FOR THE LOVE OF SPORT

Q3

Nine Months Report
January – September
2014

01 ⁄ Nine Months Results at a Glance (€ in millions)

	Nine months 2014	Nine months 2013	Change	Third quarter 2014	Third quarter 2013	Change
Group						
Net sales	11,116	11,013	0.9%	4,118	3,879	6.2%
Gross profit	5,392	5,488	(1.7%)	1,952	1,913	2.0%
Gross margin	48.5%	49.8%	(1.3pp)	47.4%	49.3%	(1.9pp)
Operating profit	927	1,157	(19.8%)	405	463	(12.7%)
Operating margin	8.3%	10.5%	(2.2pp)	9.8%	11.9%	(2.1pp)
Wholesale						
Net sales	7,159	7,048	1.6%	2,717	2,553	6.4%
Gross profit	3,031	3,049	(0.6%)	1,136	1,121	1.3%
Gross margin	42.3%	43.3%	(0.9pp)	41.8%	43.9%	(2.1pp)
Segmental operating profit	2,437	2,450	(0.5%)	929	926	0.4%
Segmental operating margin	34.0%	34.8%	(0.7pp)	34.2%	36.3%	(2.1pp)
Retail						
Net sales	2,799	2,512	11.4%	1,047	923	13.4%
Gross profit	1,664	1,573	5.8%	608	568	7.1%
Gross margin	59.4%	62.6%	(3.2pp)	58.1%	61.5%	(3.4pp)
Segmental operating profit	492	512	(3.9%)	207	195	6.1%
Segmental operating margin	17.6%	20.4%	(2.8pp)	19.8%	21.2%	(1.4pp)
Other Businesses						
Net sales	1,158	1,453	(20.3%)	354	403	(12.2%)
Gross profit	437	605	(27.8%)	125	142	(12.3%)
Gross margin	37.7%	41.6%	(3.9pp)	35.3%	35.3%	(0.1pp)
Segmental operating profit	217	381	(43.0%)	54	70	(23.0%)
Segmental operating margin	18.7%	26.2%	(7.5pp)	15.1%	17.2%	(2.1pp)
Sales by Brand						
adidas	8,904	8,478	5.0%	3,364	3,072	9.5%
Reebok	1,158	1,172	(1.2%)	447	439	1.7%
TaylorMade-adidas Golf	673	981	(31.4%)	138	210	(34.3%)
Rockport	192	201	(4.5%)	74	71	3.4%
Reebok-CCM Hockey	188	181	3.7%	95	87	10.4%

Rounding differences may arise in percentages and totals.

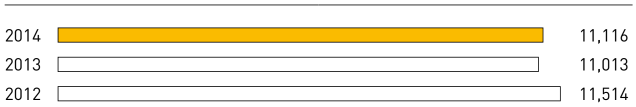
02 Financial Highlights (IFRS)

	Nine months 2014	Nine months 2013	Change	Third quarter 2014	Third quarter 2013	Change
Operating Highlights (€ in millions)						
Net sales	11,116	11,013	0.9%	4,118	3,879	6.2%
EBITDA	1,149	1,352	(15.0%)	485	529	(8.3%)
Operating profit	927	1,157	(19.8%)	405	463	(12.7%)
Net income attributable to shareholders	630	796	(20.9%)	282	316	(11.0%)
Key Ratios (%)						
Gross margin	48.5%	49.8%	(1.3pp)	47.4%	49.3%	(1.9pp)
Operating expenses in % of net sales	41.8%	41.0%	0.8pp	38.7%	39.6%	(0.9pp)
Operating margin	8.3%	10.5%	(2.2pp)	9.8%	11.9%	(2.1pp)
Effective tax rate	28.8%	27.7%	1.1pp	28.6%	28.0%	0.6pp
Net income attributable to shareholders in % of net sales	5.7%	7.2%	(1.6pp)	6.8%	8.2%	(1.3pp)
Average operating working capital in % of net sales [1]	21.9%	20.6%	1.3pp			
Equity ratio	52.1%	49.3%	2.7pp			
Net borrowings/EBITDA [2]	0.4	0.1				
Financial leverage	8.9%	3.2%	5.7pp			
Return on equity	10.3%	14.2%	(3.9pp)			
Balance Sheet and Cash Flow Data (€ in millions)						
Total assets	11,750	11,389	3.2%			
Inventories	2,647	2,513	5.4%			
Receivables and other current assets	3,202	2,956	8.3%			
Working capital	2,188	2,262	(3.3%)			
Net borrowings	543	180	201.9%			
Shareholders' equity	6,119	5,619	8.9%			
Capital expenditure	373	280	33.2%	109	108	0.2%
Net cash used in operating activities	(138)	(40)	241.5%			
Per Share of Common Stock (€)						
Basic earnings	3.01	3.81	(20.9%)	1.35	1.51	(11.0%)
Diluted earnings	3.01	3.81	(20.9%)	1.35	1.51	(11.0%)
Net cash used in operating activities	(0.66)	(0.19)	241.5%			
Share price at end of period	59.25	80.18	(26.1%)			
Other (at end of period)						
Number of employees	53,457	48,842	9.4%			
Number of shares outstanding	209,216,186	209,216,186	—	209,216,186	209,216,186	—
Average number of shares	209,216,186	209,216,186	—	209,216,186	209,216,186	—

1) Twelve-month trailing average.
2) EBITDA of last twelve months.

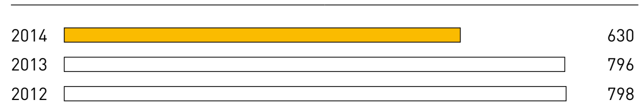
03 Nine months net sales

(€ in millions)



04 Nine months net income attributable to shareholders

(€ in millions)



Operational and Sporting Highlights
Third Quarter 2014

JULY

09.07.
adidas presents the latest addition to its miCoach digital fitness system with the introduction of FIT SMART – a training device that measures heart rate, calories, pace, distance and stride rate, all from the wrist.

09.07.
adidas announces its partnership with Andrew Wiggins, the number one overall pick of the 2014 NBA Draft.

13.07.
adidas sponsored team Germany wins the 2014 FIFA World Cup. From having both finalists, the winning team and all three adidas golden award winners to achieving record football sales and being the most talked-about brand in social media, adidas dominated the tournament on and off the pitch.

14.07.
TaylorMade introduces its Tour Preferred Ultimate Driving Iron (UDI), a club designed to deliver long distance on tee shots.

14.07.
adidas and Manchester United announce an Official Partnership, bringing together two of the leading brands in football. Starting with the 2015/2016 season, adidas will become the global Technical Sponsor and Official Licensing Partner of Manchester United for ten years.

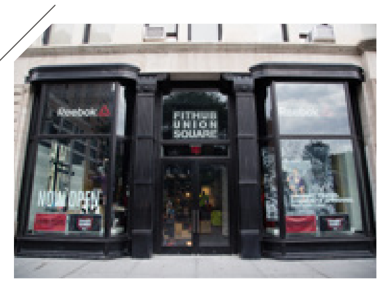
16.07.
adidas launches the latest incarnation of the iconic Predator football boot – the Predator Instinct, timed to coincide with the 20th anniversary of the Predator's original release.

18.07.
Reebok unveils its latest running innovation: Z-Jet. Full-length "speed channels" of moving air provide dynamic cushioning that is flexible and lightweight.

18.07.
CCM presents its new Tacks skate, engineered to provide players with explosive acceleration.

27.07.
adidas' game-changing Boost technology is officially introduced to basketball. NBA stars Damian Lillard and Derrick Rose present the new Crazylight Boost and D Rose 5 Boost to media in Las Vegas, Nevada.

31.07.
Reebok opens its new Union Square FitHub in the heart of Manhattan. It follows the successful openings of four other Reebok FitHubs in the New York/New Jersey region.



AUGUST

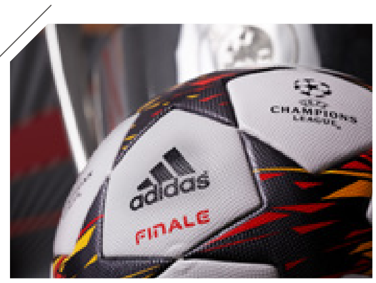
05.08.
Reebok launches the CrossFit Nano 4.0 – the latest generation of the "official shoe of fitness" – in retail.

12.08.
Reebok presents itself at the IDEA World Fitness Convention in Anaheim, California, an annual event that unites thousands of fitness professionals from around the globe.

22.08.
The adidas Originals #miZXFLUX app takes sneaker customisation to the next level, giving users the possibility to apply any image in the world from their smartphone to their ZX Flux model.

26.08.
adidas teams up with award-winning Japanese fashion designer Yohji Yamamoto to launch the new third kit for defending UEFA Champions League winner Real Madrid.

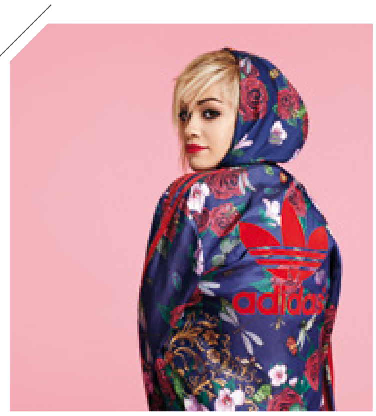
27.08.
adidas unveils the Official Match Ball of the UEFA Champions League 2014/2015.



SEPTEMBER

03.09.
adidas and brand ambassador Selena Gomez host #NEOrunway, the world's first tweet-powered fashion show, in New York City. Entirely created by teens around the world, the event unveils adidas NEO's new collection in a unique show for the digital age.

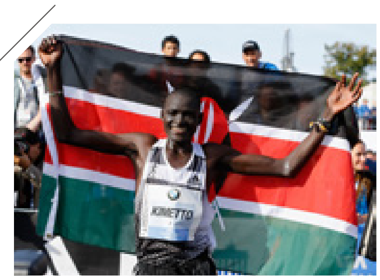
04.09.
adidas and Rita Ora launch their first joint adidas Originals by Rita Ora collection in London.



15.09.
adidas and Foot Locker introduce "The a Standard", a shop-in-shop retail concept within the world's leading specialty athletic retailer. The exclusive in-store shops offer premium adidas products and will be in 28 Foot Locker locations across the USA.

17.09.
adidas miCoach training service announces a partnership with MyFitnessPal, the leading nutrition app. The partnership brings adidas expertise in digital coaching together with diet and nutrition tracking from MyFitnessPal.

28.09.
adidas athlete Dennis Kimetto runs the fastest marathon in history with a time of 2:02:57 wearing the adizero Adios Boost at the 2014 Berlin Marathon.



28.09.
TaylorMade Tour Staff players Justin Rose, Sergio García, Jamie Donaldson, Martin Kaymer and Stevie Gallacher are part of Europe's Ryder Cup team which wins the title against the US team for the third consecutive time.

29.09.
adidas and NBA All-Star point guard John Wall launch the J Wall 1 signature collection including basketball shoes and apparel.

adidas GROUP

Letter from the CEO

HERBERT HAINER
adidas Group CEO

Dear Shareholders,

Our financial performance in 2014 has not lived up to our high standards. Although we have enjoyed encouraging and solid top-line growth in the majority of our key categories and markets, significant negative headwinds from our golf business, weakening consumer sentiment in Russia/CIS and unfavourable currency movements have impeded us from growing our bottom line.

In any sport, to reach your goals, tactics and desire are critical to compete and win. We are here to do both. And while certain external factors have gone against us over the last 18 months, we know we have to raise our game especially in difficult conditions. Over the last months, we have acted quickly and urgently, implementing a series of initiatives to drive more consistent growth and more profitability for our Group:

- We have been proactive taking decisive steps to stabilise the underperforming areas of our business, particularly at TaylorMade-adidas Golf.
- We have adjusted our investment plans to account for current market risks, with Russia being a key focus.
- We have completed a major reorganisation of roles and responsibilities in our marketing and sales organisations, to speed up decision making.
- We have stacked talent, both internal and external, to revive momentum and growth in North America.
- We have increased marketing spend particularly in the developed markets.
- We are working swiftly preparing our next strategic plan, where we will take the powerful capabilities we have built over Route 2015 and apply them with more vigour and intent to unlock the potential of our brands.
- And finally, we have adjusted our capital management and shareholder return policies, taking the current low interest rate levels as an opportunity to reduce our cost of capital, and pave the way for future investments and shareholder returns.

Before I get into the results of the last quarter, let me give you an update on some of these areas, starting with those that have most affected our results in 2014.

TaylorMade-adidas Golf has clearly been our weakest performer, with sales declining 29% on a currency-neutral basis and operating profit deviating by around € 150 million compared to the prior year level. While the sport has structural challenges with participation, the biggest headwind to a faster recovery is the high levels and slow liquidation of old inventories in the marketplace. Therefore, we have remained laser-focused on inventory management, taking a leading and responsible role for the industry clean-up. We chose not to chase sales for the second half of 2014 despite being up against the successful launch of the SLDR driver in the second half last year. We also completed the major elements of the restructuring programme we announced in August, commencing the closure of our Adams Golf facility in Plano, Texas, and reducing our golf segment global workforce by 15%. These actions amounted to a charge of around € 10 million in the third quarter. As a result of all these steps, I am confident we will stabilise and grow sales and margins in 2015, returning the segment to profitable levels.

Turning to Russia/CIS, a market that is highly prosperous for us but also facing significant near-term challenges. In the first nine months, sales in Russia/CIS increased 18% on a currency-neutral basis. While this is positive, negative effects from the Russian rouble, higher promotional activity as a result of weakening consumer sentiment and our efforts to accelerate inventory reduction significantly impacted our margins and therefore our results by around € 100 million compared to our initial plan for the year. We have an enviable and strong position in Russia/CIS, being one of the most established and desired consumer brands with a wide-reaching network of over 1,100 stores. While we firmly believe in the long-term potential of the market, due to the rapid depreciation of the Russian rouble and the considerable risk of further deterioration in consumer spending, the short-term fundamentals of the business have changed materially. This warrants an even heightened level of capital and risk management as we plan for 2015. Therefore, we have and will continue working on accelerating our real estate and inventory management initiatives. This has resulted in net store closures in Russia/CIS of 27 stores since the end of June, and we have reduced our net opening plans even further to around 30 per year for 2014 and 2015. In addition, we continue to work hard on driving down inventory levels, with an ambition to reduce inventories by a double-digit percentage rate in 2014, and to continue reducing absolute levels of inventory in 2015.

Finally, a quick word about currencies: In total for the first nine months, negative translation effects wiped out around € 550 million of revenues from our Group's result. Taking the effects of translation as well as less favourable hedging rates, which impacted the Group's gross margin by 50 basis points, operating profit in the first nine months was impacted by roughly € 150 million.

While these issues have been a steady burden through the year, we definitely should not ignore the strong successes and improving momentum in many parts of our business. In fact, we even saw some trends accelerate in the third quarter:

- Sales for the Group increased 9% currency-neutral in Q3 and are up 6% year-to-date. Strong momentum continued for our brands in the emerging markets, with European Emerging Markets, Greater China and Latin America increasing 19%, 13% and 16% currency-neutral, respectively.

- Our business in Western Europe grew 10% as we continue to regain strength in the region, driven by stronger product assortments in adidas Football and Running and continued double-digit growth at Reebok.

- In Retail, we also enjoyed another quarter of positive comparable store trends in all of our regions. Our efforts to drive more leverage on store costs also yielded a very satisfactory 2 percentage point reduction in operating expenses as a percentage of sales during the quarter for the segment. In fact, our total concept store business excluding Russia/CIS will deliver record sales and profitability levels this year, which reaffirms our great confidence in the power and value of this business model.

- Gross margin declined 1.9 percentage points in the quarter, as higher input costs, currency impacts and clearance activities particularly in Russia/CIS negatively impacted our results. Although clearly impacting our margins, our strong focus on inventory management in markets such as Russia is definitely paying off, as our inventory growth rate more than halved to 7% from 16% at the end of June.

- As a result of tight control of overheads in the quarter and lower financial expenses, net income for the quarter declined 11%, which is a significant improvement on the 27% decline reported in the first half year.

Looking deeper into the brands, at adidas, sales increased 12% currency-neutral in the third quarter and 11% for the first nine months.

- In football, sales year-to-date increased 31%. The success of our sponsored teams and players at the World Cup as well as new product introductions such as the Predator Instinct will ensure we reach our aspiration of more than € 2 billion in sales for the full year. The World Cup has been our most successful event activation ever. We created unprecedented brand heat for our symbols and products through our innovative digital newsroom hub which we tested in Brazil for the first time.

- In running, sales for the first nine months were up 14%, with a strong acceleration in the third quarter, where sales increased 20%. Our industry-leading Boost technology continues to grab market share and mind share, being hands-down the best-performing product on the world's major marathon scene. At the Berlin Marathon, adidas sponsored Dennis Kimetto ran the fastest marathon in history wearing the super-lightweight adizero Adios Boost. Since its launch, the adizero Adios Boost has 27 major marathon wins under its belt, most recently completing the male and female double at the New York Marathon.

- In Originals, after a difficult start to the year, sales continue to rebound, growing 9% currency-neutral in the quarter. The ZX Flux remains a top seller and key franchises such as the Stan Smith as well as the first product launches in a series of new collaborations, for example with Pharrell Williams and Rita Ora, are driving heat for the Trefoil.

- Finally, the adidas NEO label also delivered another quarter of robust growth, with sales up 33% as we expanded our product offering in key winter styles in footwear, jackets and denim.

At Reebok, we recorded our sixth consecutive quarter of growth, with sales increasing 7% currency-neutral. The brand's positioning in fitness is resonating well around the world, particularly in markets where we are driving our own controlled space agenda. Sales increased at a double-digit rate in Western Europe, European Emerging Markets, Other Asian Markets and Latin America. On a category level, Fitness Training, Walking and Studio were the key drivers, increasing 25%, 30% and 52%, respectively. I fully expect these trends to continue, as we broaden our partnership network and product offering to new and upcoming fitness disciplines. This will also ensure that Reebok further increases its gross margin. While the brand's gross margin was down 1.4 percentage points year-to-date and 3 percentage points in the third quarter, this was all down to the challenges in Russia/CIS as well as activities to streamline Reebok even more towards its fitness positioning in North America. This is mainly related to old footwear closeouts as well as preparations to rationalise the brand's factory outlet business in North America, which we plan to reduce by 20% over the next 12 months.

Speaking about North America, regaining our form in this market is the top priority on our Group's agenda. We have made this market a key priority for all senior leadership teams. As I mentioned earlier, we have carried out a significant change in management in our North American organisation this year, stacking high-calibre talent from various parts of our Group and adding key external talent, particularly in design. We also have been very active getting back on the field of play, whether it be investments in current and future NBA talents or, more recently, the return of the 3-Stripes to the NFL field.

So as you can see, while 2014 has been challenging, it has also been an active period for our Group. Attention now turns to completing the year. Despite having difficult comparisons in the fourth quarter due to the first major wave of World Cup product launches in this period last year, we have plenty to play for in the fourth quarter:

- We will be further expanding our Boost offering into new running models and categories.
- We will leverage the return to court of the NBA through a series of new icon products for Derrick Rose, John Wall and Damian Lillard.
- We will have our largest and most comprehensive ever winter apparel campaign, Open All Winter, supporting our most technologically advanced ClimaHeat apparel products.
- We will introduce several new products from our Originals collaborations, including Pharrell Williams and Nigo.
- And, we have a few product and partnership surprises to come at Reebok, which we will announce before year-end.

Therefore, with this backdrop, I can fully reiterate our top- and bottom-line guidance for 2014, as adjusted in July, of mid- to high-single-digit currency-neutral sales growth and net income attributable to shareholders at a level around € 650 million. For 2015, we will continue our growth path and, despite tough football comparisons, we expect sales to grow at a mid-single-digit rate on a currency-neutral basis. From a net income perspective, we will grow our earnings at a higher rate than the top line. However, as there are still a number of moving parts, most notably the continued volatility of the Russian rouble, we will give a more specific quantification in March 2015. We will also share more details of our future plans as part of our strategic update in March.

I wish you all a successful end to 2014, and look forward to addressing you again in 2015, in particular sharing our vision for the Group and the great potential we have.

Yours sincerely,

HERBERT HAINER
adidas Group CEO

Our Share

In the third quarter of 2014, the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index could not maintain the positive trend from the previous quarter, decreasing 3.6% and 7.8%, respectively, compared to the end of June 2014. The adidas AG share performed weaker than the overall equity markets and declined 19.9% in the third quarter of 2014.

Mixed international stock market performance in the third quarter

In the third quarter of 2014, geopolitical risk factors continued to weigh on global equity markets. In particular, the ongoing political uncertainty in Ukraine/Russia, where the EU and the US both announced sanctions against Russia during the quarter, as well as the persistent crisis in Iraq and Syria were key headwinds. In addition, disappointing economic data in the euro area, the less expansionary Fed policy and the weakening in economic data in China further depressed international stock markets. However, robust US economic data, a strong US earnings season as well as the ongoing expansionary ECB policy supported equity markets, partly offsetting the overall negative market sentiment. Accordingly, the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index lost momentum from the prior quarter, declining 3.6% and 7.8%, respectively, compared to the end of June 2014.

adidas AG share suffers considerable losses in the third quarter

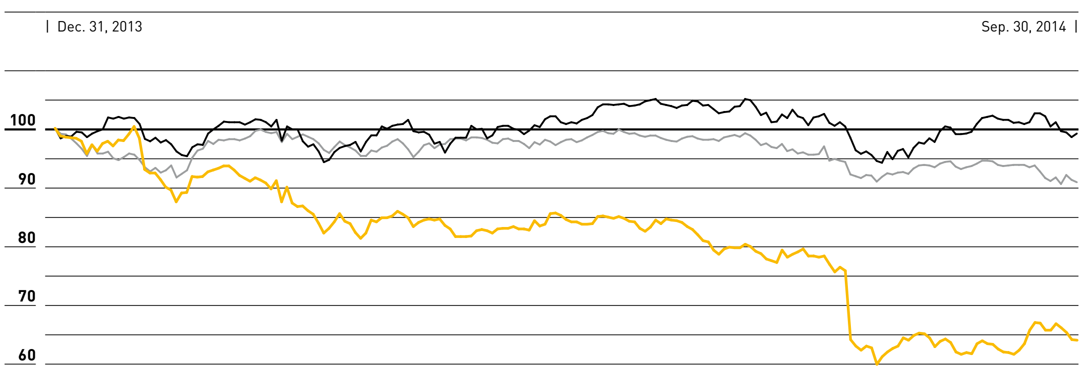
At the beginning of the third quarter, the adidas AG share traded sideways as a result of mixed analyst commentary prior to the adidas Group's first half results release. On July 31, the adidas Group lowered its financial outlook for the full year, mainly due to the continued weakness in the golf market, negative developments in Russia/CIS as well as ongoing currency headwinds, resulting in a significant share price decrease. Following the publication of the adidas Group's first half results on August 7, the adidas AG share suffered further losses, as market participants remained concerned about the Group's top- and bottom-line development, waiting for clear signals of better execution before turning more constructive on the adidas AG share again. Towards the end of the third quarter, the adidas AG share stabilised and recovered moderately. As a consequence, the adidas AG share finished the third quarter at € 59.25, representing a decrease of 19.9% compared to the end of June 2014.

05 ⁄ The adidas AG share

		Dec. 31, 2013	Sep. 30, 2014
Number of shares outstanding [1]	shares	209,216,186	209,216,186
Closing price	€	92.64	59.25
High [2]	€	92.64	92.92
Low [2]	€	66.28	55.50
Market capitalisation	€ in millions	19,382	12,396
Average trading volume per trading day [2]	shares	842,318	1,293,738

1) All shares carry full dividend rights.
2) In full year 2013 and first nine months 2014.

06 ⁄ Share price development in 2014 [1]



1) Index: December 31, 2013 = 100.

07 / **Historical performance of the adidas AG share and important indices at September 30, 2014** (in %)

	YTD	1 year	3 years	5 years	Since IPO
adidas AG	(36)	(26)	29	64	513
DAX-30	(1)	10	72	67	331
MSCI World Textiles, Apparel & Luxury Goods	(9)	(6)	54	109	369

Source: Bloomberg.

Number of ADRs decreases

The number of Level 1 ADRs (American Depository Receipts) decreased during the three-month period compared to the end of the second quarter of 2014. At September 30, 2014, 6.9 million ADRs were outstanding (June 30, 2014: 9.9 million). This development represents a significant decrease versus September 30, 2013, when 11.5 million ADRs were outstanding. The Level 1 ADR closed the quarter at US $ 37.40, reflecting a decrease of 26.2% compared to the end of June 2014. The more pronounced decrease of the Level 1 ADR price compared to the ordinary share price was due to the appreciation of the US dollar versus the euro at the end of the third quarter of 2014 compared to the end of June 2014.

Changes in shareholder base

In the third quarter of 2014, adidas AG received several 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**.

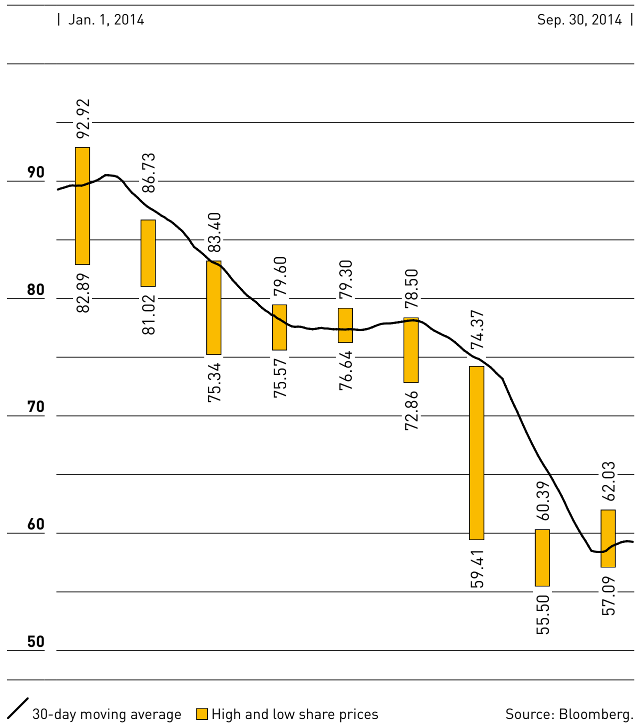
Directors' dealings reported on corporate website

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 third quarter of 2014, adidas AG received three notifications pursuant to § 15a WpHG: Herbert Kauffmann, member of the adidas AG Supervisory Board, purchased 1,000 shares on August 7, 2014, Herbert Hainer, adidas Group CEO, purchased 7,000 shares on August 12, 2014, and Robin Stalker, adidas Group CFO, purchased 1,750 shares on August 12, 2014.

adidas AG again included in Dow Jones Sustainability Indices and STOXX Global ESG Leaders indices

For the 15th consecutive time, adidas AG has been selected to join the Dow Jones Sustainability Indices (DJSI), the world's first global sustainability index family tracking the performance of the leading sustainability-driven companies worldwide. In the sector "Textiles, Apparel & Luxury Goods", adidas AG scored industry-best ratings in the categories Supply Chain Management, Product Stewardship and Stakeholder Engagement. In addition, adidas AG remains a component of the STOXX Global ESG Leaders indices for the fourth consecutive year. The index family is made up of three specialised indices for the categories environmental, social and governance, and one broad index which sums up the specialised indices.

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



Source: Bloomberg.

1) Based on daily Xetra closing prices.

adidas Group Annual Report wins Best of Corporate Publishing Award

In July 2014, the adidas Group Annual Report once again won the Best of Corporate Publishing (BCP) Award. This is the second time in three years that the adidas Group Annual Report has won this prestigious award. Out of a total of more than 700 submissions in 29 categories, the adidas Group's 2013 Annual Report, titled "For the Love of Sport", ranked in first place in the category "Annual Report – Industry/Services".

Group Business Performance

In the first nine months of 2014, adidas Group results were significantly impacted by negative currency effects as well as a challenging golf market. Currency-neutral Group sales increased 6% as a result of growth in Wholesale and Retail. In euro terms, adidas Group revenues grew 1% to € 11.116 billion from € 11.013 billion in 2013. The Group's gross margin decreased 1.3 percentage points to 48.5% (2013: 49.8%), mainly due to the negative effects resulting from less favourable hedging rates, higher input costs, lower margins at TaylorMade-adidas Golf and currency devaluation. The Group's gross profit decreased 2% to € 5.392 billion in the first nine months of 2014 versus € 5.488 billion in 2013. The Group's operating profit declined 20% to € 927 million compared to € 1.157 billion in the first nine months of 2013, representing an operating margin of 8.3%, down 2.2 percentage points compared to the prior year (2013: 10.5%). This 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. The Group's net income attributable to shareholders was down 21% to € 630 million from € 796 million in 2013. Diluted earnings per share decreased 21% to € 3.01 in the first nine months of 2014 versus € 3.81 in 2013.

Economic and Sector Development

Global economy grows in the third quarter

In the third quarter of 2014, the global economy strengthened modestly, with the emerging markets once again outperforming most developed economies. The advanced economies' performance was supported by modest GDP expansion in the euro area and low inflationary pressures. Nevertheless, despite improvements in economic activity, 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 relatively robust export activity during the period, with Germany and the UK in particular recording healthy GDP growth. However, low real income expansion 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, the ongoing political unrest in Russia/Ukraine led to continued economic contraction and the crisis also further depressed Russia's already slowing economy, denting investment and export demand. Furthermore, sanctions against Russia and the recent decline in oil prices together with the further weakening of the rouble put additional constraints on growth.

The US economy, with its improving labour market and low inflation and interest rates, grew modestly in the third quarter. It also saw a rebound effect resulting from the negative effects of the cold weather and disruptive snowstorms at the beginning of the year, which added to the growth. However, continued weak confidence around personal debt and limited government spending led to lacklustre consumption and economic activity.

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

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
USA [2)]	80.2	77.5	83.9	86.4	86.0
Euro area [3)]	(14.8)	(13.5)	(9.2)	(7.5)	(11.4)
Japan [4)]	45.1	40.0	36.9	40.5	39.6
China [5)]	99.8	102.3	107.9	104.7	103.8
Russia [6)]	(7.0)	(11.0)	(11.0)	(6.0)	(7.0)
Brazil [7)]	110.1	111.2	108.8	106.3	109.7

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.

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

	Average rate 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Average rate 2014 [2)]
USD	1.3283	1.3791	1.3788	1.3658	1.2583	1.3563
GBP	0.8492	0.8337	0.8282	0.8015	0.7773	0.8124
JPY	129.58	144.72	142.42	138.44	138.11	139.60
RUB	42.298	45.137	49.205	45.933	49.560	47.974
CNY	8.1674	8.4082	8.4825	8.4035	7.7417	8.3623

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

In Asia, wage increases and easing inflationary pressures in most of the region's markets helped to drive domestic demand and GDP expansion. In China, growth remained relatively robust, with strong consumer and government spending coupled with healthy manufacturing levels supporting economic development. Japan's economy saw only modest recovery in the third quarter, following a severe contraction in the previous quarter, when consumer spending retrenched as a result of the government's sales tax increase in April. While this factor is likely to keep private consumption depressed for several more quarters, robust export activity as well as increased government spending led to a modest expansion of the economy during the period.

In Latin America, GDP development varied across the region, with Argentina's economy contracting due to high inflation rates, capital constraints and low central bank reserves which are depressing confidence and output. Activities relating to the 2014 FIFA World Cup, together with a relatively healthy labour market, positively supported GDP growth in Brazil. However, weak consumer confidence and spending as well as low productivity growth were headwinds to further economic improvement. Other regional economies such as Mexico, Colombia and Chile posted healthy GDP increases in the third quarter, with robust domestic demand and exports fuelling growth.

Ongoing positive momentum in the global sporting goods sector in the third quarter

In the third quarter of 2014, the global sporting goods industry grew, primarily driven by rising consumer spending in the emerging markets. The industry benefited particularly from sales and activities related to the world's largest sporting event, the FIFA World Cup, 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. Running saw modest improvements during the quarter, fuelled by lightweight and fashion running silhouettes. Activities relating to the 2014 FIFA World Cup continued to support momentum in the football category. The outdoor category was able to reverse the overall weakness from the previous quarters, as the start of the fall/winter season resulted in stronger demand for casual outdoor boots. Retro silhouettes across multiple categories saw ongoing positive growth trends during the quarter.

In Western Europe, sequential increases in consumer spending supported the sector's growth and, owing to the importance of football and the large number of teams from this region that qualified for the 2014 FIFA World Cup, provided additional industry momentum. Similarly, in many European emerging markets the significance of football and also Russia's participation in Brazil supported the sector's expansion.

In North America, the sporting goods industry grew modestly, with favourable weather conditions adding momentum as the quarter progressed. Furthermore, the strong performance of the US team during the FIFA World Cup helped fuel strong football sales. Basketball footwear as well as apparel continued to be in strong demand, outperforming casual footwear and outdoor products. The golf market remained challenging, as higher inventories in retail channels led to the continuation of a highly promotional environment.

In Asia, rising disposable incomes and consumer spending promoted 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 continued to be challenging following the sales tax increase in April this year, however the industry saw further improvements as the quarter developed.

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 increase 9% in the third quarter of 2014

In the third quarter of 2014, Group revenues increased 9% on a currency-neutral basis, driven by double-digit sales increases in Retail and high-single-digit revenue growth in Wholesale. Currency-neutral sales in Other Businesses declined at a double-digit rate. Currency translation effects had a negative impact on sales in euro terms. Group revenues increased 6% to € 4.118 billion in the third quarter of 2014 from € 3.879 billion in 2013.

Third quarter Group sales growth driven by double-digit sales increases in Retail

In the third quarter of 2014, currency-neutral Wholesale revenues increased 8% due to sales growth at both adidas and Reebok. Currency-neutral Retail sales rose 20% versus the prior year, driven by double-digit sales growth at adidas and Reebok. Revenues in Other Businesses were down 12% on a currency-neutral basis, mainly due to double-digit sales declines at TaylorMade-adidas Golf. Currency translation effects had a negative impact on segmental sales in euro terms. Wholesale revenues increased 6% to € 2.717 billion in the third quarter of 2014 from € 2.553 billion in 2013. Retail sales grew 13% to € 1.047 billion versus € 923 million in the prior year. Sales in Other Businesses declined 12% to € 354 million (2013: € 403 million).

adidas Group currency-neutral sales increase 6% in the first nine months of 2014

In the first nine months of 2014, Group revenues increased 6% on a currency-neutral basis, driven by sales increases in Wholesale and Retail. Currency translation effects had a negative impact on sales in euro terms. Group revenues grew 1% to € 11.116 billion in the first nine months of 2014 from € 11.013 billion in 2013 ⁄ **DIAGRAM 11**.

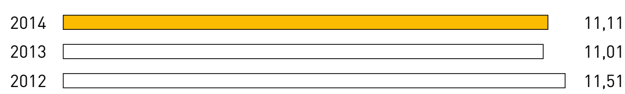
Nine months Group sales increase driven by growth in Wholesale and Retail

In the first nine months of 2014, currency-neutral Wholesale revenues increased 6%, due to sales growth at both adidas and Reebok. Currency-neutral Retail sales were up 21% versus the prior year as a result of double-digit sales increases at adidas and Reebok. Revenues in Other Businesses were down 17% on a currency-neutral basis, due to double-digit sales declines at TaylorMade-adidas Golf. Currency translation effects had a negative impact on segmental sales in euro terms. Wholesale revenues increased 2% to € 7.159 billion in the first nine months of 2014 from € 7.048 billion in 2013. Retail sales rose 11% to € 2.799 billion versus € 2.512 billion in the prior year. Sales in Other Businesses declined 20% to € 1.158 billion (2013: € 1.453 billion).

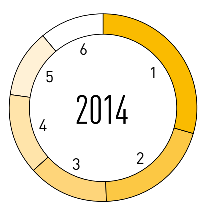
Currency-neutral sales grow in nearly all regions

In the first nine months of 2014, currency-neutral adidas Group sales grew in all regions except North America. Revenues in Western Europe increased 7% on a currency-neutral basis, driven by sales growth in Germany, France, Spain, the UK and Poland. In European Emerging Markets, Group sales were up 20% on a currency-neutral basis, with double-digit sales increases in all of the region's major markets. Currency-neutral sales for the adidas Group in North America decreased 7%, mainly due to sales declines in the USA. Sales in Greater China increased 10% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets grew 2%, driven by sales increases in South Korea and India. In Latin America, sales grew 22% on a currency-neutral basis, with double-digit increases in most markets, in particular Argentina, Brazil, Mexico and Colombia. Currency translation effects had a mixed impact on regional sales in euro terms ⁄ **TABLE 15**.

11 ⁄ **Nine months net sales** (€ in millions)

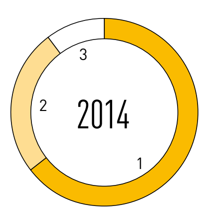


12 ⁄ **Nine months net sales by region**



1 ⁄ **29%** Western Europe
2 ⁄ **20%** North America
3 ⁄ **14%** Other Asian Markets
4 ⁄ **14%** European Emerging Markets
5 ⁄ **12%** Greater China
6 ⁄ **11%** Latin America

13 ⁄ **Nine months net sales by segment**



1 ⁄ **64%** Wholesale
2 ⁄ **25%** Retail
3 ⁄ **11%** Other Businesses

Currency-neutral Group sales up in footwear and apparel

In the first nine months of 2014, currency-neutral footwear sales increased 4%, mainly due to double-digit sales growth in the running category and at adidas NEO. Apparel revenues grew 14% on a currency-neutral basis. This development was driven by strong growth in the football, training and running categories as well as at adidas Originals and adidas NEO. Currency-neutral hardware sales were down 8% 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 and training categories. Currency translation effects had a negative impact on sales in euro terms ⁄ **TABLE 16**.

In the third quarter of 2014, the adidas Group introduced a number of exciting new products. An overview of major product launches is provided in the product launch table ⁄ **TABLE 14**.

14 ⁄ **Major product launches in Q3 2014**

Product	Brand
Predator Instinct football boot	adidas
Messi icon football range	adidas
adizero Boston Boost running shoe	adidas
ClimaHeat Rocket Boost running shoe	adidas
miCoach mobile apps for iOS and Android	adidas
Crazylight Boost basketball shoe	adidas
John Wall basketball shoe	adidas
RGIII Energy Boost basketball shoe	adidas
Pharrell Williams x adidas Originals collection	adidas
Rita Ora & adidas Originals collection	adidas
adidas Originals miFlux – ZX Flux photo app	adidas
adidas Originals miStan and miSuperstar	adidas
Z-Jet running shoe	Reebok
Les Mills studio collection	Reebok
Dance and yoga collection	Reebok
Ultimate driving iron UDI	TaylorMade
Total Motion mid-wedge women's shoe collection	Rockport
City Smart men's shoe collection	Rockport
Resistance helmet	CCM
Tacks skate	CCM

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

	Nine months 2014	Nine months 2013	Change	Change (currency-neutral)
Western Europe	3,282	3,053	8%	7%
European Emerging Markets	1,510	1,432	5%	20%
North America	2,272	2,534	(10%)	(7%)
Greater China	1,323	1,244	6%	10%
Other Asian Markets	1,520	1,566	(3%)	2%
Latin America	1,209	1,184	2%	22%
Total [1]	**11,116**	**11,013**	**1%**	**6%**

1) Rounding differences may arise in totals.

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

	Nine months 2014	Nine months 2013	Change	Change (currency-neutral)
Footwear	5,283	5,354	(1%)	4%
Apparel	4,623	4,284	8%	14%
Hardware	1,211	1,375	(12%)	(8%)
Total [1]	**11,116**	**11,013**	**1%**	**6%**

1) Rounding differences may arise in totals.

Group gross margin declines 1.3 percentage points

The gross margin of the adidas Group decreased 1.3 percentage points to 48.5% in the first nine months of 2014 (2013: 49.8%) ⁄ **DIAGRAM 18**. This development was mainly due to negative currency effects as well as higher input costs. In addition, increased clearance activities in particular in Russia/CIS, as well as lower margins at TaylorMade-adidas Golf contributed to the gross margin decline. Gross profit for the adidas Group decreased 2% in the first nine months of 2014 to € 5.392 billion versus € 5.488 billion in the prior year ⁄ **DIAGRAM 17**.

Royalty and commission income remains stable

Royalty and commission income for the adidas Group remained stable at € 77 million in the first nine months of 2014 compared to € 78 million in the prior year. On a currency-neutral basis, royalty and commission income also remained virtually unchanged.

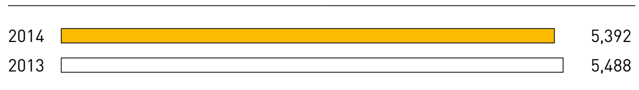
Other operating income decreases 2%

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 nine months of 2014, other operating income decreased 2% to € 105 million (2013: € 106 million).

Other operating expenses as a percentage of sales up 0.8 percentage points

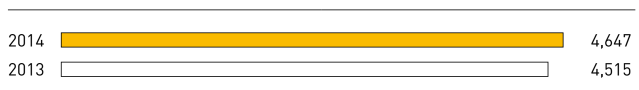
Other operating expenses, including depreciation and amortisation, consist of items such as sales working budget, marketing working budget and operating overhead costs. In the first nine months of 2014, other operating expenses as a percentage of sales increased 0.8 percentage points to 41.8% from 41.0% in 2013. In euro terms, other operating expenses increased 3% to € 4.647 billion (2013: € 4.515 billion) ⁄ **DIAGRAM 19**, as a result of higher expenditure related to the expansion of the Group's own-retail activities as well as an increase in sales and marketing working budget expenditure. Sales and marketing working budget expenditure increased 8% to € 1.441 billion (2013: € 1.336 billion). The increase was due to higher expenditure at both adidas and Reebok. By brand, adidas sales and marketing working budget increased 11% to € 1.137 billion in the first nine months of 2014 compared to € 1.025 billion in the prior year. Sales and marketing working budget for Reebok increased 8%, amounting to € 159 million (2013: € 148 million). As a percentage of sales, the Group's sales and marketing working budget grew 0.8 percentage points to 13.0% (2013: 12.1%).

17 ⁄ **Nine months gross profit** (€ in millions)

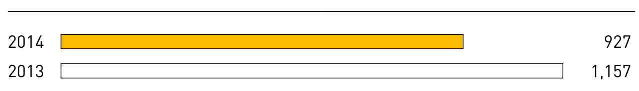


18 ⁄ **Nine months gross margin** (in %)

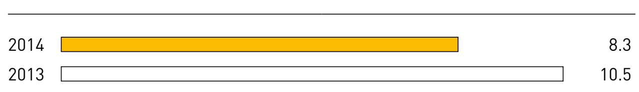
19 ⁄ **Nine months other operating expenses** (€ in millions)



20 ⁄ **Nine months operating profit** (€ in millions)



21 ⁄ **Nine months operating margin** (in %)



Number of Group employees up 9%

At the end of the first nine months of 2014, the Group employed 53,457 people. This represents an increase of 9% versus the prior year level of 48,842. New hirings related to the expansion of the Group's own-retail store base were the main driver of this development. On a full-time equivalent basis, the number of employees increased 8% to 46,111 at the end of the first nine months of 2014 (2013: 42,540).

Operating margin decreases to 8.3%

Group operating profit declined 20% to € 927 million in the first nine months of 2014 versus € 1.157 billion in 2013 ⁄ **DIAGRAM 20**. The operating margin of the adidas Group decreased 2.2 percentage points to 8.3% (2013: 10.5%) ⁄ **DIAGRAM 21**. This 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 down 5%

Financial income declined 5% to € 14 million in the first nine months of 2014 from € 15 million in the prior year, due to a decrease in interest income.

Financial expenses down 25%

Financial expenses decreased 25% to € 50 million in the first nine months of 2014 (2013: € 67 million) ⁄ **DIAGRAM 22**. This development was the result of a decrease in both negative exchange rate effects as well as interest expenses.

Income before taxes declines 19%

In the first nine months of 2014, income before taxes (IBT) for the adidas Group decreased 19% to € 892 million from € 1.105 billion in 2013 ⁄ **DIAGRAM 23**. IBT as a percentage of sales declined 2.0 percentage points to 8.0% in the first nine months of 2014 (2013: 10.0%), as a result of the Group's lower operating margin.

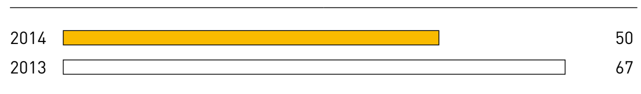
Net income attributable to shareholders down 21%

The Group's net income attributable to shareholders decreased to € 630 million in the first nine months of 2014 from € 796 million in 2013 ⁄ **DIAGRAM 24**. This represents a decline of 21% versus the prior year level. The Group's tax rate increased 1.1 percentage points to 28.8% in the first nine months of 2014 (2013: 27.7%), mainly due to a less favourable earnings mix.

Basic and diluted earnings per share decrease to € 3.01

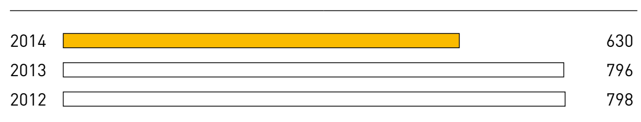
In the first nine months of 2014, basic and diluted earnings per share decreased 21% to € 3.01 versus € 3.81 in the prior year ⁄ **DIAGRAM 25**. The weighted average number of shares used in the calculation of both basic and diluted earnings per share was 209,216,186 (2013 average: 209,216,186) as there were no potential dilutive shares at the end of the first nine months.

22 ⁄ **Nine months financial expenses** (€ in millions)



23 ⁄ **Nine months income before taxes** (€ in millions)

24 ⁄ **Nine months net income attributable to shareholders** (€ in millions)



25 ⁄ **Nine months diluted earnings per share** (in €)

Statement of Financial Position and Statement of Cash Flows

Assets

At the end of September 2014, total assets increased 3% to € 11.750 billion versus € 11.389 billion in the prior year ⁄ **DIAGRAM 26**. This was mainly the result of an increase in non-current assets. Compared to December 31, 2013, total assets grew 1%. The share of current assets within total assets decreased to 55% and the share of non-current assets grew to 45% at the end of September 2014 (2013: 58% and 42%, respectively).

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

	Sep. 30, 2014	Sep. 30, 2013
Assets (€ in millions)	**11,750**	11,389
Cash and cash equivalents	**5.4%**	9.8%
Accounts receivable	**19.8%**	18.9%
Inventories	**22.5%**	22.1%
Fixed assets	**38.4%**	36.3%
Other assets	**13.9%**	12.9%

■ Sep. 30, 2014 □ Sep. 30, 2013

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

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

	Sep. 30, 2014	Sep. 30, 2013
Liabilities and equity (€ in millions)	**11,750**	11,389
Short-term borrowings	**5.0%**	6.0%
Accounts payable	**10.9%**	12.3%
Long-term borrowings	**5.0%**	5.7%
Other liabilities	**27.1%**	26.7%
Total equity	**52.0%**	49.3%

■ Sep. 30, 2014 □ Sep. 30, 2013

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

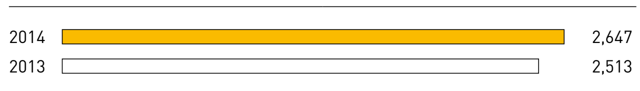
Total current assets decreased 2% to € 6.498 billion at the end of September 2014 compared to € 6.641 billion in 2013. Cash and cash equivalents declined 44% to € 632 million at the end of September 2014 from € 1.119 billion in the prior year. Group inventories increased 5% to € 2.647 billion at the end of September 2014 versus € 2.513 billion in 2013 ⁄ **DIAGRAM 28**. On a currency-neutral basis, inventories were up 7%, as a result of the Group's expectations for growth in the coming quarters as well as higher inventories at TaylorMade-adidas Golf. Group receivables increased 8% to € 2.322 billion at the end of September 2014 (2013: € 2.156 billion) ⁄ **DIAGRAM 29**. On a currency-neutral basis, receivables were up 7%. Other current financial assets increased 95% to € 337 million at the end of September 2014 from € 173 million in 2013. This development was mainly due to an increase in the fair value of financial instruments.

Total non-current assets grew 11% to € 5.253 billion at the end of September 2014 from € 4.748 billion in 2013. Fixed assets increased 9% to € 4.515 billion at the end of September 2014 versus € 4.136 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 € 582 million were primarily related to the continued expansion of our own-retail activities, investments into the Group's logistics infrastructure and IT systems 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. Currency translation effects of € 169 million also contributed to the increase. Additions were partly offset by depreciation and amortisation of € 308 million, goodwill impairment of € 52 million and disposals of € 12 million. Compared to December 31, 2013, fixed assets increased 9%. Other non-current financial assets grew 22% to € 29 million at the end of September 2014 from € 24 million in 2013.

Liabilities and equity

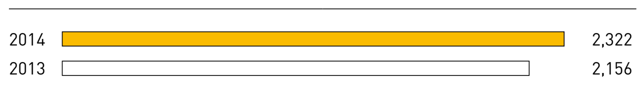
Total current liabilities decreased 2% to € 4.309 billion at the end of September 2014 from € 4.379 billion at the end of September 2013. Accounts payable were down 8% to € 1.281 billion at the end of September 2014 versus € 1.396 billion in 2013 ⁄ **DIAGRAM 30**. On a currency-neutral basis, accounts payable decreased 8%, reflecting the decline in inventories during the third quarter. Short-term borrowings declined 14% to € 593 million at the end of September 2014 (2013: € 687 million). The decrease was mainly due to the repayment of the Group's Eurobond, which matured in July 2014, and was partly offset by an increase in bank borrowings. Other current provisions were up 7%

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



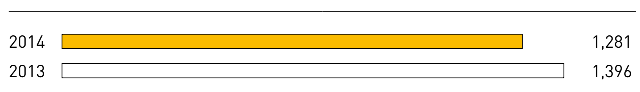
1) At September 30.

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



1) At September 30.

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



1) At September 30.

to € 436 million at the end of September 2014 versus € 405 million in 2013. This primarily relates to an increase in provisions for warranties and returns. Current accrued liabilities grew 7% to € 1.252 billion at the end of September 2014 from € 1.170 billion in 2013, mainly due to an increase in accruals for customer discounts. Currency translation effects in an amount of € 28 million also contributed to the increase. Total non-current liabilities decreased 5% to € 1.329 billion at the end of September 2014 from € 1.400 billion in the prior year. Long-term borrowings declined 10% to € 588 million at the end of September 2014 from € 654 million in the prior year. This development was primarily due to a decrease in private placements. Shareholders' equity increased 9% to € 6.119 billion at the end of September 2014 versus € 5.619 billion in 2013 ⁄ **DIAGRAM 31**. The net income generated during the last twelve months, positive currency translation effects of € 65 million as well as an increase in hedging reserves of € 129 million were the main contributors to this development, which was partly offset by the dividend of € 314 million paid to shareholders for the 2013 financial year. Compared to December 31, 2013, shareholders' equity grew 11%. The Group's equity ratio at the end of September 2014 increased to 52.1% compared to 49.3% in the prior year.

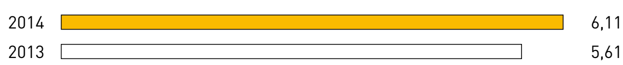
Operating working capital

Operating working capital increased 13% to € 3.689 billion at the end of September 2014 compared to € 3.273 billion in 2013. This development was due to the increase in accounts receivable and inventories as well as the decrease in accounts payable. Average operating working capital as a percentage of sales increased 1.3 percentage points to 21.9% (2013: 20.6%).

Liquidity analysis

In the first nine months of 2014, net cash used in operating activities increased to € 138 million (2013: € 40 million), primarily as a result of the lower income before taxes generated during the first nine months of 2014. Net cash used in investing activities totalled € 348 million (2013: € 56 million). The majority of investing activities in the first nine months 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. Net cash used in financing activities totalled € 500 million (2013: € 434 million). The repayment of the Group's Eurobond of € 500 million, which matured in July 2014, as well as the dividend of € 314 million paid to shareholders were partly offset by proceeds from short-term borrowings of € 375 million. Exchange rate effects positively impacted the Group's cash position by € 30 million in the first nine months of 2014 (2013: negative impact of € 21 million). As a result of all these developments, cash and cash equivalents decreased € 956 million to € 632 million at the end of September 2014 compared to € 1.587 billion at the end of December 2013. Net borrowings at September 30, 2014 amounted to € 543 million, compared to net borrowings of € 180 million in 2013, representing an increase of € 363 million ⁄ **DIAGRAM 32**. This increase is mainly a result of higher capital expenditure during the first nine months of 2014. Currency translation had a positive effect of € 12 million on net borrowings. The Group's ratio of net borrowings over EBITDA amounted to 0.4 at the end of September 2014 (2013: 0.1).

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



1) At September 30, excluding non-controlling interests.

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

1) At September 30.

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 third quarter sales development

In the third quarter of 2014, revenues for the Wholesale segment increased 8% on a currency-neutral basis. This development was driven by high-single-digit sales growth at adidas Sport Performance as well as double-digit sales increases at adidas Originals & Sport Style. Sales at Reebok were up at a mid-single-digit rate. Currency translation effects negatively impacted segmental revenues in euro terms. Sales in the Wholesale segment were up 6% to € 2.717 billion in the third quarter of 2014 from € 2.553 billion in 2013.

Wholesale nine months results

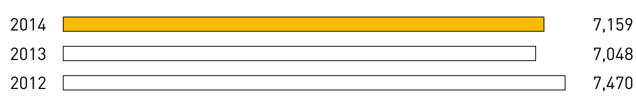
In the first nine months of 2014, sales in the Wholesale segment increased 6% on a currency-neutral basis. This development was mainly due to high-single-digit growth at adidas Sport Performance. Sales at adidas Originals & Sport Style grew at a mid-single-digit rate, while Reebok revenues increased at a low-single-digit rate. Currency translation effects negatively impacted segmental revenues in euro terms. Sales in the Wholesale segment grew 2% to € 7.159 billion from € 7.048 billion in the first nine months of 2013 ⁄ **TABLE 33**.

Wholesale gross margin decreased 0.9 percentage points to 42.3% in the first nine months of 2014 from 43.3% in 2013. The positive effect from a more favourable product mix was more than offset by negative currency effects following the devaluation of currencies such as the Argentine peso and Brazilian real as well as a less favourable pricing mix. By brand, the adidas wholesale gross margin declined 1.1 percentage points to 43.6% (2013: 44.8%). The wholesale gross margin of the Reebok brand decreased 0.2 percentage points to 30.9% (2013: 31.0%). Wholesale gross profit decreased 1% to € 3.031 billion from € 3.049 billion in 2013 ⁄ **TABLE 33**.

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

	Nine months 2014	Nine months 2013	Change
Net sales	7,159	7,048	2%
Gross profit	3,031	3,049	(1%)
Gross margin	42.3%	43.3%	(0.9pp)
Segmental operating profit	2,437	2,450	(1%)
Segmental operating margin	34.0%	34.8%	(0.7pp)

34 ⁄ **Wholesale nine months net sales** (€ in millions)



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

	Nine months 2014	Nine months 2013	Change	Change (currency-neutral)
Western Europe	2,540	2,401	6%	6%
European Emerging Markets	511	441	16%	27%
North America	1,091	1,230	(11%)	(8%)
Greater China	1,113	1,060	5%	8%
Other Asian Markets	998	983	2%	6%
Latin America	906	933	(3%)	16%
Total [1]	**7,159**	**7,048**	**2%**	**6%**

1) Rounding differences may arise in totals.

Segmental operating expenses decreased 1% to € 593 million versus € 599 million in the first nine months of 2013. This was primarily due to lower expenditure for sales administration and logistics. As a percentage of sales, segmental operating expenses declined 0.2 percentage points to 8.3% (2013: 8.5%). Segmental operating expenses in Wholesale primarily relate to sales working budget expenses as well as expenditure for sales force, administration and logistics.

Segmental operating profit decreased 1% to € 2.437 billion versus € 2.450 billion in the prior year. Segmental operating margin declined 0.7 percentage points to 34.0% (2013: 34.8%) ⁄ **TABLE 33**, as the positive effect of lower segmental operating expenses as a percentage of sales was more than offset by the gross margin decline.

Wholesale development by region

In the first nine months of 2014, currency-neutral sales for the Wholesale segment increased in all regions except North America. Currency-neutral revenues in Western Europe were up 6%, mainly due to sales increases in Germany, the UK, Spain, France and Poland. Currency-neutral sales in European Emerging Markets rose 27%, as a result of double-digit growth in all of the region's major markets. Currency-neutral Wholesale sales in North America were down 8% due to declines in the USA. Revenues in Greater China increased 8% on a currency-neutral basis. Sales in Other Asian Markets grew 6% on a currency-neutral basis, driven by double-digit increases in South Korea and India. In Latin America, currency-neutral sales were up 16%, supported by double-digit sales growth in most markets, in particular Argentina, Brazil and Mexico. Currency translation effects had a mixed impact on regional sales in euro terms ⁄ **TABLE 35**.

Wholesale development by brand

In the first nine months of 2014, adidas Sport Performance wholesale revenues grew 7% on a currency-neutral basis. This development was mainly due to sales increases in the football, running and training categories. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance sales increased 2% to € 4.728 billion (2013: € 4.623 billion).

Currency-neutral adidas Originals & Sport Style wholesale revenues increased 4% in the first nine months of 2014, primarily due to double-digit sales increases at the adidas NEO label. Currency translation effects had a negative impact on revenues in euro terms. adidas Originals & Sport Style sales increased 1% to € 1.722 billion (2013: € 1.703 billion).

In the first nine months of 2014, Reebok wholesale revenues increased 2% on a currency-neutral basis, mainly as a result of sales growth in the fitness training and walking categories as well as in Classics. Currency translation effects had a negative impact on revenues in euro terms. Reebok sales were down 4% to € 733 million from € 767 million in the prior year.

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

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

Retail Business Performance

Retail third quarter sales development

In the third quarter of 2014, Retail revenues increased 20% on a currency-neutral basis as a result of double-digit sales growth at both adidas and Reebok. Currency-neutral eCommerce revenues doubled during the third quarter. Comparable store sales increased 6% on a currency-neutral basis. Currency translation effects had a negative impact on sales in euro terms. Retail revenues grew 13% to € 1.047 billion in the third quarter of 2014 from € 923 million in 2013.

Retail nine months results

In the first nine months of 2014, Retail revenues increased 21% 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 at double-digit rates versus the prior year. eCommerce grew 78% on a currency-neutral basis. Currency translation effects negatively impacted segmental revenues in euro terms. Sales grew 11% to € 2.799 billion from € 2.512 billion in the prior year ⁄ **TABLE 38**. Currency-neutral comparable store sales increased 8% versus the prior year, as a result of sales growth across all store formats as well as all regions.

Gross margin in the Retail segment decreased 3.2 percentage points to 59.4% from 62.6% in the first nine months of 2013. The positive effect from a more favourable product mix was more than offset by a less favourable pricing mix. In particular, the devaluation of the Russian rouble versus the euro and the US dollar was a major headwind in the first nine months of 2014. By brand, the adidas retail gross margin was down 3.0 percentage points to 60.5% (2013: 63.6%), while Reebok's retail gross margin decreased 4.2 percentage points to 53.3% (2013: 57.6%). Retail gross profit rose 6% to € 1.664 billion from € 1.573 billion in 2013 ⁄ **TABLE 38**.

Segmental operating expenses increased 10% to € 1.172 billion from € 1.061 billion in the first nine months 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. Higher sales working budget expenses also contributed to this development. Segmental operating expenses as a percentage of sales decreased 0.4 percentage points to 41.9% (2013: 42.2%). Segmental operating expenses in Retail primarily relate to personnel and rent expenses as well as the sales working budget.

Segmental operating profit decreased 4% to € 492 million in the first nine months of 2014 versus € 512 million in the prior year. Segmental operating margin declined 2.8 percentage points to 17.6% (2013: 20.4%), as the positive effects of lower segmental operating expenses as a percentage of sales were more than offset by the decline in gross margin ⁄ **TABLE 38**.

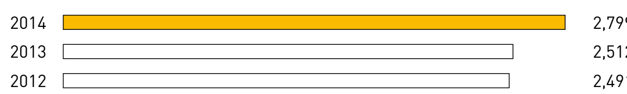
Retail development by region

Currency-neutral Retail sales increased at a double-digit rate in all regions. Retail revenues in Western Europe grew 24% on a currency-neutral basis, mainly due to double-digit sales increases in the UK, Germany, France and Spain. Sales in European Emerging Markets rose 17% on a currency-neutral basis, as a result of double-digit growth in all of the region's major markets. Currency-neutral Retail sales in North America grew 15%, driven by double-digit growth in the USA.

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

	Nine months 2014	Nine months 2013	Change
Net sales	2,799	2,512	11%
Gross profit	1,664	1,573	6%
Gross margin	59.4%	62.6%	(3.2pp)
Segmental operating profit	492	512	(4%)
Segmental operating margin	17.6%	20.4%	(2.8pp)

39 ⁄ **Retail nine months net sales** (€ in millions)



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

	Nine months 2014	Nine months 2013	Change	Change (currency-neutral)
Western Europe	499	403	24%	24%
European Emerging Markets	965	958	1%	17%
North America	517	465	11%	15%
Greater China	192	156	23%	27%
Other Asian Markets	332	295	13%	19%
Latin America	294	235	25%	46%
Total [1]	**2,799**	**2,512**	**11%**	**21%**

1) Rounding differences may arise in totals.

Retail revenues in Greater China increased 27% on a currency-neutral basis. Sales in Other Asian Markets grew 19% on a currency-neutral basis, driven by double-digit growth in Japan and South Korea. In Latin America, currency-neutral Retail sales grew 46%, with double-digit sales increases in all markets, in particular in Colombia, Brazil and Argentina. Currency translation effects had a mixed impact on regional sales in euro terms ⁄ **TABLE 40**.

Retail development by brand

In the first nine months of 2014, adidas Group Retail sales increased at a double-digit rate at both adidas and Reebok. Currency-neutral adidas Sport Performance revenues grew 23% in the period, mainly due to double-digit growth in the football, training and running categories. adidas Originals & Sport Style sales rose 22% 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 14% 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 10% on a currency-neutral basis, while Reebok comparable store sales remained stable. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance own-retail sales increased 13% to € 1.545 billion in the first nine months of 2014 from € 1.365 billion in 2013. adidas Originals & Sport Style own-retail sales were up 12% to € 830 million from € 739 million in 2013. Own-retail sales of Reebok branded products grew 5% to € 425 million (2013: € 405 million).

Retail store development

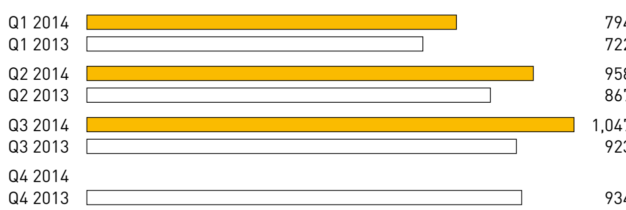
At September 30, 2014, the adidas Group Retail segment operated 2,822 stores compared to the prior year-end level of 2,740. This represents a net increase of 82 stores. Of the total number of stores, 1,569 were adidas and 426 were Reebok branded (December 31, 2013: 1,557 adidas stores, 404 Reebok stores). In addition, the adidas Group Retail segment operated 827 factory outlets (December 31, 2013: 779). During the first nine months of 2014, the Group opened 277 new stores, 195 stores were closed and 89 stores were remodelled ⁄ **TABLE 43**.

Retail development by store format

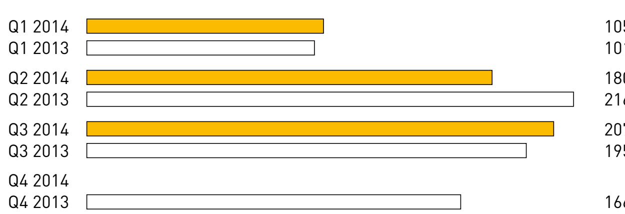
Concept store revenues include sales from adidas and Reebok concept stores. In the first nine months of 2014, concept store revenues grew 20% on a currency-neutral basis. Sales increased at double-digit rates at both adidas and Reebok. Currency-neutral comparable concept store sales were up 11%. Currency translation effects had a negative impact on sales in euro terms. Concept store sales increased 8% to € 1.237 billion in the first nine months of 2014 from € 1.145 billion in 2013.

Factory outlet revenues include sales from adidas and Reebok factory outlets. In the first nine months 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 low-single-digit rate. Comparable factory outlet sales increased 5% on a currency-neutral basis. Currency translation effects had a negative impact on sales in euro terms.

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



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



43 ⁄ **Retail nine months number of stores development**

	Total	Concept stores	Factory outlets	Concession corners
December 31, 2013	**2,740**	1,661	779	300
Opened	**277**	159	92	26
Closed	**195**	138	44	13
Opened (net)	**82**	21	48	13
September 30, 2014	**2,822**	1,682	827	313

Factory outlet sales increased 6% to € 1.179 billion in the first nine months of 2014 from € 1.117 billion in 2013.

Concession corner revenues include adidas and Reebok concession corners. In the first nine months of 2014, sales from concession corners increased 22% on a currency-neutral basis. Sales grew at a double-digit rate at both adidas and Reebok. Currency-neutral comparable sales from concession corners grew 15%. Currency translation effects had a negative impact on sales in euro terms. Concession corner sales increased 18% to € 98 million in the first nine months (2013: € 83 million).

eCommerce revenues include e-commerce operations of the adidas and Reebok brands. In the first nine months of 2014, sales from adidas and Reebok e-commerce platforms were up 78% on a currency-neutral basis. 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 72% to € 285 million from € 166 million in 2013.

Other Businesses Performance

Other Businesses third quarter sales development

In the third quarter of 2014, revenues of Other Businesses decreased 12% on a currency-neutral basis. Growth at Reebok-CCM Hockey, Rockport and Other Centrally Managed Brands was more than offset by double-digit sales declines at TaylorMade-adidas Golf. Currency translation effects negatively impacted revenues in euro terms. Sales of Other Businesses decreased 12% to € 354 million in the third quarter of 2014 (2013: € 403 million).

Other Businesses nine months results

In the first nine months of 2014, revenues of Other Businesses decreased 17% on a currency-neutral basis, mainly due to double-digit sales declines at TaylorMade-adidas Golf. While sales at Reebok-CCM Hockey and Other Centrally Managed Brands increased at a double-digit rate, revenues at Rockport were down at a low-single-digit rate. Currency translation effects negatively impacted revenues in euro terms. Sales of Other Businesses declined 20% to € 1.158 billion (2013: € 1.453 billion) ⁄ **TABLE 44**.

Gross margin decreased 3.9 percentage points to 37.7% (2013: 41.6%). This development was mainly due to significantly lower product margins at TaylorMade-adidas Golf as a result of ongoing efforts to clean retail inventories as well as the timing of product shipments. Other Businesses gross profit was down 28% to € 437 million in the first nine months of 2014 versus € 605 million in 2013 ⁄ **TABLE 44**.

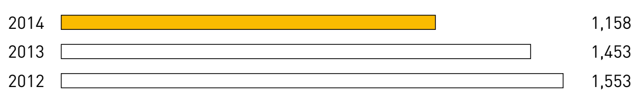
Segmental operating expenses decreased 2% to € 220 million in the first nine months of 2014 from € 224 million in 2013. This was driven in particular by lower expenditure for sales administration at TaylorMade-adidas Golf. As a percentage of sales, segmental operating expenses increased 3.6 percentage points to 19.0% (2013: 15.4%), as a result of deleverage effects related to the lower revenues. 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 43% to € 217 million in the first nine months of 2014 versus € 381 million in the prior year. Segmental operating margin was down 7.5 percentage points to 18.7% from 26.2% in 2013 ⁄ **TABLE 44**. 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.

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

	Nine months 2014	Nine months 2013	Change
Net sales	1,158	1,453	(20%)
Gross profit	437	605	(28%)
Gross margin	37.7%	41.6%	(3.9pp)
Segmental operating profit	217	381	(43%)
Segmental operating margin	18.7%	26.2%	(7.5pp)

45 ⁄ **Other Businesses nine months net sales** (€ in millions)



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

	Nine months 2014	Nine months 2013	Change	Change (currency-neutral)
Western Europe	243	249	(2%)	(4%)
European Emerging Markets	33	34	(2%)	11%
North America	664	839	(21%)	(18%)
Greater China	18	29	(37%)	(35%)
Other Asian Markets	190	287	(34%)	(30%)
Latin America	9	15	(36%)	(26%)
Total [1]	**1,158**	**1,453**	**(20%)**	**(17%)**

1) Rounding differences may arise in totals.

Other Businesses development by segment

In the first nine months of 2014, TaylorMade-adidas Golf revenues decreased 29% on a currency-neutral basis. The pronounced decrease is due to TaylorMade-adidas Golf's ongoing efforts to clean retail inventories in the golf market. This resulted in double-digit sales declines in metalwoods and irons in the first nine months of 2014. Currency translation effects negatively impacted TaylorMade-adidas Golf sales in euro terms. Revenues decreased 31% to € 673 million from € 981 million in the prior year.

Rockport revenues decreased 1% on a currency-neutral basis, as sales increases in Western Europe and European Emerging Markets were more than offset by declines in North America and Latin America. Currency translation effects negatively impacted sales in euro terms. Revenues in the Rockport segment were down 4% to € 192 million in the first nine months of 2014 (2013: € 201 million).

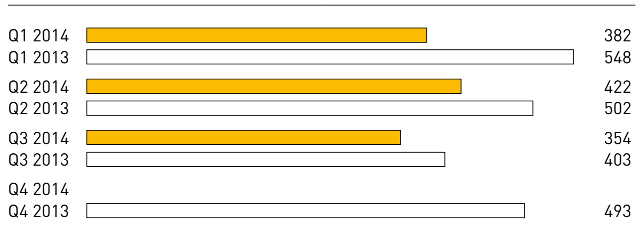
Currency-neutral Reebok-CCM Hockey sales were up 10%. This increase is mainly due to growth in key categories such as skates and protective equipment as well as in hockey apparel. Currency translation effects negatively impacted sales in euro terms. Reebok-CCM Hockey revenues increased 4% to € 188 million in the first nine months of 2014 from € 181 million in 2013.

Other Centrally Managed Brands revenues increased 18% on a currency-neutral basis, driven by double-digit growth at Y-3, Five Ten and Porsche Design Sport by adidas. Currency translation effects negatively impacted sales in euro terms. Revenues in Other Centrally Managed Brands increased 18% to € 105 million in the first nine months of 2014 (2013: € 90 million).

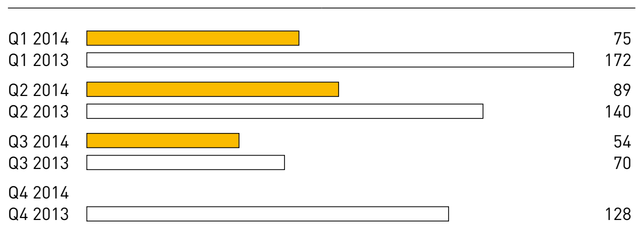
Other Businesses development by region

In the first nine months of 2014, currency-neutral sales of Other Businesses decreased in most regions. Revenues in Western Europe were down 4% on a currency-neutral basis due to double-digit sales declines at TaylorMade-adidas Golf, which more than offset double-digit sales increases at Rockport and Other Centrally Managed Brands. Revenues at Reebok-CCM Hockey grew at a low-single-digit rate. Sales in European Emerging Markets increased 11% on a currency-neutral basis. Strong double-digit sales growth at Reebok-CCM Hockey was partly offset by sales declines at TaylorMade-adidas Golf. Revenues at Rockport grew at a high-single-digit rate. Currency-neutral sales in North America were down 18%, mainly due to double-digit decreases at TaylorMade-adidas Golf as well as a mid-single-digit sales decline at Rockport. Revenues at Reebok-CCM Hockey and Other Centrally Managed Brands increased at a double-digit rate. Revenues in Greater 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 30% on a currency-neutral basis, mainly due to double-digit sales decreases at TaylorMade-adidas Golf. Sales at Rockport also decreased. In Latin America, currency-neutral sales were down 26%, as a result of double-digit sales declines at both TaylorMade-adidas Golf and Rockport. Currency translation effects had a mixed impact on regional sales in euro terms ⁄ **TABLE 46**.

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



48 ⁄ **Other Businesses segmental operating profit by quarter** (€ in millions)



Subsequent Events and Outlook

In 2014, despite a high degree of economic and political 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 and the positive effects from major sporting events including the 2014 FIFA World Cup, we project top-line improvements in our Group's financial results in 2014. We forecast adidas Group sales to increase at a mid- to high-single-digit rate on a currency-neutral basis, with growth expected in most regions and most segments. Currency translation is expected to have a negative impact on our top-line development in reported terms. Group gross margin is forecasted to decrease to a level between 48.0% and 48.5% compared to 49.3% in 2013, due to lower margins at TaylorMade-adidas Golf and in the Retail segment, less favourable hedging rates and adverse currency movements compared to the prior year, as well as increasing labour costs. Group operating margin is forecasted to be at a level between 6.5% and 7.0%. As a result, we project net income attributable to shareholders to be at a level of around € 650 million.

Subsequent Events

adidas AG issues two Eurobonds and initiates multi-year shareholder return programme

On October 1, 2014, adidas AG successfully issued two Eurobonds, marking the Group's first Eurobond offering since July 2009. The bonds have a seven-year and a twelve-year term, respectively, and are listed on the Luxemburg Stock Exchange. The seven-year Eurobond of € 600 million matures on October 8, 2021 and has a coupon of 1.25%. The twelve-year Eurobond of € 400 million matures on October 8, 2026 and has a coupon of 2.25%. Proceeds from the offering will be used for general corporate purposes including repayment of existing debt, pre-funding of future debt maturities, pension funding via a Contractual Trust Arrangement and returns to shareholders.

In addition, adidas AG resolved on October 1, 2014 to return up to € 1.5 billion in total to its shareholders over the next three years, primarily in the form of share buybacks. The Group also confirmed its stated commitment to pay an annual dividend to shareholders in the range of 20% to 40% of net income attributable to shareholders. The company intends to buy back shares via the stock exchange under the authorisation given by the Annual General Meeting on May 8, 2014. The shareholder return programme, which the Group intends to start in the fourth quarter of 2014, will predominantly be financed from the Group's free cash flow.

No other subsequent changes

Since the end of the third 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 2.8% 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 economies 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 1.9% in 2014, with the euro area's GDP forecasted to return to modest growth. The USA announced the conclusion of 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 4.8% 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 1.2% in 2014. In the euro area, Germany, the union's largest economy, will remain the main engine of growth, fuelled by healthy export activity as well as increasing domestic demand and consumer and investment spending. However, the recovery in Western Europe 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 now estimated to grow 2.0% in 2014. The region's economic growth is projected to come from exports as many markets are predicted to benefit from a stronger euro area. Increasing domestic consumption is also expected to support economic activity. However, in Russia, slowing income growth, the rise in unemployment levels and the negative effect on consumer sentiment and economic activity as a result of the political uncertainty in the area is forecasted to lead to a less robust consumption growth rate in 2014.

In the USA, according to the Federal Reserve, GDP is forecasted to grow 2.1% in 2014, driven by domestic consumption as well as 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 confirmed in late October that it will cease buying bonds under its quantitative easing programme. Despite the end of its bond-buying programme, US monetary policy remains ultra-loose, with an interest rate range at a record low. 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 robust 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 7.5%. In Japan, GDP is predicted to increase 0.9% in 2014, supported by the government's stimulus programme. However, Japan's real wage growth is forecasted to remain low, which, together with the sales tax hike, is anticipated to impede more robust consumer spending.

In Latin America, GDP is expected to increase 0.9% in 2014, with relatively low unemployment rates and healthy domestic demand in many markets supporting growth. Nonetheless, elevated inflation rates, particularly in Argentina, and tight capital constraints in some major regional economies are forecasted to negatively impact confidence and economic growth. Concerns remain regarding global liquidity conditions and the potential risk regarding any 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, 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 which participated 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 political unrest in Russia/Ukraine 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 remain challenging.

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. While the weaker yen and the government's stimulus programmes help drive improvements in consumer sentiment and domestic spending, the increase in sales tax is expected to depress economic activity. 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 some regional variation. Given the importance of football in this region, the industry is expected to gain significant momentum from sales relating to the 2014 FIFA World Cup in Brazil, offsetting headwinds from high inflation and tight consumer debt in some markets, in particular Argentina.

adidas Group currency-neutral sales to increase at a mid- to high-single-digit rate in 2014

We expect adidas Group sales to increase at a mid- to high-single-digit rate on a currency-neutral basis in 2014. In particular the adidas brand will benefit from the 2014 FIFA World Cup, where we expect record sales of € 2 billion 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. However, poor retail sentiment and a slow liquidation of old inventory in the golf market will have a significant negative impact on revenues in the TaylorMade-adidas Golf segment and weigh on the overall Group sales development. In addition, currency translation is expected to negatively impact our top-line development in reported terms.

Currency-neutral Wholesale revenues to grow 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- to high-single-digit rate, driven by growth in key categories such as football and running. adidas Originals & Sport Style revenues are projected to increase at a low-single-digit rate on a currency-neutral basis, driven by the further expansion of the adidas NEO label. 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. Given the increasing risks to consumer sentiment and consumer spending in Russia/CIS, the Group's Retail segment will reduce its store opening plan and increase the number of store closures in 2014 compared to original plans. As a result, the Group now expects a net increase of its store base of around 150 adidas and Reebok stores in 2014. We plan to open around 390 new stores, depending on the availability of desired

49 ⁄ **adidas Group 2014 outlook**

Currency-neutral sales development (in %):		Previous guidance [1]
adidas Group	mid- to high-single-digit rate increase	
Wholesale	mid-single-digit rate increase	
Retail	low-double-digit rate increase	
Comparable store sales	mid-single-digit rate increase	
Other Businesses	double-digit rate decrease	
TaylorMade-adidas Golf	double-digit rate decrease	
Rockport	mid-single-digit rate increase	
Reebok-CCM Hockey	mid-single-digit rate increase	
Gross margin	48.0% to 48.5%	48.5% to 49.0%
Operating margin	between 6.5% and 7.0%	
Net income attributable to shareholders	around € 650 million	
Average operating working capital in % of net sales	increase	
Capital expenditure	around € 600 million	
Store base	net increase by around 150 stores	net increase by around 180 stores

1) As published on August 7, 2014.

locations. New stores will primarily be located in emerging markets. Approximately 240 stores will be closed over the course of the year. Around 140 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 decrease at a double-digit rate

In 2014, revenues of Other Businesses are expected to decrease at a double-digit rate on a currency-neutral basis. TaylorMade-adidas Golf sales are projected to decrease at a double-digit rate on a currency-neutral basis. This is mainly a result of the poor retail sentiment and the slow liquidation of old inventory in the golf market. 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. 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 nearly all regions

In 2014, we expect the Group's currency-neutral revenues to increase in all of our regions except North America. 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 our own-retail activities is forecasted to have a positive influence on Group sales. In North America, the continued weakness in the golf market will weigh on the overall Group sales development in the region. In Greater China, we expect growth to continue at similar levels compared 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 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 decline in 2014

In 2014, the adidas Group gross margin is forecasted to decrease to a level between 48.0% and 48.5% compared to 49.3% in 2013. Group gross margin will benefit from a more favourable product mix. However, this positive effect will be more than offset by lower margins at TaylorMade-adidas Golf and in the Retail segment, less favourable hedging rates and adverse currency movements compared to the prior year, as well as increasing labour costs, which are expected to negatively impact the Group's cost of sales.

Group other operating expenses to increase as a percentage of sales

In 2014, the Group's other operating expenses as a percentage of sales are expected to increase compared to the prior year level of 42.3%. Sales and marketing working budget expenses as a percentage of sales are projected to increase compared to the prior year. Marketing investments are centred on major sporting events such as the 2014 FIFA World Cup and 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 increase moderately in 2014 as a result of higher administrative and personnel expenses in the Retail segment due to the planned expansion of the Group's store base. 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 at a level between 6.5% and 7.0%

In 2014, we expect the operating margin for the adidas Group to be at a level between 6.5% and 7.0% compared to 8.7% in 2013 excluding goodwill impairment losses. The decrease in the Group's gross margin as well as higher other operating expenses as a percentage of sales are expected to be the primary drivers of this development.

Net income attributable to shareholders to be at a level of around € 650 million

Net income attributable to shareholders is expected to be at a level of around € 650 million compared to the 2013 net income attributable to shareholders, excluding goodwill impairment losses, of € 839 million. This represents basic earnings per share of around € 3.10. Net interest expenses in 2014 are forecasted to be slightly below the prior year level, as lower interest expenses from euro-denominated borrowings will more than offset higher interest expenses from bank borrowings in emerging markets. Net foreign exchange losses in the financial result are also expected to be below the prior year level. The Group tax rate is expected to be at a level between 29.5% and 30.0% and thus less favourable compared to the 2013 tax rate, excluding goodwill impairment losses, of 29.0%.

50 ⁄ **Upcoming product launches in Q4**

Product	Brand
New 11 pro football boot	adidas
Messi icon fooball boot	adidas
D Rose 5 basketball shoe	adidas
ClimaHeat training collection	adidas
Terrex ClimaHeat outdoor apparel	adidas
Terrex Fastshell Mid ClimaHeat outdoor footwear	adidas
Baseball Boost II baseball shoe	adidas
Kanye West x adidas Originals collection	adidas
Nigo x adidas Originals collection	adidas
adidas Originals Tubular shoe	adidas
Cardio Ultra studio shoe	Reebok
Reebok Pump limited anniversary editions	Reebok
TM RSi irons	TaylorMade
Tour 360 X and Tour 360 Boa golf shoe collection	adidas Golf
XCS Walk Together women's shoe collection	Rockport

Average operating working capital as a percentage of sales to increase

In 2014, average operating working capital as a percentage of sales is expected to increase compared to the prior year level (2013: 20.9%). This is mainly due to working capital increases to support the growth of our business.

Capital expenditure to increase to a level of around € 600 million

In 2014, capital expenditure is expected to increase to a level of around € 600 million (2013: € 479 million). Investments will focus on adidas and Reebok controlled space initiatives, in particular in the 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. Investments within the adidas Group in 2014 are expected to be largely financed through cash generated from operating activities.

Management Assessment of Overall Risks and Opportunities

Management aggregates all risks reported by the 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. However, the Group's risk and opportunity profile has worsened compared to the assessment in the 2013 Annual Report (pp. 158–179), mainly as a result of an increase in the Group's macroeconomic, socio-political and regulatory risks, as well as the ongoing unfavourable market conditions in the golf category.

Consolidated Statement of Financial Position

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

	September 30, 2014	September 30, 2013	Change in %	December 31, 2013
ASSETS				
Cash and cash equivalents	632	1,119	(43.6)	1,587
Short-term financial assets	5	42	(88.1)	41
Accounts receivable	2,322	2,156	7.7	1,809
Other current financial assets	337	173	95.3	183
Inventories	2,647	2,513	5.4	2,634
Income tax receivables	78	97	(19.0)	86
Other current assets	465	530	(12.3)	506
Assets classified as held for sale	11	11	0.7	11
Total current assets	**6,498**	**6,641**	**(2.2)**	**6,857**
Property, plant and equipment	1,417	1,149	23.3	1,238
Goodwill	1,259	1,267	(0.7)	1,204
Trademarks	1,555	1,449	7.3	1,419
Other intangible assets	156	151	3.4	164
Long-term financial assets	128	119	7.6	120
Other non-current financial assets	29	24	21.6	30
Deferred tax assets	601	497	20.8	486
Other non-current assets	108	92	18.1	81
Total non-current assets	**5,253**	**4,748**	**10.6**	**4,742**
Total assets	**11,750**	**11,389**	**3.2**	**11,599**

Rounding differences may arise in percentages and totals.

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

	September 30, 2014	September 30, 2013	Change in %	December 31, 2013
LIABILITIES AND EQUITY				
Short-term borrowings	593	687	(13.7)	681
Accounts payable	1,281	1,396	(8.2)	1,825
Other current financial liabilities	91	90	0.9	113
Income taxes	347	297	17.0	240
Other current provisions	436	405	7.4	450
Current accrued liabilities	1,252	1,170	7.1	1,147
Other current liabilities	310	334	(7.4)	276
Total current liabilities	**4,309**	**4,379**	**(1.6)**	**4,732**
Long-term borrowings	588	654	(10.2)	653
Other non-current financial liabilities	10	14	(28.2)	22
Pensions and similar obligations	205	261	(21.7)	255
Deferred tax liabilities	420	347	20.9	338
Other non-current provisions	17	48	(64.6)	25
Non-current accrued liabilities	54	48	13.1	64
Other non-current liabilities	35	28	35.1	29
Total non-current liabilities	**1,329**	**1,400**	**(5.1)**	**1,386**
Share capital	209	209	—	209
Reserves	636	442	44.0	321
Retained earnings	5,274	4,968	6.2	4,959
Shareholders' equity	**6,119**	**5,619**	**8.9**	**5,489**
Non-controlling interests	(7)	(9)	18.8	(8)
Total equity	**6,112**	**5,610**	**8.9**	**5,481**
Total liabilities and equity	**11,750**	**11,389**	**3.2**	**11,599**

Rounding differences may arise in percentages and totals.

Consolidated Income Statement

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

	Nine months 2014	Nine months 2013	Change	Third quarter 2014	Third quarter 2013	Change
Net sales	11,116	11,013	0.9%	4,118	3,879	6.2%
Cost of sales	5,724	5,525	3.6%	2,166	1,966	10.2%
Gross profit	**5,392**	**5,488**	**(1.7%)**	**1,952**	**1,913**	**2.0%**
(% of net sales)	48.5%	49.8%	(1.3pp)	47.4%	49.3%	(1.9pp)
Royalty and commission income	77	78	(0.3%)	27	27	1.5%
Other operating income	105	106	(1.7%)	19	59	(67.5%)
Other operating expenses	4,647	4,515	2.9%	1,594	1,536	3.8%
(% of net sales)	41.8%	41.0%	0.8pp	38.7%	39.6%	(0.9pp)
Operating profit	**927**	**1,157**	**(19.8%)**	**405**	**463**	**(12.7%)**
(% of net sales)	8.3%	10.5%	(2.2pp)	9.8%	11.9%	(2.1pp)
Financial income	14	15	(4.8%)	5	5	(15.0%)
Financial expenses	50	67	(25.0%)	12	26	(55.3%)
Income before taxes	**892**	**1,105**	**(19.3%)**	**397**	**442**	**(10.1%)**
(% of net sales)	8.0%	10.0%	(2.0pp)	9.7%	11.4%	(1.7pp)
Income taxes	257	306	(16.1%)	113	124	(8.4%)
(% of income before taxes)	28.8%	27.7%	1.1pp	28.6%	28.0%	0.6pp
Net income	**635**	**799**	**(20.5%)**	**284**	**318**	**(10.8%)**
(% of net sales)	5.7%	7.3%	(1.5pp)	6.9%	8.2%	(1.3pp)
Net income attributable to shareholders	**630**	**796**	**(20.9%)**	**282**	**316**	**(11.0%)**
(% of net sales)	5.7%	7.2%	(1.6pp)	6.8%	8.2%	(1.3pp)
Net income attributable to non-controlling interests	**5**	**3**	**81.3%**	**2**	**2**	**22.0%**
Basic earnings per share (in €)	3.01	3.81	(20.9%)	1.35	1.51	(11.0%)
Diluted earnings per share (in €)	3.01	3.81	(20.9%)	1.35	1.51	(11.0%)

Rounding differences may arise in percentages and totals.

Consolidated Statement of Comprehensive Income

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

	Nine months 2014	Nine months 2013
Net income after taxes	**635**	**799**
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]	(1)	0
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**(1)**	**0**
Items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met		
Net gain/(loss) on cash flow hedges, net of tax	138	(1)
Currency translation differences	176	(196)
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditons are met	**314**	**(197)**
Other comprehensive income	**313**	**(197)**
Total comprehensive income	**948**	**602**
Attributable to shareholders of adidas AG	944	597
Attributable to non-controlling interests	4	5

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			(198)	(1)	0		(199)	2	(197)
Net income						796	796	3	799
Total comprehensive income			**(198)**	**(1)**	**0**	**796**	**597**	**5**	**602**
Dividend payment						(282)	(282)	(1)	(283)
Balance at September 30, 2013	**209**	**777**	**(249)**	**(22)**	**(64)**	**4,968**	**5,619**	**(9)**	**5,610**
Balance at December 31, 2013	**209**	**777**	**(363)**	**(34)**	**(59)**	**4,959**	**5,489**	**(8)**	**5,481**
Net income recognised directly in equity			177	137	(1)		314	(1)	313
Net income						630	630	5	635
Total comprehensive income			**177**	**137**	**(1)**	**630**	**944**	**4**	**948**
Dividend payment						(314)	(314)	(4)	(318)
Balance at September 30, 2014	**209**	**777**	**(185)**	**103**	**(60)**	**5,274**	**6,119**	**(7)**	**6,112**

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)

	Nine months 2014	Nine months 2013
Operating activities:		
Income before taxes	892	1,105
Adjustments for:		
Depreciation, amortisation and impairment losses	225	208
Reversals of impairment losses	(1)	(1)
Unrealised foreign exchange losses/(gains), net	5	(0)
Interest income	(13)	(14)
Interest expense	46	53
Losses on sale of property, plant and equipment, net	4	5
Operating profit before working capital changes	**1,159**	**1,356**
Increase in receivables and other assets	(408)	(615)
Increase in inventories	(15)	(120)
Decrease in accounts payable and other liabilities	(541)	(296)
Payment for external funding of pension obligations (CTA)	(65)	—
Cash generated from operations before interest and taxes	**130**	**325**
Interest paid	(53)	(60)
Income taxes paid	(214)	(305)
Net cash used in operating activities	**(138)**	**(40)**
Investing activities:		
Purchase of trademarks and other intangible assets	(27)	(24)
Proceeds from sale of trademarks and other intangible assets	1	1
Purchase of property, plant and equipment	(346)	(256)
Proceeds from sale of property, plant and equipment	4	2
Proceeds from sale of short-term financial assets	37	227
Purchase of investments and other long-term assets	(29)	(20)
Interest received	13	14
Net cash used in investing activities	**(348)**	**(56)**
Financing activities:		
Repayments of Eurobond	(500)	—
Repayments of finance lease obligations	(2)	(2)
Dividend paid to shareholders of adidas AG	(314)	(282)
Dividend paid to non-controlling interest shareholders	(4)	(1)
Proceeds from short-term borrowings	375	72
Repayments of short-term borrowings	(56)	(221)
Net cash used in financing activities	**(500)**	**(434)**
Effect of exchange rates on cash	**30**	**(21)**
Decrease of cash and cash equivalents	(956)	(551)
Cash and cash equivalents at beginning of the year	1,587	1,670
Cash and cash equivalents at end of the period	**632**	**1,119**

Rounding differences may arise in percentages and totals.

Selected Explanatory Notes to the Interim Consolidated Financial Statements (IFRS) as at September 30, 2014

01 General

The interim consolidated financial statements of adidas AG and its direct and indirect subsidiaries (collectively the "Group") for the first nine months ending September 30, 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 September 30, 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 nine months ending September 30, 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 nine months ending September 30, 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 June 30, 2014.

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 not necessary to include dilutive potential shares arising from the convertible bond issuance in March 2012 in the calculation of diluted earnings per share for the first nine months ending September 30, 2014 as the conversion right has no value at the balance sheet date. The average share price was € 74.90 per share during the first nine months of 2014 and thus did not exceed the conversion price of € 82.56 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted from € 83.10 to € 82.56 per share. This adjustment became effective on May 9, 2014.

05 Shareholders' equity

In the period from January 1, 2014 to September 30, 2014, the nominal capital of adidas AG did not change. Consequently, on September 30, 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 nine months of 2014, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 222 million (2013: € 205 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 by adidas 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]	7,159	7,048	2,799	2,512	1,158	1,453	11,116	11,013
Segmental operating profit [1]	2,437	2,450	492	512	217	381	3,146	3,343
Segmental assets [2]	3,177	2,986	961	909	801	717	4,939	4,612

1) Nine months.
2) At September 30.

Operating profit (€ in millions)

	Nine months 2014	Nine months 2013
Operating profit for reportable segments	2,929	2,962
Operating profit for Other Businesses	217	381
Segmental operating profit	**3,146**	**3,343**
HQ/Consolidation	241	248
Marketing working budget	(1,172)	(1,097)
Other operating expenses	(1,365)	(1,415)
Royalty and commission income	77	78
Operating profit	**927**	**1,157**
Financial income	14	15
Financial expenses	(50)	(67)
Income before taxes	**892**	**1,105**

08 Additional cash flow information

The adidas Group set up a Contractual Trust Arrangement (CTA) for the purpose of funding the pension obligations and insolvency insurance with regard to part of the pension obligations of adidas AG. The trustee is the registered association "adidas Pension Trust e.V.", which was established in December 2013. In August 2014, adidas AG transferred cash to the trustee in an amount of € 65 million which is included in the cash flow from operating activities in the Consolidated Statement of Cash Flows.

09 Other financial commitments

Other financial commitments for promotion and advertising contracts increased by around € 0.5 billion compared to December 31, 2013 due to the conclusion of new contracts and the prolongation of existing strategic partnerships. The increase mainly resulted from the long-term promotion contract concluded with Manchester United F.C.

10 Events after the balance sheet date

On October 1, 2014, adidas AG issued two Eurobonds with an overall volume of € 1 billion. The bonds are listed on the Luxemburg Stock Exchange and have denominations of € 1,000 each. The seven-year Eurobond of € 600 million matures on October 8, 2021 and has a coupon of 1.25%. The twelve-year Eurobond of € 400 million matures on October 8, 2026 and has a coupon of 2.25%.

Furthermore, with the approval of the Supervisory Board, the Executive Board of adidas AG resolved on October 1, 2014 to return up to € 1.5 billion in total to adidas AG shareholders over the next three years, primarily in the form of share buybacks. The shareholder return programme will predominantly be financed from the Group's free cash flow.

Between the end of the first nine months of 2014 and the finalisation of these interim consolidated financial statements on November 3, 2014, there were no other major Group-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, November 3, 2014
The Executive Board of adidas AG

Executive and Supervisory Boards

Executive Board

ROLAND AUSCHEL
Global Sales

HERBERT HAINER
Chief Executive Officer

GLENN BENNETT
Global Operations

ROBIN J. STALKER
Chief Financial Officer

ERIC LIEDTKE [1]
Global Brands

1) Since 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

Supervisory Board members since the end of the Annual General Meeting held on May 8, 2014

IGOR LANDAU
Chairman

SABINE BAUER[1]
Deputy Chairwoman

WILLI SCHWERDTLE
Deputy Chairman

DIETER HAUENSTEIN[1]

DR. WOLFGANG JÄGER[1]

DR. STEFAN JENTZSCH

HERBERT KAUFFMANN

KATJA KRAUS

KATHRIN MENGES

ROLAND NOSKO[1]

HANS RUPRECHT[1]

HEIDI THALER-VEH[1]

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**.

Supervisory Board

Supervisory Board members incumbent until the end of the Annual General Meeting held on May 8, 2014

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.

Financial Calendar
2015

March 5, 2015

Full Year 2014 Results
Analyst and press conferences in Herzogenaurach, Germany
Press release, conference call and webcast
Publication of 2014 Annual Report

May 5, 2015

First Quarter 2015 Results
Press release, conference call and webcast
Publication of First Quarter 2015 Report

May 7, 2015

Annual General Meeting
Fuerth (Bavaria), Germany
Webcast

May 8, 2015

Dividend payment
(Subject to Annual General Meeting approval)

August 6, 2015

First Half 2015 Results
Press release, conference call and webcast
Publication of First Half 2015 Report

November 5, 2015

Nine Months 2015 Results
Press release, conference call and webcast
Publication of Nine Months 2015 Report

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