

For immediate release

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First Half 2014 Results:

Group sales increase 10% on a currency-neutral basis in Q2
Negative currency effects and continued weakness in golf weigh on Group results
Currency-neutral adidas and Reebok sales accelerate in Q2, up 14% and 9%,
respectively

- Retail sales increase 22% currency-neutral with comparable store sales up 9%
- Ongoing strong momentum in Latin America and European Emerging Markets with currency-neutral revenues up 25% and 21%, respectively
- Gross margin down 1.0pp to 49.2%, mainly due to negative currency effects
- Operating margin decreases 2.2pp to 7.5%
- Basic and diluted earnings per share decrease 27% to € 1.67

adidas Group currency-neutral sales grow 10% in the second quarter of 2014
During the second quarter of 2014, the adidas Group delivered strong top-line improvements. Group revenues increased 10% on a currency-neutral basis, driven by double-digit sales increases in Wholesale and Retail. All regions contributed to the currency-neutral revenue growth. Western Europe increased 13%, mainly as a result of double-digit sales increases in Germany, the UK, Spain and Italy. In European Emerging Markets, currency-neutral revenues were up 14%, driven by double-digit growth in Russia/CIS. Group sales in North America increased 1% on a currency-neutral basis, as high-single-digit sales growth at adidas was partly offset by declines at TaylorMade-adidas Golf. In Greater China, Group sales were up 11% on a currency-neutral basis, due to continued momentum across all channels. Currency-neutral revenues in Other Asian Markets remained stable as sales increases in South Korea and Australia were offset by declines in Japan and Indonesia. In Latin America, currency-neutral sales grew 33%, with double-digit increases in all of the region's key markets.

From a brand perspective, both adidas and Reebok gained significant momentum during the quarter. In particular the adidas brand benefited from sales related to the



2014 FIFA World Cup™. As a result, second quarter sales at adidas increased 14% on a currency-neutral basis. Sales at Reebok grew 9% on a currency-neutral basis, driven by sustained sales momentum in the fitness training, walking and studio categories as well as at Classics. Revenues in the TaylorMade-adidas Golf segment declined 18% on a currency-neutral basis, as a result of the continued weakness in the golf market, where retail inventories remain high and participation continues to decline. Rockport sales decreased 1% currency-neutral and revenues at Reebok-CCM Hockey increased 1% on a currency-neutral basis. Currency translation effects had a negative impact on sales in euro terms. Group revenues increased 2% to € 3.465 billion in the second quarter of 2014 from € 3.383 billion in 2013.

Second quarter gross margin decreases 90 basis points

The Group's gross margin decreased 0.9 percentage points to 49.2% (2013: 50.1%) in the second quarter, mainly as a result of lower margins in the Retail segment and at TaylorMade-adidas Golf. In addition, negative effects resulting from less favourable hedging rates and foreign currency devaluation as well as higher input costs impacted the Group's gross margin development. Group gross profit increased 1% to € 1.704 billion (2013: € 1.694 billion). Other operating expenses as a percentage of sales increased 0.3 percentage points to 44.6% compared to 44.3% the prior year. In euro terms, other operating expenses increased 3% to € 1.546 billion, mainly as a result of higher marketing working budget expenditure. In addition, higher expenditure related to the expansion of the Group's own-retail activities contributed to the increase in other operating expenses. The Group's operating profit declined 13% to € 220 million (2013: € 252 million) in the second quarter. The operating margin decreased 1.1 percentage points to 6.3% from 7.4% in 2013. Basic and diluted earnings per share for the second quarter decreased 16% to € 0.69 (2013: € 0.82).

"Overall, we had a good quarter, with increasing momentum across most of our business units and markets as expected. Of particular note, sales increased in all regions during the period," commented Herbert Hainer, adidas Group CEO.

adidas Group currency-neutral sales increase 5% in the first half of 2014

In the first half of 2014, Group revenues increased 5% on a currency-neutral basis, driven by sales increases in Wholesale and Retail. Currency translation effects had a negative impact on sales in euro terms. Group revenues decreased 2% to € 6.998 billion in the first half of 2014 from € 7.134 billion in 2013.

First half Group sales increase driven by growth in Wholesale and Retail

In the first half of 2014, currency-neutral Wholesale revenues increased 5%, driven by sales growth at both adidas and Reebok. Currency-neutral Retail sales were up 22% versus the prior year as a result of double-digit sales increases at adidas and Reebok. Revenues in Other Businesses were down 19% on a currency-neutral basis, due to double-digit sales declines at TaylorMade-adidas Golf. Currency translation effects had a negative impact on segmental sales in euro terms.

	First Half Year 2014	First Half Year 2013	Change y-o-y in euro terms	Change y-o-y currency- neutral
	€ in millions	€ in millions	in %	in %
Wholesale	4,442	4,495	(1)	5
Retail	1,752	1,589	10	22
Other Businesses	804	1,050	(23)	(19)
Total ¹⁾	6,998	7,134	(2)	5

First half year net sales development by segment

1) Rounding differences may arise in totals.

Currency-neutral Group sales up in nearly all regions

In the first half of 2014, currency-neutral adidas Group sales grew in all regions except North America. Revenues in Western Europe increased 6% on a currency-neutral basis, driven by sales increases in Germany, Spain, France, Poland and the UK. In European Emerging Markets, Group sales were up 21% on a currency-neutral basis, with double-digit sales increases in all of the region's major markets. Currency-neutral sales for the adidas Group in North America decreased 10%, mainly due to double-digit sales declines in the USA. Sales in Greater China increased 8% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets remained stable, as sales increases in South Korea and India were offset by declines in Japan. In Latin America, sales grew 25% on a currency-neutral basis, with double-digit increases in most markets, in particular Argentina, Brazil, Mexico and Colombia. Currency translation effects had a mixed impact on regional sales in euro terms.

	First Half Year 2014	First Half Year 2013	Change y-o-y in euro terms	Change y-o-y currency- neutral
	€ in millions	€ in millions	in %	in %
Western Europe	2,017	1,907	6	6
European Emerging Markets	938	901	4	21
North America	1,471	1,716	(14)	(10)
Greater China	806	781	3	8
Other Asian Markets	986	1,064	(7)	0
Latin America	781	765	2	25
Total ¹⁾	6,998	7,134	(2)	5

First half year net sales development by region

1) Rounding differences may arise in totals.

Group gross margin declines 1.0 percentage points

The gross margin of the adidas Group decreased 1.0 percentage points to 49.2% in the first half of 2014 (2013: 50.1%). This development was mainly due to less favourable hedging rates, lower margins at TaylorMade-adidas Golf, negative effects resulting from currency devaluation as well as higher input costs. Currency devaluation effects were mainly related to Russia/CIS, where sales were negatively impacted by the significant devaluation of the Russian rouble against the euro and the US dollar. Gross profit for the adidas Group decreased 4% in the first half of 2014 to € 3.440 billion versus € 3.575 billion in the prior year.

Operating margin decreases to 7.5%

Group operating profit declined 25% to € 523 million in the first half of 2014 versus € 693 million in 2013. The operating margin of the adidas Group decreased 2.2 percentage points to 7.5% (2013: 9.7%). This development was primarily due to the negative effects from the lower gross margin as well as higher other operating expenses as a percentage of sales. In euro terms, other operating expenses increased 2% to € 3.053 billion (2013: € 2.980 billion), as a result of higher expenditure related to the expansion of the Group's own-retail activities as well as an increase in sales and marketing working budget expenditure. Sales and marketing working budget expenditure increased 7% to € 947 million (2013: € 882 million), driven by increased marketing expenditure at brand adidas related to the 2014 FIFA World Cup™.



Financial income up 16%

Financial income rose 16% to € 12 million in the first half of 2014 from € 10 million in the prior year, mainly due to an increase in interest income.

Financial expenses down slightly

Financial expenses decreased 1% to € 40 million in the first half of 2014 (2013: € 40 million). Negative exchange rate variances of € 5 million contributed to the overall financial expenses.

Income before taxes declines 25%

In the first half of 2014, income before taxes (IBT) for the adidas Group decreased 25% to € 495 million from € 663 million in 2013. IBT as a percentage of sales declined 2.2 percentage points to 7.1% in the first half of 2014 (2013: 9.3%), as a result of the Group's lower operating margin.

Net income attributable to shareholders down 27%

The Group's net income attributable to shareholders decreased to € 348 million in the first half of 2014 from € 480 million in 2013. This represents a decline of 27% versus the prior year level. The Group's tax rate increased 1.5 percentage points to 29.0% in the first half of 2014 (2013: 27.5%), mainly due to a less favourable earnings mix.

Basic and diluted earnings per share decrease to € 1.67

In the first half of 2014, basic and diluted earnings per share decreased 27% to € 1.67 versus € 2.29 in the prior year. The weighted average number of shares used in the calculation of both basic and diluted earnings per share was 209,216,186 (2013 average: 209,216,186) as there were no potential dilutive shares at the end of the first half year.

Group inventories increase

Group inventories increased 11% to € 2.896 billion at the end of June 2014 versus € 2.611 billion in 2013. On a currency-neutral basis, inventories were up 16%, as a result of the Group's expectations for growth in the coming quarters as well as higher inventories in Russia/CIS.

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Accounts receivable up 6% currency-neutral

Group receivables increased 2% to € 2.070 billion at the end of June 2014 (2013: € 2.029 billion). On a currency-neutral basis, receivables were up 6%.

Net borrowings increase to € 454 million

Net borrowings at June 30, 2014 amounted to € 454 million, compared to net borrowings of € 94 million in 2013, representing an increase of € 360 million. This increase is mainly a result of higher capital expenditure during the first half of 2014. In addition, currency translation had a negative effect of € 3 million. The Group's ratio of net borrowings over EBITDA amounted to 0.3 at the end of June 2014 (2013: 0.1).

adidas Group updates guidance for the full year 2014

On July 31, 2014, the adidas Group updated its full year 2014 financial outlook, taking into account the continued weakness in the golf market as well as recent developments in Russia/CIS. In addition, management announced strategic measures, which will impact the Group's financial development in the second half of 2014 and in 2015. As a result, sales are now expected to increase at a mid- to high-single-digit rate on a currency-neutral basis in 2014 (previously: increase at a high-single-digit rate). In particular the adidas brand will benefit from the 2014 FIFA World Cup™, where Management expects record sales of € 2 billion in the football category. However, poor retail sentiment and a slow liquidation of old inventory in the golf market will have a significant negative impact on revenues in the TaylorMade-adidas Golf segment and weigh on the overall Group sales development. In addition, currency translation is expected to negatively impact our top-line development in reported terms.

In 2014, the adidas Group gross margin is forecasted to decrease to a level between 48.5% and 49.0% (previously: between 49.5% to 49.8%) compared to 49.3% in 2013. The Group's gross margin will benefit from a more favourable product mix. In addition, the Reebok brand is expected to positively influence Group gross margin development. However, these positive effects will be more than offset by lower margins at TaylorMade-adidas Golf and in the Retail segment, less favourable hedging rates and adverse currency movements in emerging markets compared to the prior year, as well as increasing labour costs, which are expected to negatively impact the Group's cost of sales.



In 2014, the Group's other operating expenses as a percentage of sales are expected to increase (previously: around the prior year level) compared to the prior year level of 42.3%. Sales and marketing working budget expenses as a percentage of sales are projected to increase (previously: to increase modestly) compared to the prior year. Operating overhead expenditure as a percentage of sales is forecasted to increase moderately compared to the prior year (previously: to decrease modestly) as a result of higher administrative and personnel expenses in the Retail segment due to the planned expansion of the Group's store base.

In 2014, Management expects the operating margin for the adidas Group to be at a level between 6.5% and 7.0% (previously: between 8.5% and 9.0%) compared to 8.7% in 2013 excluding goodwill impairment losses. The Group's tax rate is expected to be at a level between 29.5% and 30.0% (previously: around 28.5%) and thus less favourable compared to the 2013 tax rate excluding goodwill impairment losses of 29.0%. As a result of these developments, net income attributable to shareholders is expected to be at a level of around € 650 million (previously: between € 830 million and € 930 million) compared to the 2013 net income attributable to shareholders, excluding goodwill impairment losses, of € 839 million. This represents basic earnings per share of around € 3.10 (previously: between € 3.97 and € 4.45).

Herbert Hainer stated: "It is with disappointment that after such a great summer of sport, I have to report that our Group has not been able to meet the high expectations we laid out in our Route 2015 agenda. We take full responsibility to rectify our shortfalls swiftly. For the remainder of 2014, our priority is to sustain the momentum we have in key categories and markets, and take corrective steps to bring more stability to our future earnings."



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adidas AG Consolidated Income Statement (IFRS)

€ in millions	Second quarter 2014	Second quarter 2013	Change
Net sales	3,465	3,383	2.4%
Cost of sales	1,761	1,689	4.3%
Gross profit	1,704	1,694	0.6%
(% of net sales)	49.2%	50.1%	(0.9pp)
Royalty and commission income	26	26	(0.9%)
Other operating income	36	29	21.8%
Other operating expenses	1,546	1,497	3.2%
(% of net sales)	44.6%	44.3%	0.3pp
Operating profit	220	252	(12.7%)
(% of net sales)	6.3%	7.4%	(1.1pp)
Financial income	5	6	(9.3%)
Financial expenses	20	22	(4.9%)
Income before taxes	205	236	(13.3%)
(% of net sales)	5.9%	7.0%	(1.1pp)
Income taxes	60	65	(8.2%)
(% of income before taxes)	29.1%	27.5%	1.6pp
Net income	145	171	(15.2%)
(% of net sales)	4.2%	5.1%	(0.9pp)
Net income attributable to shareholders	144	172	(16.0%)
(% of net sales)	4.2%	5.1%	(0.9pp)
Net income attributable to non-controlling interests	1	(1)	-
Basic earnings per share (in €)	0.69	0.82	(16.0%)
Diluted earnings per share (in €)	0.69	0.82	(16.0%)

Net Sales

€ in millions	Second quarter 2014	Second quarter 2013	Change	Change (currency-neutral)
Wholesale	2,085	2,014	3.5%	10.1%
Retail	958	867	10.5%	22.1%
Other Businesses	422	502	(16.0%)	(11.4%)
Western Europe	919	812	13.1%	12.6%
European Emerging Markets	461	467	(1.3%)	14.4%
North America	790	826	(4.3%)	1.4%
Greater China	387	371	4.1%	10.7%
Other Asian Markets	504	531	(5.0%)	0.2%
Latin America	404	376	7.4%	32.6%
adidas	2,713	2,546	6.5%	14.2%
Reebok	354	355	(0.3%)	9.5%
TaylorMade- adidas Golf	272	348	(21.9%)	(17.6%)
Rockport	65	69	(5.9%)	(1.3%)
Reebok- CCM Hockey	61	65	(5.7%)	1.0%

Rounding differences may arise in percentages and totals.



adidas AG Consolidated Income Statement (IFRS)

€ in millions	First half year 2014	First half year 2013	Change
Net sales	6,998	7,134	(1.9%)
Cost of sales	3,558	3,559	(0.0%)
Gross profit	3,440	3,575	(3.8%)
(% of net sales)	49.2%	50.1%	(1.0pp)
Royalty and commission income	50	51	(1.3%)
Other operating income	85	47	80.9%
Other operating expenses	3,053	2,980	2.4%
(% of net sales)	43.6%	41.8%	1.9pp
Operating profit	523	693	(24.6%)
(% of net sales)	7.5%	9.7%	(2.2pp)
Financial income	12	10	15.8%
Financial expenses	40	40	(0.5%)
Income before taxes	495	663	(25.4%)
(% of net sales)	7.1%	9.3%	(2.2pp)
Income taxes	143	182	(21.3%)
(% of income before taxes)	29.0%	27.5%	1.5pp
Net income	351	481	(27.0%)
(% of net sales)	5.0%	6.7%	(1.7pp)
Net income attributable to shareholders	348	480	(27.4%)
(% of net sales)	5.0%	6.7%	(1.7pp)
Net income attributable to non-controlling interests	3	1	215.7%
Basic earnings per share (in €)	1.67	2.29	(27.4%)
Diluted earnings per share (in €)	1.67	2.29	(27.4%)

Net Sales

€ in millions	First half year 2014	First half year 2013	Change	Change (currency-neutral)
Wholesale	4,442	4,495	(1.2%)	4.9%
Retail	1,752	1,589	10.3%	21.9%
Other Businesses	804	1,050	(23.4%)	(19.4%)
Western Europe	2,017	1,907	5.7%	5.6%
European Emerging Markets	938	901	4.1%	20.7%
North America	1,471	1,716	(14.3%)	(9.7%)
Greater China	806	781	3.2%	7.5%
Other Asian Markets	986	1,064	(7.3%)	0.2%
Latin America	781	765	2.0%	25.4%
adidas	5,540	5,404	2.5%	9.6%
Reebok	712	733	(2.9%)	6.1%
TaylorMade- adidas Golf	535	771	(30.6%)	(26.9%)
Rockport	118	130	(8.8%)	(3.9%)
Reebok- CCM Hockey	93	96	(2.2%)	4.7%

Rounding differences may arise in percentages and totals.



adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions	June 30, 2014	June 30, 2013	Change in %	December 31, 2013
Cash and cash equivalents	1,191	1,197	(0.5)	1,587
Short-term financial assets	5	29	(83.4)	41
Accounts receivable	2,070	2,029	2.0	1,809
Other current financial assets	148	239	(38.2)	183
Inventories	2,896	2,611	10.9	2,634
Income tax receivables	96	66	45.5	86
Other current assets	517	538	(3.7)	506
Assets classified as held for sale	11	11	1.2	11
Total current assets	6,934	6,720	3.2	6,857
Property, plant and equipment	1,364	1,123	21.5	1,238
Goodwill	1,209	1,288	(6.1)	1,204
Trademarks	1,433	1,496	(4.2)	1,419
Other intangible assets	154	157	(1.8)	164
Long-term financial assets	126	116	8.6	120
Other non-current financial assets	25	23	7.4	30
Deferred tax assets	543	504	7.6	486
Other non-current assets	100	98	3.0	81
Total non-current assets	4,953	4,805	3.1	4,742
Total assets	11,887	11,525	3.1	11,599
Short-term borrowings	990	163	507.4	681
Accounts payable	1,752	1,746	0.4	1,825
Other current financial liabilities	112	61	84.8	113
Income taxes	276	252	9.4	240
Other current provisions	412	462	(10.8)	450
Current accrued liabilities	1,145	1,123	1.9	1,147
Other current liabilities	297	323	(8.4)	276
Total current liabilities	4,984	4,130	20.7	4,732
Long-term borrowings	660	1,158	(43.0)	653
Other non-current financial liabilities	11	13	(15.3)	22
Pensions and similar obligations	262	258	1.6	255
Deferred tax liabilities	363	383	(5.3)	338
Other non-current provisions	17	50	(66.6)	25
Non-current accrued liabilities	58	42	38.3	64
Other non-current liabilities	29	28	10.3	29
Total non-current liabilities	1,400	1,932	(27.5)	1,386
Share capital	209	209	-	209
Reserves	311	615	(49.4)	321
Retained earnings	4,993	4,652	7.3	4,959
Shareholders' equity	5,513	5,476	0.7	5,489
Non-controlling interests	(9)	(13)	23.6	(8)
Total equity	5,503	5,463	0.7	5,481
Total liabilities and equity	11,887	11,525	3.1	11,599
Additional balance sheet information				
Operating working capital	3,213	2,895	11.0	2,618
Working capital	1,950	2,590	(24.7)	2,125
Net total borrowings	454	94	380.9	(295)
Financial leverage	8.2%	1.7%	6.5 pp	(5.4%)

Rounding differences may arise in percentages and totals.