adidas
GROUP

PUSHING BOUNDARIES

First Half Year Report
January – June
2013

01 ⁄ **First Half Year Results at a Glance** (€ in millions)

	First half year 2013	First half year 2012	Change	Second quarter 2013	Second quarter 2012	Change
Group						
Net sales	7,134	7,341	(2.8%)	3,383	3,517	(3.8%)
Gross profit	3,575	3,522	1.5%	1,694	1,697	(0.1%)
Gross margin	50.1%	48.0%	2.1pp	50.1%	48.2%	1.8pp
Operating profit	693	665	4.2%	252	256	(1.9%)
Operating margin	9.7%	9.1%	0.7pp	7.4%	7.3%	0.1pp
Wholesale						
Net sales	4,495	4,727	(4.9%)	2,014	2,113	(4.7%)
Gross profit	1,928	1,902	1.4%	828	810	2.3%
Gross margin	42.9%	40.2%	2.7pp	41.1%	38.3%	2.8pp
Segmental operating profit	1,525	1,481	2.9%	632	630	0.3%
Segmental operating margin	33.9%	31.3%	2.6pp	31.4%	29.8%	1.6pp
Retail						
Net sales	1,589	1,547	2.7%	867	854	1.5%
Gross profit	1,005	963	4.4%	567	537	5.6%
Gross margin	63.2%	62.2%	1.0pp	65.4%	62.8%	2.5pp
Segmental operating profit	316	332	(4.5%)	216	217	(0.6%)
Segmental operating margin	19.9%	21.4%	(1.5pp)	24.9%	25.4%	(0.5pp)
Other Businesses						
Net sales	1,050	1,067	(1.5%)	502	550	(8.7%)
Gross profit	462	475	(2.7%)	218	249	(12.6%)
Gross margin	44.0%	44.5%	(0.5pp)	43.4%	45.3%	(1.9pp)
Segmental operating profit	311	319	(2.4%)	140	171	(18.2%)
Segmental operating margin	29.6%	29.9%	(0.2pp)	27.8%	31.0%	(3.2pp)
Sales by Brand						
adidas	5,404	5,537	(2.4%)	2,546	2,649	(3.9%)
Reebok	733	787	(6.9%)	355	336	5.7%
TaylorMade-adidas Golf	771	788	(2.1%)	348	401	(13.2%)
Rockport	130	127	1.8%	69	67	3.0%
Reebok-CCM Hockey	96	102	(6.4%)	65	64	0.3%

Rounding differences may arise in percentages and totals.

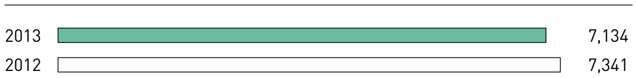
02 ⁄ Financial Highlights (IFRS)

	First half year 2013	First half year 2012	Change	Second quarter 2013	Second quarter 2012	Change
Operating Highlights (€ in millions)						
Net sales	7,134	7,341	(2.8%)	3,383	3,517	(3.8%)
EBITDA	823	786	4.8%	315	317	(0.5%)
Operating profit	693	665	4.2%	252	256	(1.9%)
Net income attributable to shareholders	480	455	5.6%	172	165	4.1%
Key Ratios (%)						
Gross margin	50.1%	48.0%	2.1pp	50.1%	48.2%	1.8pp
Operating expenses as a percentage of net sales	41.8%	40.3%	1.5pp	44.3%	42.4%	1.9pp
Operating margin	9.7%	9.1%	0.7pp	7.4%	7.3%	0.1pp
Effective tax rate	27.5%	27.4%	0.1pp	27.5%	30.5%	(3.0pp)
Net income attributable to shareholders as a percentage of net sales	6.7%	6.2%	0.5pp	5.1%	4.7%	0.4pp
Average operating working capital as a percentage of net sales [2]	20.3%	20.0% [1]	0.4pp			
Equity ratio	47.5%	45.5% [1]	2.0pp			
Net borrowings/EBITDA [3]	0.1	0.2	(0.2pp)			
Financial leverage	1.7%	5.8% [1]	(4.1pp)			
Return on equity	8.8%	8.3% [1]	0.5pp			
Balance Sheet and Cash Flow Data (€ in millions)						
Total assets	11,525	12,092 [1]	(4.7%)			
Inventories	2,611	2,721 [1]	(4.0%)			
Receivables and other current assets	2,871	2,912 [1]	(1.4%)			
Working capital	2,598	2,423 [1]	7.2%			
Net borrowings	94	318	(70.3%)			
Shareholders' equity	5,476	5,501 [1]	(0.5%)			
Capital expenditure	172	149	15.2%	123	87	42.4%
Net cash used in operating activities	(77)	(70)	9.6%			
Per Share of Common Stock (€)						
Basic earnings	2.29	2.17	5.6%	0.82	0.79	4.1%
Diluted earnings	2.29	2.17	5.6%	0.82	0.79	4.1%
Net cash used in operating activities	(0.37)	(0.34)	9.6%			
Share price at end of period	83.14	56.46	47.3%			
Other (at end of period)						
Number of employees	47,359	46,738	1.3%			
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) Adjusted, see Note 07.
2) Twelve-month trailing average.
3) EBITDA of last twelve months.

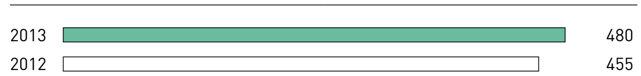
03 ⁄ First half year net sales

(€ in millions)



04 ⁄ First half year net income attributable to shareholders

(€ in millions)



Operational and Sporting Highlights
Second Quarter 2013

01


02


03


04


05


06


APR

11. Reebok presents its strength in fitness at FIBO, the world's leading international trade show for fitness, wellness and health. Celebrating the new "Live With Fire" campaign, Reebok kicks off "Fitness Fireworks" – a series of fitness events and initiatives taking place in Germany, Austria and Switzerland. / **PICTURE 01**

15. The highly anticipated CCM Extreme Flex goalie gear hits retail. After an eight-year absence in the goalie category, CCM made its comeback to the praise of many pro and amateur goalies alike.

18. TaylorMade brings "counterbalanced" putters to market with Daddy Long Legs and Spider Blade. Daddy Long Legs is the highest putter in the Spider Line with an MOI exceeding 8,500. The Spider Blade is the most stable blade-style putter the company has ever produced. / **PICTURE 02**

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

26. adidas presents the "Quick Ain't Fair" TV commercial, which begins airing in conjunction with the launch of the Crazyquick basketball shoe. The commercial is narrated by American rapper A$AP Rocky and features icons such as Damian Lillard, NBA Rookie of the Year 2013, as well as John Wall.

MAY

01. adidas Golf releases the new adicross Tour footwear line. Engineered with revolutionary materials and state-of-the-art construction methods, adicross Tour is designed to allow for flexibility without sacrificing stability and to provide lightweight comfort.

16. adidas unveils Nitrocharge, the energy-retaining football boot designed for the next generation of football player, called "The Engine". Featuring stars such as Daniele De Rossi, Dani Alves and Javi Martínez, the Nitrocharge complements the existing adidas football franchises such as the Predator, 11Pro and f50 ranges. / **PICTURE 03**

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

25. FC Bayern Munich wins the Champions League final and becomes the new leader in European football. One week later, the Bavarian club makes history as the first German team ever to win the Bundesliga, German Cup and Champions League title in the same season. / **PICTURE 04**

JUN

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

10. TaylorMade releases the R1 Black – the company's first black driver since 2010. Similar to the white version, the R1 Black driver features the greatest range of adjustability of any driver in the brand's history. / **PICTURE 05**

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

20. The Reebok One Series officially launches at the Reebok Fit Hub in New York City, underlining the brand's commitment to fitness running. The Reebok ONE Series introduces an uncomplicated, straightforward running shoe that offers a performance-oriented design. / **PICTURE 06**

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

Interview with the CEO

HERBERT HAINER
Chief Executive Officer

Despite a challenging environment in Western Europe and significant headwinds arising from year-over-year currency movements, the adidas Group delivered record earnings per share in the first half of 2013. Strong growth in Latin America and Greater China as well as a gross margin above 50% were key highlights of the period. With a strong pipeline of innovative products and marketing campaigns launching ahead of the important back-to-school period, the Group expects top-line growth to accelerate in the second half.

In the following interview, Herbert Hainer, adidas Group CEO, reviews the first half of 2013 and discusses the opportunities and challenges the Group faces for the remainder of the year.

Herbert, looking back at the first six months, what was the key financial highlight?

First and foremost, I am very pleased that we were able to deliver record earnings per share for the Group of € 2.29 for the first six months, which is an increase of 6% compared to a year ago. This is all the more impressive considering the material challenges we faced from currency headwinds, the difficult prior year comparisons related to major sporting events and the continued soft trading environment in much of Europe. The financial highlight of the first half has to be our strong gross margin development, which increased 2.1 percentage points to 50.1%. This result is a clear measure of the success of our Route 2015 strategies to drive quality growth across all of our business activities. It shows that we are focusing on the right categories and that our innovations are resonating with the consumer, all of which is supporting considerable improvements in our product and price mix. It also shows that we are improving execution across all of our channels of distribution. The strengthening of our operational KPIs in own retail and the strong growth of eCommerce are particular standouts in this respect. And finally, this strong gross margin performance shows that our industry-leading inventory management is again proving to be a winner. This is an area where we have put particular emphasis given the current economic climate. As stock levels remain clean and fresh, we have ensured that we can keep clearance activities to a minimum which, as we have seen with others in our industry, can be a particular burden.

As you mentioned, currency movements have been quite severe this year. Can you elaborate on how currencies impacted your financial results?

The most significant challenge we are facing this year is definitely from currency movements and in particular currency translation. Currencies such as the Japanese yen, Australian dollar, Brazilian real, Argentine peso, British pound and the Russian rouble have all weakened considerably versus the euro in a relatively short period of time. As you can see, in the second quarter alone, this cost us 4 percentage points from our top-line growth. This also implies a considerable double-digit million euro negative impact on our operating profit. In addition, we are also facing headwinds this year from a transactional perspective due to the fact that the majority of our cost of sales is denominated in US dollars. Due to the size of this risk, we hedge the majority of these exposures on a 12- to 18-month rolling basis, which affords us good visibility and time to react with mitigating activities. In the first half, this resulted in a negative gross margin impact of 70 basis points and a 1.3 percentage point drag in the second quarter.

There is much debate at the moment about the health of emerging markets, with investors becoming more cautious. What trends are you seeing for the Group?

The emerging markets have been a great source of growth for our Group over the past decade and I have every confidence this will continue. In general, while economic growth has slowed, conditions for our Group remain very strong and we even saw some improvements in the second quarter. The clear highlight right now for us is Latin America. We have been investing heavily in our brands and controlled space activities in the region over the past few years, particularly with the upcoming 2014 FIFA World Cup in mind. And the results are paying off. With the backdrop of the 2013 FIFA Confederations Cup, sales growth in the region accelerated to 21% currency-neutral in the second quarter. Another bright spot for our Group continues to be Greater China, where sales were up 6% in the quarter. For the adidas brand, we even saw a slight acceleration compared to the first quarter, with revenues increasing 8%. Consumers have clearly voted that adidas is their preferred sports and sports lifestyle brand, which is leading to significant market share gains. In a recent survey by Millward Brown of more than 60,000 consumers in China, adidas ranked the highest of all clothing and footwear brands in the top 20 most powerful international brands. The only emerging market area where we have had some issues this year has been Russia/CIS. Here, there are a few factors to be aware of. Firstly, given the rapid pace of retail space expansion, with many new malls coming on stream each year, we have seen traffic dynamics deteriorate in some locations. This has negatively impacted our comp store sales growth performance in the first six months of the year. On a positive note, due to improvements in our operational performance, we have seen a strong margin development in the market. With trends beginning to stabilise in recent weeks, and given the strong product pipeline for the second half, I expect comp store sales growth to move back towards positive territory towards the end of the year. In addition, we will also begin to benefit from considerable IT and infrastructure investments which we have carried out in Russia in order to speed up and improve our operations. And we will see this coming through even more in 2014. The recently opened distribution centre in Chekhov, close to Moscow, where we will ultimately consolidate six warehouses into one location, is a good example of the potential upside we still have to unlock in this market.

Sales in Western Europe declined considerably in the first half. How much of this was related to last year's major sports events and how do you see the region developing going forward?

Western Europe has definitely proven more challenging this year, with sales for the first half down 9% currency-neutral. Although we enjoyed solid growth in France, Poland and the Nordics, sales were down in most other major markets, with Spain and Italy being particularly weak. While it is hard to isolate all of the football-related event sales, products related to the London 2012 Olympic Games definitely had a considerable impact, accounting for approximately 3 percentage points of the decline. In terms of the underlying trends, I am confident we will turn the corner in Western Europe in the second half. Already in the second quarter, we have seen our own-retail comparable store sales increase 2%, after being down 4% in the first quarter. And discussions with our wholesale partners have definitely moved into more constructive territory as excitement builds ahead of the 2014 FIFA World Cup and given the strong reception to our latest products in running and Originals as well as at Reebok.

At the start of the year, you highlighted this as "the year of running" for the adidas brand. Is the year living up to your expectations?

Our running business is taking on a whole new dynamic this year, spearheaded by our mission to create products that give the highest level of energy return to the runner. With Boost, which we spoke about extensively last quarter, we know we have something special. Following its highly successful launch and the continued strong performances in our other key running franchises, such as Supernova, Response and ClimaCool, sales in the category are up 14% year-to-date and 16% in the second quarter. Since then, we have also introduced another major innovation – Springblade. Featuring 16 forward-angled blades in the sole made out of a high-tech polymer, it is the first running shoe with such individually tuned blades engineered to help propel runners forward. This is another industry game-changer in so many respects. Not only does it live up to the promise of explosive energy return, but its futuristic and iconic look is ideally suited for our long-term target to win over the high school kid and drive market share in the mall-based retail channel. The early sell-throughs have already set new records for our Group, and I am convinced that this year of running is just the beginning of a long-term upward trend for us in the world's most important footwear category.

After a sales decline in the first quarter, how have the trends developed at Reebok during the second quarter?

Extremely well. We enjoyed a solid return to growth in the second quarter, with sales increasing 11% on a currency-neutral basis. This means brand sales are now down only 4% in the first half year. Excluding NFL-related sales, Reebok sales grew 1% in the first six months. With a growth trajectory now firmly set, I am confident Reebok will show currency-neutral sales growth for the full year. Even more important, the brand's gross margin again improved considerably, expanding 4.1 percentage points to 39.4%, which is also the highest first half gross margin that we have achieved since we acquired Reebok in 2006. Key to this success is the strong product foundation and close connections we are creating with the fitness industry and the fitness consumer. And through the significant improvements in the brand and product architecture we have implemented over the past 18 months, we are now also delivering a consistent brand look and feel to our target Reebok consumers. This is clearly visible in where the growth is coming from, with Fitness Training and Classics growing 13% and 21%, respectively, in the quarter. In addition, our Fitness Running category also stabilised during the quarter. Given several new innovative launches in this category for back-to-school, including the Reebok One Series performance running shoe and the ATV 19+ versatile running shoe, I am confident that this important category will also become another growth driver for us in the coming quarters and as we build up to even more exciting introductions in 2014.

You have established several grass roots partnerships in the fitness space, such as CrossFit and Spartan Race. Given that the fitness market is quite diverse, are you planning more of these to broaden your reach to the fitness consumer?

Yes, we definitely are. Today, I am happy to announce another exciting partnership for Reebok that will further help the brand cement its position as the number one fitness brand. Building on our important partnerships, such as CrossFit and Spartan Race that you just mentioned, which are key components in Reebok's training and running businesses respectively, Reebok has entered into a new partnership with the largest provider of group exercise programming in the world, Les Mills. This partnership will be an important component of Reebok's Studio category moving forward, which we kicked off in full this spring with the launch of our Yoga and Dance collections. Les Mills has a history that dates back to 1968, and today has more than 100,000 instructors world-wide. Their products include programmes such as BodyPump, Sh'Bam, BodyCombat and Grit – some of the most popular group workouts in the world. Reebok will have a lot more to announce in the coming months about the fantastic opportunities we can unlock with the Les Mills partnership. But this is clearly another great example of Reebok partnering with the very best in the fitness industry to ensure we are front and centre and right where our consumers are most active.

Are you comfortable with the full year outlook for TaylorMade-adidas Golf after the slowdown seen in the second quarter?

Yes, I am. Looking at the first half performance, there are a few things to note. Firstly, the golf market has been considerably weaker this year due to a late start to the season in many countries. As a result, rounds played around the world have declined on average at a double-digit rate. With golfers starting to play later, this has had a knock-on impact on sales trends at retail. Right now, this is particularly visible in metalwoods, where retail sales are down at a high-single-digit rate in the first half. As the dominant market leader in this category with a market share of close to 40%, we are unfortunately not immune from this. Secondly, considering our growth of 20% currency-neutral last year and 16% the year before, we were expecting that this year would be more about consolidating our position before the next push forward. And that push forward has already started. At the end of July, we introduced our newest and longest driver ever – SLDR. Featuring more effective and easier-to-use movable weight technology, it is already heading to be the number one driver on tour. In addition, we continue to see strong market share gains in footwear thanks to the adizero platform and we also expect an acceleration in sales growth from Adams Golf in the second half of the year. Therefore, with a strong finish to the year, I am confident we will achieve our full year goal of mid-single-digit sales growth on a currency-neutral basis.

Finally, are there any changes to the Group's financial outlook for the full year?

While we are able to reconfirm the majority of our full year targets, the lacklustre trading environment in Europe and the unfavourable development of several currencies versus the euro indicate that our absolute goals for the year will be more challenging to reach than when initially announced. However, as expected, given the strong reception to our latest product innovations and our full pipeline of product launches and marketing campaigns for the second half of 2013, our top-line momentum is set to accelerate as we move through the remaining quarters, with the fourth quarter expected to be stronger than normal. We now forecast our full year sales to grow at a low- to mid-single-digit rate on a currency-neutral basis. Given the health of our inventories in the market, the continued desirability of our brands and the strong first half improvement, we now expect to achieve a gross margin of 48.5% to 49.0% compared to our initial target range of 48.0% to 48.5%. As a result of the faster pace of new store openings, we also now expect operating expenses as a percentage of sales to increase compared to our previous guidance of a modest decline. Nevertheless, due to the strong gross margin development, our operating margin target of approaching 9.0% for the year remains unchanged. Taking it all together, we continue to forecast net income attributable to shareholders to increase at a rate between 12% and 16% to a new record level of between € 890 million and € 920 million.

Herbert, thank you for this interview.

Our Share

In the second quarter of 2013, most international stock markets traded sideways, albeit volatile at times. The DAX-30 and US equity markets rose to new all-time highs in May, supported by robust US economic data as well as the ECB's interest rate cut. However, signals that the Fed could reduce its monetary stimulus, together with disappointing economic data in China, resulted in a consolidation of equity markets towards the end of the quarter. Accordingly, the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index grew moderately, increasing 2.1% and 4.3%, respectively, compared to the end of March 2013. In line with overall market developments, the adidas AG share gained 2.7% over the three-month period.

Global stock market performance varies considerably

Supported by the ongoing accommodative monetary policy of the major central banks, equity markets continued their bullish run at the beginning of the second quarter. In particular, the Fed's announcement to potentially step up purchases of bonds if needed, to protect the economy, was positively perceived by market participants. This, combined with improving US economic indicators, as well as the ECB's decision to further cut its key interest rate by 25 basis points to 0.5%, drove the DAX-30 and US equity markets to new all-time highs at the beginning of May. However, indications that the Fed may reduce its monetary stimulus became a key headwind for equity markets, starting in mid-May. International stock markets suffered further losses following the Fed's June meeting, as it signalled that it might scale back its bond buying programme later this year. This, as well as disappointing economic data in China, put further pressure on global stock markets. Conversely, a recovery of economic indicators in the euro area and robust US economic data provided support for equity markets towards the end of the quarter. As a result of these developments, the DAX-30 and MSCI World Textiles, Apparel & Luxury Goods Index increased moderately, gaining 2.1% and 4.3%, respectively, compared to the end of March 2013.

adidas AG share increases moderately in the second quarter

At the beginning of the second quarter, the adidas AG share suffered losses, as some investors took profits in light of the strong share price appreciation year-to-date. However, from mid-April onwards the share price recovered, as several analysts commented positively in the run-up to the adidas Group first quarter results. Following the publication of the first quarter results on May 3, the adidas AG share gained considerably by 7.5%, thereby significantly outperforming the DAX-30. While the top line was slightly below consensus, the adidas Group gross margin, operating margin and net income came in clearly above market expectations, triggering positive analyst and investor feedback. Continued positive momentum in the emerging markets, in particular Greater China and Latin America, as well as strong growth in key strategic categories, such as running, basketball and outdoor, further strengthened analysts' confidence that the Group is on track to achieve its targets. All of this prompted several recommendation upgrades and target price increases by analysts and, together with positive market sentiment, drove the adidas AG share price to a new all-time high of € 87.66 on May 22. Towards the end of the quarter, the adidas AG share came under pressure in line with overall equity market weakness. While most stock markets suffered significant losses in June, the adidas AG share showed resilience and traded sideways. As a consequence, the adidas AG share finished the second quarter at € 83.14, representing an increase of 2.7% compared to the end of March 2013. Since the end of 2012, the adidas AG share has gained 23.5%.

05 / **Historical performance of the adidas AG share and important indices at June 28, 2013** (in %)

	YTD	1 year	3 years	5 years	Since IPO
adidas AG	23	47	102	106	760
DAX-30	5	29	29	24	262
MSCI World Textiles, Apparel & Luxury Goods	9	33	78	91	348

Source: Bloomberg.

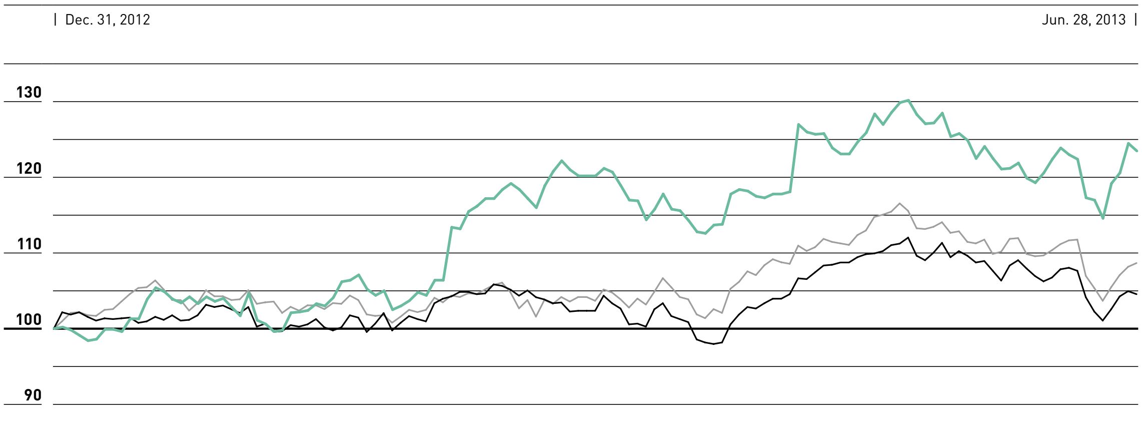
Level 1 ADR enjoys ongoing strong momentum

The number of Level 1 ADRs (American Depository Receipts) further increased during the three-month period compared to the end of the first quarter of 2013. At June 28, 2013, 12.6 million ADRs were outstanding (March 28, 2013: 12.2 million), which represents a strong increase versus June 29, 2012, when 11.8 million ADRs were outstanding. The Level 1 ADR closed the quarter at US $ 54.14, reflecting an increase of 3.9% compared to the end of March 2013. The more pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the depreciation of the US dollar versus the euro at the end of the second quarter of 2013 compared to the end of March 2013.

adidas GROUP

adidas AG share at a glance

06 / Share price development in 2013 [1]



1) Index: December 31, 2012 = 100.

07 / The adidas AG share

Number of shares outstanding First half average	209,216,186
Number of shares outstanding At June 28 [1]	209,216,186
Type of share	Registered no-par-value share
Free float	100%
Initial Public Offering	November 17, 1995
Share split	June 6, 2006 (in a ratio of 1:4)
Stock exchange	All German stock exchanges
Stock registration number (ISIN)	DE000A1EWWW0
Stock symbol	ADS, ADSGn.DE

1) All shares carry full dividend rights.

Important indices

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

Dividend of € 1.35 per share paid

At the Annual General Meeting (AGM) on May 8, 2013, shareholders approved the adidas AG Executive and Supervisory Boards' recommendation to pay a dividend of € 1.35 per share for the 2012 financial year (2011: € 1.00). The dividend was paid on May 9, 2013. Based on the number of shares outstanding at the time of our AGM, this represents a dividend payout of € 282 million (2011: € 209 million) and a payout ratio of 35.7% of net income attributable to shareholders, excluding goodwill impairment losses, compared to 34.1% in the prior year. This is in line with our dividend policy, where we intend to pay out between 20% and 40% of net income attributable to shareholders annually.

Changes in shareholder base

In the second quarter of 2013, the Group received 28 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 and those received thereafter can be viewed on our corporate website :⁄⁄ **WWW.ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS**.

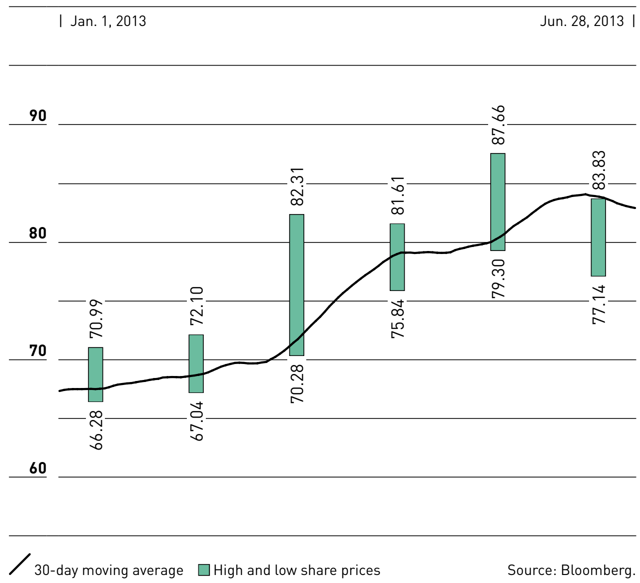
Directors' dealings reported on corporate website

The purchase or sale of adidas AG shares (ISIN DE000A1EWWW0) 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 second quarter of 2013, adidas AG received notifications that Christian Tourres, member of the adidas AG Supervisory Board, sold 25,572 shares on May 20 and 32,710 shares on May 21, 2013.

Award-winning Investor Relations activities

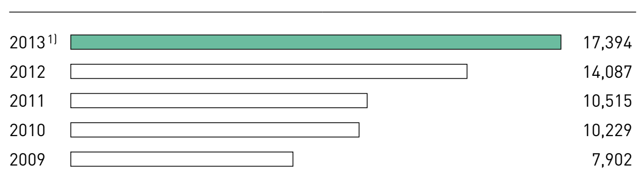
In June 2013, the adidas Group won the prestigious IR Magazine Award in the Personal Care & Household/Luxury Goods sector. IR Magazine asked more than 700 investors and analysts across Europe to vote for companies with the best investor relations services. Company knowledge, detailed disclosure as well as access to management were named as the top three categories that impacted the final rankings. Market participants highlighted the high level of disclosure within the adidas Group 2012 Annual Report as well as the professional and informative Investor Relations marketing activities. In terms of technology, the recently launched adidas Group Investor Relations and Media App, available for iPad and iPhone, was also very well perceived by analysts and investors.

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



1) Based on daily Xetra closing prices.

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



1) At June 28.

Group Business Performance

In the first half of 2013, the adidas Group delivered a solid financial performance, despite macroeconomic challenges in many regions, especially Western Europe. Currency-neutral Group sales remained stable as growth in Retail and Other Businesses offset sales declines in Wholesale. In euro terms, adidas Group revenues decreased 3% to € 7.134 billion from € 7.341 billion in 2012. The Group's gross margin grew 2.1 percentage points to 50.1% (2012: 48.0%), driven by the positive impact from a more favourable pricing, product and regional sales mix as well as a larger share of higher-margin Retail sales. The Group's gross profit rose 1% to € 3.575 billion in the first half of 2013 versus € 3.522 billion in 2012. The Group's operating margin was up 0.7 percentage points to 9.7% from 9.1% in 2012. This was primarily due to the increase in gross margin, which more than offset the negative effect from higher other operating expenses as a percentage of sales. The Group's operating profit grew 4% to € 693 million in the first half of 2013 versus € 665 million in 2012. The Group's net income attributable to shareholders increased 6% to € 480 million from € 455 million in 2012. Diluted earnings per share grew 6% to € 2.29 in the first half of 2013 versus € 2.17 in 2012.

Economic and Sector Development

Global economy grows in the second quarter

In the second quarter of 2013, the global economy grew moderately, with the emerging markets continuing to outperform most developed economies. Relatively stable inflationary pressures and increases in real disposable incomes in most emerging markets supported domestic consumption and economic activity, albeit at a slightly lower rate than those seen in recent quarters. Conversely, many developed markets continued to face considerable economic challenges, primarily driven by sovereign debt concerns. Despite strengthened monetary policy actions, low growth and even recession in many mature economies remained as significant negative pressures for global economic expansion.

In Western Europe, many of the region's major economies remained in recession, with high unemployment levels and acute austerity measures negatively impacting investment, consumer spending and confidence. However, increasing domestic consumption supported modest economic growth in Germany, the region's largest economy.

European emerging markets recorded positive GDP growth, with Russia, the world's leading energy supplier, benefiting from a relatively stable oil price. Nonetheless, the weakness in the euro area and lower demand from China negatively impacted exports and industrial output for many of the region's economies.

The US economy grew modestly in the second quarter, with falling inflation and a recovery in the real estate market helping offset a contraction in government spending. However, higher payroll and income tax rates and a decline in exports, in reaction to the recession in Europe and the slowdown in GDP growth in Asia, negatively impacted economic expansion.

In Asia, relatively stable inflation and strong wage increases in most of the region's markets helped to drive consumer confidence, fuelling domestic demand and economic expansion. In China, growth remained

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

	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
USA [2]	62.7	68.4	66.7	61.9	82.1
Euro area [3]	(19.6)	(25.7)	(26.3)	(23.5)	(18.8)
Japan [4]	40.8	40.4	39.1	45.0	44.3
China [5]	99.3	100.8	103.7	102.6	99.0
Russia [6]	(4.0)	(6.0)	(8.0)	(7.0)	(6.0)
Brazil [7]	112.6	113.2	115.2	114.3	110.1

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: Confederação Nacional da Indústria.

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

	Average rate 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Average rate 2013 [2]
USD	1.2862	1.2930	1.3194	1.2805	1.3080	1.3135
GBP	0.8115	0.7981	0.8161	0.8456	0.8572	0.8507
JPY	102.65	100.37	113.61	120.87	129.39	125.32
RUB	39.951	39.976	40.074	39.802	42.783	40.734
CNY	8.1137	8.1989	8.2931	8.0341	8.0817	8.1313

1) Spot rates at quarter-end.
2) Average rate for the first half of 2013.

robust, however falling overseas demand resulted in a slight slowdown compared to recent quarters. Conversely, Japan's economy continued to rebound, fuelled by a significant stimulus programme and the falling value of the yen, which helped promote a recovery in export activity.

In Latin America, low unemployment rates and government stimulus programmes supported the region's economic development. However, falling domestic consumption, moderating export demand and increases in inflation negatively impacted economic expansion.

Positive growth in the global sporting goods industry in the second quarter

In the second quarter of 2013, the global sporting goods industry recorded modest growth, primarily driven by rising consumer spending in the emerging markets, which more than offset subdued private spending in most Western European markets. The e-commerce channel continued to see rapid expansion across the industry, with a wide diversity of strategies being implemented to leverage commercial opportunities through digital, social media and, particularly, mobile technologies. From a category perspective, basketball remained strong, with both performance and lifestyle performing well. Running posted a solid performance with lightweight and technical running continuing to record strong growth.

In Europe, despite high unemployment and low consumer confidence in many markets, the sporting goods industry grew modestly. In Western Europe, demand for sporting goods in some euro area countries remained highly challenging, particularly in peripheral markets.

In European emerging markets, a slight contraction in disposable income growth rates negatively impacted consumer sentiment and spending and detracted from the sporting goods sector's expansion, especially in Russia.

The recovery of the US market and a stabilisation of inflation helped drive consumer spending which, in turn, benefited retailers and the industry. Sporting goods sales continued to see positive trends in basketball, training and sporting lifestyle. However, the golfing market was negatively impacted due to unseasonable weather during the period that saw rounds played down significantly. Many sporting goods retailers remained focused on high-performance and technically innovative products to help support higher prices and to drive sales.

In Asia, wage increases and rising consumer spending supported expansion of the sporting goods industry. In China, this trend was particularly evident, with growth fastest in the lower tier cities. However, inventory issues continued to negatively impact some sportswear sector players in this market. In Japan, economic progress helped support improvements in consumer sentiment and a slight recovery in retail and sporting goods sales.

In Latin America, access to credit and low unemployment levels supported retail and sporting goods sales, however continued inflationary pressures and weakening consumer confidence ensured expansion was somewhat muted during the quarter.

Income Statement

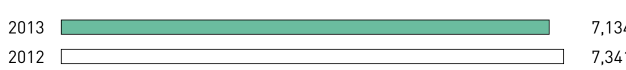
adidas Group currency-neutral sales remain stable in the second quarter of 2013

In the second quarter of 2013, Group revenues remained stable on a currency-neutral basis as a result of growth in Retail, which offset sales declines in Wholesale and Other Businesses. Currency translation effects had a negative impact on sales in euro terms. Group revenues decreased 4% to € 3.383 billion in the second quarter of 2013 from € 3.517 billion in 2012.

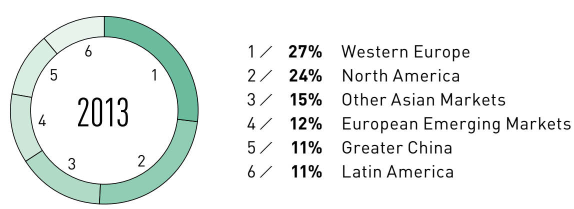
Second quarter Group sales supported by growth in Retail

In the second quarter of 2013, currency-neutral Wholesale revenues decreased 1% due to sales declines at adidas. Currency-neutral Retail sales rose 5% versus the prior year, due to sales growth at both adidas and Reebok. Revenues in Other Businesses were down 4% on a currency-neutral basis, due to sales declines at TaylorMade-adidas Golf. Currency translation effects had a negative impact on segmental sales in euro terms. Wholesale revenues decreased 5% to € 2.014 billion in the second quarter of 2013 from € 2.113 billion in 2012. Retail sales grew 2% to € 867 million versus € 854 million in the prior year. Sales in Other Businesses declined 9% to € 502 million (2012: € 550 million).

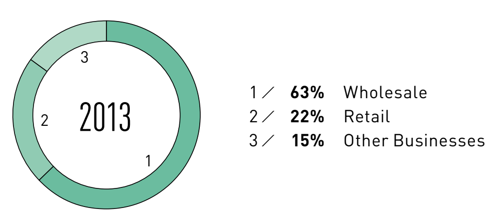
12 ⁄ **First half year net sales** (€ in millions)



13 ⁄ **First half year net sales by region**



14 ⁄ **First half year net sales by segment**



adidas Group currency-neutral sales remain stable in the first half of 2013

In the first half of 2013, Group revenues remained stable on a currency-neutral basis due to growth in Retail and Other Businesses, offsetting sales declines in Wholesale. Currency translation effects had a negative impact on sales in euro terms. Group revenues decreased 3% to € 7.134 billion in the first half of 2013 from € 7.341 billion in 2012 ⁄ **DIAGRAM 12**.

First half Group sales supported by growth in Retail and Other Businesses

In the first half of 2013, currency-neutral Wholesale revenues decreased 2%, driven by sales declines at both adidas and Reebok. Currency-neutral Retail sales increased 6% versus the prior year as a result of sales growth at adidas and Reebok. Revenues in Other Businesses increased 2% on a currency-neutral basis, mainly due to sales growth at TaylorMade-adidas Golf and Rockport. Sales for Other Centrally Managed Brands also grew. Currency translation effects had a negative impact on segmental sales in euro terms. Wholesale revenues decreased 5% to € 4.495 billion in the first half of 2013 from € 4.727 billion in 2012. Retail sales increased 3% to € 1.589 billion versus € 1.547 billion in the prior year. Sales in Other Businesses declined 2% to € 1.050 billion in the first half of 2013 (2012: € 1.067 billion).

Currency-neutral Group sales increase in most regions

In the first half of 2013, currency-neutral adidas Group sales grew in all regions except Western Europe. Revenues in Western Europe decreased 9% on a currency-neutral basis, as growth in France and Poland was

15 ⁄ **Major product launches in Q2 2013**

Product	Brand
DryDye Prime tee	adidas
Crazyquick basketball shoe	adidas
Nitrocharge football boot	adidas
Messi Icon signature range	adidas
Bayern Munich football jersey	adidas
ClimaCool+ training apparel	adidas
adistar Boost running shoe	adidas
NEO BBNEO Hi Top shoe	adidas
Disney Monsters kids' collection	adidas
Originals x Hanon Centaur shoe	adidas
Reebok Delta PWR apparel	Reebok
Reebok One Series apparel	Reebok
ZigCarbon running shoe	Reebok
RealFlex Select running shoe	Reebok
DMXsky running shoe	Reebok
Daddy Long Legs putter	TaylorMade
Spider Blade putter	TaylorMade
adicross Tour golf shoe	adidas Golf
Super 9031 hybrid	Adams Golf
Super DHy hybrid	Adams Golf
i-4 Tech putter	Adams Golf
Reebok Pro Series protective equipment	Reebok Hockey
Extreme Flex Pro goalie equipment	CCM
CCM Crazy Light hockey gloves	CCM

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

	First half year 2013	First half year 2012	Change	Change (currency-neutral)
Western Europe	1,907	2,098	(9%)	(9%)
European Emerging Markets	901	917	(2%)	1%
North America	1,716	1,728	(1%)	1%
Greater China	781	732	7%	6%
Other Asian Markets	1,064	1,162	(8%)	1%
Latin America	765	704	9%	16%
Total [1]	**7,134**	**7,341**	**(3%)**	**0%**

1) Rounding differences may arise in totals.

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

	First half year 2013	First half year 2012	Change	Change (currency-neutral)
Footwear	3,503	3,422	2%	5%
Apparel	2,652	2,975	(11%)	(8%)
Hardware	979	945	4%	7%
Total [1]	**7,134**	**7,341**	**(3%)**	**0%**

1) Rounding differences may arise in totals.

more than offset by double-digit sales declines in the UK, Italy and Spain. In European Emerging Markets, Group sales increased 1% on a currency-neutral basis as a result of sales growth in all the region's markets except Ukraine. Sales for the adidas Group in North America grew 1% on a currency-neutral basis due to increases in the USA. Sales in Greater China increased 6% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets grew 1%, driven by sales increases in India, South Korea and Australia. In Latin America, sales grew 16% on a currency-neutral basis, with double-digit increases in most of the region's major markets. Currency translation effects had a negative impact on sales in euro terms in most regions ⁄ **TABLE 16**.

Group sales up in footwear and hardware

In the first half of 2013, Group sales grew in most product categories on a currency-neutral basis. Currency-neutral footwear sales increased 5%. This development was due to double-digit growth in the running and outdoor categories. Apparel revenues decreased 8% on a currency-neutral basis, as double-digit growth in running and basketball was more than offset by sales declines in football and training. Currency-neutral hardware sales increased 7% compared to the prior year, primarily due to strong growth in the training category. In addition, the first-time consolidation of Adams Golf at the end of the second quarter of 2012 positively contributed to this development. Currency translation effects had a negative impact on sales in euro terms ⁄ **TABLE 17**.

New product introductions contributed to the sales growth in all product categories. An overview of major product launches in the second quarter of 2013 is provided in the major product launches table ⁄ **TABLE 15**.

Group gross margin increases 2.1 percentage points

The gross margin of the adidas Group increased 2.1 percentage points to 50.1% in the first half of 2013 (2012: 48.0%) ⁄ **DIAGRAM 19**. This development was due to a more favourable pricing, product and regional sales mix as well as a larger share of higher-margin Retail sales, which more than offset the negative effect from a less favourable hedging rate. Gross profit for the adidas Group grew 1% in the first half of 2013 to € 3.575 billion versus € 3.522 billion in the prior year ⁄ **DIAGRAM 18**.

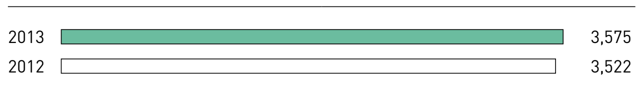
Royalty and commission income declines

Royalty and commission income for the adidas Group decreased 2% to € 51 million in the first half of 2013 from € 52 million in 2012. On a currency-neutral basis, royalty and commission income was also down 2%, mainly as a result of lower licensee sales at adidas.

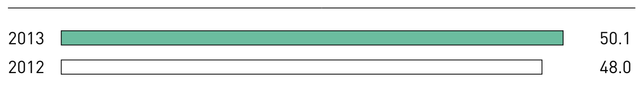
Other operating income remains stable

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 half of 2013, other operating income remained stable at € 47 million (2012: € 47 million).

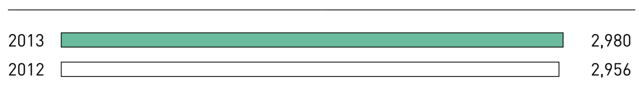
18 ⁄ **First half year gross profit** (€ in millions)



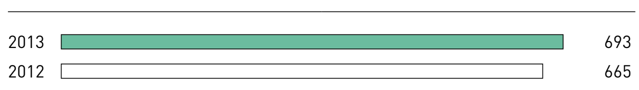
19 ⁄ **First half year gross margin** (in %)



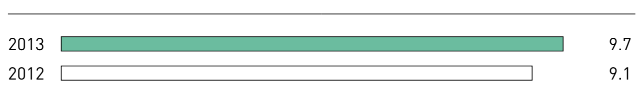
20 ⁄ **First half year other operating expenses** (€ in millions)



21 ⁄ **First half year operating profit** (€ in millions)



22 ⁄ **First half year operating margin** (in %)



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

Other operating expenses, including depreciation and amortisation, consist of items such as sales working budget, marketing working budget and operating overhead costs. Other operating expenses as a percentage of sales rose 1.5 percentage points to 41.8% in the first half of 2013 from 40.3% in 2012. In euro terms, other operating expenses increased 1% to € 2.980 billion (2012: € 2.956 billion), as a result of the expansion of the Group's own-retail activities ⁄ **DIAGRAM 20**. Thereof, sales and marketing working budget expenditures amounted to € 882 million, which represents a decrease of 1% versus the prior year level (2012: € 894 million). By brand, adidas sales and marketing working budget increased 3% to € 676 million in the first half of 2013 compared to € 656 million in the prior year. Sales and marketing working budget for Reebok decreased 34% to € 82 million (2012: € 125 million). As a percentage of sales, the Group's sales and marketing working budget increased 0.2 percentage points to 12.4% (2012: 12.2%).

Number of Group employees up 1%

At the end of the first half of 2013, the Group employed 47,359 people. This represents an increase of 1% versus the prior year level of 46,738. New hirings related to the expansion of the Group's own-retail store base, in particular in European Emerging Markets, were the main driver of this development. On a full-time equivalent basis, the number of employees increased 1% to 41,036 at the end of the first half of 2013 (2012: 40,813).

Operating margin improves 0.7 percentage points

Group operating profit increased 4% to € 693 million in the first half of 2013 versus € 665 million in 2012 ⁄ **DIAGRAM 21**. As a result, the operating margin of the adidas Group improved 0.7 percentage points to 9.7% (2012: 9.1%) ⁄ **DIAGRAM 22**. This was primarily due to the positive effects from the increase in gross margin, which more than offset higher other operating expenses as a percentage of sales.

Financial income down 41%

Financial income decreased 41% to € 10 million in the first half of 2013 from € 17 million in the prior year, mainly due to a decrease in interest income.

Financial expenses decrease 30%

Financial expenses declined 30% to € 40 million in the first half of 2013 (2012: € 57 million) ⁄ **DIAGRAM 23**. The decrease in interest expenses was the main contributor to the decline.

Income before taxes as a percentage of sales increases 0.8 percentage points

Income before taxes (IBT) for the adidas Group increased 6% to € 663 million from € 625 million in 2012 ⁄ **DIAGRAM 24**. IBT as a percentage of sales improved 0.8 percentage points to 9.3% in the first half of 2013 from 8.5% in 2012. This was a result of the Group's operating margin increase and lower net financial expenses.

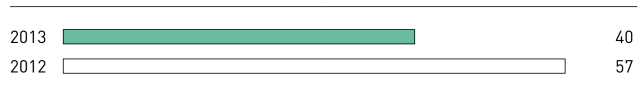
Net income attributable to shareholders up 6%

The Group's net income attributable to shareholders increased to € 480 million in the first half of 2013 from € 455 million in 2012 ⁄ **DIAGRAM 25**. This represents an increase of 6% versus the prior year level. The Group's tax rate increased 0.1 percentage points to 27.5% in the first half of 2013 (2012: 27.4%), mainly due to a less favourable earnings mix.

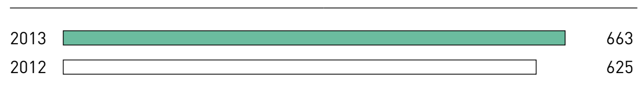
Basic and diluted earnings per share reach € 2.29

In the first half of 2013, basic and diluted earnings per share amounted to € 2.29 (2012: € 2.17) ⁄ **DIAGRAM 26**, representing an increase of 6%. The weighted average number of shares used in the calculation of both basic and diluted earnings per share was 209,216,186 (2012 average: 209,216,186) as there were no potential dilutive shares in the first half year.

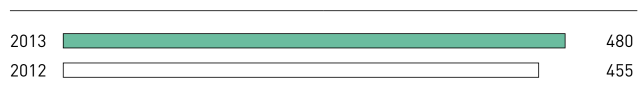
23 ⁄ **First half year financial expenses** (€ in millions)



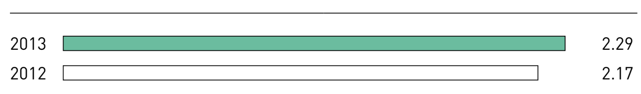
24 ⁄ **First half year income before taxes** (€ in millions)



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



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



Statement of Financial Position and Statement of Cash Flows

Total assets decrease 5%

At the end of June 2013, total assets declined 5% to € 11.525 billion versus € 12.092 billion in the prior year. This was the result of a decrease in current assets as well as non-current assets. Compared to December 31, 2012, total assets decreased 1%.

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

	June 30, 2013	June 30, 2012[2]
Assets (€ in millions)	**11,525**	12,092
Cash and cash equivalents	**10.4%**	8.4%
Accounts receivable	**17.6%**	17.5%
Inventories	**22.7%**	22.5%
Fixed assets	**36.3%**	36.3%
Other assets	**13.0%**	15.3%

■ June 30, 2013 □ June 30, 2012

1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 33.
2) Adjusted, see Note 07.

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

	June 30, 2013	June 30, 2012[2]
Liabilities and equity (€ in millions)	**11,525**	12,092
Short-term borrowings	**1.4%**	4.1%
Accounts payable	**15.1%**	15.5%
Long-term borrowings	**10.1%**	10.0%
Other liabilities	**26.0%**	25.0%
Total equity	**47.4%**	45.4%

■ June 30, 2013 □ June 30, 2012

1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 33.
2) Adjusted, see Note 07.

Group inventories decrease 4%

Group inventories decreased 4% to € 2.611 billion at the end of June 2013 versus € 2.721 billion in 2012 ⁄ **DIAGRAM 29**. On a currency-neutral basis, inventories remained stable, reflecting the Group's ongoing focus on inventory management.

Short-term financial assets decline 92%

Short-term financial assets declined 92% to € 29 million at the end of June 2013 from € 377 million in the prior year. This development was driven by the decrease in short-term cash investments.

Accounts receivable decrease 4%

At the end of June 2013, Group receivables decreased 4% to € 2.029 billion (2012: € 2.118 billion) ⁄ **DIAGRAM 30**. On a currency-neutral basis, receivables were up 2%. The reduction in allowances for doubtful debts contributed to this development.

Other current financial assets down 7%

Other current financial assets were down 7% to € 239 million at the end of June 2013 from € 256 million in 2012. This development was mainly due to the decrease in the fair value of financial instruments.

Other current assets up 12%

Other current assets increased 12% to € 538 million at the end of June 2013 from € 482 million in 2012, mainly due to the increase in prepayments.

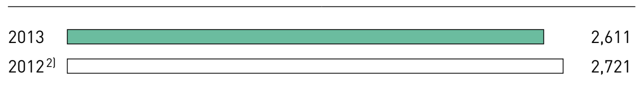
Fixed assets decrease 5%

Fixed assets include property, plant and equipment, goodwill, trademarks and other intangible assets as well as long-term financial assets. Fixed assets decreased 5% to € 4.179 billion at the end of June 2013 versus € 4.393 billion in 2012. Additions in an amount of € 477 million were primarily related to the continued expansion of our own-retail activities, investments into the Group's logistics and IT infrastructure as well as the further development of the Group's headquarters in Herzogenaurach. Additions were more than offset by depreciation and amortisation amounting to € 542 million, disposals amounting to € 34 million and negative currency translation effects amounting to € 115 million. Compared to December 31, 2012, fixed assets increased 1%.

Assets held for sale decrease 55%

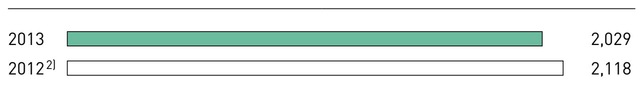
At the end of June 2013, assets held for sale decreased 55% to € 11 million compared to € 25 million in 2012. This decrease was due to the sale of Immobilieninvest und Betriebsgesellschaft Herzo Base GmbH & Co. KG in 2012.

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



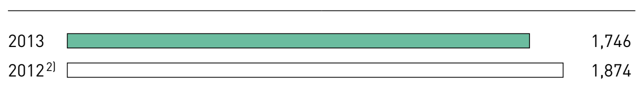
1) At June 30.
2) Adjusted, see Note 07.

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



1) At June 30.
2) Adjusted, see Note 07.

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



1) At June 30.
2) Adjusted, see Note 07.

Other non-current assets down 13%

Other non-current assets decreased 13% to € 98 million at the end of June 2013 from € 111 million in 2012, mainly driven by the decrease in prepaid promotion partnerships.

Accounts payable decrease 7%

Accounts payable declined 7% to € 1.746 billion at the end of June 2013 versus € 1.874 billion in 2012 ⁄ **DIAGRAM 31**. On a currency-neutral basis, accounts payable decreased 5%.

Short-term borrowings decline 67%

Short-term borrowings declined 67% to € 163 million at the end of June 2013 from € 495 million in the prior year. This development was mainly due to the decrease in bank borrowings as well as the repayment of private placements.

Other current financial liabilities decrease 26%

At the end of June 2013, other current financial liabilities decreased 26% to € 61 million from € 81 million in 2012, primarily as a result of the decrease in the fair value of financial instruments as well as the decrease in other loans.

Other current provisions down 15%

Other current provisions were down 15% to € 462 million at the end of June 2013 versus € 544 million in 2012. This primarily relates to the decrease in provisions for returns and allowances.

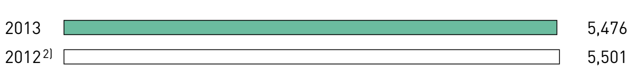
Current accrued liabilities grow 7%

Current accrued liabilities increased 7% to € 1.123 billion at the end of June 2013 from € 1.053 billion in 2012, mainly due to the increase in accruals for outstanding invoices as well as accruals for personnel costs.

Shareholders' equity negatively impacted by currency translation effects

Shareholders' equity remained virtually unchanged at € 5.476 billion at the end of June 2013 versus € 5.501 billion in 2012 ⁄ **DIAGRAM 32**. The net income generated during the last 12 months was offset by the dividend paid to our shareholders of € 282 million, negative currency translation effects of € 236 million, the decrease in the fair value of financial instruments of € 41 million as well as actuarial losses of defined benefit plans of € 25 million. Compared to December 31, 2012, shareholders' equity increased 3%.

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



1) At June 30, excluding non-controlling interests.
2) Adjusted, see Note 07.

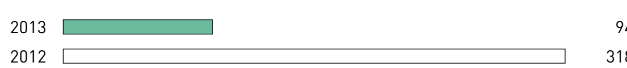
Cash flow reflects improved Group profitability

In the first half of 2013, net cash outflow from operating activities was € 77 million (2012: € 70 million). The increase in cash used in operating activities compared to the prior year was primarily due to higher operating working capital requirements, partly offset by lower interest payments. Net cash inflow from investing activities was € 61 million (2012: net cash outflow of € 108 million). The increase in spending for property, plant and equipment such as investments in the furnishing and fitting of stores in our Retail segment as well as investments into the Group's logistics infrastructure was more than offset by the increase in proceeds from the sale of short-term financial assets. Net cash outflow from financing activities totalled € 457 million (2012: net cash inflow of € 247 million). This was mainly related to the dividend paid to our shareholders of € 282 million as well as cash repayments of short-term borrowings of € 221 million. Exchange rate effects had no impact on the Group's cash position in the first half of 2013 (2012: positive effect of € 11 million). As a result of all these developments, cash and cash equivalents decreased € 473 million to € 1.197 billion at the end of June 2013 compared to € 1.670 billion at the end of December 2012.

Net borrowings decrease € 223 million

Net borrowings at June 30, 2013 amounted to € 94 million, which represents a decrease of € 223 million, or 70%, versus € 318 million at the end of June 2012 ⁄ **DIAGRAM 33**. The decrease was driven by the strong operating cash flow development over the past 12 months. Currency translation had a negative effect of € 1 million. The Group's ratio of net borrowings over 12-month rolling EBITDA decreased to 0.1 at the end of June 2013 versus 0.2 in the prior year.

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



1) At June 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 second quarter sales development

In the second quarter of 2013, revenues for the Wholesale segment decreased 1% on a currency-neutral basis. This development was mainly due to sales declines at adidas Sport Performance, which more than offset strong double-digit growth at Reebok and mid-single-digit growth at adidas Originals & Sport Style. Currency translation effects negatively impacted segmental revenues in euro terms. Sales in the Wholesale segment were down 5% to € 2.014 billion in the second quarter of 2013 from € 2.113 billion in 2012.

Wholesale first half results

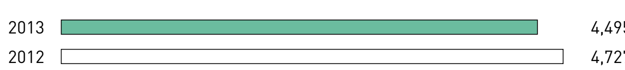
In the first half of 2013, sales in the Wholesale segment declined 2% on a currency-neutral basis, driven by sales decreases at adidas Sport Performance and Reebok. Sales at adidas Originals & Sport Style grew at a mid-single-digit rate. Currency translation effects negatively impacted segmental revenues in euro terms. Sales in the Wholesale segment decreased 5% to € 4.495 billion from € 4.727 billion in 2012 ⁄ **TABLE 34**.

Wholesale gross margin increased 2.7 percentage points to 42.9% in the first half of 2013 from 40.2% in the prior year, driven by a more favourable pricing, product and regional sales mix. By brand, the adidas wholesale gross margin grew 2.3 percentage points to 44.4% (2012: 42.1%). Wholesale gross margin of the Reebok brand increased

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

	First half year 2013	First half year 2012	Change
Net sales	4,495	4,727	(5%)
Gross profit	1,928	1,902	1%
Gross margin	42.9%	40.2%	2.7pp
Segmental operating profit	1,525	1,481	3%
Segmental operating margin	33.9%	31.3%	2.6pp

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



4.9 percentage points to 30.5% (2012: 25.7%). Wholesale gross profit grew 1% to € 1.928 billion in the first half of 2013 from € 1.902 billion in 2012 ⁄ **TABLE 34**.

Segmental operating expenses decreased 4% to € 404 million in the first half of 2013 from € 421 million in 2012. This was primarily due to lower expenditure for sales administration and logistics. As a percentage of sales, segmental operating expenses increased 0.1 percentage points to

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

	First half year 2013	First half year 2012	Change	Change (currency-neutral)
Western Europe	1,494	1,693	(12%)	(11%)
European Emerging Markets	262	266	(1%)	3%
North America	804	854	(6%)	(5%)
Greater China	658	617	7%	6%
Other Asian Markets	669	723	(7%)	1%
Latin America	608	574	6%	13%
Total [1)]	**4,495**	**4,727**	**(5%)**	**(2%)**

1) Rounding differences may arise in totals.

9.0% (2012: 8.9%). Segmental operating expenses in Wholesale primarily relate to expenditure for sales force, administration and logistics as well as sales working budget expenses.

Segmental operating profit improved 3% to € 1.525 billion in the first half of 2013 versus € 1.481 billion in the prior year. Segmental operating margin increased 2.6 percentage points to 33.9% (2012: 31.3%) ⁄ **TABLE 34**, as a result of the strong gross margin increase.

Wholesale development by region

In the first half of 2013, currency-neutral sales for the Wholesale segment increased in all regions except Western Europe and North America. Currency-neutral revenues in Western Europe decreased 11%, as sales growth in France and Poland was more than offset by double-digit declines in the UK, Italy and Spain. Currency-neutral sales in European Emerging Markets rose 3% due to growth in most markets. Currency-neutral Wholesale sales in North America were down 5% due to declines in both the USA and Canada. Revenues in Greater China increased 6% on a currency-neutral basis. Sales in Other Asian Markets grew 1% on a currency-neutral basis, driven by double-digit sales increases in India and South Korea. In Latin America, currency-neutral sales were up 13%, supported by double-digit sales growth in most of the region's major markets. Currency translation effects had a negative impact on sales in euro terms in most regions ⁄ **TABLE 36**.

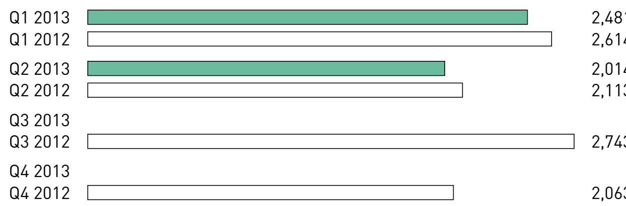
Wholesale development by brand

In the first half of 2013, adidas Sport Performance wholesale revenues decreased 3% on a currency-neutral basis. Sales increases in the running, training, outdoor and basketball categories were more than offset by declines in categories closely related to prior year events, such as football and Olympic sports. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance sales declined 5% to € 2.938 billion from € 3.101 billion in the prior year.

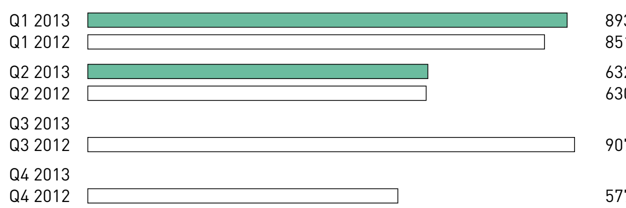
Currency-neutral adidas Originals & Sport Style wholesale revenues grew 5% in the first half of 2013. This increase was driven by double-digit sales growth at the adidas NEO label. Revenues at adidas Originals increased at a low-single-digit rate. Currency translation effects negatively impacted revenues in euro terms. adidas Originals & Sport Style sales grew 2% to € 1.096 billion (2012: € 1.072 billion).

In the first half of 2013, Reebok wholesale revenues decreased 7% on a currency-neutral basis, mainly due to the discontinuation of the NFL licence agreement. Currency translation effects negatively impacted revenues in euro terms. Reebok sales were down 10% to € 478 million (2012: € 534 million).

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



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



Retail Business Performance

Retail second quarter sales development

In the second quarter of 2013, Retail revenues increased 5% on a currency-neutral basis as a result of mid-single-digit sales growth at adidas. Sales at Reebok remained stable. eCommerce grew 79% on a currency-neutral basis. Currency-neutral comparable store sales decreased 2%. Currency translation effects had a negative impact on sales in euro terms. Retail revenues grew 2% to € 867 million in the second quarter of 2013 from € 854 million in 2012.

Retail first half results

In the first half of 2013, currency-neutral Retail sales increased 6%. Concept stores, factory outlets and concession corners were all up versus the prior year. eCommerce grew 74% on a currency-neutral basis. Currency translation effects negatively impacted segmental revenues in euro terms. Sales grew 3% to € 1.589 billion from € 1.547 billion in the prior year ⁄ **TABLE 39**. Currency-neutral comparable store sales were down 1% versus the prior year. Sales growth in concession corners was more than offset by decreases in concept stores.

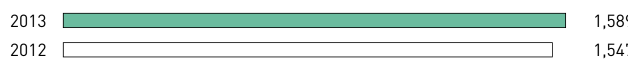
Gross margin in the Retail segment increased 1.0 percentage points to 63.2% in the first half of 2013 from 62.2% in 2012. The positive effect from a more favourable pricing and product mix contributed to the margin increase. By brand, the adidas gross margin grew 1.0 percentage points to 64.4% (2012: 63.5%) and Reebok's gross margin rose 1.1 percentage points to 57.0% (2012: 55.9%). Retail gross profit increased 4% to € 1.005 billion in the first half of 2013 from € 963 million in 2012 ⁄ **TABLE 39**.

Segmental operating expenses increased 9% to € 688 million in the first half of 2013 from € 631 million in 2012. This was mainly a result of higher expenses related to the expansion of the Group's store base, particularly in European Emerging Markets. Higher expenditure for logistics as well as higher sales working budget expenses also contributed to the development. Segmental operating expenses as a percentage of sales increased 2.5 percentage points to 43.3% (2012: 40.8%). Segmental operating expenses in Retail primarily relate to personnel and rent expenses as well as the sales working budget.

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

	First half year 2013	First half year 2012	Change
Net sales	1,589	1,547	3%
Gross profit	1,005	963	4%
Gross margin	63.2%	62.2%	1.0pp
Segmental operating profit	316	332	(5%)
Segmental operating margin	19.9%	21.4%	(1.5pp)

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



Segmental operating profit decreased 5% to € 316 million in the first half of 2013 versus € 332 million in the prior year. Segmental operating margin decreased 1.5 percentage points to 19.9% (2012: 21.4%) ⁄ **TABLE 39**. This was a result of higher segmental operating expenses as a percentage of sales, which more than offset the increase in gross margin.

Retail development by region

In the first half of 2013, currency-neutral Retail sales increased in all regions. Retail revenues in Western Europe grew 6% on a currency-neutral basis, mainly due to sales increases in Germany, the UK and Italy. Sales in European Emerging Markets rose 1% on a currency-neutral basis, driven by growth in all the region's markets except Ukraine. Currency-neutral Retail sales in North America grew 8% due to growth in the USA and Canada. Retail revenues in Greater China increased 13% on a currency-neutral basis. Sales in Other Asian Markets grew 2% on a currency-neutral basis, mainly driven by sales increases in Japan and Australia. In Latin America, currency-neutral Retail sales grew 29%, with double-digit increases in most markets, in particular Argentina and Brazil. Currency translation effects had a negative impact on sales in euro terms in most regions ⁄ **TABLE 41**.

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

	First half year 2013	First half year 2012	Change	Change (currency-neutral)
Western Europe	249	236	6%	6%
European Emerging Markets	616	627	(2%)	1%
North America	276	258	7%	8%
Greater China	103	92	13%	13%
Other Asian Markets	196	214	(8%)	2%
Latin America	149	120	23%	29%
Total [1)]	**1,589**	**1,547**	**3%**	**6%**

1) Rounding differences may arise in totals.

Retail development by brand

In the first half of 2013, adidas Group Retail sales increased at both adidas and Reebok. Currency-neutral adidas Sport Performance revenues grew 5% in the period, mainly due to double-digit growth in the training, running and basketball categories. adidas Originals & Sport Style sales rose 9% on a currency-neutral basis, driven by adidas Originals, where sales grew at a low-double-digit rate. Currency-neutral Reebok sales were 3% higher compared to the prior year. Comparable store sales decreased 1% on a currency-neutral basis for both the adidas and the Reebok brand. Currency translation effects had a negative impact on revenues in euro terms. adidas Sport Performance own-retail sales increased 2% to € 862 million in the first half of 2013 from € 847 million in 2012. adidas Originals & Sport Style own-retail sales were up 5% to € 467 million from € 443 million in 2012. Own-retail sales of Reebok branded products grew 1% to € 255 million (2012: € 253 million).

Retail store development

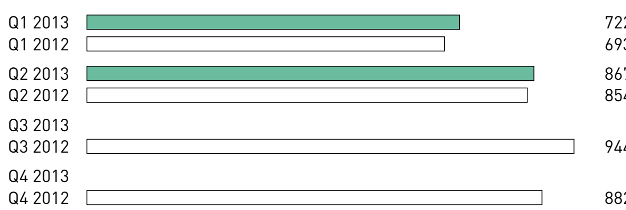
At June 30, 2013, the adidas Group Retail segment operated 2,542 stores. This represents a net increase of 96 stores versus the prior year-end level of 2,446. Of the total number of stores, 1,437 were adidas and 356 Reebok branded (December 31, 2012: 1,353 adidas stores, 363 Reebok stores). In addition, the adidas Group Retail segment operated 749 factory outlets (December 31, 2012: 730). During the first half of 2013, the Group opened 248 new stores, 152 stores were closed and 55 stores were remodelled.

Retail development by store type

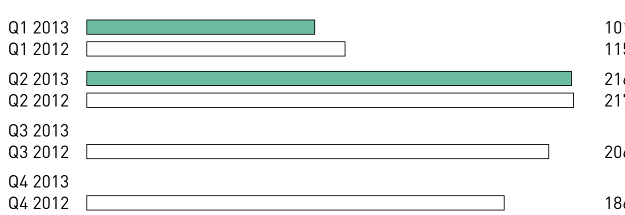
Concept store revenues include sales from adidas Sport Performance, adidas Originals & Sport Style and Reebok concept stores. In the first half of 2013, concept store revenues grew 3% on a currency-neutral basis. Sales grew at a low-single-digit rate at adidas, while Reebok sales were up at a mid-single-digit rate. Currency-neutral comparable concept store sales were down 2%. In the first half of 2013, the Group opened 138 new concept stores and closed 69 concept stores. As a result, the number of concept stores increased by 69 to 1,506 at the end of the first half of 2013 (December 31, 2012: 1,437). Currency translation effects had a negative impact on sales in euro terms. Concept store sales remained stable at € 736 million in the first half of 2013 (2012: € 733 million).

Factory outlet revenues include sales from adidas and Reebok factory outlets. In the first half of 2013, factory outlet revenues grew 3% on a currency-neutral basis as a result of sales increases at adidas. Comparable factory outlet sales remained stable on a currency-neutral basis. In the first half of 2013, the Group opened 40 and closed 21 factory outlets. As a result, the number of factory outlets increased by 19 to 749 at the end of the first half of 2013 (December 31, 2012: 730). Currency translation effects had a negative impact on sales in euro terms. Factory outlet sales decreased 1% to € 691 million in the first half of 2013 from € 697 million in 2012.

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



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



Concession corner revenues include adidas and Reebok concession corners. In the first half of 2013, sales from concession corners increased 2% on a currency-neutral basis. Sales grew at a low-single-digit rate at adidas, while Reebok sales were up at a high-single-digit rate. Currency-neutral comparable sales from concession corners grew 8%. In the first half of 2013, the Group opened 70 concession corners and closed 62. As a result, the number of concession corners grew by 8 to 287 at the end of the first half of 2013 (December 31, 2012: 279), of which 193 were related to the adidas brand and 94 to the Reebok brand. Currency translation effects had a positive impact on sales in euro terms. Concession corner sales increased 2% to € 56 million in the first half of 2013 (2012: € 54 million).

eCommerce revenues include e-commerce operations of the adidas and Reebok brands. In the first half of 2013, sales from adidas and Reebok e-commerce platforms were up 74% on a currency-neutral basis compared to the prior year. 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 70% to € 106 million in the first half of 2013 from € 63 million in 2012.

Other Businesses Performance

Other Businesses second quarter sales development

In the second quarter of 2013, revenues of Other Businesses decreased 4% on a currency-neutral basis. Growth at Rockport, Reebok-CCM Hockey as well as Other Centrally Managed Brands was more than offset by sales declines at TaylorMade-adidas Golf. Currency translation effects negatively impacted revenues in euro terms. Sales of Other Businesses decreased 9% to € 502 million in the second quarter of 2013 (2012: € 550 million).

Other Businesses first half results

In the first half of 2013, revenues of Other Businesses grew 2% on a currency-neutral basis, driven by sales increases at TaylorMade-adidas Golf and Rockport. While revenues at Other Centrally Managed Brands increased at a high-single-digit rate, sales at Reebok-CCM Hockey decreased at a mid-single-digit rate. Currency translation effects negatively impacted revenues in euro terms. Sales of Other Businesses decreased 2% to € 1.050 billion (2012: € 1.067 billion) ⁄ **TABLE 44**.

Gross margin decreased 0.5 percentage points to 44.0% (2012: 44.5%), mainly as a result of lower product margins at TaylorMade-adidas Golf, which more than offset the positive effect from higher product margins at Rockport and Reebok-CCM Hockey. Other Businesses gross profit was down 3% to € 462 million in the first half of 2013 from € 475 million in 2012 ⁄ **TABLE 44**.

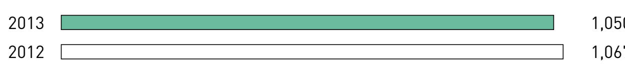
Segmental operating expenses decreased 3% to € 151 million in the first half of 2013 from € 156 million in 2012. This was driven in particular by lower expenditures for sales administration at TaylorMade-adidas Golf and Rockport. Segmental operating expenses as a percentage of sales decreased 0.3 percentage points to 14.4% (2012: 14.7%). 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 2% to € 311 million in the first half of 2013 versus € 319 million in the prior year. Segmental operating margin was down 0.2 percentage points to 29.6% from 29.9% in 2012 ⁄ **TABLE 44**. This was a result of the gross margin decrease, which more than offset the positive impact from lower segmental operating expenses as a percentage of sales.

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

	First half year 2013	First half year 2012	Change
Net sales	1,050	1,067	(2%)
Gross profit	462	475	(3%)
Gross margin	44.0%	44.5%	(0.5pp)
Segmental operating profit	311	319	(2%)
Segmental operating margin	29.6%	29.9%	(0.2pp)

45 ⁄ **Other Businesses first half year net sales** (€ in millions)



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

	First half year 2013	First half year 2012	Change	Change (currency-neutral)
Western Europe	164	169	(3%)	(1%)
European Emerging Markets	22	24	(7%)	(1%)
North America	636	616	3%	5%
Greater China	19	23	(18%)	(18%)
Other Asian Markets	199	225	(12%)	(1%)
Latin America	10	10	8%	10%
Total [1]	**1,050**	**1,067**	**(2%)**	**2%**

1) Rounding differences may arise in totals.

Other Businesses development by region

In the first half of 2013, currency-neutral sales of Other Businesses were down 1% in Western Europe as a result of sales decreases is most segments. Sales in European Emerging Markets decreased 1% on a currency-neutral basis, as sales increases at Rockport were more than offset by sales declines at Reebok-CCM Hockey and TaylorMade-adidas Golf. Currency-neutral sales in North America rose 5% due to sales increases at TaylorMade-adidas Golf. Sales at Rockport and Reebok-CCM Hockey remained stable compared to the prior year. Revenues in Greater China were down 18% on a currency-neutral basis as a result of revenue declines at TaylorMade-adidas Golf. Sales in Other Asian Markets decreased 1% on a currency-neutral basis as growth at Rockport was more than offset by sales declines at TaylorMade-adidas Golf. In Latin America, currency-neutral sales increased 10% due to strong growth at TaylorMade-adidas Golf. Currency translation effects had a negative impact on sales in euro terms in most regions ⁄ **TABLE 46**.

Other Businesses development by segment

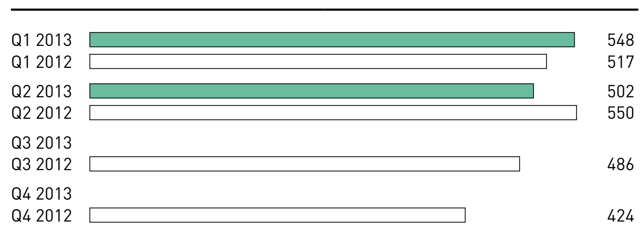
In the first half of 2013, TaylorMade-adidas Golf revenues grew 2% on a currency-neutral basis. This was mainly due to the first-time consolidation of Adams Golf starting at the end of the second quarter of 2012. In addition, growth at adidas Golf and Ashworth also contributed to this development. Currency translation effects negatively impacted TaylorMade-adidas Golf sales in euro terms. Revenues decreased 2% to € 771 million in the first half of 2013 from € 788 million in the prior year.

Rockport revenues increased 4% on a currency-neutral basis, supported by sales growth around Rockport's lightweight concepts. Currency translation effects negatively impacted sales in euro terms. Revenues in the Rockport segment increased 2% to € 130 million in the first half of 2013 (2012: € 127 million).

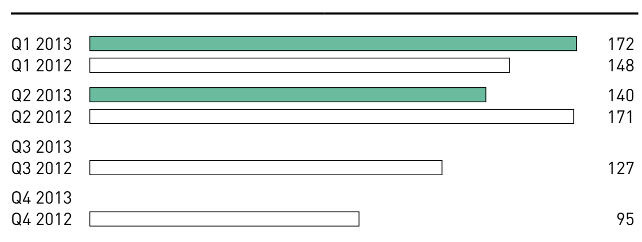
Currency-neutral Reebok-CCM Hockey sales were down 5%. This development was mainly due to the NHL lockout, which negatively impacted the segmental performance at the beginning of the year. Currency translation effects had a negative impact on sales in euro terms. Reebok-CCM Hockey revenues decreased 6% to € 96 million in the first half of 2013 from € 102 million in 2012.

Other Centrally Managed Brands revenues grew 9% on a currency-neutral basis, primarily driven by growth at Y-3 as well as Five Ten. Currency translation effects had a negative impact on sales in euro terms. Revenues of Other Centrally Managed Brands increased 9% to € 54 million (2012: € 50 million).

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



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



Subsequent Events and Outlook

In 2013, despite a high degree of economic uncertainty, 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 an extensive pipeline of new and innovative products at all brands, tight control of inventories throughout 2012, and a more benign input cost environment, we project top- and bottom-line improvements in our Group's financial results in 2013. However, the lacklustre trading environment in Europe and the unfavourable development of several currencies versus the euro indicate that the Group's goals for the full year will be more challenging to reach than when initially announced. We forecast adidas Group sales to increase at a low- to mid-single-digit rate on a currency-neutral basis, with growth expected in all segments. Group gross margin is forecasted to increase to a level between 48.5% and 49.0%, primarily as a result of positive regional and channel mix effects, as well as improvements in the Retail segment and at the Reebok brand. Group operating margin is forecasted to increase to a level approaching 9.0%, driven by the increase in gross margin. As a result, we project earnings per share to grow to a level between € 4.25 and € 4.40.

Subsequent Events

No subsequent events

Since the end of the second quarter of 2013, there have been no significant organisational, management, economic, sociopolitical, 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 2012 Annual Report (pp. 164 –183), 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 2013

According to the World Bank, global GDP is projected to increase 2.2% in 2013 (2012: 2.3%). The consensus remains that the majority of the world's economic growth will continue to be derived from the emerging markets, particularly in Asia and Latin America. Developed markets are expected to expand 1.2%, with the euro area's GDP expected to contract in 2013. Furthermore, in many of these developing economies, this growth is projected to continue to support wage increases and disposable income. These economic growth expectations and the outlook for consumer spending, particularly in the emerging markets, are forecasted to be supportive of our growth aspirations in 2013.

In Western Europe, GDP is projected to decrease around 0.2% in 2013. Deleveraging, tight credit levels, austerity measures and high unemployment remain major headwinds to the region's economic recovery. Nevertheless, increasing domestic demand and limited GDP growth in Germany, the region's largest economy, are forecasted to remain positive and provide an important stabilising effect, particularly for the euro area. Despite lower demand for exports, European emerging markets are estimated to grow at around 2.4% in 2013, with major economies such as Russia, Turkey and Poland, in particular, expected to benefit from increasing domestic consumption.

In the USA, GDP is forecasted to grow 2.5% in 2013, driven by domestic consumption as well as increasing industrial and export activities. The consensus is that inflation will remain moderate, while the labour and housing markets will continue to improve, supporting spending and economic expansion. Nevertheless, headwinds from higher taxes and public spending cuts, together with a relatively high unemployment rate, will impede a more rapid overall recovery.

In Asia, GDP is projected to increase 4.2% in 2013. With the exception of Japan, growth is expected to remain relatively high, with strong industrial activity, manageable inflationary pressures and strong wage growth contributing to economic expansion. In Japan, GDP is predicted to increase 1.6% in 2013, driven by the government's substantial fiscal and monetary policies and an improvement in exports.

In Latin America, GDP is expected to increase 2.7% in 2013, with low unemployment rates and government stimulus programmes forecasted to support economic activity. However, elevated inflation rates, high levels of indebtedness and low export demand, particularly for commodities, are forecasted to negatively impact this development.

Sporting goods industry expansion to continue in 2013

In the absence of any major economic shocks, we expect the global sporting goods industry to grow in 2013, however with significant regional variation. Following macroeconomic trends, consumer spending on sporting goods in the emerging economies is expected to grow faster than in the more developed markets. Inflationary pressures, particularly in relation to commodity prices, are projected to remain relatively contained in most markets. Private consumption in many mature markets is forecasted to remain challenging in 2013, limiting industry expansion in those markets. Wage growth in the faster-growing economies is forecasted to add significant costs to the industry, especially where the industry sources and manufactures sporting goods. Nevertheless, in 2013, the industry should gain momentum in the second half of the year, particularly in the football category, due to the 2013 FIFA Confederations Cup and the build-up to the 2014 FIFA World Cup.

In much of Europe, the sporting goods industry is expected to be negatively affected by rising unemployment levels, stringent austerity measures, low wage growth and reduced consumer spending. Moreover, lapping the London 2012 Olympic Games (UK) and the UEFA EURO 2012 (Poland and Ukraine), which added to the industry's performance in 2012, will accentuate the contraction, particularly in the host markets.

In the USA, industry growth rates are expected to be ahead of the economy's overall growth. From a category perspective, the trend towards basketball styles is set to continue. Training and high-performance technical footwear and apparel are also predicted to be significant sporting goods drivers for the year.

In Greater China, strong wage growth and domestic consumption should propel sporting goods sales in 2013. However, oversupply and discounting are expected to remain as ongoing concerns for the industry, particularly for local players.

In other Asian markets, the sporting goods industry is also forecasted to grow in 2013, albeit with regional differences. Japan's sporting goods industry is expected to grow modestly in 2013, with the weaker yen and the substantial government stimulus programmes helping to drive improvements in consumer sentiment and domestic spending. Most of the other major Asian emerging markets are expected to see robust sporting goods sales growth in 2013, 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 2013, with wage growth expected to promote consumer spending and discretionary purchases. Furthermore, given the importance of football in this region, the industry is expected to gain significant momentum from the 2013 FIFA Confederations Cup and the build-up to the 2014 FIFA World Cup.

adidas Group currency-neutral sales to increase at a low- to mid-single-digit rate in 2013

We expect adidas Group sales to increase at a low- to mid-single-digit rate on a currency-neutral basis in 2013. Currency translation is expected to have a significant negative impact on our top-line development in reported terms. Despite a high degree of uncertainty regarding the global economic outlook and consumer spending, Group sales development will be favourably impacted by our high exposure to fast-growing emerging markets as well as the further expansion of Retail. In addition, our strength in innovation will lead to major product launches throughout 2013, which will more than offset the non-recurrence of sales related to the UEFA EURO 2012 and the London 2012 Olympic Games. In terms of phasing, sales growth is projected to be weighted towards the second half of the year. Given these expectations for the year, we expect the adidas Group to outperform global economic growth in 2013.

49 ⁄ **adidas Group 2013 outlook**

Currency-neutral sales development (in %):		Previous guidance [1]
adidas Group	low- to mid-single-digit increase	mid-single-digit increase
Wholesale	low-single-digit increase	
Retail	high-single- to low-double-digit increase	
Comparable store sales	low- to mid-single-digit increase	
Other Businesses	mid- to high-single-digit increase	
TaylorMade-adidas Golf	mid-single-digit increase	
Rockport	mid- to high-single-digit increase	
Reebok-CCM Hockey	mid- to high-single-digit increase	
Gross margin	48.5% to 49.0%	48.0% to 48.5%
Operating margin	approaching 9.0%	
Earnings per share	€ 4.25 to € 4.40	
Average operating working capital as a percentage of sales	moderate increase	
Capital expenditure	€ 500 million to € 550 million	
Store base	net increase by around 200 stores	net increase by around 100 stores
Gross borrowings	decline	

1) As published on May 3, 2013.

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

We project currency-neutral Wholesale segment revenues to increase at a low-single-digit rate compared to the prior year. Our growth expectations are supported by order backlog development as well as positive retailer and trade show feedback. Currency-neutral adidas Sport Performance sales are forecasted to increase at a low-single-digit rate, driven by growth in key categories such as running, training, outdoor and basketball. adidas Originals & Sport Style revenues are projected to increase at a high-single-digit rate on a currency-neutral basis, as a result of continued momentum and expansion of adidas Originals and 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, fitness running and Classics as well as the introduction of new categories such as Studio.

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

adidas Group currency-neutral Retail segment sales are projected to grow at a high-single- to low-double-digit rate in 2013. Expansion of the Group's own-retail store base as well as comparable store sales are expected to contribute to revenue growth. The Group expects a net increase of its store base by around 200 adidas and Reebok stores (previously: 100 adidas and Reebok stores) in 2013. We plan to open around 400 new stores (previously: 250 new stores), depending on the availability of desired locations. New stores will primarily be located in European emerging markets. Approximately 200 stores (previously: 150 stores) will be closed over the course of the year. Around 150 stores will be remodelled. Comparable store sales are expected to increase at a low- to mid-single-digit rate compared to the prior year, with factory outlet growth rates to be slightly better than those of concept stores.

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

Revenues of Other Businesses are expected to increase at a mid- to high-single-digit rate on a currency-neutral basis in 2013. TaylorMade-adidas Golf currency-neutral sales are projected to grow at a mid-single-digit rate compared to the prior year. New product introductions in footwear, the first full year of consolidation of Adams Golf as well as product launches in core categories such as metalwoods and irons should support growth in this segment. Currency-neutral revenues at Rockport are forecasted to increase at a mid- to high-single-digit rate, driven by a broadening of the product assortment, particularly around the company's lightweight concepts and the women's business, as well as own-retail expansion. Currency-neutral sales at Reebok-CCM Hockey are expected to grow at a mid- to high-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 2013, we expect Group currency-neutral revenues to increase in all of our regions except Western Europe. In Western Europe, the non-recurrence of the UEFA EURO 2012 and the London 2012 Olympic Games, as well as persistently weak conditions in many of the region's peripheral markets, will more than offset the positive effects resulting from the build-up to the 2014 FIFA World Cup in the second half of the year. In European Emerging Markets, the expansion of and increasing sophistication in our own-retail activities, particularly in Russia/CIS, are forecasted to have a positive influence on Group sales. In North America, we expect solid growth due to continued momentum of the adidas brand as we further strengthen our product offering and distribution scope as well as introduce consumer engagement initiatives. Reebok sales trends are expected to improve throughout the year, driven by new product introductions particularly during the second half. In Greater China, we expect further growth in line with our Route 2015 aspirations. This development will be primarily driven by expanding and solidifying our distribution footprint, including the further roll-out of adidas Originals and the adidas NEO label. In Other Asian Markets, growth will be driven by markets such as South Korea and Southeast Asia as well as the non-recurrence of clean-up activities at Reebok India Company. Lastly, in Latin America, despite trade barriers which will continue to weigh on growth prospects and the timing of sales in certain markets, Group sales development is projected to be positively impacted by the solid momentum of the region's sporting goods industry. Furthermore, the 2013 FIFA Confederations Cup as well as preparations for the 2014 FIFA World Cup will be a positive stimulus to the region.

Group gross margin to improve in 2013

In 2013, the adidas Group gross margin is forecasted to increase to a level between 48.5% and 49.0% (previously: between 48.0% and 48.5%), representing a strong improvement compared to the prior year level of 47.7%. Improvements are expected in most segments. The Group's gross margin will benefit from positive regional and channel mix effects, as growth rates in high-margin emerging markets and Retail are projected to be above growth rates in more mature markets and Wholesale. In addition, improvements in the Retail segment as well as at the Reebok brand will positively influence the Group's gross margin development. However, these positive effects will be partly offset by less favourable hedging rates compared to the prior year as well as increasing labour costs, which negatively impact our cost of sales.

Group other operating expenses to increase as a percentage of sales

In 2013, the Group's other operating expenses as a percentage of sales are expected to increase compared to the prior year level of 41.3% (previously: to decrease modestly). Sales and marketing working budget expenses as a percentage of sales are projected to be at a similar level compared to the prior year. Marketing investments to support new product launches at all brands, as well as the expansion of Reebok's activities in the fitness category, will be offset by the non-recurrence of expenses in relation to the UEFA EURO 2012 as well as the London 2012 Olympic Games. Operating overhead expenditure as a percentage of sales is forecasted to grow in 2013. Higher administrative and personnel expenses in the Retail segment due to the continued expansion of the Group's store base will more than offset the leverage in the Group's non-allocated central costs. We expect the number of employees within the adidas Group to increase slightly versus the prior year level. Additional hires will be mainly related to own-retail expansion and will be located in emerging markets. The adidas Group will continue to spend around 1% of Group sales on research and development in 2013. Areas of particular focus include advanced cushioning solutions, lightweight and digital sports technologies as well as sustainable product innovation. In addition, we will continue our commitment to expanding Reebok's product offering to match its fitness positioning.

Operating margin to continue to expand

In 2013, we expect the operating margin for the adidas Group to increase to a level approaching 9.0% (2012 excluding goodwill impairment losses: 8.0%). The increase in the Group's gross margin is expected to be the primary driver of the improvement.

Earnings per share to increase to a level between € 4.25 and € 4.40

Basic and diluted earnings per share are expected to increase at a rate of 12% to 16% to a level between € 4.25 and € 4.40 compared to the 2012 basic and diluted earnings per share of € 3.78 excluding goodwill impairment losses. This represents net income attributable to shareholders of € 890 million to € 920 million. Top-line improvement and an increased operating margin will be the main drivers of this positive development. In addition, we expect lower interest rate expenses in 2013 as a result of a lower average level of gross borrowings. The Group's tax rate is expected to be at a level between 28.0% and 28.5% and thus more favourable compared to the prior year tax rate of 29.3% excluding goodwill impairment losses.

Average operating working capital as a percentage of sales to increase moderately

In 2013, average operating working capital as a percentage of sales is expected to increase moderately compared to the prior year level (2012: 20.0%). This is mainly due to working capital increases to support the growth of our business as well as the build-up to the 2014 FIFA World Cup.

Capital expenditure to be between € 500 million and € 550 million

In 2013, capital expenditure is expected to be between € 500 million and € 550 million (2012: € 434 million). Investments will focus on adidas and Reebok controlled space initiatives, in particular in emerging markets. These investments will account for around 35% of total investments in 2013. Other areas of investment include the Group's logistics infrastructure, the further development of the adidas Group headquarters in Herzogenaurach, Germany, and the increased deployment of SAP and other IT systems in major subsidiaries within the Group. All investments within the adidas Group in 2013 are expected to be fully financed through cash generated from operating activities.

Excess cash to be used to support growth initiatives

In 2013, we expect continued positive cash flow from operating activities. Cash will be used to finance working capital needs, investment activities, as well as dividend payments. We intend to largely use excess cash to invest in our Route 2015 growth initiatives and to further reduce gross borrowings. In 2013, gross borrowings of € 280 million will mature. In order to ensure long-term flexibility, we aim to maintain a ratio of net borrowings over EBITDA of less than two times as measured at year-end (2012: –0.3).

Management Assessment of Overall Risks and Opportunities

Management aggregates all risks reported by different business units and functions. Taking into account the occurrence likelihood and the potential financial impact of the risks explained in the 2012 Annual Report, as well as the current business outlook, adidas Group Management does not foresee any material jeopardy to the viability of the Group as a going concern. Management remains confident that the Group's earnings strength forms a solid basis for our future business development and provides the necessary resource to pursue the opportunities available to the Group. Compared to the assessment in the 2012 Annual Report, the Group's risk and opportunity profile remains unchanged, albeit with a negative bias due to ongoing macroeconomic, currency and competitive headwinds.

50 / **Major product launches in Q3 2013**

Product	Brand
Terrex Swift R GTX hiking shoe	adidas
SlopeCruiser CP outdoor shoe	adidas
TX Advanced J mountain jacket	adidas
Rose 773 basketball shoe	adidas
adipure Crazy Ghost basketball shoe	adidas
adizero Crazy Light 3 basketball shoe	adidas
Mastermind Originals sneaker collection	adidas
Gonz Originals collection	adidas
Crazyquick training shoe	adidas
adidas by Stella McCartney Techfit apparel	adidas
adidas by Stella McCartney Boost running shoe	adidas
Xtreme swimwear	adidas
Clima backpack	adidas
Porsche Design Sport women's collection	adidas
adizero adios Boost running shoe	adidas
Springblade running shoe	adidas
adidas NEO label Selena Gomez collection	adidas
Reebok CrossFit Speed training collection	Reebok
Reebok One Series running shoe	Reebok
ZigTech 3.0 running shoe	Reebok
ATV19 running shoe	Reebok
ZigWild TR 3.0 running shoe	Reebok
R1 Black driver	TaylorMade
SLDR driver	TaylorMade
Spider mallet putter	TaylorMade
Gore-Tex 3L golf rain jacket	adidas Golf
mi adizero Tour custom golf shoe	adidas Golf
Tight Lies fairway wood driver	Adams Golf
Total Motion shoe collection	Rockport
CCM RBZ skate	CCM
CCM RBZ Stage 2 stick	CCM
RibCor stick	Reebok Hockey

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Herzogenaurach, August 5, 2013

HERBERT HAINER
Chief Executive Officer

GLENN BENNETT
Global Operations

ROBIN J. STALKER
Chief Financial Officer

ERICH STAMMINGER
Global Brands

Consolidated Statement of Financial Position

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

	June 30, 2013	June 30, 2012[1]	Change in %	Dec. 31, 2012
ASSETS				
Cash and cash equivalents	1,197	1,013	18.2	1,670
Short-term financial assets	29	377	(92.2)	265
Accounts receivable	2,029	2,118	(4.2)	1,688
Other current financial assets	239	256	(6.6)	192
Inventories	2,611	2,721	(4.0)	2,486
Income tax receivables	66	57	15.7	76
Other current assets	538	482	11.7	489
Assets classified as held for sale	11	25	(55.4)	11
Total current assets	**6,720**	**7,049**	**(4.7)**	**6,877**
Property, plant and equipment	1,123	1,003	11.9	1,095
Goodwill	1,288	1,576	(18.3)	1,281
Trademarks	1,496	1,555	(3.8)	1,484
Other intangible assets	157	156	0.5	167
Long-term financial assets	116	103	12.7	112
Other non-current financial assets	23	33	(28.5)	21
Deferred tax assets	504	506	(0.3)	528
Other non-current assets	98	111	(12.8)	86
Total non-current assets	**4,805**	**5,043**	**(4.7)**	**4,774**
Total assets	**11,525**	**12,092**	**(4.7)**	**11,651**

1) Adjusted, see Note 07.
Rounding differences may arise in percentages and totals.

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

	June 30, 2013	June 30, 2012[1]	Change in %	Dec. 31, 2012
LIABILITIES AND EQUITY				
Short-term borrowings	163	495	(67.0)	280
Accounts payable	1,746	1,874	(6.9)	1,790
Other current financial liabilities	61	81	(26.2)	83
Income taxes	252	260	(3.1)	275
Other current provisions	462	544	(15.0)	563
Current accrued liabilities	1,123	1,053	6.7	1,084
Other current liabilities	323	319	1.5	299
Liabilities classified as held for sale	–	0	(100.0)	–
Total current liabilities	**4,130**	**4,626**	**(10.7)**	**4,374**
Long-term borrowings	1,158	1,214	(4.6)	1,207
Other non-current financial liabilities	13	6	122.0	17
Pensions and similar obligations	258	215	20.2	251
Deferred tax liabilities	383	424	(9.8)	368
Other non-current provisions	50	48	4.3	69
Non-current accrued liabilities	42	33	28.8	40
Other non-current liabilities	28	35	(23.9)	34
Total non-current liabilities	**1,932**	**1,975**	**(2.2)**	**1,986**
Share capital	209	209	–	209
Reserves	615	909	(32.4)	641
Retained earnings	4,652	4,383	6.2	4,454
Shareholders' equity	**5,476**	**5,501**	**(0.5)**	**5,304**
Non-controlling interests	(13)	(10)	28.3	(13)
Total equity	**5,463**	**5,491**	**(0.5)**	**5,291**
Total liabilities and equity	**11,525**	**12,092**	**(4.7)**	**11,651**

1) Adjusted, see Note 07.
Rounding differences may arise in percentages and totals.

Consolidated Income Statement

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

	First half year 2013	First half year 2012	Change	Second quarter 2013	Second quarter 2012	Change
Net sales	7,134	7,341	(2.8%)	3,383	3,517	(3.8%)
Cost of sales	3,559	3,819	(6.8%)	1,689	1,820	(7.2%)
Gross profit	**3,575**	**3,522**	**1.5%**	**1,694**	**1,697**	**(0.1%)**
(% of net sales)	50.1%	48.0%	2.1pp	50.1%	48.2%	1.8pp
Royalty and commission income	51	52	(1.9%)	26	27	(4.6%)
Other operating income	47	47	(0.4%)	29	22	32.4%
Other operating expenses	2,980	2,956	0.8%	1,497	1,490	0.6%
(% of net sales)	41.8%	40.3%	1.5pp	44.3%	42.4%	1.9pp
Operating profit	**693**	**665**	**4.2%**	**252**	**256**	**(1.9%)**
(% of net sales)	9.7%	9.1%	0.7pp	7.4%	7.3%	0.1pp
Financial income	10	17	(40.7%)	6	8	(34.5%)
Financial expenses	40	57	(30.2%)	22	29	(29.9%)
Income before taxes	**663**	**625**	**6.2%**	**236**	**235**	**0.4%**
(% of net sales)	9.3%	8.5%	0.8pp	7.0%	6.7%	0.3pp
Income taxes	182	171	6.5%	65	71	(9.6%)
(% of income before taxes)	27.5%	27.4%	0.1pp	27.5%	30.5%	(3.0pp)
Net income	**481**	**454**	**6.0%**	**171**	**164**	**4.8%**
(% of net sales)	6.7%	6.2%	0.6pp	5.1%	4.6%	0.4pp
Net income attributable to shareholders	**480**	**455**	**5.6%**	**172**	**165**	**4.1%**
(% of net sales)	6.7%	6.2%	0.5pp	5.1%	4.7%	0.4pp
Net income attributable to non-controlling interests	**1**	**(1)**	**194.1%**	**(1)**	**(1)**	**71.1%**
Basic earnings per share (in €)	2.29	2.17	5.6%	0.82	0.79	4.1%
Diluted earnings per share (in €)	2.29	2.17	5.6%	0.82	0.79	4.1%

Rounding differences may arise in percentages and totals.

Consolidated Statement of Comprehensive Income

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

	First half year 2013	First half year 2012[1]
Net income after taxes	**481**	**454**
Net gain/(loss) on cash flow hedges, net of tax	64	(30)
Actuarial loss of defined benefit plans (IAS 19), net of tax	0	(1)
Currency translation	(90)	102
Other comprehensive income	**(26)**	**71**
Total comprehensive income	**455**	**525**
Attributable to shareholders of adidas AG	454	525
Attributable to non-controlling interests	1	(0)

1) Adjusted, see Note 07.
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 translation adjustments	Hedging reserves	Other reserves[1]	Retained earnings	Total share-holders' equity	Non-controlling interests	Total equity
Balance at December 31, 2011[2]	**209**	**722**	**(6)**	**113**	**(38)**	**4,137**	**5,137**	**(9)**	**5,128**
Net income recognised directly in equity			101	(30)	(1)		70	1	71
Net income						455	455	(1)	454
Total comprehensive income			**101**	**(30)**	**(1)**	**455**	**525**	**(0)**	**525**
Dividend payment						(209)	(209)	(1)	(210)
Convertible bond		55					55		55
Acquisition of shares from non-controlling interests shareholders in accordance with IAS 32					(7)		(7)		(7)
Reclassifications of non-controlling interests in accordance with IAS 32						0	0		0
Balance at June 30, 2012[2]	**209**	**777**	**95**	**83**	**(46)**	**4,383**	**5,501**	**(10)**	**5,491**
Balance at December 31, 2012	**209**	**777**	**(51)**	**(21)**	**(64)**	**4,454**	**5,304**	**(13)**	**5,291**
Net income recognised directly in equity			(90)	64	0		(26)	0	(26)
Net income						480	480	1	481
Total comprehensive income			**(90)**	**64**	**0**	**480**	**454**	**1**	**455**
Dividend payment						(282)	(282)	(1)	(283)
Balance at June 30, 2013	**209**	**777**	**(141)**	**43**	**(64)**	**4,652**	**5,476**	**(13)**	**5,463**

1) Reserves for actuarial gains/losses, share option plans and acquisition of shares from non-controlling interest shareholders.
2) Adjusted, see Note 07.
Rounding differences may arise in percentages and totals.

Consolidated Statement of Cash Flows

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

	First half year 2013	First half year 2012[1]
Operating activities:		
Income before taxes	663	625
Adjustments for:		
Depreciation, amortisation and impairment losses	135	127
Reversals of impairment losses	(0)	(1)
Unrealised foreign exchange (gains)/losses, net	(6)	5
Interest income	(10)	(17)
Interest expense	34	51
Losses on sale of property, plant and equipment, net	3	3
Operating profit before working capital changes	**819**	**793**
Increase in receivables and other assets	(465)	(454)
Increase in inventories	(182)	(189)
Decrease in accounts payable and other liabilities	(42)	(3)
Cash generated from operations before interest and taxes	**130**	**147**
Interest paid	(25)	(44)
Income taxes paid	(182)	(173)
Net cash used in operating activities	**(77)**	**(70)**
Investing activities:		
Purchase of trademarks and other intangible assets	(15)	(15)
Proceeds from sale of trademarks and other intangible assets	1	1
Purchase of property, plant and equipment	(156)	(135)
Proceeds from sale of property, plant and equipment	2	2
Acquisition of further investments in subsidiaries	–	(7)
Acquisition of subsidiaries and other business units net of cash acquired	–	(57)
Proceeds from sale of short-term financial assets	241	95
Purchase of investments and other long-term assets	(22)	(9)
Interest received	10	17
Net cash generated from/(used in) investing activities	**61**	**(108)**
Financing activities:		
Proceeds from long-term borrowings	–	14
Proceeds from issue of a convertible bond	–	496
Repayments of finance lease obligations	(1)	–
Dividend paid to shareholders of adidas AG	(282)	(209)
Dividend paid to non-controlling interest shareholders	(1)	(1)
Proceeds form short-term borrowings	48	120
Cash repayments of short-term borrowings	(221)	(146)
Net cash (used in)/generated from financing activities	**(457)**	**274**
Effect of exchange rates on cash	**(0)**	**11**
(Decrease)/increase of cash and cash equivalents	(473)	107
Cash and cash equivalents at beginning of the year	1,670	906
Cash and cash equivalents at the end of period	**1,197**	**1,013**

1) Adjusted, see Note 07.
Rounding differences may arise in percentages and totals.

Selected Explanatory Notes to the Interim Consolidated Financial Statements (IFRS) as at June 30, 2013

01 General

The interim consolidated financial statements of adidas AG and its direct and indirect subsidiaries (collectively the "Group") for the first half year ending June 30, 2013 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 June 30, 2013.

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 2012 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, 2012 also apply to the interim consolidated financial statements for the first half year ending June 30, 2013.

An exemption to this principle is the application of new/revised standards and interpretations which are effective for financial years starting from January 1, 2013. The adidas Group is applying the revised standard IAS 19 Employee Benefits – Revised (2011), IAS 19R, as of the beginning of the 2013 financial year. IAS 19R is retrospectively effective for annual periods beginning on or after January 1, 2013. Changes due to IAS 19R which are relevant for the adidas Group are as follows: According to the net interest approach, the net interest result to be reported within profit or loss of the period is determined by multiplying the net pension liability with the discount rate which is used to measure the gross defined benefit obligation. As the net pension liability is reduced by any plan assets, this calculation implicitly assumes a rate of return on plan assets in the amount of the discount rate. In addition, the changes of IAS 19R comprise the effect of the immediate recognition of unvested past service costs in the statement of income as incurred instead of amortising them over the vesting period. The Group has analysed the effects of the above-mentioned changes of IAS 19R on the current as well as prior consolidated financial statements and has come to the conclusion that these changes do not have any material effect on the Group's consolidated financial statements. Therefore, no reclassification between other reserves and retained earnings within equity was carried out.

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 half year ending June 30, 2013 are not necessarily indicative of results to be expected for the entire year.

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 March 31, 2013.

04 Shareholders' equity

In the period from January 1, 2013 to June 30, 2013, the nominal capital of adidas AG did not change. Consequently, on June 30, 2013, the nominal capital of adidas AG amounted to € 209,216,186, divided into 209,216,186 registered no-par-value shares ("registered shares").

05 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 half of 2013, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 134 million (2012: € 125 million).

06 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, Porsche Design Sport and adidas SLVR 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	
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales (non-Group) [1]	4,495	4,727	1,589	1,547	1,050	1,067	7,134	7,341
Segmental operating profit [1]	1,525	1,481	316	332	311	319	2,152	2,132
Segmental assets [2]	2,916	3,138 [3]	845	782	827	845	4,588	4,765 [3]

1) First half year.
2) At June 30.
3) Adjusted, see Note 07.

Operating profit (€ in millions)

	First half year 2013	First half year 2012
Operating profit for reportable segments	1,841	1,813
Operating profit for Other Businesses	311	319
Segmental operating profit	**2,152**	**2,132**
HQ/Consolidation	173	175
Marketing working budget	(726)	(747)
Other operating expenses	(957)	(947)
Royalty and commission income	51	52
Operating profit	**693**	**665**
Financial income	10	17
Financial expenses	(40)	(57)
Income before taxes	**663**	**625**

07 Other information

The discovery of numerous financial irregularities, which were identified in March 2012, resulted in the identification of material errors in the prior period financial statements of Reebok India Company. As a consequence of these errors, material misstatements are also included in the consolidated financial statements of adidas AG for the 2011 financial year and previous financial years, which have been corrected in accordance with IAS 8.41 et seqq.

These corrections are reflected in the consolidated financial statements as at December 31, 2012, in which the comparative figures for the year 2011 are restated and the opening balance sheet for 2011 is corrected to the extent that earlier periods are affected. As a result of the adjustment of the consolidated statement of financial position as at December 31, 2011, the opening balance sheet as at January 1, 2012 has changed. Consequently, this has to be reflected in the consolidated statement of financial position as at June 30, 2012 and is included in these interim consolidated financial statements. For more detailed information regarding the restatements, see Note 03 Adjustments according to IAS 8 in the 2012 annual consolidated financial statements.

08 Events after the balance sheet date

Between the end of the first half of 2013 and the finalisation of these interim consolidated financial statements on August 5, 2013, there were no major Group-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, August 5, 2013
The Executive Board of adidas AG

Executive and Supervisory Boards

Executive Board

HERBERT HAINER
Chief Executive Officer

ROBIN J. STALKER
Chief Financial Officer

GLENN BENNETT
Global Operations

ERICH STAMMINGER
Global Brands

Supervisory Board

IGOR LANDAU
Chairman

SABINE BAUER [1)]
Deputy Chairwoman

WILLI SCHWERDTLE
Deputy Chairman

DIETER HAUENSTEIN [1)]

DR. WOLFGANG JÄGER [1)]

DR. STEFAN JENTZSCH

HERBERT KAUFFMANN

ROLAND NOSKO [1)]

ALEXANDER POPOV

HANS RUPRECHT [1)]

HEIDI THALER-VEH [1)]

CHRISTIAN TOURRES

1) Employee representative.

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

Financial Calendar
2013/2014

November 7, 2013

Nine Months 2013 Results
Press release, conference call and webcast
Publication of Nine Months 2013 Report

March 5, 2014

Full Year 2013 Results
Analyst and press conferences in Herzogenaurach, Germany
Press release, conference call and webcast
Publication of 2013 Annual Report

May 6, 2014

First Quarter 2014 Results
Press release, conference call and webcast
Publication of First Quarter 2014 Report

May 8, 2014

Annual General Meeting
Fuerth (Bavaria), Germany
Webcast

May 9, 2014

Dividend payment
(Subject to Annual General Meeting approval)

August 7, 2014

First Half 2014 Results
Press release, conference call and webcast
Publication of First Half 2014 Report

November 6, 2014

Nine Months 2014 Results
Press release, conference call and webcast
Publication of Nine Months 2014 Report

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