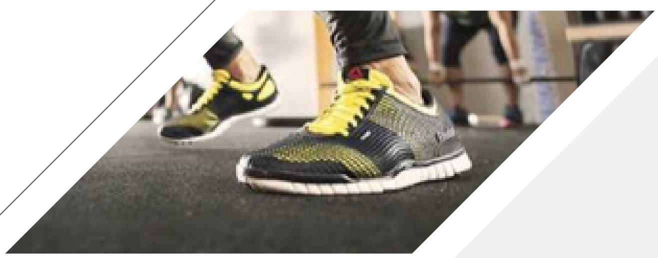
adidas
GROUP



FOR THE LOVE OF SPORT

Q1

First Quarter Report
January – March
2014

01 TO OUR SHAREHOLDERS

01.1 First Quarter Results at a Glance 3
01.2 Financial Highlights 4
01.3 Operational and Sporting Highlights 5
01.4 Letter from the CEO 7
01.5 Our Share 11

02 INTERIM GROUP MANAGEMENT REPORT

02.1 Group Business Performance 14
- Economic and Sector Development 14
- Income Statement 15
- Statement of Financial Position and Statement of Cash Flows 19

02.2 Business Performance by Segment 22
- Wholesale Business Performance 22
- Retail Business Performance 24
- Other Businesses Performance 26

02.3 Subsequent Events and Outlook 28

03 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

03.1 Consolidated Statement of Financial Position 33
03.2 Consolidated Income Statement 35
03.3 Consolidated Statement of Comprehensive Income 36
03.4 Consolidated Statement of Changes in Equity 37
03.5 Consolidated Statement of Cash Flows 38
03.6 Selected Explanatory Notes to the Interim Consolidated Financial Statements 39

04 ADDITIONAL INFORMATION

04.1 Executive and Supervisory Boards 42
04.2 Financial Calendar 2014 44
04.3 Publishing Details & Contact 45

01 First Quarter Results at a Glance (€ in millions)

	First quarter 2014	First quarter 2013	Change
Group			
Net sales	3,533	3,751	(5.8%)
Gross profit	1,736	1,881	(7.7%)
Gross margin	49.1%	50.1%	(1.0pp)
Operating profit	303	442	(31.4%)
Operating margin	8.6%	11.8%	(3.2pp)
Wholesale			
Net sales	2,357	2,481	(5.0%)
Gross profit	1,033	1,100	(6.0%)
Gross margin	43.8%	44.3%	(0.5pp)
Segmental operating profit	838	893	(6.1%)
Segmental operating margin	35.6%	36.0%	(0.4pp)
Retail			
Net sales	794	722	10.0%
Gross profit	476	438	8.6%
Gross margin	59.9%	60.7%	(0.8pp)
Segmental operating profit	105	101	3.7%
Segmental operating margin	13.2%	14.0%	(0.8pp)
Other Businesses			
Net sales	382	548	(30.2%)
Gross profit	149	244	(38.9%)
Gross margin	39.0%	44.6%	(5.5pp)
Segmental operating profit	75	172	(56.5%)
Segmental operating margin	19.5%	31.3%	(11.8pp)
Sales by Brand			
adidas	2,826	2,858	(1.1%)
Reebok	358	378	(5.3%)
TaylorMade-adidas Golf	264	423	(37.7%)
Rockport	53	61	(12.1%)
Reebok-CCM Hockey	32	31	5.1%

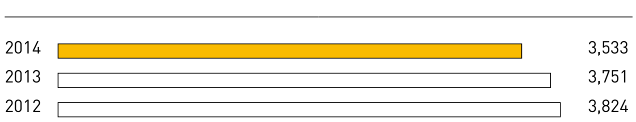
Rounding differences may arise in percentages and totals.

02 / Financial Highlights (IFRS)

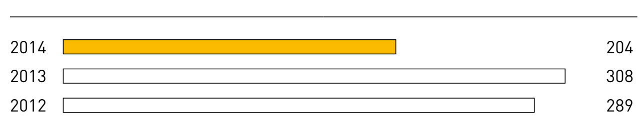
	First quarter 2014	First quarter 2013	Change
Operating Highlights (€ in millions)			
Net sales	3,533	3,751	(5.8%)
EBITDA	373	508	(26.6%)
Operating profit	303	442	(31.4%)
Net income attributable to shareholders	204	308	(33.8%)
Key Ratios (%)			
Gross margin	49.1%	50.1%	(1.0pp)
Operating expenses in % of net sales	42.7%	39.5%	3.1pp
Operating margin	8.6%	11.8%	(3.2pp)
Effective tax rate	28.9%	27.5%	1.4pp
Net income attributable to shareholders in % of net sales	5.8%	8.2%	(2.4pp)
Average operating working capital in % of net sales [1]	21.1%	20.3%	0.8pp
Equity ratio	48.8%	49.7%	(0.8pp)
Net borrowings/EBITDA [2]	0.2	0.1	
Financial leverage	4.5%	3.1%	1.4pp
Return on equity	3.6%	5.4%	(1.7pp)
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	11,488	11,561	(0.6%)
Inventories	2,505	2,346	6.8%
Receivables and other current assets	2,939	3,234	(9.1%)
Working capital	2,155	2,872	(25.0%)
Net borrowings	254	180	41.3%
Shareholders' equity	5,610	5,743	(2.3%)
Capital expenditure	157	48	224.8%
Net cash used in operating activities	(382)	(575)	(33.5%)
Per Share of Common Stock (€)			
Basic earnings	0.98	1.47	(33.8%)
Diluted earnings	0.96	1.47	(34.9%)
Net cash used in operating activities	(1.83)	(2.75)	(33.5%)
Dividend	1.50 [3]	1.35	11.1%
Share price at end of period	78.54	80.94	(3.0%)
Other (at end of period)			
Number of employees	51,777	47,142	9.8%
Number of shares outstanding	209,216,186	209,216,186	–
Average number of shares	209,216,186	209,216,186	–

1) Twelve-month trailing average.
2) EBITDA of last twelve months.
3) Subject to Annual General Meeting approval.

03 / First quarter net sales
(€ in millions)



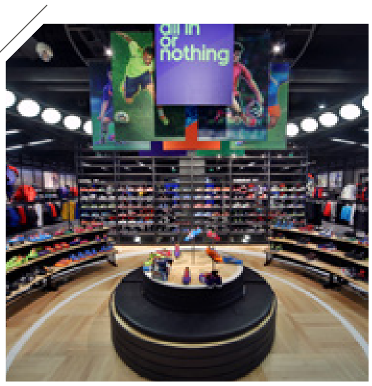
04 / First quarter net income attributable to shareholders
(€ in millions)



Operational and Sporting Highlights
First Quarter 2014

JANUARY

01.01.
adidas Sport Performance introduces its new retail concept – HomeCourt – in its world's largest store, the adidas Brand Centre in Beijing.

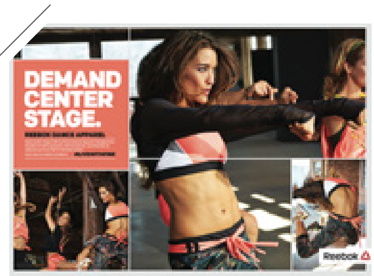


06.01.
adidas Golf introduces the adizero One, taking golf footwear to a new level of lightness and stability.

15.01.
adidas Originals presents the latest member of the ZX family during Berlin Fashion Week: the ZX Flux.

20.01.
TaylorMade introduces three new irons: Tour Preferred MB, Tour Preferred MC, Tour Preferred CB.

28.01.
Reebok launches its global brand campaign "Live With Fire 2.0" which conveys to consumers the physical, mental and social benefits awaiting those who want to be fit for life.

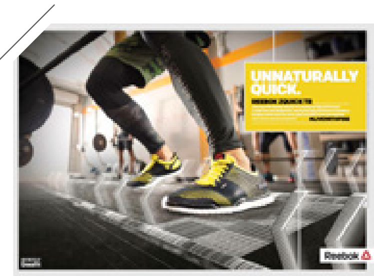


FEBRUARY

05.02.
Rockport receives the prestigious 2013 Footwear Plus Award for Design in Excellence in the men's comfort category.

11.02.
TaylorMade-adidas Golf announces that Anna Nordqvist – a two-time winner on the LPGA Tour and winner of the 2009 LPGA Championship – has joined the company as LPGA Tour Staff Professional.

13.02.
Reebok unveils the "unnaturally quick" ZSeries running collection, featuring a unique foam for ultimate ground contact and a lightweight, cushioned and more responsive ride.



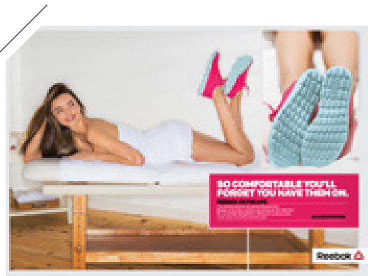
17.02.
adidas unveils the new adizero f50 Messi boots and the official match ball for the UEFA Champions League final in Lisbon.

17.02.
Reebok introduces its first obstacle racing footwear collection, the All Terrain series, designed and engineered for the sport of obstacle racing.

18.02.
Reebok earns a third place in the Fast Company magazine innovation awards for continuing to capitalise on top fitness trends such as CrossFit and Spartan Race.

26.02.
The adidas Supernova Glide 6 is listed as Editor's Choice for running shoes in the Runner's World US March 2014 edition.

26.02.
Supermodel Miranda Kerr unveils Reebok's new Skyscape shoe featuring 360 degrees of foam for a feeling of unparalleled comfort.



27.02.
adidas launches the Samba Primeknit, the world's first knitted football boot. It features an upper that is knitted from heel to toe, providing a bespoke second-skin fit that retains the strength of a conventional boot.

MARCH

03.03.
adidas Golf announces the release of the pure 360 footwear collection, featuring clean, classic silhouettes, ultra-flexible outsoles and premium materials.

04.03.
The adidas AG Supervisory Board announces the extension of Herbert Hainer's contract and also his mandate as CEO of adidas AG by another two years beyond 2015 until March 2017.

06.03.
adidas gives fans a glimpse of the football boots of the future by unveiling the adidas Primeknit FS, the world's first all-in-one knitted football boot and sock hybrid.

06.03.
After 30 successful years, Erich Stamminger officially says goodbye to the adidas Group and hands over to Eric Liedtke who assumes responsibility for Global Brands on an Executive Board level.

17.03.
adidas proudly reveals another game-changing football innovation: the adizero f50 crazylight. At a weight of 135g, the adizero f50 crazylight is the lightest commercial football boot ever produced. It reduces the weight of the current inline adidas adizero f50 by 20%.

20.03.
The new adidas Originals by Topshop collection is introduced, celebrating Topshop's love for London and adidas Originals' reputation as the ultimate sports label in street culture.

27.03.
adidas welcomes Pharrell Williams to the adidas family and announces its adidas Originals x Pharrell Williams collaboration with first products coming out this summer.

28.03.
Reebok Hockey launches its RibCor skate, featuring Reebok's Pump technology and a new agility profile which offers players an increased range of motion for forward or backward flexibility.

28.03.
adidas Originals opens its remodelled flagship store in Berlin showcasing the brand-new adidas Originals retail concept Neighbourhood.

adidas GROUP

Letter from the CEO

HERBERT HAINER
adidas Group CEO

Dear Shareholders,

Our financial results for the first quarter reflect the challenging start to 2014 that we had expected. However, looking in depth through the various moving parts, I am confident that for the remainder of 2014 we can look forward to an accelerated period of growth and momentum for our Group.

The key financial results of the first quarter were as follows:
⁄ Sales were stable on a currency-neutral basis but declined 6% in euros to € 3.5 billion.
⁄ Gross margin decreased 1.0 percentage points to 49.1%.
⁄ Operating margin declined 3.2 percentage points to 8.6%.
⁄ Net income attributable to shareholders was € 204 million.
⁄ Operating working capital as a percentage of sales increased 80 basis points to 21.1%.
⁄ Equity ratio declined 80 basis points to 48.8%.

Two factors in particular had significant financial impacts in the first quarter. The first is related to strategic changes we are implementing at TaylorMade-adidas Golf. We are in the process of realigning key shipment and product launch cycles to more appropriately mirror market demand patterns. The goal of these changes is clear: to extend and drive higher margins throughout the product cycle and to reduce inventory risk by shipping closer to key retail selling periods. This change as well as the continuing challenges in the underlying golf market, where rounds played were down a further 5% in the US in the first quarter, resulted in a sales decline of 34% currency-neutral at TaylorMade-adidas Golf. In total, this impacted Group operating profit by around € 80 million. Secondly, we continued to suffer from sharp and unfavourable movements in several currencies versus the euro and the US dollar, such as the Argentine peso, Russian rouble, Brazilian real, Turkish lira and Australian dollar. This again put a significant strain on our reported sales and achieved margins. Our sales were reduced by € 235 million through adverse currency translation, or the equivalent of 6 percentage points of growth. On top of this, our gross margin was negatively affected by the devaluation of the Russian rouble, which had an impact of 30 basis points, as well as by less favourable hedging rates, which amounted to a 70 basis points headwind. Taking the translational and transactional effects of currency together, we estimate that these impacts reduced our operating profit by around € 50 million.

While these two issues dictated the Group's financial results in the first quarter, they mask some strong underlying developments we are seeing from our business units around the globe. Let me give you a few examples:

- We continue to dominate in the emerging markets, where sales in European Emerging Markets, Latin America and Greater China grew 28%, 19% and 5%, respectively.
- Own retail saw a marked recovery, with comparable store sales increasing 8% and, despite 283 net new store openings in the last twelve months, operating expenses as a percentage of sales were flat compared to the prior year as we successfully leveraged our growth in the segment. Also, eCommerce sales were again very robust, growing 72%.
- At adidas, sales increased 5% on a currency-neutral basis in the first quarter, with growth in every region except North America, which I will come back to. This is a year of football, a key competitive battleground where we are clearly back on the attack. Our football category sales were up 27% currency-neutral for the quarter, demonstrating once more our leadership position and innovative strength in the category, with impressive double-digit growth rates in Western Europe, Latin America, Russia/CIS and North America.
- Our success in running also continues. We had a good start to the year, with running sales up 7% currency-neutral as we shipped one million pairs featuring our Boost technology, which continues to set the pace in major marathons and thrill running consumers around the world.
- We also enjoyed great momentum in training, where currency-neutral sales increased 8%. Apparel is a big focus area for us this year as we look to build a new period of sustained growth in the category. A great example is the ClimaChill concept, which is already resonating extremely well with consumers and retailers. Endorsed by David Beckham, our ClimaChill marketing campaign has generated 4.6 million views on YouTube, making ClimaChill our most successful digital apparel technology launch ever.
- In lifestyle, while we are still trading through some softer trends for Originals in North America and Western Europe, our Originals & Sport Style business grew 3% in the quarter. Strong double-digit growth in all of our emerging markets as well as 24% growth at the adidas NEO label are results we can definitely be proud of.
- And finally, at Reebok, we recorded our fourth consecutive quarter of growth for the brand, with sales increasing 3% currency-neutral. More importantly, we also achieved a further strong gross margin increase of 50 basis points to 39.6%, despite the currency headwinds we faced throughout the Group. Reebok continues to build loyalty with the fit generation, as we drive a high level of grassroots brand engagement through our strategic collaborations with CrossFit, Spartan Race and Les Mills. We also launched promising new footwear concepts such as ZQuick for running and training, the All Terrain series for obstacle racing and the Skyscape shoe, an extremely comfortable walking shoe for women. Our visually striking and activity-specific apparel offering for a growing number of fitness activities is also going from strength to strength, with growth of 14%.

It is successes like these that underpin our confidence in the direction of our business. Over the last weeks, as more new concepts are hitting the market, we are hearing and seeing first-hand from retailers that we are not only maintaining momentum where we are strong, but also turning the corner in our most challenging markets and categories.

On that note, let me come back to North America, where Group sales were down 20% in the first quarter. While TaylorMade-adidas Golf accounted for more than half of the sales decline in the region, adidas and Reebok also had a slow start to the year, decreasing 13% and 8%, respectively. For adidas, the decline in the quarter was mainly due to Originals and basketball. In Originals, we acknowledge that we missed some fashion trends in the North American market over the past twelve months. In basketball, footwear sales were down in the first quarter due to the comparison with the ramp-up for the Derrick Rose return in the prior year. At Reebok, sales mainly declined due to running footwear in the wholesale channel. Importantly though, all of our other fitness-related products as well as Classics are doing extremely well.

My Board colleagues and I definitely share frustration with our performance in North America, but let me assure you of one thing – we are fully committed to driving long-term success for the Group in this market. When it comes to our brand positioning, we are convinced that we are focusing on the right areas. Nonetheless, our biggest obstacle has been and still is the quality of our execution, particularly in wholesale. When I look at own retail, sales were up 13% in the quarter, clearly showing the strong consumer desire and conversion of our brands when they are presented in the right way.

Therefore, in North America, we are accelerating change internally, with the completion of a new leadership team through the joint operating model for adidas and Reebok and the appointment of Mark King as President adidas Group North America. Mark King has been responsible for taking TaylorMade-adidas Golf to the top of the golf industry over the last decade. Under the guidance of my Board colleague Roland Auschel, who will take over responsibility for the market at the Board level from me, as well as strong support from Eric Liedtke and his brand management team, we are putting our top minds and talents fully behind this market as we build towards our next strategic plan.

While this team will focus their attention on creating a more robust Group executional strategy for the market in the long term, in the short term we already see improving trends for both brands in North America, and I expect adidas and Reebok to reverse the negative trend from the first quarter and to grow in North America for the full year.

Product launches such as the Originals ZX Flux, where we already have encouraging early signs from Western Europe, with sell-throughs clearly outpacing our major competitor at Foot Locker Europe, as well as higher volumes of Boost running shoes, the first iterations of products from new partnerships with Kanye West and Pharrell Williams and the introduction of our award-winning Boost technology into basketball are all driving increasing demand and orders for adidas for the second half of the year. At Reebok, as we increase the depth and scale of our fitness offering and introduce more volumes of our latest running products during the summer months, we also see growing momentum in the region.

And not just in North America are we making progress with Reebok. At the global retailer event we held for Reebok in Canton at the end of April for our most important retail partners and key accounts, we also received unprecedented feedback on our ranges, collections and concepts for spring/summer 2015. While up to now Reebok's successes have been driven mainly from controlled space related markets and channels, I firmly believe next year will be a turning point to unlocking the wholesale potential of the brand.

Therefore, as I stated earlier, I am looking forward to increasing momentum for our Group in the coming months. As a result, I can confirm our full year guidance as given in March with only some minor changes. The weak start of the golf market in 2014 is likely to mean that TaylorMade-adidas Golf sales will be moderately below the prior year level on a currency-neutral basis. This, however, will be offset by own retail, which we now expect to be at the upper end of the currency-neutral range of high-single-digit to low-double-digit growth initially expected for the year.

While we still have to be wary of currencies and their effects on our financials, I expect a strong second quarter to point the way forward. After all, with the 2014 FIFA World Cup taking centre-stage, it will definitely be an adidas quarter. Watch out later in May for the beginning of our biggest-ever football footwear offensive. Watch out for even more Boost, as we unleash more volume of the most innovative technology in our industry for decades, targeting more than nine million pairs for the full year. And watch out for a host of great new products and collaborations from Originals as we reclaim growth and stamp our authority as the most desired and authentic streetwear label in the world of sport.

I wish you all an active and enjoyable summer of sport.

Yours sincerely,

HERBERT HAINER
adidas Group CEO

Our Share

Most international stock markets started 2014 with a volatile sideways trend. Depreciating currencies in emerging markets, political risk factors in Ukraine as well as a lacklustre European earnings season were key headwinds, which put pressure on international equity markets. However, rising leading indicators in the euro area, signals by the ECB with regard to further monetary easing and the extension of the US debt limit gave markets some support, partly offsetting the negative market sentiment during the first quarter. As a result, the DAX-30 remained stable, while the MSCI World Textiles, Apparel & Luxury Goods Index decreased 3% compared to the end of December 2013. The adidas AG share performed weaker than the overall equity markets and declined 15% in the first quarter of 2014.

Most global stock markets trade sideways at the start of 2014

In the first quarter of 2014, most international stock markets could not maintain the positive momentum from the end of 2013 and started the year with a volatile sideways trend. In particular, emerging market concerns continued to be a key headwind for equity markets, with several major emerging market currencies such as the Argentine peso, the Russian rouble and the Brazilian real recording a strong devaluation versus the euro and the US dollar. Despite the increasing emerging market concerns and some softer economic data, the Fed reduced its monthly bond purchases by US $ 10 billion in both January and March. This, as well as the Fed's announcement that it would keep trimming its bond buying stimulus, further unsettled equity markets. In addition, the political uncertainty in Ukraine, falling indicators in China as well as a lacklustre European earnings season also contributed to the unfavourable market sentiment. However, positive trends in the euro area temporarily reversed the stock market contraction in February, driven by rising leading indicators in the euro area. Signals by the ECB with regard to further monetary easing and speculation about more monetary stimulus in China supported equity markets during the first quarter. Similarly, robust economic data and a supportive earnings season in the USA as well as the surprising approval for a one-year extension of the US debt limit were further tailwinds for the equity markets during the first quarter of 2014. As a result of these developments, the DAX-30 remained stable and closed the first quarter at 9,556, while the MSCI World Textiles, Apparel & Luxury Goods Index decreased moderately, declining 3% compared to the end of December 2013.

05 ⁄ **Historical performance of the adidas AG share and important indices at March 31, 2014** (in %)

	YTD	1 year	3 years	5 years	Since IPO
adidas AG	(15)	(3)	77	213	712
DAX-30	0	23	36	134	335
MSCI World Textiles, Apparel & Luxury Goods	(3)	16	50	256	400

Source: Bloomberg.

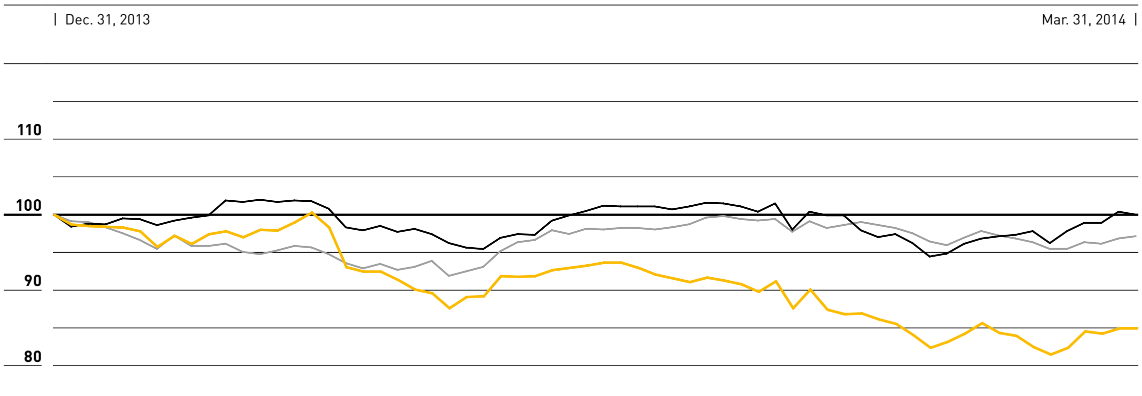
adidas AG share decreases in the first quarter

In light of the strong share price appreciation and significant outperformance versus the market in 2013, some investors took profits at the beginning of the first quarter of 2014. In mid-January, the adidas AG share reversed its previous weakness, driven by several positive analyst commentaries, thus reaching a new all-time high of € 92.92 on January 22. However, in line with the overall negative market direction, the adidas AG share suffered losses towards the end of the month. In February, the adidas AG share traded sideways, mainly due to mixed analyst reports prior to the adidas Group's full year 2013 results release. Positive stimulus driven by analysts' confidence about the Group's ability to reaccelerate sales momentum in 2014, supported by the positive effects from major sporting events, including the 2014 FIFA World Cup, were offset by rising concerns due to intensifying currency headwinds year-to-date, particularly in major emerging markets. Following the publication of the adidas Group's 2013 full year financial results on March 5, the adidas AG share faced additional pressure. While full year 2013 results came in slightly above market expectations, given the Group's strong financial performance in the fourth quarter, the Group's full year 2014 outlook disappointed market participants. In particular, the Group's operating margin guidance for the full year 2014 was below consensus and therefore negatively perceived by market participants. While most analysts remain confident that the adidas Group is operationally on track to achieve most of its Route 2015 strategic business plan targets, there was acknowledgement that negative currency effects might result in later than planned achievement of the Group's € 17 billion sales and 11.0% operating margin goals. Accordingly, many analysts had to cut their full year 2014 estimates, which also resulted in a reduction of several target prices. As a consequence, the adidas AG share finished the first quarter at € 78.54, a decrease of 15% compared to the end of December 2013.

adidas GROUP

adidas AG share at a glance

06 Share price development in 2014[1]



1) Index: December 31, 2013 = 100.

adidas AG
DAX-30
MSCI World Textiles, Apparel & Luxury Goods Index

07 The adidas AG share

Number of shares outstanding First quarter average	209,216,186
Number of shares outstanding At March 31[1]	209,216,186
Type of share	Registered no-par-value share
Free float	100%
Initial Public Offering	November 17, 1995
Share split	June 6, 2006 (in a ratio of 1:4)
Stock exchange	All German stock exchanges
Stock registration number (ISIN)	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

Number of ADRs increases

The number of Level 1 ADRs (American Depository Receipts) increased significantly during the three-month period compared to the end of 2013. At March 31, 2014, 10.3 million ADRs were outstanding, compared to 9.2 million at year-end 2013. This development, however, represents a decrease versus March 28, 2013, when 12.2 million ADRs were outstanding. The Level 1 ADR closed the quarter at US $ 54.30, reflecting a decrease of 15% compared to the end of December 2013, and thus in line with the overall development of the ordinary share price in the first quarter of 2014.

Dividend proposal of € 1.50 per share

The adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 1.50 for 2013 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% for 2013. 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. This is in line with our dividend policy, where we intend to pay out between 20% and 40% of net income attributable to shareholders.

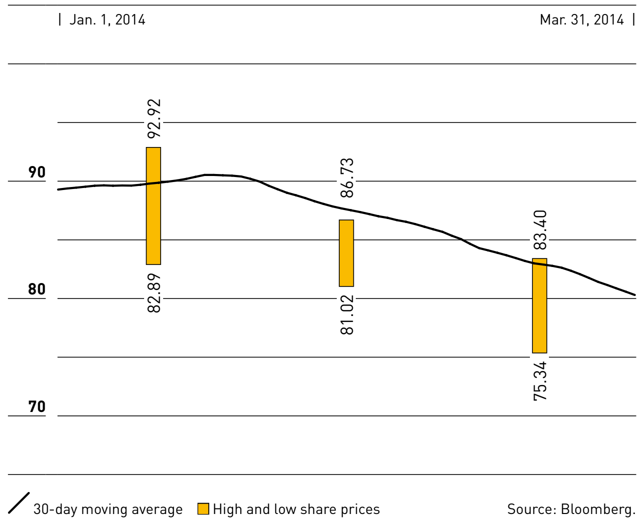
Changes in shareholder base

In the first quarter of 2014, adidas AG did not receive any voting rights notifications according to §§ 21 section 1, 25 section 1 or 25a section 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). All voting rights notifications received can be viewed on our corporate website :⁄⁄ **WWW.ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS**.

Directors' dealings reported on corporate website

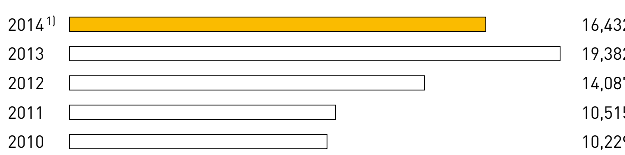
The purchase or sale of adidas AG shares (ISIN DE000A1EWWW0) or related financial instruments, as defined by § 15a WpHG, conducted by members of our Executive or Supervisory Boards, by key executives or by any person in close relationship with these persons, is reported on our website :⁄⁄ **WWW.ADIDAS-GROUP.COM/DIRECTORS_DEALINGS**. In the first quarter of 2014, adidas AG did not receive any notifications pursuant to § 15a WpHG.

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



1) Based on daily Xetra closing prices.

09 ⁄ **adidas AG market capitalisation at year-end** (€ in millions)



1) At March 31.

Group Business Performance

In the first quarter of 2014, adidas Group results were significantly impacted by negative currency effects. On a currency-neutral basis, Group sales remained stable, as growth in Wholesale and Retail was offset by sales declines in Other Businesses. In euro terms, adidas Group revenues decreased 6% to € 3.533 billion from € 3.751 billion in 2013. The Group's gross margin decreased 1.0 percentage points to 49.1% (2013: 50.1%), mainly due to the negative effects resulting from currency devaluation, a less favourable hedging rate and higher input costs. The Group's gross profit decreased 8% to € 1.736 billion in the first quarter of 2014 versus € 1.881 billion in 2013. The Group's operating profit declined 31% to € 303 million compared to € 442 million in the first quarter of 2013, representing an operating margin of 8.6%, down 3.2 percentage points (2013: 11.8%). This was primarily due to the lower gross margin as well as the negative effect from higher other operating expenses as a percentage of sales. First quarter net income attributable to shareholders was down 34% to € 204 million (2013: € 308 million). Diluted earnings per share in the first quarter decreased 35% to € 0.96 from € 1.47 in 2013.

Economic and Sector Development

Global economy grows in the first quarter

In the first quarter of 2014, the global economy broadly strengthened. Emerging markets again outperformed most developed economies, albeit at slightly lower rates than in recent quarters. The advanced economies' performance was supported by modest, but consecutive, GDP expansion in the euro area. Nevertheless, despite improvements in economic activity and sentiment, many developed markets continued to face significant negative challenges, such as high unemployment and indebtedness.

In Western Europe, the region's economies recorded modest growth, buoyed by low inflationary pressures, less austerity and a recovery in exports during the period, with Germany remaining the strongest regional economy. However, low real income growth and high unemployment levels in certain major markets inhibited investment, spending and consumer confidence and ensured GDP increases remained lacklustre in many of these countries.

Most European emerging markets recorded positive GDP growth with relatively healthy investment, domestic demand and low inflation driving growth. However, political unrest in Ukraine led to its economic contraction and the crisis also affected Russia's already slowing economy, denting investment and export demand and driving rapid currency depreciation.

The US economy grew in the first quarter, with low inflation and interest rates helping drive strong consumption. Despite the relatively healthy GDP growth, slower home sales as well as cold weather and disruptive snowstorms adversely impacted consumer spending and economic activity during the period.

In Asia, wage increases and easing inflationary pressures in most of the region's markets helped to drive domestic demand and economic development. In China, growth remained robust, with strong consumer and government spending coupled with healthy manufacturing levels supporting growth. Japan's economy posted relatively robust expansion, with accelerated retail spending ahead of the April 2014 sales tax increase.

10 ⁄ **Quarterly consumer confidence development** [1]
(by region)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
USA [2]	61.9	82.1	80.2	77.5	82.3
Euro area [3]	(23.3)	(18.7)	(14.8)	(13.5)	(9.3)
Japan [4]	45.0	44.3	45.1	40.0	36.9
China [5]	102.6	97.0	99.8	102.3	103.1
Russia [6]	(7.0)	(6.0)	(7.0)	(11.0)	(11.0)
Brazil [7]	114.3	110.1	110.1	111.2	108.8

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: National Confederation of Industry Brazil.

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

	Average rate 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Average rate 2014 [2]
USD	1.3283	1.3080	1.3505	1.3791	1.3788	1.3704
GBP	0.8492	0.8572	0.8361	0.8337	0.8282	0.8281
JPY	129.58	129.39	131.78	144.72	142.42	140.87
RUB	42.298	42.783	43.682	45.137	49.205	47.961
CNY	8.1674	8.0817	8.3029	8.4082	8.4825	8.3589

1) Spot rates at quarter-end.
2) Average rate for the first quarter of 2014.

In Latin America, with the exception of Argentina, most countries recorded healthy GDP growth. Activities relating to the build-up to the 2014 FIFA World Cup, together with a relatively strong labour market, positively supported GDP growth in Brazil, helping offset the negative impact of a severe drought. Argentina's economy contracted in the first quarter, with high inflation and interest rates and a tight consumer debt environment negatively impacting growth. The relative weakness in many of the region's currencies supported export activity, however challenging trade policies limited the positive effect.

Positive momentum in the global sporting goods sector in the first quarter

In the first quarter of 2014, the global sporting goods industry recorded modest growth, primarily driven by rising consumer spending in the emerging markets, which offset somewhat subdued private spending in some Western European markets. The industry benefited from major sporting events, such as the 2014 Winter Olympic Games, which were held in Sochi, Russia, in February, as well as from the build-up to the world's largest sporting event, the FIFA World Cup, being hosted by Brazil. The e-commerce channel continued to see rapid expansion across the industry, as retailers leveraged a wide variety of commercial opportunities across digital and social media and, particularly, mobile technologies. From a category perspective, basketball remained strong, with product strength in lifestyle. Running was weaker than in recent quarters, however high-performance running products continued to record healthy growth. The build-up to the 2014 FIFA World Cup supported the football category. The outdoor category, in both footwear and apparel, continued to face some headwinds at retail. Retro silhouettes across multiple categories saw positive growth trends during the quarter.

In Western Europe, increases in consumer spending supported the sector's growth and, owing to the importance of football for many of the region's markets, industry momentum continued to modestly improve. Similarly, in many European emerging markets the build-up to the 2014 FIFA World Cup and the positive effect from the 2014 Winter Olympic Games provided additional momentum to the sporting goods industry, especially in Russia.

In North America, the sporting goods industry had a mixed start to the year, with retailers' performance impacted by severe winter weather. While basketball and high-performance technical footwear and apparel continued to be in strong demand, casual footwear and outdoor saw declines. In addition, the golf market had a negative start to the year, with rounds played down significantly.

In Asia, rising disposable incomes and consumer spending supported expansion of the sporting goods industry. In China, this trend was particularly evident, supporting healthy industry sales growth, especially in the lower-tier cities. In other Asian markets, the sector posted robust growth, albeit with regional differences. Sporting goods sales in Japan recorded relatively robust growth, with a sales tax increase in April accelerating spending in the first quarter.

The sporting goods industry in Latin America benefited from low unemployment levels and higher wages, which supported retail and sporting goods sales. Furthermore, given the significance of football in this region, the industry's momentum was accelerated by sales relating to the 2014 FIFA World Cup in Brazil.

Income Statement

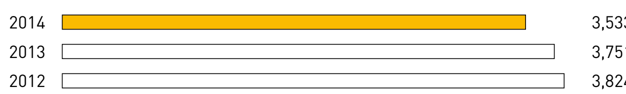
adidas Group currency-neutral sales remain stable in the first quarter of 2014

In the first quarter of 2014, Group revenues remained stable on a currency-neutral basis, as sales increases in Wholesale and Retail were offset by declines in Other Businesses. Currency translation effects had a significant negative impact on sales in euro terms. Group revenues decreased 6% to € 3.533 billion in the first quarter of 2014 from € 3.751 billion in 2013 ⁄ **DIAGRAM 12**.

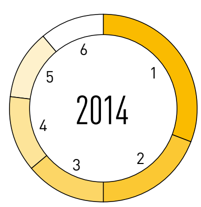
Group sales supported by growth in Wholesale and Retail

In the first quarter of 2014, currency-neutral Wholesale revenues increased 1% due to growth at adidas. Currency-neutral Retail sales increased 22% versus the prior year, as a result of double-digit sales growth at both adidas and Reebok. Revenues in Other Businesses were down 27% on a currency-neutral basis, due to double-digit sales declines at TaylorMade-adidas Golf. Currency-neutral revenues at Rockport also decreased, while sales at Reebok-CCM Hockey grew

12 ⁄ **First quarter net sales** (€ in millions)

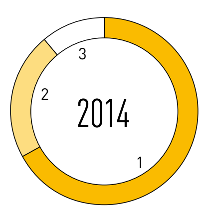


13 ⁄ **First quarter net sales by region**



1 ⁄ **31%** Western Europe
2 ⁄ **19%** North America
3 ⁄ **14%** Other Asian Markets
4 ⁄ **13%** European Emerging Markets
5 ⁄ **12%** Greater China
6 ⁄ **11%** Latin America

14 ⁄ **First quarter net sales by segment**



1 ⁄ **67%** Wholesale
2 ⁄ **22%** Retail
3 ⁄ **11%** Other Businesses

versus the prior year. Currency translation effects had a negative impact on segmental sales in euro terms. Wholesale revenues decreased 5% to € 2.357 billion in the first quarter of 2014 from € 2.481 billion in 2013. Retail sales rose 10% to € 794 million versus € 722 million in the prior year. Sales in Other Businesses declined 30% to € 382 million (2013: € 548 million).

Currency-neutral sales increase in nearly all regions

In the first quarter of 2014, currency-neutral adidas Group sales grew in all regions except North America. Revenues in Western Europe remained stable on a currency-neutral basis, as double-digit increases in Germany and Poland were offset by sales declines in Italy and the UK. In European Emerging Markets, Group sales were up 28% on a currency-neutral basis, with double-digit sales increases in nearly all markets. Currency-neutral sales for the adidas Group in North America decreased 20%, mainly due to double-digit sales declines in the USA. Sales in Greater China increased 5% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets remained stable, as sales increases in India and South Korea were offset by declines in Japan and Australia. In Latin America, sales grew 19% on a currency-neutral basis, with double-digit increases in nearly all markets, in particular Argentina, Brazil, Mexico and Colombia. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 16**.

15 ⁄ **Major product launches in Q1 2014**

Product	Brand
adizero f50 crazylight football boot	adidas
Energy Boost 2.0 and Revenge Boost running shoes	adidas
NBA All-Star 2014 uniforms	adidas
D Rose 4.5 basketball shoe	adidas
Terrex Scope GTX outdoor shoe	adidas
ClimaCool Boat Breeze outdoor shoe	adidas
Originals Stan Smith shoe	adidas
Originals ZX Flux shoe	adidas
Originals by Topshop collection	adidas
Originals and The Farm collection	adidas
ZQuick running shoe	Reebok
All Terrain running shoe	Reebok
Skyscape women's walking shoe	Reebok
Les Mills studio collection	Reebok
Classics Kamikaze I shoe	Reebok
Tour Preferred MB, MC and CB irons	TaylorMade
Project (a) golf balls	TaylorMade
adizero One golf shoe	adidas Golf
RibCor skate	Reebok Hockey
RocSportsLite women's ballet shoe collection	Rockport
Make Your Path men's shoe collection	Rockport

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

	First quarter 2014	First quarter 2013	Change	Change (currency-neutral)
Western Europe	1,098	1,096	0%	0%
European Emerging Markets	477	433	10%	28%
North America	680	890	(24%)	(20%)
Greater China	419	409	2%	5%
Other Asian Markets	482	533	(10%)	0%
Latin America	377	390	(3%)	19%
Total [1]	**3,533**	**3,751**	**(6%)**	**0%**

1) Rounding differences may arise in totals.

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

	First quarter 2014	First quarter 2013	Change	Change (currency-neutral)
Footwear	1,694	1,874	(10%)	(3%)
Apparel	1,434	1,382	4%	11%
Hardware	405	495	(18%)	(13%)
Total [1]	**3,533**	**3,751**	**(6%)**	**0%**

1) Rounding differences may arise in totals.

Group sales up in apparel

In the first quarter of 2014, currency-neutral footwear sales decreased 3%, as growth at adidas NEO and in the running category was more than offset by sales declines in other categories. Apparel revenues grew 11% on a currency-neutral basis, driven by growth in football, training and running. Sales at adidas Originals and adidas NEO were also above the prior year level. Currency-neutral hardware sales were down 13% compared to the prior year. This was primarily due to significant declines at TaylorMade-adidas Golf, which more than offset double-digit sales increases in the football category. Currency translation effects had a negative impact on sales in euro terms ⁄ **TABLE 17**.

In the first quarter of 2014, the adidas Group introduced a number of exciting new products. An overview of major product launches in the first quarter is provided in the product launch table ⁄ **TABLE 15**.

Group gross margin declines 1.0 percentage points

The gross margin of the adidas Group decreased 1.0 percentage points to 49.1% in the first quarter of 2014 (2013: 50.1%) ⁄ **DIAGRAM 19**. This development was mainly due to less favourable hedging rates, lower margins at TaylorMade-adidas Golf, negative effects resulting from currency devaluation as well as higher input costs. Currency devaluation effects were mainly related to Russia/CIS, where sales were negatively impacted by the significant devaluation of the Russian rouble against the euro and the US dollar. Gross profit for the adidas Group decreased 8% in the first quarter of 2014 to € 1.736 billion versus € 1.881 billion in the prior year ⁄ **DIAGRAM 18**.

Royalty and commission income decreases

Royalty and commission income for the adidas Group declined 2% to € 24 million in the first quarter of 2014 from € 25 million in the prior year. On a currency-neutral basis, royalty and commission income was down 1%, mainly as a result of lower licensee sales at both adidas and Reebok.

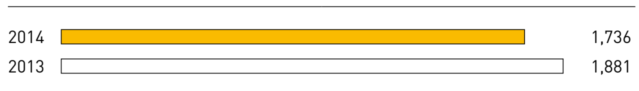
Other operating income increases

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 the first quarter of 2014, other operating income increased to € 50 million (2013: € 18 million). This was mainly due to the release of other operational provisions.

Other operating expenses as a percentage of sales up 3.1 percentage points

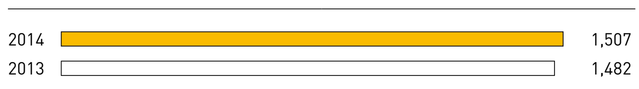
Other operating expenses, including depreciation and amortisation, consist of items such as sales working budget, marketing working budget and operating overhead costs. In the first quarter of 2014, other operating expenses as a percentage of sales increased 3.1 percentage points to 42.7% from 39.5% in 2013. In euro terms, other operating expenses increased 2% to € 1.507 billion (2013: € 1.482 billion) ⁄ **DIAGRAM 20**, as a result of higher expenditure related to the expansion of the Group's

18 ⁄ **First quarter gross profit** (€ in millions)

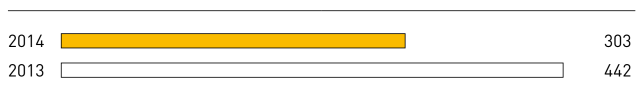


19 ⁄ **First quarter gross margin** (in %)

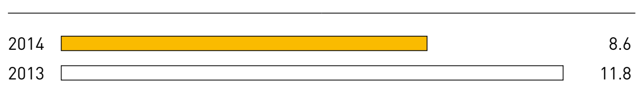
20 ⁄ **First quarter other operating expenses** (€ in millions)



21 ⁄ **First quarter operating profit** (€ in millions)



22 ⁄ **First quarter operating margin** (in %)



own-retail activities as well as an increase in sales working budget expenditure. Thereof, sales and marketing working budget expenditure amounted to € 444 million, which represents an increase of 2% versus the prior year level (2013: € 437 million). The increase was due to higher expenditure at Reebok. By brand, adidas sales and marketing working budget decreased 2% to € 331 million in the first quarter of 2014 compared to € 338 million in the prior year. Sales and marketing working budget for Reebok increased 63%, amounting to € 53 million (2013: € 33 million). As a percentage of sales, the Group's sales and marketing working budget grew 0.9 percentage points to 12.6% (2013: 11.6%).

Number of Group employees up 10%

At the end of the first quarter of 2014, the Group employed 51,777 people. This represents an increase of 10% versus the prior year level of 47,142. 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 9% to 44,805 at the end of the first quarter of 2014 (2013: 41,091).

Operating margin decreases to 8.6%

Group operating profit declined 31% to € 303 million in the first quarter of 2014 versus € 442 million in 2013 ⁄ **DIAGRAM 21**. The operating margin of the adidas Group decreased 3.2 percentage points to 8.6% (2013: 11.8%) ⁄ **DIAGRAM 22**. The development was primarily due to the negative effects from the lower gross margin as well as higher other operating expenses as a percentage of sales.

Financial income up 47%

Financial income rose 47% to € 7 million in the first quarter of 2014 from € 4 million in the prior year, mainly due to an increase in interest income.

Financial expenses increase 4%

Financial expenses rose 4% to € 20 million in the first quarter of 2014 (2013: € 19 million) ⁄ **DIAGRAM 23**. Negative exchange rate variances were the main contributor to the increase.

Income before taxes declines 32%

In the first quarter of 2014, income before taxes (IBT) for the adidas Group decreased 32% to € 290 million from € 427 million in 2013 ⁄ **DIAGRAM 24**. IBT as a percentage of sales declined 3.2 percentage points to 8.2% in the first quarter of 2014 (2013: 11.4%), as a result of the Group's lower operating margin.

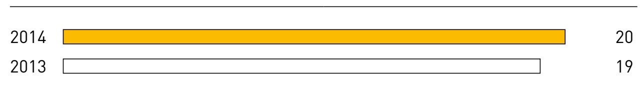
Net income attributable to shareholders down 34%

The Group's net income attributable to shareholders decreased to € 204 million in the first quarter of 2014 from € 308 million in 2013 ⁄ **DIAGRAM 25**. This represents a decline of 34% versus the prior year level. The Group's tax rate increased 1.4 percentage points to 28.9% in the first quarter of 2014 (2013: 27.5%), mainly due to a less favourable earnings mix.

Basic and diluted earnings per share decrease 34% and 35%, respectively

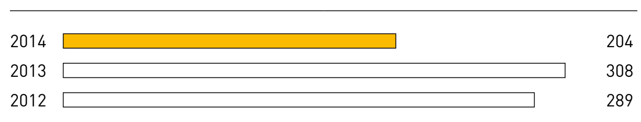
In the first quarter of 2014, basic earnings per share decreased 34% to € 0.98 versus € 1.47 in the prior year. The weighted average number of shares used in the calculation of basic earnings per share was 209,216,186 (2013 average: 209,216,186). Diluted earnings per share decreased 35% to € 0.96 from € 1.47 in the prior year ⁄ **DIAGRAM 26**. The weighted average number of shares used in the calculation of diluted earnings per share was 215,233,140 (2013 average: 209,216,186). The dilutive effect results from additional potential shares that could be created in relation to the Group's outstanding convertible bond ⁄ **SEE NOTE 04, P. 40**.

23 ⁄ **First quarter financial expenses** (€ in millions)



24 ⁄ **First quarter income before taxes** (€ in millions)

25 ⁄ **First quarter net income attributable to shareholders** (€ in millions)



26 ⁄ **First quarter diluted earnings per share** (in €)

Statement of Financial Position and Statement of Cash Flows

Assets

At the end of March 2014, total assets declined 1% to € 11.488 billion versus € 11.561 billion in the prior year ⁄ **DIAGRAM 27**. This was the result of a decrease in current assets as well as non-current assets. Compared to December 31, 2013, total assets decreased 1%. The share of current assets and non-current assets within total assets remained unchanged at 58% and 42%, respectively, at the end of March 2014 (2013: 58% and 42%).

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

	March 31, 2014	March 31, 2013
Assets (€ in millions)	**11,488**	11,561
Cash and cash equivalents	**10.4%**	8.8%
Accounts receivable	**18.9%**	20.1%
Inventories	**21.8%**	20.3%
Fixed assets	**36.7%**	36.3%
Other assets	**12.1%**	14.5%

■ March 31, 2014 □ March 31, 2013

1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 33.

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

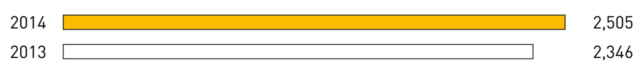
	March 31, 2014	March 31, 2013
Liabilities and equity (€ in millions)	**11,488**	11,561
Short-term borrowings	**7.0%**	0.6%
Accounts payable	**12.2%**	11.7%
Long-term borrowings	**5.7%**	10.5%
Other liabilities	**26.3%**	27.6%
Total equity	**48.8%**	49.6%

■ March 31, 2014 □ March 31, 2013

1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 33.

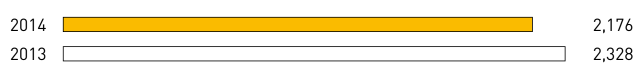
Total current assets declined 1% to € 6.658 billion at the end of March 2014 compared to € 6.696 billion in 2013. Cash and cash equivalents increased 17% to € 1.198 billion at the end of March 2014 from € 1.021 billion in the prior year, as net cash generated from operating activities in the last twelve months more than offset net cash used in investing and financing activities. Group inventories increased 7% to € 2.505 billion at the end of March 2014 versus € 2.346 billion in 2013 ⁄ **DIAGRAM 29**. On a currency-neutral basis, inventories were up 18%, as a result of the Group's expectations for growth in the coming quarters as well as higher inventories in Russia/CIS. Short-term financial assets declined 94% to € 5 million at the end of March 2014 from € 84 million in 2013. This development was driven by a decrease in short-term cash investments. Group receivables decreased 7% to € 2.176 billion at the end of March 2014 (2013: € 2.328 billion) ⁄ **DIAGRAM 30**. On a currency-neutral basis, receivables were up 2%. Other current financial assets declined 32% to € 159 million at the end of March 2014 from € 233 million in 2013. This development was driven by a decrease in security deposits as well as a decline in the fair value of financial instruments.

29 ⁄ **Inventories** [1] (€ in millions)



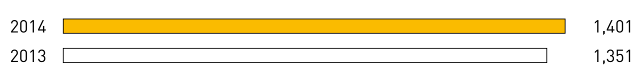
1) At March 31.

30 ⁄ **Accounts receivable** [1] (€ in millions)



1) At March 31.

31 ⁄ **Accounts payable** [1] (€ in millions)



1) At March 31.

Total non-current assets decreased 1% to € 4.831 billion at the end of March 2014 from € 4.865 billion in 2013. Fixed assets remained stable at € 4.217 billion at the end of March 2014 versus € 4.198 billion in 2013. Fixed assets include property, plant and equipment, goodwill, trademarks and other intangible assets as well as long-term financial assets. Additions of € 602 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. In addition, the Group acquired its North American Distribution Centre in Spartanburg, South Carolina (USA), which was previously leased. Additions were offset by depreciation and amortisation of € 295 million, negative currency effects of € 223 million, goodwill impairment of € 52 million and disposals of € 13 million. Compared to December 31, 2013, fixed assets increased 2%. Other non-current financial assets grew 18% to € 29 million at the end of March 2014 from € 25 million in 2013, driven by an increase in the fair value of financial instruments.

Liabilities and equity

Total current liabilities increased 18% to € 4.503 billion at the end of March 2014 from € 3.824 billion at the end of March 2013. Accounts payable were up 4% to € 1.401 billion at the end of March 2014 versus € 1.351 billion in 2013 ⁄ **DIAGRAM 31**. On a currency-neutral basis, accounts payable increased 8%, reflecting the purchase of inventories during the first quarter. At the end of March 2014, other current financial liabilities more than doubled to € 114 million from € 54 million in 2013, primarily as a result of an increase in the negative fair value of financial instruments. Short-term borrowings increased strongly to € 801 million at the end of March 2014 (2013: € 69 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 14% to € 440 million at the end of March 2014 versus € 513 million in 2013. This primarily relates to a decrease in provisions for returns and allowances as well as other operational provisions. Current accrued liabilities declined 3% to € 1.105 billion at the end of March 2014 from € 1.135 billion in 2013, mainly due to a decrease in accruals for marketing as well as for outstanding invoices.

Total non-current liabilities decreased 31% to € 1.382 billion at the end of March 2014 from € 2.007 billion in the prior year. Long-term borrowings declined 46% to € 655 million at the end of March 2014 from € 1.216 billion in the prior year. This development was primarily 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.

Shareholders' equity decreased 2% to € 5.610 billion at the end of March 2014 versus € 5.743 billion in 2013 ⁄ **DIAGRAM 32**. The net income generated during the last twelve months was more than offset by negative currency translation effects of € 482 million, the dividend paid to shareholders of € 282 million for the 2012 financial year as well as a decrease in hedging reserves of € 55 million. Compared to December 31, 2013, shareholders' equity increased 2%. The Group's equity ratio at the end of March 2014 declined to 48.8% compared to 49.7% in the prior year.

Operating working capital

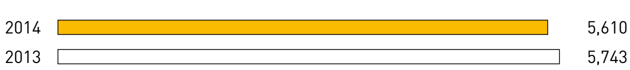
Operating working capital decreased 1% to € 3.280 billion at the end of March 2014 compared to € 3.324 billion in 2013. The increase in inventories was more than offset by lower accounts receivable, mainly due to negative currency effects, as well as higher accounts payable. Average operating working capital as a percentage of sales increased 0.8 percentage points to 21.1% (2013: 20.3%).

Liquidity analysis

In the first quarter of 2014, net cash used in operating activities decreased 34% to € 382 million (2013: € 575 million), primarily due to lower operating working capital requirements. Net cash used in investing activities totalled € 112 million (2013: net cash generated from investing activities of € 120 million). The majority of investing activities in the first quarter of 2014 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 generated from financing activities totalled € 120 million (2013: net cash used in financing activities of € 212 million). Net cash generated from financing activities mainly related to proceeds from short-term borrowings of € 120 million. Exchange rate effects negatively impacted the Group's cash position by € 15 million in the first quarter of 2014 (2013: positive impact of € 18 million). As a result of all these developments, cash and cash equivalents decreased € 390 million to € 1.198 billion at the end of March 2014 compared to € 1.587 billion at the end of December 2013.

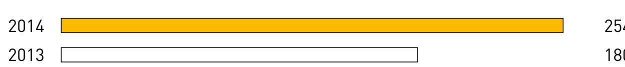
Net borrowings at March 31, 2014 amounted to € 254 million, compared to net borrowings of € 180 million in 2013, representing an increase of € 74 million ⁄ **DIAGRAM 33**. This increase is mainly a result of higher capital expenditure during the first quarter of 2014. In addition, currency translation had a negative effect of € 12 million. The Group's ratio of net borrowings over EBITDA amounted to 0.2 at the end of March 2014 (2013: 0.1).

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



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

33 ⁄ **Net borrowings** [1] (€ in millions)



1) At March 31.

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 first quarter results

In the first quarter of 2014, sales in the Wholesale segment increased 1% on a currency-neutral basis. This development was mainly due to growth at adidas Sport Performance. Currency translation effects negatively impacted segmental revenues in euro terms. Sales in the Wholesale segment decreased 5% to € 2.357 billion from € 2.481 billion in the first quarter of 2013 ⁄ **TABLE 34**.

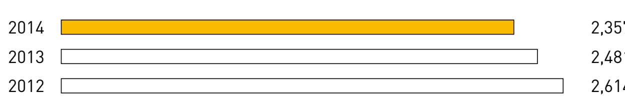
Wholesale gross margin decreased 0.5 percentage points to 43.8% in the first quarter of 2014 from 44.3% in 2013. The positive effect from a more favourable pricing mix was more than offset by negative currency effects following the devaluation of currencies such as the Argentine peso and Brazilian real. By brand, the adidas wholesale gross margin declined 0.6 percentage points to 45.0% (2013: 45.6%). The wholesale gross margin of the Reebok brand increased 0.1 percentage points to 33.7% (2013: 33.6%). Wholesale gross profit decreased 6% to € 1.033 billion from € 1.100 billion in 2013 ⁄ **TABLE 34**.

Segmental operating expenses decreased 6% to € 195 million versus € 207 million in the first quarter of 2013. As a percentage of sales, segmental operating expenses decreased 0.1 percentage points to 8.3% (2013: 8.3%). This was primarily due to lower expenditure for sales force, administration and logistics as a percentage of sales. Segmental operating expenses in Wholesale primarily relate to sales working budget expenses as well as expenditure for sales force, administration and logistics.

34 ⁄ **Wholesale at a glance** (€ in millions)

	First quarter 2014	First quarter 2013	Change
Net sales	2,357	2,481	(5%)
Gross profit	1,033	1,100	(6%)
Gross margin	43.8%	44.3%	(0.5pp)
Segmental operating profit	838	893	(6%)
Segmental operating margin	35.6%	36.0%	(0.4pp)

35 ⁄ **Wholesale first quarter net sales** (€ in millions)



Segmental operating profit decreased 6% to € 838 million versus € 893 million in the prior year. Segmental operating margin declined 0.4 percentage points to 35.6% (2013: 36.0%) ⁄ **TABLE 34**, as a result of the gross margin decrease, which more than offset the positive effect of lower segmental operating expenses as a percentage of sales.

36 ⁄ **Wholesale net sales by region** (€ in millions)

	First quarter 2014	First quarter 2013	Change	Change (currency-neutral)
Western Europe	873	891	(2%)	(2%)
European Emerging Markets	188	158	19%	35%
North America	330	430	(23%)	(19%)
Greater China	352	349	1%	3%
Other Asian Markets	320	340	(6%)	4%
Latin America	294	313	(6%)	15%
Total [1]	**2,357**	**2,481**	**(5%)**	**1%**

1) Rounding differences may arise in totals.

Wholesale development by region

In the first quarter of 2014, currency-neutral sales for the Wholesale segment increased in all regions except Western Europe and North America. Currency-neutral revenues in Western Europe decreased 2%, mainly due to sales declines in Italy, the UK and the Nordics. Currency-neutral sales in European Emerging Markets rose 35%, as a result of double-digit growth in most markets. Currency-neutral Wholesale sales in North America were down 19% due to declines in both the USA and Canada. Revenues in Greater China increased 3% on a currency-neutral basis. Sales in Other Asian Markets grew 4% on a currency-neutral basis, driven by increases in India and South Korea. In Latin America, currency-neutral sales were up 15%, supported by double-digit sales growth in most markets. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 36**.

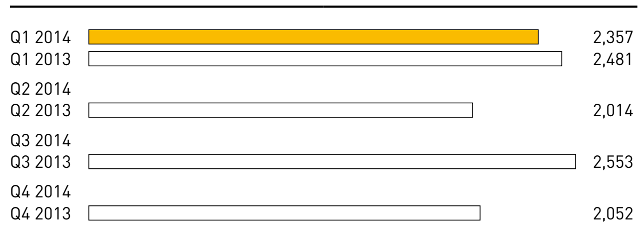
Wholesale development by brand

In the first quarter of 2014, adidas Sport Performance wholesale revenues grew 3% on a currency-neutral basis. Sales increases in the football, training and running categories were partly offset by declines in basketball and outdoor. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance sales decreased 4% to € 1.511 billion from € 1.568 billion in the prior year.

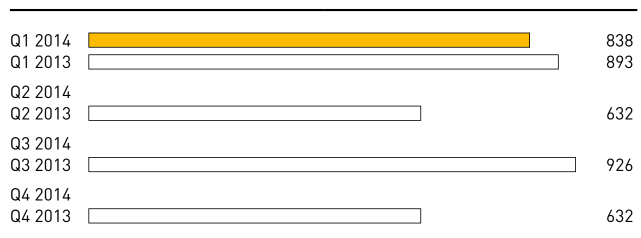
Currency-neutral adidas Originals & Sport Style wholesale revenues decreased 5% in the first quarter of 2014. Double-digit sales increases at the adidas NEO label were more than offset by declines at adidas Originals. Currency translation effects had a negative impact on revenues in euro terms. adidas Originals & Sport Style sales decreased 8% to € 608 million (2013: € 663 million).

In the first quarter of 2014, Reebok wholesale revenues decreased 3% on a currency-neutral basis, as sales growth in fitness training and Classics was more than offset by declines in the fitness running category. Currency translation effects had a negative impact on revenues in euro terms. Reebok sales were down 10% to € 237 million (2013: € 265 million).

37 ⁄ **Wholesale net sales by quarter** (€ in millions)



38 ⁄ **Wholesale segmental operating profit by quarter**
(€ in millions)



Retail Business Performance

Retail first quarter results

In the first quarter of 2014, Retail revenues increased 22% on a currency-neutral basis as a result of double-digit sales growth at both adidas and Reebok. Concept stores, factory outlets and concession corners were all up versus the prior year. eCommerce grew 72% on a currency-neutral basis. Currency translation effects negatively impacted segmental revenues in euro terms. Sales grew 10% to € 794 million from € 722 million in the prior year ⁄ **TABLE 39**. Currency-neutral comparable store sales increased 8% versus the prior year, driven by sales growth across all store formats as well as all regions.

Gross margin in the Retail segment decreased 0.8 percentage points to 59.9% from 60.7% in the first quarter of 2013. The positive effect from a more favourable product mix was more than offset by a less favourable pricing and regional sales mix. In particular, the devaluation of the Russian rouble versus the euro and the US dollar was a major headwind in the first quarter of 2014. By brand, the adidas gross margin was down 1.3 percentage points to 60.9% (2013: 62.2%), while Reebok's gross margin increased 1.7 percentage points to 54.5% (2013: 52.8%). Retail gross profit rose 9% to € 476 million from € 438 million in 2013 ⁄ **TABLE 39**.

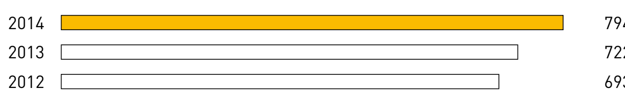
Segmental operating expenses increased 10% to € 371 million from € 338 million in the first quarter of 2013. This was mainly a result of higher expenses related to the expansion of the Group's store base, particularly in European Emerging Markets. Segmental operating expenses as a percentage of sales remained stable at 46.8% (2013: 46.7%). Segmental operating expenses in Retail primarily relate to personnel and rent expenses as well as the sales working budget.

Segmental operating profit increased 4% to € 105 million in the first quarter of 2014 versus € 101 million in the prior year. Segmental operating margin decreased 0.8 percentage points to 13.2% (2013: 14.0%), mainly as a result of the lower gross margin ⁄ **TABLE 39**.

39 ⁄ **Retail at a glance** (€ in millions)

	First quarter 2014	First quarter 2013	Change
Net sales	794	722	10%
Gross profit	476	438	9%
Gross margin	59.9%	60.7%	(0.8pp)
Segmental operating profit	105	101	4%
Segmental operating margin	13.2%	14.0%	(0.8pp)

40 ⁄ **Retail first quarter net sales** (€ in millions)



Retail development by region

Currency-neutral Retail sales increased in all regions at a double-digit rate. Retail revenues in Western Europe grew 25% on a currency-neutral basis, mainly due to double-digit sales increases in the UK, France and Germany. Sales in European Emerging Markets rose 24% on a currency-neutral basis, as a result of double-digit growth in most markets. Currency-neutral Retail sales in North America grew 13% due to double-digit growth in the USA. Retail revenues in Greater China increased 22% on a currency-neutral basis. Sales in Other Asian Markets grew 13% on a currency-neutral basis, driven by double-digit growth in Japan and South Korea. In Latin America, currency-neutral Retail sales grew 38%, with double-digit sales increases in most markets, in particular in Brazil, Colombia and Argentina. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 41**.

41 ⁄ **Retail net sales by region** (€ in millions)

	First quarter 2014	First quarter 2013	Change	Change (currency-neutral)
Western Europe	141	113	24%	25%
European Emerging Markets	279	265	5%	24%
North America	132	122	8%	13%
Greater China	61	52	19%	22%
Other Asian Markets	100	99	2%	13%
Latin America	80	71	13%	38%
Total [1]	**794**	**722**	**10%**	**22%**

1) Rounding differences may arise in totals.

Retail development by brand

In the first quarter of 2014, adidas Group Retail sales increased at a double-digit rate at both adidas and Reebok. Currency-neutral adidas Sport Performance revenues grew 20% in the period, mainly due to double-digit growth in the training, football and running categories. adidas Originals & Sport Style sales rose 28% on a currency-neutral basis, driven by double-digit sales increases at both adidas Originals and the adidas NEO label. Currency-neutral Reebok sales were 18% higher compared to the prior year, driven by double-digit growth in the fitness training and Classics categories. Comparable store sales for the adidas brand increased 9% on a currency-neutral basis, while Reebok comparable store sales were up 4% on a currency-neutral basis. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance own-retail sales increased 8% to € 421 million in the first quarter of 2014 from € 390 million in 2013. adidas Originals & Sport Style own-retail sales were up 16% to € 253 million from € 218 million in 2013. Own-retail sales of Reebok branded products grew 7% to € 121 million (2013: € 113 million).

Retail store development

At March 31, 2014, the adidas Group Retail segment operated 2,741 stores compared to the prior year-end level of 2,740. This represents a net increase of 1 store. Of the total number of stores, 1,558 were adidas and 411 were Reebok branded (December 31, 2013: 1,557 adidas stores, 404 Reebok stores). In addition, the adidas Group Retail segment operated 772 factory outlets (December 31, 2013: 779). During the first quarter of 2014, the Group opened 70 new stores, 69 stores were closed and 41 stores were remodelled ⁄ **TABLE 44**.

Retail development by store format

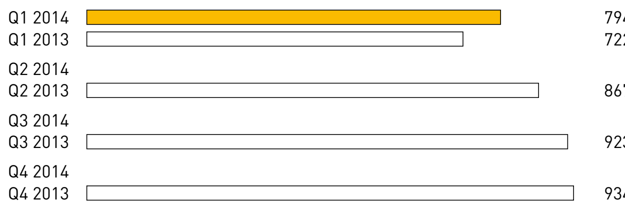
Concept store revenues include sales from adidas Sport Performance, adidas Originals & Sport Style and Reebok concept stores. In the first quarter of 2014, concept store revenues grew 23% on a currency-neutral basis. Sales increased at double-digit rates at both adidas and Reebok. Currency-neutral comparable concept store sales were up 10%. Currency translation effects had a negative impact on sales in euro terms. Concept store sales increased 8% to € 357 million in the first quarter of 2014 from € 331 million in 2013.

Factory outlet revenues include sales from adidas and Reebok factory outlets. In the first quarter of 2014, factory outlet revenues grew 13% on a currency-neutral basis. Sales increased at a double-digit rate at adidas, Reebok sales grew at a mid-single-digit rate. Comparable factory outlet sales increased 6% on a currency-neutral basis. Currency translation effects had a negative impact on sales in euro terms. Factory outlet sales increased 4% to € 326 million in the first quarter of 2014 from € 315 million in 2013.

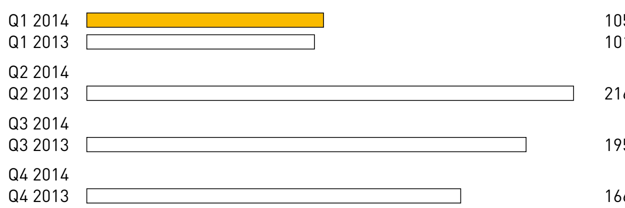
Concession corner revenues include adidas and Reebok concession corners. In the first quarter of 2014, sales from concession corners increased 20% on a currency-neutral basis. Sales grew at a double-digit rate at adidas, while Reebok sales were slightly below the prior year level. Currency-neutral comparable sales from concession corners grew 7%. Currency translation effects had a negative impact on sales in euro terms. Concession corner sales increased 13% to € 32 million in the first quarter (2013: € 28 million).

eCommerce revenues include e-commerce operations of the adidas and Reebok brands. In the first quarter of 2014, sales from adidas and Reebok e-commerce platforms were up 72% on a currency-neutral basis compared to 2013. 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 64% to € 79 million from € 48 million in 2013.

42 ⁄ **Retail net sales by quarter** (€ in millions)



43 ⁄ **Retail segmental operating profit by quarter** (€ in millions)



44 ⁄ **Retail first quarter number of stores development**

	Total	Concept stores	Factory outlets	Concession corners
December 31, 2013	**2,740**	1,661	779	300
Opened	**70**	51	14	5
Closed	**69**	42	21	6
Opened (net)	**1**	9	(7)	(1)
March 31, 2014	**2,741**	1,670	772	299

Other Businesses Performance

Other Businesses first quarter results

In the first quarter of 2014, revenues of Other Businesses decreased 27% on a currency-neutral basis, mainly due to double-digit sales declines at TaylorMade-adidas Golf. While revenues at Reebok-CCM Hockey increased at a double-digit rate, sales at Rockport were down at a mid-single-digit rate. Other Centrally Managed Brands remained stable versus the prior year. Currency translation effects negatively impacted revenues in euro terms. Sales of Other Businesses declined 30% to € 382 million (2013: € 548 million) ⁄ **TABLE 45**.

Gross margin decreased 5.5 percentage points to 39.0% (2013: 44.6%). This development was due to lower product margins at TaylorMade-adidas Golf, which more than offset higher product margins at Rockport and Reebok-CCM Hockey. Other Businesses gross profit was down 39% to € 149 million in the first quarter of 2014 versus € 244 million in 2013 ⁄ **TABLE 45**.

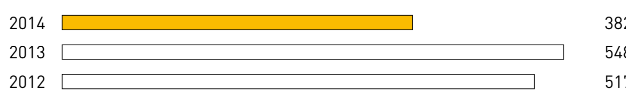
Segmental operating expenses increased 3% to € 75 million in the first quarter of 2014 from € 73 million in 2013. This was driven in particular by higher sales working budget expenditure at TaylorMade-adidas Golf. As a percentage of sales, segmental operating expenses increased 6.2 percentage points to 19.5% (2013: 13.3%). 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.

Other Businesses segmental operating profit decreased 56% to € 75 million in the first quarter of 2014 versus € 172 million in the prior year. Segmental operating margin was down 11.8 percentage points to 19.5% from 31.3% in 2013 ⁄ **TABLE 45**. This was a result of the gross margin decrease as well as the negative impact from higher segmental operating expenses as a percentage of sales.

45 ⁄ **Other Businesses at a glance** (€ in millions)

	First quarter 2014	First quarter 2013	Change
Net sales	382	548	(30%)
Gross profit	149	244	(39%)
Gross margin	39.0%	44.6%	(5.5pp)
Segmental operating profit	75	172	(56%)
Segmental operating margin	19.5%	31.3%	(11.8pp)

46 ⁄ **Other Businesses first quarter net sales** (€ in millions)



Other Businesses development by segment

In the first quarter of 2014, TaylorMade-adidas Golf revenues decreased 34% on a currency-neutral basis. The pronounced decrease is due to a change in the timing of product launches as well as continued weakness in the golf market. This resulted in double-digit sales declines in metalwoods and irons in the first quarter of 2014. Currency translation effects negatively impacted TaylorMade-adidas Golf sales in euro terms. Revenues decreased 38% to € 264 million from € 423 million in the prior year.

Rockport revenues decreased 7% on a currency-neutral basis, as a result of lacklustre retail conditions in North America. Currency translation effects negatively impacted sales in euro terms. Revenues in the Rockport segment were down 12% to € 53 million in the first quarter of 2014 (2013: € 61 million).

47 ⁄ **Other Businesses net sales by region** (€ in millions)

	First quarter 2014	First quarter 2013	Change	Change (currency-neutral)
Western Europe	84	92	(9%)	(10%)
European Emerging Markets	9	10	(10%)	5%
North America	219	338	(35%)	(32%)
Greater China	5	8	(37%)	(35%)
Other Asian Markets	62	95	(34%)	(27%)
Latin America	3	5	(33%)	(22%)
Total [1]	**382**	**548**	**(30%)**	**(27%)**

1) Rounding differences may arise in totals.

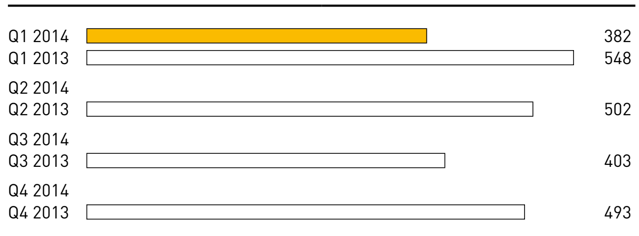
Currency-neutral Reebok-CCM Hockey sales were up 13%. This increase is mainly due to growth in key categories such as skates and sticks. Currency translation effects negatively impacted sales in euro terms. Reebok-CCM Hockey revenues increased 5% to € 32 million in the first quarter of 2014 from € 31 million in 2013.

Other Centrally Managed Brands revenues remained stable on a currency-neutral basis, as growth at Y-3 and Porsche Design Sport was offset by sales declines in other areas. Currency translation effects negatively impacted sales in euro terms. Revenues in Other Centrally Managed Brands remained virtually unchanged at € 33 million in the first quarter of 2014 (2013: € 33 million).

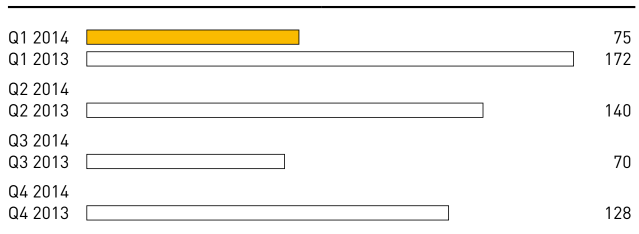
Other Businesses development by region

In the first quarter of 2014, currency-neutral sales of Other Businesses decreased in most regions. Revenues in Western Europe were down 10% on a currency-neutral basis due to double-digit sales declines at TaylorMade-adidas Golf, which more than offset double-digit sales increases at Reebok-CCM Hockey and Rockport. Sales at Other Centrally Managed Brands grew at a low-single-digit rate. Sales in European Emerging Markets increased 5% on a currency-neutral basis. Strong double-digit sales growth at Reebok-CCM Hockey more than offset sales declines at TaylorMade-adidas Golf. Revenues at Rockport grew at a mid-single-digit rate. Currency-neutral sales in North America were down 32%, mainly due to significant double-digit decreases at TaylorMade-adidas Golf. While revenues at Reebok-CCM Hockey grew at a high-single-digit rate, sales at Rockport were down at a double-digit rate. Revenues at Other Centrally Managed Brands were below the prior year level. Revenues in China decreased 35% on a currency-neutral basis as a result of double-digit sales declines at TaylorMade-adidas Golf. Sales in Other Asian Markets declined 27% on a currency-neutral basis, as growth at Rockport was more than offset by double-digit sales decreases at TaylorMade-adidas Golf. In Latin America, currency-neutral sales were down 22%, as a result of double-digit sales declines at both TaylorMade-adidas Golf and Rockport. Currency translation effects had a negative impact on regional sales in euro terms ⁄ **TABLE 47**.

48 ⁄ **Other Businesses net sales by quarter** (€ in millions)



49 ⁄ **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 of the Group's 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 in all regions and channels. 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 in leadership positions

On April 17, 2014, the adidas Group appointed Mark King as President of adidas Group North America effective June 1, 2014. In his new role, Mark King will be in charge of all adidas and Reebok operations in the North American market and report directly to Roland Auschel, member of the Executive Board of adidas AG, responsible for Global Sales. Mark King succeeds Patrik Nilsson, who has decided to leave the company for personal reasons. Ben Sharpe, currently Executive Vice President of adidas Golf and Ashworth, will become the new CEO of TaylorMade–adidas Golf, reporting into adidas Group CEO Herbert Hainer. Together with Herbert Hainer, Mark King will serve on the TaylorMade-adidas Golf Advisory Board.

No other subsequent changes

Since the end of the first quarter of 2014, there have been no other significant organisational, management, economic, socio-political, legal or financial changes which we expect to influence our business materially going forward.

Outlook

Forward-looking statements

This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of the adidas Group. The outlook is based on estimates that we have made on the basis of all the information available to us at this point in time. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report of the adidas Group 2013 Annual Report (pp. 158–179), which are beyond the control of the adidas Group. 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 now projected to increase around 1.3% 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 2.3% in 2014. The region's economic growth is projected to come from increased exports as many markets are expected to benefit from a stronger euro area. Increasing domestic consumption is also expected to support economic activity. However, in Russia, the trend of wage moderation and slowing income growth, the rise in unemployment levels and the negative effect on sentiment and economic activity from the political developments in Ukraine could lead to a less robust consumption growth rate in 2014.

In the USA, according to the Federal Reserve, GDP is forecasted to grow 2.9% 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 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 4.1% 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 7.4%. In Japan, GDP is predicted to increase 1.0% 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 2.3% in 2014, with relatively low unemployment rates and healthy 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 which were 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. Nonetheless, trends of lower growth rates in disposable income 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. The Ukraine crisis provides additional potential risk by depressing sentiment and economic activity, which might negatively impact consumption and sporting goods industry growth in Russia and Ukraine.

In the USA, industry growth rates are expected to be ahead of the economy's overall growth. E-commerce channels are forecasted to remain strong, particularly via mobile. From a category perspective, the trend towards high-performance technical footwear and apparel looks set to continue. Retro silhouettes are projected to remain strong across a variety of categories, including basketball and tennis. The US golf market is forecasted to continue to be very challenging but slight improvements are expected as the year progresses.

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, a sales tax increase in the second quarter is expected to 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.

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 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 low-double-digit rate on a currency-neutral basis

adidas Group currency-neutral Retail segment sales are projected to grow at a low-double-digit rate in 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 mid-single-digit rate compared to the prior year.

Currency-neutral sales of Other Businesses to be around the prior year level

In 2014, revenues of Other Businesses are expected to be around the prior year level on a currency-neutral basis. TaylorMade-adidas Golf currency-neutral sales are projected to be moderately below the prior year level. This is mainly a result of the ongoing challenging environment in the golf market, where the number of golf rounds played is expected to decline in 2014. Currency-neutral revenues at Rockport are forecasted to increase at a mid-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

50 ⁄ adidas Group 2014 outlook

Currency-neutral sales development (in %):		Previous guidance [1]
adidas Group	high-single-digit rate increase	
Wholesale	mid-single-digit rate increase	
Retail	low-double-digit rate increase	high-single- to low-double-digit rate increase
Comparable store sales	mid-single-digit rate increase	low- to mid-single-digit rate increase
Other Businesses	around prior year level	low- to mid-single-digit rate increase
TaylorMade-adidas Golf	moderately below prior year level	low- to mid-single-digit rate increase
Rockport	mid-single-digit rate increase	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 of net sales	moderate decrease	
Capital expenditure	€ 500 million to € 550 million	
Store base	net increase by around 250 stores	
Gross borrowings	decline	

1) As published on March 5, 2014.

sales. In North America, we expect improvements 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 the Group's 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.

Operating margin to be between 8.5% and 9.0%

In 2014, we expect 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. 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).

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).

Management Assessment of Overall Risks and Opportunities

Management aggregates all risks reported by different business units and functions. Taking into account the occurrence likelihood and the potential financial impact of the risks explained in the 2013 Annual Report, as well as the current business outlook, adidas Group Management does not foresee any material jeopardy to the viability of the Group as a going concern. Management remains confident that the Group's earnings strength forms a solid basis for our future business development and provides the necessary resource to pursue the opportunities available to the Group. Compared to the assessment in the 2013 Annual Report (pp. 180–181), the Group's risk and opportunity profile remains unchanged.

51 / **Upcoming product launches in the remainder of 2014**

Product	Brand
Messi icon range	adidas
Football World Cup Battle Pack	adidas
Predator Instinct football boot	adidas
miCoach Smart Ball football	adidas
Supernova Sequence Boost running shoe	adidas
adizero Boston Boost running shoe	adidas
CH Rocket Boost running shoe	adidas
D Rose 5 basketball shoe	adidas
Crazy Light Boost basketball shoe	adidas
ClimaChill training apparel	adidas
Terrex ClimaHeat outdoor apparel	adidas
Terrex Fastshell mid ClimaHeat outdoor footwear	adidas
adidas x Raf Simons collection	adidas
Rita Ora & adidas Originals collection	adidas
Pharrell Williams x adidas Originals collection	adidas
Kayne West x adidas Originals collection	adidas
Nigo x adidas Originals collection	adidas
CrossFit Nano 4.0 training shoe	Reebok
JetFuse running shoe	Reebok
CrossFit apparel	Reebok
SLDR irons	TaylorMade
SLDR Mini driver	TaylorMade
Tour Preferred wedges	TaylorMade
adicross gripmore footwear	adidas Golf
pure 360 gripmore sports footwear	adidas Golf
Pro Series hybrids	Adams Golf
XTD irons set	Adams Golf
Total Motion mid-wedge women's shoe collection	Rockport
ActiveFlex RocSportsLite men's shoe collection	Rockport
City Smart men's shoe collection	Rockport
RocSportsLite 3 men's shoe collection	Rockport
Goalie XLT equipment	Reebok Hockey
Goalie RBZ skate	CCM
Retro Flex goalie equipment	CCM
Tacks skate	CCM
RBZ protective and gloves	CCM

Consolidated Statement of Financial Position

.. ⁄ **adidas AG Consolidated Statement of Financial Position (IFRS)** (€ in millions)

	Mar. 31, 2014	Mar. 31, 2013	Change in %	Dec. 31, 2013
ASSETS				
Cash and cash equivalents	1,198	1,021	17.3	1,587
Short-term financial assets	5	84	(94.2)	41
Accounts receivable	2,176	2,328	(6.5)	1,809
Other current financial assets	159	233	(31.6)	183
Inventories	2,505	2,346	6.8	2,634
Income tax receivables	87	99	(12.1)	86
Other current assets	516	574	(10.0)	506
Assets classified as held for sale	11	11	1.0	11
Total current assets	**6,658**	**6,696**	**(0.6)**	**6,857**
Property, plant and equipment	1,313	1,092	20.3	1,238
Goodwill	1,203	1,301	(7.5)	1,204
Trademarks	1,419	1,529	(7.2)	1,419
Other intangible assets	156	161	(3.1)	164
Long-term financial assets	125	115	8.9	120
Other non-current financial assets	29	25	18.0	30
Deferred tax assets	507	535	(5.1)	486
Other non-current assets	77	107	(28.2)	81
Total non-current assets	**4,831**	**4,865**	**(0.7)**	**4,742**
Total assets	**11,488**	**11,561**	**(0.6)**	**11,599**

Rounding differences may arise in percentages and totals.

.. adidas AG Consolidated Statement of Financial Position (IFRS) (€ in millions)

	Mar. 31, 2014	Mar. 31, 2013	Change in %	Dec. 31, 2013
LIABILITIES AND EQUITY				
Short-term borrowings	801	69	1,066.4	681
Accounts payable	1,401	1,351	3.8	1,825
Other current financial liabilities	114	54	113.5	113
Income taxes	293	316	(7.2)	240
Other current provisions	440	513	(14.2)	450
Current accrued liabilities	1,105	1,135	(2.6)	1,147
Other current liabilities	347	386	(10.3)	276
Total current liabilities	**4,503**	**3,824**	**17.8**	**4,732**
Long-term borrowings	655	1,216	(46.1)	653
Other non-current financial liabilities	15	14	5.9	22
Pensions and similar obligations	259	256	1.3	255
Deferred tax liabilities	351	398	(11.8)	338
Other non-current provisions	17	59	(71.1)	25
Non-current accrued liabilities	56	36	55.1	64
Other non-current liabilities	28	28	2.0	29
Total non-current liabilities	**1,382**	**2,007**	**(31.1)**	**1,386**
Share capital	209	209	–	209
Reserves	239	772	(69.0)	321
Retained earnings	5,162	4,762	8.4	4,959
Shareholders' equity	**5,610**	**5,743**	**(2.3)**	**5,489**
Non-controlling interests	(7)	(13)	47.3	(8)
Total equity	**5,603**	**5,730**	**(2.2)**	**5,481**
Total liabilities and equity	**11,488**	**11,561**	**(0.6)**	**11,599**

Rounding differences may arise in percentages and totals.

Consolidated Income Statement

adidas AG Consolidated Income Statement (IFRS) (€ in millions)

	First quarter 2014	First quarter 2013	Change
Net sales	3,533	3,751	(5.8%)
Cost of sales	1,797	1,870	(3.9%)
Gross profit	**1,736**	**1,881**	**(7.7%)**
(% of net sales)	49.1%	50.1%	(1.0pp)
Royalty and commission income	24	25	(1.8%)
Other operating income	50	18	177.2%
Other operating expenses	1,507	1,482	1.7%
(% of net sales)	42.7%	39.5%	3.1pp
Operating profit	**303**	**442**	**(31.4%)**
(% of net sales)	8.6%	11.8%	(3.2pp)
Financial income	7	4	46.8%
Financial expenses	20	19	4.2%
Income before taxes	**290**	**427**	**(32.2%)**
(% of net sales)	8.2%	11.4%	(3.2pp)
Income taxes	84	118	(28.6%)
(% of income before taxes)	28.9%	27.5%	1.4pp
Net income	**206**	**309**	**(33.5%)**
(% of net sales)	5.8%	8.3%	(2.4pp)
Net income attributable to shareholders	**204**	**308**	**(33.8%)**
(% of net sales)	5.8%	8.2%	(2.4pp)
Net income attributable to non-controlling interests	**2**	**1**	**30.2%**
Basic earnings per share (in €)	0.98	1.47	(33.8%)
Diluted earnings per share (in €)	0.96	1.47	(34.9%)

Rounding differences may arise in percentages and totals.

Consolidated Statement of Comprehensive Income

.. **adidas AG Consolidated Statement of Comprehensive Income (IFRS)** (€ in millions)

	First quarter 2014	First quarter 2013
Net income after taxes	**206**	**309**
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]	(0)	0
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**(0)**	**0**
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	12	54
Currency translation differences	(96)	76
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditons are met	**(84)**	**130**
Other comprehensive income	**(84)**	**130**
Total comprehensive income	**122**	**439**
Attributable to shareholders of adidas AG	121	439
Attributable to non-controlling interests	1	(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.

Consolidated Statement of Changes in Equity

.. adidas AG Consolidated Statement of Changes in Equity (IFRS) (€ in millions)

	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserves	Other reserves 1)	Retained earnings	Total share-holders' equity	Non-controlling interests	Total equity
Balance at December 31, 2012	**209**	**777**	**(51)**	**(21)**	**(64)**	**4,454**	**5,304**	**(13)**	**5,291**
Net income recognised directly in equity			77	54	0		131	(1)	130
Net income						308	308	1	309
Total comprehensive income			**77**	**54**	**0**	**308**	**439**	**(0)**	**439**
Balance at March 31, 2013	**209**	**777**	**26**	**33**	**(64)**	**4,762**	**5,743**	**(13)**	**5,730**
Balance at December 31, 2013	**209**	**777**	**(363)**	**(34)**	**(59)**	**4,959**	**5,489**	**(8)**	**5,481**
Net income recognised directly in equity			(95)	12	(0)		(83)	(1)	(84)
Net income						204	204	2	206
Total comprehensive income			**(95)**	**12**	**(0)**	**204**	**121**	**1**	**122**
Balance at March 31, 2014	**209**	**777**	**(458)**	**(22)**	**(59)**	**5,162**	**5,610**	**(7)**	**5,603**

1) Reserves for remeasurements of defined benefit plans (IAS 19), option plans and acquisition of shares from non-controlling interest shareholders.
Rounding differences may arise in percentages and totals.

Consolidated Statement of Cash Flows

.. adidas AG Consolidated Statement of Cash Flows (IFRS) (€ in millions)

	First quarter 2014	First quarter 2013
Operating activities:		
Income before taxes	290	427
Adjustments for:		
Depreciation, amortisation and impairment losses	73	68
Reversals of impairment losses	(1)	(0)
Unrealised foreign exchange losses/(gains), net	10	(4)
Interest income	(6)	(4)
Interest expense	17	17
Losses on sale of property, plant and equipment, net	1	1
Operating profit before working capital changes	**384**	**505**
Increase in receivables and other assets	(364)	(716)
Decrease in inventories	62	154
Decrease in accounts payable and other liabilities	(405)	(412)
Cash used in operations before interest and taxes	**(323)**	**(469)**
Interest paid	(10)	(16)
Income taxes paid	(49)	(90)
Net cash used in operating activities	**(382)**	**(575)**
Investing activities:		
Purchase of trademarks and other intangible assets	(8)	(6)
Proceeds from sale of trademarks and other intangible assets	1	1
Purchase of property, plant and equipment	(149)	(42)
Proceeds from sale of property, plant and equipment	2	1
Proceeds from sale of short-term financial assets	37	186
Purchase of investments and other long-term assets	(1)	(24)
Interest received	6	4
Net cash (used in)/generated from investing activities	**(112)**	**120**
Financing activities:		
Repayments of long-term borrowings	–	(0)
Repayments of finance lease obligations	(1)	(1)
Proceeds from short-term borrowings	120	10
Repayments of short-term borrowings	–	(221)
Net cash generated from/(used in) financing activities	**120**	**(212)**
Effect of exchange rates on cash	**(15)**	**18**
Decrease of cash and cash equivalents	(390)	(649)
Cash and cash equivalents at beginning of the year	1,587	1,670
Cash and cash equivalents at end of the period	**1,198**	**1,021**

Rounding differences may arise in percentages and totals.

Selected Explanatory Notes to the Interim Consolidated Financial Statements (IFRS) as at March 31, 2014

01 General

The interim consolidated financial statements of adidas AG and its direct and indirect subsidiaries (collectively the "Group") for the first three months ending March 31, 2014 are prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The Group applied all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations of the IFRS Interpretations Committee effective as at March 31, 2014.

These interim consolidated financial statements have been prepared in compliance with International Accounting Standard IAS 34 "Interim Financial Reporting" and with German Accounting Standard GAS 16 "Interim Financial Reporting". Accordingly, these interim consolidated financial statements do not include all of the information and notes required for consolidated financial statements at financial year-ends. Therefore, these interim consolidated financial statements should be read in conjunction with the 2013 annual consolidated financial statements. The accounting policies as well as principles and practices applied in the consolidated financial statements for the year ending December 31, 2013 also apply to the interim consolidated financial statements for the first three months ending March 31, 2014.

An exemption to this principle is the application of new/revised standards and interpretations which are effective for financial years starting from January 1, 2014. The application of new/revised standards does not have any material impact on the Group's financial position, results of operations and cash flows.

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

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

The results of operations for the first three months ending March 31, 2014 are not necessarily indicative of results to be expected for the entire year.

The interim consolidated financial statements are presented in euros (€). Due to rounding principles, numbers presented may not sum up exactly to totals provided.

02 Seasonality

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

03 Assets/liabilities classified as held for sale

The composition of assets/liabilities classified as held for sale is unchanged compared to December 31, 2013.

04 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 respective period.

It is necessary to include dilutive potential shares arising from the convertible bond issuance in March 2012 in the calculation of diluted earnings per share as at March 31, 2014 as the conversion right has a value as at the balance sheet date. The average share price reached € 84.30 per share during the first three months of 2014 and has thus exceeded the conversion price of € 83.10 per share. Additionally, the conversion of the convertible bond into ordinary shares would have led to a decrease in earnings per share. Therefore the convertible bond is assumed to be converted into ordinary shares at the beginning of the period and net income attributable to shareholders is adjusted to eliminate the interest expense on the convertible bond, net of taxes.

Earnings per share

	First quarter 2014	First quarter 2013
Net income attributable to shareholders (€ in millions)	204	308
Weighted average number of shares	209,216,186	209,216,186
Basic earnings per share (in €)	**0.98**	**1.47**
Net income attributable to shareholders (€ in millions)	204	308
Interest expense on convertible bond, net of taxes (€ in millions)	2	–
Net income used to determine diluted earnings per share (€ in millions)	**206**	**308**
Weighted average number of shares	209,216,186	209,216,186
Weighted assumed conversion of the convertible bond	6,016,954	–
Weighted average number of shares for diluted earnings per share	**215,233,140**	**209,216,186**
Diluted earnings per share (in €)	**0.96**	**1.47**

05 Shareholders' equity

In the period from January 1, 2014 to March 31, 2014, the nominal capital of adidas AG did not change. Consequently, on March 31, 2014, the nominal capital of adidas AG amounted to € 209,216,186, divided into 209,216,186 registered no-par-value shares ("registered shares").

06 Other operating income and other operating expenses

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

Other operating expenses include expenses for marketing, sales and research and development, as well as for logistics and central administration. In addition, they include impairment losses as well as depreciation on tangible assets and amortisation on intangible assets (except goodwill impairment losses), with the exception of depreciation and amortisation which is included in the cost of sales. In the first three months of 2014, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 71 million (2013: € 67 million).

07 Segmental information

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. Income and expenses relating to these corporate functions are presented together with other non-allocable items and intersegment eliminations in the reconciliation of segmental operating profit. 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.

Segments (€ in millions)

	Wholesale		Retail		Other Businesses		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Net sales (non-Group) [1]	2,357	2,481	794	722	382	548	3,533	3,751
Segmental operating profit [1]	838	893	105	101	75	172	1,018	1,166
Segmental assets [2]	2,919	2,897	887	804	839	932	4,646	4,633

1) First quarter.
2) At March 31.

Operating profit (€ in millions)

	First quarter 2014	First quarter 2013
Operating profit for reportable segments	943	994
Operating profit for Other Businesses	75	172
Segmental operating profit	**1,018**	**1,166**
HQ/Consolidation	72	96
Marketing working budget	(359)	(363)
Other operating expenses	(451)	(482)
Royalty and commission income	24	25
Operating profit	**303**	**442**
Financial income	7	4
Financial expenses	20	(19)
Income before taxes	**290**	**427**

08 Events after the balance sheet date

Between the end of the first three months of 2014 and the finalisation of these interim consolidated financial statements on May 2, 2014, there were no major Group-specific matters which we expect to influence our business materially going forward.

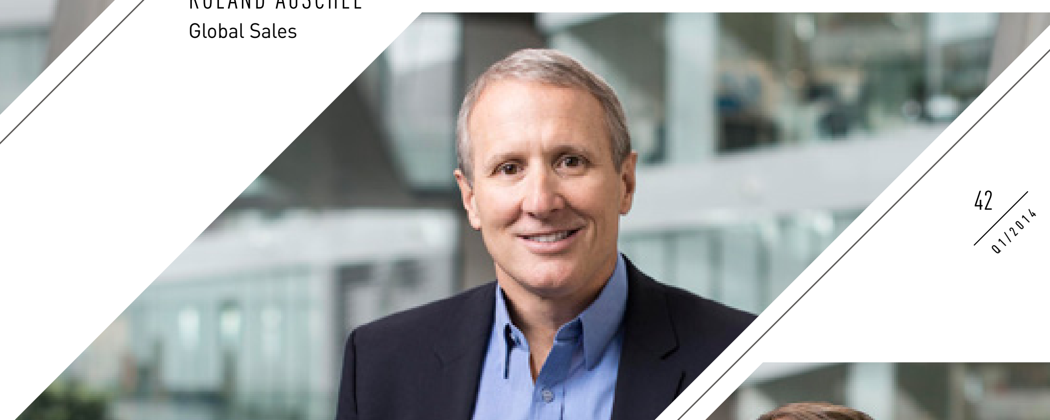
Herzogenaurach, May 2, 2014
The Executive Board of adidas AG

Executive and Supervisory Boards

Executive Board

HERBERT HAINER
Chief Executive Officer

ROLAND AUSCHEL
Global Sales



GLENN BENNETT
Global Operations

ROBIN J. STALKER
Chief Financial Officer

ERIC LIEDTKE [1]
Global Brands

1) Effective March 6, 2014.

Biographical information on our Executive Board members as well as on mandates of the members of the Executive Board is available at :// **WWW.ADIDAS-GROUP.COM/EXECUTIVE-BOARD**.

Supervisory Board

IGOR LANDAU
Chairman

SABINE BAUER [1]
Deputy Chairwoman

WILLI SCHWERDTLE
Deputy Chairman

DIETER HAUENSTEIN [1]

DR. WOLFGANG JÄGER [1]

DR. STEFAN JENTZSCH

HERBERT KAUFFMANN

ROLAND NOSKO [1]

ALEXANDER POPOV

HANS RUPRECHT [1]

HEIDI THALER-VEH [1]

CHRISTIAN TOURRES

1) Employee representative.

Biographical information on our Supervisory Board members as well as on mandates of the members of the Supervisory Board is available at :// **WWW.ADIDAS-GROUP.COM/SUPERVISORY-BOARD**.

Financial Calendar
2014

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

Publishing Details & Contact

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

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

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

adidas Group is a member of DIRK
(German Investor Relations Association).

This report is also available in German.
For further adidas Group publications,
please see our corporate website.

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

Concept and Design
Strichpunkt, Stuttgart / Berlin