

Investor Field Trip – December 3, 2013

Herbert Hainer, adidas Group CEO

Good afternoon everybody. I must admit, I always look forward to these events. Because right here, right now, you really see what this great company is all about. The passion, the inspiration and the drive for success my colleagues have shown in their presentations mirrors our common desire as a management team – to build the leading sporting goods company in the world.

In 2010 we created our strategic business plan Route 2015 for that very reason. The centrepiece of the plan is to prepare and, in many respects, to transform the Group for long-term sustainable growth and success.

Since the outset of the plan, we have made some exceptional progress, driving growth in key categories, improving profitability and tightly managing our capital. While this is good, more importantly and even

more fundamentally, on Route 2015 we began a journey of significant organisational change. That ongoing journey has a simple and clear goal. To build the capabilities deserving of a modern and fast-paced organisation like ours.

- One that is robust and flexible to withstand change.
- One that is constantly informed and ready to react to the needs of the consumer.
- One that is living its heritage as the creator of the unexpected.
- And an organisation that is ready to enable a seamless consumer journey across all channels and markets.

Now, just after the half-way point of our journey, it's time to pause and reflect. And this is the right time to do so, because now it's make or break time for 17/11. As I have seen in your research reports and in our conversations, that's really why you are all here today.

So let me cut to the chase. After three years, we are not where we thought we would be in terms of the numbers, which is clear from the downgrade to guidance we had to make in September. Since the outset of Route 2015, the environment has served up a constant stream of challenges, be it input cost pressures, adverse currency movements or a persistently weaker European market. We also have had bad luck with injuries to some of our key athletes. And to be fair and frank, we have also made a few mistakes.

However, the most important thing about a high-quality management team is that they know what to do about it – and believe me, we have the insight, the character and the determination to stay the course.

So, while the peak of the mountain from today's viewpoint may be a little higher than we thought at base camp, we have all the equipment, the know-how and the people we need to climb it.

Be it product, be it campaigns, be it imagination, we are fully equipped and ready to move forward. And we will do it with determination, speed and leadership. All the evidence of that, you have seen and heard from my colleagues over the last day.

- Who in our industry has the insight and know-how to unleash game-changing, multi-billion long-term growth platforms like Boost, Clima and miCoach.
- Who in our industry has the imagination and creativity to open up the wardrobe of the sports style consumer, building not just one, but three highly diverse, authentic and inclusive brands in Originals, NEO and Classics.
- Who in our industry has had the foresight to embrace the world of fitness, understanding that the fitness generation is evolving the meaning of sport, and doing so by being right with them where it matters most, in the gym, in the box, at the studio or wherever they choose to live their fitness lifestyle.

- Who in our industry has understood that the act of shopping is changing forever, and had the vision to begin a multi-year upgrade in capabilities and infrastructure to service a consumer who expects brands to be always open and part of their neighbourhood.
- And even though we have not spent any time on golf at this event, who in our industry is ready and willing to reinvent itself continuously, to take on challenges such as decade-long stagnation, and still double its business.

We have immense brands and immense capabilities. In the second half of Route 2015, we will accelerate our growth and profitability by uniting these to create a seamless consumer experience. We will realise our promise to drive consumer desire at every touch point from brand building, to the field, to getting the product in their wardrobes.

To realise this vision, we will also continue to adapt, change and invest as a company. 2014 is no different. You have heard from all our

speakers about their priorities, whether it's investing in digital and social, streamlining our operating structures (in North America and Europe), modernising our infrastructure, leveraging the world's biggest sporting events or building best-in-class distribution presence where our consumers want us most, be it opening stores, rolling out our controlled space programmes with retail partners or expanding eCom.

By the start of 2015, we will have completed many of our big and more intensive organisation programmes. With this work behind us, then you will see a step change in operating cost leverage for the Group. But remember, leverage only comes with top-line growth, and quality top-line growth. And if you leave with any message today from this event, through our portfolio of brands, we are a growth company, and we have all the ammunition and concepts to do so, which I expect we have conveyed in our presentations.

So bearing all that in mind, while these events are more about education and helping you to gain understanding about how we tick, I

am pleased to already give you some preliminary indications for 2014. Based on our strong pipeline and full order book, we expect to grow our top line at a high-single-digit currency-neutral rate. We will grow in all markets, all channels and all brands. In terms of profitability, while we will continue to invest, we expect a step up in the rate of operating margin improvement, which we anticipate to increase in or around one percentage point. The finer details of our guidance we will quantify in March as usual, once we have more visibility on things like currencies, translation effects, etc.

So ladies and gentlemen, to wrap up, I am proud we have been able to share a lot of success together so far on our Route 2015. An approximate 13% earnings compound annual growth rate is a good return for our efforts in the first three years. But we are a high-performance company and we want more. We know we can deliver the big results when it counts. You just have to look at 2010-2012 when we generated almost 3 billion in additional sales. Be assured, we are ready, willing and able to do this again. We will make sure we do what

is right for the long-term success of our Group. We will make bold decisions and pursue our goals with determination and focus. I am convinced – and I also expect you are convinced after the last two days – that we have everything in place to reach new heights, break records and drive long-term sustainable value.

Thank you.