

FINANCIAL RESULTS PRESENTATION

Full Year 2013 Speech

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Herbert Hainer, Robin Stalker, John-Paul O'Meara

John-Paul O'Meara

Good afternoon ladies and gentlemen and welcome to our 2013 full year financial results conference call. I'm JP O'Meara and I head up the IR activities here at the adidas Group. Our presenters today are Herbert Hainer, adidas Group CEO, and Robin Stalker, Group CFO.

To allow for ease of comparison, all sales and revenue-related growth rates will be discussed on a currency-neutral basis, unless otherwise specified. In addition, all comparisons will be excluding goodwill impairment losses. Robin will deal specifically with these topics in his presentation.

So, let's get started and over to you, Herbert.

Herbert Hainer

Thanks JP, and welcome to the call also from my side. Before we turn to the results of the past financial year, I would like to briefly comment on yesterday's decision of the Supervisory Board with regard to the early extension of my Executive Board contract until March 2017.

I am pleased that the Supervisory Board has expressed its confidence in me by extending my contract by another two years. The generation change – which has already begun within our management team – is a process we intend to complete carefully and diligently. Yesterday's decision gives the

company sufficient time to ensure a smooth transition at the helm of the adidas Group and to optimally facilitate the process of succession for the company.

In addition, we will do everything in our power to successfully execute against our strategic business plan Route 2015. At the same time, we will define our new long-term strategy together with the next generation of company leaders, in order to prepare the adidas Group for another era of growth and success. I am very much looking forward to the next three years. It will be an exciting period for our Group!

But, first things first, let's now turn our attention to the 2013 financial year.

In a marathon, every inch of every mile counts. In this spirit, I am pleased to report that we dug deep in the final stretch of the year and regained a level of growth momentum more typical of our high-performance standards.

After a flat performance in the first nine months, we had an exceptional fourth quarter with sales growing 12%. This drove operating profit up almost fourfold compared to the prior year, to a new fourth quarter record of 98 million euro.

The strong revenue finish to the year, which was above our expectations, ensured that we comfortably met our revised full year targets from September, despite a further worsening of currency exchange rates, which cost us a massive 9 percentage points on the top line in the fourth quarter.

For the full year, this translated into:

- Sales growing 3% on a currency-neutral basis or declining 3% in reported euros to 14.5 billion euro.
- Gross margin increasing 1.5 percentage points to a new record level of 49.3%.
- Operating margin expanding 70 basis points to 8.7%.
- And finally, net income attributable to shareholders growing 6% to 839 million euro, well within our September range of 820 to 850 million euro.

This result is a clear testament to the persistence and energy we exercised in making the most out of a challenging year in several areas. As a recap, three

key items in particular impacted our results versus our initial expectations: negative currency developments, distribution constraints in Russia/CIS as well as a stalling global golf market.

I discussed the latter two of these three issues in detail on the nine months results call and, while they impacted us significantly in terms of our profitability and top-line achievements, in the end, the devaluation of major currencies versus the euro was simply the factor that was too significant in magnitude to cover operationally.

However, as frustrating as that is, we cannot, and should not, overlook the powerful underlying operational progress we are making with our brands. This is where I want to focus my attention today, because ultimately that's how we win.

And the best place to start is with our fastest growth engine of the year – running. We called out 2013 as the year of running, and it was exactly that. Sales grew an impressive 17%, and we are by far the hottest and most talked-about brand in the category right now.

Be it Boost, Springblade, the miCoach Smart Run watch or established families such as Supernova or Essentials, adidas is winning, and winning big.

In the fourth quarter alone, sales increased 31% in the category, and the most important and greatest thing is: we are only at the beginning. This is important, as running is the authenticator of footwear and apparel technologies in our industry.

If running is the authenticator of the industry, then football is the authenticator of what it is to be adidas. If anyone was in doubt about our leadership in the category, then our 35% growth in the fourth quarter should easily settle any debate.

Our growth was fuelled by a fantastic start of our World Cup product campaign and very good Christmas sales. Throughout the quarter, adidas excited football fans around the globe with its colourful Samba collection, including a new boot from each of our key ranges: adizero f50, Predator, Nitrocharge and 11Pro.

We also launched the 2014 FIFA World Cup kits of leading national football federations, including reigning champion Spain, Argentina and Germany. The kits are inspired by pride, passion and the vision of next-generation football fans. The shirts that our teams will wear in Brazil this summer are 50% lighter than any previous adidas jerseys. Brazuca, the Official Match Ball for the World Cup, was also a favourite amongst Christmas shoppers around the world. In addition to this, Brazuca is the first ball with its own Twitter account, followed by already more than 100,000 fans worldwide. And nowhere is this showing up more relevant commercially than in our own-retail stores, where we are already enjoying phenomenal sell-throughs of the federation jerseys and official match balls. In the early weeks of the year, sales of these items were up over 200% compared to the last World Cup in 2010.

In a so-called non-event year – and we were playing against the tough comparison with our EURO 2012 success – we increased our football revenues by 4% in 2013. So forget all you may have heard or written about a weak adidas performance in football in 2013.

We are leading in this category that is so close to the adidas DNA. And yes, we are leading it in Germany too. We are the clear number one in the overall football business, and we are also leading in terms of market share in footwear based on what consumers tell us about their preference in football boots. According to the latest NPD data, we are a solid 6 percentage points ahead of the number two.

Is there fierce competition out there for market share in football footwear? Absolutely – as is the case in all other major sports categories. In almost all football markets, the two largest brands hold an 80 to 95% share, depending on which market you look at. While this tells you something about the performance of all other competitors out there, let me assure you of one thing: wherever we might be in second place, we will attack and we will win back market share.

Another category where there is fierce competition is in sports lifestyle, and again, after mid-single-digit growth in the first nine months, adidas Originals & Sport Style sales accelerated in Q4 to 12%. This means we finished the year with 5% sales growth and revenues well in excess of 3.2 billion euro.

Our strategically important adidas NEO label played a central role, continuing to win the hearts, minds and wallets of teenagers around the world. 14% growth year-over-year is a testament to the fact that more and more young consumers are in love with this young and fresh label. We are now generating almost 700 million euro in sales with the label, which is impressive by any standards.

Taking it all together, it was a very good end to the year for adidas, with 10% sales growth in the fourth quarter, and 2% for the full year. Our diligent focus on driving quality growth fuelled by innovation and strong channel management also once again paid off for the brand, which can be seen in the strong 2 percentage point increase in the gross margin.

Moving over to Reebok, I am pleased to report a similar story. As promised, we returned Reebok to growth in 2013, with sales increasing 2% for the year, and 9% in the fourth quarter. For the year, excluding the NFL licence impact that still burdened the first quarter, sales increased 4%. Add to that the tremendous increase in gross margin of 4.0 percentage points to 39.7%, the gap between the adidas and Reebok gross margins is at its narrowest level. We are now in touching distance of our Route 2015 goal to lift Reebok's margin above 40%, and I am confident the gap in margins between the brands will continue to narrow further over time.

Why? Because we are on a clear, consistent and sustainable growth path. Growth in 2013 followed that from 2012, coming exactly in those categories that fit perfectly with our positioning for Reebok as THE fitness brand: with sales in 2013 increasing 18% in fitness training, 37% in Classics and more than 300% in Studio, albeit from a small base. We also continue to bring our unique FitHub concept to new markets, which is an important long-term strategic investment to drive a common presentation of Reebok around the world. In December, for example, the first Reebok FitHub and CrossFit Box opened in France, located in one of the premier shopping destinations, Avenue de l'Opéra in Paris. This original and innovative concept combines a Reebok retail store and a CrossFit gym.

Finally, to wrap up on the brands, let's have a look at TaylorMade-adidas Golf. As you know, in the third quarter, we took swift action to clean up the market following a slower year for the golf industry. While it cost us some margin to do so, it was the right thing to do. As a result, we were able to swiftly swing

back to action in Q4, reminding the consumer and the competition just how powerful an industry leader we are.

In a time period when many equipment manufacturers are seasonally quiet, TaylorMade excited the industry with the launch of SLDR and JetSpeed – two extremely popular drivers that are both played extensively on the PGA Tour. This, together with good market share increases in irons and footwear, due to Speedblade and adizero, respectively, allowed us to grow 25% in the fourth quarter, and finish the year with a sales increase of 3%.

Before I hand over to Robin, let me quickly run through the geographical performance, where again the message from the fourth quarter is very positive, with good momentum improvements in nearly all markets.

Let me start in European Emerging Markets, where sales grew 4% for the year. Russia/CIS obviously plays a central role in this region, and as we discussed several times, this year had its fair share of challenges, also self-made from our distribution centre hiccup. The good news is: we have put our own operational issues behind us during the fourth quarter. With trends improving during the last weeks of 2013, sales in Russia grew 8% in Q4.

Operationally, the market has also started well in 2014. The recent Winter Olympic Games in Sochi showed the world how passionate Russia is about sport and we are already looking forward to playing a major role in the build-up to the 2018 FIFA World Cup in Russia. Nevertheless, we cannot ignore the significant weakness of the Russian rouble since the beginning of the year as well as the current uncertainty in the region, both of which have added considerable risk to our results in euros. Robin will take up this topic in more detail in his overall discussion on currency.

Elsewhere in the emerging markets, 2013 was an outstanding success. In Latin America, which will have a lot of attention in 2014, we led from the front, with sales growth of 19% for the full year, and 32% in the fourth quarter. This was driven by the rising anticipation and excitement ahead of the World Cup in Brazil, but it also reflects our continuous investments and improvements in this vibrant part of the world.

Moving on to Greater China, we continued to keep both our major competitor and the local brands on the back foot in 2013. Our revenues increased at very

consistent rates throughout the year, climbing 8% in the fourth quarter and 7% for the year. Our local management team continues to execute with excellence, blending the appeal and attractiveness of adidas with a deep understanding of the Chinese consumer. All research confirms that we are one of the hottest brands in China right now, with a fantastic brand footprint, being in over 7,600 stores in more than 1,000 cities.

In Other Asian Markets, sales increased a strong 15% in the fourth quarter, and 5% in 2013, driven by strong growth in South Korea, India and Australia.

North America developed lower than our initial expectations with a 2% increase. There, some lifestyle trends moved against us and we suffered from lower growth than expected in adidas Basketball due to the unfortunate injury of our star athlete Derrick Rose. Developments at TaylorMade also impacted this development. Nevertheless, trends picked up in the fourth quarter, with a strong end to the year for brand adidas, where sales increased 10%. Running and football were standout categories, growing 40%-plus in the period.

Finally, sales in Western Europe also finished the year positively, with growth of 3% in the fourth quarter. For the year as a whole, sales were down 6%. This was largely related to the absence of the UEFA EURO 2012 and the London 2012 Olympic Games, the latter having about a 2 percentage point impact on the region's result. It is also due to the continuously negative economic climate and lacklustre consumer confidence in most European markets, especially in Southern Europe. And lastly it is also a result of a fierce competitive battle for market leadership in this important region.

So ladies and gentlemen, this sums up our operational performance for 2013. We may not have reached all our ambitious targets that we had originally set for the year. But we are proud that we ended on a high note in Q4 and made 2013 another year of records for the adidas Group. And we have every intention to strive for the same again in 2014. But before I come to that, let me hand over to Robin to give you more details on our financial results and how currencies are affecting these results.

Robin J. Stalker

Thank you Herbert, and good afternoon ladies and gentlemen.

As you have just heard, operationally it's been a good year for our Group, with further progress on several key Route 2015 strategic initiatives. While this is extremely encouraging as we stay diligent and focused on delivering long-term sustainable growth and margin improvements, the foreign exchange and macro-environment has and will unfortunately continue to leave its mark on our financial statements. And I will spend some time on this at the end of my comments today.

But first, let me complete the review of the key 2013 and Q4 financials. Starting with our gross margin, where, once again, I am proud we have set the industry benchmark for margin management, achieving a 1.5 percentage point increase to 49.3% for the year.

This performance was driven again by a more favourable product and pricing mix, as well as an improved regional and channel mix, which more than offset negative effects from a less favourable hedging rate as well as lower margins at TaylorMade-adidas Golf. The negative hedging effect amounted to 70 basis points, while the impact of markdowns at TaylorMade-adidas Golf reduced the Group's gross margin by 30 basis points for the full year. With the exception of TaylorMade-adidas Golf, gross margin increased in all brands and channels. For the fourth quarter, gross margin declined by 10 basis points. Excluding prior year one-off effects related to Reebok India, on a like-for-like basis, the Group gross margin would have been up 40 basis points in Q4.

Looking at our operating expenses, other operating expenses as a percentage of sales were up 1.0 percentage points to 42.3% for the full year. This was mainly due to the accelerated pace of our own-retail roll-out as well as ongoing investments in the Group's infrastructure throughout the year. The decreased leverage due to the lower top-line growth than originally expected also contributed to the development. Sales and marketing working budget as a percentage of sales increased 30 basis points to 12.4%.

As a result of the strong gross margin improvement, Group operating margin expanded 70 basis points to 8.7%. For the fourth quarter, other operating

expenses as a percentage of sales decreased 2.5 percentage points, due to solid operational leverage in the quarter. This drove operating margin for the quarter up 2 percentage points to 2.8%.

During the fourth quarter, we added 129 stores to our Retail portfolio, bringing our net openings for the year to 294. At the end of 2013, our Retail segment operated 2,740 stores. Of the total number of stores, 1,557 were adidas and 404 were Reebok branded. In addition, we operated 779 multi-branded factory outlets. In 2013, we opened 534 new stores, 240 stores were closed and 127 stores were remodelled.

Retail revenues grew 8% to 3.4 billion euro, representing 24% of total Group sales. While comp store sales were down 1% for the full year, they turned positive in the fourth quarter, rising 3% for the period.

By brand, adidas comp store sales were up 3% for the quarter and remained stable for the full year. Reebok comp store sales remained unchanged for the quarter and were down 3% for the full year. Our eCommerce business continues to do extremely well, with sales increasing 59% in the fourth quarter and 64% for the full year to 250 million euro.

Moving back to the P&L: Looking briefly at the non-operating items, net financial expenses decreased 2% to 68 million euro for the full year. While net interest expenses were down 23% due to lower gross borrowings, this good progress was offset by higher negative exchange rate variances, which increased to 18 million euro from 7 million euro in the prior year. The full year tax rate decreased 30 basis points to 29.0%.

Moving over to the balance sheet, operating working capital as a percentage of sales increased 90 basis points to 20.9% compared to the prior year. At year-end, inventories were up 13% on a currency-neutral basis. This was as a result of our expectations for growth in the coming quarters as well as higher inventories in Russia/CIS due to distribution centre issues during the second half of 2013. The latter accounted for around two-thirds of the increase. However, as I stated at the end of the nine-month period, we expect this to normalise during the course of the year, due to adjusted inventory buying levels for that market.

In terms of other balance sheet impacts, as a result of our annual impairment test, we have impaired goodwill and recorded a 52 million euro pre-tax charge as at December 31, 2013. Goodwill on our balance sheet declined 6% to 1.2 billion euro, with two thirds of the decline related to impairment, and the rest due to currency movements.

Looking at the specifics, which will probably come as no surprise, within the wholesale cash-generating unit Iberia, goodwill impairment losses of 23 million euro were recognised. Within the retail cash-generating unit North America, goodwill impairment losses of 29 million euro were recognised. The goodwill of these two cash-generating units is completely impaired. The impairment losses were mainly caused by adjusted growth assumptions and an increase in the country-specific discount rates. As in the prior year, when we impaired goodwill of 265 million euro, the impairment loss of 52 million euro is non-cash in nature and does not affect the adidas Group's liquidity.

In terms of capital structure, we ended the year with a net cash position of 295 million euro, compared to 448 million euro last year. Higher working capital requirements as well as the higher dividend payment and higher capital expenditure were the primary drivers of this development. Nevertheless, taking everything into account, our equity ratio increased a strong 1.8 percentage points to 47.3% at year-end.

And as a result of our strong balance sheet, at our Annual General Meeting, we will propose a dividend of 1 euro and 50 cents. This is in line with our shareholder return policy to continue progress on increasing our payout ratio, within the corridor of 20 to 40%. For 2013, this represents an increase in the payout ratio to 37.4%.

Finally, ladies and gentlemen, before I hand back to Herbert, let me give you some more insight into how currencies have impacted our results in 2013, and a look into the implications for 2014.

Accumulated for the twelve months, currencies wiped out around 750 million euro from our top-line result, or 5 percentage points of growth. Throughout the year, the impact got sequentially worse, with a peak of 9 percentage points in Q4.

To give a few examples: the average rate of the Japanese yen was 21% lower versus the euro, the Argentine peso 20%, the Brazilian real 12%, the Australian dollar and Turkish lira 9% and the Russian rouble and Canadian dollar 6% versus the euro. Unfortunately, these uncontrollable and unavoidable negative effects will continue in 2014. From today's perspective looking into 2014, taking a simple calculation of the year-to-date averages and applying the current spot rate for the rest of the year, which you can all do yourselves, the picture looks just as bleak.

For example, the Argentine peso has already devalued another 32% versus the euro, the Turkish lira 17%, the Russian rouble 15%, the Brazilian real, Australian dollar and Canadian dollar 11% and the Japanese yen a further 7%. And there are others as well.

Taking this into account, if things stay as they are, we will see at least the same kind of translation negative as in 2013 – a mid-single-digit percentage point negative impact on growth.

On top of that, we will see additional gross margin pressures, given the sharp weakening of currencies such as the Argentine peso and the Russian rouble already so early in 2014. This is because these markets have open exposures against the US dollar, related to our US dollar sourcing costs, which in these markets are too expensive or too illiquid to hedge.

Taking all of the foreign exchange related impacts together, the impact on operating profit could be in the region of 150 to 250 million euro.

Now obviously, while on aggregate, there is very little we can do in the short term to compensate for these massive currency issues, rest assured, we will diligently pursue measures to combat the negatives over time. For example, where it makes commercial sense, and the consumer environment can bear it, we will selectively increase prices. In certain markets where currency trends persist, we may choose to strategically reprioritise our investments or change our business model. And in other cases, we may choose to absorb the negatives for a period of time, to protect and nurture our longer-term potential. Based on what we know today, we have best reflected the current situation in our guidance range for 2014, which Herbert will outline in a moment.

Ladies and gentlemen, let me wrap up by saying, while the currency situation is not pleasant, fundamentally we are very encouraged by the underlying development of our brands. Our strong margin delivery, despite all of our challenges, underlines our focus on driving long-term sustainable and profitable growth for the Group. We will work hard over the next months to master the economic environment, and we can do so with confidence, given the strong pipeline of products and brand stories we have at our disposal. To give you more details on that, let me now hand you back to Herbert...

Herbert Hainer

Thank you, Robin.

Let me now talk about our operational outlook for the year, which Robin rightly says looks extremely promising. 2014 is a big sports year, there is no doubt about that. And as you would expect from a leading sports company, we will live up to the occasion, lift our game and strive to achieve new heights for the adidas Group.

Be it products, be it campaigns, be it imagination, we have everything we need to be successful. And we will do it with determination, speed and leadership.

2014 is a football year, and it will be an adidas football year. As the Official Sponsor, Supplier and Licensee of the 2014 FIFA World Cup, we will utilise the biggest stage the world of sports can offer to drive new record sales in the category. On the field of play, adidas will be represented by eight federations. These eight teams include the number one to four of the current FIFA world ranking: Spain, Germany, Argentina and Colombia. Our latest footwear innovations will be worn by the likes of Lionel Messi, Xavi, Özil, Robben, Schweinsteiger, De Rossi, Benzema, Oscar and Fred – just to name a few.

In the coming months, we will also bring out an array of additional innovative products including the adidas miCoach Smart Ball and the adidas Samba Primeknit, the first-ever football shoe with a knitted upper, that will be at retail in mid-March. Every launch will be paired with stunning new communication activities.

So there is no doubt that we will see an exciting World Cup, and I can't wait until the Brazuca starts to roll on June 12. Our ambition has not changed: our goal is to achieve new record sales in our football category, being the first brand to reach 2 billion euro in sales with football performance products only.

In running, we will continue to be focused on the expansion of the highly successful Boost franchise, targeting more than eight million pairs in the category in 2014, as well as the further global roll-out of Springblade to new markets.

Basketball will see the introduction of Boost with the launch of D Rose 5.0 in the second half of 2014. Furthermore, we will leverage our on-court visibility through top NBA players such as Derrick Rose, Jeremy Lin, Dwight Howard, Damian Lillard, John Wall and Ricky Rubio.

In Originals, the re-launch of Stan Smith, and the introduction of the – ZX Flux are set to be major hits at retail in 2014, with strong early sell-throughs. In addition, we can look forward to new collaborations with Japanese streetwear designer Nigo, singers Kanye West and Rita Ora as well as new collaborations with Brazil's The Farm Company and British retailer TOPSHOP.

After successfully piloting adidas NEO stores in Germany in 2012/2013, we will extend our test phase by opening stores in Poland and the Czech Republic in 2014, as we continue to drive towards our long-term target to grow NEO into a one billion euro business. The first NEO store in Poland opened its doors in Warsaw on February 20. We will also open some more stores in Germany.

For Reebok, our category approach will drive quality growth for the brand again in 2014, as we leverage our strategic collaborations with CrossFit, Spartan Race and Les Mills. All of these consumer access points give us exciting opportunities to reach our consumer right where he or she does their sport of fitness, be it in the gym, in the studio or at new forms of community-based events such as the CrossFit Games or the 2014 Spartan Race Series.

And we have the product firepower to match these great activities. Be it the shoe of cross fitters, the CrossFit Nano 3.0, our new revolutionary industry-first shoe for obstacle racing, the All-Terrain Series, new running innovations such as the ZQuick and JetFuse, or our fantastic new walking shoe Skyscape, which we just launched with Australian top model Miranda Kerr – our footwear offering is a big step forward compared to 2013. Add to that a significant increase in depth to our performance apparel offering led by the Reebok One Series collections as well as new tailored designs for studio, we have fantastic opportunities to build on the success in apparel we started to enjoy in 2013.

In addition, we will also continue our successful partnerships with pop icons and celebrities such as Alicia Keys, Shaq O'Neal and Tyga to drive heat in our Classics business, as well as bring back legendary iconic Reebok products such as the Insta Pump Fury, which celebrates its 20th anniversary this year.

While the golf market overall is likely to remain difficult in 2014, TaylorMade-adidas Golf will sustain and extend its clear industry leadership. While we once again have great innovations to leverage, our focus in 2014 is on driving strong sell-throughs. Therefore, for the first months of the year, we will focus on ensuring strong point-of-sale results for the volumes shipped in Q4, and shift sell-in this year more towards the second quarter to be better aligned with the peak selling season.

So lots of great products and initiatives, but to ensure we leverage them to their fullest, we will step up our game with the consumer, connecting and executing with excellence at every opportunity. In this respect, 2014 will see several new initiatives commence in the areas of digital and own retail.

The majority of our communication activities today happen in social media, because this is the space where our core target consumer is engaging with brand content. To bring greater consistency, increase speed and drive higher levels of brand activation online, adidas will be investing throughout the year in establishing digital newsrooms around the globe. This will allow us to better coordinate the brand's online presence as well as leverage and magnify key brand initiatives all year round.

Reebok is also creating a global digital centre at its headquarters in Canton. This centre and its team will engage the Fit Generation consumer in the

social world, enabling Reebok to be part of the conversation in real time. In addition, Reebok is also opening the Reebok Production Studios, to allow the brand to become a constant creator of exciting and relevant content.

Similarly, as announced at our Investor Day, 2014 will see the beginning of a renewal of the environment where our brands should shine the best – our own-retail stores. Here we have the clear goal not only to drive higher levels of consumer service, but to elevate our store experiences to fully represent the image and aspiration of the brands.

The adidas brand is introducing its first new retail concepts in six years with the introduction of the HomeCourt format for Sport Performance and the Neighbourhood concept for Originals.

The HomeCourt era begun on the first of January at the remodelled adidas Brand Centre in Beijing, our largest adidas store on the planet. HomeCourt features sport and passion in every single element of the store: architecture, communication, presentation, tools and products. And it's already hitting the spot with the consumer, with sales in the first weeks of the year since reopening up 40% compared to the prior year.

Over the course of 2014, HomeCourt will be introduced in 25 stores globally. The next curtains will be lifted in April, when adidas will open its first South American HomeCourt store in Rio de Janeiro/Brazil, followed by Europe, debuting in the UK at Bluewater in Kent and Harrods in London.

Furthermore, Berlin will see the first store with the new retail concept for Originals, "Neighbourhood", in March 2014.

We will also further experiment with single-category stores such as Outdoor, Women and Kids, mainly in our key markets China and Russia. In addition, we will also continue to run our pilot store projects for NEO to further test their acceptance with the consumer, and we will expand the Reebok FitHub concept. In total, we plan total net openings across all concepts of 250 stores in 2014.

So there is a lot happening already and a lot to look forward to in 2014.

But what does the successful performance of our brands in the various retail channels and markets around the world mean for our 2014 and Route 2015 objectives?

Well, while we are on track operationally, the environment, unfortunately, has served up more challenges than we had anticipated, with adverse currency movements being the most significant one. Excluding currencies, I am convinced that we will achieve most, if not all, operational targets we set ourselves within our Route 2015 strategic business plan. Nevertheless, the currency situation, as it is right now, represents a significant risk to the achievement of our goals as Robin has already outlined in detail.

We have reflected this situation in our guidance range for net income attributable to shareholders of 830 to 930 million euro. We have to give you a wider range here because current market volatility makes it hard to predict what the final influence of currency will be on our results.

Where we can influence our performance, we will pursue our goals with determination and focus. But as Robin explained earlier: currency deterioration is a factor where our influence at least in the short term is limited.

Nevertheless, we have a proven track record and we know we can deliver big results when it counts. We will drive high-single-digit currency-neutral sales growth in line with our strategic plan in 2014 and we definitely want to continue to drive this kind of growth also in the future. In euro terms, we will grow our bottom line at a much faster rate than the top line.

As long as currencies don't worsen materially from today's standpoint, I am confident that we will achieve a double-digit compound annual earnings growth rate over the Route 2015 period. Since 2010, we have already generated a 14% compound annual earnings growth rate. This is an exceptional return, given the difficult and uncertain global economic environment.

Before I close, today brings with it an end to an era at the adidas Group. As you know, Erich Stamminger has decided to dedicate more time to his private life and his last day with us is today. Erich and I have worked side by side for more than 20 years and I can only praise his fine sense for building our

brands. On behalf of everyone at the adidas Group, let me thank Erich for his leadership, expertise and the many contributions he has made to the success of the Group and its brands in the last three decades.

At the same time, I am pleased to welcome Eric Liedtke to the Executive Board, who most of you saw in action at our Investor Day. Eric Liedtke will be in charge of Global Brands. Under the mentorship of Erich Stamminger, Eric Liedtke has already contributed to the extremely positive development of the adidas brand in recent years.

Ladies and gentlemen, let me summarise: we are a high-performance company and we want to achieve more, for ourselves and for you. Be assured, we are ready, willing and able to do this, as is clearly visible in our strong fourth quarter momentum. If there is one message that I would like you to take from today's presentation, it is the following: we are a growth company. And despite all challenges, the next two years will be operationally very successful for the adidas Group!

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. While currencies will interfere with our financial results, they will not deter our willpower to follow the vision of the Group – to be the leading sporting goods company in the world.

We are here for the love of sport. This is our passion. And we will continue to work in a way that makes us proud of the result. I am convinced that we have everything in place to reach new heights, break records and drive long-term sustainable value.

With that, we are now happy to take your questions.