as the strong gross margin improvement were key highlights. However, the Group also faced significant headwinds in 2013. The significant negative currency translation effects, a weak development in Western Europe, generally lower demand in the golf market as well as distribution issues in Russia/CIS were particular challenges. Nevertheless, these issues have been proactively and resolutely managed, and the Group is well positioned to again achieve sales growth at all brands, in all regions and in all markets as well as to improve profitability in 2014.

Supervision and advice in dialogue with the Executive Board

In the year under review, we again performed all our tasks laid down by law, the Articles of Association and the Rules of Procedure carefully and conscientiously. We regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof.

The Executive Board involved us directly in all of the Group's fundamental decisions. After in-depth consultation and examination of the detailed information submitted to us by the Executive Board, we approved individual transactions where required by law.

The Executive Board informed us extensively and in a timely manner through written and oral reports at our Supervisory Board meetings. This information covered all relevant aspects of the Group's business strategy and business planning, including finance, investment and personnel planning, the course of business and the Group's financial position and profitability. We were also kept up to date on matters relating to the risk situation, risk management and compliance as well as all major decisions and business transactions.

The Executive Board explained immediately and in a detailed manner any deviations in business performance from the established plans, and we discussed these matters in depth within the Supervisory Board.

The Executive Board regularly provided us with detailed reports for the preparation of our meetings. We thus always had the opportunity to critically analyse the Executive Board's reports and resolution proposals within the committees and within the Supervisory Board as a whole and to put forward any suggestions we might have before resolving upon the Executive Board's proposals after in-depth examination and consultation. In the periods between our meetings, the Executive Board kept us continuously informed about the current business situation by means of monthly reports.

In addition to five regular meetings of the Supervisory Board, we held two extraordinary meetings in the year under review. In January 2014, an extraordinary Supervisory Board meeting relating to Executive Board matters took place by way of a conference call. Two of the shareholder representatives were unable to participate in person due to the short notice. The regular meeting of the entire Supervisory Board which took place in February 2014 dealt with matters relating to the 2013 financial year.

Apart from one regular meeting, which two members were prevented from attending due to other business appointments that could not be postponed, all Supervisory Board members attended all regular meetings in the year under review. The average attendance rate at meetings of the entire Supervisory Board was therefore just under 97%. All the committee meetings, with the exception of one meeting of the Audit Committee and of the General Committee, were fully attended. The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), attended all regular meetings of the Supervisory Board, inasfar as they did not deal with Executive Board matters. KPMG also attended all meetings of the Audit Committee. The employee representatives held separate meetings to prepare and discuss agenda items for the meetings of the entire Supervisory Board.

In the periods between meetings, the Supervisory Board Chairman and the Audit Committee Chairman maintained regular contact with the Chief Executive Officer and the Chief Financial Officer with respect to matters such as corporate strategy, business development and planning, the risk situation and risk management as well as compliance. In addition, the Supervisory Board Chairman was immediately informed about any significant events of fundamental importance for evaluating the situation and development of the company and management activities.

Topics for the entire Supervisory Board

Our consultations and examinations focused on the following topics:

Situation and business development

The development of sales and earnings, the employment situation as well as the financial position of the Group and the business development of the Group's segments and individual regions were presented to us in detail by the Executive Board following the close of the respective quarter and were discussed regularly. Further ongoing topics for discussion were the possible impact of global economic developments and negative currency translation effects as well as the development of individual brands.

In March 2013, we reviewed and dealt intensively with the KPMG-certified 2012 annual financial statements and consolidated financial statements, including the combined management report for adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. In May, the Executive Board reported to us in detail about the measures initiated in connection with clearing up the compliance case that had arisen at Reebok India Company. In addition, the Executive Board provided us with information on business development and planned marketing activities in the football category in the run-up to the 2014 World Cup. In August, we dealt intensively with the Group's new logistics and warehousing strategy and the possible financial consequences. At our extraordinary meeting in September, the Executive Board informed us that, due to recent negative market developments, the published sales and earnings targets for the year under review were no longer achievable. We discussed the reasons in detail, including the recent intensification of negative currency effects, the continued softness in the global golf market and the unexpected short-term distribution constraints as a result of the transition to a new distribution facility in Russia. In November, we were provided with detailed information about the competition situation in the sporting goods market.

Transactions requiring Supervisory Board approval

In accordance with statutory regulations and the Rules of Procedure of the Supervisory Board, certain transactions and measures require a formal resolution or the prior approval of the Supervisory Board.

In the context of this requirement, at our meeting in February, we discussed in detail and approved the budget and investment planning for 2013 presented by the Executive Board, which, in view of the macroeconomic environment, we deemed to be ambitious. Additionally, following completion of the project, we approved the dissolution of the "Apple" committee, which had been established ad hoc related to the acquisition of Adams Golf, Inc., USA in 2012. At our meeting in March, we discussed and resolved upon the resolutions to be proposed to the 2013 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2012 financial year. At an extraordinary meeting in June, held by way of a conference call, the Executive Board provided us with detailed information on key strategic distribution centres leased by Group companies on a long-term basis and the possible purchase thereof in the interest of optimising profitability. We specifically dealt with the Executive Board's proposal to purchase the strategically important distribution centre in Manchester, UK, hitherto leased by a Group company. At our August meeting, following the Executive Board's detailed presentation on the future logistics and warehousing strategy for the adidas Group, we resolved to invest in the distribution centre in Brazil. Additionally, we dealt with the various possibilities for funding pension obligations of adidas AG and approved funding in the form of a pension trust fund.

Composition of the Executive Board

In the year under review and at the beginning of 2014, we took important decisions concerning changes on the Executive Board. At our meeting in May 2013, we resolved to extend Erich Stamminger's Executive Board mandate by a further three years, taking due account of his excellent performance and successes in Global Brands. Furthermore, after extensive consultation, we approved the changes in the terms of his Executive Board service contract, following the General Committee's proposal. At our Supervisory Board meeting in September, held by way of a conference call, we extensively discussed and resolved upon the appointment of Roland Auschel to the Executive Board with responsibility for Global Sales, effective October 1, 2013, and we established his compensation, following the General Committee's proposal. Roland Auschel has held various management positions within the Group in Germany and abroad in the past 20 years. With the creation of a separate Executive Board function for Global Sales, we have taken into account the importance of Global Sales for our company.
At our extraordinary meeting on January 8, 2014, after due consideration within the Supervisory Board as a whole, we complied with the request of our long-standing Executive Board member Erich Stamminger to release him from his duties as Executive Board member effective March 5, 2014. We approved the termination of his appointment by mutual consent and, following in-depth consultation, resolved upon the appointment of Eric Liedtke as member of the Executive Board with responsibility for Global Brands. Eric Liedtke has held various management positions within the adidas Group both in and outside Germany in the past 20 years. At the same time, we determined his compensation and approved the termination agreement regarding the Executive Board service contract with Erich Stamminger, following the General Committee's proposal.

Executive Board compensation

Key topics of our meeting as well as of our circular resolution in February 2013 were the determination of the Performance Bonuses to be granted to our Executive Board members for 2012 and the redetermination of the already paid Performance Bonuses for the 2011 financial year and the previous years, as proposed by the General Committee. This reassessment was necessary as the financial figures relevant for determining the degree of target achievement of our Executive Board members in 2011 and prior years had to be adjusted as a result of the financial irregularities that had arisen at Reebok India Company, which had also led to a restatement of the consolidated financial statements for 2011 and prior years. While the restatement of the financial figures necessitated redetermination of the Performance Bonuses for the 2011 financial year and prior years, resulting in obligations for repayment by the Executive Board, the already paid LTIP Bonuses 2009/2011 were not affected.

In March 2013, following in-depth consideration, we resolved upon the key performance criteria for granting the 2013 Performance Bonuses, together with the individual short-term targets, and determined the Performance Bonus target amount relevant for each Executive Board member as proposed by the General Committee. In February 2014, we discussed the performance of the Executive Board members in the year under review and resolved upon the Performance Bonuses to be granted to them.

Further information on compensation for the 2013 financial year can be found in the Compensation Report ⁄ **SEE COMPENSATION REPORT, P. 53**.

Corporate governance

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the recommendations of the German Corporate Governance Code (the "Code"). In addition to our February meetings, at which corporate governance is usually the focal point, we dealt in our August meeting with the amendments to the Code that were adopted by the Government Commission on the German Corporate Governance Code on May 13, 2013, essentially concerning the subject "Executive Board compensation". At this meeting, as well as at our meeting in February 2014, we extensively discussed the recommendation to introduce caps for the variable compensation components and resolved upon caps accordingly. At the February meeting, we also dealt extensively with the Code's recommendation that, when determining Executive Board compensation, consideration should be given to the relation between Executive Board compensation and that of top-level management and of employees overall, including development of the compensation over time. We discussed in detail how to define the respective benchmark groups for the purpose of these comparisons, and then passed a resolution accordingly. At this meeting, after comprehensive discussion, we also resolved upon the 2014 Declaration of Compliance. The Declaration of Compliance was made permanently available to shareholders on the corporate website at :⁄⁄ **WWW.ADIDAS-GROUP.COM/CORPORATE_GOVERNANCE**.

There was no indication of any conflicts of interest on the part of the members of the Executive and Supervisory Boards which would require immediate disclosure to the Supervisory Board and would also require reporting to the Annual General Meeting.

There are no direct advisory or other service relationships between the company and a member of the Supervisory Board.

Further information on corporate governance at the adidas Group can be found in the Corporate Governance Report including the Declaration on Corporate Governance ⁄ **SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 48**.

Efficient committee work

In order to perform our tasks in an efficient manner, we have five Supervisory Board standing committees ⁄ **SEE SUPERVISORY BOARD, P. 40** and also two project-related ad hoc committees, which were established in 2009 and 2012. These committees prepare resolutions of the Supervisory Board as well as topics for Supervisory Board meetings. In appropriate cases, and within the legally permissible framework, we have delegated the Supervisory Board's authority to pass resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. The committee chairpersons inform the Supervisory Board about the content and results of the committee meetings at the subsequent meeting of the entire Supervisory Board.

⁄ The **Steering Committee** did not meet in the year under review.

⁄ The **General Committee** held six meetings in 2013, two of them by way of a conference call. An additional meeting, dealing with topics relating to the year under review, took place in February 2014.

The main focus of the meetings of the General Committee was the preparation of the resolutions of the Supervisory Board as a whole relating to the Executive Board members' compensation as explained in detail above – in particular with regard to the concrete assessment of the Executive Board members' variable compensation – as well as resolutions relating to personnel changes on the Executive Board. At its meeting in February 2013, the General Committee thoroughly discussed a resolution proposal for the Supervisory Board concerning the amount of the Performance Bonuses to be repaid by the Executive Board members for the 2011 financial year and previous years. It also assessed the individual degree of target achievement with respect to the Performance Bonuses to be paid to the Executive Board members for the 2012 financial year and resolved upon a corresponding recommendation to the Supervisory Board. Additionally, in March it discussed the new performance criteria and targets as well as the target bonuses for the Executive Board members' Performance Bonus plans for the year under review. In September and December 2013, it dealt with matters relating to Executive Board compensation. In February 2014, it discussed the termination agreement regarding the Executive Board service contract concluded with Erich Stamminger, as well as the Performance Bonuses to be granted to the members of the Executive Board for the year under review. At each of these meetings, the committee resolved upon respective resolution proposals to present to the Supervisory Board.

⁄ The **Audit Committee** held five meetings in the year under review and also one meeting in February 2014, dealing with topics of the year under review. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

The focal point of the committee's work in February 2013 was a preliminary examination of the annual financial statements and the consolidated financial statements for 2012, including the combined management report of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports with the auditor, at its meeting in March the Audit Committee recommended that the Supervisory Board approve the annual financial statements and the consolidated financial statements. In addition, after obtaining the auditor's declaration of independence, the Audit Committee prepared the Supervisory Board's proposal to the Annual General Meeting concerning the selection of the auditor of the annual financial statements and the consolidated financial statements for 2013. After jointly establishing the priority topics for the audit, the committee discussed in detail the granting of the corresponding audit assignments. It then dealt in November with the audit fee arrangements and monitored the auditor's independence and qualifications by obtaining information on the measures taken by the auditor to guarantee independence and qualifications, and assured itself that the auditor does not face any conflicts of interest. Furthermore, the Executive Board provided the Audit Committee with information regarding tax and customs strategies and the potential risks in these areas. The members of the Audit Committee examined in detail the quarterly financial reports and the first half year report, together with the Chief Financial Officer and the auditor, prior to their publication.

At a committee meeting in September, the committee members focused solely on the topic of risk management and the internal control system as well as the compliance management system. In this context, the committee members dealt in particular with the main risk factors for the Group and the related control measures as well as the further expansion of the compliance organisation and compliance management. The committee members critically analysed the audit results of the Internal Audit function and approved the audit plan for 2013/2014. As part of their examination of the effectiveness of the internal control system and the internal audit system, the committee members reviewed in depth the applied methods and systems and the effectiveness thereof with the aid of written and oral reports. In the course of the following comprehensive discussions, inter alia with the auditor, they assured themselves of the effectiveness of the systems.

In the context of the regular reporting of the Chief Compliance Officer on material compliance issues, the committee dealt intensively with the compliance case that had arisen at Reebok India Company and the consequences thereof.

⁄ The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), had no reason to convene in 2013.

⁄ The **Nomination Committee** held one meeting in the year under review. The focal point of this meeting was the preparations for the next election of shareholder representatives on the Supervisory Board by the Annual General Meeting on May 8, 2014.

⁄ **Ad hoc committees**: The ad hoc "Committee for Real Estate Projects", which was established in 2009, and the ad hoc "Convertible Bond/Bond with Warrants" committee did not meet in the year under review.

Examination of the adidas AG 2013 annual financial statements and consolidated financial statements

KPMG audited the 2013 consolidated financial statements prepared by the Executive Board in accordance with § 315a German Commercial Code (Handelsgesetzbuch – HGB) in compliance with IFRS and issued an unqualified opinion thereon. The auditor also approved without qualification the 2013 annual financial statements of adidas AG, prepared in accordance with HGB requirements, as well as the combined management report for adidas AG and the Group. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner. We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on February 28, 2014 and at the Supervisory Board's March 4, 2014 financial statements meeting, during which the Executive Board explained the financial statements in detail. The Executive Board's commentaries concerning the goodwill impairment necessary for the 2013 financial year were also a topic at these meetings. At both meetings, the auditor reported the material results of the audit with a focus on the priority topics of the year under review as agreed with the Audit Committee and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. We also discussed in depth with the Executive Board the proposal concerning the appropriation of retained earnings, which provides for a dividend of € 1.50 per dividend-entitled share and adopted it in light of the Group's good financial situation and future prospects as well as the expectations of our shareholders. Based on our own examinations of the annual and consolidated financial statements, we are convinced that there are no objections to be raised. At our financial statements meeting, therefore, following the recommendation of the Audit Committee, we approved the audit results and the financial statements prepared by the Executive Board. The annual financial statements of adidas AG were thus approved.

Expression of thanks

On behalf of the adidas Group, we wish to thank Erich Stamminger for his leadership and his expertise as well as for his countless contributions to the success of the Group and its brands over the last three decades.

Furthermore, on behalf of the Supervisory Board, I wish to thank the Executive Board and all adidas Group employees around the world for their tremendous personal dedication, their performance and their ongoing commitment, and I also thank the employee representatives for their good collaboration.

For the Supervisory Board

IGOR LANDAU
Chairman of the Supervisory Board
March 2014

Corporate Governance Report including the Declaration on Corporate Governance[1)]

Corporate Governance stands for responsible and transparent management and corporate control oriented towards a sustainable increase in value. These principles apply to all corporate functions and are an essential foundation for sustainable corporate success. We are convinced that good corporate governance enhances the confidence placed in our Group by our shareholders, business partners, employees and the financial markets. The following report includes the Corporate Governance Report and the Declaration on Corporate Governance issued by the Executive Board and Supervisory Board.

Dual board system

As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is, inter alia, subject to the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and supervision of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated in terms of membership and duties and responsibilities. In the interest of the company, however, both Boards cooperate closely.

Composition and working methods of the Executive Board

The composition of our Executive Board, which consists of five members, reflects the international character of our Group. No member of the Executive Board has accepted more than a total of three supervisory board mandates in non-Group listed companies or in supervisory bodies of non-Group companies with similar requirements SEE EXECUTIVE BOARD, P. 36. There are no Executive Board committees. The Executive Board is responsible for independently managing the company, determining the Group's strategic orientation, agreeing this with the Supervisory Board and ensuring its implementation. Further, it defines business targets, company policy and the organisation of the Group. Additionally, the Executive Board ensures appropriate risk management and risk controlling as well as compliance with statutory regulations and internal guidelines. It is bound to the company's interests and obligated to strive for a sustainable increase in company value. When filling management positions in the company, the Executive Board takes diversity into consideration. It especially aims for an appropriate consideration of women. We plan to increase the number of women in management positions from currently 28% to between 32% and 35% worldwide by 2015 SEE EMPLOYEES, P. 105.

Irrespective of the Executive Board's overall responsibility, its members are individually responsible for managing their respective business areas in accordance with the Executive Board's Business Allocation Plan. The CEO is responsible in particular for leading the entire Executive Board as well as for management of the Group's business policy. The members of the Executive Board keep each other informed on all significant developments in their business areas and align on all cross-functional measures. Further details on collaboration within the Executive Board are governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

At the Supervisory Board meetings, the Executive Board reports in writing and orally on the agenda items and resolution proposals and answers all questions from the individual Supervisory Board members. Additionally, the CEO and the CFO maintain regular contact and consult with the Chairman of the Supervisory Board and the Audit Committee Chairman on key aspects of strategy, planning and business development as well as on questions of risk management and compliance within the Group.

Further information on Corporate Governance

More information on topics covered in this report can be found on our website
WWW.ADIDAS-GROUP.COM/CORPORATE_GOVERNANCE including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Business Allocation Plan
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board Committees (composition and tasks)

Composition and working methods of the Supervisory Board

Our Supervisory Board consists of six shareholder representatives and six employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG) SEE SUPERVISORY BOARD, P. 40. The Supervisory Board currently has two female members. Five members of the Supervisory Board have many years of international experience. Drawing on their different professional backgrounds, the members bring a broad spectrum of experience and expertise to their tasks. The composition of the Supervisory Board is characterised by a high degree of diversity and comprehensive knowledge of various industries. The members of our Supervisory Board do not exercise directorship or similar positions or advisory tasks for key competitors of the company. Further, they do not have business or personal relations with adidas AG, its Executive Board or a controlling shareholder which may cause a substantial and not merely temporary conflict of interest SEE REPORT OF THE SUPERVISORY BOARD, P. 42.

1) The Corporate Governance Report including the Declaration on Corporate Governance is an unaudited section of the Group Management Report.

At its meeting held on February 9, 2011, and in accordance with the recommendations of the German Corporate Governance Code ("the Code"), the Supervisory Board determined the following objectives for its composition:

- Maintain the composition of the Supervisory Board including members with international background to the current extent.
- Maintain two female members on the Supervisory Board until the next election of the Supervisory Board in 2014.
- Increase the degree of female representation on the Supervisory Board as of the next election of shareholder representatives and employee representatives in 2014; the Supervisory Board strives for at least three female members on the Supervisory Board, at least one of them on the side of the shareholder representatives.
- Maintain the independence of all Supervisory Board members while considering the work relationships of the employee representatives vis-à-vis the company.
- Consider the age limit of, in general, 72 at the time of election.

As amended on May 15, 2012, the Code stipulates additional criteria concerning the independence of Supervisory Board members. By resolution dated February 12, 2013, the Supervisory Board has thus reconfirmed the objectives for its composition determined in 2011. With regard to independence, the Supervisory Board considers that the employment contracts of the employee representatives alone do not give any grounds to doubt their independence as defined by the Code. On this basis, the independence of all Supervisory Board members remains one of its objectives.

The composition of the Supervisory Board, which remained unchanged in the year under review, is in compliance with the aforementioned objectives. The term of office of the current members of the Supervisory Board expires at the end of the Annual General Meeting on May 8, 2014. Pursuant to regulations of the Co-Determination Act, the election of the employee representatives will be held already in March 2014, whereas the shareholder representatives will be individually elected at the 2014 Annual General Meeting.

The Nomination Committee of the Supervisory Board prepares the election of shareholder representatives, to take place at the 2014 Annual General Meeting. When proposing candidates to the Supervisory Board, it takes into account the objectives set by the Supervisory Board in terms of its composition as well as the requirements of the German Stock Corporation Act (Aktiengesetz – AktG), the Code and the Rules of Procedure of the Supervisory Board. Accordingly, an increase in female representation is a particular aim at the next Supervisory Board elections. In selecting nominees, sufficient diversity in terms of different professional backgrounds, expert and industry knowledge as well as experience in, inter alia, applying accounting principles and internal control systems are again taken into account, as at present. The best interests of the company will continue to play a decisive role when nominating candidates for election. The Supervisory Board does not, however, have a right to nominate candidates for the election of employee representatives to the Supervisory Board. Notwithstanding the above, the Supervisory Board members strive to achieve the aforementioned objectives for the composition of the entire Supervisory Board.

The Supervisory Board supervises and advises the Executive Board in matters relating to the management of the company. The Supervisory Board is regularly, expeditiously and comprehensively informed by the Executive Board concerning business development and planning as well as on the risk situation including compliance and coordinates the strategy of the company and its implementation with the Executive Board. Moreover, the Executive Board provides the Supervisory Board with the annual financial statements of adidas AG and the annual consolidated financial statements of the adidas Group for its approval, taking into consideration the auditor's reports. Certain business transactions and measures of the Executive Board with particular significance are subject to Supervisory Board approval.

The Supervisory Board is also responsible for the appointment and dismissal of Executive Board members. When appointing members of the Executive Board, the Supervisory Board takes care to ensure the best possible composition of the Executive Board. Experience, industry knowledge and personal expert qualifications play an important role in this regard. In October 2013, Roland Auschel, who has held various management positions within the Group in Germany and abroad over the past 20 years, was appointed a member of the Executive Board. He took over the Board function Global Sales from Herbert Hainer. In March 2014, Eric Liedtke, who has also held various management positions within the Group both in and outside Germany in the past 20 years, will succeed Erich Stamminger as a member of the Executive Board, responsible for Global Brands. To ensure that more suitable female candidates are available for Executive Board positions in the future, the Supervisory Board strongly believes that it is necessary to increase the number of women in management positions within the adidas Group. The Supervisory Board thus supports the Group's diversity concepts, particularly regarding management development programmes, with the goal of increasing the representation of women on the Executive Board in the long term.

In order to increase the efficiency of its work, the Supervisory Board has formed five permanent expert committees from within its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. These committees are the Steering Committee, the General Committee, the Audit Committee, the Mediation Committee in accordance with § 27 section 3 MitbestG and the Nomination Committee. In addition, the Supervisory Board has two project-related ad hoc committees, which were established in 2009 and 2012. The chairmen of the committees report to the entire Supervisory Board on the results of the committee work on a regular basis. The composition of the committees and their respective tasks can be found on our website.

Apart from tasks and responsibilities, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the individual requirements expected of the members and the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The activities of the Supervisory Board and its committees in the financial year are outlined in the Supervisory Board Report ⁄ **SEE SUPERVISORY BOARD REPORT, P. 42**.

adidas GROUP

Declaration by the Executive Board and Supervisory Board of adidas AG pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG) on the German Corporate Governance Code

The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG on February 13, 2013. For the period from the publication of the last Declaration of Compliance up to June 10, 2013, the following Declaration refers to the German Corporate Governance Code (hereinafter referred to as the "Code") as amended on May 15, 2012. For the period as of June 11, 2013, the following Declaration refers to the recommendations of the Code as amended on May 13, 2013, which was published in the Federal Gazette on June 10, 2013.

The Executive Board and Supervisory Board of adidas AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are met with the following deviations:

Capping overall compensation and variable compensation components (section 4.2.3 subsection 2 sentence 6 new version)

The service contracts of the Executive Board members existing at the time of this Declaration are capped regarding not only the fixed compensation but also the variable compensation components. They do not, however, stipulate a further separate cap for any potential special bonus granted at the discretion of the Supervisory Board. In our opinion, compensation components granted at the discretion of the Supervisory Board do not require a cap. Nevertheless, we intend to make a corresponding amendment to the service contracts as of their respective extension or upon conclusion of a new contract. The company cannot unilaterally interfere with existing contracts, nor would such interference be in line with the principle of contractual fidelity.

Agreeing severance payment caps when concluding Executive Board service contracts (section 4.2.3 subsection 4)

In accordance with the recommendations of the Code, contracts with a term of more than three years provide for a severance payment cap. We believe that for contracts with a term of up to three years the short contractual term agreed in connection with further contractual provisions offers sufficient protection from inappropriate severance payments. Hence, no formal severance payment cap is planned.

Disclosure of the shares held by the individual members of the Executive Board and Supervisory Board or financial instruments related thereto (section 6.3 sentence 1 new version)

Insofar as no further statutory obligations exist, we report the ownership of shares or related financial instruments if it exceeds 1% of the shares issued by adidas AG, but we do not report this on an individual basis for the members of the Boards. Instead, we publish the total holdings of all members of the Executive Board and all members of the Supervisory Board separately in order to safeguard the Board members' protectable interests.

Herzogenaurach, February 13, 2014

For the Supervisory Board	For the Executive Board
IGOR LANDAU	HERBERT HAINER
Chairman of the Supervisory Board	**Chief Executive Officer**

The aforementioned Declaration of Compliance dated February 13, 2014 has been published on and can be downloaded at
:// **WWW.ADIDAS-GROUP.COM/CORPORATE_GOVERNANCE**.

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and, in doing so, are supported by adidas AG. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature.

Every two years, the Supervisory Board and the Audit Committee examine the efficiency of their work including the collaboration with the Executive Board. Therefore, suggestions for even better collaboration can be made. The review is conducted using questionnaires covering various areas and criteria of the Supervisory Board's work. Interviews are also conducted with individual Supervisory Board members. Subsequently, the results are discussed within the Supervisory Board and/or Audit Committee. The most recent efficiency review took place in December 2012. The analysis of the questionnaires was carried out by an external consultant. At the Supervisory Board and Audit Committee meetings in February/March 2013, the results were presented and discussed. For both bodies, no major efficiency deficits were identified.

Avoiding conflicts of interest

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without any delay. Substantial transactions between the company and members of the Executive Board or persons in close relationship with them require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, neither the members of the Executive Board nor the members of the Supervisory Board faced conflicts of interest ⁄ **SEE SUPERVISORY BOARD REPORT, P. 42**.

Suggestions of the German Corporate Governance Code fulfilled

In addition to the recommendations, the Code contains a number of suggestions for good and responsible corporate governance, compliance with which is not required to be disclosed by law. The adidas Group is fully compliant with all suggestions of the Code.

Relevant management practices

Performance, passion, integrity and diversity are the values of our Group. They are actively lived by our Executive Board members, Supervisory Board members and our employees and have been incorporated into our Code of Conduct. Our business activities are oriented towards the legal systems in the various countries and markets in which we operate. This implies a high level of social and environmental responsibility.

Compliance with working and social standards: The development of company guidelines with regard to social minimum standards, work safety as well as health and environmental protection and the monitoring thereof at the production facilities of the adidas Group and its business partners is an integral component of our corporate policy. Our Group has a separate Code of Conduct for the supply chain, the "Workplace Standards" :⁄⁄ **WWW.ADIDAS-GROUP.COM/EN/SUSTAINABILITY/SUPPLY-CHAIN/SUPPLY-CHAIN-APPROACH**. These standards are oriented towards the conventions of the International Labour Organization (ILO) and follow the code of conduct of the World Federation of the Sporting Goods Industry (WFSGI). They help us to only choose such business partners who fulfil our Workplace Standards and business practices. We have appointed an expert team especially for the coordination of compliance with, and control of, the Workplace Standards. We report on our sustainability programme in this Annual Report ⁄ **SEE SUSTAINABILITY, P. 111** and regularly publish more detailed sustainability reports on our website.

Environmental responsibility and social commitment: For long-term, successful management of the Group, sustainable actions that embrace, in particular, social and environmental responsibility towards present and future generations are essential. Our Social & Environmental Affairs department, with its worldwide team, has for many years been dealing with the rights of employees in the supply chain as well as with the coordination of the environmental strategy and product safety management.

In line with the Group-wide sustainability programme, the adidas Group developed a comprehensive environmental strategy. The objective of the strategy is to make processes more efficient and environmentally friendly at every stage of the value chain. This ranges from areas such as product design, material development and selection, development and sourcing, logistics and IT systems, to improving the efficiency of company-owned locations. Optimising these processes makes it possible for the adidas Group to offer more sustainable products and improve the company's environmental performance in the future. With our environmental strategy, we have set precise goals concerning the reduction of emissions. A key element of these goals is the introduction of uniform environmental management systems at company-owned locations, in compliance with ISO 14001 :⁄⁄ **WWW.ADIDAS-GROUP.COM/EN/SUSTAINABILITY/PLANET/ENVIRONMENTAL-APPROACH**.

The adidas Group cooperates with charity organisations in order to improve the quality of life for people, especially children and young people, by means of sports. Moreover, we are committed to education, science and humanitarian initiatives in various projects worldwide.

With the objective of making affordable shoes available for the poorest of the poor, we continued to accompany the social business project of Nobel Peace Laureate Professor Muhammad Yunus. We will also use the knowledge gained for the further development of future sourcing models.

Compliance and risk management within the adidas Group

Our compliance management system is linked to the Group's risk and opportunity management system. Both systems are closely aligned and continuously developed and improved. The compliance management system establishes the organisational framework for Group-wide awareness of our internal rules and guidelines as well as for ensuring the observance of the respective governing law. The risk and opportunity management system ensures risk-aware and opportunity-oriented actions in a well-monitored business environment in order to guarantee the competitiveness and sustainable success of the adidas Group. Further, the compliance management system and the risk and opportunity management system are oriented towards continuously strengthening the reputation of the adidas Group as a reliable and fair business partner ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

Transparency and protection of shareholders' interests

It is our goal to inform all institutional investors, private shareholders, financial analysts, employees and the interested public about the company's situation, at the same time and to an equal extent, by regular open and up-to-date communication. We publish all essential information, such as press releases, ad hoc announcements and voting rights notifications as well as all presentations from analyst conferences, all financial reports and the financial calendar on our website :⁄⁄ **WWW.ADIDAS-GROUP.COM/EN**. Our Investor Relations department maintains close contact with our shareholders and provides a comprehensive range of services to shareholders and the financial community ⁄ **SEE OUR SHARE, P. 58**.

In addition, we also provide all documents and information on our Annual General Meeting on our website. The shareholders of adidas AG exercise their shareholders' rights at the Annual General Meeting. Each share grants one vote. Thus our shareholders are involved in all fundamental resolutions at the Annual General Meeting. It is our intention to support our shareholders in exercising their voting rights at the Annual General Meeting. At our next Annual General Meeting, taking place on May 8, 2014 in Fuerth (Bavaria), we will again provide our shareholders with the best possible service. Shareholders have the possibility, inter alia, to electronically register for the Annual General Meeting or to participate in online voting by granting powers of representation and voting instructions to the proxies appointed by the company. Further, all shareholders can follow the Annual General Meeting live and in full length online.

Further information on the principles of our management

More information on topics covered in this report can be found on our website at :⁄⁄ **WWW.ADIDAS-GROUP.COM** including:

- Code of Conduct
- Sustainability
- Social commitment
- Risk and opportunity management and compliance
- Information and documents on the Annual General Meeting
- Directors' dealings
- Accounting and annual audit

Share ownership of the Executive Board and Supervisory Board

At the end of 2013, the total number of shares or related financial instruments held by the members of the Executive Board of adidas AG was well under 1% of the shares issued by the company.

At the same time, the members of the Supervisory Board owned 1.63% of the shares issued by the company or related financial instruments.

A detailed overview of Directors' Dealings in 2013 is published on our website at :⁄⁄ **WWW.ADIDAS-GROUP.COM/DIRECTORS_DEALINGS**.

Accounting and annual audit

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the Stock Corporation Act. The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) ⁄ **SEE AUDITOR'S REPORT, P. 185**.

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the 2013 annual financial statements and annual consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence.

Compensation Report[1]

For the adidas Group, transparent and comprehensible reporting on the compensation of the Executive Board and Supervisory Board are essential elements of good corporate governance. In the following, we summarise the principles of the compensation system and outline the structure and level of Executive Board and Supervisory Board compensation. We also report on the benefits which the members of our Executive Board will receive in case of resignation from office or retirement.

Compensation system for the Executive Board

Following preparation by the Supervisory Board's General Committee, the compensation system for our Executive Board and the total compensation of each member of the Executive Board is determined and regularly reviewed by the entire Supervisory Board. The compensation and personnel topics dealt with by the Supervisory Board and General Committee for the year under review are described in the Supervisory Board Report ⁄ SEE SUPERVISORY BOARD REPORT, P. 42.

The compensation system is geared towards creating an incentive for successful, sustainably value-oriented corporate development and management. For determining the Executive Board members' compensation particularly in terms of its appropriateness, such factors as the size and global orientation, the economic situation, the success and outlook of the company are taken into consideration, as well as the typical level of compensation in comparison with peer companies and with the compensation structure applicable for other areas of the company. In addition, the tasks and contribution of each Executive Board member to the company's success, their individual performance as well as the overall performance of the Executive Board are considered when determining the compensation of the Executive Board. It aims to appropriately remunerate exceptional performance, while diminishing overall compensation when targets are not met. Thus, an appropriate level of compensation can be ensured.

The compensation system for the members of the Executive Board, which has been applicable since the 2012 financial year, was adopted by a large majority at the Annual General Meeting on May 10, 2012. The Supervisory Board considers the compensation of the Executive Board to be appropriate, both in comparison with the compensation of senior management and of the employees overall, as well as in terms of its development over time.

Components of the Executive Board compensation

The total compensation of the Executive Board members – in case of 100% target achievement – is made up of around one-third fixed compensation and two-thirds variable, i.e. performance-related compensation components:

- The annual fixed salary is based on the tasks and responsibilities of the individual Executive Board member. It is paid in twelve equal monthly instalments and remains unchanged for three years during the term of the service contract.
- The variable compensation consists of a Performance Bonus measured over a one-year period, payable following the adoption of the annual financial statements of the past financial year, and a compensation component with a long-term incentive effect (LTIP Bonus), which is based on the Long-Term Incentive Plan 2012/2014 (LTIP 2012/2014) measured over a three-year period. The variable compensation components are designed in such a way that the incentive to achieve the sustainable targets set for granting the LTIP Bonus is significantly higher than the incentive to achieve the Performance Bonus. Corresponding contractual regulations ensure that this weighting will also be maintained in the future. More than 50% of the variable target compensation component is based upon multi-year performance criteria.

The variable components are structured as follows:

- The Performance Bonus serves as compensation for the Executive Board's performance in the past financial year in line with the short-term development of the company. It is determined by the Supervisory Board in a two-stage process: At the beginning of the financial year, the Supervisory Board establishes the differently weighted performance criteria with their respective clear targets, and determines the individual amount of the Performance Bonus target amount for each member of the Executive Board, based on a target achievement of 100% (Bonus target amount). At the end of the financial year, the Supervisory Board examines the precise target achievement of each Executive Board member and determines the amount of Performance Bonus to be paid, depending on the degree of actual target achievement.

  As criteria for the 2013 Performance Bonus the Supervisory Board established, in addition to the individual performance of each Executive Board member, the following business-related criteria:
  - increase in net income attributable to shareholders,
  - improvement of the average operating working capital as a percentage of sales, and
  - improvement of the operating margin in the Retail segment.

1) This Compensation Report is a component of the Group Management Report and is also part of the Corporate Governance Report including the Declaration on Corporate Governance.

01 Executive Board Total Compensation in 2013 (€ in thousands)

	Non-performance-related compensation components		Performance-related compensation component	Total[1]
	Annual fixed salary	Other benefits[2]	Performance Bonus	
Herbert Hainer (CEO)	1,482	54	828	2,364
Roland Auschel[3]	137	4	65	206
Glenn Bennett[4]	547	14	241	802
Robin J. Stalker	605	16	262	883
Erich Stamminger	770	50	483	1,303
Total	**3,541**	**138**	**1,879**	**5,558**

1) The overall compensation of the Executive Board in the 2013 financial year does not include the amount placed in reserves for the LTIP 2012/2014 for the 2013 financial year based upon the forecasted degree of target achievement as at the balance sheet date, as this compensation component was agreed but not granted.
2) Other benefits comprise contributions to pension insurance and non-monetary benefits resulting from the provision of company cars.
3) Compensation calculated pro rata temporis with effect from October 1, 2013, the effective date of Roland Auschel's appointment to the Executive Board.
4) Glenn Bennett's compensation components were granted as contractually agreed in US dollars. An exchange rate of 1.3283 $/€ (2013 annual average rate) was used as the basis for calculation.

02 Executive Board Total Compensation in 2012 (€ in thousands)

	Non-performance-related compensation components		Performance-related compensation component	Total[1]
	Annual fixed salary	Other benefits[2]	Performance Bonus	
Herbert Hainer (CEO)	1,400	30	1,236	2,666
Glenn Bennett[3]	555	14	373	942
Robin J. Stalker	595	18	391	1,004
Erich Stamminger	770	38	721	1,529
Total	**3,320**	**100**	**2,721**	**6,141**

1) The total Executive Board compensation for 2012 does not include the amount placed in the reserves for the LTIP 2012/2014 for the 2012 financial year based on the forecasted degree of target achievement as at the balance sheet date as this amount was agreed but not granted.
2) Other benefits comprise contributions to pension insurance and non-monetary benefits resulting from the provision of company cars.
3) In accordance with Glenn Bennett's employment contract, his compensation components were granted in US dollars. An exchange rate of 1.2862 $/€ (2012 annual average rate) was used as the basis for calculation.

In calculating the amount of the Performance Bonus, the degree of target achievement determined for each individual performance criterion is weighted according to the percentage value of the respective performance criterion. The sum of the weighted degrees of target achievement of the performance criteria is then multiplied by the individual Bonus target amount for each Executive Board member. The Performance Bonus is capped at a maximum of 150% of the individual Bonus target amount. If an Executive Board member takes or leaves office during a financial year, the Performance Bonus is calculated on a pro rata basis.

- The LTIP Bonus serves – in line with sustainability-oriented corporate planning – as compensation for the long-term performance of the Executive Board. It is determined by the Supervisory Board in a two-stage process:

When determining the LTIP 2012/2014 at the beginning of the 2012 financial year, the Supervisory Board defined the performance criteria, linked to clear targets and oriented towards the sustainable growth of the company, and also defined the individual amount of the LTIP Bonus target amount for each Executive Board member, based on a target achievement of 100% (LTIP Target Amount). At the end of the 2014 financial year, the Supervisory Board will examine the precise target achievement of each Executive Board member and determine the amount of Performance Bonus to be paid, depending on the degree of actual target achievement. Payout will be effected after the 2014 consolidated financial statements are approved.

The Supervisory Board has determined the following performance criteria for the LTIP Bonus:
- increase in net income attributable to shareholders,
- increase in operating free cash flow,
- increase in adidas NEO label sales, and
- development of the adidas AG share price.

The assessment base for the individual performance criteria is the three-year period from 2012 to 2014.

In calculating the amount of the LTIP Bonus to be paid at the end of the three-year period, the degree of target achievement determined for each individual performance criterion is weighted according to the percentage value of the respective performance criterion. The sum of the weighted degrees of target achievement of the performance criteria is multiplied by the individual LTIP target amount for each Executive Board member.

For the ultimate evaluation of the Executive Board's performance, qualitative criteria determined by the Supervisory Board when they established the LTIP 2012/2014 are taken into account, such as developing an HR reporting system in alignment with GRI (Global Reporting Initiative) guidelines. The LTIP Bonus is capped at a maximum of 150% of the individual LTIP target amount. If the overall degree of target achievement lies below 50%, the Executive Board member is not entitled to the LTIP Bonus. If an Executive Board member takes or leaves office during the calculation period for the LTIP 2012/2014, the amount of LTIP Bonus due will be calculated on a pro rata basis. There is no claim to payout if an Executive Board member resigns from office or voluntarily terminates his employment during the LTIP 2012/2014 calculation period, nor in the event of termination for cause. The LTIP Bonuses resolved upon by the Supervisory Board will be paid upon approval of the 2014 consolidated financial statements in the spring of 2015. In case of 100% target achievement for the three-year period from 2012 to 2014, an LTIP Bonus will be paid out totalling € 12.639 million (Herbert Hainer: € 4.620 million; Roland Auschel: € 0.687 million[2]; Glenn Bennett: € 2.604 million; Eric Liedtke € 0.438 million[3]; Robin J. Stalker: € 2.310 million; Erich Stamminger: € 1.980 million[4]).

In determining the payout amounts for the Performance Bonus and the LTIP Bonus, the Supervisory Board may at its discretion, depending on the performance of the Executive Board and on the company's business situation, disregard any eventual (positive or negative) special factors which impacted the calculation of target achievement, having first thoroughly evaluated the material circumstances.

A compensation component resulting from a management share option plan does not exist and is not planned. The development of the adidas AG share, however, constitutes one of the four performance criteria for the LTIP 2012/2014.

The total compensation paid to our Executive Board in the 2013 financial year amounted to € 5.558 million (2012: € 6.141 million) **TABLES 01 AND 02**.

2) Calculated pro rata temporis for the period beginning when Roland Auschel's appointment came into effect, on October 1, 2013.
3) Calculated pro rata temporis for the period beginning when Eric Liedtke's appointment came into effect, on March 6, 2014.
4) Due to Erich Stamminger's resignation effective March 5, 2014, i.e. during the LTIP 2012/2014 calculating period which continues until December 31, 2014, the Supervisory Board at its meeting on February 12, 2014 redetermined the target amount originally set for Erich Stamminger when the LTIP 2012/2014 was established, changing it to € 1.980 million, and thus factoring in the premature termination pro rata temporis.
5) Initial appointment of Herbert Hainer and Erich Stamminger: March 6, 1997. For Glenn Bennett, instead of his first appointment date (March 6, 1997), January 1, 2000 is used for the calculation of his pension entitlements with a base amount of 20% of pensionable income. Initial appointment of Robin J. Stalker: January 30, 2001. Initial appointment of Roland Auschel: October 1, 2013.

Other benefits and additional commitments

The Executive Board members are granted other minor benefits which are individually taxed as required. These benefits primarily consist of paying for, or providing the monetary value of, non-cash benefits and other benefits such as contributions to insurance schemes and the provision of a company car. The Executive Board members do not receive any additional compensation for mandates within the adidas Group. The Executive Board members did not receive any loans or advance payments from adidas AG.

Pension commitments

All members of the Executive Board have individual contractual pension commitments which are calculated based on the length of appointment to the Executive Board as a percentage of contractually agreed pensionable income.

The amount of pensionable income for the members of the Executive Board currently equals the individual fixed annual salary indicated in the table. Starting from a base amount totalling 10% of the respective pensionable income, a module of two percentage points of the pensionable income is formed for each full year of tenure as an Executive Board member[5].

The Supervisory Board has, as its targeted level of provision regarding pension commitments for members of the Executive Board, determined a pension claim amounting to a maximum of 40% of an Executive Board member's pensionable income. Following the Executive Board member's departure from the company, benefit payments are made on a monthly basis:

- a retirement pension upon reaching the age of 65, or
- a disability pension in the event of occupational or general disability for medical reasons, for no longer than up to the point a retirement pension is paid, amounting to the pension entitlement reached at the point the respective pension became payable;
- survivor benefits upon the death of an Executive Board member, providing the widow/er with 50% of the pension entitlements up to this point and, if applicable, 15% of the pension entitlements up to this point for each dependent half-orphan or 30% for each dependent orphan. Taken together, survivor benefits may not exceed the deceased Executive Board member's total pension entitlement. If survivor entitlements exceed the pension entitlement, benefits for dependent children are reduced proportionately.

In the event that an Executive Board member leaves the company prior to reaching retirement age, the non-forfeiture of the pension entitlement will be in line with legal provisions. The pension entitlement is not, as legally envisaged, reduced pro rata temporis, i.e. it amounts to at least the base amount of the pension commitment made to the Executive Board member, plus the pension modules accumulated annually during the term of office.

03 / **Pension commitments in the 2013 financial year** (€ in thousands)

	Pension cost		Accumulated pension obligation for all pension commitments excluding deferred compensation [1]	
Executive Board members incumbent as at December 31, 2013	2013	2012	2013	2012
Herbert Hainer (CEO)	332	279	9,291	8,718
Roland Auschel	98	—	1,461	1,282
Glenn Bennett	113	86	2,520	2,110
Robin J. Stalker	241	180	2,859	2,740
Erich Stamminger	157	129	4,714	4,774
Total	**941**	**674**	**20,845**	**19,624**

1) Total deferred compensation amounts to € 127,770 (2012: € 125,741), implemented for Robin J. Stalker.

Following commencement of retirement, ongoing pensions are adjusted in line with the development of state pensions.

Herbert Hainer, Roland Auschel and Erich Stamminger, who belonged to the group of senior executives of adidas AG prior to their Executive Board appointments, will at the time of their retirement receive additional payments from the "Supplementary Retirement Provisions for Senior Executives". Until their appointment as Executive Board members, adidas AG had contributed pension components for Herbert Hainer, Roland Auschel and Erich Stamminger under these supplementary provisions which were introduced for all senior executives of the company in 1989.

If an Executive Board member dies during his term of office, his spouse or partner receives or, alternatively, any dependent children receive, in addition to pension benefits, the pro-rata annual fixed salary for the month of death and the following three months, but no longer than until the agreed end date of the service contract.

Commitments to Executive Board members upon premature termination of tenure

Executive Board service contracts are usually agreed with a contractual term of three years. This term will be shortened accordingly if the Executive Board member reaches the age of 65 prior to expiration.

- In the case of premature termination of tenure by mutual consent and in the absence of good cause, the Executive Board service contracts for Glenn Bennett, Roland Auschel, Robin J. Stalker and Erich Stamminger do not provide for compensatory payments. Unless agreed otherwise on an individual basis, the departing Executive Board member receives the annual fixed salary and any Performance Bonus, both paid pro rata temporis up to the day he leaves office, in addition to a follow-up bonus[6]. This is paid in two tranches, 12 and 24 months following the end of the contract. There is no claim to a follow-up bonus if the Executive Board service contract is terminated by release. In general, any claim to an LTIP Bonus payout becomes void unless otherwise agreed on an individual basis. Due to the relatively short three-year contractual terms of these service contracts, a severance payment cap is not provided.

  The service contract of Herbert Hainer, on the other hand, with a contractual term of more than three years, does provide for a compensatory payment of a maximum of twice the overall annual compensation in the event of premature termination by mutual consent, limited to payment claims for the remaining period of his service contract (Severance Payment Cap). In this respect, the overall annual compensation means the overall compensation paid, as outlined in the Compensation Report, for the last full financial year prior to resignation from the Executive Board while considering the expected total compensation for the current financial year.

- If Herbert Hainer's service contract is terminated due to a change of control, his potential severance payment is limited to 150% of the Severance Payment Cap. The other service contracts do not include such provisions.

- In case of regular termination of the service contract, i.e. in case of non-renewal of the service contract or termination upon reaching the age of 65, the respective Executive Board member is entitled to receive not only his annual fixed salary on a pro rata basis up to the day he leaves office, but also a potential prorated Performance Bonus and LTIP Bonus. Additionally, he is entitled to the follow-up bonus as individually agreed.

6) This bonus amounts to 75% for Roland Auschel and Glenn Bennett, 100% for Robin J. Stalker, and 125% each for Herbert Hainer and Erich Stamminger and is based on the Performance Bonus granted to the respective Executive Board member for the last full financial year.

Payments to former members of the Executive Board and their surviving dependants

In 2013, pension payments to former Executive Board members or to their surviving dependants amounted to € 3.421 million (2012: € 3.336 million). As at December 31, 2013, the provisions for pension entitlements of this group of persons totalled € 48.313 million (2012: € 50.826 million). The dynamisation of the pensions paid to former Executive Board members is effected in accordance with statutory regulations or regulations under collective agreements, unless a surplus from the pension fund for former Executive Board members is used for an increase in pension benefits after pension payments have already begun.

Compensation of the Supervisory Board

The compensation of the Supervisory Board members is determined by the Annual General Meeting and regulated by § 18 of the Articles of Association of adidas AG. The compensation is linked to the size of the company and to the responsibility and scope of activities of the Supervisory Board members. After the respective financial year, the members receive fixed compensation for their function as well as compensation for the chairmanship of or membership in committees, in accordance with the German Corporate Governance Code. There is, however, no variable compensation granted in addition. Supervisory Board members who have not been members of the Supervisory Board for the entire financial year receive a prorated amount of compensation.

Each individual member of the Supervisory Board receives € 40,000 as fixed annual compensation; three times this amount is paid to the Chairman of the Supervisory Board and twice this amount is paid to each Deputy Chairperson. Members of the General Committee or the Audit Committee receive additional compensation of € 20,000 and € 40,000, respectively. In addition to the fixed compensation, the Chairman of the General Committee receives annual compensation of € 40,000, while the Chairman of the Audit Committee receives € 60,000. The remuneration paid for a committee chairmanship also covers the membership in such committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee and committees which are established ad hoc do not receive additional compensation. If a Supervisory Board member is in more than one committee, the member only receives compensation for his/her task in the committee with the highest compensation. The Supervisory Board members are reimbursed for all expenses incurred in connection with their mandates as well as for the VAT payable on their compensation, insofar as they charge for it separately.

The total compensation paid to our Supervisory Board in the 2013 financial year amounted to € 0.92 million (2012: € 0.92 million) / **TABLE 04**.

Other benefits and additional commitments

The Supervisory Board members did not receive any loans or advance payments from adidas AG.

04 / **Compensation of the Supervisory Board** (in €)

	2013	2012
Members of the Supervisory Board as at December 31, 2013		
Igor Landau (Chairman of the Supervisory Board, Chairman of the General Committee)	160,000	160,000
Sabine Bauer (Deputy Chairwoman of the Supervisory Board, Member of the General Committee)	100,000	100,000
Willi Schwerdtle (Deputy Chairman of the Supervisory Board, Member of the General Committee)	100,000	100,000
Dieter Hauenstein	40,000	40,000
Dr. Wolfgang Jäger (Member of the Audit Committee)	80,000	80,000
Dr. Stefan Jentzsch (Member of the Audit Committee)	80,000	80,000
Herbert Kauffmann (Chairman of the Audit Committee)	100,000	100,000
Roland Nosko (Member of the General Committee)	60,000	60,000
Alexander Popov	40,000	40,000
Hans Ruprecht (Member of the Audit Committee)	80,000	80,000
Heidi Thaler-Veh	40,000	40,000
Christian Tourres	40,000	40,000
Total	**920,000**	**920,000**

Our Share[1]

In 2013, international stock markets and the adidas AG share continued their bullish run from the prior year and increased considerably. Global central banks' promise to keep key rates low for an extended period of time (Forward Guidance), the recovery of the US economy as well as the stabilisation of the euro area economy were key catalysts for strong market developments throughout the year. Discussions about a possible tapering by the Fed, the lacklustre earnings seasons, the looming US government shutdown as well as geopolitical risk factors in certain regions only temporarily weighed on equity markets. This resulted in an increase of 25% in 2013 for both the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index. The adidas AG share outperformed both indices, supported by ongoing strong performance in emerging markets and market participants' rising confidence in the adidas Group's Route 2015 strategic business plan. This more than offset a temporary weakness in the share price following the amendment of the adidas Group's full year guidance during the third quarter. As a result, at year-end the adidas AG share reached a new all-time high of € 92.64, representing an increase of 38% compared to the prior year. With the increase in the Group's net income attributable to shareholders excluding impairment losses, we intend to propose an 11% higher dividend compared to 2012 at our 2014 Annual General Meeting.

International stock markets maintain positive momentum

In 2013, international stock markets maintained the positive momentum from the previous year, which resulted in new all-time highs for the DAX-30 and the Dow Jones. At the beginning of 2013, US equity markets improved considerably, supported by the last-minute US fiscal cliff deal, strong US economic data and a better than expected US earnings season. European benchmark indices, however, underperformed international equity markets due to setbacks in the euro debt crisis, in particular the bailout package for Cyprus as well as the impending political deadlock in Italy. In the second quarter of 2013, equity markets continued their bullish run, supported by the ongoing accommodative monetary policy of the major central banks. This, combined with improving US economic indicators, as well as the ECB's decision to further cut its key interest rate by 25 basis points to 0.5%, drove the DAX-30 and US equity markets to new all-time highs at the beginning of May. However, signals that the Fed could reduce its monetary stimulus, together with disappointing economic data in China, resulted in a consolidation of equity markets towards the end of the second quarter. In the third quarter of 2013, international stock markets improved significantly. The key catalyst of the uptrend was the recovery of leading economic indicators as well as ongoing accommodative monetary policies of the ECB and the Fed. This more than offset the negative impact of a lacklustre Q2 earnings season, the looming US government shutdown as well as geopolitical risk factors in certain regions. Despite the reduction in the Fed's asset purchases and disappointing third quarter GDP data for the euro area, international stock markets enjoyed a strong fourth quarter. This was attributable to the Fed's reconfirmation of its Forward Guidance, rising global leading indicators and the surprising rate cut by the ECB. Furthermore, robust US economic data and the steady flow of new money into European equity funds provided additional tailwinds for stock markets. As a result, both the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index increased 25% in 2013 / TABLE 01. The Dow Jones Index gained 26% during the period.

01 / Historical performance of the adidas AG share and important indices at year-end 2013 (in %)

	1 year	3 years	5 years	10 years	Since IPO
adidas AG	38	89	241	310	858
DAX-30	25	38	99	141	335
MSCI World Textiles, Apparel & Luxury Goods	25	50	230	259	415

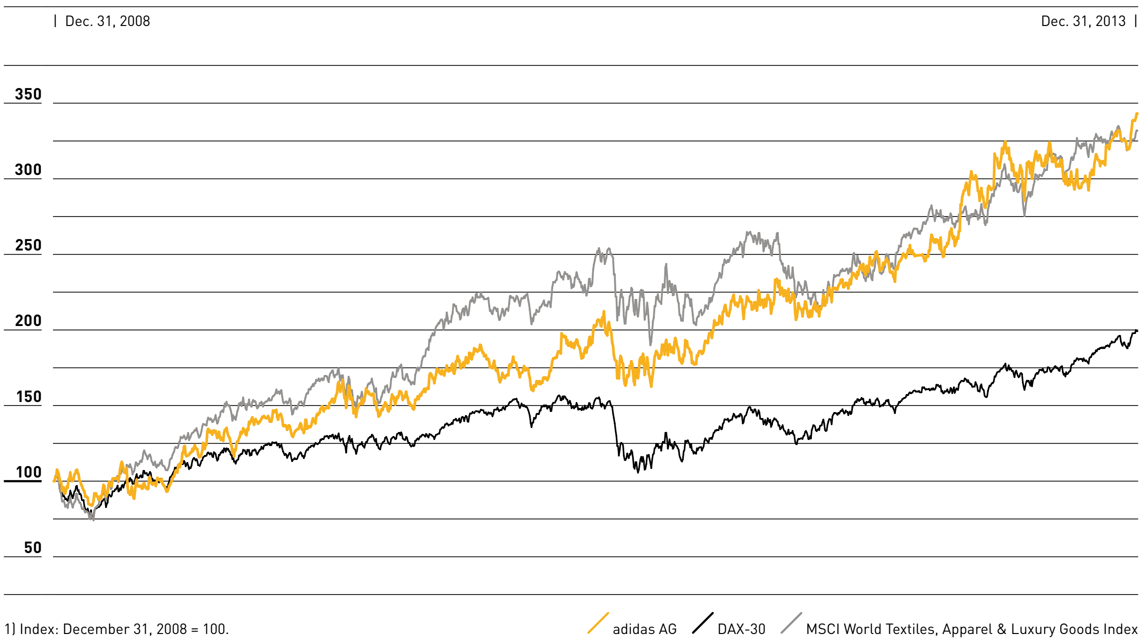
Source: Bloomberg.

1) This section is part of the audited Group Management Report.

adidas GROUP

adidas AG share at a glance

02 / Five-year share price development[1]



1) Index: December 31, 2008 = 100.

03 / The adidas AG share

Number of shares outstanding 2013 average	209,216,186
Number of shares outstanding At year-end 2013[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)	DE000A1EWWW0
Stock symbol	ADS, ADSGn.DE

1) All shares carry full dividend rights.

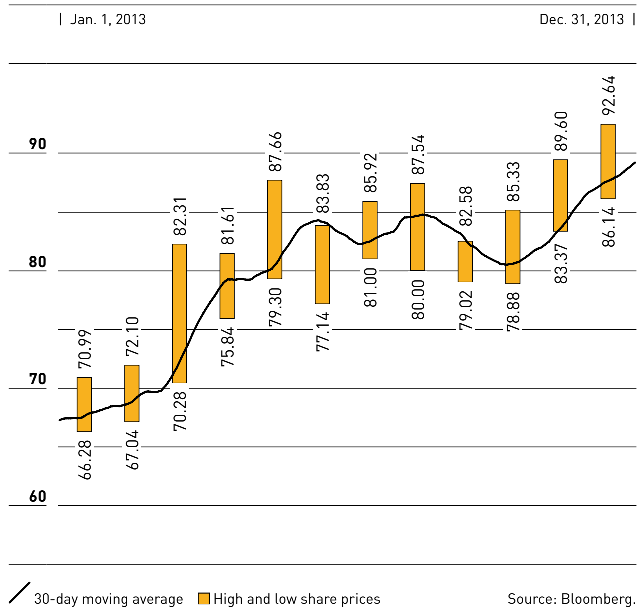
Important indices

- DAX-30
- MSCI World Textiles, Apparel & Luxury Goods
- Deutsche Börse Prime Consumer
- Dow Jones Sustainability Index World
- Dow Jones Sustainability Index Europe
- FTSE4Good Europe
- Euronext Vigeo Eurozone 120
- Euronext Vigeo Europe 120
- Euronext Vigeo World 120
- Ethibel Sustainability Index Excellence Europe
- ECPI Euro Ethical Index
- ECPI EMU Ethical Index
- STOXX Global ESG Leaders

adidas AG share price outperforms market

At the beginning of the year, the adidas AG share continued its positive trend from the end of 2012 and clearly outperformed the overall market and sector, gaining 20% in the first quarter. This performance was mainly driven by positive analyst commentary about the positioning of the adidas Group's brands and the Group's ability to further improve profitability in 2013 as well as the introduction of the new adidas Boost technology, which was well perceived by media and the financial community. In addition, the publication of the Group's 2012 financial results on March 7, with positive results in the company's key markets, solid balance sheet improvements and management's proposal to increase the dividend by 35%, further increased investor confidence. At the beginning of the second quarter, the adidas AG share initially suffered losses, as some investors took profits in light of the strong share price appreciation year-to-date. However, from mid-April onwards, the share price recovered, as several analysts commented positively in the run-up to the adidas Group first quarter results. Following the publication of first quarter results on May 3, the adidas AG share gained considerably, as bottom-line results came in clearly above market expectations. This prompted several recommendation upgrades and target price increases by analysts and, together with positive market sentiment, drove the adidas AG share price to a new high of € 87.66 on May 22. Towards the end of the second quarter, the adidas AG share came under pressure in line with overall equity market weakness. While most stock markets suffered significant losses, the adidas AG share however showed resilience and traded sideways. In the third quarter, the adidas AG share declined and underperformed the overall market. The publication of first half year results on August 8, which came in slightly below top- and bottom-line consensus, as well as disappointing reports by major US retailers towards the end of August, weighed on the share price development. During the first half of September, the share price partially recovered due to improving market trends. On September 19, the adidas Group amended its full year 2013 guidance, as a result of intensified currency headwinds, distribution constraints and a softer consumer environment in Russia/CIS as well as the overall weakness in the golf market, resulting in a 3% share price decline on the day following the ad hoc press release. In the fourth quarter, the adidas AG share recovered and gained steadily, supported by the positive market feedback following the release of our nine months results on November 7. In particular, sustained gross margin strength as well as over-proportionate growth in emerging markets was well received by market participants. On December 2 and 3, the adidas Group Investor Field Trip, hosted in Herzogenaurach, Germany, aimed at reinforcing confidence in our Route 2015 targets, helped to sustain positive momentum. Benefiting from positive market feedback following the event, the adidas AG share gained strongly towards the end of the year. As a result, the adidas AG share closed 2013 at a new all-time high of € 92.64, representing a 38% increase and a significant outperformance relative to international stock markets ⁄ **TABLE 01**. This implies a market capitalisation of € 19.4 billion at the end of 2013 versus € 14.1 billion at the end of 2012 ⁄ **DIAGRAM 05**.

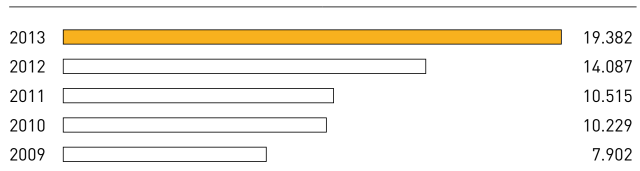
04 ⁄ **adidas AG high and low share prices per month** [1] (in €)



Source: Bloomberg.

1) Based on daily Xetra closing prices.

05 ⁄ **adidas AG market capitalisation at year-end** (€ in billions)



Average daily trading volume remains at similar levels

During 2013, the average daily trading volume of the adidas AG share on all German stock exchanges (excluding bank trades) declined slightly to 0.8 million shares (2012: 0.9 million). The average daily trading volume of the adidas AG share on alternative trading systems, such as CHI-X, Turquoise and BATS Europe, remained stable at 0.5 million shares per trading day (2012: 0.5 million). Share trading on OTC markets such as BOAT and EuroNext OTC remained unchanged at 1.1 million shares per trading day (2012: 1.1 million).

Level 1 ADR performs in line with common stock

Since its launch on December 30, 2004, our Level 1 American Depositary Receipt (ADR) facility has enjoyed great popularity among American investors. Deutsche Bank Trust Company Americas runs our Level 1 ADR Programme. Our Level 1 ADR closed 2013 at US $ 64.23, representing an increase of 43% versus the prior year level (2012: US $ 44.80). The more pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the depreciation of the US dollar versus the euro at the end of 2013 compared to year-end 2012. While the number of Level 1 ADRs outstanding reached a new high in July 2013 with 12.8 million Level 1 ADRs outstanding, the number decreased to 9.2 million at year-end 2013. This compares to 11.8 million Level 1 ADRs outstanding at the end of 2012. The average daily trading volume decreased 14% to 35,800 ADRs in 2013 (2012: 41,500). Since November 2007, the adidas AG ADR is quoted on the OTCQX International Premier market, the highest over-the-counter market tier. This electronic trading forum includes leading international companies with substantial operating businesses and credible disclosure policies. Further information on our ADR Programme can be found on our website at :⁄⁄ **WWW.ADIDAS-GROUP.COM/ADR**.

adidas AG share historically outperforms benchmark indices

The adidas Group is committed to continuously enhancing shareholder value. The long-term development of our share price reflects investor confidence and the growth potential of our Group. Over the last ten years, our share has gained 310%. This represents a clear outperformance of the DAX-30, which increased 141% during the period ⁄ **TABLE 01**.

adidas AG share member of important indices

The adidas AG share is included in a variety of high-quality indices around the world, most importantly the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index ⁄ **TABLE 03**. The DAX-30 is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The MSCI World Textiles, Apparel & Luxury Goods Index comprises our Group's major competitors. At December 31, 2013, our weighting in the DAX-30, which is calculated on the basis of free float market capitalisation and twelve-month share turnover increased to 2.36% (2012: 2.13%). Our higher weighting compared to the prior year was mainly a result of the increase in share turnover and the market capitalisation of adidas AG. Within the DAX-30, we ranked 16 on market capitalisation (2012: 16) and 17 on turnover (2012: 19) at year-end 2013.

Strong sustainability track record reflected in index memberships

In recognition of our social and environmental efforts, adidas AG is listed in several sustainability indices. For the 14th consecutive time, adidas AG has been selected to join the Dow Jones Sustainability Indices (DJSI), the world's first global sustainability index family tracking the performance of more than 300 leading sustainability-driven companies worldwide. In the category "Textiles, Apparel & Luxury Goods", adidas AG was rated as industry leader in sustainability issues and corporate responsibility for the tenth time. In addition, adidas AG was again included in the FTSE4Good Europe Index and the Vigeo Group's Ethibel Sustainability Index Excellence Europe and Excellence Global. Also, adidas AG was included in three of the newly created Euronext Vigeo indices. In addition, adidas AG remains a component of the STOXX Global ESG Leaders indices for the third consecutive year. The index family is made up of three specialised indices for the categories environmental, social and governance, and one broad index which sums up the specialised indices. In detail, these are the STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Governance Leaders and STOXX Global ESG Leaders indices. The index family is based on relevant key performance indicators (KPIs) provided by the index partner Sustainalytics, a leading provider of ESG research and analysis ⁄ **TABLE 03**.

Convertible bond significantly above prior year level

In March 2012, adidas AG successfully issued a convertible bond, due on June 14, 2019, for an aggregate nominal amount of € 500 million ⁄ **SEE NOTE 17, P. 209**. The bonds are not callable by the issuer or putable by the bondholders until June 2017. The bonds are convertible into up to 6.02 million new or existing adidas AG shares. Proceeds from the offering have allowed the Group to further optimise its debt structure. The bonds were priced with a 0.25% annual coupon and a conversion premium of 40% above the reference price of € 59.61, resulting in an initial conversion price of € 83.46 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted to € 83.10 per share. This adjustment became effective on May 9, 2013. The convertible bond closed the year at € 129.96, significantly above the prior year value level of € 114.30.

Dividend proposal of € 1.50 per share

The adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 1.50 to shareholders at the Annual General Meeting (AGM) on May 8, 2014 (2012: € 1.35). Subject to the meeting's approval, the dividend will be paid on May 9, 2014. This represents an increase of 11% compared to an increase of net income attributable to shareholders, excluding goodwill impairment losses, of 6%. The total payout of € 314 million (2012: € 282 million) reflects a payout ratio of 37.4% of net income attributable to shareholders, excluding goodwill impairment losses, versus 35.7% in the prior year ⁄ TABLE 08. This is in line with our dividend policy, where we intend to pay out between 20% and 40% of net income attributable to shareholders.

Strong international investor base

Based on our share register, we estimate that adidas AG currently has around 60,000 shareholders. In our latest ownership analysis conducted in February 2014, we identified around 94% of our shares outstanding. Shareholdings in the North American market account for 32% of our total shares outstanding. Identified German institutional investors hold 10% of shares outstanding. The shareholdings in the rest of Europe excluding Germany amount to 37%, while 5% of institutional shareholders were identified in other regions of the world. adidas Group Management, which comprises current members of the Executive and Supervisory Boards, holds less than 2% in total ⁄ SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 48. Undisclosed holdings, which also include private investors, account for the remaining 14% ⁄ DIAGRAM 06.

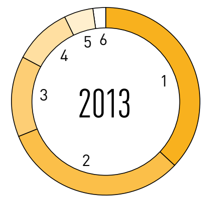
Voting rights notifications published

In 2013, adidas AG published 31 voting rights notifications in accordance with §§ 21 section 1, 25 section 1 and 25a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). All voting rights notifications received in 2013 and thereafter can be viewed on our corporate website :⁄⁄ WWW.ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS. Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report ⁄ SEE NOTE 25, P. 217.

adidas AG share again receives strong analyst support

The adidas Group and the adidas AG share continued to receive strong analyst support in 2013. Around 45 analysts from investment banks and brokerage firms regularly published research reports on our Group. The vast majority of analysts are confident about the medium- and long-term potential of the Group. This is reflected in the recommendation split for our share as at December 31, 2013. 74% of analysts recommended investors to "buy" our share in their last publication during the twelve-month period (2012: 60%). 19% advised to "hold" our share (2012: 30%). 7% of the analysts recommended to "sell" our share (2012: 10%) ⁄ DIAGRAM 07.

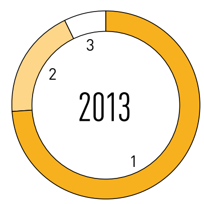
06 ⁄ Shareholder structure [1]



1 ⁄	**37%**	Rest of Europe
2 ⁄	**32%**	North America
3 ⁄	**14%**	Other, undisclosed holdings
4 ⁄	**10%**	Germany
5 ⁄	**5%**	Rest of the world
6 ⁄	**2%**	Management

1) As of February 2014.

07 ⁄ Recommendation split [1]



1 ⁄	**74%**	Buy
2 ⁄	**19%**	Hold
3 ⁄	**7%**	Sell

1) At year-end 2013. Source: Bloomberg.

Successful Investor Relations activities

adidas AG strives to maintain close contact to institutional and private shareholders as well as analysts. In 2013, Management and the Investor Relations team spent around 28 days on roadshows and also spent 19 days presenting at 13 national and international conferences. Furthermore, in order to provide an update on our Route 2015 strategic business plan, we hosted an Investor Field Trip in Herzogenaurach from December 2 to 3, 2013. The event was attended by more than 50 investors and representatives of the financial community. Our efforts to deliver best-in-class services to our investors and analysts were again highly acknowledged in 2013. In June, the adidas Group won the prestigious IR Magazine Award in the Personal Care & Household/Luxury Goods sector. In addition, in an investor relations survey conducted by Thomson Reuters, the adidas Group was ranked second again by buy-side analysts in the sector Consumer/Luxury Goods.

In August 2013, the adidas Group 2012 Annual Report "Pushing Boundaries" ranked second among the German DAX-30 companies for the prestigious "Best Annual Report 2013" award granted by the German business magazine "manager magazin". The prize is awarded by a jury which reviews 160 annual reports from across Germany's most important stock indices, the DAX-30, MDAX, SDAX and TecDAX. After winning this title in 2007 and 2012, and coming narrowly second in 2011, this is the fourth time the adidas Group has ranked among the top two.

adidas Group website successfully relaunched

We offer extensive information around our share as well as the adidas Group's strategy and financial results on our corporate website at :// **WWW.ADIDAS-GROUP.COM/INVESTORS**. Our event calendar lists all conferences and roadshows we attend and provides all presentations for download. In addition to live webcasts of all major events such as our Analyst Conferences, the Annual General Meeting and Investor Days, we also offer podcasts of our quarterly conference calls.

In an effort to drive further engagement with our Group's stakeholders, in March 2013, we launched the adidas Group Investor Relations and Media app for iPhones, following the iPad version, which we had already introduced in 2012. Both versions deliver key news, documents and reports and present them in a highly readable digital format. The apps also include a multimedia library, links to sites such as our corporate blog as well as brand pages which link social media content from all our brands. This provides a simple way to directly engage on our Facebook pages and YouTube channels and to ensure our stakeholders are able to keep up to date on the latest Group news and the most recent brand developments.

In October 2013, we successfully relaunched our corporate website. We reviewed, recreated and reorganised all content relevant for our different stakeholders on the site to provide the information in a deeper and better way. In addition, the website is now also fully enabled for mobile devices. With the website relaunch, we ensure that we continue to build stakeholders' trust in our Group by continuing to share information in a timely and transparent manner, giving better insight into our business and showing them the Group behind our brands.

08 / Share ratios at a glance

		2013	2012
Basic earnings per share	€	4.01 [1]	3.78 [2]
Cash generated from operating activities per share	€	3.03	4.50
Year-end price	€	92.64	67.33
Year high	€	92.64	69.12
Year low	€	66.28	51.42
Dividend per share	€	1.50 [3]	1.35
Dividend payout	€ in millions	314 [4]	282
Dividend payout ratio	%	37.4 [1]	35.7 [2]
Dividend yield	%	1.6	2.0
Shareholders' equity per share	€	26.24	25.35
Price-earnings ratio at year-end		23.1 [1]	17.8 [2]
Average trading volume			
per trading day [5]	shares	842,318	900,218
DAX-30 ranking at year-end [6]			
by market capitalisation		16	16
by turnover		17	19

1) Excluding goodwill impairment of € 52 million.
2) Excluding goodwill impairment of € 265 million.
3) Subject to Annual General Meeting approval.
4) Based on number of shares outstanding at year-end.
5) Based on number of shares traded on all German stock exchanges.
6) As reported by Deutsche Börse AG.

FOR THE LOVE OF SPORT

KERRY SUMMERS
REEBOK / BRAND COMMUNICATIONS
CANTON, USA

You'll forget you have them on

"Hi, my name is Kerry, and I am part of Reebok's Brand Communications team. Reebok's latest product innovation in walking is Skyscape, a shoe so lightweight that you may even forget you have them on. My team and I had the privilege to develop an engaging marketing platform that will be activated across all media channels – with the support of no other than supermodel Miranda Kerr. Stay tuned!"

For the love of sport.

02 OUR GROUP

GROUP MANAGEMENT REPORT

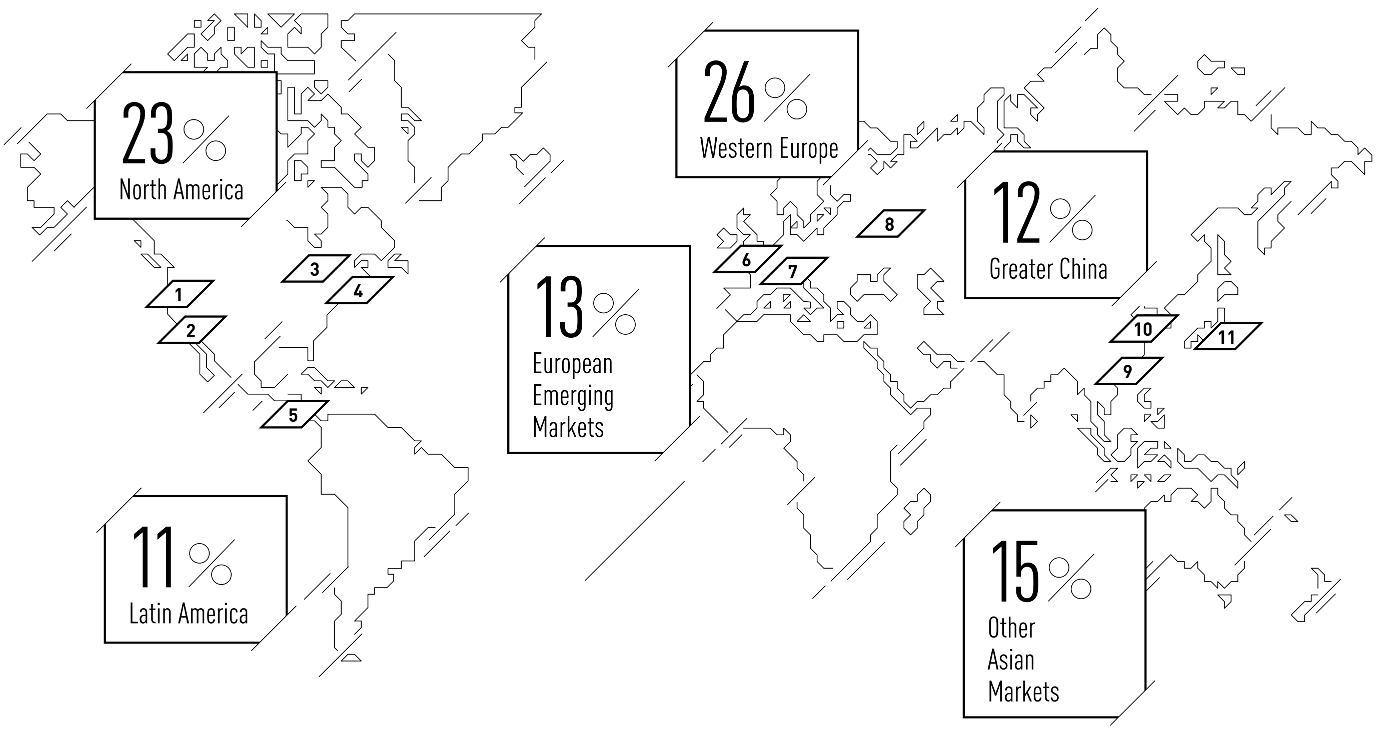
GROUP MANAGEMENT REPORT:

This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

adidas Group Worldwide

%

Percentage
of Group sales



adidas GROUP

- 1 adidas North America, Portland/Oregon, USA
- 2 TaylorMade-adidas Golf Headquarters, Carlsbad/California, USA
- 3 Reebok-CCM Hockey Headquarters, Montreal/Quebec, Canada
- 4 Reebok International Headquarters, The Rockport Company Headquarters, Canton/Massachusetts, USA
- 5 adidas Group Latin America, Panama City, Panama
- 6 adidas International Trading, Amsterdam, Netherlands
- 7 adidas Group Headquarters, Herzogenaurach, Germany
- 8 adidas Group Russia, Moscow, Russia
- 9 adidas Global Sourcing, Hong Kong, China
- 10 adidas Group China, Shanghai, China
- 11 adidas Group Japan, Tokyo, Japan

Major Sporting Events 2014

Our Group's most important upcoming sporting events are listed in this calendar.

JAN 12 – 26 **Men's EHF Euro 2014, Denmark** adidas Official EHF Partner and Supplier of Balls and Clothing	JAN 16 **NBA Game Europe, London, UK** adidas Official Sponsor	FEB 14 – 16 **NBA All-Star Weekend, New Orleans, USA** adidas Official Outfitter of National Basketball Association
MAR 7 – 9 **IAAF World Indoor Championships, Sopot, Poland** adidas Official Partner	MAR 29 **World Half Marathon Championships, Copenhagen, Denmark** adidas Official Partner	APR 13 **Virgin London Marathon, London, UK** adidas Official Sponsor for Footwear and Sportswear
APR 21 **Boston Marathon, Boston/Massachusetts, USA** adidas Official Apparel and Footwear Outfitter	MAY 14 **2014 UEFA Europa League Final, Turin, Italy** adidas Official Supplier Partner	MAY 23 **Amlin Challenge Cup Final, Cardiff, UK** adidas Official Tournament Supplier
MAY 24 **2014 UEFA Champions League Final, Lisbon, Portugal** adidas Official Sponsor	MAY 24 **ERC Heineken Cup Final, Cardiff, UK** adidas Official Tournament Supplier	MAY 24 – 25 **IAAF World Relays, Nassau, Bahamas** adidas Official Partner of the IAAF
MAY 24 – JUN 8 **French Open, Paris, France** adidas Official Supplier of Roland Garros	MAY 31 – JUN 1 **EHF CL Final 4, Cologne, Germany** adidas Official EHF Partner for Sporting Equipment and Clothing	JUN 12 – JUL 13 **2014 FIFA World Cup, Brazil** adidas Official FIFA Partner
SEP 13 – 14 **IAAF Continental Cup, Marrakech, Morocco** adidas Official Partner of the IAAF	SEP 28 **BMW Berlin Marathon, Berlin, Germany** adidas Main Sponsor	DEC 7 – 21 **IHF Women's Handball World Championship, Hungary/Croatia** adidas Official IHF Sponsor

Group Strategy

The adidas Group strives to be the global leader in the sporting goods industry with brands built upon a passion for sports and a sporting lifestyle. Inspired by our heritage, we know that a profound understanding of the consumer and customer is essential to achieving this goal. To anticipate and respond to their needs, we continuously strive to create a culture of innovation, challenging ourselves to break with convention and embrace change. By harnessing this culture, we push the boundaries of products, services and processes to strengthen our competitiveness and maximise the Group's operational and financial performance. This, in turn, will drive long-term value creation for our company and our shareholders. To achieve this goal, we have made strategic choices and will prioritise our investments under six key strategic pillars.

Creating long-term shareholder value

Creating long-term value for our shareholders through significant operating cash flow generation drives our overall decision-making process ⁄ SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118. Therefore, we are focused on rigorously managing those factors under our control, making strategic choices that will drive sustainable revenue and earnings growth, and ultimately operating cash flow. Across our operations, we pursue in particular the avenues for growth which we expect to be most value-enhancing, with particular emphasis on improving brand strength and Group profitability. In addition, rigorously managing working capital and optimising our capital structure remain key priorities for us. Furthermore, we are committed to increasing returns to shareholders with above-industry-average share price performance and dividends ⁄ SEE OUR SHARE, P. 58.

Diverse brand portfolio

Consumers want choice. Whether it is the athlete looking for the best possible equipment, or the lifestyle consumer searching for the next fashion trend, we are inspired to develop and create experiences that engage consumers in long-lasting relationships with our brands. To maximise our consumer reach, we have embraced a multi-brand strategy. This approach allows us to tackle opportunities from several perspectives, as both a mass and a niche player, providing distinct and relevant products to a wide spectrum of consumers. In this way, each brand is able to keep a unique identity and focus on its core competencies, while simultaneously providing our Group with a broad product offering, increasing our leverage in the marketplace ⁄ SEE GLOBAL BRANDS STRATEGY, P. 77.

Investments focused on highest-potential markets and channels

As a Group, we target leading market positions in all markets in which we compete. However, we have prioritised our investments based on those markets which offer the best medium- to long-term growth and profitability opportunities. In this respect, we place considerable emphasis on expanding our activities in the emerging markets, particularly China and Russia/CIS, as well as building our market share in underpenetrated markets for the Group, such as the USA.

No matter in which market we operate, we recognise that consumer buying behaviour and the retail landscape are unique. Therefore, to fully exploit market opportunities, we tailor our distribution strategy to present our brands to the consumer in the most impactful way. This is achieved by following a distinctive but coordinated channel approach. To this end, we strive to provide our customers with superior service to secure prime shelf space for our brands, while continuing our commitment to building strategic competency in own retail and e-commerce ⁄ SEE GLOBAL SALES STRATEGY, P. 72.

Creating a flexible supply chain

Speed and agility are key to outpacing the competition. We are committed to meeting the full range of customer and consumer needs by ensuring constant product availability in the correct size and colour, providing game-changing technical innovations and also the latest high-end fashion products to the highest quality standards.

A key strategic priority is to enable faster product creation and production by continuously improving our infrastructure, processes and systems. By sharing information from point of sale to source and vice versa, we strive to connect and more closely integrate the various elements of our supply chain, to enable quick reaction to changing consumer trends. To this end, we focus on building maximum flexibility within our supply chain. While leveraging the efficiency of common infrastructure and processes, the Group strives to provide tailored solutions for all our business models, be it the wholesale or retail channels, or the performance-oriented or style-oriented businesses ⁄ **SEE GLOBAL OPERATIONS, P. 94**.

Shared values

- Performance
- Passion
- Integrity
- Diversity

These are the adidas Group values. They help us to create brands that our customers believe in, and they commit us to playing by the rules that society expects of a responsible company.

SEE CORPORATE MISSION STATEMENT, P. 24.

Leading through innovation

Every adidas Group employee is responsible for driving innovation. Therefore, we foster a culture of challenging convention and embracing change, and require all areas of the Group to generate at least one new innovation or meaningful improvement per year. In particular, we believe that technological evolution and cutting-edge design in our products are essential to achieving sustainable leadership in our industry ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**. Beyond this, enhancing services for our customers and implementing more efficient and effective internal processes are other areas where our organisation strives to innovate ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**.

Develop a team grounded in our heritage in sport

Our culture is continuously shaped by influences from the past and the present as well as our future aspirations. We perpetuate the commitment of our founder, Adi Dassler, to the athlete and consumer, pride in what we do, quality and love of sport. We win as a team through open communication, collaboration and our shared values found in sport ⁄ **SHARED VALUES**. Therefore, we foster a corporate culture of performance, passion, integrity and diversity by creating a work environment that stimulates innovation, team spirit and achievement based on strong leadership and employee engagement ⁄ **SEE EMPLOYEES, P. 105**.

Becoming a sustainable company

Like any global business, the adidas Group must manage wide-ranging commercial and competitive pressure to deliver increased financial returns and growth. At the same time, we are accountable for our employees and have a high degree of responsibility towards the workers in our suppliers' factories and also for the environment. We are committed to striking the balance between shareholder interests and the needs and concerns of employees and workers, as well as the environment, or, in short, to becoming a sustainable company ⁄ **SEE SUSTAINABILITY, P. 111**. We report publicly on the steps we take to have a more positive impact on society and the planet on our website at :// **WWW.ADIDAS-GROUP.COM/**.

01 ⁄ **adidas Group strategic pillars**

adidas GROUP

Brand Portfolio	Innovation	Markets/Channels	One Team	Supply Chain	Sustainable Company
Build and manage a diverse brand portfolio with distinctive brands covering consumers from sport performance to sport lifestyle.	Maintain a culture of continuous innovation through improvements of products, services and processes.	Focus investment on the highest-potential markets and our distinct channel approach.	Develop a team that is grounded in our rich heritage, that is committed to the positive values found in sport – performance, passion, integrity and diversity – and that values sustainability.	Become closest to every consumer by building and managing a supply chain that quickly responds to changing market needs and supports multiple distinct business models.	We strive to be a sustainable company that recognises its responsibilities towards the environment, our employees and the people who make our products.

02 adidas Group Route 2015 targets [1] (€ in millions)

	2010	2011	2012	2013	2015 targets
adidas Group net sales [2]	**11,990**	**13,322**	**14,883**	**14,492**	**17,000**
Global Sales [2]	10,570	11,742	12,906	12,546	14,800
Wholesale	8,181	8,949	9,533	9,100	10,200
Retail	2,389	2,793	3,373	3,446	4,600
thereof eCommerce	55	89	158	250	500
Global Brands [2]	10,627	11,807	13,011	12,658	14,800
adidas	8,714	9,867	11,344	11,059	12,800
Reebok	1,913	1,940	1,667	1,599	2,000
Other Businesses	1,420	1,580	1,977	1,946	2,200
Operating margin	7.5%	7.2%	8.0% [3]	8.7% [4]	11.0%
Earnings per share		2010 – 2013 [3] [4]: compound annual earnings growth of 14%			compound annual earnings growth of 15%

1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Rounding differences may arise in totals.
3) Excluding goodwill impairment of € 265 million.
4) Excluding goodwill impairmant of € 52 million.

adidas Group Route 2015 strategic goals

In November 2010, the Group unveiled its 2015 strategic business plan named "Route 2015", which defines strategies and objectives for the period up to 2015. This plan is the most comprehensive the adidas Group has ever developed, incorporating all brands, sales channels and Group functions globally. Based on our strong brands, premium products, extensive global presence and commitment to innovation and the consumer, we aspire to grow our business significantly until 2015.

According to our plan, total Group sales are targeted to grow 45% to 50% on a currency-neutral basis over the five-year period, thereby outperforming total market growth (both GDP and sporting goods industry). In addition, we aim to grow our bottom line faster than the top line. It is targeted to grow annual earnings at a compound annual growth rate of 15% and to reach an operating margin of 11%.

In December 2013, although acknowledging that the achievement of our goals will be more challenging than originally anticipated, Management confirmed its Route 2015 aspirations for the Group / **TABLE 02**. However, given further headwinds from the weakening of several currencies versus the euro since the beginning of 2014, we believe there is now an even higher risk to the achievement of our 2015 aspirations / **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151** / **SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK, P. 180**.

In order to reach our Route 2015 strategic goals, we have defined clear strategic priorities. These include:

/ **Clear brand positioning and prioritisation:** We believe that we have significant growth potential to exploit from our portfolio of brands. The majority of our targeted growth will come from Global Brands, which we anticipate will contribute over 80% of the Group's expected revenue increase over the period / **SEE GLOBAL BRANDS STRATEGY, P. 77**. Areas within the adidas and Reebok brands that have been identified as key contributors to sustainable growth for the adidas Group include:

- adidas Sport Performance: gaining sales and market share in the running and basketball categories.
- adidas Originals & Sport Style: expanding in the fast-fashion business with the adidas NEO label and maintaining the strong momentum of adidas Originals.
- Reebok: establishing Reebok as the leading fitness brand.

/ **Expand presence in key growth markets:** We have identified North America, Greater China, Russia/CIS, Latin America, Japan and the UK as key growth markets. Of those markets, the three "attack markets" North America, Greater China and Russia/CIS are expected to contribute around 50% of the total Group growth under the Route 2015 plan, with each market targeting a double-digit compound annual growth rate / **SEE GLOBAL SALES STRATEGY, P. 72**. In the USA, the Group's brands have enormous potential to gain market share by focusing on improved distribution and allowing a higher share of products to be specifically designed for that market. In emerging markets such as China and Russia/CIS, rising standards of living, increasing disposable income, positive demographic trends and growing sports participation should support demand for sporting goods.

⁄ **Intensify controlled space focus:** We intend to increase the portion of sales that comes from controlled space initiatives to over 50% of Group sales in the coming years (2013: 48%). This includes new openings of adidas and Reebok own-retail stores, the further extension of our mono-branded franchise store base in markets such as China, as well as new shop-in-shop initiatives with retail partners around the world. In terms of our own retail, we intend to open at least 750 adidas and Reebok stores between 2010 and 2015, as well as grow significantly our eCommerce business, which we project to increase to € 500 million by 2015 ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**.

⁄ **Leverage growth and operational scale through to bottom line:** A higher exposure to emerging markets as well as expanding controlled space activities are important levers to improving brand presence, increasing sell-through and driving higher Group profitability. In addition, we continuously work on streamlining internal processes to accelerate decision-making, reduce complexity and make our organisation leaner and more efficient. At the beginning of 2011, we launched Driving Route 2015 to act as a key enabler to achieve these aspirations. The objectives of Driving Route 2015 are very clear: speed, consistency and consumer focus.

- Speed by implementing an organisation that allows faster decision-making.
- Consistency by establishing a more aligned and efficient organisation across functions and geographies.
- Consumer focus by reducing internal complexity, enabling us to put more of our energy into what really matters – the consumer.

In addition, we have identified several profit levers across the Group to support improvements in profitability. For example, we are targeting improved product margins with initiatives such as range efficiency, where we have the goal to achieve a 25% range reduction by 2015. In wholesale, we are improving our business by sharpening our trade terms policies and reducing our exposure to lower-quality channels of distribution, focusing on higher-quality partners more aligned to where our target consumer is shopping. On our mission to become a best-in-class retailer, we continuously strive to improve the operating margin in our Retail segment. In manufacturing, we are combatting inflation in the supply chain by increasing our investments in automation and new production techniques. Also, our investments in infrastructure such as the new distribution centres near Osnabrueck/Germany and Chekhov/Russia will ensure we increase capacity in a cost-efficient way to service all of our channels, be it Wholesale, Retail or eCommerce ⁄ **SEE GLOBAL OPERATIONS, P. 94**. Finally, we continue to work on enhancing our planning processes, to further improve profitability and working capital efficiency ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118**. Therefore, we believe there is significant potential to increase the Group's operating margin to 11% sustainably by 2015.

⁄ **Maintain financial flexibility:** We strive over the long term to maintain a ratio of net borrowings over EBITDA of less than two times. A strong balance sheet increases our flexibility to realise value-generating medium- and long-term opportunities in the best interests of our shareholders as they arise.

03 ⁄ **adidas Group headquarters**
The Laces building

Global Sales Strategy

Global Sales aims to drive the commercial performance of the adidas Group by building brand desire, meeting consumer needs at all times and capturing additional consumer potential. Global Sales is responsible for all commercial activities of the adidas and Reebok brands, serving our consumers through three channels: Wholesale, Retail and eCommerce. This channel-focused approach has allowed us to establish strong market positions globally, deepening and expanding our cooperation with leading wholesale partners, operating one of the biggest mono-branded store chains in our industry and becoming a significant e-commerce player with one consistent global platform.

Global Sales strategic priorities until 2015

Global Sales directs all local market organisations responsible for the distribution of the adidas and Reebok brands. On 365 days a year and at more than 140,000 points of sale, the Global Sales team is aiming to create desire for the adidas and Reebok brands and grow market share through wholesale partners, own-retail stores and our e-commerce activities. The strategic business plan Route 2015 outlines our long-term priorities:

- increasing the share of controlled space to over 50% of Group sales by 2015,
- driving growth and maximising brand potential in key demographic locations and
- leveraging cross-channel sales opportunities and range efficiencies, facilitated by our omni-channel approach.

Besides these priorities, we strive for business growth particularly in North America, Greater China, Russia/CIS, our emerging markets in the Middle East and Latin America, in Japan and in our newly created market set-up for Western Europe. Of these markets, the three attack markets North America, Greater China and Russia/CIS are targeted to contribute around 50% of the sales increase we anticipate as part of Route 2015.

Global Sales to drive omni-channel approach

The playing field for Global Sales has undergone fundamental changes over the past few years: Driven by the digitalisation of communication tools, consumers are increasingly informed about product and service offers, they are socially engaged, and they shop wherever and whenever they like, regardless of country borders or opening hours. Reacting to the shift in consumer behaviour, many brick & mortar retailers are harmonising their market approach across channels, and are growing their business across country borders. E-commerce pure players are expanding globally, and vertical retailers are widening their assortment into sporting goods.

With the aim of putting ourselves at the forefront of our industry, Global Sales is currently in the process of evolving its strategy from a channel focus to an integrated omni-channel approach, which will better enable us to achieve a globally consistent product offer, brand communication, availability and service across all channels and consumer touchpoints. This evolution of the strategy will help to align more consistently the delivery of our product concepts globally. An example of this can already be seen with the unveiling of the official FIFA World Cup match ball which was globally launched on December 3 and sold as of December 4 in a synchronised manner across our Wholesale, Retail and eCommerce channels.

With the creation of a separate Global Sales function on the adidas Group's Executive Board, our commitment to drive more growth opportunities and leverage from our sales processes across channels and country borders has also been reflected structurally. The new organisational set-up integrates all sales activities under one roof. It also includes a new market structure for Western Europe: As of 2014, we will serve the European consumer with one integrated organisation, building on our far-reaching concept store network and our eCommerce platform which is now live in most European markets. The major European retailers will be served by one sales organisation, ensuring market consistency.

Wholesale Strategy

The objective of the Wholesale channel is to deliver sustainable profitable market share growth in collaboration with third-party retailers. We strive to establish long-term partnerships with the most dynamic retailers, which include sporting goods chains, department stores, buying groups, lifestyle retail chains and e-tailers. To achieve this, we have established the Global Wholesale **S P O R T** strategy ⁄ **DIAGRAM 02**.

01 ⁄ **Intersport Eindhoven, Netherlands**

Toolkit drives market management

In order to drive speed and consistency within our selling processes, we have developed a set of methods and standards that are brought together in a common global toolkit for our sales teams. These enable us to permanently seek and use best practices around the world and help us to continuously improve other methods within the markets. The toolkit supports, for example

- the complete selling processes to our customers and consumers,
- the setting of consistent global trade terms,
- the standardisation of branded POS solutions and
- the establishment of customer service excellence.

This approach allows us to drive consistent messages and synergies, while leaving flexibility in local markets to react and adapt to specific local consumer and customer needs. By fostering this entrepreneurial spirit, we can rely on highly engaged management teams ensuring local traction and strong on-the-ground relationships.

02 ⁄ **Wholesale strategic pillars**

Objectives				
Outgrow the competition	Drive speed, simplicity and consistency	Create and use industry-leading sales tools	Be the partner of choice	Develop the best teams
Strategies				
S	P	O	R	T
Selling by developing excellent point-of-sale solutions, best-in-class sales systems and a comprehensive sales process	**Planning** by providing analysis, benchmarking and facts to prepare and develop winning plans	**Operating** on a level that enables us to outperform all competition by enhancing sales performance	**Relationships** by building long-term sustainable strategic relationships with our leading and influential customers	**Training** by developing and rolling out a training programme, PEAK, which trains, develops, rewards and recognises the Global Wholesale sales team

Customer and range segmentation to exploit market potential

As part of our toolkit, our customer and range segmentation initiative is a key enabler to consistent customer relationship management. This facilitates the allocation of tailored product packages to groups of comparable customers. In principle, the segmentation is based on the distinction between sports and lifestyle retailers that have either a brand-driven or a commercial positioning.

03 ⁄ **Foot Locker**
Oberhausen, Germany

People development programme to build the best sales team

Wholesale is facing a changing customer landscape, driven by further consolidation, increased cross-border retail activities and a digital shift in consumer behaviour. We strive to have the best team in our industry, enabling us to react flexibly to all market developments. This means continuous skills development. The Wholesale people development and training framework called PEAK (Performance, Excellence, Activation and Knowledge) sets the expectations for individual excellence and provides tailored training programmes. All Wholesale employees attend at least one training programme per year.

Retail Strategy

Retail plays an increasingly important role for the future of our Group and our brands and is a key driver on our Route 2015 journey. The reasons are manifold:

- To showcase the breadth of our brands and product offering, for example in our adidas Brand Centres, as a benchmark for retail partners.
- To provide consumers access to our products in mono-branded stores in the high streets and malls around the world.
- To create distribution in markets which do not have traditional wholesale distribution.
- To leverage our learnings from direct interaction with consumers through own retail for the entire organisation.
- To provide a clearance channel (i.e. factory outlets).

Our overall vision is to improve our operation KPIs and retail sophistication with the goal of delivering healthy, sustainable growth with outstanding return on investment, executing as a best-in-class retailer. In order to achieve this, we will execute against the four key pillars:

- Focus on the consumer.
- Achieve operational excellence.
- Exploit portfolio of brands.
- Leverage our global presence and scale.

Focusing on customer service

Building on the strong foundation laid over the past years, our Retail strategic initiatives are now structured and prioritised against the principles of growth and efficiency. We want to further simplify our structures and procedures in order to free up resources for all important consumer-facing tasks. This focus on efficiencies will also enable the successful implementation of our growth initiatives, which include:

- Customer Service Model: Deliver and embed a defined Customer Service Model that connects, engages and inspires our consumers during their shopping experience.
- Customer Relationship Management: Develop and implement a tailored CRM programme.
- Further drive product commonality by increasing the global mandatory range share in all our own stores.
- Drive people excellence through improved training and development procedures.
- Omni-channel focus: Create a seamless shopping experience for our consumers by connecting our online and offline touchpoints.

04 ⁄ **Retail strategic pillars**

To become a top retailer by delivering healthy, sustainable growth with outstanding return on investment			
Focus on the consumer	Achieve operational excellence	Exploit portfolio of brands	Leverage global presence and scale

Refreshing and expanding the chain

Although we continue to focus heavily on retail operational topics, another key area of focus is elevating the retail environment to ensure our stores represent fully the image and aspiration of the brands. As such, in 2014, we will commence an ongoing refresh of our core concepts for the adidas brand with the introduction of the Home Court format ⁄ **PICTURE 05** for Sport Performance and the Neighbourhood concept for Originals. We will also further experiment with single-category stores such as Outdoor, Women and Kids, largely in our key markets China and Russia.

05 ⁄ **adidas Brand Centre Bejing**

In addition, we will also continue to run our pilot store projects for NEO and Reebok to further test their acceptance with the consumer. In 2014, we will expand the NEO concept to other European countries outside of Germany. In addition, the Reebok FitHub concept will be further expanded and tested ⁄ **PICTURE 06**.

At the end of 2013, the adidas Group had further grown its net store base, operating 2,740 own stores for the adidas and Reebok brands worldwide ⁄ **SEE RETAIL BUSINESS PERFORMANCE, P. 146**. In 2014, we will continue to invest in our worldwide retail network with additional store openings in the emerging markets, particularly in Russia/CIS.

06 ⁄ **Reebok FitHub London**

eCommerce Strategy

The success of our eCommerce strategy rests on our ability to attract, convert and retain the consumer in a highly competitive marketplace. Therefore, we will activate our key unique selling proposition by offering broad ranges with high size availability to showcase the depth of our brands. We want to attract consumers by having the right products and the right marketing at the right time through our e-shops. To drive conversion, we consistently improve our site visibility online and how it ranks in online searches.

Consistency in global presence increased

In 2013, we successfully completed the foundational work and roll-out of our own eCommerce business with the execution of our strategic priorities that include:

- Establish consistent technical platforms globally.
- Implement a new eCommerce distribution policy for our wholesale partners.
- Create one consumer destination by integrating brand, shop and customisation sites enabling improved user experiences.

In addition, we finalised the roll-out to the markets including, for example, Latin America, which means we have our own eCommerce platforms now available in every key market around the world for both adidas and Reebok.

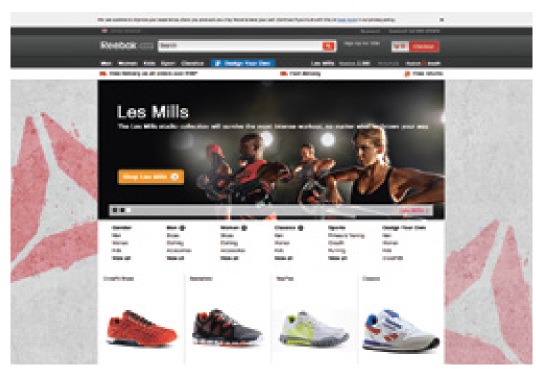
Go-to destination for our brands

Our strategic priorities for eCommerce focus on our desire to become the premium online destination for our brands through an innovative shopping experience. Strategic initiatives are concentrated on efforts to:

- Ensure relentless site enhancements to evolve the shopping experience across devices.
- Leverage the brands to further enlarge the experience and discovery.
- Continue to evolve full customisation through mi adidas and YourReebok including simple personalisation in key markets.
- Become the “go-to destination” for all adidas and Reebok products in terms of technologies, benefits and heritage.
- Deliver personalised experiences at key consumer touchpoints by leveraging the full potential of our evolving CRM/loyalty solutions.

07 ⁄ **adidas Online Shop**
www.shop.adidas.com

08 ⁄ **Reebok Online Shop**
www.reebok.com



Global Brands Strategy

Global Brands is responsible for brand positioning, brand strategy, product creation, innovation and all the product and brand marketing functions of the adidas and Reebok brands. The primary objective of this portfolio strategy is to ensure that our brands seize market share and category opportunities through well-defined and coordinated go-to-market strategies. Each brand is responsible for the execution of its strategic focus by creating a constant stream of innovative and desirable products and generating communication strategies that connect with their target consumer in an engaging and compelling way.

Driving the long-term development of adidas and Reebok

To secure long-term sustainable growth for the Group, Global Brands is focused on driving the development of the adidas and Reebok brands. The overall strategic goal is to achieve qualitative, sustainable growth by building desirable brands in consumers' perception. Global Brands played a central role in the creation of Route 2015, the adidas Group's strategic business plan that was unveiled in 2010. The adidas and Reebok brands are expected to deliver more than 80% of the targeted growth for the Group until 2015.

Areas within adidas and Reebok that were identified as key contributors and game changers for the adidas Group include:

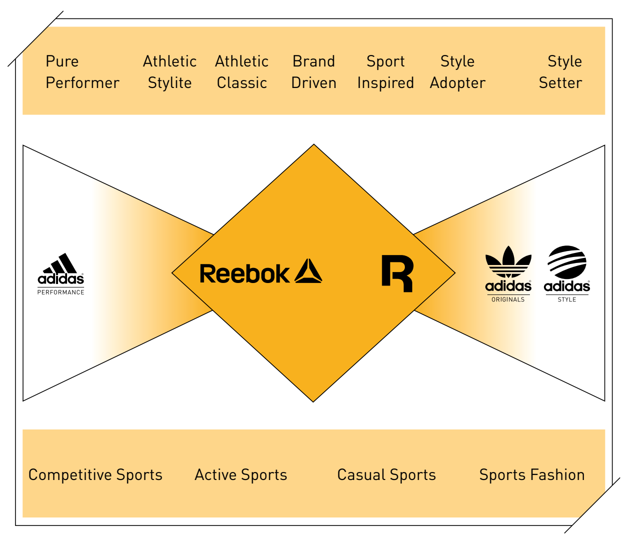
- Gaining sales and market share in the key global categories running and basketball with adidas Sport Performance.
- Expanding adidas Sport Style in fast fashion with the adidas NEO label.
- Maintaining adidas Originals' strong momentum with the fashion-driven lifestyle consumer.
- Establishing Reebok as the leading fitness brand.

Global Brands also plays a key role in bringing the efficiency initiatives of Route 2015 to life, by focusing on speed, consistency and consumer focus. Among other things, we are striving to present adidas and Reebok in a more consistent way around the world in terms of ranges and pricing. In the long term, this should lead to range size efficiencies and gross margin optimisation. One example of this is the creation of the "Global Foundation Range" for each brand, which will be mandatory for all of our markets and channels.

Focus on the consumer

The consumer and creating consumer desire for our products is at the heart of everything we do. By constantly developing desirable products and inspiring brand experiences, we can drive sustainable and quality growth, building a strong reputation and loyalty with consumers. Moreover, we also understand that, in order to have credible and authentic connections to create such desirability with our consumers, we must have the right market segmentation strategy. As part of its function, Global Brands has mapped out our target consumer universe, which spans from our roots in sport, the "pure performer", through to today's style setters who have embraced sporting goods brands as part of their lifestyle DIAGRAM 01.

01 **Brand architecture – portfolio strategy**



To be successful across consumer segments, we acknowledge that a strategy of mass production or mass marketing is no longer sufficient. Only by identifying and understanding consumers' motivations and goals for doing sport, their individual lifestyle, their fitness level and their buying habits can we create meaningful products, services and experiences that build a lasting impression and brand loyalty. In this respect, we have identified five key global trends which will be important to address with our brands and sub-brands over the duration of Route 2015:

⁄ **Fit for life:** Sport is no longer just about competing and winning. Sport is becoming more embedded in consumers' everyday lifestyles. Motivations and goals are becoming more holistic, fun, socialising and life-enhancing.

⁄ **You are what you know and what you do:** Society is embracing a life-long learning attitude, and placing more emphasis on what we know and do versus what we have and where we come from.

⁄ **Celebrating individuality:** Consumers increasingly fulfil their desire to differentiate themselves from one another by being more creative – on the one hand mixing and matching products and services they need, and on the other hand seeking personalised offerings tailored for them. The growth in social media continues to fuel more and more opportunities to display individuality, making it even more important.

⁄ **Together is better:** There is an increasing need for meaningful social interaction, both online and offline, as consumers become more mobile, and digital technologies and social networks make it easier for them to connect with like-minded people.

⁄ **Back to basics:** For everyday life, products and services are desired to be simple and authentic, making consumers' lives easier. There is a growing interest in outdoor activities and minimalistically designed products, reflecting the desire to reconnect and be in tune with nature.

To match these trends and fulfil consumer demands, Global Brands teams adhere to the following principles:
⁄ Create the unexpected through product and brand experience.
⁄ Create the highest emotional connection between our brands and the consumer.
⁄ Be prepared for the next generation, anticipating change.
⁄ Simplify to the maximum.
⁄ Show excellence in execution, being consistent in what we do, from idea creation to communication.

Brand architecture and differentiation

We believe that our Group's multi-brand structure gives us an important competitive advantage. Through our brand architecture, we seamlessly cover the consumer segments we have defined, catering to more consumer needs, while at the same time keeping clarity of brand message and values.

Each brand and sub-brand is responsible for bringing its own distinct positioning to life, through the creation of products and communications that not only support the commercial functions in their day-to-day business activities, but also provide the platform and framework for long-term market share and profitability improvements. While adidas and Reebok each have unique identities, heritages, technologies, designs and reputations, the strategic principles and methods for driving future sales growth and profitability improvements are common to both. These include:
⁄ Leadership in product innovation to excite and inspire the consumer.
⁄ Marketing and communication leadership.
⁄ Activation and validation via a relevant set of promotion partnerships.
⁄ Extending brand reach and appeal through strategic partnerships.

adidas strategic positioning

No other brand has a more distinguished history and stronger connection with sport than adidas. adidas is where the best meet the best, such as at the Olympic Games and the FIFA World Cup, but also everywhere else around the world where sports are played, watched, enjoyed and celebrated. As a true global brand with German roots, adidas' mission is to be the leading and most desired sports brand in the world. One major lever to achieve this is the brand's broad and unique product portfolio, spanning from apparel and footwear for professional athletes to premium fashion. It allows adidas to address multiple consumer needs, exploit market opportunities from various angles as well as be less affected by one-dimensional market risks. adidas' commitment to product innovation and its rich heritage differentiates the brand from competitors and provides a solid platform for future growth.

02 **adidas Sport Performance Supernova Glide Boost running shoe**

03 **adidas at a glance**

About adidas	adidas is a truly global brand with German roots. **adidas Sport Performance:** The guiding principle of adidas Sport Performance is to make athletes better by making them faster, stronger, smarter, cooler and more natural. The main focus is on five key categories: football, running, basketball, training and outdoor. **adidas Originals:** adidas Originals is the authentic, iconic sportswear label for the street, and its philosophy is to "Celebrate Originality". **adidas Sport Style:** adidas Sport Style includes the labels adidas NEO, Y-3 and Porsche Design Sport.
Brand mission	To be the leading and most desired sports brand in the world.
Brand values	Authentic, passionate, innovative, inspirational, committed, honest
Brand attitude	Impossible Is Nothing.
Key markets	North America, Russia/CIS, Greater China
Key strategic pillars	Gaining sales and market share with key growth categories such as running and basketball within adidas Sport Performance. Expanding adidas Sport Style in the fast-fashion business with the adidas NEO label. Maintaining adidas Originals' strong momentum to serve the needs of the fashion-driven lifestyle consumer.
Net sales in 2013	€ 11.060 billion

adidas is mainly targeting competitive sports based on innovation and technology with **adidas Sport Performance**. This sub-brand is the multi-sport specialist. The target consumers range from sports participants at the highest level to those inspired by sport or who simply love sport. While adidas has a pivotal strength with the 20- to 29-year-olds, a clear focus is on strengthening its resonance with next-generation athletes, the 14- to 19-year-olds, in particular the high school athlete. In our view, this target group is also the most influencing consumer group around the world. Everything at adidas Sport Performance reflects the spirit of Adi Dassler, the founder of the company. The main objective is simple: to make athletes better, with innovation at the heart of all adidas Sport Performance products. From a category perspective, football ⁄ **PICTURE 05**, running ⁄ **PICTURE 02** and basketball are our key strategic categories for growth. However, to underline our credibility as the multi-sport specialist and leverage our brand strength, adidas also supports a wide range of other sports and sports activities such as training ⁄ **PICTURE 04**, outdoor, American football, rugby, tennis, baseball, handball, volleyball, badminton, table tennis, boxing and wrestling.

04 ⁄ **adidas Sport Performance ClimaChill training apparel**

05 ⁄ **adidas Sport Performance Nitrocharge football boot**

The sub-brands **adidas Originals** and **adidas Sport Style** strive to take the brand's unique heritage and design leadership to capture further potential in the sports lifestyle and fashion market. Streetwear and lifestyle sports fashion represents a unique opportunity for sporting goods companies. To be successful in this market segment, brand credibility and heritage is an important prerequisite. adidas Originals is regarded as a legitimate sports lifestyle brand. For well over a decade, adidas Originals has been offering a holistic range of products aimed at the 16- to 24-year-old consumer. These consumers are looking for substance and craft and are inspired by passions and stories, which we serve through the iconic trefoil logo and with products such as the Stan Smith ⁄ **PICTURE 06**, Superstar, Samba and ZX. To ensure sustainable success, adidas Originals has to keep up to date with and set trends as well as remain committed to serving consumer groups who are constantly looking for more options to express their individuality.

As part of our market segmentation strategy and to increase our addressable market to the lifestyle and fashion consumer, several sub-labels under the banner of adidas Sport Style were established To increase our appeal to a younger, more price-conscious generation of lifestyle consumers, the adidas NEO label was established to cater specifically to their needs. adidas NEO specifically targets the young fashionable teen, aged between 14 and 19 years, with the 16-year-old as the sweet spot. These teens are "digital natives" and live for now. They are ready to go, discovering their own way and style, and the NEO label is all about them ⁄ **PICTURE 07**. It is all about being open and engaged with this teenage consumer, enabling them to participate with the label and enjoy experiences that only NEO can provide, such as styling an outfit for Selena Gomez or being part of the NEO collection created especially for the New York Fashion Week. To ensure success, the NEO formula employs a "fast fashion" business model. This means quick reaction to emerging trends through shorter lead times and excellence in retail execution. In addition, adidas Sport Style also partners with a number of top designers, such as Yohji Yamamoto with the Y-3 brand, and luxury brands, such as Porsche Design ⁄ **PICTURE 08**. With these sub-brands adidas speaks directly to the most fashion-conscious consumers in the lifestyle market.

06 ⁄ **adidas Originals**
Stan Smith shoe

07 ⁄ **adidas NEO**
Spring/summer 2014 campaign

08 ⁄ **Porsche Design Sport**
Spring/summer 2014 campaign

Reebok strategic positioning

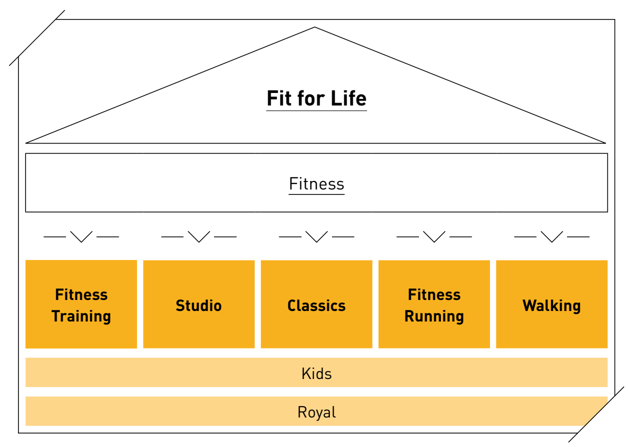
Reebok is an American-inspired global brand with a deep fitness heritage and the clear objective to become the world's leading fitness brand. Fitness is who Reebok is and the Fit Generation is Reebok's target consumer. They are young, either in actuality or in spirit, and fitness is central to their lives – working out multiple times a week. This is a global consumer who enjoys getting fit and staying fit with their friends. They are dynamic, empowered, proud, tenacious and influential and are all united by fitness. Reebok connects with the fitness consumer wherever they are and however they choose to stay fit. In addition, Reebok Classics leverages the brand's fitness heritage and represents the roots of the brand in the sports lifestyle market. Understanding the multi-facets of fitness, from running to yoga, Reebok applies a category-specific approach. Five key fitness categories, called "The House of Fitness", address this diversity: Fitness Training, Studio, Classics, Fitness Running and Walking / **DIAGRAM 11**. Reebok provides specialised products for each of these categories, which allows Reebok to meet and engage with consumers, regardless of how they choose to stay fit. To drive commercial volumes for the brand, Reebok leverages its Royal and Kids offerings across its key performance and lifestyle categories. Royal offers trend-right casual footwear with optimal value for commercial distribution channels, while at the same time providing improved margins and efficiencies as a core global range. Reebok Kids is focused on fun in functionality, driven by key brand product innovation takedowns as well as innovative and style-right kids-only products.

09 / **Reebok ZQuick running shoe**

10 / **Reebok at a glance**

About Reebok	Reebok is an American-inspired sports brand with the clear objective to become the leading fitness brand in the world. Understanding and embracing the multi-facets and lifestyle potential of fitness, Reebok provides consumers with innovative products, experiences and inspirations. Its strong roots and history in fitness allow Reebok to empower consumers to be fit for life.
Brand mission	Empowering you to be fit for life
Brand values	Social, bold, real
Brand attitude	We believe those that are fit for life will be the greatest contributors to our world.
Key markets	North America, Russia/CIS, South Korea, Japan
Key strategic pillars	/ Expand product offering in key fitness categories. / Establish deeper connection to fitness consumer through grassroots partnerships and digital activities. / Invest in controlled space (FitHub).
Net sales in 2013	€ 1.599 billion

11 / **The House of Fitness**



Leadership in product innovation to excite and inspire the consumer

Through Global Brands, we are determined to address every consumer in a specific and unique way – with product initiatives that generate trade and consumer interest. We believe that technological innovation is essential to sustainable leadership in our industry. By leveraging the extensive R&D expertise within the Group, adidas and Reebok continuously challenge the boundaries of functionality and performance. In addition, innovation plays a significant role in differentiating the adidas and Reebok product offerings in the minds of consumers.

At adidas, the brand innovates through its five performance benefits (faster, stronger, smarter, cooler, more natural). The R&D focus is on cushioning and energy solutions, lightweight and digital sports technologies as well as sustainable product innovation. This focus enables the development of clear performance technology platforms, such as Boost, adizero, Springblade ⁄ **PICTURE 12**, Clima and miCoach ⁄ **PICTURE 14**. By serving these core benefits through such scalable technology platforms, adidas aims to remain at the forefront of performance sport and further build on brand image. Additionally at adidas, investments and research emphasis also include areas such as new manufacturing processes and advanced materials, for example machine knitting and 3-D printing. These areas offer potential to increase speed to market, bring new performance and design capabilities and support our position as a sustainability leader in the sporting goods industry.

12 ⁄ **adidas Sport Performance Springblade running shoe**

At Reebok, the innovation focus is on fitness, where the innovation and R&D priorities are on providing functional products in footwear and apparel that cater to evolving fitness activities. Areas of focus include specific products to meet the performance demands of CrossFit and obstacle racing ⁄ **PICTURE 13** as well as increasing the brand's capabilities in running and apparel. Reebok is also investing in material development to support fit and comfort as well as expanding its activities in the area of wearable electronics ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**.

13 ⁄ **Reebok Spartan Race obstacle racing**

14 ⁄ **adidas Sport Performance miCoach Smart Run watch**

By creating inspiring product and brand experiences, adidas and Reebok strive to enhance their positions as premium brands. This, in turn, is an important catalyst for sustaining and improving the brands' gross margins, making continuous innovation an important enabler for future profitability improvements.

Marketing and communication leadership

To be competitive in the sporting goods industry, brands must build clear desirability with their target consumer. To achieve this, adidas and Reebok are focused on creating inspirational and innovative brand marketing campaigns and developing communication techniques that strengthen their positioning, build brand equity and thus support the achievement of the Group's commercial goals. A key tenet of our marketing and communication strategy is to harness the emotion of sport and the benefits of a sporting lifestyle across all communication channels. Both adidas and Reebok regularly bring new global marketing concepts to life, which can be easily leveraged to create simple and powerful brand messages and support an array of product offerings ⁄ **PICTURE 15** ⁄ **PICTURE 16**.

15 ⁄ **adidas Sport Performance**
Global brand campaign "all in or nothing"

In addition, Global Brands also endeavours to ensure all of its brands are at the forefront of new communication techniques, particularly as the information flow becomes faster and faster. To increase the pace and relevance of our brands' communication with the consumer, digital marketing now acts as a backbone for all brand marketing activities. Whether through in-store or online customisation platforms, social networks, mobile apps or digital broadcast mediums, these methods are providing a new scope of consumer experience in a real-time way. With consumers spending more time online, the adidas and Reebok digital strategies allow the brands to move from campaign-based communication to developing deeper relationships with their respective target audience. In addition to adding significant value to all our communication efforts, our digital marketing and social interaction with consumers also provide the brands with accessible insights, learnings and measurable results, which in turn can be utilised to drive long-term brand equity.

16 ⁄ **Reebok**
Global brand campaign "Live With Fire"

To ensure our Group stays at the forefront of these developments, in 2014 both adidas and Reebok will be investing further in the digital space. To bring greater consistency, increase speed and drive higher levels of brand activation online, adidas is establishing digital newsrooms around the globe. This will serve to better coordinate the brands' online presence as well as leverage and magnify key brand initiatives all year round. Reebok is also creating a global social centre at its headquarters in Canton. This centre and its team will engage the Fit Generation consumer in the social world and enable Reebok to be part of the conversation in real time. In addition, Reebok is also opening the Reebok Production Studios, to enable the brand to become a constant creator of exciting and relevant content.

Activation and validation via a relevant set of promotion partnerships

The utilisation of promotion partners such as federations, teams, leagues, events and individuals is an important part of endorsing brand positioning, and an area to which the Group dedicates significant resources. This not only serves as a vehicle to showcase the credentials of adidas and Reebok products in the performance and fitness arenas, respectively, it also facilitates the extension of the adidas and Reebok brands in the sports-inspired lifestyle market. Both adidas and Reebok follow a partnership strategy geared to best reflect their respective positioning in the market.

17 ⁄ **adidas Sport Performance adizero f50 Messi**

One of the guiding principles of adidas is to equip all athletes to achieve their "impossible". As such, adidas brings its passion for great products to the biggest stages in the world, with sponsorship agreements for the FIFA World Cup, the UEFA EURO, the UEFA Champions League, the NBA, the Boston Marathon, the European Rugby Cup and the IAAF (International Association of Athletics Federations). In addition, adidas has an extensive roster of high-profile sports teams, such as the national federations of Spain, Germany, Argentina, Russia, Mexico, Colombia and Japan, as well as top clubs Real Madrid, AC Milan, Chelsea FC and FC Bayern Munich in football, the New Zealand All Blacks and France in rugby, American universities such as UCLA, as well as high-profile individuals such as football stars Lionel Messi ⁄ **PICTURE 17**, Mesut Özil and Gareth Bale, basketball stars Derrick Rose and Dwight Howard, marathon record holder Wilson Kipsang, athletic stars Jessica Ennis and Yohan Blake, American football quarterback Robert Griffin III, also known as "RG3", and tennis stars Caroline Wozniacki and Andy Murray.

In addition, adidas also has a number of strategic partnerships and collaborations with top designers and design studios, such as with Yohji Yamamoto, Stella McCartney, Jeremy Scott and Porsche Design. The brand also has similar relationships with many of the most creative personalities from across the entertainment industry, including Kanye West and Rita Ora, as well as with premium retailers such as Urban Outfitters and Topshop for adidas Originals. These collaborations ensure the 3-Stripes and trefoil have visibility and credibility right through to the most fashion-conscious consumer.

To activate and validate its key concepts, Reebok is partnering with some of the most influential fitness movements and organisations and accomplished people in the fitness industry. Reebok partnerships include those with CrossFit (including the CrossFit Games), Spartan Race, Les Mills ⁄ **PICTURE 18** and Color Run. Additionally, Reebok assets include renowned yoga instructor Tara Stiles and pro fitness expert Amy Dixon. In addition, Reebok Classics partners with sports celebrities, musicians and artists to amplify activations and product validation in the lifestyle category, with high-profile ambassadors such as Alicia Keys, Swizz Beatz, Tyga and Shaquille O'Neal.

18 ⁄ **Reebok Les Mills studio fitness**

Other Businesses Strategy

Other Businesses primarily include the TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey segments. Each of these segments has its own strategy in place in order to address its specific target groups directly and further expand its market share. They contribute to our Group's overall goal: to be the global leader in the sporting goods industry.

TaylorMade-adidas Golf Strategy

TaylorMade-adidas Golf's mission is to build on its status as the world's leading golf company in terms of sales and profitability. The segment consists of four of the game's most widely known and respected brands: TaylorMade, adidas Golf, Adams Golf and Ashworth. Its foundation for success is built on the ability to quickly and continuously introduce to the marketplace well-designed, technologically advanced products supported by a broad range of innovative marketing activities and widespread product validation by tour professionals competing on the world's major professional golf tours. The combination of these elements creates some of the most sought-after products in the golf industry, yielding both high volumes and premium price points. Priorities for long-term growth include leveraging brand equity through the creation and execution of new retail initiatives as well as improving global distribution.

Leveraging the strength of four of golf's most respected brands

TaylorMade-adidas Golf implements a multi-brand strategy with four well-defined and well-respected golf brands under one roof. TaylorMade is the market leader in the metalwood and iron categories, and is among the leaders in wedges, putters, balls and accessories. adidas Golf creates innovative products targeted at athletic, competitive-minded golfers seeking a performance edge in every piece of equipment they choose, including footwear, apparel and outerwear. Ashworth focuses on classically rooted products that deliver style, comfort and performance to the golf enthusiast, complementing adidas Golf's athletic high-performance positioning. Together, adidas Golf and Ashworth make TaylorMade-adidas Golf a global leader in golf apparel and one of the top three companies in footwear sales. Adams Golf's product focus is on clubs for game improvement and on making the game easy. Its broad offering and positioning has significant potential in seniors and women's, complementing TaylorMade's focus on the younger and the lower-handicap players.

01 ⁄ **TaylorMade-adidas Golf at a glance**

About TaylorMade-adidas Golf	TaylorMade-adidas Golf consists of four brands: TaylorMade, adidas Golf, Adams Golf and Ashworth. Each brand's strategy is to develop and commercialise innovative, technologically advanced stylish products at a faster pace than the competition, and to build awareness and demand for these products through high-level visibility on the world's professional golf tours.
Brand mission	To build on its position as the leading performance golf company in the world in terms of sales and profitability.
Brand attitude	Each brand endeavours to create better-designed, superior-performing products through their employees' passion for the game and commitment to authenticity, competition and innovation.
Key markets	North America, UK, Japan, South Korea
Key strategic pillars	⁄ Continue to develop and distribute technologically advanced metalwoods, irons, wedges, putters, balls, footwear and apparel that help golfers of all skill levels play at a higher level. ⁄ Maintain TaylorMade's status as the number one driver brand on the world's major professional golf tours. ⁄ Maintain the adidas Golf brand's high visibility on the world's major professional golf tours. ⁄ Focus Adams Golf on creating and commercialising easy-to-play equipment for beginners and higher-handicap players. ⁄ Re-establish Ashworth as a premium apparel brand through improved fabrication and Ashworth's association with Major Champions including Justin Rose and Fred Couples.
Net sales in 2013	€ 1.285 billion

Focus on design and technologically advanced products

One of TaylorMade-adidas Golf's core objectives is to create the best performance golf products in the marketplace. This involves a clear and unrelenting commitment to innovation and technology ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**. TaylorMade-adidas Golf strives to extend its industry-leading position by introducing at least two major product innovations or evolutions every 12 to 18 months. For example, in 2013, TaylorMade unveiled Speed Pocket technology, which radically increases speed and distance. In November 2013, the first drivers featuring Speed Pocket technology were introduced, called JetSpeed ⁄ **PICTURE 02**. Also launched in 2013, the SLDR driver is the longest driver TaylorMade has ever created. It combines an extremely low-forward centre of gravity and a complete reinvention of the Movable Weight Technology (MWT), with a single weight that slides easily within a track positioned in the sole.

02 ⁄ **TaylorMade JetSpeed fairway wood**

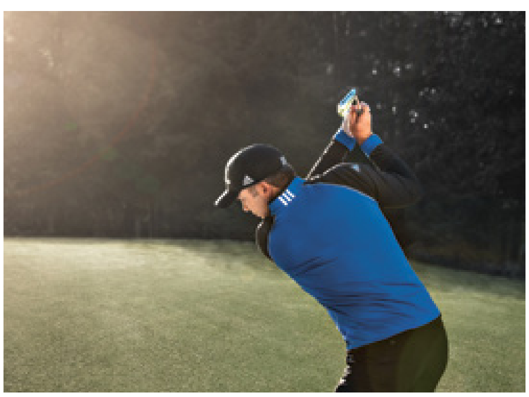
03 ⁄ **TaylorMade Project (a) golf ball**

TaylorMade's priority is to become the leader in each individual golf equipment category. That means strengthening its position as the number one metalwoods (drivers, fairway woods and hybrids) and irons brand and ascending to the top market position in wedges, putters, balls and accessories. From a market share perspective, the latter two categories in particular offer significant market share and growth potential. In balls for example, in 2014 we launched a new golf ball: Project (a). This multi-year R&D project has resulted in a ball which has been specially engineered to promote more shot-stopping spin control for the average amateur. The "a" in Project (a) stands for "amateur", and the ball launched at the AT&T Pebble Beach National Pro-Am in California, USA, in February 2014 ⁄ **PICTURE 03**. In accessories, e.g. hats, gloves, bags, towels, umbrellas and head covers, of particular interest to TaylorMade is creating new and innovative designs and technologies which can be applied to the accessories category, resulting in better-performing products that capture the golfer's imagination.

A key component of adidas Golf's strategy for success includes building on its ultra-lightweight adizero golf footwear franchise, starting with the launch of the adizero One in January 2014. This shoe, which incorporates a variety of cutting-edge technologies, is 10% lighter than the original adizero golf shoe ⁄ **PICTURE 04**. adidas Golf's strategy also includes strengthening its year-round apparel offerings by adding to the ClimaWarm+ apparel line, engineered with advanced, hollow-fibre technology to combine insulating warmth with lightweight comfort ⁄ **PICTURE 05** and by introducing the new ClimaChill line.

04 ⁄ **adidas Golf**
adizero One golf shoe

05 ⁄ **adidas Golf**
ClimaWarm+ apparel



Adams Golf's key strategy for growth is to use its position as the number one hybrid brand on the world's six major professional golf tours, including the PGA Tour, to become the best-selling hybrid brand worldwide. Recent product introductions, including Tight Lies fairway woods, the Super S hybrid, new Idea hybrid irons and the XTD Series of metalwoods, are examples of the brand's product strategy to achieve this goal. Tight Lies fairway woods are engineered with a low-profile "upside-down" design that makes it easier to launch the ball. They also feature Cut-Thru Slot technology that increases the speed of the clubface to promote more distance and a tri-level sole design that limits turf interaction ⁄ **PICTURE 06**. The Idea Super S hybrid is tremendously popular among amateurs for how easy it makes it to hit high, long and soft-landing shots. In 2014, Adams Golf will continue to use the synergies between its R&D department and TaylorMade's to develop compelling new equipment.

06 ⁄ **Adams Golf**
Tight Lies fairway wood

Following several years of re-establishing Ashworth's reputation as a pure golf brand by rebranding and reinvigorating its footwear and apparel offering, Ashworth's strategy to accelerate growth includes introducing a line of premium apparel and footwear to its product line-up beginning in 2014.

Tour validation critical to showcasing equipment at the highest level

Golfers of all levels are influenced by the equipment that the world's best professional players play with and wear. Hence, TaylorMade-adidas Golf's leadership and presence on the world's major professional golf tours is imperative to increasing brand exposure and consumer traction. The strength of the TaylorMade-adidas Golf Tour Staff lies in the number and quality of its members, which include global stars such as 2013 U.S. Open champion Justin Rose, Dustin Johnson, Sergio Garcia, Jason Day, Martin Kaymer, Y.E. Yang, Sean O'Hair, Retief Goosen, Johnson Wagner, Justin Leonard, Camilo Villegas, Paula Creamer and Natalie Gulbis. In addition to TaylorMade Tour Staff members, dozens more tour professionals also play TaylorMade metalwoods, helping to make TaylorMade the number one driver brand on the world's six major tours – the PGA Tour, European Tour, Japan Tour, Champions Tour, Web.com Tour and LPGA Tour. The visibility and credibility that TaylorMade enjoys from this widespread use of its equipment is instrumental to brand and product awareness. Adams Golf likewise maintains a strong Tour Staff, having this year added global star and fan favourite Ernie Els to a team that already includes Robert Garrigus, Aaron Baddeley, Kenny Perry, Tom Watson and Bernhard Langer. Ashworth's tour presence was bolstered by Justin Rose's highly successful year, wearing Ashworth from head to toe, en route to winning the 2013 U.S. Open. Major Championship winners on the Ashworth Tour Staff, such as Fred Couples, Justin Rose and Justin Leonard, will continue to be featured in marketing campaigns to validate and promote the brand.

Marketing innovation and excellence in execution

Innovative and effective marketing is critical to TaylorMade-adidas Golf's success. Great effort is put into creating compelling messages spread widely through a variety of channels. This includes television, print, social media, point of sale, demonstration events, and carefully choreographed activities at professional tournaments. For example, in February 2013, TaylorMade had a promotion called the #OneBucket Challenge to support RocketBlade irons, in which Tour Staff pros and amateurs competing at the AT&T Pebble Beach National Pro-Am were asked to wear bright yellow bucket hats during practice rounds. These hats were also given away to fans. For this challenge, TaylorMade also made a commitment to give US $ 100,000 to charity if any competitor made a hole-in-one on Pebble Beach's famous 17th hole while wearing a yellow bucket hat during competition. adidas Golf also had special activities and campaigns to call attention to new products in order to generate buzz. At the Open Championship in Scotland, to launch adidas Golf and Gore-Tex waterproof outerwear, adidas Golf created a weather simulator designed to replicate the most adverse climatic conditions. The event, titled "weather the storm", utilised tour players Martin Laird and Dustin Johnson to demonstrate the product. Following a rebranding at Adams Golf in 2013, including the unveiling of a new logo, Adams Golf stepped up its marketing activities with several online and on-tour activities, including teaming up with Southwest Airlines to give away a million Southwest air miles. The Southwest logo was added to the bags of Adams Golf Tour Staff pros, and a variety of Adams Golf pros were included in a massive Southwest advertising campaign. Ashworth likewise generated excellent attention with its "Pants Petition" promotion, a tongue-in-cheek plea to the PGA Tour to allow pros to wear shorts during competition. On a more serious note, the victorious U.S. team in the 2013 Presidents Cup in Ohio, USA, wore Ashworth apparel, creating invaluable exposure throughout the three days of this globally popular bi-annual event. Original ideas like these and the keen execution of them continue to set TaylorMade-adidas Golf's marketing efforts apart from the competition.

Effective retail and e-commerce strategy leverages key accounts and assets

TaylorMade-adidas Golf makes it a point to create compelling point-of-sale communications and displays designed to quickly and clearly educate the consumer on product benefits and advantages. Furthermore, TaylorMade-adidas Golf works closely with its key retail partners to ensure a consistent and excellent retail experience for the consumer. Core channels include green grass retailers, off-course golf specialty retailers and sporting goods retail formats with golf-specific departments. TaylorMade-adidas Golf also maintains a close relationship with more than 3,000 golf professionals and assistant golf professionals across the USA, who act as brand ambassadors in their green grass golf shops, selling the products of all four brands and turning golfers into brand loyalists. Additionally, in emerging markets around the world, the company employs established adidas Group infrastructures to distribute products, promote awareness and drive growth. This broad global presence offers significant growth and leverage opportunities in the future, particularly for Adams Golf and Ashworth, where penetration is still low outside of the United States.

Rockport Strategy

Rockport was founded in 1971 on the idea of making fashion footwear comfortable by using the latest in athletic shoe technologies. Today, the brand continues to combine this DNA with the innovation resources of the adidas Group, to design products which deliver uncompromised style with state-of-the-art engineered comfort. With its mission, Rockport aims to become one of the world's leading leather footwear brands.

Brand promise: "style made comfortable"

Every shoe Rockport creates has to deliver against the brand's promise to make style comfortable. With visible athletic shoe technologies and new product solutions, Rockport is an innovation leader designing for style and engineering for comfort, with the objective of empowering consumers to do more, be more and live more from weekday to weekend.

07 ⁄ **Rockport at a glance**

About Rockport	Rockport was founded in 1971 on the idea of making fashion footwear comfortable by using the latest in athletic shoe technologies. More than 40 years later, Rockport combines its unique DNA with the innovation resources of the adidas Group and designs products which deliver uncompromised style with state-of-the-art engineered comfort for metropolitan consumers around the world.
Brand mission	To become one of the world's leading leather footwear brands through the innovative combination of contemporary style and engineered comfort.
Brand attitude	At Rockport, every shoe is designed for style and engineered for comfort. Each shoe created delivers against this promise, which is at the heart of everything the brand does. Through its industry-leading products, Rockport empowers consumers to do more, be more and live more from weekday to weekend.
Key markets	USA, Russia/CIS, Canada, Japan, South Korea
Key strategic pillars	⁄ Drive product concept recognition ⁄ Leverage men's and women's opportunity ⁄ Evolve point-of-sale experience
Net sales in 2013	€ 289 million

Key concepts bring the "style made comfortable" positioning to life

With the metropolitan consumer at the centre of extensive integrated market research and product development efforts, Rockport has evolved its offering propositions and established four core strategic product concepts: truWalkZero, RocSports Lite, Total Motion and Seven to 7. These concepts will serve as key platforms to build long-term recognition and trust for the brand's product offering with consumers. Each concept is based upon key industry and consumer trends which enable the brand to drive both the innovation and commercial agendas. For example, truWalkZero is minimalist in design and construction to maximise lightness and mimics the foot's natural walking motion, making it the perfect active casual staple to propel consumers through their day. Total Motion, on the other hand, incorporates premium materials for a glove-like fit and controlled flexibility from its advanced construction technologies ⁄ **PICTURE 08**.

08 ⁄ **Rockport Total Motion campaign**

Maximising men's and women's business under one brand roof

Rockport's heritage of leveraging advanced athletic technologies in casual shoes was originally conceived around men's footwear. However, the brand's promise – "style made comfortable" – is also ideally suited to and relevant for women's shoes. By infusing adidas athletic shoe technologies within a broad range of styles (e.g. heels, boots, wedges), Rockport aims to deliver the "no compromise" combination of style and comfort, which is a true and largely unfulfilled consumer need ⁄ **PICTURE 09**.

09 ⁄ **Rockport Total Motion pump**

With this strategic approach, Rockport can target the same consumer type in both the men's and women's business. With only 24% of Rockport's total sales in the women's business, expanding the product offering and distribution reach of this part of the business is the biggest growth opportunity for Rockport. While the brand promise applies equally to both genders, Rockport also understands that both genders have significantly different requirements in terms of product offering, particularly in servicing the higher demands and depth of assortment to be relevant to the female consumer. Therefore, the brand made significant investments in world-class design and development capabilities in 2013 by opening the Rockport Design Studio in the Veneto region of Italy. With this studio, Rockport has access to the best talent and industry knowledge in the field of women's design, fashion industry know-how and technical shoe development.

Distribution and point-of-sale expansion strategy

After successfully establishing the Rockport brand strategy and positioning over recent years, brand recognition has increased and its positioning appeals to a broad consumer base. The Rockport appearance continues to become more dynamic and focused on product storytelling by emotionalising the brand's unique product benefits to consumers. To support growth, a high-quality distribution network and strong execution of the brand at the point of sale globally is critical. Therefore, Rockport has a number of key strategic initiatives in place to improve and expand the brand's representation in the marketplace:

- One global range built with clear channel-specific segmentation and price architecture and supported with aligned operational capabilities and go-to-market strategies to be competitive in each channel.
- Tailored local distribution strategies to maximise the business across all channels and geographies. This includes intensifying relationships with premium retail accounts in key wholesale markets such as the USA as well as expanding the own-retail footprint, to further strengthen the brand's image in the marketplace.
- Online retail excellence through industry-leading e-commerce and digital capabilities, for both wholesale and retail, driving convergence to the omni-channel strategic vision.
- Elevating presence at the point of sale, through significant investments to further connect with the consumer on an emotional level in both own-retail and wholesale environments.

Reebok-CCM Hockey Strategy

Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and related apparel under two of the most recognised ice hockey brand names: Reebok Hockey and CCM. Reebok-CCM Hockey equips more professional NHL hockey players than any other company, including superstars such as Sidney Crosby and John Tavares. Reebok-CCM Hockey is also the official outfitter of high-profile leagues such as the NHL, the AHL and the CHL as well as several NCAA and national teams. Reebok-CCM Hockey's strategy is to increase market share by leveraging its performance positioning and dedication to innovate for the leading athletes in the sport.

10 ⁄ **Reebok-CCM Hockey at a glance**

About Reebok-CCM Hockey	Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and apparel, with two of the world's most recognised ice hockey brand names: Reebok Hockey and CCM.
Brand mission	To make ice hockey players the best they can be by delivering high-end, innovative equipment.
Brand attitude	Performance drives us.
Key markets	Canada, USA, Scandinavia, Russia/CIS
Key strategic pillars	⁄ Product innovation ⁄ Pro validation ⁄ Brand marketing communication
Net sales in 2013	€ 260 million

Focus on high-end performance

Reebok-CCM Hockey's primary goal is to lead in the high-end performance segment of the hockey market. Going to market with a dual-brand portfolio (consisting of Reebok Hockey and CCM), Reebok-CCM Hockey has a clear focus on product innovation, supported by professional player validation achieved by having some of the best athletes in the world play with Reebok-CCM Hockey products. Furthermore, differentiated marketing and brand campaigns are targeted towards the intended consumer segments, for example players or fans.

In-arena and partnership-based marketing programmes, consumer campaigns and web-based initiatives are designed to create brand exposure, increasing demand for Reebok-CCM Hockey products.

Product innovation key to brand positioning

The key priority for Reebok-CCM Hockey is to design and market products that are targeted to be different and better than those of the competition, with a dedication to providing elite athletes with high-performance products. With an emphasis on continued product innovation, products incorporate proprietary and patented technological advances. In 2013, Reebok Hockey launched highly innovative products such as the RibCor sticks and the new 20K Pro Series protective line. CCM's product innovation stories in 2013 were led by the CCM RBZ skate, the revolutionary CCM RBZ Stage 2 stick powered by TaylorMade and the Extreme Flex goalie line. For more information on these and other products ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**.

Professional player validation

Reebok-CCM Hockey recognises that success with the consumer is heavily influenced by exposure generated at the pro league level. Product usage by some of the best players in the game validates Reebok-CCM Hockey's product performance credentials, and both brands are highly visible among professional ice hockey leagues worldwide.

⁄ Reebok-CCM Hockey has partnerships with the most important leagues in the industry. It is the exclusive licensee of jerseys for the National Hockey League (NHL), the American Hockey League (AHL), the Canadian Hockey League (CHL) and many of the European National (8) and Elite League (60) teams. Reebok-CCM Hockey is also the official equipment supplier of the United States Hockey League (USHL), the East Coast Hockey League (ECHL) and numerous National Collegiate Athletic Association (NCAA) Division 1 institutions.

⁄ Reebok-CCM Hockey has formed endorsement partnerships with many of the best athletes in the world. With a significant global presence, the two brands can respond rapidly with customised solutions providing a strong competitive advantage. Evidence of this can be seen by the number of influential pro athletes using Reebok-CCM Hockey products and by the comprehensive product offering in all equipment categories. Reebok Hockey is currently endorsed by NHL players such as Sidney Crosby, Pavel Datsyuk, Roberto Luongo, Dion Phaneuf, Matt Duchene, Marc-André Fleury and Seth Jones. CCM's roster of player endorsees includes John Tavares, Joe Thornton, Marián Hossa, Patrice Bergeron, Gabriel Landeskog, Ryan Nugent-Hopkins, Vincent Lecavalier, Alex Galchenyuk, Jonathan Drouin, first overall draft choice in 2013 Nathan MacKinnon and 2013 rookie of the year Jonathan Huberdeau.

Key strategic categories to drive growth

Reebok-CCM Hockey intends to accomplish growth through a continuous stream of product launches in its key category priorities: skates, sticks, goalie gear, protective/helmets and licensed apparel.

⁄ **Skates:** The focus in the skate category is to drive market share increases through products addressing critical performance aspects such as fit, weight and durability. Reebok Hockey will launch the new RibCor skate, currently being worn by Sidney Crosby, in 2014 ⁄ **PICTURE 11**. Launched in July 2013, the new CCM RBZ skate is designed according to the concept of "speed", including a new blade holder that is 4mm higher, to provide the skater with a better angle of attack on the ice.

11 ⁄ **Reebok Hockey**
RibCor skate

⁄ **Sticks:** To drive future growth in the sticks category, Reebok-CCM Hockey focuses on developing new technologies that incorporate enhanced power, feel, flexibility and weight. Launched in August 2013, Reebok Hockey's RibCor sticks feature the highly innovative ribbed shaft for quick puck release. July 2013 marked the launch of the CCM RBZ Stage 2 stick powered by TaylorMade, which includes a SpeedBlade 2 construction for higher puck velocities ⁄ **PICTURE 12**.

12 ⁄ **CCM**
RBZ Stage 2 stick powered by TaylorMade

⁄ **Goalie:** To increase market share in the goalie category, 2013 marked the return of the CCM brand to the category with the Extreme Flex equipment line. In 2014, CCM will introduce the new Retro Flex goalie line, which offers goalies unique colour options for their new gear. Reebok Hockey will take the Premier series to the next level with the introduction of the Premier XLT line at retail.

⁄ **Protective:** In 2013, CCM continued to take centre-stage with the highly successful Crazy Light protective series. In 2014, CCM plans to launch the new RBZ protective line, which is the next generation of Crazy Light protective. It features even lighter-weight equipment while maintaining maximum protection. On the Reebok Hockey side, the new 20K Pro series was launched in early 2013 and offers lightweight pro-level protection gear at retail.

⁄ **Licensed apparel:** Reebok-CCM Hockey will strive to further leverage its league partnerships and exclusive uniform status to drive growth. In addition to official uniforms, Reebok-CCM Hockey will take advantage of its status as the official NHL locker room performance apparel supplier and its exclusive rights related to the NHL Players' Association (NHLPA) for name and numbered apparel and headwear. Reebok-CCM Hockey is also developing its capacity to perform in a reactive market to maximise sales potential.

Pricing strategy mirrors product positioning

Reebok-CCM Hockey's pricing strategy is consistent with its high-performance positioning in the sport. Through a commitment to product innovation, Reebok-CCM Hockey's pricing strategy is to dominate the market in the premium price segments and to be a strong competitor within the mid-price segment of the market.

Global Operations

Global Operations manages the development, production planning, sourcing and distribution of the majority of our products. The function continually strives to increase efficiency throughout the Group's supply chain and ensure the highest standards in product quality and delivery performance for our customers and our own-retail and eCommerce activities at competitive costs.

Clearly defined priorities for Global Operations until 2015

The vision of Global Operations is to be closest to every consumer. The function strives to provide the right product to consumers – in the right size, colour and style, in the right place, at the right time, across the entire range of the Group's channels and brands.

Global Operations has a strong track record for establishing state-of-the-art infrastructure, processes and systems. The function has been successfully consolidating and improving legacy structures, reducing complexity and cost for the Group. By taking strong ownership for quality, cost and availability, the Group has proven that it is able to respond to the fast-changing requirements of consumers and customers.

To support our Route 2015 strategic business plan, Global Operations focuses on delivering against five function-specific strategic priorities driven by several key initiatives ⁄ TABLE 01. By continuing to deliver on these initiatives, Global Operations will not only enable the Group to achieve its goals, it will also ensure our supply chain remains a competitive advantage in making us the partner of choice for our consumers and customers alike. This continues to be underlined by our strong "On-Time In-Full" (OTIF) KPI, which measures the adidas Group's delivery performance towards customers (Wholesale) and our own-retail stores ⁄ SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118. In 2013, the adidas Group delivered 82% of its adidas and Reebok products "on time" and "in full" (2012: 78%). For 2014, Global Operations strives to maintain OTIF at a level of around 80%. It is also planned to roll out OTIF to those markets that are currently not in scope.

01 ⁄ **Five strategic priorities for Global Operations**

Strategic priorities	Specific goals	Implemented through strategic initiatives
Ensuring cost competitiveness	Reduce product and supply chain costs	⁄ Increase productivity for footwear and apparel manufacturing through a higher level of automation in the production processes ⁄ Optimise product creation through efficient material and colour selection
Providing industry-leading availability	Enhance existing logistics services to create a flexible and cost-efficient supply chain	⁄ Develop flexible planning and production models ⁄ Plan and manage inventory risk at decoupling points in the supply chain
Enabling later ordering	Allow customers to order products later, i.e. closer to the point of sale	⁄ Reduce standard lead times for footwear and apparel to 60 days ⁄ Manufacture closer to key markets to deliver and replenish products faster ⁄ Grow in-season responsiveness and continuous replenishment models
Supporting the Group's growth projects	Support the Group's Route 2015 and Driving Route 2015 initiatives	⁄ Build fast-fashion creation, sourcing and supply chain management solutions ⁄ Ensure further roll-out of processes and systems to optimise existing operational infrastructure ⁄ Expand eCommerce supply chain capabilities and enable customisation
Modernising the Group's infrastructure	Build the necessary operational backbone to support the Group's growth plans	⁄ Consolidate legacy systems and distribution structures ⁄ Build state-of-the-art systems, processes and distribution facilities ⁄ Pool supply chain activities for multiple markets ⁄ Integrate local sourcing activities into the global structure

Ensuring cost competitiveness

Global Operations focuses on further optimising product creation through an efficient and simplified material and colour selection process. This, coupled with increased automation in manufacturing, will enhance productivity, shorten lead times and improve overall quality. These improvements are expected to enhance profitability for the Group and ensure we provide our consumers with the best value proposition possible.

In the area of manufacturing excellence for footwear, automation represents the key driver for efficiencies. As part of this initiative, we support the implementation of state-of-the-art machinery and solutions, such as computer stitching, high-frequency cutting and automated production lines across factories, and provide technical competency training to factory floor staff. The resulting improvements in the factories are both visible and tangible. With less manual labour required, manufacturers were able to reduce operating space and energy while increasing their right-first-time rate and optimising their operator utilisation. For apparel, our goal is to use the manufacturing excellence initiative to roll out modular production lines. In addition, we have introduced Global Sewing Data (GSD) – a globally recognised, industry-leading pre-determined motion time system. It is an accurate and consistent way to measure the standard production time or Standard Minute Value (SMV) of a product.

The Profitability Management department assumes a central role in realising cost competitiveness by driving our strategic costing efforts and optimising our buying strategies. Throughout 2013, the team focused on implementing a more data-driven and standardised cost approach for the apparel division which, in turn, enables consistent benefit capture of efficiency initiatives.

In 2014, we will focus on implementing a more data-driven approach for material costing in order to further manage our cost base. In addition to material, we will consolidate product types within the apparel supply chain.

Providing industry-leading availability

Global Operations is building five new supporting system solutions that use SAP as a basis to standardise, automate, bundle and execute market processes and system functionalities. The roll-out of these systems and processes is a prerequisite to enable enhanced value-added services (e.g. labelling, price tags and RFID tags) at our factories and distribution centres. These are also critical for our flexible make-to-stock service, which aims to improve product availability and inventory utilisation by planning and building inventory buffers at different locations further up the supply chain. In 2013, we went live with our make-to-stock solution for the European never-out-of-stock and teamwear business.

In addition, Global Operations is a key contributor to the Group's Integrated Business Planning (IBP) project / **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118**. IBP forms part of the Group's strategic business plan Route 2015 and aims at establishing a coherent end-to-end demand and supply planning process across finance, marketing, operations and sales.

Other capabilities that the function is building include an increased level of transparency on lead times in our supply chain. This will allow for timely and accurate instructions on delivery times, planning and purchasing, resulting in a reduction of workload and increased customer satisfaction. Another important aspect will be the introduction of the capability to transfer inventory between locations in a more automated manner.

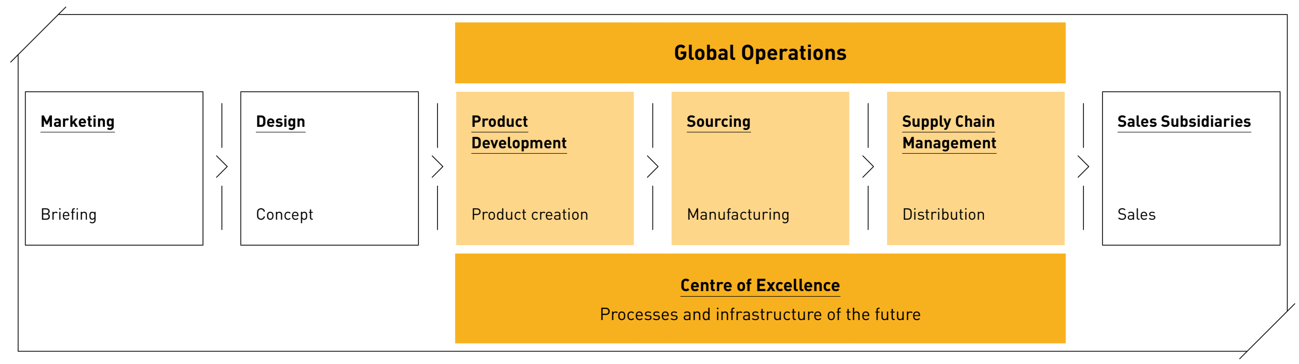
Enabling later ordering

Enabling later ordering is a cross-functional priority in Global Operations focused on allowing our customers and own-retail network to order our products closer to the time of sale, facilitating buying decisions that are based on better market knowledge.

This initiative for reducing standard lead times focuses on shortening production lead times on footwear and apparel to 60 days. This will allow us to align sales processes across the brands and improve efficiencies. The majority of adidas footwear is already on 60 days. The implementation for apparel started in early 2012, with the goal to transition a third of all styles for all brands to 60 days. We successfully achieved our target for the fall/winter season 2014, where over 50% of forecast volume will be supplied on the shortened lead time of 60 days. For future seasons, we target to supply 90% of forecast volume on the shortened lead time of 60 days.

Further order-to-delivery lead time reductions will be achieved through increased proximity to sourcing countries, which will enable us to manufacture closer to our key markets to deliver and replenish products faster. While 2012 saw the introduction of an in-season response solution for own retail in Russia/CIS and Western Europe, in 2013 Global Operations replenished 5.7 million units of footwear and apparel in-season in Russia/CIS. We will continue to further develop this approach towards almost one third of our Russia/CIS business.

02 Global Operations in go-to-market process



Supporting the Group's growth initiatives

Global Operations supports the Group's key growth and profit projects outlined in the Route 2015 strategic business plan. The function impacts the following growth projects:

adidas NEO label: The focus in 2013 was to establish a fast in-season creation process. This included expanding the company's fashion source base and enabling articles on creation-to-shelf timelines of three months and less for all product divisions. In 2013, we produced 1.5 million units based on this new established process SEE GLOBAL BRANDS STRATEGY, P. 77.

eCommerce and customisation: Global Operations provides support in further harmonising customisation processes and systems. It has clearly defined supply chain capabilities that enable the demand growth for the customisation business and have supported the evaluation of existing customisation processes for adidas and Reebok footwear SEE GLOBAL BRANDS STRATEGY, P. 77.

Modernising the Group's infrastructure

Global Operations continues to focus on building the required infrastructure, processes and systems to support the Group's growth plans. This includes further process simplification, consolidation of legacy systems and distribution structures, as well as the creation of state-of-the-art systems required to support new business demands.

In 2013, Global Operations completed two state-of-the-art, multi-brand warehouses. The first is located near Osnabrueck, Germany, and went live in June, followed by a new distribution centre in Chekhov, Russia, which started to operate in July. During the same month, Global Operations faced capacity and systems challenges in the existing distribution centre in Klimovsk, Russia, which resulted in a backlog of deliveries to stores and consumers for the Russian market. As a result, the decision was made to ramp up capacities of the new distribution centre in Chekhov ahead of plan. Deliveries were stabilised during the course of the fourth quarter and are now fulfilling market demands.

The vast majority of our facilities operate a standardised warehouse management system which continues to be rolled out to all new and existing warehouses in the operations network.

Majority of production through independent suppliers

To minimise production costs, we outsource almost 100% of production to independent third-party suppliers, primarily located in Asia. While we provide them with detailed specifications for production and delivery, these suppliers possess excellent expertise in cost-efficient, high-volume production of footwear, apparel and hardware. The latest list of our suppliers can be found on our website :// **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

The adidas Group also operates a limited number of own production and assembly sites in Germany (1), Finland (1), the USA (5) and Canada (3). In order to ensure the high quality that consumers expect from our products, we enforce strict control and inspection procedures at our suppliers and in our own factories. In addition, we promote adherence to social and environmental standards throughout our supply chain ⁄ **SEE SUSTAINABILITY, P. 111**.

Our Global Operations function manages product development, sourcing and distribution for adidas and Reebok as well as for adidas Golf and Ashworth ⁄ **DIAGRAM 02**. Due to the specific sourcing requirements in their respective fields of business, TaylorMade, Rockport, Reebok-CCM Hockey, Adams Golf and the Sports Licensed Division are not serviced through Global Operations, but instead utilise their own purchasing organisations. In order to quickly seize short-term opportunities in their local market or react to trade regulations, Group subsidiaries may also source from selected local suppliers outside the realm of Global Operations. Local purchases, however, account only for a minor portion of the Group's total sourcing volume.

Number of manufacturing partners decreases

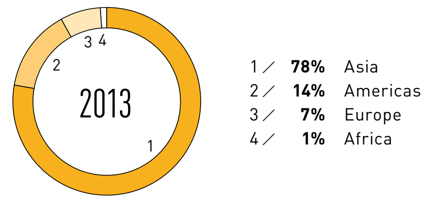
In 2013, Global Operations worked with 322 independent manufacturing partners (2012: 337), representing a decrease of 15 versus the prior year. While the number of suppliers in apparel and hardware declined as a result of further rationalisation of the supply base, it remained stable in footwear. Of our independent manufacturing partners, 78% were located in Asia, 14% in the Americas and 7% in Europe. Less than 1% of our manufacturing partners were located in Africa ⁄ **DIAGRAM 03**. 31% of all suppliers were located in China.

Vietnam share of footwear production increases

96% of our total 2013 footwear volume for adidas, Reebok and adidas Golf was produced in Asia (2012: 96%). Production in Europe and the Americas combined accounted for 4% of the sourcing volume (2012: 4%) ⁄ **DIAGRAM 04**. Vietnam represents our largest sourcing country with 35% of the total volume (2012: 31%), followed by China with 31% (2012: 33%) and Indonesia with 24% (2012: 26%). In 2013, our footwear suppliers produced approximately 257 million pairs of shoes (2012: 244 million pairs) ⁄ **DIAGRAM 05**. Our largest footwear factory produced approximately 10% of the footwear sourcing volume (2012: 10%).

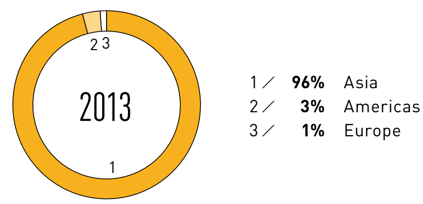
Rockport produced approximately 8 million pairs of footwear in 2013, which represents a slight increase versus the prior year. Products were primarily sourced from factories in China (62%), Vietnam (21%), India (14%) and Indonesia (3%).

03 ⁄ **Suppliers by region** 1)



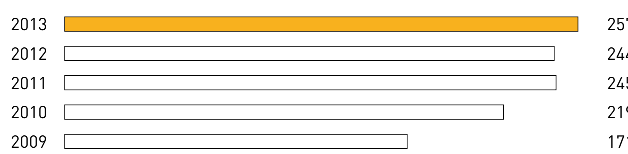
1) Figures include adidas, Reebok, adidas Golf and Ashworth, but exclude local sourcing partners, sourcing agents, subcontractors, second-tier suppliers and licensee factories.

04 ⁄ **Footwear production by region** 1)



1) Figures include adidas, Reebok and adidas Golf.

05 ⁄ **Footwear production** 1) (in million pairs)



1) Figures include adidas, Reebok and adidas Golf.

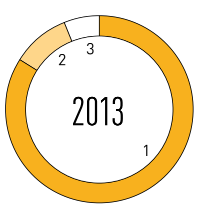
China share of apparel production decreases

In 2013, we sourced 84% of the total apparel volume for adidas, Reebok, adidas Golf and Ashworth from Asia (2012: 84%). Europe remained the second-largest apparel sourcing region, representing 10% of the volume (2012: 11%). The Americas accounted for 6% of the volume (2012: 5%) ⁄ **DIAGRAM 06**. China was the largest source country, representing 33% of the produced volume (2012: 37%), followed by Indonesia with 11% (2012: 13%) and Vietnam with 10% (2012: 9%). In total, our suppliers produced approximately 341 million units of apparel in 2013 (2012: 314 million units) ⁄ **DIAGRAM 07**. The largest apparel factory produced approximately 10% of this apparel volume in 2013 (2012: 10%).

In addition, Reebok-CCM Hockey sourced around 3 million units of apparel in 2013. The majority of this volume was also produced in Asia, while small portions were sourced from the Americas (particularly Canada) and Europe.

The Sports Licensed Division sourced approximately 21 million units of apparel and 11 million units of headwear (2012: 25 million and 14 million, respectively). The majority of purchased apparel products were sourced as unfinished goods from Latin America (70%) and Asia (30%), and were subsequently finished in our own facilities in the USA. The majority of headwear sourced were finished products manufactured predominantly in Asia (92%) and the USA (8%).

06 ⁄ Apparel production by region [1)]



1 ⁄ **84%** Asia
2 ⁄ **10%** Europe
3 ⁄ **6%** Americas

1) Figures include adidas, Reebok, adidas Golf and Ashworth.

07 ⁄ Apparel production [1)] (in million units)

2013	341
2012	314
2011	321
2010	301
2009	239

1) Figures include adidas, Reebok, adidas Golf and Ashworth.

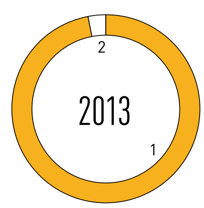
China share of hardware production declines strongly

In 2013, 98% of adidas and Reebok branded hardware products, such as balls and bags, was also produced in Asia (2012: 97%). China remained our largest source country, accounting for 40% of the sourced volume (2012: 51%), followed by Vietnam and Indonesia with 20% each (2012: 21% and 9%). European countries accounted for 2% (2012: 3%) ⁄ **DIAGRAM 08**. The total hardware sourcing volume was approximately 54 million units (2012: 51 million units), with the largest factory accounting for 12% of production ⁄ **DIAGRAM 09**.

TaylorMade sourced 99% of their hardware volumes from Asia (2012: nearly 100%). The vast majority of golf club components were manufactured by suppliers in Asia (China, Vietnam and Taiwan) and assembled in Asia, the USA and Europe.

Reebok-CCM Hockey sourced 86% of their hardware volumes from Asia (2012: 81%). In addition, Reebok-CCM Hockey sourced a portion of hardware products in the Americas.

08 ⁄ Hardware production by region [1)]



1 ⁄ **98%** Asia
2 ⁄ **2%** Europe

1) Figures include adidas, Reebok and adidas Golf.

09 ⁄ Hardware production [1)] (in million units)

2013	54
2012	51
2011	51
2010	48
2009	34

1) Figures include adidas, Reebok and adidas Golf.

Research and Development

Creating innovative products to meet the needs of professional and everyday athletes and consumers is a prerequisite to strengthening our market position in the sporting goods industry. In a rapidly changing world, our culture and passion for innovation and consistent investment in research and development (R&D) is essential to the development of new product concepts, processes and production methods that are beneficial to our business objectives and our long-term sustainability ambitions. Our R&D teams have diverse professional competencies and backgrounds, and their activities are highly integrated and cross-functional. In 2014, R&D will focus on cushioning solutions, lightweight and digital sports technologies as well as sustainable product innovation. Additionally, investments and research emphasis will also include areas such as new manufacturing processes and advanced materials.

R&D an integral part of the product and user experience creation process

R&D within the adidas Group follows a decentralised approach. In line with their strategic and long-term visions and distinctive positioning, each brand runs its own R&D activities, generally with either a category or a technology focus. However, fundamental research as well as expertise and competencies in sustainable product creation are shared across the Group.

R&D is closely integrated with the sourcing, design and product marketing functions. At the beginning of the product creation process, marketing defines a development priority, which, in recent years, has increasingly included sustainability targets. This is derived on a case-by-case basis from a combination of consumer research and feedback, competition analysis and own product testing.

Our innovation teams analyse new materials, production processes and scientific research to increase the exchange and scope of idea generation. Their scope also extends to areas such as consumer insights and social media. This helps promote a holistic and innovation-focused culture which gives deeper consumer insights, while also fuelling creativity and synergies across the organisation. To identify innovative materials as well as integrate sustainability, cost and production process aspects into the development phase, the innovation team is in close contact with our sourcing and material teams within product development who, in turn, work closely with our suppliers.

Once conceptualised, new product technologies are engineered using state-of-the-art systems. Furthermore, by embracing entirely new production technology and material approaches, product creation and development can be decoupled from traditional processes. Extensive virtual prototype testing and engineering loops are carried out on every technology, which promotes faster development phases as well as improved concept and quality, while simultaneously reducing physical material and resource requirements. Once a new product technology is deemed viable, it is produced as a physical sample. These samples are then comprehensively tested by a broad range of users, including top athletes. Only when these comprehensive tests have been successful are the technologies handed over to product marketing, which commercialises the technology to a final product.

Selective purchase of external R&D expertise

In addition to its internal R&D efforts, the adidas Group also purchases a limited amount of R&D expertise from well-established research partners. This strategy allows for greater flexibility and faster access to know-how. Moreover, this accelerates the rate at which knowledge is built up internally and across the Group, with synergies and productive skill networks being created that enable deep and long-term relationships with research partners. To increase efficiency and protect research results, collaborations are usually long-term and exclusive. Major adidas relationships exist with the University of Calgary, Canada, the University of Michigan, USA, the University of Loughborough, UK, the University of Erlangen-Nuremberg and the University of Freiburg, Germany.

In November 2013, the adidas Group announced that it has commenced a collaborative initiative called Speedfactory, which is a research project under the umbrella of the German government. It focuses on a new era of manufacturing by combining state-of-the-art information and communication technologies (ICT) with industrial production, innovative products and skill-intensive electronic services. Research topics include production logistics, cognitive basic technologies, human-machine interaction and 3-D industrial applications. For more information on Speedfactory :// **WWW.ADIDAS-GROUP.COM/EN/GROUP/STORIES/ADIDAS-FUTURE-MANUFACTURING**.

In 2013, adidas performed research studies with the University of Freiburg, developing and validating features of the adidas miCoach X_Cell, a digital biometric device that measures heart rate, acceleration, jump height, speed-to-brake reaction times and shifts left or right of the wearer. Usability studies were carried out with the University of Michigan.

01 / **Major R&D activities and locations**

	Main activities	Major locations	
adidas	The adidas innovation team is divided into groups that focus on performance footwear, apparel and hardware innovation, within which there are individual product focus categories. These reflect adidas' business needs with an emphasis on the five key Sport Performance attributes – i) faster ii) smarter iii) stronger iv) cooler and v) more natural. The teams are closely integrated with associated functions and resources to increase efficiencies and flexibility in all aspects of innovation and technology development.	Global Development Centre (ait.) Global Development Centre (ait.)	Herzogenaurach, Germany Portland/ Oregon, USA
	Dedicated innovation development centres in Asia, working closely with these teams, concentrate on the realisation of concepts through functional product development as part of the creation process. These centres are important in terms of development efficiencies, as product and technology development takes place in real production environments.	Product Creation Centre Product Creation Centre	Shanghai, China Tokyo, Japan
Reebok	R&D teams at Reebok create footwear, apparel and hardware with the primary emphasis being on fitness. Teams are structured along the brand's category priorities. In addition, there are certain cross-category groups such as the Reebok Advanced Concepts (RAC) team, which ensures specific concepts can be taken right through from initial idea to production.	Global Development and Testing Centre	Canton/ Massachusetts, USA
	Collaboration partners at Advanced Development Centres in China and Vietnam focus on new technology developments, cutting-edge materials and treatments as well as manufacturing solutions.	Advanced Development Centre Development and Testing Centre	Fuzhou, China Ho Chi Minh, Vietnam
TaylorMade-adidas Golf	TaylorMade-adidas Golf's R&D team is focused on continuously designing and developing industry-leading products. The team is structured according to the different product categories in golf.	Global Development and Testing Centre	Carlsbad/ California, USA
Rockport	Rockport's R&D function is a vertically integrated organisation that covers all aspects of strategy, innovation, research, design, engineering and testing.	Global Development and Testing Centre	Canton/ Massachusetts, USA
Reebok-CCM Hockey	The R&D team at Reebok-CCM Hockey is dedicated to continuously creating state-of-the-art ice hockey equipment designed to improve the experience for both professional and recreational players. R&D teams are category-specific, combining the design, engineering and product management functions. The goal of this structure is to create category expertise and improve speed to market.	Development and Testing Centre	Montreal/ Quebec, Canada

adidas also carried out extensive testing of the official match ball for the 2014 World Cup, Brazuca, to evaluate the effect of ball strikes under various conditions and validate extensive scenario modelling. The tests concluded that Brazuca meets and exceeds all required metrics for a FIFA official match ball. Brazuca was tested over a two-and-a-half-year period involving more than 600 of the world's top players, including Lionel Messi, Zinedine Zidane, Steven Gerrard and Iker Casillas. The ball was also tested with 30 teams in ten countries across three continents, making it the most tested adidas ball ever and ensuring that it is suited to all conditions.

In 2013, Reebok continued its long-term biomechanics research relationships with Arizona State University and the University of Las Vegas. R&D of Reebok hard goods equipment in partnership with Loughborough University also continued in 2013. In addition, Reebok established a research initiative on wearable electronics with the University of Ottawa.

TaylorMade-adidas Golf continued its long-term cooperation with researchers at the University of Calgary in 2013, with extensive joint swing dynamic studies, identifying the influence of club specifications on player performance and perception.

Active trademark and patent protection policy

To capitalise on the Group's R&D achievements, we seek patent protection for our innovations. We also own a substantial portfolio of registered trademarks for the Group's brands and related proprietary names. As part of our business policy, we enforce the Group's trademarks and patents by monitoring the marketplace for infringements and taking action to prevent them. This includes a vigorous anti-counterfeiting programme. We also have comprehensive processes, and undertake significant research, to avoid infringement of third-party intellectual property rights. As we use a wide range of different technologies in our products, we are not dependent upon any single technology, or any patent rights related to any single technology / **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

Highly skilled technical personnel

Our R&D departments comprise experienced and multi-skilled people from different areas of technical expertise and from diverse cultural backgrounds. All R&D personnel are part of a highly connected and deep knowledge network, both across the Group and with external partners. A significant part of our innovation process, and therefore personnel and skill base, relates to consumer and user insights. Product designers, engineers and sport scientists as well as material engineering experts focus on product development. Process and production specialists also form an essential part of our product development competencies. Other professional backgrounds include software development, electronic engineering, Finite Element Analysis, advanced CAD design and kinesiology.

The number of people employed in the Group's R&D activities at December 31, 2013, was 1,022, compared to 1,035 employees in the prior year. This represents 2% of total Group employees. In 2014, we expect the number of R&D employees to remain stable.

Initiatives to further streamline product creation process

We aim at improving our ability to adapt to changing consumer preferences more quickly, flexibly and efficiently. We achieve this by facilitating the direct interaction with and involvement of our suppliers in product creation, quality control, product testing and commercialisation. In 2013, we continued to enhance our computer simulation research platform to further reduce the time to market of product innovations. This software system, with its advanced material and design capabilities, allows for more creativity in the design phase and significantly improves the level of product detailing. While increasing speed and reducing the need for physical product samples and testing in the R&D process, the benefits also translate into other Group commercial and efficiency initiatives. Advanced 3-D models contributed to the Group's cross-functional virtualisation project, where since 2010, when this project began, until year-end 2013 we reduced the number of manufactured physical samples by over 23%. An additional benefit of creating virtual assets is their application in other areas, such as e-commerce, computer games, virtual merchandising and digital communication.

R&D expenses at prior year level

Each year, we invest considerable resources into developing and commercialising new technologies as well as fresh design ideas, in order to offer the best experience for our users. R&D expenses include expenses for personnel and administration, but exclude other costs, for example those associated with the design aspect of the product creation process ⁄ **SEE NOTE 02, P. 195**. In 2013, as in prior years, all R&D costs were expensed as incurred. adidas Group R&D expenses remained stable compared to the prior year at € 128 million (2012: € 128 million). Personnel expenses represent the largest portion of R&D expenses, accounting for more than 72% of total R&D expenses. In 2013, R&D expenses represented 2.1% of other operating expenses (2012: 2.1%). R&D expenses as a percentage of sales remained stable at 0.9% (2012: 0.9%) ⁄ **TABLE 02**.

Successful commercialisation of technological innovations

We believe developing industry-leading technologies and user experiences is only one aspect of being an innovation leader. Even more important is the successful commercialisation of those technological innovations, while consistently increasing our commitment to sustainable product development. The awards we attained in 2013 highlight our technology leadership within the sporting goods industry ⁄ **TABLE 04**.

As in prior years, the majority of adidas Group sales were generated with products newly introduced in the course of 2013. New products tend to have a higher gross margin compared to products which have been in the market for more than one season. As a result, newly launched products contributed over-proportionately to the Group's net income in 2013. We expect this development to continue in 2014 as our launch schedule includes a full pipeline of innovative products ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151**.

02 ⁄ **Key R&D metrics 1)**

	2013	2012	2011	2010	2009	2008	2007	2006 2)	2005 3)	2004 3)
R&D expenses (€ in millions)	128	128	115	102	86	81	84	98	63	59
R&D expenses (in % of net sales)	0.9	0.9	0.9	0.8	0.8	0.8	0.8	1.0	0.9	1.0
R&D expenses (in % of other operating expenses)	2.1	2.1	2.1	2.0	2.0	1.9	2.1	2.6	2.5	2.6
R&D employees	1,022	1,035	1,029	1,002	999	1,152	976	1,040	636	595

1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006.
3) Reflects continuing operations as a result of the divestiture of the Salomon business segment.

Successful product launches across all major adidas categories

In 2013, adidas sales were again driven by the latest product offerings, with products launched during the course of the year accounting for 74% of brand sales (2012: 78%). Only 3% of sales were generated with products introduced three or more years ago (2012: 2%).

The adidas brand introduced numerous major product innovations in 2013. These included:

- In partnership with key material supplier BASF, adidas launched a groundbreaking material innovation called Boost. Boost was successfully launched in the running category, with Energy Boost, and over the course of the year was subsequently integrated in other running shoes. Tests conducted by the adidas innovation team (ait.) show that the highly durable Boost material provides the highest energy return in the running industry. The material was also demonstrated to be three times more temperature-resistant, when taken from +40 to -20 degrees Celsius, than standard EVA material. In 2014, Boost will be brought into other sports categories such as basketball and snowboarding.
- The Springblade is the first running shoe designed to help propel the wearer forward using specially designed blades. Each shoe has 16 highly elastic blades that help translate that energy forward with each step while providing cushioning and one of the highest returns in the industry. Each blade, built from high-tech polymers, is precisely tuned in geometry, thickness and position for each phase of a runner's stride to provide support and flexibility and a full range of movement.
- In November 2013, adidas launched miCoach Smart Run, an advanced and intuitive wrist-based running digital device. This smartwatch enables runners of all abilities to track their runs using GPS mapping, monitor their heart rate directly off their wrist, listen to their music and get real-time coaching, all in a single, colour-touchscreen running watch. The device uses no cables, straps or additional sensors. For more information on the adidas miCoach franchise :// **MICOACH.ADIDAS.COM**.
- In football, adidas announced the adidas miCoach Smart Ball, which is designed to improve footballers' technique, power, spin and accuracy through an automated coaching system. The ball has in-built sensors that track the ball's movement and feed the information back to the players through an app on their smartphone.
- adidas also unveiled the official match ball for the 2014 World Cup, Brazuca, which features technology incorporated into the bladder and carcass that is identical to the Tango 12 (UEFA EURO 2012), Cafusa (2013 FIFA Confederations Cup) and the UEFA Champions League official match balls. However, a new structural innovation with a unique symmetry of six identical panels alongside a different surface construction provides improved grip, touch, stability and aerodynamics on the pitch.

For more information on these and other products **SEE GLOBAL BRANDS STRATEGY, P. 77**.

03 2013 major product launches

Product	Brand
Energy Boost running shoe	adidas
Supernova Glide Boost running shoe	adidas
Springblade running shoe	adidas
miCoach Smart Run watch	adidas
Brazuca – 2014 FIFA World Cup official match ball	adidas
2014 FIFA World Cup federation football jerseys	adidas
2014 FIFA World Cup Samba Pack	adidas
Nitrocharge football boot	adidas
Crazyquick basketball shoe	adidas
D Rose 4 basketball shoe	adidas
DryDye Prime tee	adidas
Terrex Swift R GTX hiking shoe	adidas
Mastermind Originals sneaker collection	adidas
adidas NEO label Selena Gomez collection	adidas
Porsche Design Sport women's collection	adidas
Reebok One Series apparel	Reebok
Reebok CrossFit Nano 3.0 training shoe	Reebok
Reebok One Series running shoe	Reebok
ATV19 running shoe	Reebok
CheckLight impact sensor skullcap	Reebok
UR Lead women's dance collection	Reebok
Alicia Keys Freestyle wedge	Reebok
R1 drivers	TaylorMade
SLDR drivers, fairway woods and Rescue clubs	TaylorMade
JetSpeed driver, fairway woods and Rescue clubs	TaylorMade
adizero Tour golf shoe	adidas Golf
ClimaWarm+ outerwear	adidas Golf
Super S driver, fairway woods, hybrids and irons	Adams Golf
Tight Lies fairway woods	Adams Golf
Presidents Cup U.S. team apparel	Ashworth
Total Motion shoe collection	Rockport
truWalkZero 2 women's shoe collection	Rockport
RocSportsLite men's shoe collection	Rockport
RibCor ice hockey stick	Reebok Hockey
CCM RBZ Stage 2 stick	CCM
CCM RBZ skate	CCM
Extreme Flex Pro goalie equipment	CCM

Reebok introduces new technology platforms

In 2013, Reebok's latest products continued to generate the majority of Reebok's sales, with an estimated 59% of footwear sales coming from products launched in 2013 (2012: 67%). Only 12% of footwear product sales relate to products introduced three or more years ago (2012: 14%).

In 2013, Reebok presented several key product introductions. Some of the highlights included:

- The Reebok One Series of fitness footwear was brought to market in 2013 and includes a three-foam midsole to maximise performance and comfort in each phase of the gait cycle. The heel/contact zone contains a soft cushioning foam that provides shock attenuation at impact; the mid-stance zone uses a lightweight compound engineered for a smooth transition, and the propulsive zone contains an ultra-responsive high energy return (rebound) foam that helps propel the wearer through toe-off.
- In training, Reebok expanded its CrossFit Nano technology platform with a new version, the 2.0. The shoe was designed to provide more flexibility and breathability with its mesh upper, while maintaining stability via a full-length, low-profile EVA midsole, for the perfect balance of cushioning and low-to-ground feel.
- In the women's walking category, Reebok introduced a new technology called Skyscape, borrowing materials and soft moulding processes usually used to create lingerie to produce an all-around comfortable shoe that weighs only 5.0 ounces (approximately 140 grams).
- In 2013, Reebok also introduced CheckLight, a groundbreaking impact indicator for use in contact sports and activities. It has flexible electronics and motion sensors to accurately measure direct accelerations in real time and provide actionable objective measurement of impact force.

For more information on these and other products ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77**.

Innovation a key success factor for TaylorMade-adidas Golf

At TaylorMade-adidas Golf, current products (i.e. products launched in the last 18 months, which is the typical product life cycle in golf) represented 81% of total hardware sales in 2013 (2012: 84%). Products that had been brought to market three or more years ago accounted for 5% of sales in 2013 (2012: 4%).

Among the highlight product launches in 2013 were:

- TaylorMade introduced the R1 driver, incorporating in one single driver the range of adjustability typically requiring an entire range of drivers. It features TaylorMade's Adjustable Sole Plate technology and the proven Flight Control and Movable Weight Technology.
- The RocketBallz Stage 2 drivers, also launched in 2013, are faster and longer thanks to a better forward distribution of weight resulting from their thick-thin crown technology design. The new RocketBallz fairways and Rescues add distance to the RocketBallz woods. This was achieved via a new RocketSteel face material which promotes more ball speed.
- In addition, TaylorMade presented its SLDR drivers. With extremely low and forward weight distribution, the SLDR driver is able to deliver less spin and a higher launch angle when lofted up, producing significant distance gain for all players.
- The SpeedBlade irons feature in the sole a new slot with variable width, breaking into the cavity and filled with a soft polymer, resulting in more distance consistency and better feel while keeping the noticeable higher trajectory with a steeper angle of descent for soft landing of a slotted iron.

For more information on these and other products ⁄ **SEE TAYLORMADE-ADIDAS GOLF STRATEGY, P. 86**.

Rockport launches Total Motion

At Rockport, products launched in 2013 accounted for 58% of sales (2012: 61%). The Rockport brand presented several interesting product introductions during 2013. The highlight product launch was the Total Motion collection:

- Rockport's Total Motion collection provides superior comfort combined with a soft glove-like fit and controlled flexibility. The combination of soft, premium leathers and padding-lined uppers allows consumers a minimum break-in period. Furthermore, the ultra-thin thermal polyurethane (TPU) plate in the outsole helps provide excellent stability and controlled flexibility while dispersing shock. Additionally, adiPrene technology by adidas helps provide all-day comfort.

For more information on these and other products ⁄ **SEE ROCKPORT STRATEGY, P. 90**.

Reebok-CCM Hockey innovates in sticks and skates

At Reebok-CCM Hockey, products launched in 2013 accounted for 53% of sales in North America (2012: 45%). Only 11% of sales were generated with products introduced three or more years ago (2012: 13%).

Reebok-CCM Hockey product launches in 2013 included:

- In July, CCM launched the RBZ hockey skate. With its new SpeedBlade +4.0mm holder and SpeedCore technology, it was CCM's fastest skate yet.
- CCM strengthened its hockey stick offering with the RBZ Stage II hockey stick, continuing its R&D collaboration with TaylorMade-adidas Golf. The Stage II features a new blade construction with Freak Channels that provide 20% more Coefficient Of Restitution (C.O.R.) than the original RBZ stick, to help maximise puck speed.
- In addition, CCM returned to the goalie market with the launch of the Extreme Flex goalie line, offering a softer, lighter and more flexible tailored line for extremely athletic goalies.
- Reebok Hockey launch highlights in 2013 included the highly innovative and commercially successful RibCor hockey stick. The RibCor's unique ribbed shaft technology features carbon fibres that are permanently in tension to help the player increase power transfer from their hands directly to the puck.

For more information on these and other products ⁄ **SEE REEBOK-CCM HOCKEY STRATEGY, P. 92**.

Ambitious 2014 R&D targets

Our Group remains committed to maintaining a full and innovative product pipeline, bringing new groundbreaking technologies and evolutions of concepts to the market each year ⁄ **SEE GROUP STRATEGY, P. 68**.

In 2014, cushioning and energy solutions, lightweight and digital sports technologies as well as sustainable product innovation will be at the forefront of adidas R&D activities. Additionally, investments and research emphasis will also include areas such as new manufacturing processes and advanced materials to drive the development of revolutionary products and industry-changing manufacturing approaches as we aim to position the brand as both a technology and sustainability leader in the sporting goods industry.

Reebok's R&D activities in 2014 will continue to centre on the brand's strategy to focus on fitness through its proprietary technology pillars, including ZigTech, RealFlex, DMX Moving Air and Pump. Reebok will invest in more significant R&D activities to support the new technology of Skyscape, and its 2014 R&D activities will also expand substantially in the area of wearable electronics.

TaylorMade-adidas Golf's development efforts will reinforce industry leadership by enhancing golfers' performance through a focus on technologies which provide improvements in low-forward weight distribution combined with lofting-up in metalwoods. Another area of key progress for TaylorMade will be delivering a new level of distance and increased control with new Speed Pocket technology in its product offering. Finally, developing more advanced balls that help increase spin and give more green side ball control for chip shots around the green will also be a key part of TaylorMade-adidas Golf's research efforts in 2014.

Rockport will focus in 2014 on further expanding and optimising its successful concepts truWalkZero, RocSportsLite, Total Motion and Seven to 7. At the same time, the brand is investing in research and development to provide an improved foot climate.

Reebok-CCM Hockey R&D efforts will focus on introducing new technologies and, at the same time, advancing existing product platforms with a focus on performance skates and sticks. Reebok-CCM Hockey will also continue its partnership with TaylorMade-adidas Golf and its university research partners.

For more information on 2014 product initiatives ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151**.

04 ⁄ **2013 product awards**

Product	Award	Category	Brand
Energy Boost running shoe	2013 International Best Debut Shoe Award / Runner's World Magazine	Running	adidas
adidas Supernova Glide Boost running shoe	2013 Editor's Choice Award / Runner's World Magazine	Running	adidas
miCoach mobile app	Gold Winner – Best Mobile App 2014 ISPO Awards / ISPO Exhibition	miCoach	adidas
miCoach Smart Run watch	CES Innovations Design and Engineering Award – Honoree / 2014 Consumer Electronics Show (CES), Las Vegas, USA	miCoach	adidas
miCoach Smart Run watch	CES Living in Digital Times Battle of the Bands – Winner / 2014 Consumer Electronics Show (CES), Las Vegas, USA	miCoach	adidas
Terrex Fast GTX outdoor shoe	Gear of the Year 2013 Award / Outside Magazine	Outdoor	adidas
Terrex Scope GTX outdoor shoe	Best Approach Shoe – OutDoor Industry Award 2013 / OutDoor Show Friedrichshafen (Germany)	Outdoor	adidas
Reebok CheckLight	CES Innovations Design and Engineering Award – Honoree / 2014 Consumer Electronics Show (CES), Las Vegas, USA	Training	Reebok
CCM Crazy Light protective gear	2013 Creative Best of Show Award – Sports Equipment / POPAI – international trade association	Protective gear	Reebok-CCM Hockey
Rockport men's footwear collection	2013 Plus Award Winner in Men's Comfort Category / Footwear Plus	Footwear	Rockport
TaylorMade SLDR drivers	Editor's Hot List Gold Award 2013 / Golf Digest	Golf	TaylorMade
Adams Golf Tight Lies fairway woods	Editor's Hot List Gold Award 2013 / Golf Digest	Golf	TaylorMade

Employees

Becoming the leader in the sporting goods industry depends upon the potential, dedication, knowledge and performance of our employees and excellence of our leaders. As such, we place considerable effort into creating a work environment that stimulates innovation, team spirit, engagement and achievement. By unlocking the talent of our workforce, we bring to life our company's strategy and drive business results.

Supporting the achievement of our Route 2015 targets

In 2013, adidas Group Human Resources continued to drive organisational strategies to facilitate the achievement of Route 2015 strategic priorities. Group HR is committed to the three workstreams "Leadership", "People" and "Capabilities" ⁄ **DIAGRAM 01**. 2014 activity will focus on embedding and activating existing programmes and concepts.

Commitment to leadership excellence

We continue to focus on elevating our leaders' strengths, in particular how leaders create the right environment for our employees to be inspired, committed and motivated.

We continue to have a strong focus on investing in the way we work and lead across our global leadership teams. Over 85 global leadership teams (700 leaders) are taking part in a "Leadership Journey". These journeys include intensive sessions of self-reflection of mindsets, and 360° feedback.

Enabling employees to reach their personal best

To reach their personal best, our Group employees are offered a wide variety of learning opportunities, building on their strengths, improving their skills and overcoming their own challenges. Our highest priority is to match individual employee aspirations with our organisational

01 ⁄ **Three strategic workstreams supporting achievement of our Route 2015 targets**

Workstreams	Objectives	For more information:
Leadership	Activate and instill leadership excellence.	Commitment to leadership excellence ⁄ **SEE P. 105**
People	Systematically promote motivation and accountability through talent and performance management.	Enabling employees to reach their personal best ⁄ **SEE P. 105** Performance-driven remuneration system ⁄ **SEE P. 107** Creating an attractive work environment ⁄ **SEE P. 108** Employee engagement measured regularly ⁄ **SEE P. 109**
Capabilities	Create the foundation for open, innovative and collaborative learning solutions.	Online communication platforms to drive employee engagement, collaboration and learning ⁄ **SEE P. 108**

needs. As such, we continue to build our integrated talent management process, incorporating performance, succession, development and learning opportunities to enable our employees to reach their potential at every stage of their career ⁄ **DIAGRAM 02**.

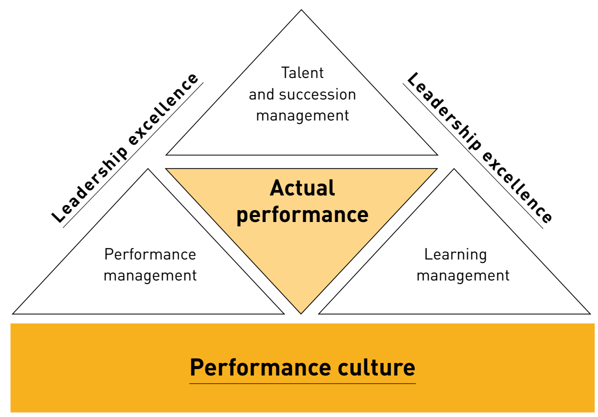
Talent management: The quality of current and future leadership within the adidas Group is key to our success. With specifically designed talent management tools, we identify employees at all management levels of our Group who have the potential to become future leaders within the organisation. In order to prepare them for more complex future roles, they participate in targeted development programmes ⁄ **DIAGRAM 03**. These comprise:

- Executive Development Programme (EDP): a global, cross-functional programme for employees who show potential for the executive level. The programme is centrally managed and executed. In 2013, we had 49 participants in this programme (2012: 49).
- Management Development Programme (MDP): a global programme which is executed regionally. This programme is tailored to employees from different functional areas and brands who show potential for director positions. In 2013, we had 89 employees participating in this programme (2012: 74).
- People Manager Development Programme (PDP): a global programme which is executed locally. The programme targets employees at a professional level who show potential to become team leads or senior managers. In 2013, 114 employees participated in this programme (2012: 121).

In addition, we offer tailored graduate programmes. The Business Management Programme (BMP), a 24-month international, cross-functional and cross-brand programme, is aimed at attracting professionals with MBA degrees and three to five years of work experience. The goal of this programme is to prepare them for future management positions within our Group. At year-end 2013, six employees were participating in the BMP globally (2012: 12).

The Functional Trainee Programme (FTP) is an 18-month programme providing graduates with an international background and excellent educational credentials the opportunity to start a functional career within the adidas Group. The programme comprises six three-month assignments in various departments. At least one of these assignments takes place abroad. At year-end 2013, we employed 57 participants in our global FTP (2012: 62).

02 ⁄ **Success drivers for our performance culture**



03 ⁄ **Development and training framework**

Our development programmes are complemented by apprenticeship and internship programmes. The adidas Group apprenticeship offers young people who want to join our Group directly out of school the opportunity to gain business experience in a three-year rotation programme. The programme includes vocational training in retail, industrial management and IT, as well as integrated study programmes. At the end of 2013, we employed 59 apprentices in Germany (2012: 56) and 62 integrated study programme students (2012: 48). Our global internship programme offers students three to six months of work experience within the adidas Group. It plays a key role in our recruiting strategy. At the end of 2013, we employed 532 interns in Germany (2012: 492).

Performance management: To further drive a high-performance culture within the adidas Group, in 2013 we rolled out our new performance management approach: The Score. The Score is our overarching concept to bring target setting, employee development and performance appraisal under one common process. While continuing to build on our key values of performance management, The Score also brings more focus, simplicity and alignment in setting team and individual targets and provides clarity for both teams and individuals about how to successfully achieve them. Each employee is evaluated and receives feedback at least twice a year, and employee development planning is further supported by the new process and system solution.

Succession management: The adidas Group succession management approach aims to ensure stability and certainty in business continuity. We achieve this through a globally consistent succession plan which covers successors for director level positions and above, including the Board positions of the Group. These positions and the respective potential successors are regularly discussed by senior management and our global HR leadership teams. The succession reviews create a clear picture of the successor readiness and outlines the necessary development actions. Based upon this information, we ensure individual development plans are in place to prepare successors for their potential next steps. We also use the successor information to create dynamic talent pools and hence have a clear understanding of the areas that need immediate or strategic action. All information is consolidated in a succession management risk analysis.

The succession management process is supported by a system solution which is applied in 91% of the adidas Group's business units and is becoming part of our Integrated Talent Management Process and System through a step-by-step implementation approach.

Performance-driven remuneration system

We are committed to rewarding our employees with compensation and benefit programmes that are competitive in the marketplace. Remuneration throughout the Group comprises fixed and variable monetary compensation, non-monetary rewards, as well as other intangible benefits. The cornerstone of our rewards programme is our Global Salary Management System, which is used as a basis for establishing and evaluating the value of employees' positions and salaries in a market-driven and performance-oriented way. In addition to a fixed base salary, we offer our employees various variable compensation components.

Bonus programme: In order to allow our employees to participate in the Group's success, and to reward them for their target achievement, we have implemented a global bonus programme. This programme combines individual performance (measured in the The Score process) and corporate performance (actual financial results measured against such targets as Group, Channel, Brand and/or Market). To further drive a high-performance culture within the adidas Group, we also implemented changes to our bonus programme as of 2013 to support alignment with business targets and put more emphasis on individual targets through the rewarding element of the bonus programme.

Profit participation programme: For employees at our Group headquarters and our other locations in Germany who do not participate in the bonus programme, we have a profit participation programme called the "Champions' Bonus".

Long-term incentive programmes: In order to encourage sustainable financial results as well as retain our top leadership, the adidas Group offers Long-Term Incentive Programmes (LTIP) for leaders and Executive Board members. We value the contributions of our leadership team and provide this compensatory benefit to encourage continued performance and commitment. Other benefits include our 401(k) retirement plans in the USA and the adidas Group pension plan for our employees in Germany. In 2013, 2,315 employees participated in the latter, which represents 48% of all eligible employees.

Our Group subsidiaries also grant a variety of benefits to employees, depending upon locally defined practices and country-specific regulations and norms.

Online communication platforms to drive employee engagement, collaboration and learning

We believe that a robust and state-of-the-art internal communication platform is essential for driving employee engagement and fostering learning and open collaboration within our organisation. For example, the Group intranet is based on blogs and wikis, allowing departments and teams to quickly build and edit their own internal communication platforms. We actively encourage employees to share knowledge, collaborate and discuss current topics. As an example, we have an "Ask the Management" platform on our intranet, enabling employees to openly address questions to our senior leaders which are then answered promptly. In 2013, we laid the foundation for a brand-new enterprise collaboration platform which will be the adidas Group's new internal global digital home. It will bring the intranet, online collaboration platforms and important system applications under one roof. The solution will be employee-centric and comes with a high degree of personalisation, empowering and connecting users across departments and locations and turning the adidas Group into a truly networked company. It will be rolled out to all headquarter locations in 2014, with subsequent integration for non-headquarter locations.

In 2013, we also launched a new Learning Management System in headquarter locations and selected key markets to streamline our classroom training registration processes and provide access and reporting around selected training activities. In 2014, the scope will be expanded to further support our Group's commitment to implement innovative learning tools and approaches.

Creating an attractive work environment

We aim to offer our employees an attractive work environment. In this context, the following aspects play a central role:

Work-life integration: We aim to harmonise the commercial interests of the adidas Group with the private and family needs of our employees. Our Work-Life Integration Programme includes flexible work time and place, people development and leadership competence related to work-life integration, as well as family-oriented services. The adidas Group is therefore focusing on programmes which give employees the option to combine their careers with private life. In addition to providing flexible working arrangements, teleworking, sabbaticals and parent/child offices, we have had a child-care facility at our company premises in Canton, USA, since 2002, and in 2013 we opened a day-care centre for 110 children at our global headquarters in Herzogenaurach, Germany. The World of Kids started with fully booked places in September 2013 and focuses on healthy nutrition and movement. It is run bilingually (English/German) and caters for children as young as three months until they are of school age.

Diverse sports activities for employees: In addition, we offer our employees a wide range of sports activities at our major sites, in which partly also their partners and family members can participate. Employees in Herzogenaurach, Portland, Canton and at other subsidiaries have access to a company gym and numerous other sports facilities. Our Company Sports department in Herzogenaurach also organises various team and individual sports activities. In 2013, the Company Sports department in Germany offered 309 courses and 41 events, which were attended by more than 6,000 participants (2012: > 4,400).

Diverse workforce key to success: As a global company, we understand that it takes people with different ideas, strengths, interests and cultural backgrounds to ensure we achieve our goals. A high degree of diversity is already represented within our workforce. At our Group's global headquarters, for example, we have employees from more than 70 nations. Our broad international employee population works in over 40 locations outside their "home" countries. As an employer who truly believes in building global career opportunities for employees, we see value in nurturing global perspectives to be more readily able to meet the needs of our global consumers.

Diversity is one of the adidas Group's four core values. We strongly believe that mixed leadership teams contribute to the strength of our company, and we are committed to bringing this to life. We have joined other DAX-30 companies in an effort to increase the proportion of women in management to between 32% and 35% by 2015 (currently: 28% worldwide). To reach this, we have over-achieved our goal to increase the proportion of women in our leadership development programmes to over 35%. The Supervisory Board of adidas AG has committed to increase the degree of female representation to at least three female members at the next election in 2014, with at least one to be on the shareholders' side ⁄ **SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 48**. Since 2012, the adidas Group has been an active member of the "Charta der Vielfalt" ("Diversity Charter") in Germany in order to share our best-practice knowledge regarding awareness of diversity and inclusion in the work environment. Our efforts to develop mixed leadership talent have become increasingly recognised, having been awarded in 2013 (for the third time) the Female Recruiting Award from the Women & Work conference in Bonn, Germany. In our newly established global internal Women Networking Group, women can support, coach and advise other women, to encourage them to go for leadership positions.

In addition, we have regular events highlighting diversity as a key topic, e.g. on the occasion of our 2013 Diversity Day, addressing topics such as "Trends for the future workplace", "Multicultural teams", "Why inclusion matters" and "LGBT inclusion@work". With our participation at the Sticks & Stones Fair in Berlin, we stepped up our support in 2013 for the LGBT community. With this initiative, the foundation was laid to build up an LGBT network in 2014, which will be driven by our employees.

04 Five attributes that make us a top employer

Sports Lifestyle
United by sports and fitness and the possibility it unlocks.

Globetrotter Careers
Our careers at this truly global player know no boundaries.

True Craftsmanship
We thrive on the challenge of constantly improving everything we do.

Tribal Membership
We work with people from all over the world and immediately accept them as part of something greater.

Originality
Authenticity comes in countless forms, and we respect and celebrate the range of our people in both what they do and how they do it.

Maintaining "employer of choice" status: Our "employer of choice" status continues to garner worldwide recognition DIAGRAM 06 and enables us to attract, retain and engage industry-leading talent.

In order to sustainably maintain this competitive advantage, we launched a worldwide, comprehensive strategy with five key pillars DIAGRAM 04. These five pillars lay the foundation for how we consistently communicate our strength as a top employer.

Employee engagement measured regularly

Against the background of our Route 2015 aspirations, we need to make sure our workforce is engaged and motivated. Only then can we ensure that we will achieve our ambitious Route 2015 targets. Our Global Human Resources department regularly carries out employee engagement surveys, in order to measure the engagement and motivation of our employees. The results of these surveys are an important non-financial KPI for our Group SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118. They enable us to develop the right focus and future people strategies across our organisation.

The adidas Group conducted its second Global Employee Engagement Survey in 2013. The comprehensive set of over 80 questions garnered valuable employee feedback related to all areas of daily work life within our organisation, and it monitors opinions about how to make our environment an even more engaging one. Results have been communicated across the Group, first by addressing our overall results and then cascading the results by business area. Globally coordinated Results to Action teams (R2A) have been formed across all departments in order to address our employees' feedback. The results of our first two global engagement surveys, conducted in 2010 and 2013, were stable

05 Key employee statistics

	2013	2012
Total number of employees	50,728	46,306
Total employees (in %)		
Male	51	50
Female	49	50
Management positions (in %)		
Male	72	72
Female	28	28
Average age of employees (in years) [1]	30	31
Average length of service (in years)	4	5
Annual training hours by employee (in hours)	18	18

1) At year-end.

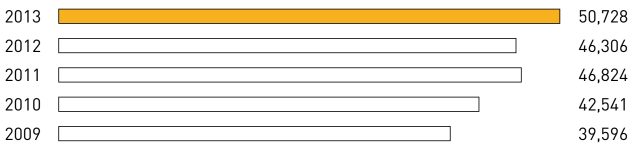
06 Awards

The Candidate Experience Award/ The Talent Board

The World's Most Attractive Employers/ Universum

Female Recruiting Award/Women & Work Fair

07 ⁄ adidas Group number of employees [1]



1) At year-end.

08 ⁄ Employees by function [1]

1 ⁄ **54%** Own retail
2 ⁄ **13%** Logistics
3 ⁄ **9%** Sales
4 ⁄ **9%** Central functions & administration
5 ⁄ **8%** Marketing
6 ⁄ **3%** Production
7 ⁄ **2%** IT
8 ⁄ **2%** Research & development

1) At year-end.

09 ⁄ Employees by region [1]

1 ⁄ **33%** European Emerging Markets
2 ⁄ **25%** North America
3 ⁄ **23%** Western Europe
4 ⁄ **9%** Other Asian Markets
5 ⁄ **7%** Latin America
6 ⁄ **3%** Greater China

1) At year-end.

at a rate comparable to the average engagement level of our provider's client database. Improvements were made in specific scores relating to performance management and learning and development opportunities. We have set ourselves ambitious targets to improve the overall engagement score in our 2015/2016 employee engagement survey.

Global employee base increases strongly

On December 31, 2013, the Group had 50,728 employees, which represents an increase of 10% versus 46,306 in the previous year ⁄ **DIAGRAM 07**. This development is primarily related to the expansion of the Group's own-retail store base, particularly in European Emerging Markets.

On a full-time equivalent basis, our Group had 43,537 employees on December 31, 2013 (2012: 40,168). Due to the high share of employees working on a part-time basis in the Retail segment, this figure is lower than the figure reported on a headcount basis ⁄ **TABLE 10**. Personnel expenses remained stable at € 1.876 billion in 2013 (2012: € 1.872 billion), representing 13% of Group sales (2012: 13%) ⁄ **SEE NOTE 31, P. 228**.

At the end of 2013, 23% of our Group's staff were employed in Western Europe (2012: 24%), 33% in European Emerging Markets (2012: 30%), 25% in North America (2012: 25%), 3% in Greater China (2012: 4%), 9% in Other Asian Markets (2012: 10%) and 7% in Latin America (2012: 7%) ⁄ **DIAGRAM 09**. As a global company with less than 11% of our employees located in Germany, we actively encourage global mobility and offer our employees the opportunity to experience international assignments. To support adidas Group professionals and their families moving to new living and working environments, we provide, among other services, relevant language and cultural training as well as relocation assistance.

10 ⁄ Number of employees [1]

	2013		2012	
	Employees [2]	Full-time equivalents [3]	Employees [2]	Full-time equivalents [3]
Own retail	27,702	21,982	24,424	19,560
Sales	4,566	4,374	4,853	4,667
Logistics	6,440	5,702	5,430	4,908
Marketing	3,882	3,739	3,851	3,715
Central functions and administration	4,563	4,298	4,018	3,804
Production	1,501	1,437	1,694	1,549
Research & development	1,022	977	1,035	994
IT	1,052	1,028	1,001	970
Total	**50,728**	**43,537**	**46,306**	**40,168**

1) At year-end.
2) Number of employees on a headcount basis.
3) Number of employees on a full-time equivalent basis. Due to the high share of part-time employees in our Retail segment, this figure is lower than the number of employees counted on a headcount basis.

Sustainability

The adidas Group is responsible and accountable for developing and implementing sustainable business practices that adhere to our operational needs as well as our social and environmental obligations. As a consequence, we continuously engage with our various stakeholders in a collaborative way with the goal of enhancing the social and environmental performance of the Group. We believe that acting as a good corporate citizen will improve our reputation and hence our economic value.

Engaging with a variety of stakeholders

At the adidas Group, we openly engage with numerous stakeholders, involving them in key social and environmental decisions that shape day-to-day operations. Through active participation in, for example, the Better Cotton Initiative, the Sustainable Apparel Coalition, the Leather Working Group and the AFIRM Working Group, we work closely with leading companies from a variety of sectors to develop sustainable business approaches and to debate social and environmental topics on a global level. This is also supported by our membership in organisations such as the World Federation of the Sporting Goods Industry (WFSGI), the Fair Factories Clearinghouse (FFC) and the Fair Labor Association (FLA). In addition, we build awareness, capacity and knowledge of laws and rights among factory management and workers by partnering with leading providers such as the EHS Academy in China and Better Work. For example, inspired by a Better Work initiative, we launched a strategic, industry-wide project to improve communication between factory management and workers in our supply chain.

We recognise that open and honest communication enhances the transparency of our business and demonstrates our commitment to being accountable. Since 2007, the adidas Group has disclosed its global supplier factory list on the corporate website. In 2013, we disclosed the list of factories manufacturing 2014 FIFA World Cup Brazil products. The same was done for the 2010 FIFA World Cup South Africa as well as for the London 2012 Olympic Games, when the adidas Group became the first Olympic partner to disclose its supply chain for the Olympic Games. With our regular sustainability reports, we publicly report back on our achievements and openly communicate where we have met targets and when we have fallen short.

More information online

More information on the following topics is available on our website at
:⁄⁄ **WWW.ADIDAS-GROUP.COM/EN**

- Our Group's sustainability approach
- Supply chain management
- Stakeholder engagement
- Products and sustainability
- Reporting and performance data
- Our Group's environmental approach

Workplace Standards set rules in the supply chain

We have a responsibility to our employees and the workers in our suppliers' factories as well as the environment. Malpractice in these areas, in particular human rights violations and dubious employment practices, can have a significant impact on the reputation and operational efficiency of our Group and our suppliers. Therefore, covering labour rights, health and safety, and environmental protection at our own sites and our suppliers' factories is of the highest importance to us. We have defined rules and standards embedding our own corporate values as well as those that society expects of global businesses. These standards follow International Labour Organization (ILO) and United Nations conventions relating to human rights and employment practices, as well as the WFSGI model code of conduct. We have condensed our rules into a supplier code of conduct that we call our "Workplace Standards". These Standards help us select manufacturing partners and serve as guiding principles in the early identification and treatment of potential issues of concern at our suppliers' sites.

To illustrate how suppliers should implement our Standards, we have created a set of detailed guidelines for use in factory settings, which demonstrate our expectations for fair, healthy, safe workplace conditions and environmentally sound factory operations. The guidelines are updated on a regular basis by our Social and Environmental Affairs (SEA) team and are publicly available. They are also used to determine suppliers' compliance with our Standards and to advise and train our suppliers in improving their social and environmental performance.

Careful supplier selection

To improve working conditions throughout our supply chain, Global Operations works closely with our SEA team on supplier selection. The SEA team assesses all potential new suppliers, and orders can only be placed with a new supplier if SEA approval has been granted.

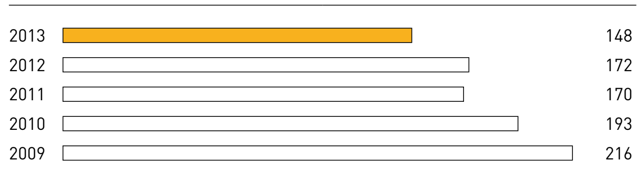
Encouraging self-governance

We help our core business partners in establishing management systems with internationally recognised standards such as ISO 14001 for environmental management or OHSAS 18000 for health and safety management systems as we believe good management systems help factories improve their day-to-day operations and support the process of self-governance. By running a certified management system, our suppliers demonstrate commitment to continuously enhancing their performance. We help them build and improve human resources systems to maintain proper working conditions, including factory grievance systems to routinely find and fix non-compliance issues. Furthermore, by enforcing employment standards at the sites of our manufacturing suppliers, we empower workers to protect their own rights and take an active role in decision-making.

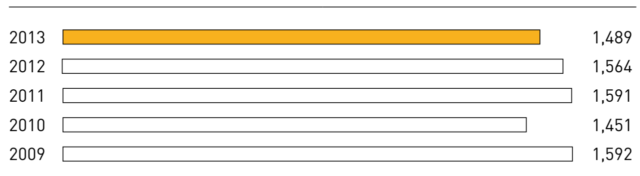
Training to achieve sustainable compliance

As part of the adidas Group's continuous efforts to achieve more effective and sustainable practices within its supply chain, the Group has initiated a system of multi-level and cross-functional training sessions together with its global supplier network. Our SEA team offers specific training courses and workshops for factory supervisors and managers to help them apply our Standards and implement best practices. These workshops include, for example, introductory training on our Workplace Standards and SEA operating guidelines as well as detailed training on effective health, safety and environmental practices. Furthermore, we promote the establishment of structures that actively involve workers and management of our suppliers, as well as local employee associations and non-governmental organisations (NGOs). In order to strengthen personnel capacities throughout our company, our SEA team also organises workshops for licensees, agents and adidas Group business entities. In this way, the consideration of acceptable working conditions becomes a routine part of our business activities. In 2013, the SEA team conducted 148 training sessions and workshops (2012: 172) ⁄ **DIAGRAM 01**.

01 ⁄ **Number of trainings**



02 ⁄ **Number of factory visits**



Monitoring and rating our factories

The SEA team assesses compliance with the Workplace Standards by means of factory inspections. Our auditors check performance against a customised risk list for each factory that is monitored. The methodology is linked to a factory rating which measures the effectiveness of compliance systems and the work of their administrators. A KPI rating tool helps us evaluate six fundamental elements of social compliance covering management commitment, the quality of management systems in place, worker-management communication, training delivered, transparent reporting and measurement of compliance activities. According to the results, suppliers are assessed with a compliance rating (C rating) score between 1 and 5 (with 5 being the best rating) ⁄ **TABLE 03**. The latest results show that, in 2012, 58% of our direct suppliers achieved a 3C (good) or better rating (2011: 39%).

Our target for 2015 is to have 60% of our direct suppliers meet a 3C (good) rating or better under our social compliance KPI rating. With this approach we encourage our suppliers to take responsibility for their own performance including reporting of key social and health and safety indicators. These ratings are an important non-financial KPI for our Group ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118**. They also enable us to precisely determine training needs at our suppliers' factories. During 2013, we conducted 1,489 factory visits (2012: 1,564 visits) involving management and worker interviews, document reviews, facility inspections and training sessions at different levels in our supply chain ⁄ **DIAGRAM 02**.

03 Compliance ratings

Grade	KPI score band	Performance description
1C	0 – 29%	There are numerous severe non-compliance issues and no compliance management and compliance practices in place. The factory has been given notice that business will be terminated unless there is immediate improvement.
2C	30 – 59%	There are some non-compliance issues and no compliance management systems. However, there are some effective compliance practices being delivered.
3C	60 – 79%	There are minor non-compliance issues. The factory has compliance management systems and some effective compliance practices in place.
4C	80 – 89%	Generally, there are no non-compliance issues. The factory has compliance management systems in place, and most of the components are effective.
5C	90 – 100%	There are no non-compliance issues and all of the factory's management systems and practices are well delivered and effective.

In addition to our own monitoring activities, we value independent and unannounced assessment by third parties to demonstrate the credibility of and provide verified information about our programme to stakeholders. As a member of the Fair Labor Association (FLA), the adidas Group is subject to external assessment by independent monitors, participation in the FLA third-party complaint system and public reporting. In 2005, the monitoring programme of the adidas Group was accredited by the FLA for the first time; re-accreditation took place in 2008. This decision was based on independent factory monitoring and verification reports of supplier facilities and a thorough audit of monitoring protocols, training programmes and auditing systems. Since joining the FLA, more than 300 independent assessments have been conducted at adidas Group suppliers.

Warning-letter system to enforce compliance

Where a manufacturing supplier is performing poorly in terms of Workplace Standards compliance, we work closely with them to find solutions. However, when we find ongoing and serious instances of non-compliance as well as a lack of commitment from factory management to address the issues, we send out a formal warning letter including a notification to factory management that their business relationship with the adidas Group is in jeopardy. Overall, three warning letters result in a termination. In 2013, we terminated our business relationship with 9 suppliers for compliance reasons (2012: 10 terminations).

Strategic approach to driving environmental progress and tackling climate change

Tackling climate change poses a number of challenges for the adidas Group and its manufacturing partners. As a result of an analysis of our environmental impacts in different areas of operation, we have put our Environmental Strategy in place, which is targeted to substantially improve our environmental footprint. It follows a clear vision and sets specific targets to be reached by 2015. These targets cover corporate and brand-related processes – reaching from product design and creation to sourcing and manufacturing through to our stores and all other points of sale. The focus is on energy resources, water conservation and discharge, waste and chemicals, and on becoming more thoughtful and efficient in using resources as well as helping reduce operational costs. Our approach is to manage environmental issues as an integral part of our daily operations, positively contributing to the adidas Group's overall business performance. More details on our Environmental Strategy can be found on our website at :// **WWW.ADIDAS-GROUP.COM/EN/SUSTAINABILITY/PLANET/ENVIRONMENTAL-APPROACH**.

Improving our environmental footprint at own sites

An important part of our Group's Environmental Strategy is the Green Company initiative, which targets reducing the environmental footprint of our own sites. The initiative provides a supporting framework, guidance and communication platform for all Group entities.

We have set Group-wide and site-specific 2015 targets related to carbon emissions, savings in energy, water and paper consumption as well as sourcing green energy. One of the key goals within the Green Company initiative is to operate certified environmental management systems at major sites of the adidas Group. Overall, by 2015, we aim to reduce the relative carbon emissions at our own sites by 30%. By the end of 2013, 12 major sites of the adidas Group had certified environmental management systems in place. Around 20% of the adidas Group's workforce is located at these sites. Read more about the Green Company programme and our performance achievements on our website at :// **WWW.ADIDAS-GROUP.COM/EN/SUSTAINABILITY/PLANET/GREEN-COMPANY**.

Sustainable materials

One key goal of our Environmental Strategy is to reduce the overall environmental impact of materials used in our products. We aim to find materials that reduce waste or have less of an impact throughout their whole life cycle. The adidas Group has various initiatives in place that help to achieve its goal to increase the usage of recycled and sustainable materials.

One example is our commitment to use 100% "sustainable cotton" (Better Cotton, certified organic cotton or any other form of sustainably produced cotton that is currently available or might be in future) in all our products by 2018. More information about sustainable cotton can be found on our website at :⁄⁄ **WWW.ADIDAS-GROUP.COM/EN/SUSTAINABILITY/PRODUCTS/MATERIALS**.

Another initiative is the adidas brand's sustainable product programme "Better Place", which creates sustainable products within the adidas Sport Performance and Originals & Sport Style ranges. The product creation process includes the utilisation of sustainable materials, environmental design and innovative manufacturing techniques. The first adidas "Better Place" products were introduced globally in 2009 in response to increasing consumer demand for sustainable apparel and footwear. These products have been a part of the adidas brand product offering ever since.

The number of adidas products that either reached or exceeded the baseline "Better Place" criteria has grown continuously in recent years. This growth is supported by ongoing innovation in the area of sustainable product construction and manufacturing techniques, such as the revolutionary DryDye technology or the low-waste initiative. DryDye is a polyester fabric dyeing process that uses no water, 50% fewer chemicals and 50% less energy than the traditional fabric dyeing process. The low-waste initiative produces footwear and sports apparel with fewer parts, recycled materials and maximum pattern efficiency, aiming to reduce material waste.

Furthermore, at the adidas Group, we now increasingly use virtual technologies to reduce the quantity of physical samples required to design and sell new products. Virtualising processes saves energy and materials, and reduces waste. As well as being innovative, virtualisation is also quick and efficient. It helps us save resources and money by reducing material waste, transportation and distribution costs. And with fewer samples being transported by airfreight, we are also reducing our carbon emissions.

In 2013, we focused on increasing the use of sustainable materials such as recycled polyester, organic and Better Cotton and bio-based materials in our products. These environmentally preferred materials have replaced conventional materials in many of our footwear and apparel products. In addition to increasing the use of environmentally preferred materials, we strive to continuously increase the range of more sustainable products by developing sustainable product solutions and using innovative materials.

Driving environmental improvements in our supply chain

In our supply chain, activities focus on helping suppliers establish sound environmental management systems at their manufacturing plants to best reduce their negative environmental impacts. We have guidelines and training programmes in place for our suppliers, using the environmental performance of our own production sites as best practice examples.

The majority of our footwear sourcing volume is produced in factories which are OHSAS 18000 and/or ISO 14001 certified. The remaining part of our footwear sourcing volume is produced in factories that have management systems in place but have not yet been certified. All footwear factories are regularly assessed against the adidas Group's standards on environment and workplace health and safety. We use "Environmental Key Performance Indicators" to track the progress of environmental efforts undertaken by our strategic suppliers. Furthermore, we have established a database to collect environmental data from the factories of our core suppliers. A range of other activities have been implemented to reduce our carbon footprint in the supply and distribution chain. Examples of these are in the areas of transportation and energy use. In the transportation of our products, our policy is to minimise the impacts, in particular from airfreight shipments, through improved order and production planning tools.

Control and monitoring of restricted substances

We have specified clear standards that follow the strictest local regulations and best practice standards for consumer care and safety. These standards are mandatory for all business partners and are updated regularly based on findings in our ongoing dialogue with scientific organisations. They cover all general requirements for eco-labels and green seals (e.g. ÖKO-Tex Standard 100, Toxproof TÜV Rheinland, etc.) for footwear, apparel and hardware products. Both our own quality assurance laboratories and external testing institutes are used to constantly monitor material samples to ensure supplier compliance with these requirements. Materials that do not meet our standards and specifications are rejected.

Furthermore, it is the adidas Group's goal to work with suppliers and the chemical industry on reducing and eliminating the discharge of hazardous chemicals in our sphere of influence as far as possible. Besides our mature policies that ban or restrict chemicals in our products, we have also specified substances that cannot be used during the manufacturing process because they can affect workers' health.

Reducing VOC emissions

Volatile Organic Compounds (VOCs), which are typically found in solvents used in our manufacturing process, can, in a high concentration, cause breathing difficulties and other health problems for production workers. Therefore, for more than a decade, we have been requesting our footwear suppliers to significantly reduce the use of VOCs in their manufacturing.

By applying innovative and environmentally sound bonding and priming technologies and following the adidas Group's guidelines on the use of chemicals, it has been possible for our athletic footwear suppliers to reduce the use of VOCs from well above 100 grams per pair down to less than 20 grams.

Strong sustainability track record reflected in index memberships

Interest from the financial community in sustainability management is steadily increasing. We appreciate positive recognition from international institutions and rating agencies, NGOs and socially responsible investment (SRI) analysts. Each year, we respond to numerous enquiries from socially responsible investors, fund managers and financial analysts. They evaluate our efforts through in-depth analysis of our sustainability programme, including document review as well as interviews with employees and management. As a result, adidas AG has been included in a variety of high-profile sustainability indices **ADIDAS AG IN SUSTAINABILITY INDICES**. For the 14th consecutive time, in 2013, adidas AG was selected to join the Dow Jones Sustainability Indexes (DJSI), the world's first global sustainability index family tracking the performance of the leading sustainability-driven companies worldwide. In the category "Clothing, Accessories & Footwear", adidas AG was rated as industry leader in sustainability issues and corporate responsibility for the tenth time.

adidas AG in sustainability indices

- Dow Jones Sustainability Index World
- Dow Jones Sustainability Index Europe
- FTSE4Good Europe
- Euronext Vigeo Eurozone 120
- Euronext Vigeo Europe 120
- Euronext Vigeo World 120
- Ethibel Sustainability Index Excellence Europe
- ECPI Euro Ethical Index
- ECPI EMU Ethical Index
- STOXX Global ESG Leaders

For more information **SEE OUR SHARE, P. 58.**

miCoach
Smart Run

PAUL GAUDIO
ADIDAS / INTERACTIVE
HERZOGENAURACH,
GERMANY

FOR THE LOVE OF SPORT

"Hi, my name is Paul and I am privileged to be part of the team that recently launched the most innovative wrist-based running device on the market – miCoach Smart Run. Clean and simple, the miCoach Smart Run tracks everything a runner wants from the user's wrist, including their heart rate, removing the necessity of chest straps. And it also delivers an advanced and intuitive blend of coaching and performance data, designed to help runners maximise their training every time they lace up their shoes."

For the love of sport.

03

FINANCIAL REVIEW

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT:
This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

Internal Group Management System

The principal financial goal for increasing shareholder value at the adidas Group is maximising operating cash flow. We strive to achieve this goal by continually improving our top- and bottom-line performance while at the same time optimising the use of invested capital. Our Group's planning and controlling system is therefore designed to provide a variety of tools to assess our current performance and to align future strategic and investment decisions to best utilise commercial and organisational opportunities.

Operating cash flow as Internal Group Management focus

We believe operating cash flow is the most important driver to increase shareholder value. Operating cash flow is comprised of operating profit, change in operating working capital and net investments (capital expenditure less depreciation and amortisation) ⁄ **DIAGRAM 01**. To maximise operating cash flow generation across our organisation, management of our operating segments together with management at market level have responsibility for improving operating profit as well as optimising operating working capital and capital expenditure. To keep senior management focused on long-term performance improvements, we have adopted a modified economic value added (EVA) model. The net asset base of a market or operating unit within the Group is subject to a percentage capital charge to the operating profit of the respective business unit. The asset base includes operating working capital as well as other assets needed by a market or operating unit in its day-to-day operations. The resulting internal KPI is called Contribution After Capital Charge (CACC) and is used as one of the primary targets for the variable component of managers' compensation. This concept has been in place Group-wide since 2010.

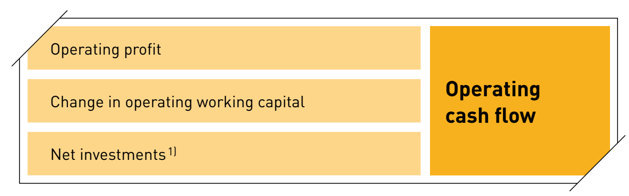
Operating margin as important KPI of operational progress

Operating margin (defined as operating profit as a percentage of net sales) is our Group's key focus measure to drive and improve our operational performance. It highlights the quality of our top line and operational efficiency. The primary drivers central to enhancing operating margin are as follows:

⁄ **Sales and gross margin development:** Management focuses on identifying and exploiting opportunities that not only provide for future growth, but also have potential to increase gross margin (defined as gross profit as a percentage of net sales). Major levers for enhancing our Group's sales and gross margin include:

- Optimising our product mix.
- Minimising clearance activities.
- Increasing the quality of distribution, with a particular focus on controlled space.
- Over-proportionate growth in emerging markets.
- Realising supply chain efficiency initiatives.

01 ⁄ **Operating cash flow components**



1) Capital expenditure less depreciation and amortisation.

⁄ **Operating expense control:** We put high emphasis on tightly controlling operating expenses to leverage the Group's sales growth through to the bottom line. This requires a particular focus on ensuring flexibility in the Group's cost base. Marketing working budget is one of our largest operating expenses and also one of the most important mechanisms for driving top-line growth sustainably. Therefore, we are committed to improving the utilisation of our marketing expenditure. This includes concentrating our communication efforts (including advertising, public relations and digital media) on key global brand initiatives and focusing our promotion spend on well-selected partnerships with top events, leagues, clubs and athletes.

We also aim to increase operational efficiency and reduce operating overhead expenses as a percentage of sales. In this respect, we regularly review our operational structure – streamlining business processes, eliminating redundancies and leveraging the scale of our organisation. These measures may also be supplemented by short-term initiatives such as temporarily curtailing operational investments, for example staff hiring.

Furthermore, we carefully analyse the different mix effects which impact the Group's profit ratios, as our business performance differs significantly across geographical markets, business models and channels. The strategic implications and decisions taken in this respect are a key element of our strategic planning efforts, ensuring clarity and focus of the organisation to maximise the Group's operating margin.

Optimisation of non-operating components

Our Group also puts a high priority on the optimisation of non-operating components such as financial result and taxes, as these items strongly impact the Group's cash outflows and therefore the Group's free cash flow. Financial expenses are managed centrally by our Group Treasury department ⁄ SEE TREASURY, P. 135. The Group's current and future tax expenditure is optimised globally by our Group Taxes department.

Tight operating working capital management

Due to a comparatively low level of fixed assets required in our business, the efficiency of the Group's balance sheet depends to a large degree on our operating working capital management. Our key metric is operating working capital as a percentage of net sales. Monitoring the development of this key metric facilitates the measurement of our progress in improving the efficiency of our business cycle. We have significantly enhanced operating working capital management over recent years through improvement of the Group's inventories, accounts receivable and accounts payable.

We strive to proactively manage our inventory levels to meet market demand and ensure fast replenishment. Inventory ageing is controlled tightly to reduce inventory obsolescence and to minimise clearance activities. As a result, stock turn development is the key performance indicator as it measures the number of times average inventory is sold during a year, highlighting the efficiency of capital locked up in products. To optimise capital tied up in accounts receivable, we strive to improve collection efforts in order to reduce the Days of Sales Outstanding (DSO) and improve the ageing of accounts receivable. Likewise, we strive to optimise payment terms with our suppliers to best manage our accounts payable.

Capital expenditure targeted to maximise future returns

Improving the effectiveness of the Group's capital expenditure is another lever to maximise our operating cash flow. We control capital expenditure with a top-down, bottom-up approach. In a first step, Group management defines focus areas and an overall investment budget based on investment requests from various functions of the organisation. Our operating units then align their initiatives within the scope of assigned priorities and available budget. We evaluate potential return on planned investments utilising the net present value method. Risk is accounted for, adding a risk premium to the cost of capital and thus reducing our estimated future earnings streams where appropriate. By means of scenario planning, the sensitivity of investment returns is tested against changes in initial assumptions. For large investment projects, timelines and deviations versus budget are monitored on a monthly basis throughout the course of the project.

The final step of optimising return on investments is our selective post-mortem reviews, where larger projects in particular are evaluated and learnings are documented to be available for future capital expenditure decisions.

M&A activities focus on long-term value creation potential

We see the vast majority of the Group's future growth opportunities coming from our existing portfolio of brands. However, as part of our commitment to ensuring sustainable profitable development, we regularly review merger and acquisition (M&A) options that may provide additional commercial and operational opportunities. Acquisitive growth focus is primarily related to improving the Group's positioning within a certain sports category, strengthening our technology portfolio or addressing new consumer segments.

Any potential acquisition candidate must correspond with the Group's strategic direction. Maximising return on invested capital above the cost of capital in the long term is a core consideration in our decision-making process. Of particular importance is evaluating the potential impact on our Group's free cash flow. We assess current and future projected key financial metrics to evaluate a target's operating profit potential. In addition, careful consideration is given to potential financing needs and their impact on the Group's financial leverage.

Cost of capital metric used to measure investment potential

Creating value for our shareholders by earning a return on invested capital above the cost of that capital is a guiding principle of our Group strategy. We source capital from equity and debt markets. Therefore, we have a responsibility that our return on capital meets the expectations of both equity shareholders and creditors. We calculate the cost of capital utilising the weighted average cost of capital (WACC) formula. This metric allows us to calculate the minimum required financial returns of planned capital investments. The cost of equity is computed utilising the risk-free rate, market risk premium and beta factor. Cost of debt is calculated using the risk-free rate, credit spread and average tax rate.

Non-financial key performance indicators (KPIs)

In addition to the Group's financial KPIs to assess the current performance and operational success of the adidas Group, we have identified a set of non-financial KPIs that help us track our progress in areas that are critical for our long-term success but are, however, not directly reflected in the Group's financial statements. These non-financial KPIs are assessed on a regular basis and managed by the respective Group functions. Key non-financial KPIs include market share and consumer insight tracking, our customer delivery performance (On-Time In-Full), our employee engagement and a set of KPIs in the area of our sustainability performance.

Market share: Maintaining and enhancing brand image and reputation through the creation of strong brand identities is crucial for sustaining and driving revenue and profit growth. It is also an important credential as we extend our brands into new categories and regions. Therefore, mainly on a market and category level, we invest in primary qualitative and quantitative research such as trend scouting, consumer surveys and market share data to determine brand and category strength. Measures that are regularly tracked include market shares, brand awareness, likeability and purchase intent. These efforts are supported by global market research and consumer insight teams SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK, P. 180.

Backlogs and sell-through data: To manage demand planning and anticipate our future performance, backlogs comprising orders received up to nine months in advance of the actual sale are used as a key indicator. However, due to the growing share of own retail in our business mix as well as fluctuating order patterns among our wholesale partners, our order books are less indicative of anticipated revenues compared to the past. Therefore, qualitative feedback from our retail partners on the sell-through success of our collections at the point of sale as well as data received from our own-retail activities are becoming even more important SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151.

On-Time In-Full (OTIF): "On-Time In-Full" (OTIF) measures the adidas Group delivery performance towards customers (Wholesale) and our own-retail stores. Managed by our Global Operations function, OTIF assesses to what degree customers received what they ordered and if they received it on time. It helps our Group to investigate improvement potential in the area of order book management and logistics processes. It therefore also helps us to improve our delivery performance, which is a major aspect when it comes to customer satisfaction. The OTIF assessment covers both the adidas and Reebok brands for our two biggest channels, Wholesale and Retail, in most of our key markets SEE GLOBAL OPERATIONS, P. 94.

Employee engagement: The adidas Group regularly carries out employee engagement surveys to measure the level of engagement and motivation of all our employees. The survey aims to provide key insight into how well as a company and as leaders we are doing in engaging our employees. It thus enables us to develop the right focus and future people strategies across our organisation. In 2013, the adidas Group conducted its second global Employee Engagement Survey, gathering responses from over 40,000 employees. This represents a participation rate of 85% SEE EMPLOYEES, P. 105.

02 Key financial metrics

Gross margin	=	$\frac{\text{Gross profit}}{\text{Net sales}} \times 100$
Operating margin	=	$\frac{\text{Operating profit}}{\text{Net sales}} \times 100$
Average operating working capital	=	$\frac{\text{Sum of operating working capital at quarter-end}}{4}$
Operating working capital in % of net sales	=	$\frac{\text{Average operating working capital}}{\text{Net sales}} \times 100$
Capital expenditure [1]	=	Additions of property, plant and equipment plus intangible assets
Net cash/Net borrowings	=	Cash and cash equivalents + short-term financial assets – short-term borrowings – long-term borrowings

1) Excluding acquisitions and finance leases.

Sustainability performance: We have a strong commitment to enhance the social and environmental performance of our Group. By doing so, we firmly believe we will not only improve the Group's overall reputation, but also increase our economic value. We have therefore implemented a comprehensive sustainability programme SEE SUSTAINABILITY, P. 111 under which we regularly review our performance. We closely monitor our 2015 sustainability targets and have set ourselves clear milestones for each year. A key focus lies on monitoring and rating our factories with regard to compliance with our Workplace Standards and rating the effectiveness of compliance systems. A KPI rating tool helps us evaluate six fundamental elements of social compliance. The results of these ratings are an important non-financial KPI for our Group SEE SUSTAINABILITY, P. 111. We have a strong track record in sustainability reporting, with our Sustainability Progress Report being an integral part of this. All our social and environmental publications, which include more details and additional data, are provided on our corporate website at :// WWW.ADIDAS-GROUP.COM/EN/SUSTAINABILITY/REPORTING-POLICIES-AND-DATA/SUSTAINABILITY-REPORTS.

Structured performance measurement system

We have developed an extensive performance measurement system, which utilises a variety of tools to measure the performance of the adidas Group. The Group's key financial metrics are monitored and compared against budget as well as a rolling forecast on a monthly basis. The focus is on operating cash flow, CACC, net sales, operating margin, operating working capital and net cash development DIAGRAM 02. When negative deviations exist between actual and target numbers, we perform a detailed analysis to identify and address the cause. If necessary, action plans are implemented to optimise the development of the Group's operating performance. We also benchmark the Group's financial results with those of our major competitors on a regular basis. To assess current sales and profitability development, management analyses sell-through information from our own-retail activities as well as short-term replenishment orders from retailers.

Taking into account year-to-date performance as well as opportunities and risks, the Group's full year financial performance is forecasted on a quarterly basis. In this respect, backlogs, sell-through data, feedback from own-retail stores and retail partners are assessed as available. Finally, as a further early indicator for future performance, the results of any relevant recent market and consumer research are assessed as available.

To ensure an effective performance measurement process at all times, in 2012 we introduced a new Group-wide management reporting system, enabling automated and standardised management reporting, thereby combining backward- and forward-looking information from different data sources. Having laid the foundation in 2012, the core system implementation started in 2013. The platform is used as a major reference point on a global level, across all markets, functions and brands. It consolidates and harmonises different reporting tools and systems within the adidas Group and enables fact-based decision-making on a senior management level. In 2014, the new reporting system will see further enhancement, with additional data sources and functionalities being added.

Enhanced integrated business planning and management approach

In order to further optimise profitability and working capital efficiency as well as operating cash flow development, in 2013 we continued the Group-wide Integrated Business Planning initiative (IBP). This initiative focuses on developing and forming an enhanced forecasting approach by aligning processes and timelines of major business functions such as marketing, sales and operations at a market and global level. The centre-point of this approach is to improve the reliability of future business planning, leading to a new efficiency level of order book building and conversion. This, in turn, is expected to lead to improving full-margin business.

The whole process is set up in a rhythm and timeframe to facilitate full cross-functional alignment and forecasting clarity in advance of important business decision processes – in particular those related to product pricing, range building, material purchasing or production capacity fixing. To create a seamless flow between achieving our strategic objectives and implementing operational plans, we follow a rolling two-year time horizon. This ensures more focus on the mid-term perspective, while at the same time highlighting relevant information around short-term business events and volatilities. All target-setting is fully embedded into the integrated planning process and communicated in advance of all relevant business milestones. While the process roll-out was successfully finalised in 2012, 2013 saw important system changes and data restructuring, initiated to make the approach sustainable and integrated in the Group's overall value chain. With the start of 2014, transparency on the effectiveness of IBP will increase, as specific KPIs with a direct link to business performance have been identified and are being monitored.

03 Best-practice planning process

Group Business Performance

In 2013, the adidas Group delivered a solid financial performance, despite macroeconomic challenges in many regions, especially Western Europe. Currency-neutral Group sales increased 3% as a result of growth in Retail and Other Businesses. In euro terms, adidas Group revenues decreased 3% to € 14.492 billion from € 14.883 billion in 2012. The Group's gross margin increased 1.5 percentage points to 49.3% (2012: 47.7%), driven by the positive impact from a more favourable pricing, product and regional sales mix as well as a larger share of higher-margin Retail sales. The Group's gross profit rose 1% to € 7.140 billion in 2013 versus € 7.103 billion in 2012. In 2013, the adidas Group incurred goodwill impairment losses of € 52 million (2012: € 265 million). These one-off expenses were non-cash in nature and did not affect the adidas Group's liquidity. Excluding goodwill impairment losses, the Group's operating profit grew 6% to € 1.254 billion compared to € 1.185 billion in 2012, representing an operating margin of 8.7%, up 0.7 percentage points. This was primarily due to the increase in gross margin, which more than offset the negative effect from higher other operating expenses as a percentage of sales. Net income attributable to shareholders excluding goodwill impairment losses was up 6% to € 839 million (2012: € 791 million). Basic and diluted earnings per share excluding goodwill impairment losses grew 6% to € 4.01 from € 3.78 in 2012.

Economic and Sector Development

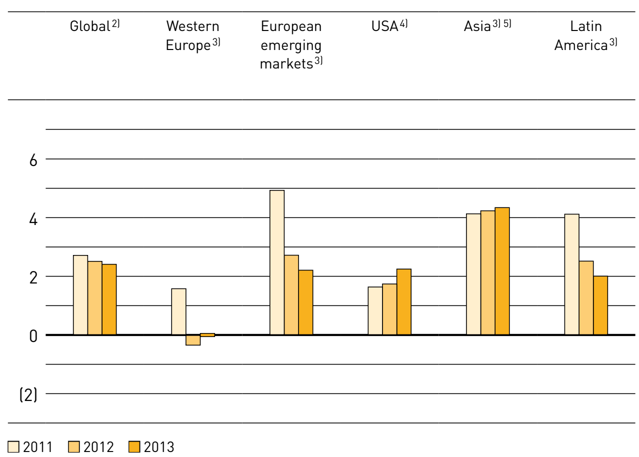
Global economy expands 2.4% in 2013

In 2013, according to the World Bank, global GDP growth moderated slightly to 2.4%, compared to 2.5% in the prior year. The emerging markets outperformed developed economies, growing 4.8% and 1.3%, respectively. Relatively stable inflationary pressures and increases in real disposable incomes supported consumption and GDP growth, particularly in many emerging markets, albeit at a slightly lower rate than that seen in previous years. Despite improvements in economic activity and sentiment, many developed markets continued to face economic challenges in 2013, particularly in the euro area, where low growth and even recession in many mature economies remained as significant negative pressure for the global economy.

In Western Europe, GDP growth was flat in 2013, which was an improvement from the contraction of 0.3% in the prior year. This reflects the overall stabilisation of the region. However, within the region, the euro area remained in recession, with some of the union's major economies, such as Italy and Spain, contracting in 2013. This was largely due to high unemployment levels and austerity measures inhibiting investment, spending and confidence. These developments offset modest growth in the euro area's largest economies, Germany and France, where a recovery in consumer demand and spending helped drive moderate growth.

European emerging markets recorded positive GDP growth of around 2.2%, albeit at lower levels than in recent years (2012: 2.7%). This was fuelled by robust industrial and export activity in most of the region's markets. Russia, the world's largest energy exporter, was negatively impacted by lower growth in global demand for oil and natural gas, as well as relatively high inflationary pressures which resulted in a deceleration in consumer and investment spending.

01 ⁄ **Regional GDP development[1)]** (in %)



1) Real, percentage change versus prior year;
2011 and 2012 figures restated compared to prior year.
2) Source: World Bank.
3) Source: HSBC.
4) Source: U.S. Federal Reserve.
5) Asia also includes Japan and Area Pacific.

The US economy grew modestly in 2013, with GDP, according to the Federal Reserve, expanding 2.3% compared to 1.8% in 2012. Low inflation and a recovery in the real estate market helped drive consumer confidence and spending, particularly in the second half of the year. Additionally, robust export and industrial activity contributed positively to economic growth. However, sizeable austerity measures, higher federal taxes and disruptions from the partial shutdown of many federal agencies adversely impacted growth.

Asia recorded positive GDP growth of around 4.3% (2012: 4.2%). Excluding Japan, most Asian markets continued to post the highest global GDP growth rates, increasing 6.0% (2012: 6.0%). China was the region's top-performing economy, expanding its GDP by 7.7% (2012: 7.7%), with steady momentum in its manufacturing and service sectors. This compared to growth of 1.7% in Japan, where, despite a slight slowdown in the third quarter, the economy continued to rebound. This was fuelled by a substantial government stimulus programme and the relatively low value of the yen, which assisted a recovery in export activity. Most other Asian economies also posted healthy GDP growth, with strong wage increases across most of the region helping to drive domestic demand.

In Latin America, GDP increased 2.0% (2012: 2.5%), with growth supported by low unemployment rates, credit incentives, a recovery in industrial production and solid domestic consumption, albeit weaker than in recent years. Investment in the urban infrastructure in preparation for the 2014 FIFA World Cup also fuelled activity in Brazil. However, increases in inflation, particularly in Argentina, negatively impacted economic expansion.

Positive momentum in the global sporting goods industry

In 2013, the global sporting goods industry recorded solid growth, primarily driven by rising consumer spending in the emerging markets, which more than offset subdued private spending in many Western European markets. The e-commerce channel continued to see rapid expansion across the industry, with a wide diversity of strategies being implemented to leverage commercial opportunities through digital, social media and, particularly, mobile technologies. The industry also witnessed a large number of fitness-tracking devices and fitness mobile apps coming to the market during the year. From a category perspective, basketball remained strong, with both performance and lifestyle performing well. Running posted a solid performance, with lightweight and technical running continuing to record strong growth. However, sales trends in the lifestyle running category were low. The build-up to the 2014 FIFA World Cup supported the football category, especially towards year-end. The outdoor category, in both footwear and apparel, faced some headwinds at retail during the year.

02 ⁄ Quarterly unemployment rate by region

(in % of total active population)

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
USA [1]	7.8	7.7	7.5	7.3	7.0
Euro area [2]	11.9	12.0	12.1	12.1	12.0
Japan [3]	4.3	4.1	3.9	4.0	3.7
China [4]	4.1	4.1	4.1	4.0	4.0
Russia [5]	5.1	5.7	5.4	5.3	5.6
Brazil [6]	4.6	5.7	6.0	5.4	4.3

1) Source: US Bureau of Labor Statistics.
2) Source: Eurostat.
3) Source: Japan Ministry of Internal Affairs and Communications.
4) Source: China National Bureau of Statistics.
5) Source: Russia Federal Service of State Statistics.
6) Source: Brazil Institute of Geography and Statistics.

03 ⁄ Quarterly development of Consumer Price Index [1]

(by region)

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
USA [2]	1.7	1.5	1.8	1.2	1.5
Euro area [3]	2.2	1.7	1.6	1.1	0.8
Japan [4]	(0.1)	(0.9)	0.2	1.1	1.6
China [5]	2.5	2.1	2.7	3.1	2.5
Russia [6]	6.6	7.0	6.9	6.1	6.5
Brazil [7]	5.8	6.6	6.7	5.9	5.9

1) Quarter-end figures.
2) Source: US Bureau of Labor Statistics.
3) Source: Eurostat.
4) Source: Japan Ministry of Internal Affairs and Communications.
5) Source: China National Bureau of Statistics.
6) Source: Russia Federal Service of State Statistics.
7) Source: Brazil Institute of Geography and Statistics.

04 ⁄ Quarterly consumer confidence development [1]

(by region)

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
USA [2]	66.7	61.9	82.1	80.2	77.5
Euro area [3]	(26.0)	(23.3)	(18.7)	(14.8)	(13.6)
Japan [4]	39.1	45.0	44.3	45.1	40.0
China [5]	103.7	102.6	97.0	99.8	102.3
Russia [6]	(8.0)	(7.0)	(6.0)	(7.0)	(11.0)
Brazil [7]	115.2	114.3	110.1	110.1	111.2

1) Quarter-end figures.
2) Source: Conference Board.
3) Source: European Commission.
4) Source: Economic and Social Research Institute, Government of Japan.
5) Source: China National Bureau of Statistics.
6) Source: Russia Federal Service of State Statistics.
7) Source: Brazil National Confederation of Industry.

Modest growth of Europe's sporting goods industry

In Europe, despite high unemployment and low consumer confidence in many markets, the sporting goods industry grew modestly. The sector faced challenging comparisons to the prior year, which had been buoyed by the major sporting events of the London 2012 Olympic and Paralympic Games as well as the UEFA EURO 2012. Nonetheless, the industry gained momentum towards year-end due to the build-up to the 2014 FIFA World Cup in Brazil, which helped drive sales of federation jerseys and football-related products. In European emerging markets, slower disposable income growth rates negatively impacted consumer sentiment and spending, resulting in lower retail traffic in 2013, especially in Russia.

Robust retail activity drives North American sporting goods industry

In the USA, the sporting goods industry posted a robust performance, with relatively low inflation and slight improvements in consumer confidence helping drive consumer spending. We estimate that sales in the sporting goods sector increased at a mid- to high-single-digit rate, driven by improvements in product mix as retailers focused on premium and highly innovative products. Strong retail trends in basketball, high-performance running and sporting lifestyle apparel more than offset slight contractions in the lifestyle running, outdoor and golf categories. Digital presence and e-commerce continued to see rapid expansion across the industry in 2013. Cold weather in the USA towards year-end encouraged consumers to go online and, in conjunction with discounting, added momentum to this increasingly important channel. US sports footwear sales are estimated to have increased at a mid- to high-single-digit rate in 2013, driven in particular by increases in the basketball and high-performance running categories. Highly innovative performance products also fuelled growth in US sporting apparel sales, which are estimated to have increased at a high-single-digit rate.

Asian sporting goods industry continues to expand

Strong wage increases and rising consumer spending, albeit lower than in recent years, fuelled increases in Asia's sporting goods industry, which we estimate grew at a low- to mid-single-digit rate in 2013. The region's industry expansion continues to be driven by international brands. In China, this trend was particularly evident, with many domestic brands remaining focused on inventory clearance and store network consolidation. In Japan, economic progress helped support improvements in consumer spending and a recovery in retail and sporting goods sales, particularly in the second half of the year.

Latin America's sporting goods industry records strong momentum

In Latin America, low unemployment levels and higher wages supported healthy retail and sporting goods sales. However, high inflationary pressures lessened the robust expansion of the sector during the year. Due to the importance of football for the region, the sporting goods sector also benefited, principally in the second half of 2013, from sales relating to the build-up to the 2014 FIFA World Cup, which is being hosted by Brazil.

adidas Group and competitors outperform economic environment

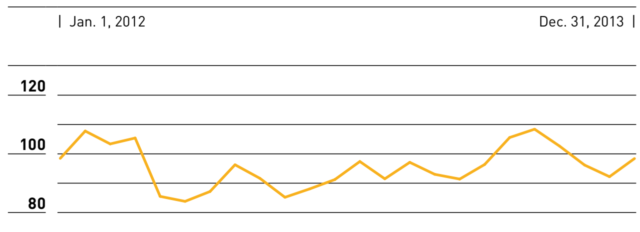
adidas Group currency-neutral revenues and profitability, as well as that of many competitors and retailers, increased in 2013. In most regions, sales of our Group and other major sporting goods companies grew at a higher rate than GDP and overall consumer spending.

05 ⁄ **Exchange rate development** [1] (€ 1 equals)

	Average rate 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Average rate 2013
USD	1.2862	1.2805	1.3080	1.3505	1.3791	1.3283
GBP	0.8115	0.8456	0.8572	0.8361	0.8337	0.8492
JPY	102.65	120.87	129.39	131.78	144.72	129.58
RUB	39.951	39.802	42.783	43.682	45.137	42.298
CNY	8.1137	8.0341	8.0817	8.3029	8.4082	8.1674

1) Spot rates at quarter-end.

06 ⁄ **Oil price development** [1] (in US $ per barrel)



1) West Texas Intermediate Cushing crude oil. Source: Bloomberg.

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Income Statement

adidas Group currency-neutral sales grow 3%

In 2013, Group revenues grew 3% on a currency-neutral basis, as a result of sales increases in Retail and Other Businesses. Currency-neutral Wholesale revenues remained stable compared to the prior year. The development of Group sales is below initial Management expectations of a mid-single-digit Group sales increase. Currency translation effects had a negative impact on sales in euro terms. Group revenues decreased 3% to € 14.492 billion in 2013 from € 14.883 billion in 2012 ⁄ **DIAGRAM 07**.

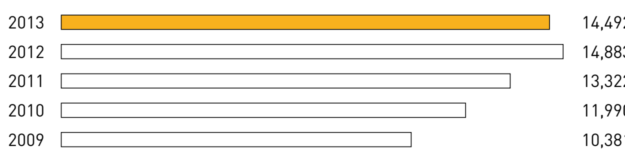
Group sales increase driven by growth in Retail and Other Businesses

In 2013, currency-neutral Wholesale revenues remained stable. While sales at Reebok grew at a low-single-digit rate, revenues at adidas remained at the prior year level. Currency-neutral Retail sales increased 8% versus the prior year, as a result of sales growth at both adidas and Reebok. Revenues in Other Businesses were up 5% on a currency-neutral basis, driven by sales increases at TaylorMade-adidas Golf, Reebok-CCM Hockey and Rockport. Currency translation effects had a negative impact on segmental sales in euro terms. Wholesale revenues decreased 5% to € 9.100 billion from € 9.533 billion in 2012. Retail sales rose 2% to € 3.446 billion versus € 3.373 billion in the prior year. Sales in Other Businesses declined 2% to € 1.946 billion (2012: € 1.977 billion).

Currency-neutral sales increase in nearly all regions

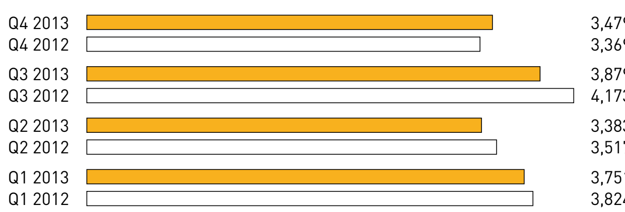
In 2013, currency-neutral adidas Group sales grew in all regions except Western Europe. Revenues in Western Europe decreased 6% on a currency-neutral basis, mainly due to sales declines in the UK, Italy and Spain. In European Emerging Markets, Group sales increased 4% on a currency-neutral basis as a result of sales growth in most of the region's major markets. Sales for the adidas Group in North America grew 2% on a currency-neutral basis, due to sales increases in both the USA and Canada. Sales in Greater China increased 7% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets grew 5%, driven by strong increases in India, South Korea and Australia. In Latin America, sales grew 19% on a currency-neutral basis with double-digit increases in most of the region's major markets, in particular Argentina, Colombia and Mexico. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 11**.

07 ⁄ **Net sales** [1] (€ in millions)

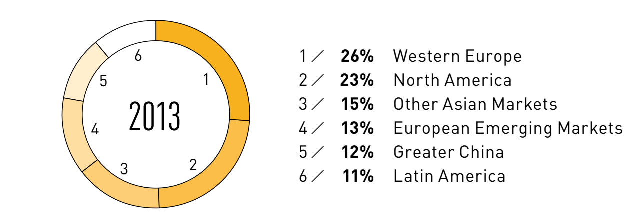


1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

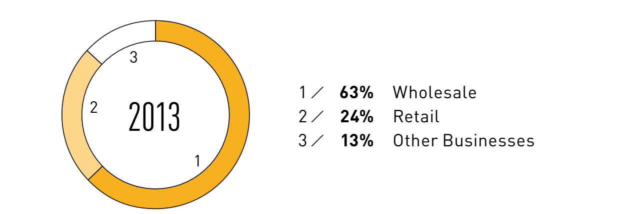
08 ⁄ **Net sales by quarter** (€ in millions)



09 ⁄ **Net sales by region**



10 ⁄ **Net sales by segment**



11 ⁄ **Net sales by region** (€ in millions)

	2013	2012	Change	Change (currency-neutral)
Western Europe	3,800	4,076	(7%)	(6%)
European Emerging Markets	1,894	1,947	(3%)	4%
North America	3,362	3,410	(1%)	2%
Greater China	1,655	1,562	6%	7%
Other Asian Markets	2,206	2,407	(8%)	5%
Latin America	1,575	1,481	6%	19%
Total [1]	**14,492**	**14,883**	**(3%)**	**3%**

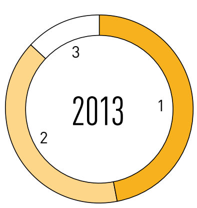
1) Rounding differences may arise in totals.

12 ⁄ **Net sales by product category** (€ in millions)

	2013	2012	Change	Change (currency-neutral)
Footwear	6,873	6,922	(1%)	4%
Apparel	5,813	6,290	(8%)	(3%)
Hardware	1,806	1,671	8%	15%
Total [1]	**14,492**	**14,883**	**(3%)**	**3%**

1) Rounding differences may arise in totals.

13 ⁄ **Net sales by product category**



1 ⁄ **47%** Footwear
2 ⁄ **40%** Apparel
3 ⁄ **13%** Hardware

Group sales up in footwear and hardware

In 2013, Group sales grew in most product categories on a currency-neutral basis. Currency-neutral footwear sales increased 4% in 2013. This development was mainly driven by double-digit growth in the running and outdoor categories. Action Sports as well as the adidas NEO label also grew at a double-digit rate. Apparel revenues decreased 3% on a currency-neutral basis, as growth in running, football and basketball was more than offset by declines in categories closely related to prior year events, such as Olympic sports. Currency-neutral hardware sales increased 15% compared to the prior year, primarily due to strong growth in the football category. In addition, the first-time consolidation of Adams Golf at the end of the second quarter of 2012 positively contributed to this development. Currency translation effects had a negative impact on sales in euro terms ⁄ **TABLE 12**.

Cost of sales decreases

Cost of sales is defined as the amount we pay to third parties for expenses associated with producing and delivering our products. Own-production expenses are also included in the Group's cost of sales. However, these expenses represent only a very small portion of total cost of sales. In 2013, cost of sales was € 7.352 billion, representing a decrease of 5% compared to € 7.780 billion in 2012. This development was driven by the reduction of input costs as a result of lower raw material prices at the time of sourcing. In addition, currency effects contributed to the decline in cost of sales.

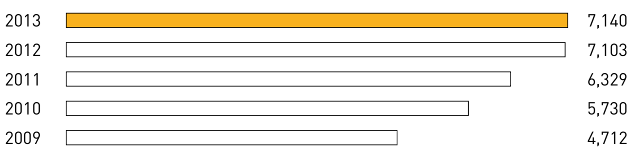
Group gross margin increases 1.5 percentage points

The gross margin of the adidas Group increased 1.5 percentage points to 49.3% in 2013 (2012: 47.7%) ⁄ **DIAGRAM 15**, above our initial expectations of between 48.0% and 48.5%. This development was due to a more favourable pricing, product and regional sales mix as well as a larger share of higher-margin Retail sales, which more than offset the negative effect from a less favourable hedging rate. Gross profit for the adidas Group grew 1% in 2013 to € 7.140 billion versus € 7.103 billion in the prior year ⁄ **DIAGRAM 14**.

Royalty and commission income declines

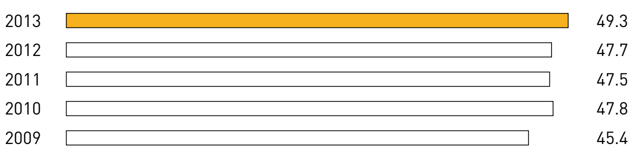
Royalty and commission income for the adidas Group decreased 1% to € 104 million in 2013 from € 105 million in the prior year. On a currency-neutral basis, royalty and commission income was also down 1%, mainly as a result of lower licensee sales at adidas.

14 ⁄ **Gross profit** 1) (€ in millions)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements.
Prior years are not restated.

15 ⁄ **Gross margin** 1) (in %)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements.
Prior years are not restated.

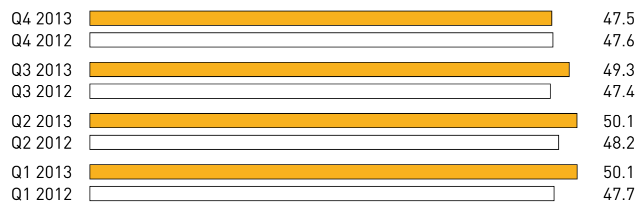
Other operating income increases

Other operating income includes items such as gains from the disposal of fixed assets and releases of accruals and provisions as well as insurance compensation. In 2013, other operating income increased 13% to € 143 million (2012: € 127 million) ⁄ **SEE NOTE 29, P. 227**. This was mainly due to the release of other operational provisions ⁄ **SEE NOTE 19, P. 211**.

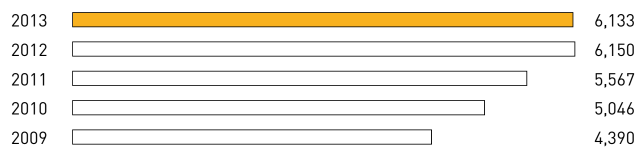
Other operating expenses as a percentage of sales up 1.0 percentage points

Other operating expenses, including depreciation and amortisation, consist of items such as sales working budget, marketing working budget and operating overhead costs. In 2013, other operating expenses remained virtually unchanged at € 6.133 billion (2012: € 6.150 billion) ⁄ **DIAGRAM 17**, as a decrease in marketing expenses was offset by higher expenditure related to the expansion of the Group's own-retail activities ⁄ **SEE NOTE 30, P. 227**. Other operating expenses as a percentage of sales increased 1.0 percentage points to 42.3% in 2013 from 41.3% in 2012 ⁄ **DIAGRAM 18**.

16 ⁄ **Gross margin by quarter** (in %)

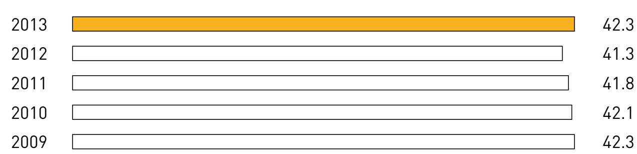


17 ⁄ **Other operating expenses** 1) (€ in millions)



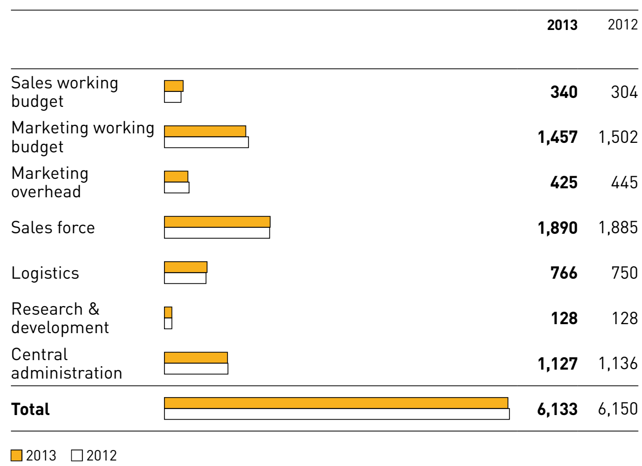
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements.
Prior years are not restated.

18 ⁄ **Other operating expenses** 1) (in % of net sales)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements.
Prior years are not restated.

19 ⁄ **Other operating expenses by area** (€ in millions)



Sales working budget as a percentage of sales increases

Sales working budget consists of expenses to support the Group's sell-through development. Expenditures relate to advertising and promotion initiatives at the point of sale as well as store furniture and fixtures. As sales working budget expenses are channel specific, they are allocated to the Group's operating segments. In absolute terms, sales working budget expenditure increased 12% to € 340 million in 2013 from € 304 million in the prior year. This development was mainly a result of higher expenditure related to the expansion of the Group's own-retail activities. By brand, adidas sales working budget increased 15% to € 253 million compared to € 220 million in the prior year. Sales working budget for Reebok grew 7% to € 53 million at year-end (2012: € 50 million). The Group's sales working budget as a percentage of sales increased 0.3 percentage points to 2.3% (2012: 2.0%) ⁄ **DIAGRAM 20**.

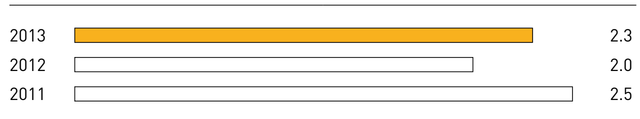
Marketing working budget as a percentage of sales stable

Marketing working budget consists of items such as expenses for promotion partnerships, advertising and public relations. As marketing working budget expenses are not distribution channel specific, they are not allocated to the segments. In absolute terms, marketing working budget decreased 3% to € 1.457 billion in 2013 (2012: € 1.502 billion) due to lower expenditure at both adidas and Reebok. By brand, the adidas marketing working budget decreased 1% to € 1.147 billion from € 1.157 billion in 2012. Marketing working budget of the Reebok brand was down 20% to € 150 million (2012: € 188 million). The Group's marketing working budget as a percentage of sales remained stable at 10.1% (2012: 10.1%) ⁄ **DIAGRAM 21**.

Operating overhead expenses as a percentage of sales increase 0.7 percentage points

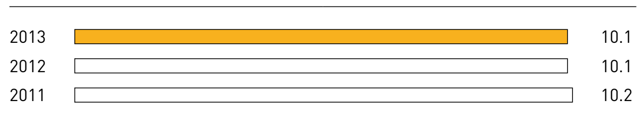
Group operating overheads include overhead costs related to marketing, logistics, sales and R&D as well as central administration. Almost half of the operating overhead expenses are related to personnel costs. In absolute terms, operating overhead expenses remained stable at € 4.336 billion in 2013 versus € 4.344 billion in 2012. This was primarily a result of a decrease in marketing costs, partly offset by an increase in logistics and warehouse costs. As a percentage of sales, operating overhead expenses grew 0.7 percentage points to 29.9% (2012: 29.2%).

20 ⁄ **Sales working budget**[1] (in % of net sales)



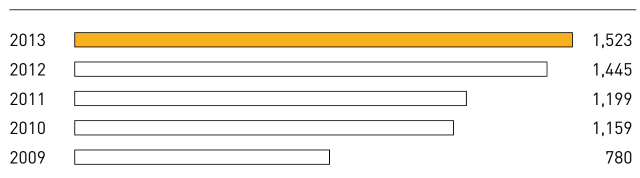
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

21 ⁄ **Marketing working budget**[1] (in % of net sales)



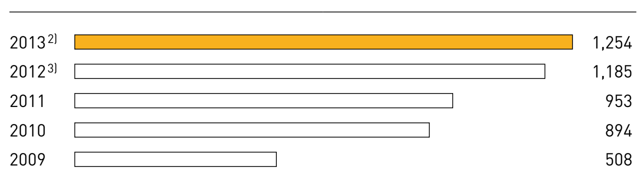
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

22 ⁄ **EBITDA**[1] (€ in millions)



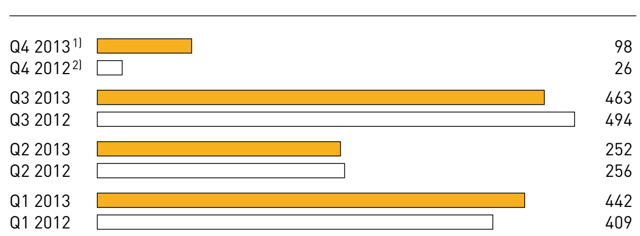
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

23 ⁄ **Operating profit**[1] (€ in millions)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Excluding goodwill impairment of € 52 million.
3) Excluding goodwill impairment of € 265 million.

24 ⁄ **Operating profit by quarter** (€ in millions)



1) Excluding goodwill impairment of € 52 million.
2) Excluding goodwill impairment of € 265 million.

Number of Group employees up 10%

At the end of December 2013, the Group employed 50,728 people. This represents an increase of 10% versus the prior year level of 46,306. New hirings related to the expansion of the Group's own-retail store base, in particular in European Emerging Markets, were the main driver of this development. On a full-time equivalent basis, the number of employees increased 8% to 43,537 at the end of 2013 (2012: 40,168) ⁄ **SEE EMPLOYEES, P. 105**.

EBITDA grows 5%

The Group's earnings before interest, taxes, depreciation and amortisation as well as impairment losses/reversal of impairment losses on property, plant and equipment and intangible assets (EBITDA) increased 5% to € 1.523 billion in 2013 (2012: € 1.445 billion) ⁄ **DIAGRAM 22**. Depreciation and amortisation expense for tangible and intangible assets (excluding impairment losses/reversal of impairment losses) increased 9% to € 286 million in 2013 (2012: € 263 million). This development is mainly due to an increase in property, plant and equipment. In accordance with IFRS, intangible assets with indefinite useful lives (goodwill and trademarks) are tested annually and additionally when there are indications of potential impairment. In this connection, impairment of intangible assets with unlimited useful lives was incurred in 2013.

Goodwill impairment in an amount of € 52 million

As a result of the annual impairment test, the adidas Group has impaired goodwill and recorded a € 52 million pre-tax charge as at December 31, 2013 (2012: € 265 million). Within the wholesale cash-generating unit Iberia, goodwill impairment losses of € 23 million were recognised. Within the retail cash-generating unit North America, goodwill impairment losses of € 29 million were recognised. The goodwill of these two cash-generating units is completely impaired. The impairment losses were mainly caused by adjusted growth assumptions and an increase in the country-specific discount rates. In 2012, the wholesale cash-generating unit North America was impaired by € 106 million, Latin America by € 41 million, Brazil by € 15 million and Iberia by € 11 million. The impairment loss in 2012 was mainly the result of adjusted growth assumptions for the Reebok brand, especially in North America, Latin America and Brazil, and an increase in the country-specific discount rates as a result of the euro crisis. In addition, in 2012 goodwill of € 68 million allocated to Reebok-CCM Hockey was completely impaired and € 24 million allocated to Rockport was partially impaired. These impairment losses were primarily the result of the re-evaluation of future growth prospects and, with regard to Rockport, also due to an increase in the discount rate. The impairment losses in both years were non-cash in nature and do not affect the adidas Group's liquidity ⁄ **SEE NOTE 02, P. 195**.

Operating margin excluding goodwill impairment improves to 8.7%

Group operating profit increased 31% to € 1.202 billion in 2013 versus € 920 million in 2012. The operating margin of the adidas Group improved 2.1 percentage points to 8.3% (2012: 6.2%). Excluding the goodwill impairment losses, operating profit grew 6% to € 1.254 billion from € 1.185 billion last year ⁄ **DIAGRAM 23**, representing an operating margin of 8.7%, up 0.7 percentage points (2012: 8.0%) ⁄ **DIAGRAM 25**. This is below our initial expectations of an operating margin approaching 9.0%. The improvement in the operating margin was primarily due to the positive effects from the increase in gross margin, which more than offset higher other operating expenses as a percentage of sales.

Financial income down 28%

Financial income decreased 28% to € 26 million in 2013 from € 36 million in the prior year, mainly due to a decrease in interest income ⁄ **SEE NOTE 32, P. 228**.

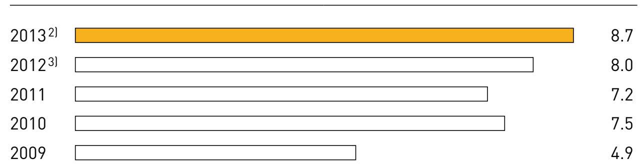
Financial expenses decrease 11%

Financial expenses declined 11% to € 94 million in 2013 (2012: € 105 million) ⁄ **DIAGRAM 26**. The decrease in interest expenses was the main contributor to the decline ⁄ **SEE NOTE 32, P. 228**.

Income before taxes excluding goodwill impairment up 6%

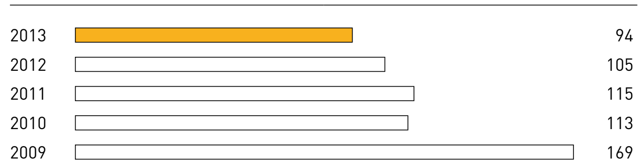
Income before taxes (IBT) for the adidas Group increased 33% to € 1.134 billion from € 851 million in 2012. IBT as a percentage of sales rose 2.1 percentage points to 7.8% in 2013 (2012: 5.7%). Excluding the

25 ⁄ **Operating margin [1]** (in %)



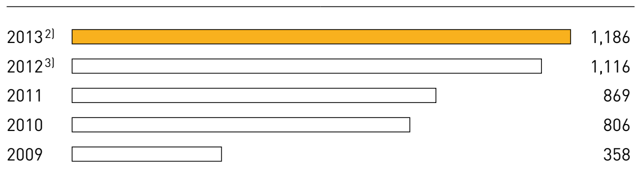
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Excluding goodwill impairment of € 52 million.
3) Excluding goodwill impairment of € 265 million.

26 ⁄ **Financial expenses [1]** (€ in millions)



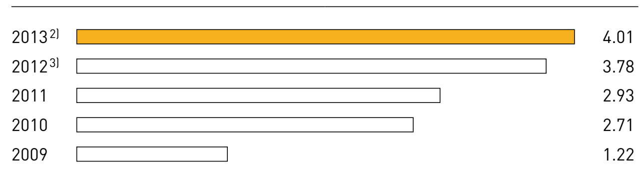
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

27 ⁄ **Income before taxes** 1) (€ in millions)



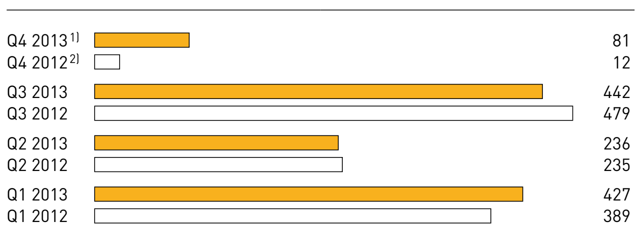
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Excluding goodwill impairment of € 52 million.
3) Excluding goodwill impairment of € 265 million.

31 ⁄ **Diluted earnings per share** 1) (in €)



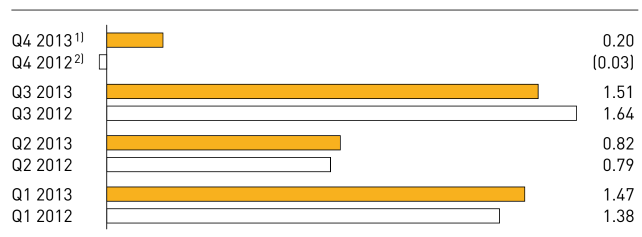
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Excluding goodwill impairment of € 52 million.
3) Excluding goodwill impairment of € 265 million.

28 ⁄ **Income before taxes by quarter** (€ in millions)



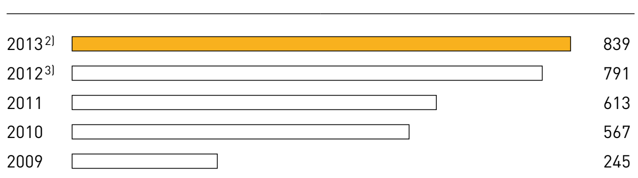
1) Excluding goodwill impairment of € 52 million.
2) Excluding goodwill impairment of € 265 million.

32 ⁄ **Diluted earnings per share by quarter** (in €)



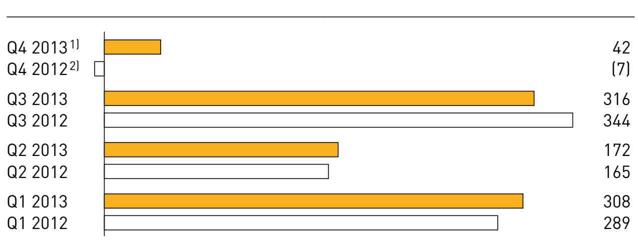
1) Excluding goodwill impairment of € 52 million.
2) Excluding goodwill impairment of € 265 million.

29 ⁄ **Net income attributable to shareholders** 1) (€ in millions)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Excluding goodwill impairment of € 52 million.
3) Excluding goodwill impairment of € 265 million.

30 ⁄ **Net income attributable to shareholders by quarter** (€ in millions)



1) Excluding goodwill impairment of € 52 million.
2) Excluding goodwill impairment of € 265 million.

goodwill impairment losses, IBT was up 6% to € 1.186 billion from € 1.116 billion in 2012 ⁄ **DIAGRAM 27** and, as a percentage of sales, grew 0.7 percentage points to 8.2% from 7.5% last year.

Net income attributable to shareholders excluding goodwill impairment up 6%

The Group's net income attributable to shareholders increased to € 787 million in 2013 from € 526 million in 2012. This represents an increase of 49% versus the prior year level. Excluding the goodwill impairment losses, net income attributable to shareholders increased 6% to € 839 million (2012: € 791 million) ⁄ **DIAGRAM 29**. The Group's tax rate decreased 8.0 percentage points to 30.4% in 2013 (2012: 38.4%), mainly due to lower non-tax-deductible goodwill impairment losses. Excluding the goodwill impairment losses, the effective tax rate improved 0.3 percentage points to 29.0% from 29.3% last year ⁄ **SEE NOTE 33, P. 229**.

Earnings per share excluding goodwill impairment reach € 4.01

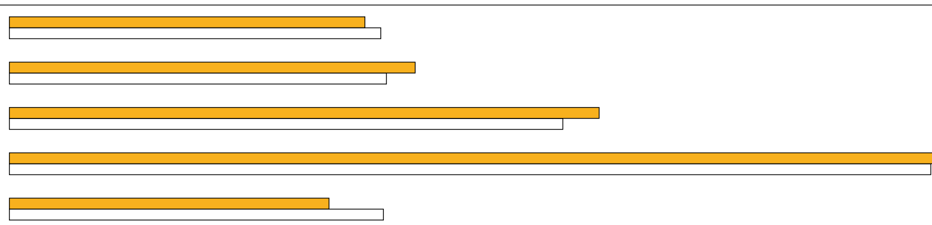
In 2013, basic and diluted earnings per share amounted to € 3.76 (2012: € 2.52), representing an increase of 49%. Excluding the goodwill impairment losses, basic and diluted earnings per share were up 6% to € 4.01, which is below our initial projections of € 4.25 to € 4.40 (2012: € 3.78) ⁄ **DIAGRAM 31**. The weighted average number of shares used in the calculation was 209,216,186 ⁄ **SEE NOTE 34, P. 231**.

Statement of Financial Position and Statement of Cash Flows

Accounting policy

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. In 2013, new standards and interpretations and amendments to existing standards and interpretations were applicable. The changes mainly require additional disclosures in the Group's financial statements ⁄ **SEE NOTE 01, P. 194**.

33 ⁄ **Structure of statement of financial position** [1] (in % of total assets)

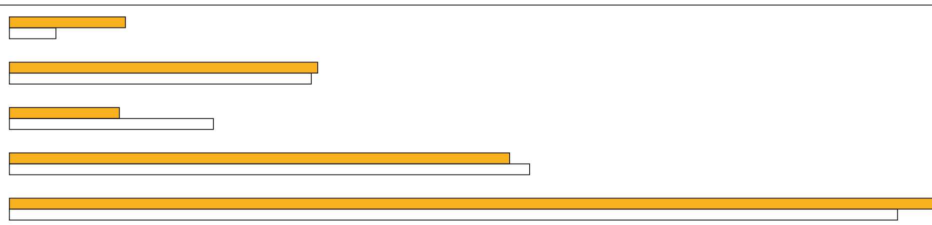


	2013	2012
Assets (€ in millions)	**11,599**	11,651
Cash and cash equivalents	**13.7%**	14.3%
Accounts receivable	**15.6%**	14.5%
Inventories	**22.7%**	21.3%
Fixed assets	**35.7%**	35.5%
Other assets	**12.3%**	14.4%

■ 2013 □ 2012

1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 186.

34 ⁄ **Structure of statement of financial position** [1] (in % of total liabilities and equity)

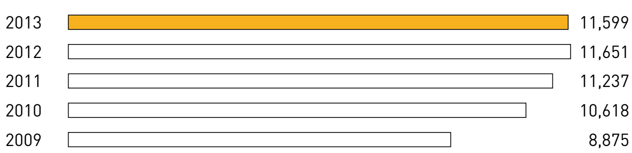


	2013	2012
Liabilities and equity (€ in millions)	**11,599**	11,651
Short-term borrowings	**5.9%**	2.4%
Accounts payable	**15.7%**	15.4%
Long-term borrowings	**5.6%**	10.4%
Other liabilities	**25.5%**	26.5%
Total equity	**47.3%**	45.3%

■ 2013 □ 2012

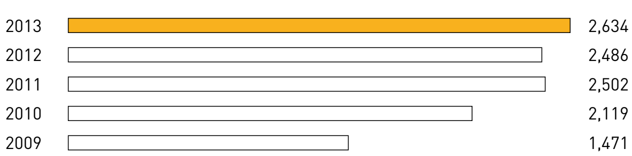
1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 186.

35 ⁄ **Total assets** 1) (€ in millions)



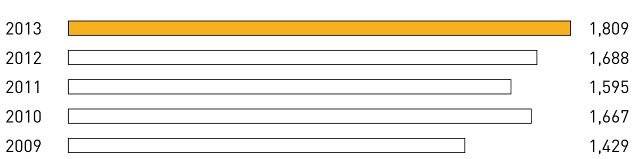
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

36 ⁄ **Inventories** 1) (€ in millions)



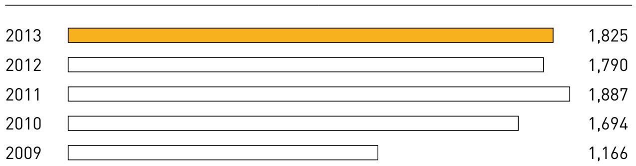
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

37 ⁄ **Accounts receivable** 1) (€ in millions)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

38 ⁄ **Accounts payable** 1) (€ in millions)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

Assets

At the end of December 2013, total assets remained virtually unchanged at € 11.599 billion versus € 11.651 billion in the prior year ⁄ **DIAGRAM 35**. The share of current assets and non-current assets within total assets remained unchanged at 59% and 41% at the end of December 2013 (2012: 59% and 41%).

Total current assets remained virtually unchanged at € 6.857 billion at the end of December 2013 compared to € 6.877 billion in 2012. Cash and cash equivalents decreased 5% to € 1.587 billion at the end of December 2013 from € 1.670 billion in the prior year, as net cash generated from operating activities was more than offset by net cash used in investing and financing activities. Negative currency effects also contributed to this development. Group inventories increased 6% to € 2.634 billion at the end of December 2013 versus € 2.486 billion in 2012 ⁄ **SEE NOTE 08, P. 206**. On a currency-neutral basis, inventories were up 13% as a result of the Group's expectations for growth in the coming quarters as well as higher inventories in Russia/CIS due to distribution centre issues during the second half of 2013 ⁄ **DIAGRAM 36**. Short-term financial assets declined 84% to € 41 million at the end of December 2013 from € 265 million in 2012 ⁄ **SEE NOTE 05, P. 205**. This development was driven by the decrease in short-term cash investments. Group receivables increased 7% to € 1.809 billion at the end of December 2013 (2012: € 1.688 billion) ⁄ **SEE NOTE 06, P. 205**. On a currency-neutral basis, receivables were up 17%, reflecting the growth of our business during the fourth quarter of 2013 ⁄ **DIAGRAM 37**. Other current financial assets declined 5% to € 183 million at the end of December 2013 from € 192 million in 2012 ⁄ **SEE NOTE 07, P. 206**. This development was driven by a decrease in security deposits as well as a decrease in the fair value of financial instruments. Other current assets increased 4% to € 506 million at the end of December 2013 from € 489 million in 2012, mainly due to the increase in prepayments ⁄ **SEE NOTE 09, P. 206**.

Total non-current assets decreased 1% to € 4.742 billion at the end of December 2013 from € 4.774 billion in 2012. Fixed assets remained stable at € 4.144 billion at the end of December 2013 versus € 4.139 billion in 2012. Fixed assets include property, plant and equipment, goodwill, trademarks and other intangible assets as well as long-term financial assets. Additions in an amount of € 492 million were primarily related to the continued expansion of our own-retail activities, the construction of the European Distribution Centre near Osnabrueck, Germany, investments into the Group's IT infrastructure as well as the further development of the Group's headquarters in Herzogenaurach. Additions were offset by depreciation and amortisation of € 291 million, negative currency effects of € 132 million, the goodwill impairment of € 52 million and disposals of € 12 million. The majority of goodwill is primarily related to the acquisition of the Reebok business in 2006. At the end of December 2013, goodwill decreased 6% to € 1.204 billion from € 1.281 billion in the prior year. The decrease is mainly related to goodwill impaired of € 52 million, of which € 23 million is related to the Wholesale segment and € 29 million is related to Retail segment ⁄ **SEE NOTE 02, P. 195** ⁄ **SEE NOTE 12, P. 207**. Other non-current financial assets grew 41% to € 30 million at the end of December 2013 from € 21 million in 2012, driven by an increase in the fair value of financial instruments ⁄ **SEE NOTE 15, P. 209**.

Liabilities and equity

Total current liabilities increased 8% to € 4.732 billion at the end of December 2013 from € 4.374 billion at the end of December 2012. Accounts payable were up 2% to € 1.825 billion at the end of December 2013 versus € 1.790 billion at the end of 2012 ⁄ **DIAGRAM 38**. On a currency-neutral basis, accounts payable increased 5%, which is in line with the increase in inventories. At the end of December 2013, other current financial liabilities increased 37% to € 113 million from € 83 million in 2012, primarily as a result of the increase in the negative fair value of financial instruments ⁄ **SEE NOTE 18, P. 211**. Short-term borrowings more than doubled to € 681 million at the end of December 2013 (2012: € 280 million). The increase was mainly due to a reclassification of long-term borrowings to short-term borrowings, as a result of the Group's Eurobond, which will mature in July 2014. Other current provisions were down 20% to € 450 million at the end of 2013 versus € 563 million at the end of 2012. This primarily relates to a decrease in provisions for returns and allowances, provisions for personnel as well as other operational provisions. In addition, currency effects contributed to the decline in other current provisions ⁄ **SEE NOTE 19, P. 211**. Current accrued liabilities increased 6% to € 1.147 billion at the end of 2013 from € 1.084 billion in 2012, mainly due to an increase in accruals for customer discounts as well as for outstanding invoices ⁄ **SEE NOTE 20, P. 212**. Other current liabilities were down 8% to € 276 million at the end of 2013 from € 299 million in 2012, mainly due to a decrease in tax liabilities other than income taxes ⁄ **SEE NOTE 21, P. 212**.

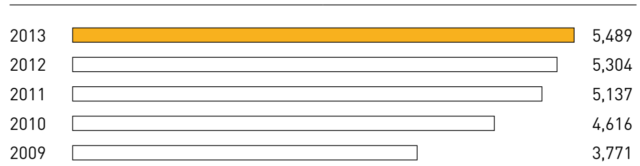
Total non-current liabilities decreased 30% to € 1.386 billion at the end of December 2013 from € 1.986 billion in the prior year. Long-term borrowings declined 46% to € 653 million at the end of December 2013 from € 1.207 billion in the prior year. This development was mainly due to a reclassification of long-term borrowings to short-term borrowings, as a result of the Group's Eurobond, which will mature in July 2014 ⁄ **SEE NOTE 17, P. 209**.

Shareholders' equity increased 3% to € 5.489 billion at the end of December 2013 versus € 5.304 billion in 2012 ⁄ **DIAGRAM 39**. The net income generated during the last twelve months was the main contributor to this development, partially offset by negative currency translation effects of € 312 million, the dividend paid to shareholders of € 282 million for the 2012 financial year as well as a decrease in hedging reserves of € 13 million ⁄ **SEE NOTE 25, P. 217**. The Group's equity ratio at the end of December 2013 improved to 47.3% compared to 45.5% in the prior year.

Operating working capital

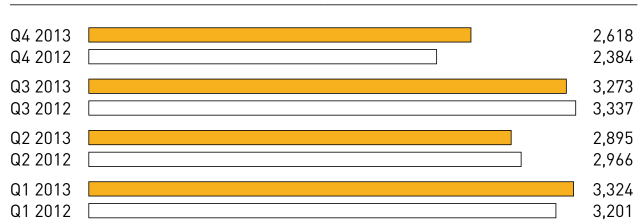
Operating working capital increased 10% to € 2.618 billion at the end of December 2013 compared to € 2.384 billion in 2012 ⁄ **DIAGRAM 40**. This was due to the increase in inventories related to the Group's expectations for growth in the coming quarters as well as higher inventories in Russia/CIS following distribution centre issues during the second half of 2013. Higher receivables reflecting the growth of our business during the fourth quarter of 2013 also contributed to the increase in operating working capital. As a result, average operating working capital as a percentage of sales increased 0.9 percentage points to 20.9% (2012: 20.0%), above our initial guidance of a moderate increase ⁄ **DIAGRAM 41**.

39 ⁄ **Shareholders' equity** [1] (€ in millions)

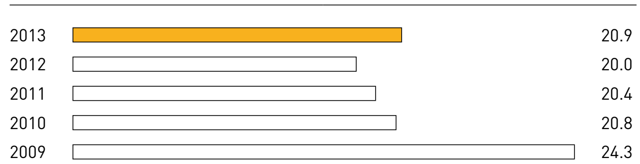


1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

40 ⁄ **Operating working capital** (€ in millions)



41 ⁄ **Average operating working capital** [1] (in % of net sales)



1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.

Investment analysis

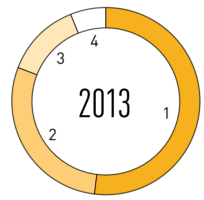
Capital expenditure is defined as the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions). Group capital expenditure increased 10% to € 479 million in 2013 (2012: € 434 million). Capital expenditure in property, plant and equipment amounted to € 427 million and was thus above the prior year level of € 376 million. The Group invested € 52 million in intangible assets, representing a 10% decrease compared to the prior year (2012: € 58 million). Depreciation and amortisation excluding impairment losses/reversal of impairment losses of tangible and intangible assets increased 9% to € 286 million in 2013 (2012: € 263 million).

The majority of the Group's capital expenditure was recorded in HQ/Consolidation, accounting for 52% (2012: 58%), and was mainly related to investments in the Group's logistics infrastructure and deployment of IT systems ⁄ **DIAGRAM 42**. The Retail segment accounted for 29% of the Group's capital expenditure (2012: 24%). Investments primarily related to the expansion of our store base for the adidas and Reebok brands, particularly in Russia/CIS. Expenditure in the Wholesale segment accounted for 13% of total capital expenditure (2012: 12%). Capital expenditure in Other Businesses accounted for 6% of total expenditure (2012: 6%). From a regional perspective, capital expenditure in Western Europe accounted for 41% (2012: 45%) of the Group's capital expenditure, followed by European Emerging Markets with 17% (2012: 15%), North America with 16% (2012: 11%) and Greater China with 13% (2012: 9%) ⁄ **DIAGRAM 43**.

Liquidity analysis

In 2013, net cash generated from operating activities decreased 33% to € 634 million (2012: € 942 million), primarily due to higher working capital requirements. Net cash used in investing activities increased 12% to € 243 million (2012: € 217 million). The majority of investing activities in 2013 related to spending for property, plant and equipment, such as investments in the furnishing and fitting of stores in our Retail segment as well as investments in the Group's logistics infrastructure and IT systems. These were partly offset by the sale of short-term financial assets. Net cash used in financing activities totalled € 439 million (2012: net cash generated from financing activities of € 42 million). Cash used in financing activities mainly related to dividends paid to shareholders of € 282 million for the 2012 financial year as well as the repayment of short-term borrowings of € 221 million. Exchange rate effects negatively impacted the Group's cash position by € 35 million in 2013 (2012: € 3 million). As a result of all these developments, cash and cash equivalents decreased € 83 million to € 1.587 billion at the end of December 2013 compared to € 1.670 billion at the end of December 2012 ⁄ **DIAGRAM 45**.

42 ⁄ Capital expenditure by segment

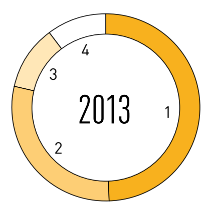


1 ⁄ **52%** HQ/Consolidation
2 ⁄ **29%** Retail
3 ⁄ **13%** Wholesale
4 ⁄ **6%** Other Businesses

43 ⁄ Capital expenditure by region

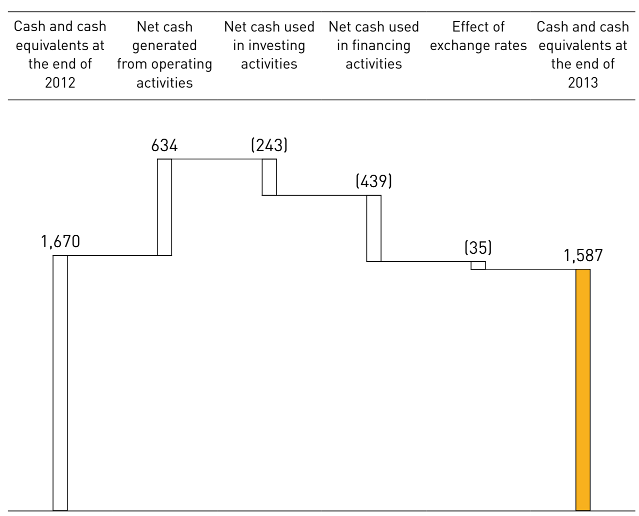
1 ⁄ **41%** Western Europe
2 ⁄ **17%** European Emerging Markets
3 ⁄ **16%** North America
4 ⁄ **13%** Greater China
5 ⁄ **7%** Other Asian Markets
6 ⁄ **6%** Latin America

44 ⁄ Capital expenditure by type



1 ⁄ **49%** Other
2 ⁄ **29%** Own retail
3 ⁄ **11%** Retailer support
4 ⁄ **11%** IT

45 ⁄ Change in cash and cash equivalents (€ in millions)



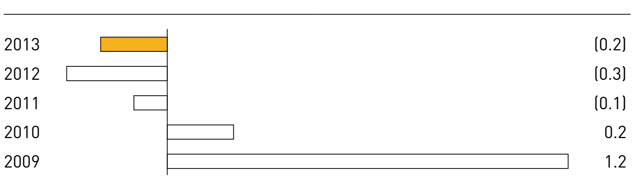
Net cash at December 31, 2013 amounted to € 295 million, compared to net cash of € 448 million at the end of December 2012, representing a decrease of € 153 million. Higher working capital requirements as well as the dividend payment and capital expenditure in 2013 were the primary drivers of this development ⁄ **SEE TREASURY, P. 135**. Currency translation had a positive effect of € 3 million. The Group's ratio of net borrowings over EBITDA amounted to –0.2 at the end of December 2013 (2012: –0.3) ⁄ **DIAGRAM 46**.

Operating cash flow, as described in the Internal Group Management System ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118**, decreased 2% to € 827 million in 2013 from € 841 million in the prior year. The decrease was mainly due to higher working capital requirements and higher capital expenditure, which more than offset the increase in operating profit.

Off-balance sheet items

The Group's most significant off-balance sheet items are commitments for promotion and advertising as well as operating leases, which are related to own-retail stores, offices, warehouses and equipment. The Group has entered into various operating leases as opposed to property acquisitions in order to reduce exposure to property value fluctuations. Minimum future lease payments for operating leases were € 1.669 billion at December 31, 2013, compared to € 1.798 billion at the end of December 2012, representing a decrease of 7% ⁄ **SEE NOTE 27, P. 220**. At the end of December 2013, financial commitments for promotion and advertising increased 1% to € 3.791 billion in 2013 (2012: € 3.768 billion) ⁄ **SEE NOTE 37, P. 235**.

46 ⁄ **Net borrowings/EBITDA**



Treasury

Group financing policy

In order to be able to meet the Group's payment commitments at all times, the major goal of our financing policy is to ensure sufficient liquidity reserves, while at the same time minimising the Group's financial expenses. The operating activities of our Group segments and markets and the resulting cash inflows represent the Group's main source of liquidity. Liquidity is planned on a rolling monthly basis under a multi-year financial and liquidity plan. This comprises all consolidated Group companies. Our in-house bank concept takes advantage of any surplus funds of individual Group companies to cover the financial requirements of others, thus reducing external financing needs and optimising our net interest expenses. By settling intercompany transactions via intercompany financial accounts, we are able to reduce external bank account transactions and thus bank charges. Effective management of our currency exposure and interest rate risks are additional goals and responsibilities of our Group Treasury department.

Treasury system and responsibilities

Our Group's Treasury Policy governs all treasury-related issues, including banking policy and approval of bank relationships, financing arrangements and liquidity/asset management, currency and interest risk management as well as the management of intercompany cash flows. Responsibilities are arranged in a three-tiered approach:

- The Treasury Committee consists of members of the Executive Board and other senior executives who decide on the Group's Treasury Policy and provide strategic guidance for managing treasury-related topics. Major changes to our Treasury Policy are subject to the prior approval of the Treasury Committee.
- The Group Treasury department is responsible for specific centralised treasury transactions and for the global implementation of our Group's Treasury Policy.
- On a subsidiary level, where applicable and economically reasonable, local managing directors and financial controllers are responsible for managing treasury matters in their respective subsidiaries. Controlling functions on a Group level ensure that the transactions of the individual business units are in compliance with the Group's Treasury Policy.

Centralised treasury function

In accordance with our Group's Treasury Policy, all worldwide credit lines are directly or indirectly managed by the Group Treasury department. Portions of those lines are allocated to the Group's subsidiaries and backed by adidas AG guarantees. As a result of this centralised liquidity management, the Group is well positioned to allocate resources efficiently throughout the organisation. The Group's debt is generally unsecured and may include standard financial covenants, which are reviewed on a quarterly basis. We maintain good relations with numerous partner banks, thereby avoiding a high dependency on any single financial institution. Banking partners of the Group and our subsidiaries are required to have at least a BBB+ long-term investment grade rating by Standard & Poor's or an equivalent rating by another leading rating agency. Only in exceptional cases are Group companies authorised to work with banks with a lower rating ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**. To ensure optimal allocation of the Group's liquid financial resources, subsidiaries transfer excess cash to the Group's headquarters in all instances where it is legally and economically feasible. In addition, Group Treasury is currently rolling out a global standardisation and consolidation of cash management and payment processes, including the set-up of automated, cross-border cash pools, a payment factory and a new in-house bank concept. While 2013 has seen the core implementation of standardised and consolidated cash management and payment processes, these functionalities will be further rolled out in the course of 2014.

Group financial flexibility

The adidas Group's financial flexibility is ensured by the availability of unutilised credit facilities in an amount of € 2.026 billion at the end of 2013 (2012: € 2.304 billion). These include a committed syndicated loan facility of € 500 million as well as bilateral credit lines at different banks of € 1.526 billion (2012: € 1.804 billion). The syndicated loan facility has a remaining time to maturity of four years and incorporates two one-year extension options. We monitor the ongoing need for available credit lines based on the current level of debt as well as future financing requirements.

Bilateral credit lines decrease

At the end of 2013, bilateral credit lines declined 11% to € 1.652 billion compared to € 1.863 billion in the prior year. Credit lines decreased in line with lower financing needs and growing cash surpluses. Committed and uncommitted credit lines represent approximately 22% and 78% of total short-term bilateral credit lines, respectively (2012: 20% and 80%) ⁄ **DIAGRAM 49**.

47 ⁄ **Total credit facilities** (€ in millions)

	2013	2012
Bilateral credit facilities	**1,652**	1,863
Syndicated loan facility	**500**	500
Private placements	**248**	480
Eurobond	**500**	499
Convertible bond	**460**	449
Total	**3,360**	3,791

2013 2012

48 ⁄ **Remaining time to maturity of available facilities** (€ in millions)

	2013	2012
< 1 year	**2,207**	2,014
1 to 3 years	**193**	714
3 to 5 years	**960**	1,063
> 5 years	**0**	0
Total	**3,360**	3,791

2013 2012

49 ⁄ **Bilateral credit lines** (€ in millions)

	2013	2012
Committed	**370**	376
Uncommitted	**1,282**	1,487
Total	**1,652**	1,863

2013 2012

50 ⁄ **Currency split of gross borrowings** (€ in millions)

	2013	2012
EUR	**1,016**	1,004
USD	**193**	424
All others	**125**	59
Total	**1,334**	1,487

2013 2012

Standard financial covenants

In the case of our committed credit facilities, we have entered into various covenants. These covenants may include limits on the disposal of fixed assets, the amount of debt secured by liens, cross default provisions and change of control. In addition, certain financial arrangements contain equity ratio covenants, minimum equity covenants as well as net loss covenants. If we failed to meet any covenant and were unable to obtain a waiver from a majority of partner banks, borrowings would become due and payable immediately. As at December 31, 2013, we were in full compliance with all of our covenants, with ample coverage above all stipulated minimum requirements. As a result of our cash flow expectations, we are fully confident we will continue to be compliant with these covenants going forward ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151**. We believe that cash generated from operating activities, together with access to external sources of funds, will be sufficient to meet our future operating and capital needs.

Gross borrowings decrease

Following the repayment of a US private placement, gross borrowings decreased 10% to € 1.334 billion at the end of 2013 from € 1.487 billion in the prior year ⁄ **DIAGRAM 51**. Bank borrowings amounted to € 126 million compared to € 59 million in the prior year. Private placements decreased 48% to € 248 million in 2013 (2012: € 480 million). Convertible bonds outstanding increased 3% to € 460 million from € 449 million in the prior year, as a result of accruing the debt component ⁄ **DIAGRAM 55**. At issuance in 2012, the convertible bond was split – after deducting the issuance costs – into the equity component amounting to € 55 million and the debt component amounting to € 441 million. The debt component is accrued to its nominal value amounting to € 500 million until 2017 by use of the effective interest method. The total amount of bonds outstanding at the end of 2013 was € 960 million (2012: € 948 million). As in the prior year, no commercial paper was outstanding at the end of 2013.

Euro dominates currency mix

The majority of our Group's gross borrowings are denominated in euros and US dollars. At the end of 2013, gross borrowings denominated in euros accounted for 76% of total gross borrowings (2012: 68%). The share of gross borrowings held in US dollars decreased to 14% (2012: 29%) ⁄ **DIAGRAM 50**.

Stable debt maturity profile

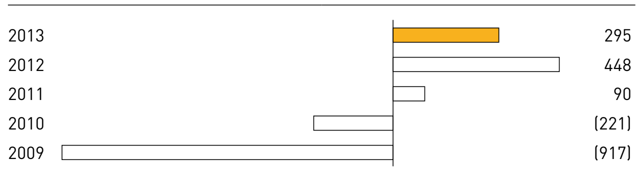
Over the course of 2013, the Group's financing maturity profile remained stable ⁄ **DIAGRAM 51**. In 2014, assuming unchanged maturities, debt instruments of € 681 million will mature. This compares to € 280 million which matured during the course of 2013.

51 ⁄ Remaining time to maturity of gross borrowings
(€ in millions)

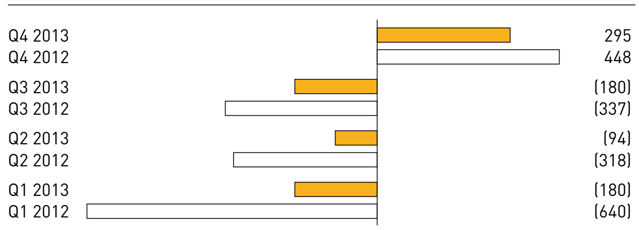
	2013	2012
< 1 year	**681**	280
1 to 3 years	**193**	644
3 to 5 years	**460**	563
> 5 years	**0**	0
Total	**1,334**	1,487

■ 2013 □ 2012

52 ⁄ Net cash/(net borrowings) (€ in millions)

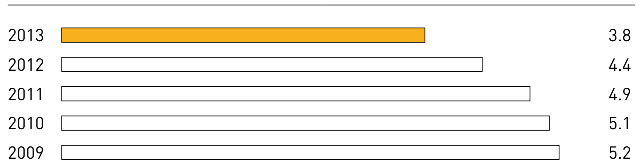


53 ⁄ Net cash/(net borrowings) by quarter [1] (€ in millions)



1) At end of period.

54 ⁄ Interest rate development [1] (in %)



1) Weighted average interest rate of gross borrowings.

Interest rate improves

The weighted average interest rate on the Group's gross borrowings decreased to 3.8% in 2013 (2012: 4.4%) ⁄ **DIAGRAM 54**. This development is mainly due to the repayment of a fixed-rate US private placement as well as a reduction in local borrowings which carry higher interest rates. Fixed-rate financing represented 91% of the Group's total gross borrowings at the end of 2013 (2012: 96%). Variable-rate financing accounted for 9% of total gross borrowings at the end of the year (2012: 4%).

Net cash position of € 295 million

The Group ended the year with a net cash position of € 295 million, compared to a net cash position of € 448 million at the end of the prior year, representing a decrease of € 153 million ⁄ **DIAGRAM 52**. Higher working capital needs were the main driver of this development. Currency effects had a positive impact of € 3 million on net cash development.

Effective currency management a key priority

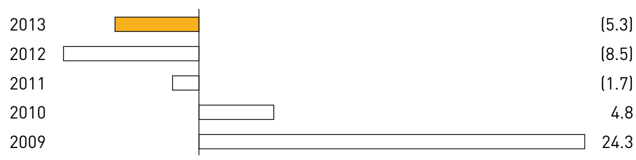
As a globally operating company, the adidas Group is exposed to currency risks. Therefore, effective currency management is a key focus of Group Treasury, with the aim of reducing the impact of currency fluctuations on non-euro-denominated net future cashflows. In this regard, hedging US dollars is a central part of our programme. This is a direct result of the Group's Asian-dominated sourcing, which is largely denominated in US dollars ⁄ **SEE GLOBAL OPERATIONS, P. 94**. In 2013, Group Treasury managed a net deficit of around US $ 5.2 billion related to operational activities (2012: US $ 5.1 billion). Thereof, around US $ 2.6 billion was against the euro (2012: US $ 2.7 billion). As governed by the Group's Treasury Policy, we have established a rolling 12- to 24-month hedging system, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. As a result, we have almost completed our anticipated hedging needs for 2014 as of year-end 2013 and have already started hedging our exposure for 2015. In 2014, the positive effect from a more favourable EUR/USD conversion rate will be more than offset by less favourable conversion rates in emerging markets and Japan. The use or combination of different hedging instruments, such as forward contracts, currency options and swaps, protects us against unfavourable currency movements. The use of currency options allows the Group to benefit from future favourable exchange rate developments ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

55 ⁄ Financing structure[1] (€ in millions)

	2013	2012
Cash and short-term financial assets	**1,629**	**1,935**
Bank borrowings	126	59
Commercial paper	0	0
Private placements	248	480
Eurobond	500	499
Convertible bond	460	449
Gross total borrowings	**1,334**	**1,487**
Net cash	**295**	**448**

1) Rounding differences may arise in totals.

56 ⁄ Financial leverage (in %)



57 ⁄ Issued bonds at a glance (in millions)

Issued bonds	Volume	Coupon	Maturity
Eurobond	EUR 500	fixed	2014
German private placement	EUR 56	fixed	2014
US private placement	USD 115	fixed	2015
US private placement	USD 150	fixed	2016
Convertible bond	EUR 500	fixed	2019

Financial Statements and Management Report of adidas AG

adidas AG is the parent company of the adidas Group. It includes operating business functions, primarily for the German market, as well as corporate headquarter functions such as Global Marketing, Group Treasury, Taxes, Legal and Finance. It also administers the shareholdings of the company.

Operating activities and capital structure of adidas AG

The majority of the operating business of adidas AG consists of the sale of merchandise to retailers and own-retail activities.

In addition to its own trading activities, the results of adidas AG are significantly influenced by its holding function for the adidas Group. This is reflected primarily in currency effects, transfer of costs for services provided, interest result and income from investments in affiliated companies.

The opportunities and risks as well as the future development of adidas AG largely reflect those of the adidas Group ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151** ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

The asset and capital structure of adidas AG is significantly impacted by its holding and financing function for the Group. For example, 52% of total assets in 2013 related to financial assets, which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 28% of total assets and 45% of total liabilities and equity as at December 31, 2013.

Preparation of accounts

Unlike the consolidated financial statements of the adidas Group, which are in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union as at December 31, 2013, the following financial statements of adidas AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch – HGB).

Income Statement

58 ⁄ **Statement of income in accordance with HGB (Condensed)**
(€ in millions)

	2013	2012
Net sales	1,954	2,004
Total output	**1,954**	**2,004**
Other operating income	1,165	1,270
Cost of materials	(532)	(574)
Personnel expenses	(357)	(343)
Depreciation and amortisation	(81)	(71)
Other operating expenses	(1,981)	(2,055)
Operating profit	**168**	**231**
Financial result	43	350
Taxes	(111)	(77)
Net income	**100**	**504**
Profit brought forward	324	103
Retained earnings	**424**	**607**

Net sales decline 2%

Sales of adidas AG comprise external revenues from adidas and Reebok product sales generated by adidas Germany, external revenues from Y-3 products as well as Group-internal revenues from foreign subsidiaries. Reported revenues also include royalty and commission income, mainly from affiliated companies, and other revenues. In 2013, adidas AG net sales decreased 2% to € 1.954 billion (2012: € 2.004 billion). This decline is mainly attributable to a decrease in royalty income from affiliated companies and to slightly lower sales at adidas Germany ⁄ **TABLE 59**.

59 ⁄ **adidas AG net sales** (€ in millions)

	2013	2012
Royalty and commission income	1,088	1,111
adidas Germany	701	722
Foreign subsidiaries	103	102
Y-3	44	46
Other revenues	18	23
Total	**1,954**	**2,004**

Other operating income down 8%

In 2013, other operating income of adidas AG decreased 8% to € 1.165 billion (2012: € 1.270 billion). This was primarily due to a decline in income from currency conversion.

Other operating expenses decrease 4%

In 2013, other operating expenses of adidas AG declined 4% to € 1.981 billion (2012: € 2.055 billion). This decrease was largely due to a decline in losses from currency translation and lower legal and consultancy expenses, which more than offset an increase in expenditure, in particular for marketing.

Depreciation and amortisation increases 14%

Depreciation and amortisation for adidas AG rose 14% to € 81 million in 2013 (2012: € 71 million), mainly as a result of the depreciation and amortisation of software.

Profit from operations declines

In 2013, profit from operations decreased 27% to € 168 million (2012: € 231 million). This was mainly due to the decline in other operating income as well as the increase in depreciation and amortisation and personnel expenses.

Financial result decreases

The financial result of adidas AG declined 88% to € 43 million in 2013 from € 350 million in 2012. This strong decrease is attributable to lower profit transfers from affiliated companies under profit and loss transfer agreements. In 2013, profit transfers decreased € 330 million to € 6 million (2012: € 336 million). Income from investments in affiliated companies increased 19% to € 102 million in 2013 (2012: € 86 million).

Net interest expense of adidas AG declined 14% to € 62 million in 2013 (2012: € 72 million). This development was mainly due to lower interest paid to affiliated companies.

Net income down

Income from ordinary activities declined 64% to € 211 million in 2013 from € 581 million in 2012. This development is attributable to the decline in the financial result and the lower profit from operations. Net income for the year after taxes of € 111 million was € 100 million (2012: € 504 million).

Balance Sheet

60 ⁄ **Balance sheet in accordance with HGB (Condensed)**
(€ in millions)

	Dec. 31, 2013	Dec. 31, 2012
Assets		
Intangible assets	148	152
Property, plant and equipment	304	265
Financial assets	3,476	3,480
Fixed assets	**3,928**	**3,897**
Inventories	29	33
Receivables and other assets	1,928	1,976
Cash and cash equivalents, securities	736	1,048
Current assets	**2,693**	**3,057**
Prepaid expenses	73	76
Total assets	**6,694**	**7,030**
Equity and liabilities		
Shareholders' equity	2,489	2,672
Provisions	393	361
Liabilities and other items	3,812	3,997
Total equity and liabilities	**6,694**	**7,030**

Total assets decline 5%

At the end of December 2013, total assets decreased 5% to € 6.694 billion compared to € 7.030 billion in the prior year. This was mainly a result of a decrease in cash and cash equivalents, which declined € 312 million.

Shareholders' equity down 7%

Shareholders' equity declined 7% to € 2.489 billion at the end of December 2013 compared to € 2.672 billion in the prior year. This decrease was mainly due to lower net income in 2013 compared to the dividend payout for 2012. Taking into account the dividend distribution from the prior year retained earnings and net income generated for the year, the equity ratio remained relatively stable at 37%.

Provisions up 9%

Provisions increased 9% to € 393 million at the end of 2013 (2012: € 361 million).

Liabilities and other items down 5%

Liabilities and other items decreased 5% to € 3.812 billion at the end of 2013 (2012: € 3.997 billion). This decline primarily resulted from a reduction in accounts payable to affiliated companies.

Cash inflow from operating activities reflects net income

adidas AG generated a positive cash flow from operating activities of € 89 million (2012: € 665 million). The change versus the prior year was mainly a result of lower net income and lower payables to affiliated companies. Net cash outflow from investment activities was € 115 million (2012: € 128 million). This is largely attributable to capital expenditure for tangible and intangible fixed assets of € 116 million. Financing activities resulted in a cash outflow of € 287 million (2012: cash inflow of € 128 million). The net cash outflow from financing activities relates to the dividend payment of € 282 million. As a result of all these developments, cash and cash equivalents of adidas AG decreased € 312 million to € 736 million at the end of December 2013 compared to € 1.048 billion at the end of December 2012.

adidas AG has a committed syndicated loan facility of € 500 million, which was unutilised at year-end 2013 ⁄ **SEE TREASURY, P. 135**.

adidas AG is able to meet its financial commitments at all times.

Disclosures pursuant to § 315 Section 4 and § 289 Section 4 of the German Commercial Code

Composition of subscribed capital

The nominal capital of adidas AG amounts to € 209,216,186 (as at December 31, 2013) and is divided into the same number of registered no-par-value shares with a pro-rata amount in the nominal capital of € 1 each ("shares"). As at December 31, 2013, adidas AG does not hold any treasury shares ⁄ **SEE NOTE 25, P. 217**. Pursuant to § 4 section 8 of the Articles of Association, shareholders' claims to the issuance of individual share certificates are, in principle, excluded. Each share grants one vote at the Annual General Meeting. All shares carry the same rights and obligations.

In the USA, we have issued American Depositary Receipts (ADRs). ADRs are deposit certificates of non-US shares that are traded instead of the original shares on US stock exchanges. Two ADRs equal one share ⁄ **SEE OUR SHARE, P. 58**.

Restrictions on voting rights or transfer of shares

We are not aware of any contractual agreements with adidas AG or other agreements restricting voting rights or the transfer of shares. Based on the Code of Conduct of adidas AG, however, particular lock-up periods do exist for members of the Executive Board with regard to the purchase and sale of adidas AG shares. These lock-up periods are connected with the publication of quarterly and full year results. Such lock-up periods also exist for employees who have access to yet unpublished financial results.

In addition, restrictions of voting rights may exist pursuant, inter alia, to § 136 German Stock Corporation Act (Aktiengesetz – AktG) or for treasury shares pursuant to § 71b AktG as well as due to capital market regulations, in particular pursuant to §§ 21 et seq. German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

Shareholdings in share capital exceeding 10% of voting rights

We have not been notified of, and are not aware of, any direct or indirect shareholdings in the share capital of adidas AG exceeding 10% of the voting rights.

Shares with special rights

There are no shares bearing special rights. In particular, there are no shares with rights conferring powers of control.

Voting right control if employees have a share in the capital

Like all other shareholders, employees who hold adidas AG shares exercise their control rights directly in accordance with statutory provisions and the Articles of Association.

Executive Board appointment and dismissal

Pursuant to § 6 of the Articles of Association and § 84 AktG, the Supervisory Board is responsible for determining the exact number of members of the Executive Board, for their appointment and dismissal as well as for the appointment of the Chief Executive Officer (CEO). The adidas AG Executive Board, which, as a basic principle, comprises at least two members, currently consists of the CEO as well as four further members ⁄ SEE EXECUTIVE BOARD, P. 36. Executive Board members may be appointed for a maximum period of five years. Such appointments may be renewed and the terms of office may be extended, provided that no term exceeds five years.

The Supervisory Board may revoke the appointment of an individual as member of the Executive Board or CEO for good cause, such as gross negligence of duties or a vote of no confidence by the Annual General Meeting. As adidas AG is subject to the regulations of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), the appointment of Executive Board members and also their dismissal requires a majority of at least two thirds of the Supervisory Board members (§ 31 MitbestG). If such a majority is not established in the first vote by the Supervisory Board, the Mediation Committee has to present a proposal which, however, does not exclude other proposals. The appointment or dismissal is then made in a second vote with a simple majority of the votes cast by the Supervisory Board members. Should the required majority not be established in this case either, a third vote, again requiring a simple majority, must be held in which, however, the Chairman of the Supervisory Board has two votes.

Furthermore, the Fuerth, Germany, local court shall, pursuant to § 85 section 1 AktG, in urgent cases, make the necessary appointment upon application by any party involved, if the Executive Board does not have the required number of members.

Amendments to the Articles of Association

Pursuant to § 179 section 1 sentence 1 AktG, the Articles of Association of adidas AG can, in principle, only be amended by a resolution passed by the Annual General Meeting. Pursuant to § 21 section 3 of the Articles of Association in conjunction with § 179 section 2 sentence 2 AktG, the Annual General Meeting of adidas AG principally resolves upon amendments to the Articles of Association with a simple majority of the votes cast and with a simple majority of the nominal capital represented when passing the resolution. If mandatory legal provisions stipulate a larger majority of voting rights or capital, this is applicable. When it comes to amendments solely relating to the wording, the Supervisory Board is, however, authorised to make these modifications in accordance with § 179 section 1 sentence 2 AktG in conjunction with § 10 section 1 of the Articles of Association.

Authorisation of the Executive Board to issue shares

The authorisations of the Executive Board are regulated by §§ 76 et seq. AktG in conjunction with § 7 of the Articles of Association. The Executive Board is responsible, in particular, for managing the company and represents the company judicially and extra-judicially.

The authorisation of the Executive Board to issue shares is regulated by § 4 of the Articles of Association and by statutory provisions:

Authorised Capital

- Until June 30, 2016, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind once or several times by no more than € 25,000,000 altogether (Authorised Capital 2013/II).
- Until June 30, 2018, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether (Authorised Capital 2013/I).
- Until June 30, 2018, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 20,000,000 altogether (Authorised Capital 2013/III).

Subject to Supervisory Board approval, shareholders' subscription rights may be excluded in certain cases for each of the above-mentioned authorisations ⁄ SEE NOTE 25, P. 217.

Contingent Capital

- Based on the resolution of the Annual General Meeting of May 6, 2010, the Executive Board is authorised, subject to Supervisory Board approval, to issue bonds with warrants and/or convertible bonds by the company or affiliated companies once or several times in the total amount of up to € 1.5 billion, with or without a limited term, against contributions in cash and to accept guarantee of such bonds issued by affiliated companies until May 5, 2015. Furthermore, the Executive Board is authorised, subject to Supervisory Board approval, to grant to bondholders or bond creditors subscription or conversion rights relating to no more than a total of 36,000,000 shares in compliance with the corresponding conditions of the bonds.
  For this purpose, the nominal capital was conditionally increased by up to € 36,000,000 (Contingent Capital 2010). The Executive Board is authorised, subject to Supervisory Board approval, to exclude shareholders' subscription rights for fractional amounts. The authorisation also provides for excluding shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of bonds already issued before are entitled. Furthermore, the Executive Board is authorised, subject to Supervisory Board approval, to also exclude shareholders' subscription rights if the issue price of the bonds is not significantly below the market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. The issuance of new shares or the use of treasury shares must be taken into account when calculating the limit of 10% in certain specific cases.

On March 14, 2012, following the approval of the Supervisory Board, the Executive Board issued a convertible bond, excluding shareholders' subscription rights, thus making partial use of the authorisation granted by the Annual General Meeting on May 6, 2010. For the issuance of shares to bondholders, the Contingent Capital 2010 may be utilised. However, the shares will only be issued insofar as bondholders make use of their conversion rights. The total number of shares to be issued to bondholders in case of full conversion currently amounts to up to 6,016,954 shares.

Authorisation of the Executive Board to repurchase shares

The authorisations to repurchase adidas AG shares arise from §§ 71 et seq. AktG and, as at the balance sheet date, from the authorisation granted by the Annual General Meeting on May 6, 2010.

⁄ Until May 5, 2015, the Executive Board is authorised to repurchase adidas AG shares of up to an amount totalling 10% of the nominal capital at the date of the resolution (or, as the case may be, a lower amount of nominal capital at the date of utilisation of the authorisation) for any lawful purpose and within the legal framework. The authorisation may be used by the company but also by its subsidiaries or by third parties on account of the company or its subsidiaries or third parties assigned by the company or one of its subsidiaries.

The repurchase via the stock exchange will be carried out through a public repurchase offer, through a public invitation to submit sale offers or through granting tender rights to shareholders. Furthermore, the authorisation sets out the lowest and highest nominal value that may be granted in each case.

The purposes for which adidas AG shares repurchased based on this authorisation may be used are set out in Item 11 of the Agenda for the Annual General Meeting held on May 6, 2010. The shares may in particular be used as follows:

- They may be sold via the stock exchange, through a public share purchase offer made to all shareholders or sold otherwise against cash (limited to 10% of the nominal capital taking into account certain offsets) at a price not significantly below the stock market price of shares with the same features.
- They may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies or participations in companies or within the scope of company mergers.
- They may be offered and sold as consideration for the acquisition of industrial property rights or intangible property rights or for the acquisition of licences relating to such rights, also through subsidiaries.
- They may be used for purposes of meeting the subscription or conversion rights or obligations or the company's right to delivery of shares arising from bonds with warrants and/or convertible bonds.
- They may be cancelled without the cancellation, or the execution thereof, requiring an additional resolution of the Annual General Meeting.

Furthermore, the shares may be assigned to members of the Executive Board as compensation by way of a stock bonus subject to the provision that resale by the Executive Board members shall only be permitted following a retention period of at least three years from the date of assignment. Responsibility in this case lies with the Supervisory Board.

In case of utilisation of shares for the above-mentioned purposes, except for the cancellation of shares, shareholders' subscription rights are excluded.

The Supervisory Board may determine that transactions based on this authorisation may only be carried out subject to the approval of the Supervisory Board or one of its committees.

⁄ In the scope of the authorisation resolved by the Annual General Meeting on May 6, 2010, the Executive Board is furthermore authorised to conduct the share buyback also by using equity derivatives which are arranged with a financial institution in close conformity with market conditions. adidas AG may acquire call options issued for physical delivery and/or sell put options or use a combination of call and put options or other equity derivatives if the option conditions ensure that these shares are only delivered if they were purchased in compliance with the equality principle. All share purchases using the aforementioned equity derivatives are limited to a maximum value of 5% of the nominal capital existing at the date on which the resolution was adopted by the Annual General Meeting (or, as the case may be, a lower amount of nominal capital at the date of utilisation of the authorisation). The term of the options may not exceed 18 months and must furthermore be chosen in such a way that the shares are acquired upon the exercise of the options no later than May 5, 2015. The authorisation furthermore sets out the lowest and highest nominal value that may be granted in each case.

For excluding subscription rights as well as for the use and cancellation of shares purchased using equity derivatives, the general provisions adopted by the Annual General Meeting (set out above) are applicable accordingly.

Change of control/compensation agreements

Material agreements entered into by adidas AG containing a change-of-control clause relate to financing agreements. In the case of a change of control, these agreements, in accordance with common practice, entitle the creditor to termination and early calling-in of any outstanding amounts.

No compensation agreements exist between adidas AG and members of the Executive Board or employees relating to the event of a takeover bid.

Business Performance by Segment

The adidas Group has divided its operating activities into Wholesale, Retail and Other Businesses. The Wholesale segment comprises the adidas and Reebok business activities with retailers. The Retail segment comprises the own-retail and e-commerce activities of the adidas and Reebok brands. The financial results of TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands, which comprise brands such as Y-3 and Five Ten, are aggregated under Other Businesses.

Wholesale Business Performance

Wholesale full year results

In 2013, sales in the Wholesale segment remained stable on a currency-neutral basis. While revenues at Reebok grew at a low-single-digit rate, sales at adidas remained virtually unchanged versus the prior year. Currency translation effects negatively impacted segmental revenues in euro terms. Sales in the Wholesale segment decreased 5% to € 9.100 billion from € 9.533 billion in 2012 ⁄ **TABLE 01**.

Wholesale gross margin increased 2.4 percentage points to 42.7% from 40.3% in 2012, driven by a more favourable pricing, product and regional sales mix. By brand, the adidas wholesale gross margin grew 2.1 percentage points to 44.2% (2012: 42.1%). The wholesale gross margin of the Reebok brand increased 4.8 percentage points to 31.0% versus 26.2% in the prior year. Wholesale gross profit grew 1% to € 3.884 billion from € 3.840 billion in 2012 ⁄ **TABLE 01**.

Segmental operating expenses as a percentage of sales decreased 0.4 percentage points to 8.8% (2012: 9.2%). Segmental operating expenses in Wholesale primarily relate to sales working budget expenses as well as expenditure for sales force, administration and logistics. In euro terms, segmental operating expenses were down 8% to € 802 million versus € 875 million in 2012. This was primarily due to lower expenditure for sales administration and logistics.

Segmental operating profit improved 4% to € 3.082 billion versus € 2.965 billion in the prior year. Segmental operating margin increased 2.8 percentage points to 33.9% (2012: 31.1%) ⁄ **TABLE 01**, as a result of the gross margin increase as well as the positive effect of lower segmental operating expenses as a percentage of sales.

01 ⁄ **Wholesale at a glance** (€ in millions)

	2013	2012	Change
Net sales	9,100	9,533	(5%)
Gross profit	3,884	3,840	1%
Gross margin	42.7%	40.3%	2.4pp
Segmental operating profit	3,082	2,965	4%
Segmental operating margin	33.9%	31.1%	2.8pp

02 ⁄ **Wholesale net sales by region** (€ in millions)

	2013	2012	Change	Change (currency-neutral)
Western Europe	2,941	3,257	(10%)	(9%)
European Emerging Markets	545	545	0%	8%
North America	1,633	1,744	(6%)	(3%)
Greater China	1,403	1,322	6%	7%
Other Asian Markets	1,368	1,493	(8%)	5%
Latin America	1,210	1,172	3%	16%
Total [1]	**9,100**	**9,533**	**(5%)**	**0%**

1) Rounding differences may arise in totals.

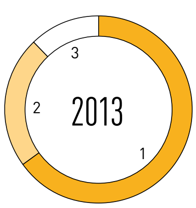
Wholesale development by region

In 2013, currency-neutral sales for the Wholesale segment increased in all regions except Western Europe and North America. Currency-neutral revenues in Western Europe decreased 9%, mainly due to sales declines in the UK, Italy and Spain. Currency-neutral sales in European Emerging Markets rose 8%, as a result of growth in most of the region's major markets. Currency-neutral Wholesale sales in North America were down 3% due to declines in the USA. Revenues in Greater China increased 7% on a currency-neutral basis. Sales in Other Asian Markets grew 5% on a currency-neutral basis, driven by strong increases in South Korea, India and Australia. In Latin America, currency-neutral sales were up 16%, supported by double-digit sales growth in most of the region's major markets. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 02**.

03 ⁄ **Wholesale net sales by region**

1 ⁄ **32%** Western Europe
2 ⁄ **18%** North America
3 ⁄ **16%** Greater China
4 ⁄ **15%** Other Asian Markets
5 ⁄ **13%** Latin America
6 ⁄ **6%** European Emerging Markets

04 ⁄ **Wholesale net sales by brand**

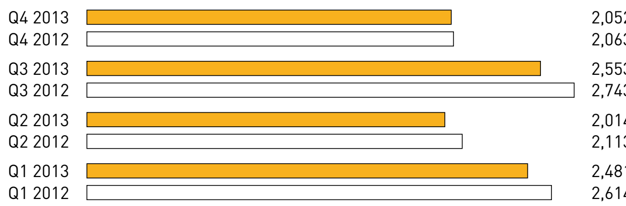


1 ⁄ **65%** adidas Sport Performance
2 ⁄ **23%** adidas Originals & Sport Style
3 ⁄ **12%** Reebok

Wholesale development by brand

In 2013, adidas Sport Performance wholesale revenues grew 1% on a currency-neutral basis. Growth was mainly a result of sales increases in the training, running, football and outdoor categories, partly offset by declines in categories closely related to prior year major sporting events, such as Olympic sports. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance sales decreased 4% to € 5.917 billion from € 6.187 billion in the prior year.

05 ⁄ **Wholesale net sales by quarter** (€ in millions)



06 ⁄ **Wholesale gross margin by quarter** (in %)

07 ⁄ **Wholesale segmental operating profit by quarter** (€ in millions)

Currency-neutral adidas Originals & Sport Style wholesale revenues grew 2% in 2013. This increase was driven by double-digit sales growth at the adidas NEO label. Currency translation effects had a negative impact on revenues in euro terms. adidas Originals & Sport Style sales decreased 2% to € 2.156 billion (2012: € 2.193 billion).

In 2013, Reebok wholesale revenues increased 1% on a currency-neutral basis, mainly due to growth in the classics, fitness training and studio categories. This development was partly offset by the negative impact of the discontinuation of the NFL licence agreement. Currency translation effects had a negative impact on revenues in euro terms. Reebok sales were down 5% to € 1.050 billion (2012: € 1.109 billion).

Retail Business Performance

Retail full year results

In 2013, Retail revenues increased 8% on a currency-neutral basis as a result of high-single-digit sales growth at adidas. Currency-neutral sales at Reebok grew at a low-single-digit rate. Concept stores, factory outlets and concession corners were all up versus the prior year. eCommerce grew 64% on a currency-neutral basis. Currency translation effects negatively impacted segmental revenues in euro terms. Sales grew 2% to € 3.446 billion from € 3.373 billion in the prior year ⁄ **TABLE 08**. Currency-neutral comparable store sales decreased 1% versus the prior year, as growth in most regions was more than offset by sales declines in Russia/CIS. This development was mainly due to a challenging consumer environment in Russia/CIS as well as distribution centre issues during the year.

Gross margin in the Retail segment increased 1.3 percentage points to 62.2% from 60.9% in 2012. The positive effect from a more favourable pricing and product mix contributed to the margin increase. By brand, the adidas gross margin was up 1.0 percentage points to 63.1% (2012: 62.1%) and Reebok's gross margin increased 2.3 percentage points to 57.4% (2012: 55.1%). Retail gross profit rose 4% to € 2.143 billion from € 2.055 billion in 2012 ⁄ **TABLE 08**.

Segmental operating expenses as a percentage of sales grew 3.0 percentage points to 42.5% (2012: 39.5%). Segmental operating expenses in Retail primarily relate to personnel and rent expenses as well as the sales working budget. Segmental operating expenses increased 10% to € 1.465 billion from € 1.331 billion in 2012. This was mainly a result of higher expenses related to the expansion of the Group's store base, particularly in European Emerging Markets.

Segmental operating profit decreased 6% to € 678 million versus € 724 million in the prior year. Segmental operating margin decreased 1.8 percentage points to 19.7% (2012: 21.5%) ⁄ **TABLE 08**. This was a result of higher segmental operating expenses as a percentage of sales, which more than offset the increase in gross margin.

08 ⁄ **Retail at a glance** (€ in millions)

	2013	2012	Change
Net sales	3,446	3,373	2%
Gross profit	2,143	2,055	4%
Gross margin	62.2%	60.9%	1.3pp
Segmental operating profit	678	724	(6%)
Segmental operating margin	19.7%	21.5%	(1.8pp)

Retail development by region

Currency-neutral Retail sales increased in all regions. Retail revenues in Western Europe grew 8% on a currency-neutral basis, mainly due to double-digit sales increases in Germany, the UK and Italy. Sales in European Emerging Markets rose 2% on a currency-neutral basis, as a result of growth in most of the region's major markets. Currency-neutral Retail sales in North America grew 10% due to double-digit growth in the USA and Canada. Retail revenues in Greater China increased 11% on a currency-neutral basis. Sales in Other Asian Markets grew 8% on a currency-neutral basis, mainly driven by growth in South Korea, Japan and Australia. In Latin America, currency-neutral Retail sales grew 31%, with double-digit sales increases in most of the region's major markets, in particular Brazil, Argentina and Colombia. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 09**.

Retail development by brand

In 2013, adidas Group Retail sales increased at both adidas and Reebok. Currency-neutral adidas Sport Performance revenues grew 7% in the

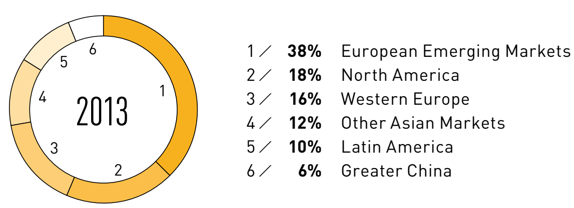
09 ⁄ **Retail net sales by region** (€ in millions)

	2013	2012	Change	Change (currency-neutral)
Western Europe	544	507	7%	8%
European Emerging Markets	1,297	1,346	(4%)	2%
North America	639	599	7%	10%
Greater China	216	198	9%	11%
Other Asian Markets	406	436	(7%)	8%
Latin America	344	287	20%	31%
Total [1]	**3,446**	**3,373**	**2%**	**8%**

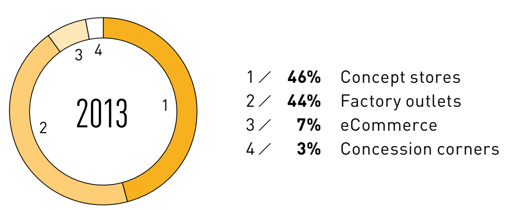
1) Rounding differences may arise in totals.

period, mainly due to double-digit growth in the training, running and basketball categories. adidas Originals & Sport Style sales rose 12% on a currency-neutral basis, driven by double-digit sales increases at adidas Originals. Currency-neutral Reebok sales were 3% higher compared to the prior year. Comparable store sales for the adidas brand remained stable on a currency-neutral basis, while Reebok comparable store sales were down 3% on a currency-neutral basis. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance own-retail sales increased 1% to € 1.868 billion from € 1.848 billion in 2012. adidas Originals & Sport Style own-retail sales were up 6% to € 1.020 billion from € 958 million in 2012. Own-retail sales of Reebok branded products declined 2% to € 549 million (2012: € 558 million).

10 ⁄ **Retail net sales by region**



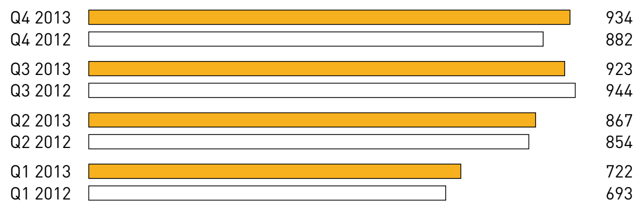
11 ⁄ **Retail net sales by store format**



Retail store development

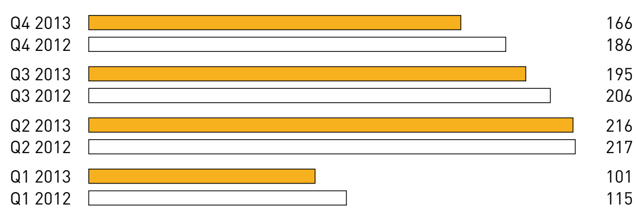
At December 31, 2013, the adidas Group Retail segment operated 2,740 stores. This represents a net increase of 294 stores or 12% versus the prior year-end level of 2,446. Of the total number of stores, 1,557 were adidas and 404 were Reebok branded (December 31, 2012: 1,353 adidas stores, 363 Reebok stores). In addition, the adidas Group Retail segment operated 779 factory outlets (December 31, 2012: 730). During 2013, the Group opened 534 new stores, 240 stores were closed and 127 stores were remodelled.

12 ⁄ **Retail net sales by quarter** (€ in millions)



13 ⁄ **Retail gross margin by quarter** (in %)

14 ⁄ **Retail segmental operating profit by quarter** (€ in millions)



Retail development by store format

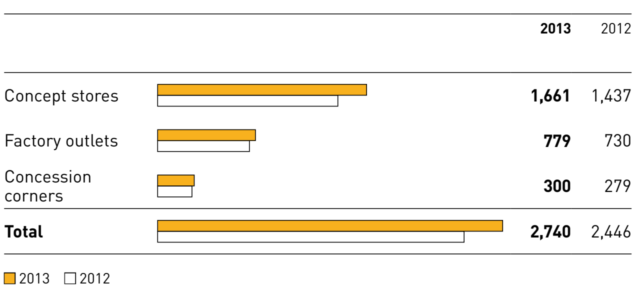
Concept store revenues include sales from adidas Sport Performance, adidas Originals & Sport Style and Reebok concept stores. In 2013, concept store revenues grew 6% on a currency-neutral basis. Sales increased at mid-single-digit rates at both adidas and Reebok. Currency-neutral comparable concept store sales were down 2%. In 2013, the Group opened 349 new concept stores, 125 concept stores were closed. As a result, the number of concept stores increased by 224 to 1,661 at the end of 2013 (2012: 1,437), of which 1,357 were related to the adidas brand and 304 to the Reebok brand ⁄ **TABLE 16**. Currency translation effects had a negative impact on sales in euro terms. Concept store sales remained stable at € 1.573 billion from € 1.575 billion in 2012.

Factory outlet revenues include sales from adidas and Reebok factory outlets. In 2013, factory outlet revenues grew 4% on a currency-neutral basis. Sales increased at a mid-single-digit rate at adidas, while Reebok sales declined at a low-single-digit rate. Comparable factory outlet sales remained stable on a currency-neutral basis. In 2013, the Group opened 101 and closed 52 factory outlets. As a result, the number of factory outlets increased by 49 to 779 at the end of 2013 (December 31, 2012: 730) ⁄ **TABLE 16**. Currency translation effects had a negative impact on sales in euro terms. Factory outlet sales decreased 1% to € 1.507 billion from € 1.528 billion in 2012.

Concession corner revenues include adidas and Reebok concession corners. In 2013, sales from concession corners increased 6% on a currency-neutral basis. Sales grew at a double-digit rate at Reebok, and adidas sales were up at a mid-single-digit rate. Currency-neutral comparable sales from concession corners grew 6%. In 2013, the Group opened 84 concession corners and closed 63. As a result, the number of concession corners increased by 21 to 300 at the end of 2013 (December 31, 2012: 279), of which 200 were related to the adidas brand and 100 to the Reebok brand ⁄ **TABLE 16**. Currency translation effects had a negative impact on sales in euro terms. Concession corner sales increased 3% to € 115 million (2012: € 112 million).

eCommerce revenues include e-commerce operations of the adidas and Reebok brands. In 2013, sales from adidas and Reebok e-commerce platforms were up 64% on a currency-neutral basis compared to 2012. Sales increased at strong double-digit rates at both adidas and Reebok. Currency translation effects had a negative impact on sales in euro terms. eCommerce revenues grew 58% to € 250 million from € 158 million in 2012.

15 ⁄ **Retail number of stores overview**



16 ⁄ **Retail number of stores development**

	Total	Concept stores	Factory outlets	Concession corners
2012	**2,446**	**1,437**	**730**	**279**
Opened	534	349	101	84
Closed	240	125	52	63
Opened (net)	294	224	49	21
2013	**2,740**	**1,661**	**779**	**300**

Other Businesses Performance

Other Businesses full year results

In 2013, revenues of Other Businesses grew 5% on a currency-neutral basis, driven by sales growth at TaylorMade-adidas Golf as well as at Reebok-CCM Hockey. Sales at Rockport and Other Centrally Managed Brands also increased. Currency translation effects negatively impacted revenues in euro terms. Sales of Other Businesses declined 2% to € 1.946 billion (2012: € 1.977 billion) ⁄ **TABLE 17**.

Gross margin decreased 1.7 percentage points to 41.0% (2012: 42.8%). The positive effect from higher product margins at Rockport and Reebok-CCM Hockey was more than offset by lower product margins at TaylorMade-adidas Golf related to inventory clearance activities as a result of the challenging golf market in 2013. Other Businesses gross profit was down 6% to € 799 million versus € 845 million in 2012 ⁄ **TABLE 17**.

Segmental operating expenses as a percentage of sales decreased 0.5 percentage points to 14.9% (2012: 15.4%). Segmental operating expenses in Other Businesses primarily relate to expenditure for sales force and administration as well as sales working budget expenses for TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands. In euro terms, segmental operating expenses decreased 5% to € 290 million from € 304 million in 2012. This was driven in particular by lower expenditure for sales administration at TaylorMade-adidas Golf and Reebok-CCM Hockey.

Other Businesses segmental operating profit decreased 6% to € 508 million versus € 541 million in the prior year. Segmental operating margin was down 1.3 percentage points to 26.1% from 27.4% in 2012 ⁄ **TABLE 17**. This was a result of the gross margin decrease, which more than offset the positive impact from lower segmental operating expenses as a percentage of sales.

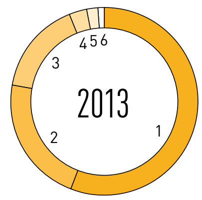
17 ⁄ **Other Businesses at a glance** (€ in millions)

	2013	2012	Change
Net sales	1,946	1,977	(2%)
Gross profit	799	845	(6%)
Gross margin	41.0%	42.8%	(1.7pp)
Segmental operating profit	508	541	(6%)
Segmental operating margin	26.1%	27.4%	(1.3pp)

Other Businesses development by region

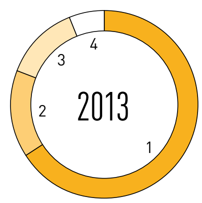
Currency-neutral sales of Other Businesses increased in all regions except Greater China. Revenues in Western Europe were up 3% on a currency-neutral basis due to sales growth at Other Centrally Managed Brands and TaylorMade-adidas Golf. Sales at Reebok-CCM Hockey and Rockport declined at a high-single-digit rate. Sales in European Emerging Markets increased 1% on a currency-neutral basis. Strong growth at Rockport was partly offset by sales declines at Reebok-CCM Hockey. Revenues at TaylorMade-adidas Golf grew at a low-single-digit rate. Currency-neutral sales in North America rose 6%, driven by growth at Reebok-CCM Hockey and TaylorMade-adidas Golf, where revenues grew at a double-digit rate and mid-single-digit rate, respectively. Sales at Rockport also increased, while revenues at Other Centrally Managed Brands were below the prior year level. Revenues in China decreased 12% on a currency-neutral basis as a result of sales declines at TaylorMade-adidas Golf. Sales in Other Asian Markets grew 5% on a currency-neutral basis, driven by double-digit increases at Rockport. Revenues at TaylorMade-adidas Golf increased at a low-single-digit rate. In Latin America, currency-neutral sales rose 2%, as a result of growth at TaylorMade-adidas Golf, which more than offset revenue declines at Rockport. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 20**.

18 ⁄ Other Businesses net sales by region



1 ⁄ **56%** North America
2 ⁄ **22%** Other Asian Markets
3 ⁄ **16%** Western Europe
4 ⁄ **3%** European Emerging Markets
5 ⁄ **2%** Greater China
6 ⁄ **1%** Latin America

19 ⁄ Other Businesses net sales by segment



1 ⁄ **66%** TaylorMade-adidas Golf
2 ⁄ **15%** Rockport
3 ⁄ **13%** Reebok-CCM Hockey
4 ⁄ **6%** Other Centrally Managed Brands

Other Businesses development by segment

In 2013, TaylorMade-adidas Golf revenues increased 3% on a currency-neutral basis. Growth was mainly due to the first-time consolidation of Adams Golf starting in the second quarter of 2012. adidas Golf also contributed to this development, with double-digit growth in footwear. Currency translation effects negatively impacted TaylorMade-adidas Golf sales in euro terms. Revenues decreased 4% to € 1.285 billion from € 1.344 billion in the prior year.

Rockport revenues increased 6% on a currency-neutral basis, mainly due to sales growth related to Rockport's lightweight concepts. Currency translation effects negatively impacted sales in euro terms. Revenues in the Rockport segment increased 1% to € 289 million (2012: € 285 million).

20 ⁄ Other Businesses net sales by region (€ in millions)

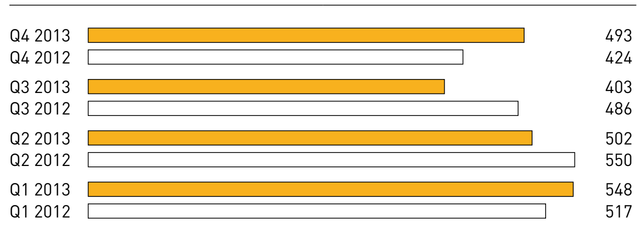
	2013	2012	Change	Change (currency-neutral)
Western Europe	314	312	1%	3%
European Emerging Markets	52	55	(7%)	1%
North America	1,091	1,067	2%	6%
Greater China	36	42	(13%)	(12%)
Other Asian Markets	432	478	(10%)	5%
Latin America	21	22	(4%)	2%
Total [1]	**1,946**	**1,977**	**(2%)**	**5%**

1) Rounding differences may arise in totals.

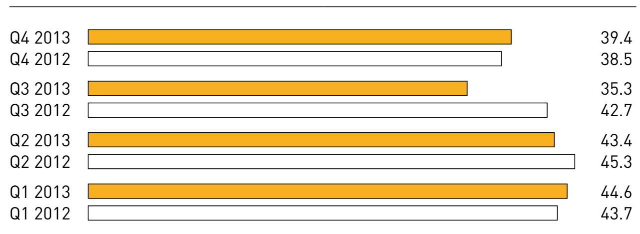
Currency-neutral Reebok-CCM Hockey sales were up 11%. This increase is partly due to the low comparison basis resulting from the NHL lockout during the third and fourth quarter of 2012. Currency translation effects negatively impacted sales in euro terms. Reebok-CCM Hockey revenues increased 7% to € 260 million from € 243 million in 2012.

Other Centrally Managed Brands revenues grew 9% on a currency-neutral basis, primarily driven by growth at Y-3 as well as Porsche Design Sport. Currency translation effects negatively impacted sales in euro terms. Revenues in Other Centrally Managed Brands increased 8% to € 112 million (2012: € 104 million).

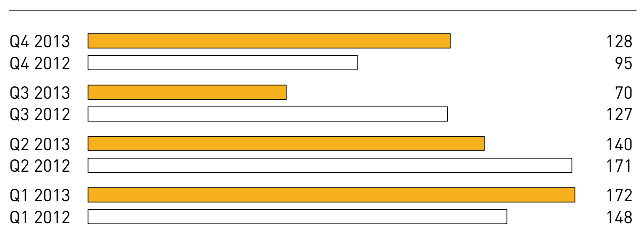
21 ⁄ **Other Businesses net sales by quarter** (€ in millions)



22 ⁄ **Other Businesses gross margin by quarter** (in %)



23 ⁄ **Other Businesses segmental operating profit by quarter** (€ in millions)



Subsequent Events and Outlook

In 2014, despite a high degree of economic uncertainty particularly in the emerging markets, we expect the global economy and consumer spending to increase, providing a positive backdrop for the continued growth and expansion of the sporting goods industry. Through the extensive pipeline of new and innovative products at all brands and the positive effects from major sporting events including the 2014 FIFA World Cup, we project top- and bottom-line improvements in our Group's financial results in 2014. We forecast adidas Group sales to increase at a high-single-digit rate on a currency-neutral basis, with growth expected at all brands as well as in all regions and segments. Currency translation is expected to have a significant negative impact on our top-line development in reported terms. Group gross margin is forecasted to increase to a level between 49.5% and 49.8%, primarily as a result of a more favourable pricing, product and regional sales mix, as well as improvements at the Reebok brand. Group operating margin is forecasted to be at a level between 8.5% and 9.0%. As a result, we project net income attributable to shareholders to be at a level between € 830 million and € 930 million.

Subsequent Events

Subsequent management changes on the Executive Board

On January 8, 2014, the Supervisory Board of adidas AG appointed Eric Liedtke (47) to the Executive Board of adidas AG effective March 6, 2014. Eric Liedtke will assume responsibility for Global Brands succeeding Erich Stamminger (56), who has decided to leave the adidas AG Executive Board on March 5, 2014, for personal reasons. Eric Liedtke, a US citizen, joined the adidas Group in 1994 as Global Line Manager for Cross Training in Portland/Oregon. During his 20-year career with adidas, he has held senior management positions of increasing responsibility at adidas America, including Director of Footwear Marketing and Vice President Brand Marketing. In 2006, Eric Liedtke moved to the adidas Group headquarters in Herzogenaurach, Germany, to become Senior Vice President Global Brand Marketing. Since 2011, he has held the position of Senior Vice President adidas Sport Performance, responsible for all adidas sports categories globally.

Subsequent macroeconomic developments

Since the end of 2013, several currencies, in particular the Argentine peso, Brazilian real, Turkish lira, Russian rouble, Australian dollar and Canadian dollar, amongst others, have further depreciated versus the euro. These changes currently add significant risk to our Group's reported results in euro due to negative currency translation effects.

No other subsequent changes

Since the end of 2013, there have been no other significant organisation, 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 uncertainties as described in the Risk and Opportunity Report, which are beyond the control of the adidas Group ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialise, actual results and developments may materially deviate (negatively or positively) 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 to grow in 2014

According to the World Bank, global GDP is projected to increase 3.2% in 2014 (2013: 2.4%). While several major high-income economies are expected to return to growth in 2014 and inflationary pressures are forecasted to remain low in many markets, the development of the global economy nonetheless remains subject to a high degree of uncertainty. The strengthening of many mature markets marks a significant shift from recent years when developing countries were the major drivers of global GDP expansion. Their recovery is also anticipated to boost prospects for developing markets' export activity.

High-income, developed markets are expected to expand 2.2% in 2014, with the euro area's GDP forecasted to return to modest growth. The USA is also expected to continue to reduce its bond buying programme (quantitative easing), which could lead to an increase in long-term interest rates in some developed and developing countries. Nonetheless, the strongest economic progress in the world will continue to be derived from the emerging markets, which are forecasted to increase 5.3% in 2014. In many of these developing economies, this growth is projected to continue to support a rapid rise in wages and disposable income. These positive economic expectations and the outlook for consumer spending, particularly in the emerging markets, are forecasted to be supportive of our growth aspirations in 2014.

In Western Europe, with less severe austerity programmes in many countries and low inflationary pressures supporting recovery and modest GDP expansion, GDP is projected to increase around 1.2% in 2014. In the euro area, Germany, the union's largest economy, will remain the main engine of growth, fuelled by healthy export activity and increasing domestic demand and consumer and investment spending. However, the recovery will be fragile and continue to be constrained by high unemployment rates and ongoing concerns regarding the over-indebtedness of many of the region's governments and banks.

European emerging markets are expected to continue to improve, with GDP estimated to grow at a healthy 2.8% in 2014. Economic growth is projected to come from increased exports as the region should benefit in particular from a stronger euro area. Increasing domestic consumption is also expected to support economic activity. In Russia, the trend of wage moderation and slowing income growth, the gradual rise in unemployment levels and further moderation in personal lending could lead to a less robust consumption growth rate in 2014.

In the USA, according to the Federal Reserve, GDP is forecasted to grow 3.0% in 2014, driven by domestic consumption as well as increasing industrial and export activities. The consensus is that inflation will remain moderate, while the labour and housing markets will improve, supporting consumer spending and economic expansion. The Federal Reserve's strategy is anticipated to continue with its accommodative policy stance, reducing its quantitative easing programme as the year progresses. Headwinds are expected from further public spending cuts, although at a lower rate than in 2013.

In Asia, GDP is projected to increase 4.2% in 2014. With the exception of Japan, growth is expected to remain relatively high during the year, with healthy industrial activity, manageable inflationary pressures and strong wage increases contributing to the region's economic expansion. Improving growth prospects in developed markets should also support Asia's export activities. China will remain the fastest-growing economy and is forecasted to expand by 7.4%. In Japan, GDP is predicted to increase 1.3% in 2014, and is expected to continue to be driven by the government's substantial stimulus programme. However, Japan's real wage growth is forecasted to contract, negatively impacting consumer spending.

In Latin America, GDP is expected to increase 3.0% in 2014, with low unemployment rates and healthy domestic demand and consumer spending supporting growth. Nonetheless, elevated inflation rates, particularly in Argentina, and a tight consumer debt environment are forecasted to negatively impact growth. Concerns also remain regarding the expectations of more challenging global liquidity conditions and the potential further weakening of several Latin American currencies.

Sporting goods industry expansion to continue in 2014

In the absence of any major economic shocks, we expect the global sporting goods industry to grow in 2014. In particular, the industry should benefit from major sporting events, such as the world's largest, the FIFA World Cup, hosted by Brazil, as well as from the 2014 Winter Olympic Games being held in Sochi, Russia. Many sporting goods retailers will continue to move to a more omni-retail business model, and e-commerce and investment in digital are anticipated to remain growth areas. Following macroeconomic trends, consumer spending on sporting goods in the emerging economies is expected to grow faster than in the more developed markets. Private consumption in many developed economies is forecasted to improve moderately in 2014, supporting modest industry expansion in those markets. While inflationary pressures are projected to remain relatively contained in most markets, the recent currency devaluations in several emerging market countries are likely to lead to significant price increases over time in the affected countries. In addition, wage growth in the faster-growing economies is forecasted to continue to add significant costs to the industry, especially where the industry sources and manufactures sporting goods.

In Europe, improvements in consumer confidence and domestic demand should positively impact the sporting goods industry in 2014. The region's industry will also gain momentum due to the large number of European teams participating in the 2014 FIFA World Cup in Brazil and the importance of football for those markets. This benefit will also positively impact many European emerging markets, including Russia, who also qualified. Russia's sporting goods sector should also gain additional momentum as the host nation for the 2014 Winter Olympic Games. Nonetheless, trends of lower growth in disposable income rates are expected to continue to negatively impact consumer sentiment and spending, and lessen the sporting goods sector's expansion in some European emerging markets, especially in Russia.

In the USA, industry growth rates are expected to be ahead of the economy's overall growth. From a category perspective, the trend towards high-performance technical running and training footwear looks set to continue. Similarly, advanced and highly innovative apparel products are also predicted to be significant sporting goods sales drivers for the year. Lifestyle running is expected to recover and the US golf market is also forecasted to see modest growth in 2014.

In Greater China, strong wage growth and domestic consumption is predicted to propel sporting goods sales in 2014. The trend and market share shift towards international brands is expected to continue. In other Asian markets, the sporting goods industry is also forecasted to grow in 2014, albeit with regional differences. Japan's sporting goods industry is expected to grow modestly, with the weaker yen and the substantial government stimulus programmes helping to drive improvements in consumer sentiment and domestic spending. However, an expected sales tax increase in April may negatively impact the industry. Most of the other major Asian emerging markets are expected to see robust sporting goods sales growth in 2014, as domestic demand increases and rising wages continue to drive purchases of discretionary items.

The sporting goods industry in Latin America is projected to record healthy growth in 2014, with wage growth expected to promote consumer spending and discretionary purchases. Furthermore, given the significance of football in this region, the industry is expected to maintain momentum from sales relating to the 2014 FIFA World Cup in Brazil.

01 ⁄ **adidas Group 2014 outlook**

Currency-neutral sales development (in %):	
adidas Group	high-single-digit rate increase
Wholesale	mid-single-digit rate increase
Retail	high-single- to low-double-digit rate increase
Comparable store sales	low- to mid-single-digit rate increase
Other Businesses	low- to mid-single-digit rate increase
TaylorMade-adidas Golf	low- to mid-single-digit rate increase
Rockport	mid- to high-single-digit rate increase
Reebok-CCM Hockey	mid-single-digit rate increase
Gross margin	49.5% to 49.8%
Operating margin	between 8.5% and 9.0%
Net income attributable to shareholders	€ 830 million to € 930 million
Average operating working capital in % of net sales	moderate decrease
Capital expenditure	€ 500 million to € 550 million
Store base	net increase by around 250 stores
Gross borrowings	decline

adidas Group currency-neutral sales to increase at a high-single-digit rate in 2014

We expect adidas Group sales to increase at a high-single-digit rate on a currency-neutral basis in 2014. In particular, this year's major sporting events will provide positive stimulus to Group sales. As the Official Partner of the 2014 FIFA World Cup in Brazil, the adidas brand will be the most visible brand during the event and will benefit from record sales in the football category. Group sales development will also be favourably impacted by our high exposure to fast-growing emerging markets as well as the further expansion of Retail. Currency translation is expected to have a significant negative impact on our top-line development in reported terms.

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

We project currency-neutral Wholesale segment revenues to increase at a mid-single-digit rate compared to the prior year. Our growth expectations are supported by our positive order backlog development as well as positive retailer and trade show feedback. Currency-neutral adidas Sport Performance sales are forecasted to increase at a mid-single-digit rate, driven by growth in key categories such as football, running and basketball. adidas Originals & Sport Style revenues are projected to increase at a mid-single-digit rate on a currency-neutral basis, driven by the further expansion of the adidas NEO label as well as growth at adidas Originals. Currency-neutral Reebok sales are expected to increase at a mid-single-digit rate, mainly due to growth in fitness training and Classics as well as the further expansion of new categories such as studio.

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

adidas Group currency-neutral Retail segment sales are projected to grow at a high-single- to low-double-digit rate in 2014. The Group expects a net increase of its store base of around 250 adidas and Reebok stores in 2014. We plan to open around 450 new stores, depending on the availability of desired locations. New stores will primarily be located in European Emerging Markets, in particular Russia/CIS. Approximately 200 stores will be closed over the course of the year. Around 180 stores will be remodelled. Comparable store sales are expected to increase at a low- to mid-single-digit rate compared to the prior year.

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

In 2014, revenues of Other Businesses are expected to increase at a low- to 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 and irons as well as new product introductions in footwear should support growth in this segment. Currency-neutral revenues at Rockport are forecasted to increase at a mid- to high-single-digit rate, driven by growth in core strategic product concepts such as Total Motion and truWalkZero. Currency-neutral sales at Reebok-CCM Hockey are expected to grow at a mid-single-digit rate, supported by new product introductions in its key categories skates and sticks.

adidas Group sales expected to increase in all geographical areas

We expect the Group's currency-neutral revenues to increase in all of our geographical areas in 2014, however at varying growth rates. In Western Europe, the gradual improvement in the macroeconomic environment as well as the 2014 FIFA World Cup will positively impact sales development in this region. In European Emerging Markets, the expansion of and improvements in our own-retail activities, particularly in Russia/CIS, are forecasted to have a positive influence on Group sales. In North America, we expect momentum to improve as we move through 2014, with the adidas brand strengthening its product offering in major categories such as running and basketball and Reebok gaining traction with new product introductions in both footwear and apparel. In Greater China, we expect growth to continue at similar levels to the prior year. This development will be primarily driven by expanding and solidifying our distribution footprint. In Other Asian Markets, growth will be driven by markets such as South Korea, Southeast Asia and India. Finally, in Latin America, Group sales development is projected to be positively impacted by the 2014 FIFA World Cup.

Group gross margin to improve in 2014

In 2014, the adidas Group gross margin is forecasted to increase to a level between 49.5% and 49.8% (2013: 49.3%). Improvements are expected in most segments. Group gross margin will benefit from a positive pricing, product and regional sales mix, as growth rates in high-margin emerging markets are projected to be above growth rates in more mature markets. In addition, the Reebok brand will positively influence Group gross margin development. However, these positive effects will be partly offset by less favourable hedging terms compared to the prior year, adverse currency movements in emerging markets as well as increasing labour costs, which are expected to negatively impact our cost of sales.

Group other operating expenses as a percentage of sales to be around prior year level

In 2014, the Group's other operating expenses as a percentage of sales are expected to be around the prior year level (2013: 42.3%). Sales and marketing working budget expenses as a percentage of sales are projected to increase modestly compared to the prior year. Marketing investments will be centred on major sporting events such as the 2014 FIFA World Cup and highly innovative product launches, particularly in the running category. Further, we will support Reebok's growth strategy in key fitness categories, leveraging partnership assets such as CrossFit, Spartan Race and Les Mills. Operating overhead expenditure as a percentage of sales is forecasted to decrease modestly in 2014. 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 in other areas.

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 adidas Group will continue to spend around 1% of Group sales on research and development in 2014. Areas of particular focus include advanced cushioning solutions, lightweight and digital sports technologies as well as sustainable product innovation. Additionally, investments and research emphasis will also include areas such as new manufacturing processes and advanced materials ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**.

Operating margin to be between 8.5% and 9.0%

In 2014, we expected the operating margin for the adidas Group to be at a level between 8.5% and 9.0% (2013 excluding goodwill impairment losses: 8.7%). This development will be strongly influenced by currency movements.

Net income attributable to shareholders to be at a level between € 830 million and € 930 million

Net income attributable to shareholders is expected to be at a level between € 830 million and € 930 million compared to the 2013 net income attributable to shareholders, excluding goodwill impairment losses, of € 839 million. This represents basic earnings per share of between € 3.97 and € 4.45. Interest rate expenses in 2014 are forecasted to remain at the prior year level, as lower interest expenses from euro-denominated borrowings will be offset by higher interest expenses from bank borrowings in emerging markets. Net foreign exchange losses in the financial result are also expected to be at a similar level compared to the prior year. The Group tax rate is expected to be at a level of around 28.5% and thus more favourable compared to the 2013 tax rate excluding goodwill impairment losses of 29.0%.

Average operating working capital as a percentage of sales to decrease moderately

In 2014, average operating working capital as a percentage of sales is expected to decrease moderately compared to the prior year level (2013: 20.9%). This is mainly due to working capital improvements we expect to achieve as we move through the year.

Capital expenditure to be between € 500 million and € 550 million

In 2014, capital expenditure is expected to amount to between € 500 million and € 550 million (2013: € 479 million). Investments will focus on adidas and Reebok controlled space initiatives, in particular in emerging markets. These investments will account for around 50% of total investments in 2014. Other areas of investment include the Group's logistics infrastructure, 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. Projected capital expenditure by segment is outlined in the diagram ⁄ **DIAGRAM 02**. All investments within the adidas Group in 2014 are expected to be fully financed through cash generated from operating activities.

Excess cash to be used to support growth initiatives

In 2014, we expect continued positive cash flow 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, in particular the further expansion of our own-retail activities. In 2014, gross borrowings of € 681 million will mature. In order to ensure long-term flexibility, we aim to maintain a ratio of net borrowings over EBITDA of less than two times as measured at year-end (2013: –0.2).

Efficient liquidity management in place for 2014 and beyond

Efficient liquidity management remains a priority for the adidas Group in 2014. We focus on continuously anticipating the operating cash flows of our Group segments, as this represents the main source of liquidity within the Group. Liquidity is planned on a rolling monthly basis under a multi-year financial and liquidity plan. Long-term liquidity is ensured by continued positive operating cash flows and sufficient financial flexibility through unused credit facilities ⁄ **SEE TREASURY, P. 135**.

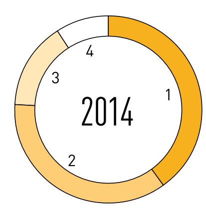
Management to propose dividend of € 1.50

In light of the strong generation of cash flow from operating activities in 2013, Management will recommend paying a dividend of € 1.50 to shareholders at the Annual General Meeting (AGM) on May 8, 2014, representing an increase of 11% compared to the prior year (2012: € 1.35). Subject to shareholder approval, the dividend will be paid on May 9, 2014. The proposal represents a payout ratio of 37.4% of net income attributable to shareholders excluding goodwill impairment losses, compared to 35.7% in the prior year. This 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 2013, the dividend payout will thus increase 11% to € 314 million (2012: € 282 million).

adidas Group expects further growth and margin improvements in 2015

Based on the initiatives laid out in our Route 2015 strategic business plan, we project adidas Group sales and net income to increase in 2015. We also expect further improvements in operating margin. Further details of our Route 2015 strategic goals and initiatives are outlined in the Group Strategy section of this Annual Report ⁄ **SEE GROUP STRATEGY, P. 68**.

02 ⁄ **Capital expenditure by segment**



1 ⁄ **40%** HQ/Consolidation
2 ⁄ **36%** Retail
3 ⁄ **15%** Wholesale
4 ⁄ **9%** Other Businesses

03 ⁄ **Major 2014 product launches**

Product	Brand
Samba Copa Mundial football boot collection	adidas
miCoach Smart Ball football	adidas
Argentine Football Association official match ball	adidas
Supernova Sequence Boost running shoe	adidas
CH Rocket Boost running shoe	adidas
adizero Primeknit 2 running shoe	adidas
NBA All-Star 2014 uniforms	adidas
D Rose 4.5 basketball shoe	adidas
D Howard 4 basketball shoe	adidas
Terrex Scope GTX outdoor shoe	adidas
ClimaCool Boat Breeze outdoor shoe	adidas
Terrex ClimaHeat Ice outdoor jacket	adidas
Originals Stan Smith shoe	adidas
Originals ZX Flux shoe	adidas
Skyscape women's walking shoe	Reebok
ZQuick running shoe	Reebok
Reebok CrossFit Nano 4.0 training shoe	Reebok
Reebok All Terrain Series running shoe	Reebok
Les Mills studio collection	Reebok
JetFuse running shoe	Reebok
Classics Kamikaze I basketball shoe	Reebok
Classics Pump Fury OG shoe	Reebok
SLDR 430 drivers	TaylorMade
Tour Preferred MB irons	TaylorMade
Tour Preferred MC irons	TaylorMade
Tour Preferred CB irons	TaylorMade
Tour Preferred golf balls	TaylorMade
Tour Preferred X golf balls	TaylorMade
Project (a) golf balls	TaylorMade
adizero One golf shoe	adidas Golf
ClimaChill apparel	adidas Golf
Pro Series hybrids	Adams Golf
XTD irons set	Adams Golf
Total Motion women's mid-wedge shoe collection	Rockport
RocSportsLite women's ballet shoe collection	Rockport
ActiveFlex RocSportsLite men's shoe collection	Rockport
City Smart men's shoe collection	Rockport
Ledge Hill Too men's shoe collection	Rockport
RibCor skate	Reebok Hockey
Premier XLT goalie equipment	Reebok Hockey
Tacks skate	CCM
Retro Flex goalie equipment	CCM
RBZ protective equipment	CCM

Risk and Opportunity Report

The adidas Group continuously explores and develops opportunities to sustain earnings and drive long-term increases in shareholder value. We acknowledge that in our daily business we are exposed to various risks and that it is necessary to take certain risks in order to be competitive and ensure sustainable success. Our risk and opportunity management principles and system provide the framework for our Group to conduct business in a well-controlled environment.

Risk and opportunity management principles

The adidas Group is regularly confronted with risks and opportunities which have the potential to negatively (risk) or positively (opportunity) impact the assets, liabilities, financial position and profit and loss of the Group, or intangible assets such as brand image.

We define risk as the potential occurrence of an external or internal event (or series of events) that may negatively impact our ability to achieve the Group's business objectives or financial goals. Opportunity is defined as the potential occurrence of an external or internal event (or series of events) that can positively impact the Group's ability to achieve its business objectives or financial goals.

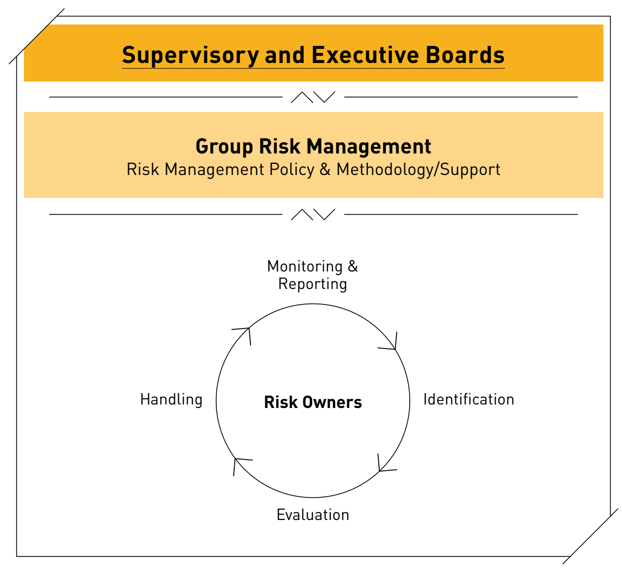
In this Risk and Opportunity Report, we have outlined the Group's most important risks and opportunities as well as other risks that have a particular relevance from an industry or financial market perspective. We have summarised risks in four main categories: Strategic, Operational, Legal & Compliance and Financial. Opportunities are classified in two main categories: Strategic & Operational and Financial.

Risk and opportunity management system

The adidas AG Executive Board has the overall responsibility to operate an effective risk and opportunity management system that ensures comprehensive and consistent management of all significant risks and opportunities. The Group Risk Management department coordinates the execution and further development of the adidas Group's risk and opportunity management system and is the owner of the centrally managed risk and opportunity management process on behalf of the adidas AG Executive Board. The adidas AG Supervisory Board has the responsibility to monitor the effectiveness of the Group's risk management system. These duties are undertaken by the Supervisory Board's Audit Committee. In addition, the Group Internal Audit department also includes an assessment of compliance with the Group Risk Management Policy as part of its regular auditing activities of selected adidas Group subsidiaries or functions each year.

To facilitate effective risk and opportunity management, we implemented an integrated risk and opportunity management system, which is based on the integrated frameworks for enterprise risk management and internal controls developed and published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

01 / **adidas Group risk and opportunity management system**



Additionally, it has been adapted to more appropriately reflect the structure as well as company and management culture of the adidas Group. This system focuses on the identification, evaluation, handling, monitoring and reporting of risks and opportunities. The key objective of the risk and opportunity management system is to protect and further grow shareholder value through an opportunity-focused but risk-aware decision-making framework.

We believe that a key component of optimal risk and opportunity management is the identification and evaluation of risks, risk-mitigating actions and opportunities where they arise. In addition, a concerted approach to handling, monitoring and reporting is of key importance. Therefore, risk and opportunity management is a Group-wide activity, which utilises critical day-to-day management insight from both global and local business units and functions.

Our risk and opportunity management process contains the following components:

⁄ **Risk and opportunity identification:** The adidas Group continuously monitors the macroeconomic environment, developments in the sporting goods industry, as well as internal processes, to identify risks and opportunities as early as possible. The Risk Owners (i.e. all direct reports to the adidas AG Executive Board and the Managing Directors of all our markets) have primary responsibility for the identification of risks and opportunities. The Group Risk Management department has defined a catalogue of potential risk areas (Risk Universe) to assist Risk Owners in identifying and categorising risks and opportunities. Our Group-wide network of Risk Owners ensures an effective identification of risks and opportunities. While various Risk Owners – according to their area of responsibility – actively monitor the overall macroeconomic, political, social, regulatory and competitive landscape, others closely observe brand, distribution channel and price point developments as well as changes in other areas such as input prices, financial market conditions or technological developments.

The Risk Owners use various instruments in the risk and opportunity identification process, such as primary qualitative and quantitative research including trend scouting, consumer surveys as well as feedback from our business partners and controlled space network. These efforts are supported by global market research and competitor analysis. Through this process, we seek to identify the markets, categories, consumer target groups and product styles which show most potential for future growth at a local and global level. Equally, our analysis focuses on those areas that are at risk of saturation, or exposed to increased competition or changing consumer tastes. However, our risk and opportunity identification process is not only limited to external risk factors or opportunities, it also includes an internal perspective considering processes, projects, human resources or compliance aspects.

⁄ **Risk and opportunity evaluation:** In order to manage risks and opportunities in an effective way, we evaluate identified risks and opportunities individually according to a systematic evaluation methodology, which is applied consistently and allows adequate prioritisation as well as allocation of resources. Risk and opportunity evaluation is also part of the Risk Owners' responsibility. The Group Risk Management department supports and guides the Risk Owners in the evaluation process. According to our risk and opportunity management methodology, risks and opportunities are evaluated by looking at two dimensions – the potential (financial) impact and the likelihood that this impact materialises, both considering the upcoming twelve-month period. This does not mean that the respective Risk Owners are only looking at risks from a short-term perspective. Their assessment also includes a mid-term (12 to 24 months) and long-term (beyond 24 months) perspective. The potential impact is evaluated by utilising five categories: marginal, minor, moderate, significant and major. These categories represent quantitative or equivalent qualitative measurements. The quantitative measurements are based on the potential financial effect on the relevant income statement metrics (operating profit, financial result or tax expenses). Qualitative measurements used are, for example, the degree of media exposure or additional senior management attention needed. Likelihood represents the possibility that a given risk or opportunity may materialise with the specific impact. The likelihood of individual risks and opportunities is evaluated on a percentage scale divided into five categories: unlikely, possible, likely, probable and highly probable ⁄ **TABLE 02**.

When assessing risks, we consider two perspectives – the gross risk and the net risk. While the gross risk reflects the worst-case negative (financial) impact before any mitigating actions, the net risk reflects the expected remaining (financial) impact after all mitigating actions. On the one hand, this approach allows for a good understanding of the impact of mitigating action taken, and on the other hand it provides the basis for scenario analysis. Our assessment of risks presented in this report only reflects the net risk perspective. We measure the actual financial impact of high-level risks that materialised against the original assessment on a yearly basis. In this way, we ensure continuous monitoring of the accuracy of risk evaluations across the Group, which enables us to continuously improve evaluation methodology based on our findings.

In assessing the potential effect from opportunities, each opportunity is appraised with respect to viability, commerciality and potential risks. This approach is applied to longer-term strategic prospects but also to shorter-term tactical and opportunistic initiatives at both the Group and, more extensively, the market and brand level. In contrast to the risk evaluation, only the net perspective exists for assessing opportunities.

02 ⁄ **Corporate risk evaluation categories listed in ascending order**

Likelihood	in %	Potential impact	Financial equivalent [1]
Unlikely	< 15%	Marginal	≤ € 1 million
Possible	15% – 30%	Minor	€ 1 million – € 10 million
Likely	30% – 50%	Moderate	€ 10 million – € 50 million
Probable	50% – 85%	Significant	€ 50 million – € 100 million
Highly probable	> 85%	Major	≥ € 100 million

1) Based on operating profit, financial result or tax expenses.

⁄ **Risk and opportunity handling:** Risks and opportunities are treated in accordance with the Group's risk and opportunity management principles as described in the Group Risk Management Policy. Risk Owners are in charge of developing and implementing appropriate risk-mitigating actions and exploiting opportunities within their area of responsibility. In addition, the Risk Owners need to determine a general risk handling strategy for the identified risks, which is either risk avoidance, risk reduction with the objective to minimise (financial) impact and/or likelihood of occurrence, risk transfer to a third party or risk acceptance. The decision on the implementation of the respective risk handling strategy also takes into account the costs in relation to the effectiveness of any planned mitigating actions if applicable. The Group Risk Management department works closely with the Risk Owners to monitor the continuous progress of planned mitigating actions and assess the viability of already implemented mitigating actions.

⁄ **Risk and opportunity monitoring and reporting:** Our integrated risk and opportunity management system aims to increase the transparency of Group risks and opportunities. As both risks and opportunities are subject to constant change, Risk Owners not only monitor developments, but also the adequacy and effectiveness of the current risk handling strategy on an ongoing basis.

Regular risk reporting consists of a two-step reporting stream supported and facilitated by a globally used Group-wide IT solution that was implemented in 2011. Firstly, on a quarterly basis, Risk Owners are required to report to Group Risk Management risks with a possible gross impact rating of at least moderate (financial equivalent: impact on the relevant income statement metric above the threshold of € 10 million) and a net impact rating of at least minor (financial equivalent: impact on the relevant income statement metric above the threshold of € 1 million), both regardless of the likelihood of materialising. Opportunities are aggregated separately, with Risk Owners reporting all opportunities with an impact rating of at least minor (financial equivalent: above € 1 million impact on the relevant income statement metric). Secondly, Group Risk Management aggregates the reported risks and, also on a quarterly basis, provides the adidas AG Executive Board with a consolidated Group-wide report based on the Risk Owners' input, which highlights substantial individual risks and opportunities as well as, on an aggregated level, key areas of risk and opportunity.

Material changes in previously reported risks and/or newly identified risks with a potential net impact of moderate (financial equivalent: impact on the relevant income statement metric above the threshold of € 10 million), and any issues identified which due to their material nature require immediate reporting to the Executive Board, are also reported outside the regular quarterly reporting stream on an ad hoc basis.

Compliance management system (adidas Group Fair Play Compliance Framework)

At the adidas Group, we consider compliance with the law as well as external and internal regulations as imperative. Every employee is required to act ethically and compliant with the law as well as external and internal regulations while executing the Group's business. Violations must be avoided under all circumstances. As a company with worldwide operations and more than 50,000 employees, however, the Group accepts that it will never be possible to exclude compliance violations with absolute certainty.

Both the adidas Group Fair Play Compliance Framework and our risk and opportunity management system are closely aligned and both are overseen by the Group's Chief Compliance Officer who reports directly to the Group's Chief Executive Officer. Together, these systems create the organisational requirements for Group-wide awareness of the respective governing law, of our internal rules and guidelines as well as for ensuring their observance. We see compliance as all-encompassing, spanning all business functions throughout the entire value chain, from supply chain through to the end consumer. As a result, the identification, analysis and evaluation of potential compliance risks are essential for our risk and opportunity management process. The Group Risk Management department works closely with the Risk Owners and responsible Compliance Officers to conduct a systematic assessment of key compliance risks on a quarterly basis ⁄ **SEE LEGAL AND COMPLIANCE RISKS, P. 170**.

The Group's compliance management system is based on the OECD Principles of Corporate Governance. It refers to the OECD Guidelines for Multinational Enterprises and is designed to:

- support the achievement of qualitative and sustainable growth through good corporate governance practice;
- reduce and mitigate the risk of financial losses or damage caused by non-compliant conduct;
- protect and further enhance the value and reputation of the Group and its brands through compliant conduct;
- preserve diversity by fighting harassment and discrimination;
- contribute to continuous improvement in all aspects of the Group's business.

In order to ensure standardised and exemplary actions and behaviour, we introduced our Code of Conduct in 2006, which is applicable in all regions and business areas. It stipulates guidelines for behaviour in everyday work and is available both on our website and on our intranet. The Code of Conduct is the cornerstone of our compliance management programme which is founded on three pillars: prevention, detection and response.

Prevention includes, for example, policies, guidelines and procedures, which provide all employees with clear and precise behaviour instructions and are updated on a continuous basis. These policies, guidelines and procedures are available for all employees on the Group's intranet in our Global Policy Manual. Another vital part of prevention is training, such as the web-based Code of Conduct training, which is mandatory for all employees worldwide. The Group also has a Group Privacy Policy, which is available in multiple languages (e.g. German, English, Spanish, Portuguese, Chinese and Russian). Furthermore, we have launched an anti-trust training programme incorporating web-based training and face-to-face training workshops. It is mandatory for all employees who are exposed to customers and competitors and it forms an integral part of the Group's skills and operational training programme within Global Sales. The Group's Legal & Compliance department monitors, updates and improves the training programme on a continuous basis. Before our products enter the market, our Intellectual Property department examines the technologies, trademarks, logos and designs to identify possible infringements of the rights of third parties as well as product safety.

To ensure timely *detection* of potential infringements of statutory regulations or internal guidelines, we have implemented whistleblowing procedures which allow employees to either report concerns over wrongdoing/potential compliance violations internally (e.g. directly to their supervisor, to the Chief Compliance Officer or other Compliance Officers, the relevant HR manager or the Works Council) or externally via an independent, confidential reporting hotline and email service. The hotline (Fair Play hotline) is available around the clock, seven days a week and can be called free of charge in over 60 countries worldwide. In addition, our Group Internal Audit and Profit Protection departments conduct regular audits and investigations to detect potential incidents of non-compliance. In case of reported or suspected compliance violations, ad hoc investigations may be undertaken as well.

Appropriate and timely *response* to compliance violations is essential. Therefore, we have established a global network of local Compliance Officers reporting directly to the Chief Compliance Officer of the Group as dedicated contact persons, to whom complaints and information concerning compliance violations can be reported. We track, monitor and report potential incidents of non-compliance worldwide using a web-based reporting solution which can be accessed by all Compliance Officers across the Group. Appropriate sanction mechanisms (including termination of employment) are used to react promptly to possible compliance violations. Insights gained from the investigation of past violations are used to continuously improve the compliance management system.

The Chief Compliance Officer regularly reports to the Executive Board on the further development of the compliance programme and on major compliance cases, which are also reported to the Audit Committee. Further, he reports to the Audit Committee at one of its meetings at least once a year concerning the contents and the further development of the compliance programme.

Description of the main features of the internal control and risk management system relating to the consolidated financial reporting process pursuant to § 315 section 2 no. 5 German Commercial Code (Handelsgesetzbuch – HGB)

The internal control and risk management system relating to the consolidated financial reporting process of the adidas Group represents a process embedded within the Group-wide corporate governance system. It aims at providing reasonable assurance regarding the reliability of the Group's external financial reporting by ensuring Group-wide compliance with statutory provisions, in particular the International Financial Reporting Standards (IFRS) and internal consolidated financial reporting policies (Group Finance Manual). We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting and Legal, focusing on the identification, assessment, treatment, monitoring and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process in the various areas. In a first step, the internal control and risk management system serves to identify and assess as well as to limit and control risks identified in the consolidated financial reporting process which might result in our consolidated financial statements not being in conformity with internal and external regulations.

Internal Controls over Financial Reporting (ICoFR) serve to provide reasonable assurance regarding the reliability of reporting and compliance with applicable laws and regulations despite identified financial reporting risks. To monitor the effectiveness of ICoFR, the Group Internal Audit department and the Group Policies & Internal Controls department regularly review accounting-relevant processes. Additionally, as part of the year-end audit, the external auditor selects and examines internal controls, including the IT systems, to assess their effectiveness. The Audit Committee of the adidas AG Supervisory Board also monitors the effectiveness of ICoFR. However, due to limitations of ICoFR, even with appropriate and functional systems absolute certainty about the effectiveness of ICoFR cannot be guaranteed.

The Group Finance Manual comprises uniform consolidated financial reporting policies which are mandatory for all Group companies and available to all employees involved in the financial reporting process through the Group-wide intranet. We update the Group Finance Manual on a regular basis, dependent on regulatory changes and internal developments. Changes to the Group Finance Manual are promptly communicated to all Group companies. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the Group. We aim to ensure compliance with the Group Finance Manual through continuous adherence to the four-eyes principle in accounting-related processes. In addition, the local manager responsible for the accounting process within the Group companies and the respective local Managing Director confirm adherence to the Group Finance Manual and International Financial Reporting Standards in a written declaration of completeness, which is provided to Group Accounting on a quarterly basis.

The accounting for Group companies is conducted either locally or by an adidas Group Shared Service Centre. Most of the IT ERP systems used are based on a Group-wide standardised SAP system. Some Group companies use Navision-based ERP software. As part of an initiative aimed at harmonising our system infrastructure (One ERP), we will also introduce an SAP-based ERP system within these Group companies in the medium term. Following approval by the Finance Director of the respective Group company, the local financial statements are transferred into a central consolidation system based on SAP SEM-BCS. At Group level, the regularity and reliability of the financial statements prepared by Group companies are reviewed by Group Accounting and Controlling. These measures include automated validation in the system as well as creation of reports and analyses to ensure data integrity and adherence to reporting logic. In addition, differences between current year and prior year financial data as well as budget figures are analysed on a distribution channel and market level. If necessary, the Group seeks the opinion of independent experts to review business transactions that occur infrequently and not on a routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP SEM-BCS. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both manually and system-based, using automatically created consolidation logs. Any inadequacies are remedied manually by systematically processing the individual errors and differences and are reported back to the Group companies. After finalisation of all consolidation steps, all items in the consolidated income statement and in the consolidated statement of financial position are analysed with respect to trends and variances. Unless already otherwise clarified, the Group companies are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorisation concepts, approval concepts and access restrictions. Access authorisations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimised by Group IT through central control and monitoring of virtually all IT systems, centralised management of change processes and regular data backups.

Focus on advancements in compliance management system in 2013

In 2013, we further enhanced the Group's governance structures and processes with a particular emphasis on the Group's compliance management system. We launched the adidas Group Fair Play Compliance Framework, which is applicable to the whole Group regardless of brand, market, distribution channel or function. This included the implementation of the global Fair Play hotline and email service, the creation and introduction of a global reporting solution for potential incidents of non-compliance as well as a worldwide communication and education initiative via brochures and posters at all adidas Group locations, including offices, own-retail stores and distribution/logistics centres. We also further activated the global network of Compliance Officers, providing training on a global, regional and local level. Regarding risk and opportunity management, the Group Risk Management department held numerous training sessions and workshops with Risk Owners as well as functional and market management teams worldwide (e.g. Greater China, Russia/CIS) to further strengthen the understanding of the Group's risk and opportunity management system, in order to increase risk awareness and to establish a culture of risk-conscious decision-making. In addition, we updated and adjusted our Risk Universe and our Group Risk Management Policy, which is available to all Group employees on our intranet. The policy outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements and communication timelines within our Group. Furthermore, Group Policies & Internal Controls held the Group's first-ever global Internal Controls Conference, bringing together employees from various areas of internal governance including Internal Controls, Internal Audit, Profit Protection, Risk Management and Compliance. This event drove further alignment worldwide and kicked off various initiatives across the Group to further optimise and harmonise risk management, control and compliance activities.

03 ⁄ **Corporate risk overview**

	Likelihood	Potential impact
Strategic risks		
Macroeconomic, socio-political and regulatory risks	Possible	Major
Risks related to distribution strategy	Possible	Significant
Dependency risks	Unlikely	Significant
Risks related to media and stakeholder activities	Likely	Significant
Customer consolidation and cross-border expansion/private label risks	Possible	Moderate
Competition risks	Possible	Significant
Risks related to risk and control environment	Unlikely	Major
Consumer demand risks	Possible	Moderate
Operational risks		
Own-retail risks	Possible	Major
Logistics risks	Possible	Major
Marketing risks	Likely	Significant
Customer relationship risks	Possible	Moderate
Sales and pricing risks	Probable	Moderate
Supplier risks	Unlikely	Significant
Inventory risks	Likely	Moderate
Hazard risks	Possible	Major
Personnel risks	Probable	Moderate
IT risks	Unlikely	Major
Product innovation and development risks	Unlikely	Moderate
Risks related to rising input costs	Likely	Moderate
Legal & compliance risks		
Legal risks	Possible	Significant
Risks related to competition, trade and customs regulations	Possible	Major
Social and environmental risks	Likely	Moderate
Risks related to product counterfeiting and imitation	Unlikely	Significant
Product quality risks	Possible	Significant
Fraud and corruption risks	Unlikely	Major
Financial risks		
Credit risks	Unlikely	Major
Financing and liquidity risks	Unlikely	Minor
Currency risks	Likely	Major
Interest rate risks	Likely	Minor
Risk related to impairment of goodwill/other intangible assets	Unlikely	Significant

Strategic Risks

Macroeconomic, socio-political and regulatory risks

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns and socio-political factors such as civil unrest, nationalisation or expropriation, in particular in regions where the Group is highly represented, therefore pose a significant risk to sales development. In addition, significant changes in the regulatory environment (e.g. trade restrictions, tax legislation, product quality and safety standards, etc.) could lead to potential sales shortfalls or cost increases. To mitigate these macroeconomic, socio-political and regulatory risks, the Group strives to balance sales across key global regions and also between developed and emerging markets. We also continuously monitor the macroeconomic, political and regulatory landscape in all our key markets to anticipate potential problem areas, so that we are able to quickly adjust our business activities accordingly upon any change in conditions. Potential adjustments may be more conservative product purchasing, tight working capital management and an increased focus on cost control. Furthermore, a core element of our positioning in performance sports is the utilisation of an extensive global event and partnership portfolio where demand is more predictable and less sensitive to macroeconomic influences. In addition, by building on our leading position within the sporting goods industry, we actively engage in supporting policymakers and regulators to liberalise global trade, curtail trade barriers and proactively adapt to significant changes in the regulatory environment.

In 2014, we expect the global economy to grow, albeit with varying degrees of performance geographically ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151**. However, as a result of the still challenging macroeconomic environment in many European countries, slowing economic growth rates in the emerging markets as well as political and regulatory uncertainty in certain countries in Latin America, the Middle East and Southeast Asia, we still regard the potential impact of macroeconomic, socio-political and regulatory factors as major. Given our broad-based risk mitigation, we now assess the likelihood that adverse macroeconomic, socio-political or regulatory events could impact our business to that extent as possible (2012: likely).

Risks related to distribution strategy

The inability to appropriately influence in which channels the Group's products are sold constitutes a continuous risk. Grey market activity, parallel imports or the distribution of our products on open online marketplaces could negatively affect our own sales performance and the image of our Group's brands. In a few individual markets, we work with distributors or strategic partners whose approach might differ from our own distribution practices and standards. This could also negatively impact the adidas Group's business performance. Furthermore, weakly defined segmentation and channel strategies could lead to an unhealthy utilisation of our multiple distribution channels as well as strong retaliation from our customers. As a result, the Group has developed and implemented clearly defined distribution policies and procedures to avoid over-distribution of products in a particular channel and limit the exposure to unwanted channels such as grey markets or open online marketplaces. In addition, we conduct specific trainings for our sales force to appropriately manage product distribution and ensure that the right product is sold at the right point of sale to the right consumer at an adequate price ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**.

Nevertheless, we still believe that unbalanced product distribution and the inability to effectively manage our different sales channels could have a significant impact on the Group. As a result of the dynamic market environment and the fast-changing world of online sales, we continue to evaluate the likelihood of materialising as possible.

Dependency risks

Risks arise from a dependence on particular suppliers, customers, other business partners, products or even markets. An over-reliance on a supplier for a substantial portion of the Group's product volume, or an over-dependence on a particular customer, increases the Group's vulnerability to delivery and sales shortfalls and could lead to significant margin pressure. Similarly, a strong dependence on certain products or markets could make the Group very susceptible to swings in consumer demand or changes in the market environment.

To mitigate these risks, the Group works with a broad network of suppliers and for the vast majority of its products does not have a single-sourcing model. Likewise, we utilise a broad distribution strategy which includes further expanding our controlled space activities. This enables us to reduce negative consequences resulting from sales shortfalls that can occur with key customers. Specifically, no single customer of our Group accounted for more than 10% of Group sales in 2013. Furthermore, we consistently provide a well-balanced product portfolio with no particular model or article contributing more than 1% to Group sales, which enables us to minimise negative effects from sudden unexpected changes in consumer demand.

Despite our global diversification, which reduces reliance on a particular market as far as possible, we still remain vulnerable to negative developments in key sales markets such as Russia/CIS, China or North America as well as our important sourcing countries. Therefore, we continue to regard the potential impact of these risks as significant. Due to our strong relationships with suppliers and customers as well as our positive expectations for our key sales markets we now assess the likelihood of materialising as unlikely (2012: possible).

Risks related to media and stakeholder activities

The adidas Group faces considerable risk if we are unable to uphold high levels of consumer awareness, affiliation and purchase intent for our brands. Adverse media coverage on our products or business practices, unfavourable stakeholder initiatives as well as negative social media discussion may significantly hurt the Group's reputation and brand image and eventually lead to a sales slowdown. To mitigate these risks, we pursue proactive, open communication with key stakeholders (e.g. consumers, media, non-governmental organisations, the financial community, etc.) on a continuous basis. We have also defined clear mission statements, values and goals for all our brands ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77** ⁄ **SEE OTHER BUSINESSES STRATEGY, P. 86**. These form the foundation of our product and brand communication strategies. Furthermore, we continue to invest significant marketing resources to build brand equity and foster consumer awareness.

Nevertheless, we continue to believe that unsubstantiated negative media coverage, uncontrolled social media activities and stakeholder activism could have a significant impact on our Group. Despite the fast-moving and hardly controllable nature of social media as well as ever-increasing media and other stakeholder activities worldwide, we still regard the likelihood of being affected to such an extent as likely.

Customer consolidation and cross-border expansion/ private label risks

The adidas Group is exposed to risks from consolidation amongst retailers as well as the increase of retailers' own private label businesses. In addition, several key accounts, particularly in Europe, continue to expand internationally while centralising their purchasing activities. As a result, we may experience a reduction of our bargaining power, reduced shelf space allocation from retailers and lower sales and margin due to price arbitrage.

To mitigate these risks, we maintain a regionally balanced sales mix, focusing on cementing strong relationships with retailers and adapting the Group's distribution strategy with a particular focus on controlled space initiatives ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**. In addition, we are constantly investing in strengthening brand equity to increase the attractiveness and consumer appeal of our products ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77**. We also decided to create a new market structure in Western Europe with one aligned strategy going forward to be more attractive for consumers and customers. As a result, we now assess the potential impact of customer consolidation, cross-border expansion of key accounts and growth of private label offerings as moderate (2012: significant). However, we regard the likelihood of these risks materialising as possible.

Competition risks

Strategic alliances amongst competitors and/or retailers and intense competition for consumers and promotion partnerships from well-established industry peers and new market entrants (e.g. new brands, vertical retailers) pose a substantial risk to the adidas Group. This could lead to harmful competitive behaviour, such as price wars in the marketplace or bidding wars for promotion partnerships. Sustained pricing pressure in one of the Group's key markets could threaten the Group's sales and profitability development. Aggressive competitive practices could also drive increases in marketing costs and market share losses, thus hurting the Group's profitability and market position.

To mitigate competition risks, we continuously monitor and analyse competitive and market information in order to be able to anticipate unfavourable changes in the competitive environment rather than reacting to such changes. This enables us to proactively adjust our marketing activities when needed. We also pursue a strategy of entering into long-term agreements with key promotion partners such as FIFA, FC Bayern Munich or Derrick Rose, as well as adding new partners to refresh and diversify our portfolio, e.g. Juventus FC, Mesut Özil or Jeremy Lin. In addition, our product and communication initiatives are designed to drive market share growth and to strengthen our brands' market position. As a result, we now assess the potential impact of competition risks as significant (2012: major) although we expect competition in our industry to remain intense. However, we regard the likelihood of an impact of such magnitude as possible.

Risks related to risk and control environment

Failure to identify and actively manage substantial risks and to implement and maintain adequate internal controls across the Group could result in improper decisions, higher costs, compliance violation and fraud and also cause reputational damage. Furthermore, a lack of documentation of processes and procedures could result in a lack of risk awareness among the Group's employees and facilitates fraud and compliance violations.

In order to adequately manage these risks, we maintain a Global Policy Manual that illustrates all relevant Group policies and is freely accessible to all employees via the Group's intranet. In addition, we document key business processes to create transparency and enable the implementation of proper control mechanisms. By operating a Group-wide risk management system, compliance management system and internal control network, we further mitigate these risks. Nonetheless, we continue to believe the potential impact of these risks could be major. Because of the improvements we made in the last twelve months, particularly with respect to compliance management and internal controls as discussed earlier in this report, we now consider the likelihood of being affected to such a degree as unlikely (2012: possible).

Consumer demand risks

Failure to anticipate and respond to changes in consumer demand for sporting goods products is one of the most serious threats to our industry. Consumer demand changes can be sudden and unexpected, particularly in our fashion-related businesses. Because industry product procurement cycles average 12 to 18 months, the Group faces a risk of short-term revenue loss in cases where it is unable to respond quickly to such changes. Even more critical, however, is the risk of continuously overlooking a new consumer trend or failing to acknowledge its potential magnitude over a sustained period of time.

To mitigate these risks, identifying and responding to shifts in consumer demand as early as possible is a key responsibility of our brands and, in particular, of the respective Risk Owners. Therefore, we utilise extensive primary and secondary research tools as outlined in our risk and opportunity identification process.

As a leader in our industry, we are focused on influencing rather than reacting to the changing consumer environment. We invest significant resources in research and development to innovate and bring fresh new technologies and designs to market ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**.

We also seek to enhance consumer demand for our brands through extensive marketing, product and brand communication programmes ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77** ⁄ **SEE OTHER BUSINESSES STRATEGY, P. 86**. In addition, we focus on supply chain improvements to shorten production lead times ⁄ **SEE GLOBAL OPERATIONS, P. 94**.

As we further increased our supply chain flexibility and further aligned our planning cycles in 2013, we now believe the potential impact of missing an important trend or failing to adequately tackle shifts in consumer demand could be moderate (2012: significant). Given the broad spectrum of our Group's product offering, feedback from retailers, consumers and athletes as well as evidence from our own-retail stores and other early indicators ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118**, we consider the likelihood of these risks materialising to such an extent as possible.

Operational Risks

Own-retail risks

New adidas, Reebok and Rockport own-retail stores require considerable up-front investment in furniture and fixtures as well as ongoing maintenance. In addition, own-retail activities often require longer-term lease or rent commitments. Retail also employs significantly more personnel in relation to sales than our wholesale business. The higher portion of fixed costs compared to our wholesale business may cause a larger profitability impact in cases of significant sales declines. Success in own retail is predominantly related to the skills and performance of our employees. High turnover of staff as well as a lack of the required skills and qualifications of own-retail employees could negatively affect sales and profitability. Ineffective or inconsistent leadership and an inadequate culture with respect to operating own-retail stores with commercial expertise may also contribute to suboptimal business performance. In addition, delayed openings or poorly executed store operations could lead to sales shortfalls and also negatively affect brand image. Furthermore, inability to secure appropriate store locations may result in a worse than expected sales development.

The Group reduces these risks by applying various measures. We run multiple training initiatives for own-retail employees at all levels, from store clerk to top management. At the same time, we constantly monitor staff turnover and actively manage succession and career development to reduce attrition. Furthermore, we almost only enter into new lease contracts with durations of no more than ten years. Store openings are managed according to a standardised Group-wide business plan model. Store performance is measured by a retail scorecard consisting of nine quantitative key performance indicators. Underperforming stores are reorganised, remodelled or closed, as appropriate.

Further improving our sophistication as a retailer by investing in management expertise, employee development as well as in IT systems remains a key priority for 2014 ／**SEE GLOBAL SALES STRATEGY, P. 72**. Nevertheless, we maintain our assessment of a potential major impact on the Group's performance and a likelihood of materialising of possible from risks related to own retail.

Logistics risks

As a global company with business operations in numerous countries, the Group requires well-functioning logistics processes, from the supplier to our own warehouses and from our distribution centres to the customer. Any interruption of these processes could negatively affect our ability to fulfil orders and deliver products, leading to sales shortfalls, additional costs and deterioration of customer relationships. Inability to secure transportation or warehousing capacity, errors by employees as well as malfunctions in IT logistics systems could all disrupt the flow of goods.

To mitigate these risks, we continuously monitor the global transportation market in order to be able to quickly adapt to changes in the transportation environment and secure required capacity. We work closely with multiple logistics service providers to guarantee transportation of our products to the desired destinations. In addition, we buy insurance coverage against theft or physical damage during transportation and storage. Furthermore, in case of malfunctioning logistics systems or warehouse processes, we actively re-prioritise the allocation of products to minimise damage caused.

Given the importance of logistics processes to ensure the proper flow of goods and based on our experience in the last two years, we now rate the potential impact of logistics risks as major (2012: significant). However, as a result of our learnings from substantial logistics malfunctioning in Russia in 2013, we assess the likelihood of being affected to such an extent as possible (2012: likely).

Marketing risks

Flawless execution of marketing activities is critical to the success of the Group and its brands. Therefore, unaligned product creation, range development, go-to-market or brand communication processes could lead to additional costs, suboptimal sales performance and the inability to resonate with the consumer as desired. Poorly executed marketing activities may also result in negative media coverage and hurt brand image. Similarly, inadequate or insufficient investment in brand-building could negatively affect our ability to maintain brand momentum and our competitive edge in the marketplace.

In order to reduce such risks, our global and local marketing departments are constantly cooperating and thereby ensuring consistent execution of key initiatives. Through continuous planning and alignment within the marketing organisation and also cross-functionally, we enable both consumer relevance and operational excellence. Despite our brands' marketing strength and track record, we still believe these risks could have a significant potential impact for the Group, and we continue to assess the likelihood of materialising as likely.

Customer relationship risks

Building strong relationships with retailers to be a valuable and reliable business partner for them is one of the guiding principles of our Wholesale segment ／**SEE GLOBAL SALES STRATEGY, P. 72**. Failure to cement and maintain strong relationships with retailers could have substantial negative effects on our wholesale activities and thus the Group's business performance. Losing important customers in key markets due to subpar relationship management would result in significant sales shortfalls.

Therefore, the Group is committed to delivering outstanding customer service, providing our retail partners with the support and tools to establish and maintain a mutually successful business relationship. Customer relationship management is not only a key activity for our sales force but also of highest importance to our Group's top executives and second-line management. As a result, the Group's CEO as well as the Executive Board member responsible for Global Sales, for example, regularly meet with key customers to ensure a strong partnership between the Group and its retail customers. Due to our excellent relationship with our retail customers and our commitment and dedication to strengthening our partnerships, we believe that customer relationship risks could have a moderate (2012: major) impact on our Group's performance. We regard the likelihood of being impacted to such an extent as possible (2012: unlikely).

Sales and pricing risks

To achieve our sales and profitability targets, it is paramount to successfully convert orders into sales, drive sell-through at the point of sale and have product prices that are competitive in the marketplace. Failure to do so would result in sales and profit shortfalls. In addition, price increases required to compensate for higher product costs might not be realised in the marketplace, leading to margin declines.

To mitigate these risks, we pursue a range of pricing strategies. We closely monitor order book conversion as well as sell-out and sell-through performance and adjust prices where required. In addition, our continuous investment in brand-building and marketing helps us drive our business at various price points and supports a premium positioning. Furthermore, we work closely with our retail customers to minimise mark-downs and potentially re-allocate product.

As a result of these mitigating actions, the experience we gained in particular in the last twelve months related to pricing decisions as well as our brand strength, broad product offering and pricing architecture, we now assess the potential impact of sales and pricing as moderate (2012: major). However, due to a difficult macroeconomic environment and intense competition, particularly in Europe, we regard the likelihood of being affected to such an extent as probable (2012: possible).

Supplier risks

Almost the entire adidas Group product offering is sourced through independent suppliers, mainly located in Asia ⁄ **SEE GLOBAL OPERATIONS, P. 94**. To reduce the risk of business interruptions following the potential underperformance of a supplier or a potential supplier default, we work with vendors who demonstrate reliability, quality, innovation and continuous improvement.

Furthermore, in order to minimise any potential negative consequences such as product quality shortfalls, increased product lead times or violation of our Workplace Standards, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain ⁄ **SEE SUSTAINABILITY, P. 111**. In addition, we have selectively bought insurance coverage for the risk of business interruptions caused by physical damage to supplier premises. Despite our commitment to enhance our mitigating actions and to minimise the potential impact of supplier risks, we regard the potential impact as significant (2012: major). However, we consider the likelihood of being impacted to such a degree as unlikely.

Inventory risks

As we place initial production orders around six months in advance of delivery, the adidas Group is exposed to inventory risks relating to misjudging consumer demand at the time of production planning. A sudden decline in demand has the potential to cause excess inventories. This can have negative implications for our financial performance, including higher levels of clearance activity and inventory obsolescence as well as reduced liquidity due to higher operating working capital requirements.

Similarly, a sudden increase in demand can lead to product shortfalls at the point of sale. In this situation, our Group faces the risk of missed sales opportunities and/or customer and consumer disappointment, which could lead to a reduction in brand loyalty and hurt our reputation as an on-time, in-full supplier. In addition, the Group faces potential profitability impacts from additional costs such as airfreight in efforts to speed up replenishment.

In order to mitigate these risks, we continuously strive to improve our forecasting and material planning processes. To that end, in 2013, we further improved our forecasting approach by more closely aligning processes and timelines of major business functions ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118**. In addition, our Global Operations function offers sophisticated and tailored replenishment models in order to shorten order-to-delivery times, ensuring availability of products while avoiding excess inventories ⁄ **SEE GLOBAL OPERATIONS, P. 94**.

The expected over-proportionate growth of the Retail segment will increase the exposure towards swings in consumer demand, and also makes the Group more susceptible to the risk of inventory shrinkage or excess inventory. However, as a result of continuous progress in our improvement efforts regarding planning processes and supply chain flexibility, we now assess the potential impact related to inventory clearance to be moderate (2012: significant), albeit with a likelihood of materialising of likely (2012: possible).

Hazard risks

The adidas Group is exposed to external risks such as natural disasters, epidemics, fire, accidents and malicious acts. Physical damage to our own or our suppliers' premises, production units, warehouses and stock in transit can lead to property damage and business interruption.

These risks are mitigated by loss prevention measures such as working with reliable suppliers and logistics providers who guarantee high safety standards. In addition to the insurance coverage we have secured, the Group has also implemented loss prevention (e.g. sprinklers in facilities) and contingency plans to quickly recover business activities in order to minimise potential negative effects.

We maintain our assessment that the potential financial impact could be major, reflecting the fundamental and devastating consequences natural disasters or terrorist acts might have on our business. As a result of the increasing frequency of natural disasters (e.g. earthquakes, floods, etc.) around the world and since we operate in geographies with a particularly high exposure to natural hazards (e.g. Japan, the US West Coast, etc.), we still assess the likelihood of materialising as possible.

Personnel risks

Achieving the adidas Group's goal of becoming the global leader in the sporting goods industry is highly dependent on our employees and their talents. In that respect, we believe that diversity is critical to our Group's success. Therefore, a lack of diversity or the inability to actively embrace and promote diversity across our global organisation could result in suboptimal business performance. Low employee engagement and the failure to maintain a performance-oriented culture amongst our workforce could also substantially impede our ability to achieve our goals. Furthermore, the loss of key personnel in strategic positions and the inability to identify, recruit and retain sufficient highly qualified and skilled people who best meet the specific needs of our Group pose substantial risks to our Group's business performance. Unattractive or non-competitive management and employee remuneration may exacerbate these risks. In addition, a lack of sufficient training measures and inadequate documentation of critical know-how might dilute or lead to a loss of key capabilities.

To reduce these risks, we strongly engage in developing a motivating working environment and actively promote a way of working that is open, honest, fact-based, non-political, efficient and collaborative. Our goal is to make the adidas Group the "employer of choice" within our industry. Attractive reward and incentive schemes are designed to further support long-term employee commitment ⁄ **SEE EMPLOYEES, P. 105**.

With the expansion of our own-retail activities and the continued growth of our employee base in emerging markets, employee turnover may increase in the future. Moreover, labour markets are becoming increasingly more competitive, with the battle for the most talented employees constantly intensifying. As a result of our activities to mitigate personnel risks, we now regard the potential impact of personnel risks as moderate (2012: significant). However, we believe the likelihood of materialising is probable (2012: unlikely).

IT risks

Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support and financial reporting, are all dependent on IT systems. A significant systems outage or loss of data could result in considerable disruptions to our business. Ineffective project management could delay the execution of projects critical to the Group or make them more expensive than planned. Virus or malware attacks could also lead to systems disruption and may result in the loss of business-critical and/or confidential information.

To mitigate these risks, our IT organisation proactively engages in system preventive maintenance, service continuity planning and adherence to applicable IT policies. Data security is managed by restricting user access based on job description and adhering to data protection regulations. Additional security measures such as anti-virus software and firewalls are designed to further protect our systems and critical information. We perform multiple backups at alternating data centre locations for the Group's core enterprise resource planning system (ERP) on a daily basis. In addition, for the ERP system, our contingency solution allows us to quickly switch to a remote site if necessary – without any loss of data. System security, controls and reliability are reviewed and tested by the Internal Audit department.

IT project risks are further mitigated by utilising a proven project methodology for all IT projects that includes tight cost control and regular risk reviews for all major projects. The IT organisation's strategic direction is aligned with the adidas Group's overall Route 2015 strategic business plan. New quality reviews for major projects have been implemented to ensure that the progress, quality and costs of those projects are regularly evaluated by members of senior management.

Due to the critical nature of IT systems for all our business processes, we continue to regard the potential impact as major. However, we further strengthened our risk mitigation in the last twelve months, in particular in the areas of IT security and information protection. Therefore, we now consider the likelihood of being affected to such a degree as unlikely (2012: possible).

Product innovation and development risks

Innovative and attractive products generate strong sales and, more importantly, create a halo effect for other products. Furthermore, fulfilling the highest standards in terms of product quality and safety is critical to sustainable commercial success and forms an integral part of the product design and development phase. The speed with which new product technologies and fresh designs are brought to market is decisive for maintaining competitive advantage. In 2013, all brands generated the majority of their sales with products which had been brought to market over the previous 12 to 18 months ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**. If the adidas Group failed to maintain a pipeline of new innovative products over a sustained period of time, we would risk a significant sales decline. Therefore, we continue to invest in innovation and design processes as well as the recruitment and retention of creative and innovative talent ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**. To ensure we can quickly adapt to changing consumer preferences, we focus on streamlining research and development processes to speed up the time to market.

We believe innovation is a key success factor in the sporting goods industry and, as a result, shortcomings regarding product innovation, design and development pose a substantial risk to all industry players. As a result, we still evaluate the potential impact of product innovation and development risks as moderate. Due to our proven R&D track record and our strong product pipeline, however, we regard the likelihood of materialising as unlikely (2012: likely).

Risks related to rising input costs

Raw material and labour costs account for approximately 70% of the Group's cost of sales. Prices of materials such as rubber, cotton, polyester and those which closely correlate with the oil price are especially subject to the risk of price changes. As our ordering process and price negotiations usually take place around six months in advance of production, our sourcing function has visibility and reaction time to reflect sharp increases in input costs in its planning.

To reduce the financial impact on our product margins from higher sourcing costs, we are implementing further lean manufacturing techniques at our partner factories, reducing time and cost in the procurement process, re-engineering our products and selectively increasing prices where possible. In addition, with respect to material price increases we engage in risk sharing with our suppliers, which dampens the negative effect on the Group's margin. Furthermore, the Profitability Management department is mandated with driving strategic sourcing initiatives to ensure competitiveness of our supply chain in light of increasing input costs ⁄ **SEE GLOBAL OPERATIONS, P. 94**. In the medium term, we also have the ability to adapt our sourcing structure to take advantage of more competitive pricing in other locations.

Due to the actions we have taken over the last years to mitigate effects from increasing input costs, as well as our continuous efforts in optimising our supply chain, we continue to regard the potential impact related to higher sourcing costs as moderate. As labour costs continue to increase across all our major sourcing countries, we still assess the likelihood of materialising as likely.

Legal & Compliance Risks

Legal risks

As a global player, the adidas Group is exposed to various legal risks, including contractual risks, liability risks related to non-contractual subject matters (e.g. advertising claims) or the risk of claims and litigation for infringement of third-party trademarks, patents and other rights. To avoid contract breaches and prevent the Group from entering into unfavourable contractual agreements, we continually monitor the fulfilment of our contractual obligations and constantly involve internal and external legal experts in all contractual matters. In addition, to reduce the risk of infringing third-party intellectual property rights, we carefully research new product technologies, designs and names to identify and avoid potential conflicts with the rights of third parties. Our Intellectual Property department drives continuous enhancements in our patent portfolio, and in the reviewing and analysis of third-party patents.

Despite the process and system (e.g. contract management) improvements we made in 2013, we view the potential impact as significant should these risks materialise (2012: major) and believe that the likelihood of materialising is possible.

Risks related to competition, trade and customs regulations

Numerous laws and regulations regarding competition, trade and customs affect the adidas Group's business practices worldwide. Non-compliance with regulations concerning fair competition, pricing, advertising or product imports (including calculation of customs values) could lead to substantial financial penalties and additional costs as well as negative media coverage and therefore reputational damage. To proactively manage such risks, we constantly seek expert legal advice and provide subject matter training to our employees (e.g. competition law training). In addition, our internal Legal department advises the marketing departments to ensure appropriate and compliant brand communication. Furthermore, we work closely with customs authorities and governments worldwide to make sure we adhere to customs and import regulations and obtain the required clearance of products to fulfil sales demand.

As a result of the growing number of and continuous change in competition, trade and customs regulations worldwide, we now assess the potential impact on the Group, should these risks materialise, as major (2012: significant) and regard the likelihood of materialising as possible.

Social and environmental risks

We have a responsibility to our employees, suppliers and the environment. Malpractice in these areas, in particular human rights violations, dubious employment practices as well as environmentally harmful production processes can have a significant impact on the reputation and operational efficiency of our Group and our suppliers. To limit this risk, we have established Workplace Standards to which suppliers must conform before and during business relationships with the Group. Internal and external inspections of supplier factories verified by extensive independent audits are conducted regularly.

In the event of non-compliance with these standards, we develop joint action plans and set deadlines for compliance. If these deadlines are not met, business relations are terminated ⁄ **SEE SUSTAINABILITY, P. 111**.

In order to minimise the environmental impact of producing and distributing our products, the adidas Group developed a fully comprehensive environmental strategy (Environmental Strategy 2015). This strategy takes a holistic approach towards environmental issues such as sustainable resource use, climate change mitigation, emissions to water and air, waste treatment as well as hazardous substances. ⁄ **SEE SUSTAINABILITY, P. 111**.

Although we believe that social and environmental malpractice may occur only in isolated cases, we see increasing corporate social responsibility obligations for the Group as legislative measures and consumer expectations with regard to socially and environmentally sound business practices and behaviour are becoming more demanding. Due to this development we will, for example, have to cope with rising costs in order to fulfil more challenging social and environmental requirements. However, because of the experience we have gained over the last years and due to constant improvements of our social and environmental activities, we now consider the potential impact on the Group as moderate (2012: major) but assess the likelihood of materialising as likely (2012: possible).

Risks related to product counterfeiting and imitation

As popular consumer brands which rely on technological and design innovation as defining characteristics, the Group's brands are frequent targets for counterfeiting and imitation. To reduce the loss of sales and the potential damage to brand reputation resulting from counterfeit products, the adidas Group makes use of extensive legal protection (generally through registration) and works closely with law enforcement authorities, investigators and external legal counsel. Although we have stepped up measures such as product security labelling with our authorised suppliers, the development of these measures remains a key priority on an ongoing basis. In 2013, around twelve million counterfeit adidas Group products were seized worldwide.

As our brands remain a key factor for our Group's success, we still assess the potential impact related to counterfeiting and imitation as significant but, as a result of our relentless and intensive efforts against counterfeiting, we continue to rate the likelihood of being impacted to such a degree as unlikely.

Product quality risks

The adidas Group faces a risk of selling defective products, which may result in injury to consumers and/or brand and product image impairment. We mitigate this risk by employing dedicated teams that monitor the quality of our products on all levels of the supply chain through rigorous testing prior to production, close cooperation with suppliers throughout the manufacturing process, random testing after retail delivery, open communication about defective products and quick settlement of product liability claims when necessary. In 2013, we did not have any notable product recalls.

We still believe the potential impact of product liability cases or having to conduct wide-scale product recalls could be significant and, despite our internal standards and control activities regarding product quality, we continue to regard the likelihood of being impacted to such an extent as possible.

Fraud and corruption risks

We face the risk that our employees and Executive Board breach rules and standards that guide appropriate and responsible business behaviour. This includes the risks of fraud, financial misstatements or manipulation, bribery and corruption. Our Group's Fair Play Compliance Framework helps us manage these risks in a proactive way and enables us to prevent, detect and adequately respond in case of fraudulent or corruptive behaviour. Our Global Policy Manual provides a framework for basic work procedures and processes and our Code of Conduct stipulates that every employee shall act ethically in compliance with the laws and regulations of the legal systems where they conduct Group business. All of our employees have to participate in a special Code of Conduct training. In addition, our Compliance Officers across the Group guide and advise our operating managers regarding fraud and corruption topics. Furthermore, we utilise controls such as segregation of duties in IT systems to prevent fraudulent activities. Whenever reasonable, we actively investigate and, in case of unlawful conduct, we work with state authorities to ensure rigorous enforcement of criminal law.

We believe the potential impact on the Group's performance caused by fraud, financial misstatements or manipulation, bribery and corruption could be major (2012: significant). Despite the substantial growth of our global workforce in recent years, we regard the likelihood of being impacted by these risks to such an extent as unlikely, due to our preventative measures and controls. However, we believe the likelihood of occurrence of smaller fraud or corruption cases is higher.

Financial Risks

Credit risks

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. The adidas Group is exposed to credit risks from its operating activities and from certain financing activities. Credit risks arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets, short-term bank deposits and derivative financial instruments ⁄ **SEE NOTE 28, P. 222**. Without taking into account any collateral, the carrying amount of financial assets and accounts receivable represents the maximum exposure to credit risk.

At the end of 2013, there was no relevant concentration of credit risk by type of customer or geography. Our credit risk exposure is mainly influenced by individual customer characteristics. Under the Group's credit policy, new customers are analysed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the Group's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses as well as, on a selective basis, credit insurances, accounts receivable sales without recourse and bank guarantees.

Objective evidence that financial assets are impaired includes, for instance, significant financial difficulty of the issuer or debtor, indications of the potential bankruptcy of the borrower and the disappearance of an active market for a financial asset because of financial difficulties. The Group utilises allowance accounts for impairments that represent our estimate of incurred credit losses with respect to accounts receivable.

Allowance accounts are used as long as the Group is satisfied that recovery of the amount due is possible. Once this is no longer the case, the amounts are considered irrecoverable and are directly written off against the financial asset. The allowance consists of two components:
(1) an allowance established for all receivables dependent on the ageing structure of receivables past due date and
(2) a specific allowance that relates to individually assessed risk for each specific customer – irrespective of ageing.

At the end of 2013, no Group customer accounted for more than 10% of accounts receivable. We still believe that the potential financial impact of our credit risks from customers could be major but we rate the likelihood of materialising as unlikely (2012: possible).

04 ⁄ **Set-off possibilities of derivative financial assets and liabilities** (€ in millions)

	2013	2012
Assets		
Gross amounts of recognised financial assets	59	61
Financial instruments which qualify for set-off in the statement of financial position	0	0
Net amounts of financial assets presented in the statement of financial position	59	61
Set-off possible due to master agreements	(53)	(48)
Total net amount of assets	**6**	**13**
Liabilities		
Gross amounts of recognised financial liabilities	(93)	(60)
Financial instruments which qualify for set-off in the statement of financial position	0	0
Net amounts of financial liabilities presented in the statement of financial position	(93)	(60)
Set-off possible due to master agreements	53	48
Total net amount of liabilities	**(40)**	**(12)**

The adidas Group Treasury department arranges currency and interest rate hedges, and invests cash, with major banks of a high credit standing throughout the world. adidas Group companies are authorised to work with banks rated BBB+ or higher. Only in exceptional cases are subsidiaries authorised to work with banks rated lower than BBB+. To limit risk in these cases, restrictions are clearly stipulated, such as maximum cash deposit levels. In addition, the credit default swap premiums of our partner banks are monitored on a monthly basis. In the event that the defined threshold is exceeded, credit balances are shifted to banks compliant with the limit.

As financial market conditions remain challenging and highly volatile and due to our overall investment volume, we believe that the financial impact could be major (2012: moderate) but the likelihood of materialising is unlikely. Furthermore, we believe our risk concentration is limited due to the broad distribution of our investment business with more than 20 banks. At December 31, 2013, no bank accounted for more than 7% of our investments and the average concentration, including subsidiaries' short-term deposits in local banks, was 1%. This leads to a maximum exposure of € 100 million in the event of default of any single bank. We have further diversified our investment exposure by investing into AAA-rated money market funds.

In addition, we held derivatives with a positive fair market value in the amount of € 59 million. The maximum exposure to any single bank resulting from these assets amounted to € 10 million and the average concentration was 6%.

According to IFRS 7, the adjacent table includes further information about set-off possibilities of derivative financial assets and liabilities ⁄ **TABLE 04**. The majority of agreements between financial institutions and the adidas Group include a mutual right to set-off. However, these agreements do not meet the criteria for offsetting in the statement of financial position, because the right to set-off is enforceable only in the event of counterparty defaults.

The carrying amounts of recognised derivative financial instruments, which are subject to the mentioned agreements, are presented in the adjacent table ⁄ **TABLE 04**.

Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume and currency structure. In addition, the adidas Group faces the risk of having to accept unfavourable financing terms due to liquidity restraints. Our Group Treasury department uses an efficient cash management system to manage liquidity risk. At December 31, 2013, Group cash, cash equivalents and marketable securities amounted to € 1.629 billion (2012: € 1.935 billion). Moreover, our Group maintains € 1.652 billion bilateral credit lines and a € 500 million committed long-term syndicated loan facility with international banks, which does not include a market disruption clause. The € 2.152 billion in credit lines are designed to ensure sufficient liquidity at all times ⁄ **SEE TREASURY, P. 135**.

Future cash outflows arising from financial liabilities that are recognised in the Consolidated Statement of Financial Position are presented in the following table ⁄ **TABLE 05**.

This includes payments to settle obligations from borrowings as well as cash outflows from cash-settled derivatives with negative market values. Financial liabilities that may be settled in advance without penalty are included on the basis of the earliest date of potential repayment. Cash flows for variable-interest liabilities are determined with reference to the conditions at the balance sheet date.

We ended the year 2013 with net cash of € 295 million (2012: € 448 million). Thus the ratio of net borrowings over EBITDA decreased to –0.2 times at year-end, which is in line with the Group's medium-term guideline of less than two times. In light of our available credit lines, financing structure and business model, our risk assessment remains unchanged. We assess the potential impact of these risks on the Group as minor and the likelihood of materialising as unlikely.

05 ⁄ **Future cash outflows** [1] (€ in millions)

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	Up to 6 years	Up to 7 years	Total
As at December 31, 2013								
Bank borrowings [2]	126	—	—	—	—	—	—	126
Private placements [3]	70	95	111	—	—	—	—	276
Eurobond [3]	514	—	—	—	—	—	—	514
Convertible bond [3]	1	1	1	502	—	—	—	505
Accounts payable	1,825	—	—	—	—	—	—	1,825
Other financial liabilities	33	9	—	—	—	—	—	42
Accrued liabilities [4]	464	—	—	—	—	—	—	464
Derivative financial liabilities	80	12	1	—	—	—	—	93
Total	**3,113**	**117**	**113**	**502**	**—**	**—**	**—**	**3,845**
As at December 31, 2012								
Bank borrowings [2]	59	—	—	—	—	—	—	59
Private placements [3]	242	70	99	117	—	—	—	528
Eurobond [3]	24	514	—	—	—	—	—	538
Convertible bond [3]	1	1	1	1	503	—	—	507
Accounts payable	1,790	—	—	—	—	—	—	1,790
Other financial liabilities	26	14	—	—	—	—	—	40
Accrued liabilities [4]	434	—	—	—	—	—	—	434
Derivative financial liabilities	57	3	—	—	—	—	—	60
Total	**2,633**	**602**	**100**	**118**	**503**	**—**	**—**	**3,956**

1) Rounding difference may arise in totals.
2) Classified as long-term (between 1 and 3 years) in the consolidated financial statements, as they are covered by the committed mid-term syndicated loan.
3) Including interest payments.
4) Accrued interest excluded.

06 ⁄ **Exposure to foreign exchange risk** [1]
(based on notional amounts, € in millions)

	USD	RUB	GBP	JPY
As at December 31, 2013				
Exposure from firm commitments and forecasted transactions	(3,811)	348	370	362
Balance sheet exposure including intercompany exposure	(358)	106	(7)	6
Total gross exposure	**(4,169)**	**454**	**363**	**368**
Hedged with other cash flows	87	—	—	—
Hedged with currency options	425	—	—	(47)
Hedged with forward contracts	2,604	(107)	(298)	(209)
Net exposure	**(1,053)**	**347**	**65**	**112**
As at December 31, 2012				
Exposure from firm commitments and forecasted transactions	(3,819)	359	369	354
Balance sheet exposure including intercompany exposure	(321)	109	8	8
Total gross exposure	**(4,140)**	**468**	**377**	**362**
Hedged with other cash flows	91	—	—	—
Hedged with currency options	225	—	(12)	(24)
Hedged with forward contracts	2101	(72)	(263)	(188)
Net exposure	**(1,723)**	**396**	**102**	**150**

1) Rounding difference may arise in totals.

Currency risks

Currency risks for the adidas Group are a direct result of multi-currency cash flows within the Group. Furthermore, translation impacts from the conversion of non-euro-denominated results into our Group's functional currency, the euro, might lead to a material negative impact on our Group's financial performance. The biggest single driver behind this risk results from the mismatch of the currencies required for sourcing our products versus the denominations of our sales. The vast majority of our sourcing expenses are in US dollars, while sales are denominated in other currencies to a large extent – most notably the euro. Our main exposures are presented in the adjacent table ⁄ **TABLE 06**. The exposure from firm commitments and forecasted transactions was calculated on a one-year basis.

In line with IFRS 7 requirements, we have calculated the impact on net income and shareholders' equity based on changes in our most important currency exchange rates. The calculated impacts mainly result from fair value changes of our hedging instruments. The analysis does not include effects that arise from the translation of our foreign entities' financial statements into the Group's reporting currency, the euro. The sensitivity analysis is based on the net balance sheet exposure, including intercompany balances from monetary assets and liabilities denominated in foreign currencies. Moreover, all outstanding currency derivatives were re-evaluated using hypothetical foreign exchange rates to determine the effects on net income and equity. The analysis was performed on the same basis for both 2012 and 2013.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2013 would have led to a € 2 million increase in net income. The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 176 million. A 10% weaker euro at December 31, 2013 would have led to a € 3 million decrease in net income. Shareholders' equity would have increased by € 214 million ⁄ TABLE 07. The impacts of fluctuations of the US dollar against the Russian rouble and of the euro against the British pound and the Japanese yen on net income and shareholders' equity are also included in accordance with IFRS requirements.

However, many other financial and operational variables that could potentially reduce the effect of currency fluctuations are excluded from the analysis. For instance:

- Interest rates, commodity prices and all other exchange rates are assumed constant.
- Exchange rates are assumed at a year-end value instead of the more relevant sales-weighted average figure, which we utilise internally to better reflect both the seasonality of our business and intra-year currency fluctuations.
- The underlying forecasted cash flow exposure (which the hedge instrument mainly relates to) is not required to be revalued in this analysis.
- Operational issues, such as potential discounts to key accounts, which have high transparency regarding the impacts of currency on our sourcing activities (due to their own private label sourcing efforts), are also excluded from this presentation.

Utilising a centralised currency risk management system, our Group hedges currency needs for projected sourcing requirements on a rolling 12- to 24-month basis ⁄ SEE TREASURY, P. 135. Our goal is to have the vast majority of our hedging volume secured six months prior to the start of a given season. In rare instances, hedges are contracted beyond the 24-month horizon. The Group also largely hedges balance sheet risks. Due to our strong global position, we are able to partly minimise currency risk by utilising natural hedges.

Nevertheless, our gross US dollar cash flow exposure after natural hedges calculated for 2014 was roughly € 4.1 billion at year-end 2013, which we hedged using forward contracts, currency options and currency swaps ⁄ TABLE 06. Our Group's Treasury Policy allows us to utilise hedging instruments, such as currency options or option combinations, which provide protection from negative exchange rate fluctuations while – at the same time – retaining the potential to benefit from future favourable exchange rate developments in the financial markets.

As 2014 hedging has almost been completed, it is clear that the EUR-USD conversion rate will improve compared to 2013. However, this positive effect will be more than offset by less favourable rates in the emerging markets and Japan. Volume forecast variances, currency volatility and an increasing portion of our business in emerging markets, where currencies have depreciated rapidly in 2013 and at the beginning of 2014, will expose the adidas Group to substantial currency effects in 2014. Our financial targets set for 2014 take these trends into consideration ⁄ SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151. Nonetheless, we continue to regard the potential financial impact of currency risks as major but now consider the likelihood of being affected by currency risks to such an extent in addition to the impact already anticipated in our targets as likely (2012: probable).

07 ⁄ **Sensitivity analysis of foreign exchange rate changes**
(€ in millions)

	USD	RUB	GBP	JPY
As at December 31, 2013				
	EUR +10%	**USD +10%**	**EUR +10%**	**EUR +10%**
Equity	(176)	—	21	17
Net income	2	(8)	1	0
	EUR –10%	**USD –10%**	**EUR –10%**	**EUR –10%**
Equity	214	—	(25)	(20)
Net income	(3)	7	(1)	0
As at December 31, 2012				
	EUR +10%	**USD +10%**	**EUR +10%**	**EUR +10%**
Equity	(129)	—	20	15
Net income	(13)	(10)	0	(1)
	EUR –10%	**USD –10%**	**EUR –10%**	**EUR –10%**
Equity	158	—	(24)	(18)
Net income	12	8	0	1

Interest rate risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As the Group does not have material variable-interest liabilities, significant interest rate increases should have only slight adverse effects on the Group's profitability, liquidity and financial position.

In line with IFRS 7 requirements, we have analysed the impact of changes in the Group's most important interest rates on net income and shareholders' equity. The effect of interest rate changes on future cash flows is excluded from this analysis. Nevertheless, accrued interest, which is recognised as a liability, has been re-calculated based on the hypothetical market interest rates as at December 31, 2013. Fair values for derivative interest rate instruments accounted for as cash flow hedges were then re-evaluated based on the hypothetical market interest rates with the resulting effects on net income and equity included in the sensitivity analysis.

However, the effect on the income statement from changes in the fair values of hedged items and hedging instruments attributable to interest rate changes was not material. Exclusions from this analysis are as follows:

- Some fixed-rate financial instruments, such as certificates of deposit, which we value at "fair value through profit or loss" due to the short-term maturity of these instruments. Potential effects due to changes in interest rates are considered immaterial and are not recognised in the sensitivity analysis.

- Other fixed-rate financial instruments are measured at amortised cost. Since a change in interest rates would not change the carrying amount of this category of instruments, there is no net income impact and they are excluded from this analysis.

The interest rate sensitivity analysis assumes a parallel shift of the interest yield curve for all currencies and was performed on the same basis for both 2012 and 2013. A 100 basis point increase in interest rates at December 31, 2013 would have increased shareholders' equity by € 0.00 million (2012: increase by € 0.00 million) and decreased net income by € 0.00 million (2012: decrease by € 0.00 million). A 100 basis point decrease of the interest rates at December 31, 2013 would have resulted in a € 0.00 million decrease in shareholders' equity (2012: decrease by € 0.00 million) and a € 0.00 million increase in net income (2012: increase by € 0.00 million).

To reduce interest rate risks and maintain financial flexibility, a core tenet of our Group's financial strategy is to continue to use surplus cash flow from operations to reduce gross borrowings ⁄ **SEE TREASURY, P. 135**. Beyond that, the adidas Group is constantly looking for adequate hedging strategies through interest rate derivatives in order to mitigate interest rate risks.

In 2013, interest rates in Europe and North America remained at low levels. Given the central banks' current interest rate policies and macroeconomic uncertainty, we do not foresee any major interest rate increases in these regions for the near-term future. Since 90% of the Group's financing is in euros and US dollars, we regard the potential impact of interest rate risks only as minor and we now regard the likelihood that these risks will materialise as likely (2012: probable).

Risk related to impairment of goodwill/other intangible assets

As a result of various acquisitions in the past, our balance sheet carries book values of approximately € 1.2 billion in goodwill and € 1.4 billion in other intangible assets (including trademarks). Deterioration in the business performance and particularly in future business prospects could require corrections of these book values by incurring impairment charges. In addition, increases in market interest rates could trigger increases in discount rates used in our impairment test for goodwill and require impairment charges ⁄ **SEE NOTE 02, P. 195**. An impairment charge would be a purely accounting, non-cash effect impacting the Group's operating result. We believe the effects on our financial results related to impairment of goodwill and other intangible assets could be significant. However, we regard the likelihood of a future impairment charge of such magnitude as unlikely.

Strategic and Operational Opportunities

08 ⁄ **Corporate opportunities overview**

	Likelihood	Potential impact
Strategic and operational opportunities		
Macroeconomic and socio-political opportunities	Unlikely	Moderate
Organic growth opportunities	Unlikely	Major
Opportunities related to organisational and process improvements	Possible	Significant
Marketing and communication opportunities	Possible	Minor
Acquisition opportunities	Possible	Minor
Personnel opportunities	Unlikely	Significant
Financial opportunities		
Favourable financial market changes	Unlikely	Major

Macroeconomic and socio-political opportunities

Since we are a consumer goods company, consumer confidence and spending can impact our sales development. Therefore, better than initially forecasted macroeconomic developments, which support increased private consumption, can have a positive impact on our sales and profitability. Low unemployment rates, rising real incomes as well as a growing middle class with increasing spending power are fuelling consumption, particularly in emerging economies – and, subsequently, our industry. In addition, legislative and regulatory changes, e.g. the elimination of trade barriers, can potentially open new channels of distribution or lead to lower import costs and positively impact Group profitability.

Furthermore, governments are increasingly promoting living an active lifestyle to fight obesity and cardiovascular disease. According to the latest International Obesity Task Force (IOTF), more than 600 million adults are currently considered obese. An additional billion are estimated to be overweight. Additionally, up to 200 million school-age children are either obese or overweight. This development has serious health consequences and a dramatic effect on health care expenditures. As a result, governments and non-governmental organisations are increasing their efforts to promote a healthy lifestyle and encourage sports participation. This could lead to increases in sports participation, in particular in categories considered suitable for weight loss, such as training, running and walking. Given the strong global market position the adidas Group and its brands enjoy, acceleration in this trend could positively affect the Group's sales development.

Moreover, continued growth in the global population, which is estimated to exceed nine billion by 2050, will over time lead to increasing sports participation and also expand the global consumer base for sports and sports lifestyle products. Most of this growth will be in emerging markets, which already play an important role in our growth strategy and where our brands are already well positioned. This could give an additional boost to the Group's sales performance.

Also, we expect sports participation rates to increase over time, with increasing leisure time, investment in infrastructure and a broadening of awareness of the benefits of sport. This is particularly so in countries such as China or India, where sports participation is lower than in industrialised countries. In addition, European and North American sporting goods brands are often seen as highly desirable, easily accessible, affordable quasi-luxury goods in emerging markets, which presents an additional growth opportunity.

As most of these developments are long-term structural opportunities for the Group's top- and bottom-line performance, we still assess the short-term impact as moderate. Given our ambitious goals, however, we continue to regard the likelihood of such short-term opportunities materialising as unlikely.

Organic growth opportunities

Controlled space: The sporting goods retail environment is changing constantly. We therefore continue to adapt our distribution strategy to cater for this change and have made controlled space initiatives a strategic priority. This includes retail space management with key retail partners as well as the introduction of new own-retail store formats. In our wholesale channels, we continue to pilot our latest shop-in-shop concepts globally and have also further invested in unique point-of-sale activation. For example, we have begun to roll out the Reebok FitHub shop-in-shop concept globally. We also continued our test phase of the NEO own-retail store concept in Germany and further expanded our store base in lower-tier cities in China. Successful results from these initiatives and further expansion could enable us to accelerate top- and bottom-line growth.

Fashion trends: Trends can rapidly change in our industry as certain styles, looks and colourways fall in and out of relevance for the consumer. Given our broad product offering, additional sales opportunities may arise when our products are more on-trend than those of our major competitors. Further establishing a premium price positioning could strengthen consumers' perception of our brands, particularly in fashion categories, and open up additional margin opportunities.

Women's: Our Group still generates the majority of its revenues in men's and unisex categories. However, with women accounting for more than a third of total spending on athletic footwear, we believe the women's sports market is one of the most attractive segments in the sporting goods industry. The adidas Group is therefore investing in developing women-specific product offerings in both performance and lifestyle that emphasise female individuality, authenticity and style. Higher traction from our various initiatives with adidas and Reebok such as specific adidas campaigns like #mygirls or Reebok's expansion into studio-based fitness activities could lead to additional sales opportunities for the Group.

New activities and categories: Exploiting the potential of emerging, fast-growing sports categories is another organic growth opportunity for our brands. Our brand teams conduct market research and engage in trend marketing to detect changes in lifestyle and consumer needs of our target audience as early as possible. Changes in lifestyle, habits and attitudes can potentially result in the emergence of new consumer needs that are not addressed by current product offerings. For example, we see a growing trend in the move by athletes and sports enthusiasts towards more minimalistic products that promote natural body movement. In order to tap into this opportunity, we are expanding our efforts to bring to market more lightweight and flexible products that support the athlete's natural course of motion. In addition, we continue to see new exciting fitness concepts spring up such as CrossFit and obstacle racing. Similarly, we see tremendous growth potential in the outdoor and action sports categories and intend to become a leading player in these categories over the next few years. In this respect, under the adidas Originals banner, we launched our very first snowboard collection, featuring three distinct snowboarding boots and roughly 60 articles of snowboarding apparel. Depending on how long it takes to build the needed credibility with the target consumers, the outdoor and action sports categories may perform better than currently assumed in our projections.

Customisation and personalisation: Today's consumers are looking for choice and variety that go beyond choosing from a wide selection of products. We engage in developing unique and relevant products that fit specific functional and aesthetic requirements. For example, the adidas, Reebok and TaylorMade brands all offer different personalisation and customisation platforms reflecting each brand's strategy. With mi adidas and YourReebok, consumers can design and order completely customised adidas and Reebok footwear online, thereby creating their own unique style. This is a particularly relevant opportunity in the kids' segment. In addition, TaylorMade-adidas Golf's Centres of Excellence provide customised fitting sessions for golfers with expert fitters and technicians. We expect the market for personalised and customised footwear, apparel and hardware to grow strongly and evolve further in the coming years, which might support additional sales growth for the Group.

Digital interactivity: Consumer demand for digital interactivity has increased significantly in recent years as consumers realise the benefits of incorporating real-time data on metrics such as distance, speed and heart rate into their training routines and into their performance on the field. The design and development of this functionality requires different expertise, product and material research as well as production know-how compared to traditional footwear and apparel. Our resources and our positioning as a sport performance leader as well as collaborations with experts in technology and in the field of analysing data related to athletes' movement and performance are beginning to open up new opportunities. For example, in November 2013, we launched the most advanced and intuitive wrist-based running device on the market, the adidas miCoach Smart Run. For the first time, runners are able to track their runs using GPS mapping, monitor their heart rate from their wrist with optical technology, listen to their favourite music and get real-time coaching by our miCoach system – all in one touchscreen device without cables or straps ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 99**. As consumer demand for wearable functional devices increases, and with further advances in technology, we expect this market could offer significant potential and opportunities as we continue to invest to drive credibility in the space.

Sustainable products: As consumers demand more products that are environmentally benign and produced on a sustainable basis, the adidas Group continues its efforts to create meaningful product platforms that drive growth in this area. We remain focused on the extension of the adidas "Better Place" programme. Products and packaging in the programme are designed taking sustainability principles into account, such as broadening the use of recycled materials and monitoring energy use in material and product preparation. For example, in September 2013, adidas by Stella McCartney introduced its spring/summer 2014 collection that incorporated sustainable elements wherever possible. Advanced, eco-friendly cutting techniques ensure 95% of fabric used creates the final product, with the remaining 5% recycled or repurposed, so that no surplus material goes to waste. Organic cotton, recycled yarn and DryDye pieces in each range complete the sustainable offering ⁄ **SEE SUSTAINABILITY, P. 111**.

Strategic partnerships: The adidas Group is constantly evolving its partnership network within sports and culture, with academic organisations and other industries in research and development, designers in the fashion industry, other brands and non-traditional sporting goods retailers. These partnerships have generated multiple new growth avenues for the Group, as we have acquired product or process know-how and gained access to new distribution channels or markets. For example, at the end of 2013, together with partners the adidas Group announced its leading position in the research project "Speedfactory" under the umbrella of the German government. The intention of this project is to shape the future of manufacturing and come up with innovative products as well as new production technologies specifically taking into account future consumer needs, speed, flexibility and sustainability. Therefore, partnership collaborations in the future may enable the adidas Group to pursue further growth and efficiency opportunities.

Taking all these together, we see many long-term organic growth opportunities and still regard the potential impact as major. However, given our ambitious goals, we believe the likelihood of being positively affected to such an extent in the short term is unlikely (2012: possible).

Opportunities related to organisational and process improvements

Continued optimisation of key business processes and strict cost control are vital to achieving high profitability and return on invested capital. We are confident that there is still significant opportunity to further streamline cost structures throughout our Group. For example, we continuously search for ways to increase efficiency in our supply chain and make it truly demand-driven. Furthermore, by implementing end-to-end planning processes and improving our replenishment capabilities, we see opportunities not only to better serve our customers but also to reduce our operating working capital needs. Another example in this respect is the reduction of the number of articles; this reduces complexity and workload in the creation area and warehouse costs, and allows us to offer more focused and consistent ranges to our retail partners.

Furthermore, constant improvements in manufacturing excellence (e.g. process simplification), manufacturing innovation or warehouse consolidation, may help us increase efficiency and profitability for the Group. Innovations in production could also support the Group in reducing its environmental impact, while at the same time enabling the Group to provide consumers with the best value proposition possible. For example, a higher level of automation in the production processes for footwear and apparel manufacturing could result in productivity enhancements, shorten lead times and improve overall quality.

In addition, consolidating and upgrading our distribution centres represents an opportunity for the Group to realise further efficiency gains, reduce operating overheads and provide the operational ability to drive additional revenue growth and working capital improvements. Process improvements in other areas of the Group's business activities could also positively impact profitability. For example, further centralising ranging and product purchasing for our own-retail business could lead to an increase in efficiency and drive additional sales, thus helping us increase overall Group profitability. A consolidated and global approach with respect to non-trade purchasing may also increase efficiency and help us generate cost savings. Furthermore, consolidation of back-office functions as part of our reorganisation initiatives in Western Europe and North America, but also in other markets, could foster process harmonisation, eliminate redundancy and reduce operating overheads.

Overall, we continue to view the potential impact of organisational and process improvements as significant. Given that benefits from our numerous initiatives to improve efficiency and operational excellence have already been reflected in our targets for 2014 and 2015, we now regard the likelihood that additional opportunities related to organisational and process improvements materialise to such an extent only as possible (2012: likely).

Marketing and communication opportunities

Advances in digital communication offer significant opportunities for our brands to engage with consumers in a deeper and more meaningful way, and enhance our potential to build long-lasting relationships and brand loyalty. The adidas Group constantly monitors the latest developments and trends in communication technologies. The emergence of social media and social networks is one such example which is helping our brands increase their consumer reach. In this regard, we are investing considerable resources to present the adidas Group's brands through a variety of social media platforms, such as Facebook, YouTube or Twitter ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77**. A key advantage of these tools is that they allow our brands to engage in a direct dialogue with our consumers. By offering consumers the opportunity to actively participate in brand campaigns or in the design and creation of new products, we can generate a far superior brand experience. In 2013, we introduced Brazuca, the official 2014 FIFA World Cup Brazil match ball, which was named following a public vote in Brazil involving one million football fans. Furthermore, as consumer demand for personalised experiences and continuous access to fresh content increases, we are establishing global newsrooms, staffed with "brand journalists" in key locations, starting with Rio de Janeiro, London, Portland and Shanghai, creating content, providing community management, customer relationship management and analytics across various time zones ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77**.

Another opportunity for the Group is the activation of promotion partnerships with individual high-profile athletes as well as global icons such as Lionel Messi for adidas football or Kanye West for adidas Originals. Depending on their success and popularity, as well as our ability to sign new future iconic partnerships, this could generate additional sales for the Group via signature product lines and design collaborations as well as increase brand equity. While we believe there is significant long-term potential for future opportunities in this area, in the short term, we assess the potential impact of marketing and communication opportunities as minor (2012: significant). Despite our strong portfolio of promotion partnerships with world-class athletes in key sports, we regard the likelihood that those opportunities materialise to such an extent in the short term only as possible (2012: likely).

Acquisition opportunities

Although the Group's focus is on organic growth initiatives, we consider acquisitions of smaller, fast-growing or innovative companies as an opportunity to generate additional sales and profits. Furthermore, acquisition opportunities may arise as a result of challenging macroeconomic and competitive conditions that could lead to financial distress of companies which, while not as financially healthy as industry leaders, possess certain assets that could help the adidas Group further improve its business performance. However, we still regard the potential impact of acquisition opportunities only as minor and the likelihood that such opportunities materialise as possible.

Personnel opportunities

Recruiting highly qualified employees, in particular for our own-retail segment, may help us generate better than expected top- and bottom-line results. For example, a reduction of the attrition rates in our own-retail stores could increase conversion rates as well as store productivity and also lead to lower expenses for recruiting activities. In addition, successfully establishing a performance culture as well as developing key talents across the Group may contribute positively to sales and profitability improvements. As a result, we continue to believe the potential impact of such opportunities is significant, and we still assess the likelihood of an impact of such magnitude in the short term as unlikely.

Financial Opportunities

Favourable financial market changes

Favourable exchange and interest rate developments can potentially have a positive impact on the Group's financial results. Our Group Treasury department closely monitors the financial markets to identify and exploit opportunities ⁄ **SEE TREASURY, P. 135**. Translation effects from the conversion of non-euro-denominated results into our Group's functional currency, the euro, might positively impact our Group's financial performance. Overall, we believe favourable exchange rate and interest rate developments could have a major potential impact. We continue to assess the likelihood of being positively affected to such an extent as unlikely.

09 / **Changes in corporate risk assessment versus prior year**

	2013		2012	
	Likelihood	Potential impact	Likelihood	Potential impact
Strategic risks				
Macroeconomic, socio-political and regulatory risks	Possible		Likely	
Dependency risks	Unlikely		Possible	
Customer consolidation and cross-border expansion/ private label risks		Moderate		Significant
Competition risks		Significant		Major
Risks related to risk and control environment	Unlikely		Possible	
Consumer demand risks		Moderate		Significant
Operational risks				
Logistics risks	Possible	Major	Likely	Significant
Customer relationship risks	Possible	Moderate	Unlikely	Major
Sales and pricing risks	Probable	Moderate	Possible	Major
Supplier risks		Significant		Major
Inventory risks	Likely	Moderate	Possible	Significant
Personnel risks	Probable	Moderate	Unlikely	Significant
IT risks	Unlikely		Possible	
Product innovation and development risks	Unlikely		Likely	
Legal & Compliance risks				
Legal risks		Significant		Major
Risks related to competition, trade and customs regulations		Major		Significant
Social and environmental risks	Likely	Moderate	Possible	Major
Fraud and corruption risks		Major		Significant
Financial risks				
Credit risks	Unlikely		Possible	
Currency risks	Likely		Probable	
Interest rate risks	Likely		Probable	
Risk related to impairment of goodwill/other intangible assets	Unlikely	Significant	—	—

Management Assessment of Performance, Risks and Opportunities, and Outlook

Assessment of performance versus targets

We communicate our Group's financial targets on an annual basis. We also provide updates throughout the year as appropriate TABLE 01. In 2013, the adidas Group delivered a solid financial performance, despite macroeconomic challenges in many regions, with currency-neutral Group sales growth outperforming macroeconomic growth SEE ECONOMIC AND SECTOR DEVELOPMENT, P. 122.

As a result of intensified currency translation headwinds, distribution constraints due to a warehouse issue and a softer consumer environment in Russia/CIS as well as an overall weakness in the golf market, we lowered our full year 2013 guidance in September, compared to our initial expectations.

In 2013, Group revenues rose 3% on a currency-neutral basis, mainly due to growth in emerging markets as well as the further expansion of our own-retail activities. Group revenues increased below our initial guidance of a mid-single-digit currency-neutral increase. This was driven by lower sales growth than originally expected in Russia/CIS and at TaylorMade-adidas Golf. Gross margin increased 1.5 percentage points to 49.3%, above our initial expectations of 48.0% to 48.5%. This development was due to a more favourable pricing, product and regional sales mix as well as strong improvements in the Reebok brand gross margin. Operating margin excluding goodwill impairment losses improved 0.7 percentage points to 8.7%. This development was slightly below our initial guidance of approaching 9.0%, as operating expenses as a percentage of sales were higher than originally forecasted. This was mainly due to the lower top-line growth as well as the faster expansion of own-retail activities than originally planned. As a result, basic and diluted earnings per share excluding goodwill impairment losses were € 4.01 and thus below our initial guidance of € 4.25 to € 4.40. This result was mainly due to negative currency translation effects, which significantly impacted our reported results in 2013, as well as the lower sales growth in Russia/CIS and at TaylorMade-adidas Golf SEE INCOME STATEMENT, P. 125.

In 2013, operating working capital and cash management were negatively impacted by increased working capital requirements towards the end of the year. While we had expected average operating working capital as a percentage of sales to increase moderately in 2013, our challenges in Russia/CIS resulted in slightly higher inventories and, as a result, a stronger increase than we had initially expected SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS, P. 131.

Beyond our financial performance, we also actively monitor the Group's key non-financial KPIs on a regular basis, as available SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 118. From a market share perspective, we continue to be very encouraged by our strong performance compared to our major competitors in key emerging markets. In particular, Greater China and Latin America were notable standouts, as we significantly improved our market share in both regions in 2013. Less pleasing, however, was our underperformance in key developed markets such as the USA and Western Europe. Nevertheless, in these markets, we have seen signs of improvement towards the end of 2013, driven by product launches in key categories such as football and running. Finally in the golf market, despite a challenging year for the entire industry, we continue to enjoy healthy market share positions. In metalwoods, our market shares remain well above 30% in the USA and Western Europe, slightly lower than the prior year. In both irons and footwear, we increased market share in nearly all key regions in 2013.

Despite the distribution challenges we faced in Russia/CIS, we continued to maintain a good level of on-time in-full deliveries to our customers and own-retail stores in 2013 SEE GLOBAL OPERATIONS, P. 94. As in prior years, the majority of our sales in 2013 were again generated from products launched in the past 12 to 18 months. In addition, we received several awards and industry recognitions for our new product innovations SEE RESEARCH AND DEVELOPMENT, P. 99. At a Group level, we also completed our most comprehensive employee engagement survey during 2013. The result was satisfactorily on average with the benchmark of our external provider, with improvements in several areas since our last survey in 2010 SEE EMPLOYEES, P. 105. Finally, our diligence and discipline in sustainability matters continues to yield strong recognition for our Group. For the 14th consecutive time, we were selected to join the Dow Jones Sustainability Indexes (DJSI) and were named industry leader in sustainability issues and corporate responsibility in the category "Clothing, Accessories & Footwear" for the tenth time SEE SUSTAINABILITY, P. 111.

Assessment of overall risks and opportunities

The Group's Risk Management team aggregates all risks and opportunities reported by different business units and functions through the quarterly risk and opportunity assessment process. In addition, the Group's Executive Board discusses and assesses Group risks and opportunities on a regular basis. Taking into account the potential financial impact as well as the likelihood of materialising of the risks explained within this report, and considering the strong balance sheet as well as the current business outlook, we do not foresee any material jeopardy to the viability of the Group as a going concern. This assessment is also supported by the historical response to our financing demands ⁄ **SEE TREASURY, P. 135**. The adidas Group therefore has not sought an official rating by any of the leading rating agencies. We remain confident that the Group's earnings strength forms a solid basis for our future business development and provides the resources necessary to pursue the opportunities available to the Group. Compared to the prior year, our assessment of certain risks has changed in terms of likelihood of occurrence and/or potential financial impact ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**. The partial changes in risk evaluation have no substantial impact on the overall adidas Group risk profile; however, we believe that the current development of major currencies since the beginning of 2014 will make the achievement of our financial targets for 2014 and 2015 significantly more challenging to meet.

Assessment of financial outlook

Since the adidas Group publicly announced its Route 2015 strategic business plan in 2010, we have made good progress towards our Route 2015 aspirations. We remain focused on creating long-term sustainable shareholder value and continue to pursue all targets with utmost diligence.

In 2014, we will see a specific emphasis on returning our Group to higher currency-neutral growth rates than seen in 2013, while also continuing to pursue initiatives to improve our Group's operating margin in the medium to long term. We will also continue to invest in future growth opportunities by utilising the upcoming 2014 FIFA World Cup and innovation platforms such as Boost, expanding our digital activities as well as opening new retail stores ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 77** ⁄ **GLOBAL SALES STRATEGY, P. 72**.

Through our extensive pipeline of new and innovative products, which have received favourable reviews from retailers, we project top- and bottom-line improvements in our Group's financial results in 2014. This is supported by positive order backlogs and improving comparable store growth trends in our own-retail stores compared to the prior year. Gross margin expansion, resulting from a more favourable pricing, product and regional sales mix, is expected to have a positive impact on the Group's profitability. In addition, we project that other operating expenses as a percentage of sales will be around the prior year level. We believe that our outlook for 2014 is realistic within the scope of the current trading and economic environment ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 151**.

Assuming no significant deterioration in the global economy, we are confident to further increase sales and profitability in 2015, as we continue to drive operational progress towards our Route 2015 strategic business plan aspirations ⁄ **SEE GROUP STRATEGY, P. 68**. However, given further headwinds from the weakening of several currencies versus the euro since the beginning of 2014, we believe there is higher risk to the achievement of our stated financial goals and aspirations than in prior years. No other material event between the end of 2013 and the publication of this report has altered our view.

01 ⁄ **adidas Group targets versus actual key metrics**

	2012 Results	2013 Targets[1]	2013 Results	2014 Outlook
Sales (year-over-year change, currency-neutral)	6%	mid-single-digit increase	3%	high-single-digit increase
Gross margin	47.7%	48.0% to 48.5%	49.3%	49.5% to 49.8%
Other operating expenses (in % of net sales)	41.3%	moderate decline	42.3%	around prior year level
Operating margin	8.0%[2]	approaching 9.0%	8.7%[3]	between 8.5% and 9.0%
Net income attributable to shareholders (€ in millions)	791[2]	890 to 920	839[3]	830 to 930
Average operating working capital (in % of net sales)	20.0%	moderate increase	20.9%	moderate decline
Capital expenditure (€ in millions)[4]	434	500 to 550	479	500 to 550
Gross borrowings (€ in millions)	1,487	further reduction of gross borrowings	1,334	further reduction of gross borrowings

1) As published on March 7, 2013. The outlook was updated over the course of the year.
2) Excluding goodwill impairment of € 265 million.
3) Excluding goodwill impairment of € 52 million.
4) Excluding acquisitions and finance leases.

Corry Kelahear

CORRY KELAHEAR
REEBOK-CCM HOCKEY /
PRODUCT MANAGEMENT
ST.-LAURENT, CANADA

FOR THE LOVE OF SPORT

Performance drives us

"Hi, my name is Corry, I am part of the Reebok-CCM Hockey Product Creation team. We live hockey and everybody here is extremely passionate about creating products that help players of all levels to get the most out of this great game. My team and I launched many innovative products in 2013, highlighted by the launch of the CCM RBZ skate and RBZ Stage II stick. These two products generated incredible excitement in both the consumer and professional channels. Products like these are just the beginning of an amazing pipeline of products coming from Reebok-CCM."

For the love of sport.

04

CONSOLIDATED FINANCIAL STATEMENTS

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report of adidas AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Herzogenaurach, February 14, 2014

HERBERT HAINER
CEO

ROLAND AUSCHEL **Global Sales**	GLENN BENNETT **Global Operations**	ROBIN J. STALKER **CFO**	ERICH STAMMINGER **Global Brands**

Auditor's Report

We have audited the consolidated financial statements prepared by adidas AG, Herzogenaurach, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes, together with the management report of the Company and the Group for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB (Handelsgesetzbuch – "German Commercial Code") is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and profit or loss in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and profit or loss of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 14, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

Braun	Wolper
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Consolidated Statement of Financial Position

.. adidas AG Consolidated Statement of Financial Position (IFRS) (€ in millions)

	Note	Dec. 31, 2013	Dec. 31, 2012	Change in %
ASSETS				
Cash and cash equivalents	4	1,587	1,670	(5.0)
Short-term financial assets	5	41	265	(84.4)
Accounts receivable	6	1,809	1,688	7.2
Other current financial assets	7	183	192	(5.1)
Inventories	8	2,634	2,486	5.9
Income tax receivables	33	86	76	12.7
Other current assets	9	506	489	3.7
Assets classified as held for sale	10	11	11	1.2
Total current assets		**6,857**	**6,877**	**(0.3)**
Property, plant and equipment	11	1,238	1,095	13.1
Goodwill	12	1,204	1,281	(6.1)
Trademarks	13	1,419	1,484	(4.4)
Other intangible assets	13	164	167	(2.3)
Long-term financial assets	14	120	112	7.9
Other non-current financial assets	15	30	21	40.6
Deferred tax assets	33	486	528	(8.0)
Other non-current assets	16	81	86	(4.8)
Total non-current assets		**4,742**	**4,774**	**(0.7)**
Total assets		**11,599**	**11,651**	**(0.4)**

Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

.. / **adidas AG Consolidated Statement of Financial Position (IFRS)** (€ in millions)

	Note	Dec. 31, 2013	Dec. 31, 2012	Change in %
LIABILITIES AND EQUITY				
Short-term borrowings	17	681	280	143.3
Accounts payable		1,825	1,790	1.9
Other current financial liabilities	18	113	83	37.4
Income taxes	33	240	275	(12.6)
Other current provisions	19	450	563	(20.1)
Current accrued liabilities	20	1,147	1,084	5.9
Other current liabilities	21	276	299	(8.0)
Total current liabilities		**4,732**	**4,374**	**8.2**
Long-term borrowings	17	653	1,207	(45.9)
Other non-current financial liabilities	22	22	17	28.3
Pensions and similar obligations	23	255	251	1.4
Deferred tax liabilities	33	338	368	(8.2)
Other non-current provisions	19	25	69	(63.4)
Non-current accrued liabilities	20	64	40	59.3
Other non-current liabilities	24	29	34	(11.6)
Total non-current liabilities		**1,386**	**1,986**	**(30.2)**
Share capital		209	209	—
Reserves		321	641	(49.8)
Retained earnings		4,959	4,454	11.3
Shareholders' equity	25	**5,489**	**5,304**	**3.5**
Non-controlling interests	26	(8)	(13)	37.9
Total equity		**5,481**	**5,291**	**3.6**
Total liabilities and equity		**11,599**	**11,651**	**(0.4)**

Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statement

.. ⁄ **adidas AG Consolidated Income Statement (IFRS)** (€ in millions)

	Note	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012	Change
Net sales	35	14,492	14,883	(2.6%)
Cost of sales		7,352	7,780	(5.5%)
Gross profit		**7,140**	**7,103**	**0.5%**
(% of net sales)		49.3%	47.7%	1.5pp
Royalty and commission income		104	105	(1.2%)
Other operating income	29	143	127	12.8%
Other operating expenses	11, 13, 30	6,133	6,150	(0.3%)
(% of net sales)		42.3%	41.3%	1.0pp
Goodwill impairment losses	12	52	265	(80.2%)
Operating profit		**1,202**	**920**	**30.6%**
(% of net sales)		8.3%	6.2%	2.1pp
Financial income	32	26	36	(28.2%)
Financial expenses	32	94	105	(11.2%)
Income before taxes		**1,134**	**851**	**33.3%**
(% of net sales)		7.8%	5.7%	2.1pp
Income taxes	33	344	327	5.3%
(% of income before taxes)		30.4%	38.4%	(8.0pp)
Net income		**790**	**524**	**50.7%**
(% of net sales)		5.4%	3.5%	1.9pp
Net income attributable to shareholders		**787**	**526**	**49.3%**
(% of net sales)		5.4%	3.5%	1.9pp
Net income attributable to non-controlling interests		**3**	**(2)**	**—**
Basic earnings per share (in €)	34	3.76	2.52	49.3%
Diluted earnings per share (in €)	34	3.76	2.52	49.3%

Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

adidas AG Consolidated Statement of Comprehensive Income (IFRS) (€ in millions)

	Note	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Net income after taxes		**790**	**524**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans (IAS 19), net of tax [1]	23	5	(26)
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss		**5**	**(26)**
Items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met			
Net loss on cash flow hedges, net of tax	28	(13)	(134)
Currency translation differences		(309)	(43)
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditons are met		**(322)**	**(177)**
Other comprehensive income		**(317)**	**(203)**
Total comprehensive income		**473**	**321**
Attributable to shareholders of adidas AG		467	321
Attributable to non-controlling interests		6	(0)

1) Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

.. adidas AG Consolidated Statement of Changes in Equity (IFRS) (€ in millions)

	Note	Share capital	Capital reserve
Balance at December 31, 2011		**209**	**722**
Net income recognised directly in equity			
Net income			
Total comprehensive income			
Dividend payment	25		
Acquisition of shares from non-controlling interest shareholders			
Convertible bond			55
Reclassifications of non-controlling interests in accordance with IAS 32	26		
Balance at December 31, 2012		**209**	**777**
Net income recognised directly in equity			
Net income			
Total comprehensive income			
Dividend payment	25		
Balance at December 31, 2013		**209**	**777**

1) Reserves for remeasurements of defined benefit plans (IAS 19), share option plans and acquisition of shares from non-controlling interest shareholders.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Cumulative currency translation differences	Hedging reserves	Other reserves[1]	Retained earnings	Total share-holders' equity	Non-controlling interests	Total equity
(6)	**113**	**(38)**	**4,137**	**5,137**	**(9)**	**5,128**
(45)	(134)	(26)		(205)	2	(203)
			526	526	(2)	524
(45)	**(134)**	**(26)**	**526**	**321**	**(0)**	**321**
			(209)	(209)	(3)	(212)
		(0)		(0)	(1)	(1)
				55		55
			0	0		0
(51)	**(21)**	**(64)**	**4,454**	**5,304**	**(13)**	**5,291**
(312)	(13)	5		(320)	3	(317)
			787	787	3	790
(312)	**(13)**	**5**	**787**	**467**	**6**	**473**
			(282)	(282)	(1)	(283)
(363)	**(34)**	**(59)**	**4,959**	**5,489**	**(8)**	**5,481**

Consolidated Statement of Cash Flows

adidas AG Consolidated Statement of Cash Flows (IFRS) (€ in millions)

	Note	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Operating activities:			
Income before taxes		1,134	851
Adjustments for:			
Depreciation, amortisation and impairment losses	11, 12, 13, 30, 32	346	536
Reversals of impairment losses	29	(2)	(2)
Unrealised foreign exchange losses/(gains), net		10	(26)
Interest income	32	(25)	(35)
Interest expense	32	73	97
Losses on sale of property, plant and equipment, net		7	12
Other non-cash income	29, 30	(1)	(3)
Operating profit before working capital changes		**1,542**	**1,430**
Increase in receivables and other assets		(309)	(135)
(Increase)/decrease in inventories		(301)	23
Increase in accounts payable and other liabilities		164	94
Cash generated from operations before interest and taxes		**1,096**	**1,412**
Interest paid		(68)	(90)
Income taxes paid		(394)	(380)
Net cash generated from operating activities		**634**	**942**
Investing activities:			
Purchase of trademarks and other intangible assets		(52)	(58)
Proceeds from sale of trademarks and other intangible assets		1	1
Purchase of property, plant and equipment		(427)	(376)
Proceeds from sale of property, plant and equipment		4	19
Acquisition of subsidiaries and other business units net of cash acquired	3	—	(57)
Proceeds from disposal of subsidiaries net of cash		—	14
Proceeds from sale of short-term financial assets		226	195
(Purchase of)/proceeds from investments and other long-term assets		(20)	10
Interest received		25	35
Net cash used in investing activities		**(243)**	**(217)**
Financing activities:			
Repayments of long-term borrowings		—	(3)
Proceeds from issue of a convertible bond	17	—	496
Repayments of finance lease obligations		(2)	—
Dividend paid to shareholders of adidas AG	25	(282)	(209)
Dividend paid to non-controlling interest shareholders		(1)	(3)
Acquisition of non-controlling interests		—	(8)
Proceeds from short-term borrowings		67	—
Repayments of short-term borrowings		(221)	(231)
Net cash (used in)/generated from financing activities		**(439)**	**42**
Effect of exchange rates on cash		**(35)**	**(3)**
(Decrease)/increase of cash and cash equivalents		(83)	764
Cash and cash equivalents at beginning of the year	4	1,670	906
Cash and cash equivalents at the end of period	4	**1,587**	**1,670**

Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Notes

adidas AG (hereafter also referred to as "the company") is a listed German stock corporation and parent of the adidas Group located at Adi-Dassler-Str. 1, 91074 Herzogenaurach, Germany. adidas AG and its subsidiaries (collectively the "adidas Group" or the "Group") design, develop, produce and market a broad range of athletic and sports lifestyle products. The operating activities of the adidas Group are divided into six operating segments: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands.

The Wholesale segment comprises all business activities relating to the distribution of adidas and Reebok products to retail customers.

The Retail segment comprises all business activities relating to the sale of adidas and Reebok products directly to end consumers through own retail and own e-commerce platforms.

adidas and Reebok branded products include footwear, apparel and hardware, such as bags and balls.

TaylorMade-adidas Golf includes the four brands TaylorMade, adidas Golf, Adams Golf and Ashworth. TaylorMade designs, develops and distributes primarily golf clubs, balls and accessories. adidas Golf branded products include footwear, apparel and accessories. Adams Golf designs and distributes mainly golf clubs as well as a small range of accessories. Ashworth designs and distributes men's and women's golf-inspired apparel and footwear.

Rockport predominantly designs and distributes leather footwear for men and women.

Reebok-CCM Hockey designs, produces and distributes ice hockey equipment such as sticks, skates and protection gear. In addition, Reebok-CCM Hockey designs, produces and distributes apparel mainly under the brand names Reebok Hockey and CCM.

The Other Centrally Managed Brands segment primarily includes the business activities of the labels Y-3 and Porsche Design Sport as well as the business activities of the brand Five Ten in the outdoor action sports sector. Furthermore, the segment also comprises the German own-retail activities of the adidas NEO label.

01
General

The consolidated financial statements of adidas AG as at December 31, 2013 comprise adidas AG and its subsidiaries and are prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) as at December 31, 2013, and the additional requirements pursuant to § 315a section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following new standards and interpretations and amendments to existing standards and interpretations are applicable for the first time for financial years beginning on January 1, 2013:

⁄ **IAS 12 Amendment – Deferred Tax: Recovery of Underlying Assets** (effective date: January 1, 2013): This amendment had no impact on the Group's financial statements.

⁄ **IFRS 7 Amendment – Disclosures – Offsetting Financial Assets and Financial Liabilities** (effective date: January 1, 2013): This amendment required additional disclosures in the Group's financial statements ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

⁄ **IFRS 13 Fair Value Measurement** (effective date: January 1, 2013): This new standard required additional disclosures with respect to the Group's financial instruments ⁄ **SEE NOTE 28**.

⁄ **IAS 1 Amendment – Presentation of Items of Other Comprehensive Income** (effective date: July 1, 2012): This amendment required a change in the presentation of other comprehensive income within the Consolidated Statement of Comprehensive Income.

⁄ **IAS 19 Employee Benefits – Revised (2011)** (effective date: January 1, 2013): This amendment required mainly additional disclosures with respect to the Group's defined benefit plans ⁄ **SEE NOTE 23**.

⁄ **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine** (effective date: January 1, 2013): This interpretation had no impact on the Group's financial statements.

⁄ **Improvements to IFRSs (2011)** (effective date: January 1, 2013): These improvements had no material impact on the Group's financial statements.

New standards and interpretations and amendments to existing standards and interpretations that will be effective for financial years beginning after January 1, 2013, and which have not been applied in preparing these consolidated financial statements are:

⁄ **IFRS 10 Consolidated Financial Statements** (effective date: January 1, 2014): The Group is currently analysing the effects of the new standard. At this point in time, no reliable statement can be made whether there will be any material impact on the Group's financial statements.

⁄ **IFRS 11 Joint Arrangements** (effective date: January 1, 2014): This new standard is not expected to have any material impact on the Group's financial statements.

⁄ **IFRS 12 Disclosure of Interests in Other Entities** (effective date: January 1, 2014): This new standard is expected to require additional disclosures.

⁄ **Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)** (effective date: January 1, 2014): These amendments are not expected to have any material impact on the Group's financial statements.

⁄ **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)** (effective date: January 1, 2014): These amendments are not expected to have any impact on the Group's financial statements.

⁄ **IAS 27 Separate Financial Statements – Revised (2011)** (effective date: January 1, 2014): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IAS 28 Investments in Associates and Joint Ventures – Revised (2011)** (effective date: January 1, 2014): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IAS 32 Amendment – Offsetting Financial Assets and Financial Liabilities** (effective date: January 1, 2014): This amendment is not expected to have any material impact on the Group's financial statements.

⁄ **IAS 39 Amendment – Novation of Derivatives and Continuation of Hedge Accounting** (effective date: January 1, 2014): This amendment is not expected to have any material impact on the Group's financial statements.

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by the Group before the effective date, with the exception of the following standard:

⁄ **IAS 36 Amendment – Recoverable Amount Disclosures for Non-Financial Assets** (effective date: January 1, 2014): By applying this amendment early, the unintentionally introduced requirement to disclose the recoverable amounts of cash-generating units irrespective of whether an impairment has actually occurred is waived.

The consolidated financial statements have in principle been prepared on the historical cost basis with the exception of certain items in the statement of financial position such as financial instruments valued at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, plan assets and receivables, which are measured at fair value.

The consolidated financial statements are presented in euros (€) and all values are rounded to the nearest million (€ in millions).

02 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with the consolidation, accounting and valuation principles described below.

Principles of consolidation

The consolidated financial statements include the financial statements of adidas AG and all its direct and indirect subsidiaries, which are prepared in accordance with uniform accounting principles. A company is considered a subsidiary if it is controlled by adidas AG, e.g. by holding the majority of the voting rights and/or directly or indirectly governing the financial and operating policies of the respective enterprise.

The number of consolidated subsidiaries evolved as follows for the years ending December 31, 2013 and December 31, 2012, respectively:

Number of consolidated subsidiaries

	2013	2012
January 1	**177**	**173**
First-time consolidated companies:	4	13
Thereof: newly founded	4	4
Thereof: purchased	—	9
Deconsolidated/divested companies	(7)	(9)
Intercompany mergers	(13)	—
December 31	**161**	**177**

A schedule of the shareholdings of adidas AG is shown in Attachment II to the consolidated financial statements ⁄ SEE SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, P. 240. Furthermore, the schedule of the shareholdings of adidas AG will be published on the electronic platform of the German Federal Gazette.

Within the scope of the first-time consolidation, all acquired assets and liabilities are recognised in the statement of financial position at fair value at the acquisition date. A debit difference between the acquisition cost and the proportionate fair value of assets, liabilities and contingent liabilities is shown as goodwill. A credit difference is recorded in the income statement.

Acquisitions of additional investments in subsidiaries which are already controlled are recorded as equity transactions. Therefore, neither fair value adjustments of assets and liabilities nor gains or losses are recognised. Any difference between the cost for such an additional investment and the carrying amount of the net assets at the acquisition date is directly recorded in shareholders' equity.

The financial effects of intercompany transactions, as well as any unrealised gains and losses arising from intercompany business relations are eliminated in preparing the consolidated financial statements.

Principles of measurement

The following table includes an overview of selected measurement principles used in the preparation of the consolidated financial statements.

Overview of selected measurement principles

Item	Measurement principle
Assets	
Cash and cash equivalents	Nominal amount
Short-term financial assets	At fair value through profit or loss
Accounts receivable	Amortised cost
Inventories	Lower of cost or net realisable value
Assets classified as held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant and equipment	Amortised cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortised cost
With indefinite useful life	Impairment-only approach
Other financial assets (categories according to IAS 39):	
At fair value through profit or loss	At fair value through profit or loss
Held to maturity	Amortised cost
Loans and receivables	Amortised cost
Available-for-sale	At fair value in other comprehensive income or at amortised cost
Liabilities	
Borrowings	Amortised cost
Accounts payable	Amortised cost
Other financial liabilities	Amortised cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortised cost

Currency translation

Transactions in foreign currencies are initially recorded in the respective functional currency by applying the spot exchange rate valid at the transaction date to the foreign currency amount.

In the individual financial statements of subsidiaries, monetary items denominated in non-functional currencies of the subsidiaries are generally translated into the functional currency at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recorded directly in the income statement.

Assets and liabilities of the Group's non-euro functional currency subsidiaries are translated into the presentation currency, the euro, which is also the functional currency of adidas AG, at closing exchange rates at the balance sheet date. For practical reasons, revenues and expenses are translated at average rates for the period which approximate the exchange rates on the transaction dates. All cumulative differences from the translation of equity of foreign subsidiaries resulting from changes in exchange rates are included in a separate item within shareholders' equity without affecting the income statement.

A summary of exchange rates to the euro for major currencies in which the Group operates is as follows:

Exchange rates

(€ 1 equals)	Average rates for the year ending Dec. 31,		Spot rates at Dec. 31,	
	2013	2012	2013	2012
USD	1.3283	1.2862	1.3791	1.3194
GBP	0.8492	0.8115	0.8337	0.8161
JPY	129.5777	102.6451	144.7200	113.6100
CNY	8.1674	8.1137	8.4082	8.2931
RUB	42.2979	39.9512	45.1368	40.0737

Derivative financial instruments

The Group uses derivative financial instruments, such as currency options, forward contracts as well as interest rate swaps and cross-currency interest rate swaps, to hedge its exposure to foreign exchange and interest rate risks. In accordance with its Treasury Policy, the Group does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised in the statement of financial position at fair value, and subsequently also measured at their fair value. The method of recognising the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, the Group designates derivatives as either a hedge of a forecasted transaction (cash flow hedge), a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, and that are effective, as defined in IAS 39 "Financial instruments: recognition and measurement", are recognised in equity. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognised in the income statement. Accumulated gains and losses in equity are transferred to the income statement in the same periods during which the hedged forecasted transaction affects the income statement.

For derivative instruments designated as fair value hedges, the gains or losses on the derivatives and the offsetting gains or losses on the hedged items are recognised immediately in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of any derivative instruments that do not meet these rules are recognised immediately in the income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. If, for example, the hedging instrument is a derivative (e.g. a forward contract) or, for example, a foreign currency borrowing, effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing, respectively, are recognised in equity.

The Group documents the relationship between hedging instruments and hedge objects at transaction inception, as well as the risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific firm commitments and forecasted transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective by using different methods of effectiveness testing, such as the "dollar offset method" or the "hypothetical derivative method".

The fair values of forward contracts and currency options are determined on the basis of market conditions on the reporting dates. The fair value of a currency option is determined using generally accepted models to calculate option prices. The fair market value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base. Fair values are determined taking into consideration the counterparty risk. Due to immateriality, no adjustment has been recorded. The adidas Group has exercised the option to calculate the amounts on counterparty level according to IFRS 13 "Fair Value Measurement", paragraph 48.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand and short-term deposits with maturities of three months or less from the date of acquisition.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables and other financial assets

Receivables and other financial assets are recognised at fair value, which corresponds to the nominal value for current receivables and other financial assets. For non-current receivables and other financial assets, the fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the balance sheet date. Subsequently, these are measured at amortised cost using the "effective interest method". Required allowances, if necessary, are determined on the basis of individual risk assessments, and on the ageing structure of receivables past due.

Inventories

Merchandise and finished goods are valued at the lower of cost or net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are determined using a standard valuation method: the "average cost method". Costs of finished goods include cost of raw materials, direct labour and the components of the manufacturing overheads which can reasonably be attributed. The allocation of overheads is based on the planned average utilisation. The net realisable value allowances are computed consistently throughout the Group based on the age and expected future sales of the items on hand.

Assets/liabilities classified as held for sale

Assets/liabilities classified as held for sale are primarily non-current assets and liabilities expected to be recovered principally through sale rather than through continuing use. These are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale are not depreciated on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. This comprises any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by Management less accumulated depreciation (except for land and construction in progress) and accumulated impairment losses. Depreciation is recognised over the estimated useful life utilising the "straight-line method" and taking into account any potential residual value, except where the "declining-balance method" is more appropriate in light of the actual utilisation pattern. Parts of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately.

Land leases are measured at the lower of the fair value or the present value of minimum lease payments and are depreciated on a straight-line basis over the contractually agreed lease term.

Estimated useful lives are as follows:

Estimated useful lives of property, plant and equipment

	Years
Land leases	99
Buildings and leasehold improvements	20 – 50 [1]
Technical equipment and machinery as well as other equipment and furniture and fixtures	2 – 10

1) Or, if shorter, the lease term/useful life, see Note 27.

Expenditures for repairs and maintenance are expensed as incurred. Renewals and improvements are capitalised and depreciated separately, if the recognition criteria are met.

Impairment losses

If facts and circumstances indicate that non-current assets (e.g. property, plant and equipment, intangible assets including goodwill and certain financial assets) might be impaired, the recoverable amount is determined. It is measured at the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in other operating expenses or reported separately if the carrying amount exceeds the recoverable amount. If there is an impairment loss for a cash-generating unit, first the carrying amount of any goodwill allocated to the cash-generating unit is reduced, and subsequently, provided that the recoverable amount is lower than the carrying amount, the other non-current assets of the unit are reduced pro rata on the basis of the carrying amount of each asset in the unit.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life and goodwill acquired in business combinations are tested annually for impairment.

An impairment loss recognised in goodwill is not reversible. With respect to all other impaired assets, an impairment loss recognised in prior periods is reversed affecting the income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

Leases

Under finance lease arrangements, the substantial risks and rewards associated with an asset are transferred to the lessee. At the beginning of the lease arrangement, the respective asset and a corresponding liability are recognised at the fair value of the asset or, if lower, the net present value of the minimum lease payments. For subsequent measurement, minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability. In addition, depreciation and any impairment losses for the associated assets are recognised. Depreciation is performed over the lease term or, if shorter, over the useful life of the asset.

Under operating lease agreements, rent expenses are recognised on a straight-line basis over the term of the lease.

Intangible assets (except goodwill)

Intangible assets are valued at amortised cost less accumulated amortisation (except for assets with indefinite useful lives) and impairment losses. Amortisation is calculated on a straight-line basis taking into account any potential residual value.

Expenditures during the development phase of internally generated intangible assets are capitalised as incurred if they qualify for recognition under IAS 38 "Intangible Assets".

Estimated useful lives are as follows:

Estimated useful lives of intangible assets

	Years
Trademarks	indefinite
Software	5 – 7
Patents, trademarks and concessions	5 – 15

The adidas Group determined that there was no impairment necessary for any of its trademarks with indefinite useful lives in the years ending December 31, 2013 and 2012. In addition, an increase in the discount rate of up to approximately 1.5% or a reduction of cash inflows of up to approximately 20% would not result in any impairment requirement.

The recoverable amount is determined on the basis of fair value less costs to sell (costs to sell are calculated with 1% of the fair value). The fair value is determined in discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset ("relief-from-royalty method"). These calculations use projections of net sales related royalty savings, based on financial planning which covers a period of four years in total. The level of the applied royalty rate for the determination of the royalty savings is based on contractual agreements between the adidas Group and external licensees as well as publicly available royalty rate agreements for similar assets. Notional royalty savings beyond this period are extrapolated using steady growth rates of 1.7% (2012: 1.7%). The growth rates do not exceed the long-term average growth rate of the business to which the trademarks are allocated.

The discount rate is based on a weighted average cost of capital calculation derived using a five-year average market-weighted debt/equity structure and financing costs referencing the Group's major competitors. The discount rate used is an after-tax rate and reflects the specific equity and country risk. The applied discount rate depends on the respective intangible asset being valued and ranges between 6.8% and 8.8% (2012: between 6.5% and 8.4%).

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised. This results when the purchase cost exceeds the fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets, liabilities and contingent liabilities of that foreign entity are treated as assets, liabilities and contingent liabilities of the respective reporting entity, and are translated at exchange rates prevailing at the date of the initial consolidation. Goodwill is carried in the functional currency of the acquired foreign entity.

Acquired goodwill is valued at cost and is tested for impairment on an annual basis and additionally when there are indications of potential impairment.

The cash-generating units are defined as the geographic regions (split into wholesale and retail) which are responsible for the joint distribution of adidas and Reebok as well as the other operating segments TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey. The number of cash-generating units amounted to a total of 32 in 2013 and 2012, respectively.

The cash-generating units (or groups of units) represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The impairment test for goodwill has been performed based on cash-generating units (or groups of units).

The recoverable amount of a cash-generating unit is determined on the basis of value in use. This calculation uses cash flow projections based on the financial planning covering a four-year period in total. The planning is based on the adidas Group's strategic business plan "Route 2015" ⁄ **SEE GROUP STRATEGY, P. 68** until 2015 and was prolonged by two further years based on historical and expected growth prospects and margin developments until 2015. It reflects an expected mid- to high-single-digit sales increase for the majority of the cash-generating units (or groups of units). For a few emerging markets as well as Rockport, we expect, on average, a low-double-digit sales growth rate. Furthermore, we expect the operating margin to expand, primarily driven by an improvement in the gross margin as well as lower operating expenses as a percentage of sales. The planning for capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the single cash-generating units (or groups of units). Cash flows beyond this four-year period are extrapolated using steady growth rates of 1.7% (2012: 1.7%). According to our expectations, these growth rates do not exceed the long-term average growth rate of the business in which each cash-generating unit operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing the Group's major competitors for each cash-generating unit (or groups of units). The discount rates used are after-tax rates and reflect the specific equity and country risk of the relevant cash-generating unit.

In total, goodwill impairment losses of € 52 million have been recognised in 2013 (2012: € 265 million). Within the Wholesale segment, goodwill impairment losses amounted to € 23 million in Iberia, and within the Retail segment goodwill impairment losses amounted to € 29 million in North America. The goodwill of the respective cash-generating units is completely impaired. The impairment losses were mainly caused by adjusted growth assumptions and an increase in the country-specific discount rates. In 2012, within the Wholesale segment, goodwill impairment losses amounted to € 106 million in North America, € 41 million in Latin America, € 15 million in Brazil and € 11 million in Iberia. Additionally, in 2012, goodwill of € 68 million allocated to Reebok-CCM Hockey was completely impaired and € 24 million allocated to Rockport was partially impaired.

A change in the discount rate by approximately 1.5% or a reduction of planned free cash inflows by approximately 20% would result in complete impairment requirement for the cash-generating units Retail Japan (goodwill € 8 million), Retail South Europe (goodwill € 7 million) and Retail Brazil (goodwill € 2 million) as well as Rockport (goodwill € 28 million). For all other cash-generating units, even an increase in the discount rate by approximately 4% or a reduction of planned free cash inflows by approximately 30% would not result in any additional impairment requirement.

The carrying amounts of acquired goodwill allocated to the respective groups of cash-generating units and the respective discount rates applied to the cash flow projections are as follows:

Allocation of goodwill

	Goodwill (€ in millions)		Discount rate (after taxes)	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Wholesale China	156	160	8.6%	8.1%
Wholesale Central Europe	149	154	7.9%	7.5%
Wholesale Northern Europe	129	133	8.0%	7.4%
Wholesale – Other	257	287	8.0 – 11.3%	7.2 – 11.3%
Wholesale	**691**	**734**		
Retail CIS	76	78	10.4%	9.6%
Retail North America	—	29	7.7%	7.2%
Retail Central Europe	28	29	7.9%	7.5%
Retail – Other	93	95	8.0 – 12.1%	7.2 – 11.3%
Retail	**197**	**231**		
TaylorMade-adidas Golf	288	288	8.0%	7.6%
Rockport	28	28	8.4%	8.0%
Other Businesses	**316**	**316**		
Total	**1,204**	**1,281**		

Research and development

Research costs are expensed in full as incurred. Development costs are also expensed as incurred if they do not meet the recognition criteria of IAS 38 "Intangible Assets".

The Group spent € 128 million and € 128 million on product research and development for the years ending December 31, 2013 and 2012, respectively.

Financial assets

All purchases and sales of financial assets are recognised on the trade date. Costs of purchases include transaction costs. Available-for-sale financial assets include non-derivative financial assets which are not allocable under another category of IAS 39. If their respective fair value can be measured reliably, they are subsequently carried at fair value. If this is not the case, these are measured at amortised cost. Realised and unrealised gains and losses arising from changes in the fair value of financial assets are included in the income statement for the period in which they arise, except for available-for-sale financial assets where unrealised gains and losses are recognised in equity unless they are impaired.

Borrowings and other liabilities

Borrowings and other liabilities are recognised at fair value using the "effective interest method", net of transaction costs incurred. In subsequent periods, long-term borrowings are stated at amortised cost using the "effective interest method". Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowing.

In 2012, adidas AG issued a convertible bond which grants the holder the right to convert the bond into adidas AG shares. The number of underlying shares is fixed and does not vary subject to the fair value of the shares.

Compound financial instruments (e.g. convertible bonds) are divided into a liability component shown under borrowings and into an equity component resulting from conversion rights. The equity component is included in the capital reserve. The fair value of the liability component is determined by discounting the interest and principal payments of a comparable liability without conversion rights, applying risk-adjusted interest rates. The liability component is subsequently measured at amortised cost using the "effective interest method". The equity component is determined as the difference between the fair value of the total compound financial instrument and the fair value of the liability component and is reported within equity. There is no subsequent measurement of the equity component. At initial recognition, directly attributable transaction costs are assigned to the equity and liability component pro rata on the basis of the respective carrying amounts.

Other provisions and accrued liabilities

Other provisions are recognised where a present obligation (legal or constructive) to third parties has been incurred as a result of a past event which can be estimated reliably and is likely to lead to an outflow of resources, and where the timing or amount is uncertain. Other non-current provisions are discounted if the effect of discounting is material.

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Here, however, the timing and amount of an outflow of resources is not uncertain.

Pensions and similar obligations

Provisions and expenses for pensions and similar obligations relate to the Group's obligations for defined benefit and defined contribution plans. The obligations under defined benefit plans are determined separately for each plan by valuing the employee benefits accrued in return for their service during the current and prior periods. These benefit accruals are discounted to calculate their present value, and the fair value of any plan assets is deducted in order to determine the net liability. The discount rate is set on the basis of yields of high-quality corporate bonds at the balance sheet date provided there is a deep market for high-quality corporate bonds in a given currency. Otherwise, government bond yields are used as a reference. Calculations are performed by qualified actuaries using the "projected unit credit method" in accordance with IAS 19 "Employee Benefits". Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Recognition of revenues

Sales are recognised at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, when the significant risks and rewards of ownership of the goods are transferred to the buyer, and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Royalty and commission income is recognised based on the contract terms on an accrual basis.

Advertising and promotional expenditures

Production costs for media campaigns are included in prepaid expenses (other current and non-current assets) until the services are received, and upon receipt expensed in full. Significant media buying costs are expensed over the intended duration of the broadcast.

Promotional expenses that involve payments, including one-time up-front payments for promotional contracts, are expensed on a straight-line basis over the term of the agreement.

Interest

Interest is recognised as income or expense as incurred using the "effective interest method" with the exception of interest that is directly attributable to the acquisition, construction or production of a qualifying asset. This interest is capitalised as part of the cost of the qualifying asset.

Income taxes

Current income taxes are computed in accordance with the applicable taxation rules established in the countries in which the Group operates.

The Group computes deferred taxes for all temporary differences between the carrying amount and the tax base of its assets and liabilities and tax loss carry-forwards. As it is not permitted to recognise a deferred tax liability for goodwill, the Group does not compute any deferred taxes thereon.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards which exceed taxable temporary differences are only recognised to the extent that it is probable that the company concerned will generate sufficient taxable income to realise the associated benefit.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Estimation uncertainties and judgements

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the respective Notes, in particular goodwill ⁄ **SEE NOTE 12**, trademarks ⁄ **SEE NOTE 13**, other provisions ⁄ **SEE NOTE 19**, pensions ⁄ **SEE NOTE 23**, derivatives ⁄ **SEE NOTE 28** as well as deferred taxes ⁄ **SEE NOTE 33**.

Judgements have, for instance, been used in classifying leasing arrangements as well as in determining valuation methods for intangible assets.

03
Acquisition/disposal of subsidiaries as well as assets and liabilities

Effective March 30, 2012, adidas AG acquired the remaining 10% share in its German subsidiary GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG, which was formerly reported as a non-controlling interest in other liabilities in compliance with IAS 32 "Financial Instruments: Presentation" ⁄ **SEE NOTE 26**. The purchase price of € 7 million was paid at the beginning of April 2012.

Effective June 1, 2012, Taylor Made Golf Co., Inc. completed the acquisition of Adams Golf, Inc. ("Adams Golf"). Based in Plano, Texas (USA), Adams Golf designs, assembles and distributes golf clubs. With this acquisition, the adidas Group intends to further improve its market position within the golf industry. The entire business of Adams Golf was purchased for a purchase price of US $ 89 million in cash.

The acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

Net assets of Adams Golf, Inc. including subsidiaries at the acquisition date

(€ in millions)	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	14	—	14
Accounts receivable	28	(0)	28
Inventories	17	2	19
Other current assets	0	—	0
Property, plant and equipment	1	—	1
Trademarks	—	11	11
Other intangible assets	1	3	4
Deferred tax assets	9	(2)	7
Other non-current assets	0	—	0
Accounts payable	(5)	—	(5)
Other current provisions	(4)	—	(4)
Current accrued liabilities	(3)	—	(3)
Other current liabilities	(0)	—	(0)
Deferred tax liabilities	—	(6)	(6)
Net assets	**58**	**8**	**66**
Goodwill arising on acquisition			5
Purchase price settled in cash			**71**
Less: cash and cash equivalents acquired			(14)
Cash outflow on acquisition			**57**

The following valuation methods for the acquired assets were applied:

⁄ **Inventories:** For finished goods, the "comparative sales method" was used, which estimates the expected sales price of the respective inventory, reduced for all costs expected to be incurred and a profit on those costs. The value of the component parts was determined by estimating the cost to replace each component.

⁄ **Trademarks and other intangible assets:** The "relief-from-royalty method" was applied for the trademarks/trade names as well as for patents and technology. The fair value was determined by discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset. For the valuation of customer contracts and related customer relationships, the "distributor method" was used under the "income approach".

The excess of the acquisition cost paid versus the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed, taking into consideration the respective deferred taxes, was recognised as goodwill. It mainly arises from expected synergies and the resulting expansion of the product portfolio of TaylorMade-adidas Golf. Any acquired asset that did not meet the identification and recognition criteria for an asset was included in the amount recognised as goodwill.

The goodwill arising on this acquisition was allocated to the cash-generating unit TaylorMade-adidas Golf at the time of the acquisition. The goodwill is not deductible for tax purposes and is denominated in US dollars as the local functional currency ⁄ **SEE NOTE 02**.

The acquired subsidiary generated net sales of € 33 million as well as net losses of € 22 million for the period from June to December 2012. If this acquisition had occurred on January 1, 2012, total Group net sales would have been € 14.9 billion and net income attributable to shareholders would have been € 534 million for the year ending December 31, 2012.

Effective August 31, 2012, adidas AG acquired the remaining 15% of the shares of its subsidiary in Hungary, adidas Budapest Kft., Budapest, for a purchase price of € 1 million. This acquisition represented an equity transaction, whereby no goodwill has been incurred.

At September 30, 2012, 90% of the shares in Immobilieninvest und Betriebsgesellschaft Herzo-Base GmbH & Co. KG, whose assets and liabilities were classified as held for sale, were sold for a purchase price of € 14 million. The remaining 10% of the shares continue to be held by the Group and are recorded under long-term financial assets ⁄ **SEE NOTE 14**. The sale led to a gain of € 1 million.

Notes to the Consolidated Statement of Financial Position

04 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks, cash on hand, short-term bank deposits and investments in money market funds. Short-term financial assets are only shown as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

05 Short-term financial assets

Short-term financial assets are classified at "fair value through profit or loss". Changes in the fair value are recognised in the income statement as they occur.

The majority of short-term financial assets are time deposits.

06 Accounts receivable

Accounts receivable consist mainly of the currencies euro, US dollar and Japanese yen and are as follows:

Accounts receivable

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Accounts receivable, gross	1,929	1,809
Less: accumulated allowances for doubtful accounts	(120)	(121)
Accounts receivable, net	**1,809**	**1,688**

Movement in allowances for doubtful accounts

(€ in millions)	2013	2012
Allowances at January 1	**121**	**145**
Additions	51	48
Reversals	(41)	(50)
Write-offs charged against the allowance accounts	(8)	(23)
Currency translation differences	(4)	(0)
Other changes	1	1
Allowances at December 31	**120**	**121**

Accounts receivable past due but not impaired

(€ in millions)	Past due 1 – 30 days	Past due 31 – 60 days	Past due 61 – 90 days	Past due 91 – 180 days	Past due > 180 days
Dec. 31, 2013	**162**	**52**	**8**	**4**	**0**
Dec. 31, 2012	141	76	11	5	1

With respect to accounts receivable as at the balance sheet date past due but not impaired, based on credit history and current credit ratings, there are no indications that customers will not be able to meet their obligations.

Further, no indications of default are recognisable for accounts receivable that are neither past due nor impaired.

For further information about credit risks ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

07 Other current financial assets

Other current financial assets consist of the following:

Other current financial assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Currency options	6	8
Forward contracts	47	53
Security deposits	69	82
Sundry	61	49
Other current financial assets	**183**	**192**

For further information about currency options and forward contracts ⁄ **SEE NOTE 28**.

08 Inventories

Inventories by major classification are as follows:

Inventories

(€ in millions)	Dec. 31, 2013			Dec. 31, 2012		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	1,872	(69)	1,803	1,717	(80)	1,637
Goods in transit	800	—	800	817	—	817
Raw materials	31	(1)	30	27	(1)	26
Work in progress	1	—	1	6	—	6
Inventories	**2,704**	**(70)**	**2,634**	**2,567**	**(81)**	**2,486**

Goods in transit mainly relate to shipments of finished goods and merchandise from suppliers in Asia to subsidiaries in Europe, Asia, North America and Latin America. The carrying amount of inventories measured at fair value less costs to sell amounts to € 156 million and € 177 million as at December 31, 2013 and 2012, respectively ⁄ **SEE NOTE 02**.

09 Other current assets

Other current assets consist of the following:

Other current assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Prepaid expenses	236	231
Tax receivables other than income taxes	133	136
Sundry	138	123
Other current assets, gross	**507**	**490**
Less: accumulated allowances	1	1
Other current assets, net	**506**	**489**

Prepaid expenses relate mainly to promotion agreements and service contracts as well as rents.

10 Assets/liabilities classified as held for sale

At December 31, 2013, part of the assets of GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG, which mainly comprise land amounting to € 11 million (2012: € 11 million), is still presented as held for sale following a signed contract of sale, which is still awaiting certain conditions to be fulfilled that are not in the area of influence of the adidas Group.

11 Property, plant and equipment

Property, plant and equipment consist of the following:

Property, plant and equipment

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Land, land leases, buildings and leasehold improvements	802	670
Technical equipment and machinery	254	199
Other equipment as well as furniture and fixtures	1,202	1,204
	2,258	**2,073**
Less: accumulated depreciation and impairment losses	1,181	1,167
	1,077	**906**
Construction in progress, net	161	189
Property, plant and equipment, net	**1,238**	**1,095**

Depreciation expenses were € 234 million and € 214 million for the years ending December 31, 2013 and 2012, respectively ⁄ **SEE NOTE 30**. Impairment losses amounted to € 4 million and € 5 million for the years ending December 31, 2013 and 2012, respectively ⁄ **SEE NOTE 30**. These are related to assets within other equipment as well as furniture and fixtures, mainly in the Group's own-retail activities, for which contrary to expectations there will be an insufficient flow of future economic benefits. In 2013, reversals of impairment losses were recorded in an amount of € 2 million (2012: € 2 million).

The decrease in construction in progress mainly relates to the completion of a new warehouse facility in Germany.

For details see Attachment I to the consolidated financial statements ⁄ **SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 238**.

12 Goodwill

Goodwill primarily relates to the Group's acquisitions of the Reebok and TaylorMade businesses as well as acquisitions of subsidiaries, primarily in the United States, Australia/New Zealand, the Netherlands, Denmark and Italy.

Goodwill

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Goodwill, gross	1,533	1,568
Less: accumulated impairment losses	(329)	(287)
Goodwill, net	**1,204**	**1,281**

The majority of goodwill which primarily relates to the acquisition of the Reebok business in 2006 is denominated in US dollars. A currency translation effect of negative € 25 million and negative € 12 million was recorded for the years ending December 31, 2013 and 2012, respectively.

The Group determines whether goodwill impairment is necessary at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Goodwill impairment losses for 2013 amounted to € 52 million (2012: € 265 million). The goodwill impairment amount related to 2013 comprises an impairment loss within the Wholesale segment of € 23 million (2012: € 173 million) and an impairment loss within the Retail segment of € 29 million. In 2012, € 92 million was impaired within the Other Businesses segment ⁄ **SEE ALSO NOTE 02**.

Future changes in expected cash flows and discount rates may lead to impairments of the reported goodwill in the future. For details see Attachment I to the consolidated financial statements ⁄ SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 238.

The reconciliation of goodwill is as follows:

Reconciliation of goodwill, net

(€ in millions)	Wholesale	Retail	Other Businesses	Total
January 1, 2013	**734**	**231**	**316**	**1,281**
Currency translation differences	(20)	(5)	(0)	(25)
Impairment losses	(23)	(29)	—	(52)
December 31, 2013	**691**	**197**	**316**	**1,204**

13 Trademarks and other intangible assets

Trademarks and other intangible assets consist of the following:

Trademarks and other intangible assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Reebok	1,123	1,174
Rockport	158	166
Reebok-CCM Hockey	94	99
Other	44	45
Trademarks	**1,419**	**1,484**
Software, patents and concessions	720	702
Less: accumulated amortisation and impairment losses	556	535
Other intangible assets	**164**	**167**
Trademarks and other intangible assets	**1,583**	**1,651**

At December 31, 2013, trademarks, mainly related to the acquisition of Reebok International Ltd. (USA) in 2006 and Ashworth, Inc. in 2008, have indefinite useful lives. This is due to the expectation of permanent use of the acquired brand names.

The reported other trademarks mainly relate to the brand names Ashworth, Adams Golf and Five Ten.

The Group tests at least on an annual basis whether trademarks with indefinite useful lives are impaired. This requires an estimation of the fair value less costs to sell of the trademarks. As part of this estimation, the Group is required to make an estimate of the expected future trademark-specific sales and appropriate arm's length notional royalty rates from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There was no need for impairment for the years ending December 31, 2013 and 2012.

Future changes in expected cash flows and discount rates may lead to impairments of the accounted trademarks in the future.

As part of the goodwill impairment test, the Reebok trademark is allocated on a pro-rata basis to the cash-generating units (or groups of units). Thereof, the major shares relate to Retail CIS (€ 256 million), Retail North America (€ 196 million), Wholesale North America (€ 147 million), Wholesale Latin America (€ 98 million) and Wholesale Central Europe (€ 45 million).

Amortisation expenses for intangible assets with definite useful lives were € 52 million and € 49 million for the years ending December 31, 2013 and 2012, respectively ⁄ SEE NOTE 30.

For details see Attachment I to the consolidated financial statements ⁄ SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 238.

14 Long-term financial assets

Long-term financial assets primarily include a 9.1% investment in FC Bayern München AG (2012: 9.1%) of € 80 million (2012: € 79 million). This investment is classified as "fair value through profit or loss" and recorded at fair value. This equity security does not have a quoted market price in an active market. Therefore, existing contractual arrangements were used in order to calculate the fair value as at December 31, 2013.

The line item "Investments and other financial assets" comprises the shares in Immobilieninvest und Betriebsgesellschaft Herzo-Base GmbH & Co. KG ⁄ SEE NOTE 03 as well as other minority shareholdings amounting to € 13 million (2012: € 11 million) which are classified as "available-for-sale" and measured at amortised cost as a reliable determination of the fair value is impossible without having concrete negotiations regarding a sale. These shares are unlisted and do not have an active market. There is no intention to sell these shares.

Additionally, long-term financial assets include investments which are mainly invested in insurance products and are measured at fair value, as well as other financial assets.

Long-term financial assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Investment in FC Bayern München AG	80	79
Investments and other financial assets	40	33
Long-term financial assets	**120**	**112**

15 Other non-current financial assets

Other non-current financial assets consist of the following:

Other non-current financial assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Currency options	6	—
Forward contracts	0	0
Security deposits	24	20
Sundry	—	1
Other non-current financial assets	**30**	**21**

For further information about currency options and forward contracts ⁄ SEE NOTE 28.

16 Other non-current assets

Other non-current assets consist of the following:

Other non-current assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Prepaid expenses	80	86
Sundry	1	0
Other non-current assets	**81**	**86**

Prepaid expenses mainly include prepayments for long-term promotional contracts and service contracts ⁄ SEE NOTES 37 AND 27.

17 Borrowings and credit lines

Borrowings are denominated in a variety of currencies in which the Group conducts its business. The largest portions of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2013 are denominated in euros (2013: 76%; 2012: 68%) and US dollars (2013: 14%; 2012: 29%).

The weighted average interest rate on the Group's gross borrowings decreased to 3.8% in 2013 (2012: 4.4%).

As at December 31, 2013, the Group had cash credit lines and other long-term financing arrangements totalling € 3.4 billion (2012: € 3.8 billion); thereof unused credit lines accounted for € 2.0 billion (2012: € 2.3 billion). In addition, at December 31, 2013, the Group had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.2 billion (2012: € 0.2 billion).

The Group's outstanding financings are unsecured and may include standard financial covenants, which are reviewed on a quarterly basis. These covenants may include limits on the disposal of fixed assets, the maximum amount of debt secured by liens, cross default provisions and change of control. In addition, certain financial arrangements contain equity ratio covenants, minimum equity covenants as well as net loss covenants.

As at December 31, 2013, and December 31, 2012, shareholders' equity was well above the amount of the minimum equity covenant. Likewise, the relevant amount of net income clearly exceeded net loss covenants.

The amounts disclosed as gross borrowings represent outstanding borrowings under the following arrangements with aggregated expiration dates as follows:

Gross borrowings as at December 31, 2013

(€ in millions)	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Total
Bank borrowings	126	—	—	126
Private placements	55	193	—	248
Eurobond	500	—	—	500
Convertible bond	—	—	460	460
Total	**681**	**193**	**460**	**1,334**

The above table includes a Eurobond issued on July 6, 2009 in a nominal amount of € 500 million and with a maturity of five years. The Eurobond with an annual coupon of 4.75% was issued in denominations of € 1,000 each and was priced with a spread of 200 basis points above the respective euro mid-swap. The issue was fixed at 99.865%.

In addition, gross borrowings include a convertible bond for an aggregate nominal amount of € 500 million divided into denominations of € 200,000 which was issued on March 21, 2012. The bond has a maximum maturity (including prolongation options) until June 14, 2019. The coupon of the bond amounts to 0.25% and is payable annually, commencing on June 14, 2013. The bond is, at the option of the respective holder, convertible at any time from and including May 21, 2012, up to and including June 5, 2019, into up to 6.02 million new or existing adidas AG shares. The convertible bond has a conversion premium of 40% above the reference price of € 59.61, which resulted in an initial conversion price of € 83.46 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted to € 83.10 per share. This adjustment became effective on May 9, 2013. On June 14, 2017, the bondholders have the right to call the bond at nominal value plus interest accrued on the nominal amount. adidas AG is entitled to redeem the remaining bonds in whole if, at any time, the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. Furthermore, as of July 14, 2017, adidas AG is entitled to redeem the bonds in whole if on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of € 83.10 by at least 30%.

According to IAS 32 "Financial Instruments: Presentation", the conversion right represented in the convertible bond constitutes a financial instrument which is covered in the capital reserve in an amount of € 55 million after deduction of the issuance cost. The initial liability component amounted to € 441 million after deduction of the issuance cost and is shown within long-term borrowings. The initial difference of € 59 million compared to the nominal amount of € 500 million is accrued as interest expense of the financial liability over the expected maturity of the convertible bond using the "effective interest method". As at December 31, 2013, the financial liability amounted to € 460 million.

Gross borrowings as at December 31, 2012

(€ in millions)	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Total
Bank borrowings	59	—	—	59
Private placements	221	145	114	480
Eurobond	—	499	—	499
Convertible bond	—	—	449	449
Total	**280**	**644**	**563**	**1,487**

For further details on future cash outflows ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158.**

18 Other current financial liabilities

Other current financial liabilities consist of the following:

Other current financial liabilities

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Currency options	3	5
Forward contracts	77	52
Finance lease obligations	4	5
Sundry	29	21
Other current financial liabilities	**113**	**83**

For further information about currency options and forward contracts ⁄ **SEE NOTE 28**. For information about finance lease obligations ⁄ **SEE NOTE 27**.

19 Other provisions

Other provisions consist of the following:

Other provisions

(€ in millions)	Jan. 1, 2013	Currency translation differences	Usage	Reversals	Additions	Transfers	Dec. 31, 2013	Thereof non-current
Marketing	61	(2)	(16)	(0)	14	—	57	—
Personnel	89	(3)	(65)	(1)	39	(2)	57	8
Returns, allowances and warranty	215	(28)	(128)	(0)	109	(1)	167	—
Taxes, other than income taxes	21	(1)	(6)	(4)	9	—	19	0
Sundry	246	(7)	(43)	(46)	39	(14)	175	17
Other provisions	**632**	**(41)**	**(258)**	**(51)**	**210**	**(17)**	**475**	**25**

Marketing provisions mainly consist of provisions for promotion contracts.

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components as well as of provisions for social plans relating to restructuring measures. With regard to provisions for early retirement, claims for reimbursement in an amount of € 0 million (2012: € 1 million) are shown under other non-current assets.

Provisions for returns, allowances and warranty primarily arise due to bonus agreements with customers and the obligation of fulfilling customer claims with regard to the return of products sold by the Group. The amount of the provision follows the historical development of returns, allowances and warranty as well as current agreements.

Provisions for taxes other than income taxes mainly relate to value added tax, real estate tax and motor vehicle tax.

Sundry provisions mainly include provisions for customs risks as well as anticipated losses from purchases and other transactions, and contingent losses from pending lawsuits.

The reversal of sundry provisions in 2013 is mainly related to the completion of customs audits and a risk reassessment.

Management follows past experience from similar transactions when estimating the amounts recognised as other provisions while considering all evidence from events until the preparation of the consolidated financial statements.

20 Accrued liabilities

Accrued liabilities consist of the following:

Accrued liabilities

(€ in millions)	Jan. 1, 2013	Currency translation differences	Usage	Reversals	Additions	Transfers	Dec. 31, 2013	Thereof non-current
Goods and services not yet invoiced	429	(23)	(275)	(15)	338	6	460	0
Marketing and sales	313	(8)	(208)	(3)	248	8	350	2
Personnel	328	(16)	(191)	(12)	241	3	353	60
Sundry	54	(2)	(31)	(1)	28	—	48	2
Accrued liabilities	**1,124**	**(49)**	**(705)**	**(31)**	**855**	**17**	**1,211**	**64**

Marketing accrued liabilities mainly consist of accruals for distribution, such as discounts, rebates and sales commissions.

Accrued liabilities for personnel mainly consist of accruals for outstanding salary payments, such as bonuses and overtime, as well as outstanding vacation.

Sundry accrued liabilities partly include accruals for interest.

21 Other current liabilities

Other current liabilities consist of the following:

Other current liabilities

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Liabilities due to personnel	43	36
Tax liabilities other than income taxes	81	131
Liabilities due to social security	21	15
Deferred income	30	27
Customers with credit balances	50	39
Sundry	51	51
Other current liabilities	**276**	**299**

22 Other non-current financial liabilities

Other non-current financial liabilities consist of the following:

Other non-current financial liabilities

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Currency options	11	1
Forward contracts	2	2
Finance lease obligations	9	13
Sundry	0	1
Other non-current financial liabilities	**22**	**17**

For further information about currency options and forward contracts ⁄ **SEE NOTE 28**. For information about finance lease obligations ⁄ **SEE NOTE 27**.

23 Pensions and similar obligations

The Group has recognised post-employment benefit obligations arising from defined benefit plans. The benefits are provided pursuant to the legal, fiscal and economic conditions in each respective country and mainly depend on the employees' years of service and remuneration.

The adidas Group is applying the revised standard IAS 19 Employee Benefits – Revised (2011), IAS 19R, as of the beginning of the 2013 financial year. IAS 19R is retrospectively effective for annual periods beginning on or after January 1, 2013. Changes due to IAS 19R which are relevant for the adidas Group are as follows: According to the net interest approach, the net interest result to be reported within profit or loss of the period is determined by multiplying the net pension liability with the discount rate which is used to measure the gross defined benefit obligation. As the net pension liability is reduced by any plan assets, this calculation implicitly assumes a rate of return on plan assets in the amount of the discount rate. In addition, the changes of IAS 19R comprise the effect of the immediate recognition of unvested past service costs in the statement of income as incurred instead of amortising them over the vesting period. The Group has analysed the effects of the above-mentioned changes of IAS 19R on the current as well as prior consolidated financial statements and has come to the conclusion that these changes do not have any material effect on the Group's consolidated financial statements. Therefore, no reclassification between other reserves and retained earnings within equity was carried out.

Under IAS 19R, early retirement schemes are no longer classified as termination benefits but as other long-term employee benefits. Due to this reclassification, the valuation method has changed. The impact on the obligations arising from early retirement schemes as a result of this change is not material in the Group's view.

Pensions and similar obligations

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Liability arising from defined benefit pension plans	243	241
Similar obligations	12	10
Pensions and similar obligations	**255**	**251**

Defined contribution pension plans

The total expense for defined contribution plans amounted to € 47 million in 2013 (2012: € 46 million).

Defined benefit pension plans

Given the diverse Group structure, different defined benefit pension plans exist, comprising a variety of post-employment benefit arrangements. The Group's major defined benefit pension plans relate to adidas AG and its subsidiaries in the UK and Japan. The defined benefit pension plans generally provide payments in case of death, disability or retirement to former employees and their survivors. The obligations arising from defined benefit pension plans are partly covered by plan assets.

In Germany, the Group grants its employees contribution-based and final salary defined benefit pension schemes, which provide employees with entitlements in the event of retirement, disability and death. In general, German pension plans operate under the legal framework of the German Company Pension Act ("Betriebsrentengesetz") and under the German Labour Act. A large proportion of the pension plans are closed to new entrants. New employees are entitled to benefits in accordance with the adidas Pension Plan or the adidas Management Pension Plan. Both pension plans are so-called matching contribution plans; the contributions to these pension plans are partly paid by the employee and partly paid by the employer. The pension plans in Germany are financed using book reserves, a pension fund ("Pensionsfonds") or a provident fund ("Unterstützungskasse"). The benefits granted to members of the Executive Board are funded via a pension fund ("Pensionsfonds") or a provident fund ("Unterstützungskasse"). An insurance company is responsible for the determination and the implementation of the investment strategy. Further details about the pension entitlements of members of the Executive Board of adidas AG are contained in the Compensation Report ⁄ **SEE COMPENSATION REPORT, P. 53**.

The final salary defined benefit pension scheme in the UK is closed to new entrants and to future accrual. The scheme operates under UK trust law and under the jurisdiction of the UK Pensions Regulator. The pension scheme is subject to a minimum funding requirement. The Trustee Board is responsible for setting the scheme's funding objective, agreeing the contributions with the company and determining the investment strategy of the scheme.

In Japan, employees are entitled to benefits from a defined benefit plan that is not funded by plan assets. The benefits in case of retirement are dependent on final salary and service, and are paid out as a lump sum. The pension plan is subject to Japanese labour law.

Breakdown of the present value of the obligation arising from defined benefit pension plans in the major countries

(€ in millions)	Dec. 31, 2013			Dec. 31, 2012		
	Germany	UK	Japan	Germany	UK	Japan
Active members	123	—	14	112	—	15
Former employees with vested rights	31	37	—	30	35	—
Pensioners	70	4	—	77	3	—
Total	**224**	**41**	**14**	**219**	**38**	**15**

The Group's pension plans are subject to risks from changes in actuarial assumptions, such as the discount rate, salary and pension increase rates, and risks from changes in longevity. A lower discount rate results in a higher defined benefit obligation and/or in higher contributions to the pension funds. Lower than expected performance of the plan assets could lead to an increase in required contributions or to a decline of the funded status.

The following tables analyse the defined benefit plans, plan assets, present values of the defined benefit pension plans, expenses recognised in the consolidated income statement, actuarial assumptions and other information.

Amounts for defined benefit pension plans recognised in the consolidated statement of financial position

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Present value of funded obligation from defined benefit pension plans	95	89
Fair value of plan assets	(83)	(76)
Funded status	**12**	**13**
Present value of unfunded obligation from defined benefit pension plans	230	228
Asset ceiling effect	1	0
Net defined benefit liability	**243**	**241**
Thereof: liability	243	241
Thereof: adidas AG	199	196
Thereof: asset	(0)	(0)
Thereof: adidas AG	—	—

The determination of assets and liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates or future increases in salaries) and demographic variables (such as mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows.

Actuarial assumptions

(in %)	Dec. 31, 2013	Dec. 31, 2012
Discount rate	3.7	3.5
Expected rate of salary increases	3.2	3.2
Expected pension increases	2.2	2.1

The actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pension expense for the upcoming financial year.

The actuarial assumptions for withdrawal and mortality rates are based on statistical information available in the various countries. In Germany, the Heubeck 2005 G mortality tables are used. In the UK, assumptions are based on the S1NA base table with modified improvement of the life expectancy mortality tables. In Japan, the "21st Life Tables revised in 2010" mortality tables are used.

As in the previous year, the calculation of the pension liabilities in Germany is based on a discount rate determined using the Mercer Yield Curve (MYC) approach.

Remeasurements, such as gains or losses arising from changes in the actuarial assumptions for defined benefit pension plans during the financial year or a return on the plan assets exceeding the interest income, are immediately recognised outside the income statement in the consolidated statement of comprehensive income. The remeasurements recognised in 2013 in the consolidated statement of comprehensive income result in an increase in other reserves of € 6 million (2012: reduction of € 35 million).

Pension expenses for defined benefit pension plans

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Current service cost	16	16
Net interest, thereof	8	8
Interest cost	11	11
Interest income	(3)	(3)
Expenses for defined benefit pension plans (considered in the consolidated income statement)	**24**	**24**
Actuarial (gains)/losses, thereof:	(3)	39
due to experience adjustments	3	3
due to changes in demographic assumptions	1	(1)
due to changes in financial assumptions	(7)	37
Return on plan assets (not included in net interest income)	(3)	(4)
Remeasurements for defined benefit pension plans (considered in the consolidated statement of comprehensive income)	**(6)**	**35**
Total	**18**	**59**

Of the total pension expenses recorded in the consolidated income statement, an amount of € 16 million (2012: € 15 million) relates to employees of adidas AG, € 0.2 million (2012: € 0.0 million) relates to employees in the UK and € 2 million (2012: € 3 million) relates to employees in Japan. The pension expense is mainly recorded within other operating expenses. The production-related part of the pension expenses is recognised within cost of sales.

Present value of the defined benefit obligation

(€ in millions)	2013	2012
Present value of the obligation from defined benefit pension plans as at January 1	**317**	**260**
Currency translation differences	(6)	2
Current service cost	16	16
Interest cost	11	11
Contribution by plan participants	0	0
Pensions paid	(10)	(11)
Actuarial (gains)/losses, thereof:	(3)	39
due to experience adjustments	3	3
due to changes in demographic assumptions	1	(1)
due to changes in financial assumptions	(7)	37
Plan settlements	0	0
Present value of the obligation from defined benefit pension plans as at December 31	**325**	**317**

In the following table, the effects of reasonably conceivable changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans are analysed. In addition, for Germany, UK and Japan the average duration of the obligation is shown.

Sensitivity analysis of the obligation from defined benefit pension plans

(€ in millions)	Dec. 31, 2013		
	Germany	UK	Japan
Present value of the obligation from defined benefit pension plans	224	41	14
Increase in the discount rate by 0.5%	207	35	13
Reduction in the discount rate by 0.5%	243	47	15
Average duration of the obligations (in years)	16	30	12

Since many pension plans are closed to future accrual, the salary trend plays a minor role in determining pension obligations. Due to the fact that the benefits of the German pension plans are mainly paid as lump sums or instalment payments, the pension increase rate and the mortality assumption have significantly less impact than the discount rate when calculating the pension obligations.

Fair value of plan assets

(€ in millions)	2013	2012
Fair value of plan assets at January 1	**76**	**67**
Currency translation differences	(2)	2
Pensions paid	(2)	(4)
Contributions by the employer	5	4
Contributions paid by plan participants	0	0
Interest income from plan assets	3	3
Return on plan assets (not included in net interest income)	3	4
Plan settlements	0	0
Fair value of plan assets at December 31	**83**	**76**

Approximately 83% (2012: 85%) of the total plan assets are allocated to plan assets in the UK (2013: 44%, 2012: 45%), Germany (2013: 30%, 2012: 31%) and Switzerland (2013: 9%, 2012: 9%).

In the UK, the plan assets are held under trust within the pension fund. In Germany, the plan assets are invested in insurance contracts and in a pension fund. The plan assets in Switzerland are held by a pension foundation. The investment strategy is aligned with the structure of the pension obligations in these countries. In the rest of the world, the plan assets consist predominantly of insurance contracts.

The expected payments for 2014 amount to € 11 million. Thereof, € 7 million relate to benefits directly paid to pensioners by the Group companies and € 4 million to employer contributions paid into the plan assets. In 2013, the actual return on plan assets was € 6 million (2012: € 7 million).

Composition of plan assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents	14	13
Equity instruments	28	24
Bonds	11	10
Real estate	1	1
Pension plan reinsurance	25	24
Insurance policies	4	4
Other assets	0	0
Fair value of plan assets	**83**	**76**

All equities and bonds are traded freely and have a quoted market price in an active market. The other assets consist predominantly of foreign insurance products.

At each balance sheet date, the company analyses the over- or underfunding and, where appropriate, adjusts the composition of plan assets.

In the next financial year, the adidas Group intends to transfer assets to a trustee via a Contractual Trust Arrangement (CTA) for the purpose of fiduciary management and insolvency insurance with regard to part of the pension obligations of adidas AG. In this respect, the registered association "adidas Pension Trust e.V." was established in December 2013.

24 Other non-current liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Liabilities due to personnel	7	9
Deferred income	22	23
Sundry	0	2
Other non-current liabilities	**29**	**34**

25 Shareholders' equity

The nominal capital of adidas AG ("the company") has remained unchanged since December 31, 2012. As at the balance sheet date, and in the period beyond, up to and including February 14, 2014, it amounted to € 209,216,186 divided into 209,216,186 registered no-par-value shares ("registered shares") and is fully paid in.

Each share grants one vote and is entitled to dividends starting from the beginning of the year it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). Neither at the balance sheet date nor at February 14, 2014 does the company hold any treasury shares.

Authorised Capital

The Executive Board of adidas AG did not utilise the existing amounts of authorised capital of up to € 95 million in the 2013 financial year or in the period beyond the balance sheet date up to and including February 14, 2014. The following overview of the existing amounts of authorised capital does not contain the cancellation of the Authorised Capital 2009/I, 2010 and 2011, resolved by the Annual General Meeting on May 8, 2013, which had also not been made use of up to May 8, 2013.

The authorised capital of the company, which is set out in § 4 sections 2, 3 and 4 of the Articles of Association as at the balance sheet date, entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital

until June 30, 2018

⁄ by issuing new shares against contributions in cash once or several times by no more than € 50 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorised Capital 2013/I);

until June 30, 2016

⁄ by issuing new shares against contributions in kind once or several times by no more than € 25 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorised Capital 2013/II);

until June 30, 2018

⁄ by issuing new shares against contributions in cash once or several times by no more than € 20 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to exclude shareholders' subscription rights when issuing the new shares at a value not essentially below the stock market price of shares with the same features; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange (Authorised Capital 2013/III). The authorisation to exclude subscription rights pursuant to the previous sentence may, however, only be used to the extent that the pro-rata amount of the new shares in the nominal capital together with the pro-rata amount in the nominal capital of other shares which have been issued by the company since May 8, 2013, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorised capital or following a repurchase, or for which conversion or subscription rights or conversion or subscription obligations were granted after May 8, 2013, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded in accordance with § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorisation into the commercial register or – if this amount is lower – as of the respective date on which the authorisation is used.

Contingent Capital

The following description of the Contingent Capital is based on § 4 section 5 of the Articles of Association of the company as well as on the underlying resolutions of the Annual General Meeting held on May 6, 2010. Additional contingent capital does not exist.

At the balance sheet date, the nominal capital is conditionally increased by up to € 36 million divided into no more than 36,000,000 registered shares (Contingent Capital 2010). The contingent capital increase will be implemented only to the extent that holders or creditors of option or conversion rights or the persons obligated to exercise option or conversion duties on bonds issued by the company or a group company, pursuant to the authorisation of the Executive Board granted by the resolution adopted by the Annual General Meeting of May 6, 2010, up to May 5, 2015 and guaranteed by the company, exercise their option or conversion rights or, if they are obliged to exercise the option or conversion duties, meet their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver shares in the company for the total amount or partially instead of a payment and insofar as no cash settlement, treasury shares or shares of another public-listed company are used to serve these rights. The new shares shall be issued at the respective option or conversion price to be established in accordance with the aforementioned authorisation resolution. The new shares shall carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorised, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

The Executive Board of adidas AG did not issue shares from the Contingent Capital 2010 in the 2013 financial year or in the period beyond the balance sheet date up to and including February 14, 2014.

Convertible Bond

On March 14, 2012, the Executive Board, with the approval of the Supervisory Board, made partial use of the authorisation of the Annual General Meeting from May 6, 2010, and on March 21, 2012 issued a convertible bond due on June 14, 2019 in a nominal value of € 500 million via an offer to institutional investors outside the USA excluding shareholders' subscription rights. In principle, the conversion rights are exercisable between May 21, 2012 and June 5, 2019, subject to lapsed conversion rights as set out under § 6 section 3 or to the excluded periods as defined by § 6 section 4 of the bond terms and conditions, and (subject to an adjustment to the conversion rights resulting from the dilution adjustment regulations set out under § 10 or a change of control in accordance with § 13 of the bond terms and conditions) are convertible into 6,016,954 shares of the company. The conversion price currently amounts to € 83.10 per share. The convertible bond bears an interest rate of 0.25% per annum. Bondholders are entitled to demand early redemption of the bonds as of June 14, 2017. As of July 14, 2017, adidas AG may conduct an early redemption of the bond, if, on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of € 83.10 by at least 30%. The bonds are listed on the Open Market segment of the Frankfurt Stock Exchange.

Repurchase of adidas AG shares

The Annual General Meeting on May 6, 2010, authorised the Executive Board to repurchase adidas AG shares up to an amount totalling 10% of the nominal capital until May 5, 2015. The authorisation may be used by the company but also by its subsidiaries or by third parties on account of the company or its subsidiaries or third parties assigned by the company or one of its subsidiaries. For further information ⁄ **SEE DISCLOSURES PURSUANT TO § 315 SECTION 4 AND § 289 SECTION 4 OF THE GERMAN COMMERCIAL CODE, P. 141**.

The authorisation was not utilised in the year under review and up to and including February 14, 2014.

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to the company in accordance with § 21 section 1 or section 1a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) need to be disclosed.

The following table reflects shareholdings reportable as at February 14, 2014 which have been notified to the company. The respective details are taken from the most recent voting rights notification received by the company. All voting rights notifications disclosed by the company in the year under review and up to and including February 14, 2014 are available on the adidas Group website :⁄⁄ **WWW.ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS**. The details on the percentage of shareholdings and voting rights may no longer be up to date.

Notified reportable shareholdings as at February 14, 2014

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attributions in accordance with WpHG	Shareholdings in %	Number of voting rights
Société Générale, Paris, France [1]	May 14, 2013	Falling below 5%	§§ 21, 22, 25, 25a [2]	4.32	9,035,100
UBS AG, Zurich, Switzerland [3]	May 14, 2013	Falling below 5%	§§ 21, 22, 25, 25a [4]	4.73	9,906,287
Garrett Thornburg, USA [5]	May 10, 2013	Falling below 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	4.81	10,057,706
Thornburg Investment Management, Inc., Santa Fe, NM, USA [5]	May 10, 2013	Falling below 5%	§ 22 sec. 1 sent. 1 no. 6	4.81	10,057,706
BlackRock Group Limited, London, Great Britain [6]	March 20, 2013	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.02	6,317,959
The Capital Group Companies, Inc., Los Angeles, CA, USA [7]	September 1, 2012	Exceeding 3% and 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2 and 3	6.00	12,554,828
BlackRock Advisors Holdings, Inc., New York, NY, USA [8]	May 4, 2012	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.30	6,903,160
BlackRock International Holdings, Inc., New York, NY, USA [8]	May 4, 2012	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.16	6,605,250
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands [8]	May 4, 2012	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.16	6,605,250
BlackRock Financial Management, Inc., New York, NY, USA [9]	August 9, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	5.004	10,468,681
BlackRock Holdco 2, Inc., Wilmington, DE, USA [9]	August 9, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	5.004	10,468,681
BlackRock, Inc., New York, NY, USA [10]	July 27, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	5.04	10,549,445
Capital Research and Management Company, Los Angeles, CA, USA [11]	December 19, 2008	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6	5.01	9,695,127

1) See the company's disclosure dated May 23, 2013.
2) Notification in accordance with § 25a sec. 1 WpHG: 4.08% (8,527,141) in accordance with § 25a WpHG (thereof 1.74% = 3,642,900 held indirectly); 0.22% (463,822) in accordance with § 25 WpHG; 0.02% (44,137) in accordance with § 21, 22 WpHG.
3) See the company's disclosure dated May 22, 2013.
4) Notification in accordance with § 25a sec. 1 WpHG: 0.98% (2,050,000) in accordance with § 25a WpHG (Equity Swaps, Futures); 2.38% (4,972,044) in accordance with § 25 WpHG; 1.38% (2,884,243) in accordance with § 21, 22 WpHG.
5) See the company's disclosure dated June 18, 2013.
6) See the company's disclosure dated March 25, 2013.
7) See the company's disclosure dated September 7, 2012.
8) See the company's disclosure dated May 14, 2012.
9) See the company's disclosure dated October 17, 2012.
10) See the company's disclosure dated August 4, 2011.
11) See the company's disclosure dated January 7, 2009.

Capital management

The Group's policy is to maintain a strong capital base so as to uphold investor, creditor and market confidence and to sustain future development of the business.

The Group seeks to maintain a balance between a higher return on equity that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group further aims to maintain net debt below two times EBITDA over the long term.

Financial leverage is defined as the ratio between net borrowings (short- and long-term borrowings less cash and cash equivalents as well as short-term financial assets) in an amount of negative € 295 million (2012: negative € 448 million) and shareholders' equity in an amount of € 5.489 billion (2012: € 5.304 billion). EBITDA amounted to € 1.523 billion for the financial year ending December 31, 2013 (2012: € 1.445 billion). The ratio between net borrowings and EBITDA amounted to negative 0.2 for the financial year ending December 31, 2013 (2012: negative 0.3).

Reserves

Reserves within shareholders' equity are as follows:

⁄ **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as the equity component of issued convertible bonds.

⁄ **Cumulative currency translation differences:** comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

⁄ **Hedging reserve:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred as well as of hedges of net investments in foreign subsidiaries.

⁄ **Other reserves:** comprise the remeasurements of defined benefit plans (consisting of the cumulative net change of actuarial gains or losses relating to the defined benefit obligations, the return on plan assets (excluding interest income) and the asset ceiling effect) as well as expenses recognised for share option plans and effects from the acquisition of non-controlling interests.

⁄ **Retained earnings:** comprise the accumulated profits less dividends paid.

Distributable profits and dividends

Distributable profits to shareholders are determined by reference to the retained earnings of adidas AG and calculated under German Commercial Law.

Based on the resolution of the 2013 Annual General Meeting, the dividend for 2012 was € 1.35 per share (total amount: € 282 million). The Executive Board of adidas AG will propose to shareholders a dividend payment of € 1.50 per dividend-entitled share for the year 2013 to be made from retained earnings of € 424 million reported in the financial statements of adidas AG according to the German Commercial Code as at December 31, 2013. The subsequent remaining amount will be carried forward.

As at December 31, 2013, 209,216,186 dividend-entitled shares exist, resulting in a dividend payment of € 314 million.

26 Non-controlling interests

This line item within equity comprises the non-controlling interests in several subsidiaries, which are not directly or indirectly attributable to adidas AG.

Non-controlling interests are assigned to six subsidiaries as at December 31, 2013 and 2012, respectively (see Attachment II to the consolidated financial statements ⁄ **SEE SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, P. 240**). These subsidiaries were partly acquired in connection with the acquisition of Reebok and partly through purchases or foundations in the last years.

27 Leasing and service arrangements

Operating leases

The Group leases primarily retail stores as well as offices, warehouses and equipment. The contracts regarding these leases with expiration dates of between 1 and 12 years partly include renewal options and escalation clauses. Rent expenses, which partly depend on net sales, amounted to € 672 million and € 637 million for the years ending December 31, 2013 and 2012, respectively.

Future minimum lease payments for minimum lease durations on a nominal basis are as follows:

Minimum lease payments for operating leases

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Within 1 year	447	456
Between 1 and 5 years	945	996
After 5 years	277	346
Total	**1,669**	**1,798**

Finance leases

The Group also leases various premises for administration and warehousing which are classified as finance leases.

The net carrying amount of these assets of € 13 million and € 19 million was included in property, plant and equipment as at December 31, 2013 and 2012, respectively. For the year ending December 31, 2013, interest expenses were € 0 million (2012: € 0 million) and depreciation expenses were € 5 million (2012: € 3 million).

Minimum lease payments for finance leases in 2013 include land leases with a remaining lease term of 99 years. The minimum lease payments under these contracts amount to € 12 million. The estimated amount representing interest is € 9 million and the present value amounts to € 2 million.

The net present values and the minimum lease payments under these contracts over their remaining terms up to 2018 and the land leases with a remaining lease term of 99 years are as follows:

Minimum lease payments for finance leases

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Lease payments falling due:		
Within 1 year	4	5
Between 1 and 5 years	7	13
After 5 years	12	0
Total minimum lease payments	**23**	**18**
Less: estimated amount representing interest	10	0
Present value of minimum lease payments	**13**	**18**
Thereof falling due:		
Within 1 year	4	5
Between 1 and 5 years	7	13
After 5 years	2	0

Service arrangements

The Group has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

Financial commitments for service arrangements

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Within 1 year	89	81
Between 1 and 5 years	99	115
After 5 years	28	—
Total	**216**	**196**

28
Financial instruments

Carrying amounts of financial instruments as at December 31, 2013, according to categories of IAS 39 and their fair values

(€ in millions)	Category according to IAS 39	Carrying amount Dec. 31, 2013	Measurement according to IAS 39			Measurement according to IAS 17	Fair value Dec. 31, 2013
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
Financial assets							
Cash and cash equivalents	n.a.	1,587	1,587				1,587
Short-term financial assets	FAHfT	41			41		41
Accounts receivable	LaR	1,809	1,809				1,809
Other current financial assets							
Derivatives being part of a hedge	n.a.	43		43			43
Derivatives not being part of a hedge	FAHfT	10			10		10
Other financial assets	LaR	130	130				130
Long-term financial assets							
Other equity investments	FAHfT	80			80		80
Available-for-sale financial assets	AfS	40	13	27			40
Loans	LaR	0	0				0
Other non-current financial assets							
Derivatives being part of a hedge	n.a.	0		0			0
Derivatives not being part of a hedge	FAHfT	6			6		6
Other financial assets	LaR	24	24				24
Assets classified as held for sale	LaR	—	—				—
Financial liabilities							
Short-term borrowings							
Bank borrowings	FLAC	126	126				126
Private placements	FLAC	55	55				58
Eurobond	FLAC	500	500				510
Convertible bond	FLAC	—	—				—
Accounts payable	FLAC	1,825	1,825				1,825
Accrued liabilities	FLAC	483	483				483
Other current financial liabilities							
Derivatives being part of a hedge	n.a.	74		74			74
Derivatives not being part of a hedge	FLHfT	6			6		6
Other financial liabilities	FLAC	29	29				29
Finance lease obligations	n.a.	4				4	4
Long-term borrowings							
Bank borrowings	FLAC	—	—				—
Private placements	FLAC	193	193				209
Eurobond	FLAC	—	—				—
Convertible bond	FLAC	460	460				650
Other non-current financial liabilities							
Derivatives being part of a hedge	n.a.	3		3			3
Derivatives not being part of a hedge	FLHfT	10			10		10
Other financial liabilities	FLAC	0	0				0
Finance lease obligations	n.a.	9				9	9
Liabilities classified as held for sale	FLAC	—	—				—
Thereof: aggregated by category according to IAS 39							
Financial assets at fair value through profit or loss		137					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		—					
Thereof: Held for Trading (FAHfT)		137					
Loans and Receivables (LaR)		1,963					
Available-for-Sale Financial Assets (AfS)		40					
Financial Liabilities Measured at Amortised Cost (FLAC)		3,671					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)		16					

Carrying amounts of financial instruments as at December 31, 2012, according to categories of IAS 39 and their fair values

(€ in millions)	Category according to IAS 39	Carrying amount Dec. 31, 2012	Measurement according to IAS 39			Measurement according to IAS 17	Fair value Dec. 31, 2012
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
Financial assets							
Cash and cash equivalents	n.a.	1,670	1,670				1,670
Short-term financial assets	FAHfT	265			265		265
Accounts receivable	LaR	1,688	1,688				1,688
Other current financial assets							
Derivatives being part of a hedge	n.a.	44		44			44
Derivatives not being part of a hedge	FAHfT	17			17		17
Other financial assets	LaR	131	131				131
Long-term financial assets							
Other equity investments	FAHfT	79			79		79
Available-for-sale financial assets	AfS	33	11	22			33
Loans	LaR	0	0				0
Other non-current financial assets							
Derivatives being part of a hedge	n.a.	0		0			0
Derivatives not being part of a hedge	FAHfT	—			—		—
Other financial assets	LaR	21	21				21
Assets classified as held for sale	LaR	—	—				—
Financial liabilities							
Short-term borrowings							
Bank borrowings	FLAC	59	59				59
Private placements	FLAC	221	221				221
Eurobond	FLAC	—	—				—
Convertible bond	FLAC	—	—				—
Accounts payable	FLAC	1,790	1,790				1,790
Accrued liabilities	FLAC	459	459				459
Other current financial liabilities							
Derivatives being part of a hedge	n.a.	47		47			47
Derivatives not being part of a hedge	FLHfT	10			10		10
Other financial liabilities	FLAC	21	21				21
Finance lease obligations	n.a.	5				5	5
Long-term borrowings							
Bank borrowings	FLAC	—	—				—
Private placements	FLAC	259	259				259
Eurobond	FLAC	499	499				530
Convertible bond	FLAC	449	449				572
Other non-current financial liabilities							
Derivatives being part of a hedge	n.a.	2		2			2
Derivatives not being part of a hedge	FLHfT	1			1		1
Other financial liabilities	FLAC	1	1				1
Finance lease obligations	n.a.	13				13	13
Liabilities classified as held for sale	FLAC	—	—				—
Thereof: aggregated by category according to IAS 39							
Financial assets at fair value through profit or loss		361					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		—					
Thereof: Held for Trading (FAHfT)		361					
Loans and Receivables (LaR)		1,840					
Available-for-Sale Financial Assets (AfS)		33					
Financial Liabilities Measured at Amortised Cost (FLAC)		3,758					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)		11					

Fair value hierarchy of financial instruments according to IFRS 7 as at December 31, 2013

(€ in millions)	Fair value Dec. 31, 2013	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Thereof: designated as such upon initial recognition (Fair Value Option – FVO)	—			
Thereof: Held for Trading (Financial Assets Held for Trading – FAHfT)	137		57	80 [1)]
Available-for-Sale Financial Assets (AfS)	27		27	
Other financial assets				
Derivatives being part of a hedge	43		43	
Financial assets	**207**		**127**	**80**
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)	16		16	
Other financial liabilities				
Derivatives being part of a hedge	77		77	
Financial liabilities	**93**		**93**	

	Fair value Jan. 1, 2013	Gains	Losses	Fair value Dec. 31, 2013
1) This category relates to a 9.1% investment in FC Bayern München AG of € 80 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments.	79	1	—	80

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, accounts receivable and payable as well as other current financial receivables and payables, their respective fair values approximate their carrying amount.

The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities and adjusted by an adidas Group specific credit risk premium.

Fair values of long-term financial assets classified as available-for-sale are based on quoted market prices in an active market or are calculated as present values of expected future cash flows.

The fair values of forward contracts and currency options are determined on the basis of market conditions at the balance sheet date. The fair value of a currency option is determined using generally accepted models to calculate option prices. The fair market value of an option is influenced not only by the remaining term of the option, but also by other determining factors such as the actual foreign exchange rate and the volatility of the underlying foreign currency base.

In accordance with IFRS 13, the following tables show the valuation methods used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments Level 1 not measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Convertible bond	The fair value is based on the market price of the convertible bond as at December 31, 2013.	Not applicable	FLAC
Eurobond	The fair value is based on the market price of the Eurobond as at December 31, 2013.	Not applicable	FLAC

Financial instruments Level 2 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Short-term financial assets	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. Due to their short-term maturities, their respective fair value is equal to the notional amount.	Not applicable	FAHfT
Available-for-sale financial assets	The fair value is based on the market price of the assets as at December 31, 2013.	Not applicable	AfS
Forward contracts	For EUR/USD, the adidas Group applies the par method, which uses actively traded forward rates. For the other currency pairs, the zero coupon method is applied. The zero method is a model for the determination of forward rates based on deposit and swap interest rates.	Not applicable	n.a. respectively FAHfT
Currency options	The adidas Group applies the Garman-Kohlhagen model, which is an extended version of the Black-Scholes model.	Not applicable	n.a. respectively FAHfT

Financial instruments Level 2 not measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Private placements	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate.	Not applicable	FLAC

Financial instruments Level 3 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Investment in FC Bayern München AG	This equity security does not have a quoted market price in an active market. Existing contractual arrangements (based on the externally observable dividend policy of the Bayern München AG) are used in order to calculate the fair value as at December 31, 2013.	See column "Valuation method"	FAHfT

Net gains/losses on financial instruments recognised in the consolidated income statement

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Financial assets or financial liabilities at fair value through profit or loss	(16)	(20)
Thereof: designated as such upon initial recognition	—	—
Thereof: classified as held for trading	(16)	(20)
Loans and receivables	(13)	1
Available-for-sale financial assets	—	—
Financial liabilities measured at amortised cost	15	14

Net gains or losses on financial assets or financial liabilities held for trading include the effects from fair value measurements of the derivatives that are not part of a hedging relationship, and changes in the fair value of other financial instruments as well as interest payments.

Net gains or losses on loans and receivables comprise mainly impairment losses and reversals.

Net gains or losses on financial liabilities measured at amortised cost include effects from early settlement and reversals of accrued liabilities.

The disclosures required by IFRS 7 "Financial Instruments: Disclosures", paragraphs 13 A to 13F ("Offsetting financial assets and financial liabilities") as well as 31 to 42 ("Nature and Extent of Risks arising from Financial Instruments") can be found in ⁄ **NOTE 06** and the Group Management Report ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 158**.

Financial instruments for the hedging of foreign exchange risk

The adidas Group uses natural hedges and arranges forward contracts, currency options and currency swaps to protect against foreign exchange risk. As at December 31, 2013, the Group had outstanding currency options with premiums paid totalling an amount of € 2 million (2012: € 4 million). The effective part of the currency hedges is directly recognised in hedging reserves and as part of the acquisition costs of inventories, respectively, and posted into the income statement at the same time as the underlying secured transaction is recorded. An amount of € 2 million after taxes (2012: € 4 million) for currency options and an amount of negative € 34 million after taxes (2012: negative € 7 million) for forward contracts were recorded in hedging reserves. Currency option premiums impacted net income in the amount of € 4 million in 2013 (2012: € 4 million).

The total time value of the currency options not being part of a hedge in an amount of negative € 4 million (2012: negative € 3 million) was recorded in the income statement in 2013. In 2012, due to a change in the exposure, some of the currency hedges were terminated and consequently an amount of € 1 million was reclassified from hedging reserves to the income statement.

In the years ending December 31, 2013 and 2012, hedging instruments related to product sourcing were bought to hedge a total net amount of US $ 5.2 billion and US $ 5.1 billion, respectively.

The notional amounts of all outstanding currency hedging instruments, which are mainly related to cash flow hedges, are summarised in the following table:

Notional amounts of all outstanding currency hedging instruments

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Forward contracts	4,430	3,943
Currency options	472	265
Total	**4,902**	**4,208**

The comparatively high amount of forward contracts is primarily due to currency swaps for liquidity management purposes and hedging transactions.

Of the total amount of outstanding hedges, the following contracts related to the US dollar (i.e. the biggest single exposure of product sourcing):

Notional amounts of outstanding US dollar hedging instruments

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Forward contracts	2,605	2,130
Currency options	425	225
Total	**3,030**	**2,355**

The fair value of all outstanding currency hedging instruments is as follows:

Fair values

(€ in millions)	Dec. 31, 2013		Dec. 31, 2012	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward contracts	47	(79)	53	(54)
Currency options	11	(13)	7	(5)
Total	**58**	**(92)**	**60**	**(59)**

A total net fair value of negative € 36 million (2012: negative € 10 million) for forward contracts related to hedging instruments falling under hedge accounting as per definition of IAS 39 "Financial Instruments: Recognition and Measurement" was recorded in the hedging reserve. The remaining net fair value of € 4 million (2012: € 9 million), mainly related to liquidity swaps for cash management purposes and to forward contracts hedging intercompany dividend receivables, was recorded in the income statement. The total fair value of negative € 2 million (2012: positive € 2 million) for outstanding currency options related to cash flow hedges. This consists of a positive time value of € 8 million (2012: € 2 million) and of a negative time value of € 12 million (2012: € 5 million) and, in contrast to the preceding table, does not include the intrinsic value of the options.

The fair value adjustments of outstanding cash flow hedges for forecasted sales are reported in the income statement when the forecasted sales transactions are recorded. The vast majority of these transactions are forecasted to occur in 2014. At the balance sheet date, inventories were adjusted by positive € 20 million (2012: positive € 16 million) which will be recognised in the income statement in 2014.

In the hedging reserve, a negative amount of € 6 million (2012: negative € 21 million) is included for hedging the currency risk of net investments in foreign entities, mainly for the subsidiaries LLC "adidas, Ltd." and adidas Sports (China) Co. Ltd. This reserve will remain until the investment in the foreign entity has been sold. As at December 31, 2013, no ineffective part of the hedges was recorded in the income statement.

In order to determine the fair values of its derivatives that are not publicly traded, the adidas Group uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

In 2013, the fair values of the derivatives were determined applying mainly the "par method", which uses actively traded forward rates.

Notes to the Consolidated Income Statement

29 Other operating income

Other operating income consists of the following:

Other operating income

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Income from accounts receivable previously written off	3	4
Income from release of accrued liabilities and other provisions	83	37
Gains from disposal of fixed assets	1	1
Sundry income	54	83
Reversals of impairment losses for intangible and tangible assets	2	2
Other operating income	**143**	**127**

Sundry income partly relates to income from insurance compensations.

30 Other operating expenses

Other operating expenses include expenses for sales, marketing, 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 (except goodwill impairment losses), with the exception of depreciation and amortisation which is included in the cost of sales.

Marketing working budget is a material component of other operating expenses. The marketing working budget consists of promotion and communication spending such as promotion contracts, advertising, events and other communication activities. However, it does not include marketing overhead expenses, which are presented in marketing overheads. In 2013, marketing working budget accounted for 24% (2012: 25%) of the total other operating expenses.

Expenses for central administration include the functions IT, Finance, Legal, Human Resources, Facilities & Services as well as General Management.

Depreciation and amortisation expense for tangible and intangible assets (except goodwill impairment losses) and impairment losses were € 291 million and € 266 million for the years ending December 31, 2013 and 2012, respectively. Thereof, € 3 million and € 3 million were recorded within the cost of sales as they are directly assigned to the production costs.

Other operating expenses

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Marketing working budget	1,457	1,502
Sales working budget	340	304
Marketing overhead [1]	425	445
Sales force [1]	1,890	1,885
Logistics [1]	766	750
Research and development [1]	128	128
Central administration [1]	1,127	1,136
Other operating expenses	**6,133**	**6,150**
Thereof:		
Depreciation, amortisation and impairment losses	288	263

1) Including personnel and administration expenses.

31 Cost by nature

Expenses are presented by function according to the "cost of sales method" in the income statement. Supplementary information on the expenses by nature is detailed below.

Cost of materials

The total cost of materials relating to the amount of inventories recognised as an expense during the period was € 7.210 billion and € 7.641 billion (restated) for the years ending December 31, 2013 and 2012, respectively.

Personnel expenses

Personnel expenses were as follows:

Personnel expenses

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Wages and salaries	1,628	1,634
Social security contributions	177	169
Pension expenses	71	69
Personnel expenses	**1,876**	**1,872**

Personnel expenses are primarily included within other operating expenses. Personnel expenses which are directly attributable to the production costs of goods are included within the cost of sales.

32 Financial income/ financial expenses

Financial result consists of the following:

Financial income

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Interest income from financial instruments measured at amortised cost	8	13
Interest income from financial instruments at fair value through profit or loss	17	22
Interest income from non-financial assets	0	0
Other	1	1
Financial income	**26**	**36**

Financial expenses

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Interest expense on financial instruments measured at amortised cost	73	97
Interest expense on financial instruments at fair value through profit or loss	0	0
Interest expense on other provisions and non-financial liabilities	0	0
Net foreign exchange losses	18	7
Other	3	1
Financial expenses	**94**	**105**

Interest income from financial instruments, measured at amortised cost, mainly consists of interest income from bank deposits and loans.

Interest income/expense from financial instruments at fair value through profit or loss mainly includes interest payments from investment funds as well as net interest payments from interest derivatives not being part of a hedging relationship. Unrealised gains/losses from fair value measurement of such financial assets are shown in other financial income or expenses.

Interest expense on financial instruments measured at amortised cost mainly includes interest on borrowings and effects from using the "effective interest method".

Interest expense on other provisions and non-financial liabilities particularly includes effects from measurement of other provisions at present value and interest on non-financial liabilities such as tax payables.

Other financial expenses include impairment losses on other financial assets amounting to € 3 million for the year ending December 2013 (2012: € 1 million).

Also included in other financial expenses are non-controlling interests, which are not recorded in equity according to IAS 32 "Financial Instruments: Presentation" ⁄ **SEE NOTE 26**.

Information regarding the Group's available-for-sale investments, borrowings and financial instruments is also included in these Notes ⁄ **SEE NOTES 05, 14, 17 AND 28**.

33 Income taxes

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2013 and 2012, the statutory corporate income tax rate of 15% plus a surcharge of 5.5% thereon is applied to earnings. The municipal trade tax is approximately 11.4% of taxable income.

For non-German subsidiaries, deferred taxes are calculated based on tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if they relate to the same fiscal authority. The following deferred tax assets and liabilities, determined after appropriate offsetting, are presented in the consolidated statement of financial position:

Deferred tax assets/liabilities

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Deferred tax assets	486	528
Deferred tax liabilities	(338)	(368)
Deferred tax assets, net	**148**	**160**

The movement of deferred taxes are as follows:

Movement of deferred taxes

(€ in millions)	2013	2012
Deferred tax assets, net as at January 1	**160**	**54**
Deferred tax income	14	80
Change in consolidated companies [1]	0	3
Change in deferred taxes attributable to effective portion of qualifying hedging instruments recorded in other comprehensive income [2]	(1)	23
Currency translation differences	(24)	(9)
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income [3]	(1)	9
Deferred tax assets, net as at December 31	**148**	**160**

1) See Note 03.
2) See Note 28.
3) See Note 23.

Gross Group deferred tax assets and liabilities after valuation allowances, but before appropriate offsettings, are attributable to the items detailed in the table below:

Deferred taxes

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Non-current assets	145	135
Current assets	166	132
Accrued liabilities and provisions	198	260
Accumulated tax loss carry-forwards	69	75
Deferred tax assets	**578**	**602**
Non-current assets	303	374
Current assets	72	44
Accrued liabilities and provisions	55	24
Deferred tax liabilities	**430**	**442**
Deferred tax assets, net	**148**	**160**

Deferred tax assets are recognised only to the extent that the realisation of the related benefit is probable. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Deferred tax assets for which the realisation of the related tax benefits is not probable decreased on a currency-neutral basis from € 508 million to € 435 million for the year ending December 31, 2013. These amounts mainly relate to tax losses carried forward and unused foreign tax credits of the US tax group, which begin to expire in 2026. The remaining unrecognised deferred tax assets relate to subsidiaries operating in markets where the realisation of the related tax benefit is not considered probable.

The Group does not recognise deferred tax liabilities for unremitted earnings of non-German subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the Group were to sell its shareholdings in the subsidiaries.

Tax expenses

Tax expenses are split as follows:

Income tax expenses

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Current tax expenses	358	407
Deferred tax income	(14)	(80)
Income tax expenses	**344**	**327**

The deferred tax income includes tax income of € 25 million in total (2012: € 60 million) related to the origination and reversal of temporary differences.

The effective tax rate of the Group differs from an assumed tax rate of 30% for the year ending December 31, 2013 as follows:

Tax rate reconciliation

	Year ending Dec. 31, 2013		Year ending Dec. 31, 2012	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	340	30.0	255	30.0
Tax rate differentials	(135)	(11.9)	(110)	(12.9)
Non-deductible expenses	82	7.3	1	0.1
Goodwill impairment losses	16	1.4	79	9.3
Losses for which benefits were not recognisable and changes in valuation allowances	24	2.1	53	6.2
Changes in tax rates	(35)	(3.1)	(16)	(1.9)
Other, net	1	0.1	1	0.1
	293	**25.9**	**263**	**30.9**
Withholding tax expenses	51	4.5	64	7.5
Income tax expenses	**344**	**30.4**	**327**	**38.4**

For 2013, the line item "Non-deductible expenses" includes tax expenses of in total € 27 million related to the resolution of domestic tax audits for prior years.

For 2013 and 2012, the effective tax rate is affected by non-tax-deductible goodwill impairment losses. Excluding the goodwill impairment losses, the effective tax rate is 29.0% and 29.3%, respectively.

For 2013 and 2012, the line item "Changes in tax rates" mainly reflects a UK tax rate deduction effective in 2013 and 2012.

34 Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding during the year.

A dilutive effect from 6.02 million potential shares arising from the convertible bond does not apply in 2013 as the conversion right does not have any value as at the balance sheet date ⁄ **SEE NOTE 17**.

Earnings per share

	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Net income attributable to shareholders (€ in millions)	787	526
Weighted average number of shares	209,216,186	209,216,186
Basic and diluted earnings per share (in €)	**3.76**	**2.52**

Notes – Additional Information

35 Segmental information

The Group operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

Following the Group's internal management reporting and in accordance with the definition of IFRS 8 "Operating Segments", six operating segments have been identified: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands. According to the criteria of IFRS 8 for reportable segments, the business segments Wholesale and Retail are reported separately, while the remaining are aggregated under Other Businesses due to their only subordinate materiality.

The Wholesale segment comprises all business activities relating to the distribution of adidas and Reebok products to retail customers.

The Retail segment comprises all business activities relating to the sale of adidas and Reebok products directly to end consumers through own retail and own e-commerce platforms.

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

The Other Centrally Managed Brands segment primarily includes the business activities of the labels Y-3 and Porsche Design Sport as well as the business activities of the brand Five Ten in the outdoor action sports sector. Furthermore, the segment also comprises the German own-retail activities of the adidas NEO label.

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 headquarter departments. Assets, liabilities, income and expenses relating to these corporate functions are presented together with other non-allocable items and intersegment eliminations in the reconciliations.

The chief operating decision maker for the adidas Group has been defined as the joint Executive Board of adidas AG.

There are no intersegment sales between the reportable segments. Accounting and valuation policies applied for reporting segmental information are the same as those used for the adidas Group ⁄ **SEE NOTE 02**.

The results of the operating segments are reported in the line item "Segmental operating profit". This 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 as well as inventories. Only these items are reported to the chief operating decision maker on a regular basis. Depreciation, amortisation, impairment losses (except for goodwill) and reversals of impairment losses as well as capital expenditures for tangible and intangible assets are part of the segmental reporting, even though segmental assets do not contain tangible and intangible assets. Depreciation and amortisation as well as impairment losses and reversals of impairment losses not directly attributable to a segment or a group of segments are presented under HQ/Consolidation in the reconciliations.

Segmental liabilities only contain accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision maker.

Interest income and interest expenses as well as income taxes are not allocated to the reportable segments and are not reported separately to the chief operating decision maker.

Segments

(€ in millions)	Wholesale		Retail		Other Businesses		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales (non-Group)	9,100	9,533	3,446	3,373	1,946	1,977	14,492	14,883
Segmental operating profit	3,082	2,965	678	724	508	541	4,268	4,230
Segmental assets	2,763	2,715	898	721	749	712	4,410	4,148
Segmental liabilities	360	392	99	58	176	190	635	640
Capital expenditure	62	53	139	103	28	28	229	184
Depreciation and amortisation	45	39	87	83	11	11	143	133
Impairment losses and reversals of impairment losses	1	2	1	1	0	0	2	3

Reconciliations

The following tables include reconciliations of segmental information to the aggregate numbers of the consolidated financial statements, taking into account items which are not directly attributable to a segment or a group of segments.

Net sales (non-Group)

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Reportable segments	12,546	12,906
Other businesses	1,946	1,977
Total	**14,492**	**14,883**

Operating profit

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Operating profit for reportable segments	3,760	3,689
Operating profit for other businesses	508	541
HQ/Consolidation	293	345
Marketing working budget	(1,457)	(1,502)
Other operating expenses	(2,006)	(2,258)
Royalty and commission income	104	105
Operating profit	**1,202**	**920**
Financial income	26	36
Financial expenses	(94)	(105)
Income before taxes	**1,134**	**851**

Operating profit of centralised functions which do not represent a segment, such as central treasury and global sourcing, is shown under HQ/Consolidation.

Capital expenditure

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Reportable segments	201	156
Other businesses	28	28
HQ/Consolidation	250	250
Total	**479**	**434**

Depreciation and amortisation

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Reportable segments	132	122
Other businesses	11	11
HQ/Consolidation	143	127
Total	**286**	**260**

Impairment losses and reversals of impairment losses

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Reportable segments	2	3
Other businesses	0	0
HQ/Consolidation	52	265
Total	**54**	**268**

Assets

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Accounts receivable and inventories of reportable segments	3,661	3,436
Accounts receivable and inventories of other businesses	749	712
Segmental assets	**4,410**	**4,148**
Non-segmental accounts receivable and inventories	33	26
Current financial assets	1,811	2,127
Other current assets	603	576
Non-current assets	4,742	4,774
Total	**11,599**	**11,651**

Liabilities

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Accounts payable of reportable segments	459	450
Accounts payable of other businesses	176	190
Segmental liabilities	**635**	**640**
Non-segmental accounts payable	1,190	1,150
Current financial liabilities	794	364
Other current liabilities	2,113	2,220
Non-current liabilities	1,386	1,986
Total	**6,118**	**6,360**

Product information

Net sales (non-Group)

(€ in millions)	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Footwear	6,873	6,922
Apparel	5,813	6,290
Hardware	1,806	1,671
Total	**14,492**	**14,883**

Geographical information

Net sales (non-Group) are shown in the geographic market in which the net sales are realised. Non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary independent of the segmental structure and consist of tangible assets, goodwill, trademarks, other intangible assets and other non-current assets.

Geographical information

(€ in millions)	Net sales (non-Group)		Non-current assets	
	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Western Europe	3,800	4,076	1,488	1,449
European Emerging Markets	1,894	1,947	608	599
North America	3,362	3,410	1,023	1,080
Greater China	1,655	1,562	296	274
Other Asian Markets	2,206	2,407	483	536
Latin America	1,575	1,481	208	175
HQ/Consolidation	0	0	0	0
Total	**14,492**	**14,883**	**4,106**	**4,113**

With regard to Germany, Western Europe contains net sales (non-Group) amounting to € 726 million and € 739 million as well as non-current assets amounting to € 739 million and € 673 million for the years 2013 and 2012, respectively. With regard to the USA, North America contains net sales (non-Group) amounting to € 2.920 billion and € 2.978 billion as well as non-current assets amounting to € 862 million and € 928 million for the years 2013 and 2012, respectively.

36 Additional cash flow information

In 2013, the decrease in cash generated from operating activities compared to the prior year was primarily due to higher working capital requirements.

Net cash outflow from investing activities in 2013 was mainly related to spending for property, plant and equipment such as investments in the furnishing and fitting of stores in the Retail segment, in new office buildings, warehouses and IT systems.

Cash outflows from financing activities were mainly related to dividend paid to shareholders of adidas AG and to cash repayments of short-term borrowings.

Current revolving financial transactions are offset within financing activities.

37 Commitments and contingencies

Other financial commitments

The Group has other financial commitments for promotion and advertising contracts, which mature as follows:

Financial commitments for promotion and advertising

(€ in millions)	Dec. 31, 2013	Dec. 31, 2012
Within 1 year	724	679
Between 1 and 5 years	2,054	1,991
After 5 years	1,013	1,098
Total	**3,791**	**3,768**

Commitments with respect to advertising and promotion maturing after five years have remaining terms of up to 17 years from December 31, 2013.

Information regarding commitments under lease and service contracts is also included in these Notes ⁄ **SEE NOTE 27**.

Litigation and other legal risks

The Group is currently engaged in various lawsuits resulting from the normal course of business, mainly in connection with distribution agreements as well as intellectual property rights. The risks regarding these lawsuits are covered by provisions when a reliable estimate of the amount of the obligation can be made ⁄ **SEE NOTE 19**. In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the assets, liabilities, financial position and profit or loss of the Group.

In connection with the financial irregularities at Reebok India Company various legal uncertainties were identified. The risks cannot be assessed conclusively. Management assumes that the effects will not have any material influence on the assets, liabilities, financial position and profit or loss of the Group.

38 Related party disclosures

According to the definitions of IAS 24 "Related Party Disclosures", the Supervisory Board and the Executive Board of adidas AG were identified as related parties who solely received remuneration in connection with their function as key management personnel. For information about the remuneration of the Supervisory Board and the Executive Board of adidas AG ⁄ **SEE NOTE 39** ⁄ **SEE COMPENSATION REPORT, P. 53**.

39 Other information

Employees

The average numbers of employees are as follows:

Employees

	Year ending Dec. 31, 2013	Year ending Dec. 31, 2012
Own retail	26,130	24,841
Sales	4,521	4,627
Logistics	5,952	5,421
Marketing	3,800	3,827
Central administration	4,450	3,933
Production	1,601	1,927
Research and development	1,029	1,052
Information technology	1,035	995
Total	**48,518**	**46,623**

Accountant service fees for the auditor of the financial statements

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach, as well as all German subsidiaries of adidas AG. In 2013, the expenses for the professional service fees of the auditor KPMG AG amounted to € 1.0 million (2012: € 2.6 million).

Expenses for tax consultancy services provided by the auditor, for other confirmation services provided by the auditor and for other services provided by the auditor amounted to € 0.1 million (2012: € 0.1 million), € 0.0 million (2012: € 0.0 million) and € 0.1 million (2012: € 0.1 million), respectively.

Remuneration of the Supervisory Board and the Executive Board of adidas AG

Supervisory Board
Pursuant to the Articles of Association, the Supervisory Board members' fixed annual payment amounted to € 0.9 million (2012: € 0.9 million).

Members of the Supervisory Board were not granted any loans in 2013.

Executive Board
In 2013, the overall compensation of the members of the Executive Board totalled € 5.6 million (2012: € 6.1 million). Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totalled € 0.9 million (2012: € 0.7 million).

In 2013, former members of the Executive Board and their survivors received pension payments totalling € 3.4 million (2012: € 3.3 million).

Pension obligations relating to former members of the Executive Board and their survivors amount in total to € 48.3 million (2012: € 50.8 million).

Members of the Executive Board were not granted any loans in 2013.

Further information on disclosures according to § 314 section 1 no. 6a German Commercial Code (Handelsgesetzbuch – HGB) is provided in the Compensation Report ⁄ **SEE COMPENSATION REPORT, P. 53**.

40 Information relating to the German Corporate Governance Code

Information pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)

On February 13, 2014, the Executive Board and Supervisory Board of adidas AG issued the updated Declaration of Compliance in accordance with §161 AktG. The full text of the Declaration of Compliance is available on the Group's corporate website.

41 Events after the balance sheet date

Group-specific subsequent events

No Group-specific subsequent events are known which might have a material influence on the assets, liabilities, financial position and profit or loss of the Group.

Date of preparation

The Executive Board of adidas AG prepared and approved the consolidated financial statements for submission to the Supervisory Board on February 14, 2014. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval and authorisation for issue.

Herzogenaurach, February 14, 2014
The Executive Board of adidas AG

Statement of Movements of Intangible and Tangible Assets

.. ⁄ **Statement of Movements of Intangible and Tangible Assets** (€ in millions)

	Goodwill	Trademarks	Software, patents and concessions
Acquisition cost			
January 1, 2012	**1,580**	**1,503**	**662**
Currency effect	(17)	(29)	(8)
Additions	0	0	58
Increase in companies consolidated	6	10	3
Transfers from assets held for sale	—	—	—
Transfers to assets held for sale	—	—	—
Decrease in companies consolidated	—	—	(0)
Transfers	—	—	(1)
Disposals	—	—	(25)
December 31, 2012/January 1, 2013	**1,569**	**1,484**	**689**
Currency effect	(35)	(65)	(23)
Additions	—	—	51
Increase in companies consolidated	—	—	—
Transfers from assets held for sale	—	—	—
Transfers to assets held for sale	—	—	—
Decrease in companies consolidated	—	—	—
Transfers	—	—	(4)
Disposals	—	—	(10)
December 31, 2013	**1,533**	**1,419**	**704**
Accumulated depreciation, amortisation and impairment			
January 1, 2012	**27**	**0**	**506**
Currency effect	(6)	(0)	(7)
Additions	—	0	47
Impairment losses	265	—	0
Reversals of impairment losses	—	—	(0)
Increase in companies consolidated	—	—	—
Transfers from assets held for sale	—	—	—
Transfers to assets held for sale	—	—	—
Decrease in companies consolidated	—	—	—
Transfers	—	—	0
Disposals	—	—	(20)
December 31, 2012/January 1, 2013	**287**	**0**	**527**
Currency effect	(10)	(0)	(19)
Additions	—	0	49
Impairment losses	52	—	0
Reversals of impairment losses	—	—	(0)
Increase in companies consolidated	—	—	—
Transfers from assets held for sale	—	—	—
Transfers to assets held for sale	—	—	—
Decrease in companies consolidated	—	—	—
Transfers	—	—	—
Disposals	—	—	(9)
December 31, 2013	**329**	**0**	**549**
Net carrying amount			
January 1, 2012	1,553	1,503	156
December 31, 2012	1,281	1,484	162
December 31, 2013	1,204	1,419	155

Rounding differences may arise in percentages and totals.

ATTACHMENT I

Internally generated software	Total intangible assets	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Construction in progress	Total tangible assets
7	**3,752**	**674**	**180**	**1,132**	**85**	**2,071**
—	(54)	(6)	1	(14)	(0)	(19)
(0)	58	19	9	169	179	376
—	19	—	0	1	—	1
—	—	1	—	—	—	1
—	—	—	—	—	—	—
—	(0)	—	—	(0)	—	(0)
3	2	10	20	44	(76)	(2)
(0)	(25)	(27)	(9)	(129)	0	(165)
10	**3,752**	**670**	**199**	**1,203**	**189**	**2,262**
–	(123)	(20)	(12)	(86)	(4)	(121)
1	52	75	40	175	138	427
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
5	2	87	42	32	(162)	(2)
—	(10)	(10)	(15)	(123)	(1)	(148)
16	**3,672**	**802**	**254**	**1,202**	**161**	**2,419**
3	**537**	**208**	**87**	**812**	**0**	**1,107**
—	(13)	(3)	0	(16)	(0)	(18)
2	50	36	23	155	—	214
—	265	1	0	4	—	5
—	(0)	(1)	(0)	(1)	—	(2)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	0	0	0	(0)	—	(0)
(0)	(20)	(8)	(8)	(123)	—	(139)
5	**819**	**233**	**102**	**832**	**0**	**1,167**
—	(29)	(10)	(9)	(67)	(0)	(85)
3	52	35	29	170	—	234
—	52	2	0	2	—	4
—	(0)	(0)	(0)	(2)	—	(2)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	11	0	(11)	—	0
—	(9)	(8)	(14)	(115)	—	(137)
7	**885**	**262**	**109**	**810**	**0**	**1,181**
4	3,215	466	93	319	85	963
5	2,933	437	97	371	189	1,095
9	2,787	540	145	392	161	1,238

Shareholdings

Shareholdings of adidas AG, Herzogenaurach (at December 31, 2013)

ATTACHMENT II

	Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
	Germany					
1	GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG	Herzogenaurach (Germany)	EUR	162	directly	100
2	GEV Grundstücks-Beteiligungsgesellschaft Herzogenaurach mbH	Herzogenaurach (Germany)	EUR	43	directly	100
3	adidas Insurance & Risk Consultants GmbH[10]	Herzogenaurach (Germany)	EUR	26	directly	100
4	adidas Beteiligungsgesellschaft mbH[10]	Herzogenaurach (Germany)	EUR	354,103	directly	100
5	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	EUR	12,078	18	100
6	adidas Verwaltungsgesellschaft mbH (formerly: Reebok-CCM Hockey GmbH)	Herzogenaurach (Germany)	EUR	4,351	106	100
	Europe (incl. Middle East and Africa)					
7	adidas sport gmbh	Cham (Switzerland)	CHF	7,514	directly	100
8	adidas Austria GmbH	Klagenfurt (Austria)	EUR	6,903	directly	95.89
					7	4.11
9	adidas France S.a.r.l.	Landersheim (France)	EUR	112,755	25	100
10	adidas International B.V.	Amsterdam (Netherlands)	EUR	6,408,593	directly	93.97
					9	6.03
11	adidas International Trading B.V.	Amsterdam (Netherlands)	EUR	617,179	10	100
12	adidas International Marketing B.V.	Amsterdam (Netherlands)	EUR	49,375	10	100
13	adidas International Finance B.V.	Amsterdam (Netherlands)	EUR	14,177	10	100
14	adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	EUR	0	10	100
15	adidas Benelux B.V.	Amsterdam (Netherlands)	EUR	1,918	directly	100
16	Rockport (Europe) B.V.	Amsterdam (Netherlands)	USD	4,964	98	100
17	Hydra Ventures B.V.	Amsterdam (Netherlands)	EUR	(2,461)	10	100
18	adidas International Property Holding B.V.	Amsterdam (Netherlands)	EUR	59,075	116	100
19	adidas (UK) Limited[1]	Stockport (Great Britain)	GBP	62,212	25	100
20	adidas (ILKLEY) Limited[1, 5]	Stockport (Great Britain)	GBP	—	19	100
21	LARA SPORT (UK) Limited[1, 5]	Stockport (Great Britain)	GBP	—	19	100
22	Sarragan (UK) Limited[1, 5]	Stockport (Great Britain)	GBP	—	19	100
23	adidas Trefoil Trading (U.K.) Limited[1, 5]	Stockport (Great Britain)	GBP	—	22	100
24	Three Stripes Limited[1, 5]	Stockport (Great Britain)	GBP	—	19	50
					20	50
25	Reebok International Limited[9]	London (Great Britain)	EUR	1,756,676,401	10	65.1
					104	34.9
26	Trafford Park DC Limited (formerly: Reebok Finance Limited)	London (Great Britain)	GBP	125	14	100
27	RBK Holdings Limited[5, 9]	London (Great Britain)	GBP	—	104	89
					97	11
28	Reebok Sports Limited[5]	London (Great Britain)	USD	1,971	25	100
29	J.W. Foster & Sons (Athletic Shoes) Limited[5, 9]	London (Great Britain)	GBP	—	25	100
30	The Rockport Company Limited[5, 9]	London (Great Britain)	GBP	—	25	100
31	Reebok Eastern Trading Limited[5]	London (Great Britain)	USD	3,112	25	100
32	Reebok Pensions Management Limited[5, 9]	London (Great Britain)	GBP	—	25	100
33	Reebok Europe Holdings	London (Great Britain)	GBP	44,065	25	100
34	Adams Golf, U.K. Ltd.[5, 12]	London (Great Britain)	GBP	—	93	100
35	Taylor Made Golf Limited[4]	Basingstoke (Great Britain)	GBP	4,337	10	100
36	Ashworth U.K. Ltd.[5, 4]	Bristol (Great Britain)	GBP	—	35	100
37	adidas (Ireland) Limited	Dublin (Ireland)	EUR	2,644	10	100
38	adidas International Re Limited	Dublin (Ireland)	EUR	12,023	10	100
39	Reebok Ireland Limited[5]	Dublin (Ireland)	EUR	56	37	100
40	adidas Belgium NV	Brussels (Belgium)	EUR	3,280	15	100
41	Five Ten Europe NV[5]	Wavre (Belgium)	EUR	(15)	107	100
42	adidas Espana S.A.U.	Zaragoza (Spain)	EUR	28,459	4	100
43	adidas Finance Spain S.A.U.	Zaragoza (Spain)	EUR	34,548	104	100
44	Global Merchandising, S.L.	Madrid (Spain)	EUR	(24)	10	100

1) Sub-group adidas UK 2) Sub-group Reebok International Ltd. 3) Sub-group India 4) Sub-group Taylor Made UK 5) Companies with no active business
6) The number refers to the number of the company 7) Sub-group Onfield 8) Sub-group Reebok-CCM Hockey, Inc. 9) Sub-group Reebok International Limited
10) Profit and loss transfer agreement 11) Sub-group Taylor Made Golf Co., Inc. 12) Sub-group Adams Golf, LLC

Shareholdings of adidas AG, Herzogenaurach (at December 31, 2013)

ATTACHMENT II

Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
45 adidas Italy S.p.A	Monza (Italy)	EUR	48,891	10	100
46 adidas Portugal – Artigos de Desporto, S.A.	Lisbon (Portugal)	EUR	10,306	10	100
47 adidas Business Services Lda.	Maia (Portugal)	EUR	275	10	98
				directly	2
48 adidas Norge AS	Lillestrom (Norway)	NOK	19,959	directly	100
49 Reebok-CCM Hockey AS	Gressvik (Norway)	NOK	2,381	48	100
50 adidas Sverige AB	Solna (Sweden)	SEK	85,191	directly	100
51 adidas Finance Sverige AB	Solna (Sweden)	SEK	572,431	106	100
52 Reebok-CCM Hockey AB	Malung (Sweden)	SEK	74,344	50	100
53 adidas Suomi Oy	Helsinki (Finland)	EUR	1,754	10	100
54 Reebok-CCM Hockey Oy	Forssa (Finland)	EUR	9,807	10	100
55 adidas Danmark A/S	Århus (Denmark)	DKK	17,211	10	100
56 adidas CR s.r.o.	Prague (Czech Republic)	CZK	100,641	directly	100
57 adidas Budapest Kft.	Budapest (Hungary)	HUF	589,134	directly	100
58 adidas Bulgaria EAD	Sofia (Bulgaria)	BGN	13,094	directly	100
59 LLC "adidas, Ltd."	Moscow (Russia)	RUB	31,736,351	8	100
60 adidas Poland Sp.z o.o.	Warsaw (Poland)	PLN	40,899	directly	100
61 adidas Finance Poland S.A.	Warsaw (Poland)	PLN	94,585	104	100
62 adidas Romania S.R.L.	Bucharest (Romania)	RON	19,925	10	100
63 adidas Baltics SIA	Riga (Latvia)	EUR	1,301	10	100
64 adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	EUR	2,223	directly	100
65 adidas Trgovina d.o.o.	Ljubljana (Slovenia)	EUR	799	directly	100
66 SC "adidas-Ukraine"	Kiev (Ukraine)	UAH	600,150	directly	100
67 adidas LLP	Almaty (Republic of Kazakhstan)	KZT	3,231,522	directly	100
68 adidas Serbia d.o.o.	New Belgrade (Serbia)	RSD	1,123	10	100
69 adidas Croatia d.o.o.	Zagreb (Croatia)	HRK	24,445	10	100
70 adidas Hellas A.E.	Athens (Greece)	EUR	10,724	directly	100
71 adidas (Cyprus) Limited	Nicosia (Cyprus)	EUR	(188)	directly	100
72 adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	TRY	216,472	10	100
73 adidas Emerging Market L.L.C.	Dubai (United Arab Emirates)	USD	51,826	indirectly	51
				9	49
74 adidas Emerging Markets FZE	Dubai (United Arab Emirates)	USD	63,530	10	100
75 adidas Levant Limited	Dubai (United Arab Emirates)	JOD	2,733	74	55
76 adidas Levant Limited – Jordan	Amman (Jordan)	JOD	2,203	75	100
77 adidas Imports & Exports Ltd.	Cairo (Egypt)	EGP	924	78	100
78 adidas Sporting Goods Ltd.	Cairo (Egypt)	EGP	70,741	10	90
				11	10
79 adidas Egypt Ltd.[5]	Cairo (Egypt)	USD	(1,831)	directly	100
80 Reebok Israel Ltd. (formerly: adidas Israel Ltd.)	Holon (Israel)	ILS	7,923	directly	100
81 Life Sport Ltd.	Holon (Israel)	ILS	69,513	10	51
82 adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	ZAR	169,719	directly	100
North America					
83 adidas North America, Inc.	Portland, Oregon (USA)	USD	4,674,772	10	100
84 adidas America, Inc.	Portland, Oregon (USA)	USD	85,772	83	100
85 adidas International, Inc.	Portland, Oregon (USA)	USD	58,745	83	100
86 adidas Team, Inc.[5]	Portland, Oregon (USA)	USD	(1,013)	83	100
87 Taylor Made Golf Co., Inc.[11]	Carlsbad, California (USA)	USD	124,800	83	100
88 Ashworth, LLC.[5] [11]	Carlsbad, California (USA)	USD	—	87	100
89 The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	USD	14,448	104	100
90 Adams Golf, LLC[12] (formerly: Adams Golf, Inc.)	Plano, Texas (USA)	USD	57,113	87	100
91 Adams Golf Holding Corp.[5] [12]	Plano, Texas (USA)	USD	—	90	100
92 Adams Golf GP Corp.[5] [12]	Plano, Texas (USA)	USD	—	90	100

1) Sub-group adidas UK 2) Sub-group Reebok International Ltd. 3) Sub-group India 4) Sub-group Taylor Made UK 5) Companies with no active business
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.. Shareholdings of adidas AG, Herzogenaurach (at December 31, 2013)

ATTACHMENT II

	Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
93	Adams Golf, Ltd.[5] [12]	Plano, Texas (USA)	USD	—	91	99
					92	1
94	Adams Golf IP, L.P.[5] [12]	Plano, Texas (USA)	USD	—	91	99
					92	1
95	Adams Golf Mgmt. Corp.[5] [12]	Plano, Texas (USA)	USD	—	92	100
96	WGU, LLC[5] [12]	Plano, Texas (USA)	USD	—	93	100
97	Reebok Securities Holdings LLC[2]	Wilmington, Delaware (USA)	USD	—	104	100
98	The Rockport Company, LLC	Wilmington, Delaware (USA)	USD	30,448	104	100
99	Textronics, Inc.	Wilmington, Delaware (USA)	USD	10,556	85	100
100	Ashworth Acquisition Corp.[5] [11]	Wilmington, Delaware (USA)	USD	—	88	100
101	Putter, LLC[5] [11]	Montgomery, Alabama (USA)	USD	—	100	100
102	Onfield Apparel Group, LLC[5] [7]	Dover, Delaware (USA)	USD	—	104	99
					103	1
103	Reebok Onfield, LLC[5] [7]	Dover, Delaware (USA)	USD	—	104	100
104	Reebok International Ltd.[2]	Canton, Massachusetts (USA)	USD	(1,102,976)	83	100
105	Sports Licensed Division of the adidas Group, LLC[7]	Boston, Massachusetts (USA)	USD	99,648	104	99
					97	1
106	Reebok-CCM Hockey U.S., Inc.[8]	Montpelier, Vermont (USA)	USD	56,754	104	100
107	Stone Age Equipment, Inc.	Redlands, California (USA)	USD	17,451	84	100
108	adidas Canada Ltd.	Concord, Ontario (Canada)	CAD	135,248	directly	100
109	Sport Maska Inc.	New Brunswick (Canada)	CAD	22,394	10	100
	Asia					
110	adidas Sourcing Limited	Hong Kong (China)	USD	285,929	11	100
111	adidas Services Limited	Hong Kong (China)	USD	9,240	10	100
112	adidas Hong Kong Ltd.	Hong Kong (China)	HKD	210,837	directly	100
113	Smedley Industries (Hong Kong) Limited[5] [8]	Hong Kong (China)	HKD	—	106	100
114	Reebok Trading (Far East) Limited	Hong Kong (China)	USD	42,797	104	100
115	adidas (Suzhou) Co. Ltd.	Suzhou (China)	CNY	222,145	4	100
116	adidas Sports (China) Co. Ltd.	Suzhou (China)	CNY	4,709,623	4	100
117	adidas (China) Ltd.	Shanghai (China)	CNY	190,097	10	100
118	Zhuhai adidas Technical Services Limited	Zhuhai (China)	USD	17,093	110	100
119	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	CNY	147,207	18	100
120	adidas Business Services (Dalian) Limited	Dalian (China)	CNY	(4,839)	10	100
121	adidas Japan K.K.	Tokyo (Japan)	JPY	7,993,633	25	100
122	Taylor Made Golf Co., Ltd.	Tokyo (Japan)	JPY	8,594,061	25	100
123	Adams Golf Japan, Inc.[5] [12]	Tokyo (Japan)	JPY	—	93	100
124	adidas Korea Ltd.	Seoul (Korea)	KRW	155,483,010	directly	100
125	Taylor Made Korea Ltd.	Seoul (Korea)	KRW	27,357,569	directly	100
126	adidas Korea Technical Services Limited	Pusan (Korea)	KRW	3,273,089	110	100
127	adidas India Private Ltd.[3]	New Delhi (India)	INR	6,896,375	directly	10.74
					10	89.26
128	adidas India Marketing Pvt. Ltd.[3]	New Delhi (India)	INR	—	127	98.99
					10	1.01
129	adidas Technical Services Pvt. Ltd.	New Delhi (India)	USD	1,150	110	100
130	Reebok India Company	New Delhi (India)	INR	(22,635,127)	141	93.15
131	PT adidas Indonesia	Jakarta (Indonesia)	IDR	124,620,276	10	99
					directly	1
132	adidas (Malaysia) Sdn. Bhd.	Kuala Lumpur (Malaysia)	MYR	49,395	directly	60
					10	40
133	adidas Philippines Inc.	Manila (Philippines)	PHP	352,581	directly	100
134	adidas Singapore Pte. Ltd.	Singapore (Singapore)	SGD	15,237	directly	100
135	adidas Taiwan Limited	Taipei (Taiwan)	TWD	878,628	10	100

1) Sub-group adidas UK 2) Sub-group Reebok International Ltd. 3) Sub-group India 4) Sub-group Taylor Made UK 5) Companies with no active business
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Shareholdings of adidas AG, Herzogenaurach (at December 31, 2013)

ATTACHMENT II

	Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
136	adidas Holding (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	(56,171)	indirectly	51
					directly	49
137	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	730,737	directly	100
138	adidas Australia Pty. Limited	Mulgrave (Australia)	AUD	76,341	10	100
139	adidas New Zealand Limited	Auckland (New Zealand)	NZD	10,242	directly	100
140	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	VND	(44,620,154)	10	100
141	Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	USD	2,194	104	99
					89	1
	Latin America					
142	adidas Argentina S.A.	Buenos Aires (Argentina)	ARS	340,183	10	95
					4	5
143	Reebok Argentina S.A.	Buenos Aires (Argentina)	ARS	19,482	10	26.13
					11	73.86
144	ASPA do Brasil Ltda.[5]	São Paulo (Brazil)	BRL	209	110	100
145	adidas do Brasil Ltda.	São Paulo (Brazil)	BRL	378,608	4	100
146	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	BRL	140	145	100
147	Reebok Produtos Esportivos Brasil Ltda.	Jundiai (Brazil)	BRL	(44,155)	10	99.99
148	adidas Chile Limitada	Santiago de Chile (Chile)	CLP	54,076,855	directly	99
					3	1
149	adidas Colombia Ltda.	Bogotá (Colombia)	COP	108,912	directly	100
150	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	MXN	(166,534)	directly	100
151	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	MXN	135,938	directly	100
152	Reebok de Mexico, S.A. de C.V.[5]	Mexico City (Mexico)	MXN	(391,736)	directly	100
153	adidas Latin America, S.A.	Panama City (Panama)	USD	911	directly	100
154	Concept Sport, S.A.	Panama City (Panama)	USD	358	10	100
155	adidas Market LAM, S.A.[5]	Panama City (Panama)	USD	0	10	100
156	3 Stripes S.A. (adidas Uruguay)[5]	Montevideo (Uruguay)	UYU	(436)	directly	100
157	Tafibal S.A.	Montevideo (Uruguay)	UYU	(2,019)	directly	100
158	Raelit S.A.	Montevideo (Uruguay)	UYU	(1,325)	directly	100
159	Reebok Central America S.A.[2]	San Pedro Sula (Honduras)	HNL	—	104	99.6
					89	0.4
160	adidas Corporation de Venezuela, S.A.[5]	Caracas (Venezuela)	VEF	(17)	directly	100
161	adisport Corporation	San Juan (Puerto Rico)	USD	(2,002)	10	100

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JANET RIES
ROCKPORT / GLOBAL
MARKETING ACTIVATION
CANTON, USA

FOR THE LOVE OF SPORT

Style made comfortable

"Hi, I am Janet and I am in an exciting position helping to drive Rockport's powerful brand promise loud and clear to the consumer. From working with internal departments in marketing and product creation right through to supporting our teams in the markets, it's an exciting time for the brand as we begin to more aggressively activate our new concepts in the market. Like on the new Seven to 7 closet essentials. They are beautifully styled, infused with modern comfort features, so you can go from 7am to 7pm without a shoe swap!"

For the love of sport.

05

ADDITIONAL INFORMATION

Ten-Year Overview

Ten-Year Overview

	2013	2012	2011 [1]
Income Statement Data (€ in millions)			
Net sales [3]	14,492	14,883	13,322
Gross profit [3]	7,140	7,103	6,329
Royalty and commission income [3]	104	105	93
Other operating income [3]	143	127	98
Other operating expenses [3]	6,133	6,150	5,567
EBITDA [3]	1,523	1,445	1,199
Operating profit [3] [4] [5]	1,254	1,185	953
Net financial result [3] [6]	(68)	(69)	(84)
Income before taxes [3] [4] [5] [6]	1,186	1,116	869
Income taxes [3]	344	327	261
Net income attributable to non-controlling interests [3] [6]	3	(2)	(5)
Net income attributable to shareholders [4] [5] [7]	839	791	613
Income Statement Ratios			
Gross margin [3]	49.3%	47.7%	47.5%
Operating margin [3] [4] [5]	8.7%	8.0%	7.2%
Interest coverage [3]	24.5	14.6	12.2
Effective tax rate [3] [4] [5]	29.0%	29.3%	30.0%
Net income attributable to shareholders in % of net sales [4] [5] [7]	5.8%	5.3%	4.6%
Net Sales by Brand (€ in millions)			
adidas	11,059	11,344	9,867
Reebok	1,599	1,667	1,940
TaylorMade-adidas Golf	1,285	1,344	1,044
Rockport	289	285	261
Reebok-CCM Hockey	260	243	210
Net Sales by Product Category (€ in millions)			
Footwear [3]	6,873	6,922	6,242
Apparel [3]	5,813	6,290	5,733
Hardware [3]	1,806	1,671	1,347
Balance Sheet Data (€ in millions)			
Total assets [6]	11,599	11,651	11,237
Inventories	2,634	2,486	2,502
Receivables and other current assets	2,583	2,444	2,431
Working capital [6]	2,125	2,504	1,990
Net cash/(net borrowings)	295	448	90
Shareholders' equity [6]	5,489	5,304	5,137

Rounding differences may arise in percentages and totals.
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
2) Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006 onwards.
3) 2004 and 2005 reflect continuing operations as a result of the divestiture of the Salomon business segment.
4) Excluding goodwill impairment of € 52 million in 2013.
5) Excluding goodwill impairment of € 265 million in 2012.
6) 2004 figures have been restated due to application of IAS 32/IAS 39 and amendment to IAS 19.
7) Includes income from continuing and discontinued operations.
8) Figures adjusted for 1:4 share split conducted on June 6, 2006.
9) Subject to Annual General Meeting approval.

2010	2009	2008	2007	2006[2]	2005	2004
11,990	10,381	10,799	10,299	10,084	6,636	5,860
5,730	4,712	5,256	4,882	4,495	3,197	2,813
100	86	89	102	90	47	42
110	100	103	80	55	36	n.a.
5,046	4,390	4,378	4,115	3,759	2,573	n.a.
1,159	780	1,280	1,165	1,078	806	716
894	508	1,070	949	881	707	584
(88)	(150)	(166)	(135)	(158)	(52)	(59)
806	358	904	815	723	655	526
238	113	260	260	227	221	193
(1)	0	(2)	(4)	(13)	(8)	(7)
567	245	642	551	483	383	314
47.8%	45.4%	48.7%	47.4%	44.6%	48.2%	48.0%
7.5%	4.9%	9.9%	9.2%	8.7%	10.7%	10.0%
10.1	3.9	7.4	6.8	5.9	18.4	10.2
29.5%	31.5%	28.8%	31.8%	31.4%	33.7%	36.7%
4.7%	2.4%	5.9%	5.4%	4.8%	5.8%	5.4%
8,714	7,520	7,821	7,113	6,626	5,861	5,174
1,913	1,603	1,717	1,831	1,979	—	—
909	831	812	804	856	709	633
252	232	243	291	293	—	—
200	177	188	210	202	—	—
5,389	4,642	4,919	4,751	4,733	2,978	2,620
5,380	4,663	4,775	4,426	4,105	2,798	2,462
1,221	1,076	1,105	1,121	1,246	860	778
10,618	8,875	9,533	8,325	8,379	5,750	4,434
2,119	1,471	1,995	1,629	1,607	1,230	1,155
2,324	2,038	2,523	2,048	1,913	1,551	1,425
1,972	1,649	1,290	1,522	1,733	2,644	1,336
(221)	(917)	(2,189)	(1,766)	(2,231)	551	(665)
4,616	3,771	3,386	3,023	2,828	2,684	1,544

.. ⁄ **Ten-Year Overview** (continued)

	2013	2012	2011 [1]
Balance Sheet Ratios			
Net borrowings/EBITDA [3]	(0.2)	(0.3)	(0.1)
Average operating working capital in % of net sales	20.9%	20.0%	20.4%
Financial leverage [6]	(5.4%)	(8.5%)	(1.8%)
Equity ratio [6]	47.3%	45.5%	45.7%
Equity-to-fixed-assets ratio [6]	115.8%	111.1%	104.6%
Asset coverage I [6]	145.0%	152.7%	140.7%
Asset coverage II [6]	93.2%	100.4%	93.2%
Fixed asset intensity of investments	40.9%	41.0%	43.7%
Current asset intensity of investments	59.1%	59.0%	56.3%
Liquidity I [6]	34.4%	44.3%	31.6%
Liquidity II [6]	72.6%	82.9%	68.3%
Liquidity III [6]	128.3%	139.7%	126.0%
Working capital turnover [6]	6.8	5.9	6.7
Return on equity [6] [7]	14.3%	9.9%	11.9%
Return on capital employed [6] [7]	23.6%	19.3%	19.9%
Data Per Share [8]			
Share price at year-end (in €)	92.64	67.33	50.26
Basic earnings [4] [5] [7] (in €)	4.01	3.78	2.93
Diluted earnings [4] [5] [7] (in €)	4.01	3.78	2.93
Price/earnings ratio at year-end [4] [5]	23.1	17.8	17.1
Market capitalisation at year-end (€ in millions)	19,382	14,087	10,515
Net cash generated from operating activities (in €)	3.03	4.50	3.86
Dividend (in €)	1.50 [9]	1.35	1.00
Dividend payout ratio [4] [5] (in %)	37.4	35.7	34.1
Number of shares outstanding at year-end (in thousands)	209,216	209,216	209,216
Employees			
Number of employees at year-end [3]	50,728	46,306	46,824
Personnel expenses [3] (€ in millions)	1,876	1,872	1,646

Rounding differences may arise in percentages and totals.
1) 2011 restated according to IAS 8 in the 2012 consolidated financial statements. Prior years are not restated.
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8) Figures adjusted for 1:4 share split conducted on June 6, 2006.
9) Subject to Annual General Meeting approval.

	2010	2009	2008	2007	2006[2]	2005	2004
	0.2	1.2	1.7	1.5	2.1	(0.7)	0.9
	20.8%	24.3%	24.5%	25.2%	25.8%	26.0%	28.4%
	4.8%	24.3%	64.6%	58.4%	78.9%	(20.5%)	43.1%
	43.5%	42.5%	35.5%	36.3%	33.8%	46.7%	34.8%
	97.4%	85.9%	73.6%	72.2%	63.5%	194.0%	110.4%
	141.5%	137.4%	127.7%	136.1%	138.7%	284.1%	194.1%
	97.7%	102.9%	89.1%	98.0%	102.0%	150.4%	106.3%
	44.6%	49.5%	48.2%	50.3%	53.2%	24.1%	31.6%
	55.4%	50.5%	51.8%	49.7%	46.8%	75.9%	68.4%
	35.5%	30.0%	10.5%	14.5%	15.8%	92.0%	26.8%
	78.2%	80.4%	55.1%	70.3%	80.4%	148.0%	88.4%
	132.4%	132.2%	109.8%	132.6%	153.7%	219.4%	156.4%
	6.1	6.3	8.4	6.8	5.8	2.6	4.4
	12.3%	6.5%	18.9%	18.2%	17.1%	14.3%	20.4%
	20.2%	11.3%	19.8%	20.2%	17.6%	49.3%	27.5%
	48.89	37.77	27.14	51.26	37.73	40.00	29.69
	2.71	1.25	3.25	2.71	2.37	2.05	1.72
	2.71	1.22	3.07	2.57	2.25	1.93	1.64
	18.0	31.0	8.8	19.9	16.8	20.7	18.1
	10,229	7,902	5,252	10,438	7,679	8,122	5,446
	4.28	6.11	2.52	3.83	3.74	1.88	3.17
	0.80	0.35	0.50	0.50	0.42	0.33	0.33
	29.5	29.8	15.1	18.0	17.7	17.2	18.9
	209,216	209,216	193,516	203,629	203,537	203,047	183,436
	42,541	39,596	38,982	31,344	26,376	15,935	14,254
	1,521	1,352	1,283	1,186	1,087	706	637

Glossary

A

AFIRM (Apparel and Footwear International Restricted Substances List Management Working Group)
A centre of excellence comprising experts whose aim is to reduce the use and impact of harmful substances in the apparel and footwear supply chains :// **WWW.AFIRM-GROUP.COM**.

American Depositary Receipt (ADR)
US-traded negotiable certificate of a foreign-based company held by a US bank that entitles the holder to all dividends and rights of the underlying stock. ADRs provide a way for US-based investors to invest in foreign-based companies by buying their shares in the USA instead of through an overseas exchange.

B

Backlogs
Also called order backlogs. The value of orders received for future delivery. Most retailers' orders are received six to nine months in advance.

Basic Earnings Per Share (Basic EPS)
Performance indicator used to gauge a company's earnings per share, based on the number of shares outstanding.
Basic EPS = net income attributable to shareholders / weighted average number of shares outstanding during the year / **SEE ALSO DILUTED EARNINGS PER SHARE**.

Beta factor
Indicates a stock's relative risk. A beta factor of more than one indicates that the stock has a higher risk than the overall market. Conversely, a beta factor of less than one indicates a lower risk.

Better Cotton Initiative (BCI)
An initiative created through a collaboration between the World Wildlife Fund (WWF) and a wide range of stakeholders involved in the cotton supply chain. BCI aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more economically, environmentally and socially sustainable :// **WWW.BETTERCOTTON.ORG**.

C

Capital charge
A payment for capital employed by a given business unit. The asset base includes operating working capital as well as other assets needed by a market or operating unit in its day-to-day activities.
Capital charge = asset base x weighted average cost of capital (WACC)

Capital expenditure
Total cash expenditure used for the purchase of tangible and intangible assets, excluding acquisitions and finance leases.

Cash pooling
A cash management technique for physical concentration of cash. Cash pooling allows the adidas Group to combine credit and debit positions from various accounts and several subsidiaries into one central account. This technique supports our in-house bank concept where advantages are taken of any surplus funds of subsidiaries to cover cash requirements of other subsidiaries, thus reducing external financing needs and optimising our net interest expenses.

Commercial paper
Tradable unsecured promissory notes issued for the purpose of short-term financing. Commercial paper is issued on an ongoing, revolving basis with maturities typically between seven days and twelve months or more.

Comparable (comp) store sales
Sales generated in stores which have been open for the entire prior financial year and are currently operating. Remodelled stores are included if the store format and store size have remained unchanged. Comparable store sales therefore show the organic growth of the Retail segment and do not include sales generated from new store openings.

Computer-aided design (CAD)
The use of computer technology for the process of design and design documentation.

Concession corners
Retail space that is fully operated by one brand of the adidas Group and is part of a larger sales area operated by a retail partner.

Consumer price index (CPI)
Measure of the average price of consumer goods and services purchased by households. Determined by measuring the price of a standard group of goods meant to represent the typical market basket of a typical urban consumer. The percentage change in the CPI is a measure of inflation.

Controlled space
Includes own-retail business, mono-branded franchise stores, shop-in-shops, joint ventures with retail partners and co-branded stores. Controlled space offers a high level of brand control and ensures optimal product offering and presentation according to brand requirements.

Conversion rate
A key ratio in retail business describing the number of buying customers compared to those who entered the store without buying something; i.e. a 25% conversion rate means that 100 persons entered a store with 25 of them buying something.

Cost of sales
The amount paid to third parties for expenses associated with producing and delivering our products. Own-production expenses are also included in the cost of sales. However, these expenses represent only a very small portion of total cost of sales.

Credit default swap (CDS)
A derivative in which the buyer of the CDS makes a payment to the seller and, in exchange, receives a payoff if a credit instrument (typically a bond or loan) undergoes a defined "credit event", often described as a default (failure to pay).

Credit spread
Risk premium which represents the yield difference between risk-free government bonds and corporate bonds with the same duration. A potential investor demands an additional yield (risk premium = credit spread) for the higher risk of default with corporate bonds versus government bonds.

Currency-neutral
This figure eliminates variances arising from currency translation and thus reflects the underlying business performance.

Customer Relationship Management (CRM)
Capabilities and methodologies used by a company with its customers to systematically design and build customer relationships and processes.

D

Days of Sales Outstanding (DSO)
Average time of receipt of outstanding payments from customers.

Diluted Earnings Per Share (Diluted EPS)
Performance indicator used to gauge a company's earnings per share, assuming that all stock options and conversion rights related to a convertible bond are exercised, which would result in an increase of the number of shares outstanding.
Diluted EPS = (net income attributable to shareholders + interest expense on convertible bonds net of tax) / (weighted average number of shares outstanding during the year + weighted share options + shares from assumed conversion of convertible bonds)

DryDye
A fabric dyeing technology that uses pressurised carbon dioxide to inject dye into fabric instead of water, which is the traditional medium for fabric dyeing. This process saves roughly 25 litres of water for a T-shirt and reduces energy and chemical use by approximately 50%. The technology was developed in cooperation between adidas and the Thailand-based Yeh Group.

E

EBITDA
Earnings before interest, taxes, depreciation, amortisation and impairment losses as well as reversals of impairment losses for tangible and intangible assets.

Economic value added (EVA)
A measure of a company's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit (after tax). EVA can thus also be described as the surplus profit over the WACC demanded by the capital market, indicating whether shareholders have earned a return that compensates the risk.
EVA = operating profit after tax – cost of capital

Emerging markets
Developing countries showing potential for growth in both economic strength and private wealth in the future. For the adidas Group, emerging markets are the developing countries of Asia, Eastern Europe, Latin America and Africa.

Enterprise Resource Planning (ERP)
A business management system that integrates all facets of the business (e.g. planning, manufacturing, sales and marketing).

Equity derivatives
Class of derivatives whose value is at least partly derived from one or more underlying equity securities. Options and forward contracts are by far the most common equity derivatives. However, there are many other types of equity derivatives that are actively traded.

Equity ratio
Shows the role of shareholders' equity within the overall financing structure of a company.
Equity ratio = (shareholders' equity / total assets) × 100

E-tailer
Retailer that primarily uses the internet as a medium for consumers to shop for the goods or services provided. E-tailers optimise the internet's potential to attract, convert and retain consumers.

F

Fair Factories Clearinghouse (FFC)
Established in 2004 with the purpose of improving social, environmental and security standards and helping to create humane working conditions for workers making consumer goods globally. Membership includes many sporting and consumer goods companies as well as a wide range of consumer goods suppliers :// **WWW.FAIRFACTORIES.ORG**.

Fair Labor Association (FLA)
A non-profit labour rights organisation and multi-stakeholder initiative bringing together companies, colleges and universities and civil society organisations to improve working conditions worldwide by promoting adherence to international and national labour laws :// **WWW.FAIRLABOR.ORG**.

Fair value
Amount at which assets are generally traded between business parties. Fair value is often identical to market price.

Finance lease
Method of acquiring an asset that involves a lease with a special leasing company for a specific, non-terminable initial leasing term. The investment risk is borne by the lessee.

Financial leverage
Ratio reflecting the role of borrowings within the financing structure of a company.
Financial leverage = (net borrowings / shareholders' equity) × 100

Forward contract
Agreement to exchange amounts of one currency for another currency at an agreed fixed rate at a future date.

Free cash flow
Cash that is generated by a company's operating activities after the deduction of net investments and other cash expenses such as taxes and interest from the operating profit.
Free cash flow = operating profit +/– change in operating working capital +/– net investments (capital expenditure less depreciation and amortisation) +/– financial result and income taxes

⁄ G

German Co-Determination Act (Mitbestimmungsgesetz – MitbestG)
An act that governs the form of co-determination of employees in corporations employing more than 2,000 employees. It stipulates, among other things, that such a corporation's Supervisory Board must be composed of an equal number of employee and shareholder representatives.

Goodwill
Intangible asset that quantifies the price that a buyer of a company has paid for the reputation, know-how and market position of the acquired company. Goodwill is the excess of the amount paid over the fair value of the net assets acquired at the purchase date. It is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Go-to-market
All instruments, tools and channels used to connect with customers in order to best fulfil their needs, prior to the launch and/or the commercialisation of a new product.

Grassroots events
Events that involve the advertising and promotion of products and/or services on a local and/or personal level. A message is shared with a small group of influencers within a target group. If successful, these then spread the marketing message, e.g. by sharing it with others in person, on social media platforms or writing a recommendation.

Green grass retailers
Golf distribution channel. Small golf specialty shops typically located at a golf course.

Gross margin
Gross profit as a percentage of net sales.
Gross margin = (gross profit / net sales) × 100

⁄ H

Halo effect
Refers to the cognitive bias effect that, when we consider something good (or bad) in one category, we are likely to make a similar evaluation in other (related) categories.

Hardware
A product category which comprises equipment that is used rather than worn by the consumer, such as bags, balls, fitness equipment, golf clubs and hockey sticks.

Hedging
A strategy used to minimise exposure to changes in prices, interest rates or exchange rates by means of derivative financial instruments (options, swaps, forward contracts, etc.) ⁄ **SEE ALSO NATURAL HEDGES**.

⁄ I

Institutional investors
Investors such as investment companies, mutual funds, brokerages, insurance companies, pension funds, investment banks and endowment funds. They are financially sophisticated, with a high degree of knowledge of investment vehicles and risks, and have the means to make large and long-term investments.

International Financial Reporting Standards (IFRS)
Reporting standards (formerly called IAS) which have been issued by the International Accounting Standards Board (IASB). The objective is to achieve uniformity and transparency in the accounting principles that are used by businesses and other organisations for financial reporting around the world.

International Labour Organization (ILO)
A specialised agency of the United Nations that engages in formulating and implementing international social and workplace standards and guidelines :⁄⁄ **WWW.ILO.ORG**.

ISO 14001
International Organization for Standardization (ISO) standard that specifies the requirements for an environmental management system within companies and organisations. It applies to those environmental aspects over which the organisation has control and over which it can be expected to have an influence (e.g. energy and water consumption).

⁄ J

Joint venture
A cooperation between companies involving the foundation of a new, legally independent business entity in which the founding companies (two or more companies) participate with equity and significant resources.

⁄ K

Key accounts
Wholesalers or retailers which are considered to be primary customers for the adidas Group and account for a large percentage of sales.

Kinesiology
The scientific study of the mechanisms associated with human movement.

⁄ L

Leather Working Group (LWG)
Formed in April 2005 to promote sustainable and appropriate environmental stewardship practices within the leather industry :⁄⁄ **WWW.LEATHERWORKINGGROUP.COM**.

LGBT
An acronym that stands for lesbian, gay, bisexual and transgender.

Licensed apparel
Apparel products which are produced and marketed under a licence agreement. The adidas Group has licence agreements with several associations (e.g. FIFA, UEFA), leagues (e.g. NBA, NHL), teams (e.g. Real Madrid, AC Milan) and universities (e.g. UCLA, Notre Dame).

Licensees
Companies that have the authorisation to use the name of a brand or business for the production and sale of products. For example, for adidas, licensed products include cosmetics, watches and eyewear, for Reebok, fitness equipment.

Lien
The right to take and hold or sell the asset of a debtor as security or payment for a debt.

Liquidity I, II, III
The liquidity ratio indicates how quickly a company can liquidate its assets to pay for current liabilities.
Liquidity I:
[(Cash + short-term financial assets) / current liabilities] × 100
Liquidity II:
[(Cash + short-term financial assets + accounts receivable) / current liabilities] × 100
Liquidity III:
[(Cash + short-term financial assets + accounts receivable + inventories) / current liabilities] × 100

⁄ M

Market capitalisation
Total market value of all shares outstanding.
Market capitalisation = number of shares outstanding × current market price

Marketing working budget (MWB)
Promotion and communication spending including sponsorship contracts with teams and individual athletes, as well as advertising, events and other communication activities, but excluding marketing overhead expenses. As marketing working budget expenses are not distribution channel specific, they are not allocated to the adidas Group's operating segments.

Mature markets
Developed countries which have highly industrialised economies, high income levels and in which most people have a high standard of living. For the adidas Group, mature markets are the high-income countries of Western Europe, North America and Japan.

Mono-branded franchise stores
Stores that are not operated or owned by the adidas Group but by franchise partners. This concept is used especially in the emerging markets such as China, benefiting from local expertise of the respective franchise partners.

⁄ N

Natural hedges
Offset of currency risks that occurs naturally as a result of a company's normal operations, without the use of derivatives. For example, revenue received in a foreign currency and used to pay known commitments in the same foreign currency.

Net cash/Net borrowings
Net cash is when the sum of cash and short-term financial assets exceeds gross borrowings. Net borrowings is the portion of gross borrowings not covered by the sum of cash and short-term financial assets.
Net cash/Net borrowings = cash and cash equivalents + short-term financial assets – short-term borrowings – long-term borrowings

Non-controlling interests
Part of net income or equity which is not attributable to the shareholders of the reporting company as it relates to outside ownership interests in subsidiaries that are consolidated with the parent company for financial reporting purposes.

⁄ O

OHSAS 18000
An international occupational health and safety management system specification.

ÖKO-Tex Standard 100
An international testing and certification system for textiles, defining and limiting the use of certain chemicals.

Omni-channel sales approach
Describes the ambition to achieve a globally consistent product offer, brand communication, availability and service across all sales channels (Wholesale, Retail and eCommerce) and consumer touchpoints.

Operating cash flow
Comprises operating profit, change in operating working capital and net investments.
Operating cash flow = operating profit +/– change in operating working capital +/– net investments (capital expenditure less depreciation and amortisation)

Operating lease
Method of leasing assets over periods less than the expected lifetime of those assets. An operating lease is accounted for by the lessee without showing an asset or a liability on the balance sheet. Periodic payments are accounted for by the lessee as operating expenses for the period.

Operating overheads
Expenses which are not directly attributable to the products or services sold, such as costs for distribution, marketing overhead costs, logistics, research and development, as well as general and administrative costs, but not including costs for promotion, advertising and communication.

Operating working capital
A company's short-term disposable capital which is used to finance its day-to-day business. In comparison to working capital, operating working capital does not include non-operational items such as financial assets and taxes.
Operating working capital = accounts receivable + inventories – accounts payable ⁄ **SEE ALSO WORKING CAPITAL**.

Option
Financial instrument which ensures the right to purchase (call option) or to sell (put option) a particular asset (e.g. shares or foreign exchange) at a predetermined price (strike price) on or before a specific date.

P

Parallel imports
Goods that are transferred via a non-authorised channel from lower-priced countries into higher-priced countries. They are the result of retailers and/or end consumers trying to profit from price differences between two countries.

Payment factory
A centralised process to execute all active payment transactions (transfers, direct debits, etc.). It supports a harmonised and standardised external and internal payment process and executes payments from local bank accounts owned by subsidiaries or on behalf of adidas AG. In addition, the payment factory collects all electronic bank statements.

Performance business
In the sporting goods industry, performance business relates to technical footwear and apparel used primarily in doing sports.

Price-earnings ratio (P/E)
A company's share price divided by its current or future diluted earnings per share. The P/E ratio is used by investors as a fundamental measure of the attractiveness of a particular security versus other securities or the overall market. It is usually more useful to compare P/E ratios of one company to other companies in a similar industry. In general, a high P/E ratio suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.

Price points
Specific selling prices, normally using "psychological" numbers, e.g. a product price of US $ 99.99 instead of US $ 100.

Private placement
Placement of debt securities directly to institutional investors, such as banks, mutual funds, insurance companies, pension funds and foundations.

Profit protection
A business activity (mainly found within retail companies) designed to reduce preventable losses caused, for example, by theft, fraud, vandalism, waste, abuse, misconduct or failure by employees to follow existing policies or procedures.

Promotion partnerships
Partnerships with events, associations, leagues, clubs and individual athletes. In exchange for the services of promoting the adidas Group, the party is provided with products and/or cash and/or promotional materials.

R

Regions
The adidas Group distinguishes six regions: Western Europe, European Emerging Markets, North America, Greater China, Other Asian Markets and Latin America.

RFID
Radio-frequency identification (RFID) is the wireless non-contact use of radio-frequency electromagnetic fields to transfer data, for the purposes of automatically identifying and tracking tags attached to objects.

Risk-free rate
Rate of return to be expected on a risk-free investment.

Risk premium
Extra return that the overall market or a particular stock must provide over the risk-free rate to compensate an investor for taking a relatively higher risk.
Risk premium = overall market rate – risk-free rate

Rolling forecast
A projection about the future that is updated at regular intervals, keeping the forecasting period constant (e.g. twelve months).

S

Sales working budget
Expenditures that relate to advertising and promotion initiatives at the point of sale as well as to store fittings and furniture. As sales working budget expenses are channel-specific, they are allocated to the adidas Group's operating segments.

Segment
Also called business segment. Units within a company that have profit and loss responsibility. The adidas Group is currently divided into six business segments: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands.

Sell-through
An indicator of how fast retailers are selling a particular product to the consumer.

Share turnover
The total value of all shares traded in the share price currency over a specific period of time (normally daily). It is calculated by multiplying the number of shares traded by the respective price.

Shop-in-shop
An exclusive adidas, Reebok or Rockport area within a wholesale partner's or retailer's store. The concept may be operated by the store or the adidas Group, depending on individual arrangements. The goal of this distribution method is to give consumers a similar experience to an own-retail environment, albeit on a smaller scale.

Signature collection
A collection which is developed in close collaboration with top athletes and personalities, bearing the signature, logo and/or name of the athlete. The offering can be either a single product or a broader product family (footwear, apparel and hardware).

Single-sourcing model
Supply chain activities limited to one specific supplier. Due to the dependency on only one supplier, the adidas Group can face disadvantages during the sourcing process.

Socially responsible investment (SRI)
SRIs evaluate a company's efforts through in-depth analysis of sustainability programmes and consider these aspects in the investment decision process. The evaluation looks at how companies approach their social and environmental responsibilities.

Swap
A derivative in which two counterparties agree to exchange one stream of cash flows against another stream.

Syndicated loan
A loan that is provided by a group of lenders and is structured, arranged and administered by one or several commercial banks or investment banks, known as arrangers.

T

Top and bottom line
A company's bottom line is its net income attributable to shareholders. More specifically, the bottom line is a company's income after all expenses have been deducted from revenues. The top line refers to a company's sales or revenues.

Top-down, bottom-up
A specific concept for information and knowledge processing. In a first step, information and empowerment of management decisions is delegated from top to bottom. After going into more detail on the bottom level, the final information and decision are then transported back to the top.

Toxproof/TÜV Rheinland
A safety mark issued by TÜV Rheinland, especially for testing the quantities of toxins in products.

Trend scouting
Identification and commercialisation of future trends, particularly lifestyle trends.

V

Vertical retailer
A retail company that (vertically) controls the entire design, production and distribution processes of its products.

Visual merchandising
Activity of promoting the sale of goods, especially by their presentation at the point of sale. This includes combining products, environments and spaces into a stimulating and engaging display to encourage the sale of a product or service.

Volatile Organic Compounds (VOCs)
Organic chemical compounds that can vaporise into the air and may be harmful and cause breathing and health problems. VOCs are by-products of the shoe manufacturing process.

W

Weighted average cost of capital (WACC)
Calculation of the cost of capital according to the debt/equity structure, utilising a weighted average cost of capital (WACC) formula. The cost of equity is typically computed utilising a risk-free rate, market risk premium and a beta factor. The cost of debt is calculated through the risk-free rate, credit spread and average tax rate.

Working capital
A company's short-term disposable capital used to finance day-to-day operations.
Working capital = total current assets – total current liabilities / **SEE ALSO OPERATING WORKING CAPITAL**.

World Business Council for Sustainable Development (WBCSD)
A global association of around 200 international companies dealing exclusively with business and sustainable development :// **WWW.WBCSD.ORG**.

World Federation of the Sporting Goods Industry (WFSGI)
An independent non-profit organisation formed by sporting goods brands, manufacturers, suppliers, retailers and other sporting industry-related businesses. It is the world authoritative body for the sporting goods industry and is officially recognised by the International Olympic Committee (IOC) as the industry representative :// **WWW.WFSGI.ORG**.

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Declaration of Support

adidas AG declares support, except in the case of political risk, that the below-mentioned companies are able to meet their contractual liabilities. This declaration replaces the declaration dated February 22, 2013. The 2013 Declaration of Support is no longer valid.

Adams Golf, LLC., Plano, Texas, USA
adidas (China) Ltd., Shanghai, China
adidas (Cyprus) Limited, Nicosia, Cyprus
adidas (Ireland) Limited, Dublin, Ireland
adidas (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
adidas (South Africa) (Pty) Ltd., Cape Town, South Africa
adidas (Suzhou) Co. Ltd., Suzhou, China
adidas (Thailand) Co., Ltd., Bangkok, Thailand
adidas (UK) Limited, Stockport, Great Britain
adidas America, Inc., Portland, Oregon, USA
adidas Argentina S.A., Buenos Aires, Argentina
adidas Australia Pty. Limited, Mulgrave, Australia
adidas Austria GmbH, Klagenfurt, Austria
adidas Baltics SIA, Riga, Latvia
adidas Belgium N.V., Brussels, Belgium
adidas Benelux B.V., Amsterdam, Netherlands
adidas Budapest Kft., Budapest, Hungary
adidas Bulgaria EAD, Sofia, Bulgaria
adidas Business Services Lda., Maia, Portugal
adidas Business Services (Dalian) Limited, Dalian, China
adidas Canada Ltd., Concord, Ontario, Canada
adidas CDC Immobilieninvest GmbH, Herzogenaurach, Germany
adidas Chile Limitada, Santiago de Chile, Chile
adidas Colombia Ltda., Bogotá, Colombia
adidas CR s.r.o., Prague, Czech Republic
adidas Croatia d.o.o., Zagreb, Croatia
adidas Danmark A/S, Århus, Denmark
adidas de Mexico, S.A. de C.V., Mexico City, Mexico
adidas do Brasil Ltda., São Paulo, Brazil
adidas Emerging Market L.L.C., Dubai, United Arab Emirates
adidas Emerging Markets FZE, Dubai, United Arab Emirates
adidas Espana S.A.U, Zaragoza, Spain
adidas France S.a.r.l., Landersheim, France
adidas Hellas A.E., Thessaloniki, Greece
adidas Hong Kong Ltd., Hong Kong, China
adidas Imports & Exports Ltd., Cairo, Egypt
adidas India Marketing Pvt. Ltd., New Delhi, India
adidas Industrial, S.A. de C.V., Mexico City, Mexico
adidas Insurance & Risk Consultants GmbH, Herzogenaurach, Germany
adidas International B.V., Amsterdam, Netherlands
adidas International Finance B.V., Amsterdam, Netherlands
adidas International Marketing B.V., Amsterdam, Netherlands
adidas International Property Holding B.V., Amsterdam, Netherlands
adidas International Re Limited, Dublin, Ireland
adidas International Trading B.V., Amsterdam, Netherlands
adidas International, Inc., Portland, Oregon, USA
adidas Italy S.p.A, Monza, Italy
adidas Japan K.K., Tokyo, Japan
adidas Korea Ltd., Seoul, Korea
adidas Latin America, S.A., Panama City, Panama
adidas Levant Limited – Jordan, Amman, Jordan
adidas LLP, Almaty, Republic of Kazakhstan
adidas Logistics (Tianjin) Co., Ltd., Tianjin, China
adidas New Zealand Limited, Auckland, New Zealand
adidas Norge AS, Lillestrom, Norway
adidas North America, Inc., Portland, Oregon, USA
adidas Philippines Inc., Manila, Philippines
adidas Poland Sp.z o.o., Warsaw, Poland
adidas Portugal - Artigos de Desporto, S.A., Lisbon, Portugal
adidas Romania S.R.L., Bucharest, Romania
adidas Serbia d.o.o., New Belgrade, Serbia
adidas Services Limited, Hong Kong, China
adidas Singapore Pte. Ltd., Singapore, Singapore
adidas Slovakia s.r.o., Bratislava, Slovak Republic
adidas Sourcing Limited, Hong Kong, China
adidas Spor Malzemeleri Satis ve Pazarlama A.S., Istanbul, Turkey
adidas sport gmbh, Cham, Switzerland
adidas Sporting Goods Ltd., Cairo, Egypt
adidas Sports (China) Co. Ltd., Suzhou, China
adidas Suomi Oy, Helsinki, Finland
adidas Sverige AB, Solna, Sweden
adidas Taiwan Limited, Taipei, Taiwan
adidas Team, Inc., Portland, Oregon, USA
adidas Trgovina d.o.o., Ljubljana, Slovenia
adidas Vietnam Company Limited, Ho Chi Minh City, Vietnam
adisport Corporation, San Juan, Puerto Rico
Concept Sport, S.A., Panama City, Panama
GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG, Herzogenaurach, Germany
Global Merchandising, S.L., Madrid, Spain
Hydra Ventures B.V., Amsterdam, Netherlands
LLC "adidas, Ltd.", Moscow, Russia
PT adidas Indonesia, Jakarta, Indonesia
Raelit S.A., Montevideo, Uruguay
Reebok International Limited, London, Great Britain
Reebok International Ltd., Canton, Massachusetts, USA
Reebok-CCM Hockey AB, Malung, Sweden
Reebok-CCM Hockey AS, Gressvik, Norway
Reebok-CCM Hockey Oy, Forssa, Finland
Reebok-CCM Hockey U.S. Inc., Montpelier, Vermont, USA
Reebok Israel Ltd. (formerly adidas Israel Ltd.), Holon, Israel
Rockport (Europe) B.V., Amsterdam, Netherlands
SC "adidas-Ukraine", Kiev, Ukraine
Sport Maska Inc., New Brunswick, Canada
Sports Licensed Division of the adidas Group, LLC, Boston, Massachusetts, USA
Stone Age Equipment, Inc., Redlands, California, USA
Tafibal S.A., Montevideo, Uruguay
Taylor Made Golf Co., Inc., Carlsbad, California, USA
Taylor Made Golf Co., Ltd., Tokyo, Japan
Taylor Made Golf Limited, Basingstoke, Great Britain
Taylor Made Korea Ltd., Seoul, Korea
Textronics, Inc., Wilmington, Delaware, USA
The Rockport Company, LLC, Wilmington, Delaware, USA
Trafford Park DC Limited (formerly Reebok Finance Limited), London, Great Britain

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This report is also available in German.
For further adidas Group publications,
please see our corporate website or download our
Investor Relations and Media App from the App Store.

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

Concept and Design
Strichpunkt, Stuttgart / Berlin

FINANCIAL CALENDAR
2014

March 5, 2014

Full Year 2013 Results

Press conference
in Herzogenaurach, Germany
Press release, analyst conference call
and webcast
Publication of 2013 Annual Report

May 6, 2014

First Quarter 2014 Results

Press release, conference call and webcast
Publication of First Quarter 2014 Report

May 8, 2014

Annual General Meeting

Fuerth (Bavaria), Germany
Webcast

May 9, 2014

Dividend payment

(Subject to Annual General Meeting approval)

August 7, 2014

First Half 2014 Results

Press release, conference call and webcast
Publication of First Half 2014 Report

November 6, 2014

Nine Months 2014 Results

Press release, conference call and webcast
Publication of Nine Months 2014 Report

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