FINANCIAL RESULTS PRESENTATION

Full Year 2014 Speech

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Sebastian Steffen

Good afternoon ladies and gentlemen and welcome to our 2014 full year financial results conference call. I'm Sebastian Steffen and, as most of you may already have heard, I am the new Vice President Investor Relations 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 figures will refer to the Group's continuing activities due to the planned divestiture of the Rockport business segment. Lastly, all figures will be discussed excluding goodwill impairment losses unless otherwise stated. Robin will deal specifically with these topics in his presentation.

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

Herbert Hainer

Thanks Sebastian and good afternoon ladies and gentleman.

2014 was, without any question, a year of ups and downs for our Group. While I am as disappointed as you are that we did not reach all our financial goals set out at the beginning of last year, there were many bright spots in our performance throughout 2014. And please allow me to start with those:

- We reached our updated top- and bottom-line goals despite some tough macroeconomic headwinds at the end of the year.

- We grew revenues for the full year by 6% and had a very strong fourth quarter, ending the year with double-digit growth in Western Europe, Greater China, European Emerging Markets and Latin America.
- Our core brand adidas, by far our largest business, grew double-digit for the full year, reaching new record sales of 11.8 billion euro.
- We clearly won the 2014 FIFA World Cup, being the most visible and most successful football brand. Our football business delivered record sales, even beating our own expectations with 2.1 billion euro.
- Reebok now has seven consecutive quarters of growth under its belt.
- Our Retail revenues increased 21% with double-digit growth rates across all regions and supported by 9% comp store sales increases.
- We generated more than half of our revenues from controlled space initiatives, well exceeding our initial goal of 45% by 2015.

In addition to this, if I look at our core brands, the momentum we see at adidas and Reebok gives us every confidence that we got back on track very fast. adidas sales grew 11% currency-neutral for the full year, with double-digit growth in each of the last three quarters, and Reebok revenues increased a robust 5% in 2014.

Let me give you a more detailed update on some of the areas that performed particularly well.

The World Cup, by far the biggest and most-watched sports event in the world, was an excellent platform to demonstrate our leadership in football. We grew our football business by more than 20%, achieving new record sales of 2.1 billion euro. On the field of play, adidas outperformed all competitors, with World Champion Germany, finalist Argentina and adidas athletes Lionel Messi, James Rodriguez and Manuel Neuer as best player, best scorer and best goalkeeper, respectively. With more than 3 million German national team jerseys and more than 14 million footballs in the Brazuca design sold, we have reached new heights. And we were by far the most talked-about brand, with an increase of almost 6 million followers across all major social media platforms – more than any other sports brand.

And our momentum reaches way beyond the football category. In running, adidas continues to grow double-digit with revenues up 17% in Q4, marking the fourth consecutive quarter of double-digit growth. At the same time adidas dominates the world's marathon scene, based on the strong success of our BOOST technology. At the Berlin Marathon, adidas athlete Dennis Kimetto ran the fastest marathon in history wearing the super-lightweight adizero Adios Boost. Since its launch, the adizero Adios Boost alone has won 27 major marathons, completing the double at the New York Marathon with Wilson Kipsang and Mary Keitany.

In addition, adidas Originals & Sport Style continued its strong performance from the prior years with revenues up a strong 19% in Q4 and 12% in 2014. This is supported by a 27% sales increase at adidas NEO, which in the meanwhile has grown to a meaningful business with revenues of more than 800 million euro. At adidas Originals we have seen a strong comeback in the second half of 2014 resulting in a 17% increase in Q4. This development is based on successful product introductions like the ZX Flux and Stan Smith as well as attractive new partnerships with celebrities such as Rita Ora or Pharrell Williams. Following a highly successful re-introduction last year, our Stan Smith shoe became the best-selling sports shoe of all time with a total of over 40 million pairs sold since its initial launch.

Turning now to Reebok. The progress at Reebok is clearly visible. At the end of 2014, Reebok recorded its seventh consecutive quarter of growth and ended the year with revenues increasing 5% versus the prior year.

The brand's positioning in fitness is resonating extremely well with consumers around the world, particularly in markets where we are driving our own controlled space agenda. As a result, important markets such as Russia/CIS, South Korea, the UK and Spain, just to name a few, grew at double-digit rates in 2014.

Throughout the year, we made significant progress in deepening Reebok's connection to the fitness community, hosting spectacular fitness events and grassroots activities around the globe, which helped sharpen our brand proposition as THE fitness brand. We continue to see plenty of potential in that business.

But granted, 2014 also brought some major disappointments. Mid-way through the year, in light of the various challenges we were facing, we recognised that we wouldn't be able to achieve our original goals for 2014. It never feels good if you don't reach all the targets that you had set out initially, neither in sport nor in business. But it's all the more painful when this is brought about not only by external circumstances that we cannot influence but also by executional mistakes on our part. So let me go into more detail on the various factors that resulted in not meeting your and our high expectations last year.

Let's start with golf. TaylorMade-adidas Golf saw a significant business decline in 2014 with sales decreasing 28% and operating profit deviating by around 200 million euro compared to the prior year level. This was partly our own fault as we misjudged the market situation at the beginning of the year. A decline in the number of active players as well as high levels and slow liquidation of old inventories caused immense problems in the entire industry, and as market leader this hit us particularly hard.

However, we reacted decisively to these challenges and took some painful measures to restructure and stabilise TaylorMade-adidas Golf. This included taking a leading role in the clean-up of excess inventories in the golf market by allowing mark-downs of existing product and postponing the timing of new product introductions. In addition, we implemented an extensive restructuring programme which has involved the closure of one of our facilities in the USA and a 15% reduction in the global TaylorMade-adidas Golf workforce. As a result, the retail environment in golf is much healthier today, and so is our organisation. Building on these significantly better foundations, and thanks to numerous promising product launches, TaylorMade-adidas Golf will be back on track for growth and profitability this year.

Russia/CIS, on the other hand, is a very different story. Here, the political and macroeconomic problems caused us to be victims of our own success. We have a strong and enviable position in the Russian market, with adidas being the clear market leader and Reebok a strong Number 3. Both of them belong to the most established and desired consumer brands in Russia. We have built this market rapidly and successfully over the last ten years with the roll-out of our own retail network that now counts more than 1,000 stores. In 2014, we grew our business there by 19%, but lost all of the growth in currency translation. In addition, the highly promotional environment as a result of deteriorating consumer sentiment and our efforts to clean inventories significantly impacted our margins. Altogether, the negative translation and transaction effects resulted in a profitability shortfall of around 130 million euro in 2014 against our initial expectations.

But also here we took swift action. By reducing our net store opening plan, carefully controlling inventory levels and optimising our cost base we were able to secure profitability levels above the Group's average even in such a lacklustre environment. And we will continue to work on that going forward. I will tell you more about that in a moment, but let me make one point clear: we fully believe in the long-term potential of the market and we are in it for the long run.

The significant devaluation of the rouble and other emerging market currencies also severely impacted our P&L last year. Negative translation effects wiped more than 550 million euro off our top line last year. In addition, unfavourable hedging rates negatively impacted the Group's gross margin by 60 basis points. In total, foreign exchange movements reduced our operating profit by roughly 170 million euro last year. But none of this changes our underlying strength in the developing economies in general and our excellent market position in Russia in particular.

As you have seen – 2014 had its challenges for us. For me, however, one thing is certain: true champions come out and show their worth after defeat. Only those who analyse their mistakes, learn from them and work intensively on their own weaknesses have what it takes to be true champions. This is exactly what we have done. We reacted like a true athlete, worked hard and adjusted our training, thus laying the foundation for coming back even stronger:

- We have taken the right measures to stabilise underperforming areas of our business, particularly at TaylorMade-adidas Golf.
- We have adjusted our investment plans to account for current market risks, with Russia being a key focus.

- We have completely realigned our marketing and sales activities to be better able to focus on consumers and the brand experiences we create for them.
- We have added new talent, both internal and external, to revive momentum and growth in North America.
- And we have increased marketing spend particularly in the developed markets.

And while the full results of our work over the last months will only become visible over time, I am proud of how hard our organisation and our employees have worked on themselves in the past few months in order to take up the fight for gold. As a result of our fast and decisive action, we have reached a first milestone, achieving our updated top- and bottom-line goals for last year.

Before I provide you with more detailed insights into our outlook and priorities for 2015, I would like to hand over to Robin to give you some more details on the financials first.

Robin Stalker

Thank you Herbert, and good afternoon ladies and gentlemen.

As you have just heard, 2014 was a bumpy ride for our Group. While Herbert has addressed the most important operational developments of the year, I will now spend a few minutes explaining how those ultimately have impacted our key financials in 2014.

Starting with the top-line development. Group revenues grew 6% in 2014, with strong sales growth in all regions except North America. Once again, we have seen stellar performances in emerging markets, with European Emerging Markets, Latin America and Greater China growing at double-digit rates each.

In Western Europe, we ended the year with impressive 13% growth in Q4, which is a great achievement considering that we were comparing against the positive effects from the sell-in of World Cup related products in the prior year period. Many important Sport Performance categories such as football and running as well as adidas NEO grew at double-digit rates. From a market perspective, our Group has seen double-digit growth in important geographical areas such as the UK, Germany, France and Poland.

In Latin America, the Group was able to keep the strong momentum from the previous quarters, with revenues up 12% in the fourth quarter on top of a 32% increase in the prior year period. This was driven by a 13% sales increase at adidas and an 11% growth at Reebok. Full year revenues in Latin America grew 19%, with double-digit sales increases in all major markets, in particular Argentina, Mexico and Brazil.

Revenues in Greater China were up 11% during the fourth quarter, resulting in a 10% increase for the full year. In particular, the adidas brand continues to enjoy very strong momentum in the Chinese market with revenues up 12% in the fourth quarter and 11% for the full year, supported by double-digit increases at adidas Originals and adidas NEO.

To finish on the regions, revenues in North America were down 4% during the fourth quarter, as sales growth of 4% at adidas was more than offset by double-digit declines at Reebok and TaylorMade-adidas Golf. While our Wholesale segment in the region ended the year with revenues down 9% in Q4, our own-retail activities were up a strong 16%, supported by comp store sales growth of 8%.

In the fourth quarter, Group gross margin decreased 2.6 percentage points to 44.9%. This resulted in a gross margin of 47.6% for the full year, down 1.7 percentage points versus the prior year period and below our guidance of a gross margin of between 48.0% and 48.5%. The main reasons for the decline in the full year were similar to the first nine months:

- Firstly, lower margins in Russia/CIS related to the high levels of promotional activity, as well as the negative effects from the rouble devaluation resulted in a 60 basis point headwind.
- Higher input costs negatively impacted the margin by around 50 basis points.
- Less favourable hedging rates accounted for around 30 basis points of the Group's gross margin decline.
- And last but not least, lower product margins at TaylorMade-adidas Golf as a result of increased clearance activities also impacted margins by 30 basis points.

These impacts were partly offset by an improved product and channel mix.

Looking at our operating expenses, other operating expenses as a percentage of sales were up 0.3 percentage points to 42.7% for the full year. This was due to 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 as a percentage of sales increased 70 basis points to 13.2%.

Group operating margin decreased 2.1 percentage points to 6.6% primarily due to the negative effects from the lower gross margin as well as higher other operating expenses as a percentage of sales.

For the fourth quarter, other operating expenses as a percentage of sales decreased 1.3 percentage points, as a result of solid operational leverage in the quarter. Nevertheless, operating margin for the quarter was down 1.4 percentage points to 1.1% due to the gross margin decline.

As a result of our annual impairment test, we have impaired goodwill and recorded a 78 million euro pre-tax charge as at December 31, 2014.

Looking at the specifics, which will probably not come as a surprise, this charge was related to the Retail cash-generating unit Russia/CIS and was mainly caused by adjusted growth assumptions due to the significant deterioration of the Russian rouble. As a result, the goodwill of this cash-generating unit is now completely impaired.

As in the prior year, when we impaired goodwill of 52 million euro related to several cash-generating units, the impairment loss of 78 million euro is non-cash in nature and does not affect the Group's liquidity.

Looking briefly at the non-operating items, net financial expenses decreased 29% to 48 million euro for the full year. This decline was primarily due to lower negative exchange rate variances, which decreased to 3 million euro from 18 million euro in the prior year. In addition, net interest expenses were down 6% versus the prior year, thus contributing to the positive development of net financial expenses.

As a result of the operating profit decline, net income from continuing operations was down 22% to 642 million euro. The full year tax rate increased 50 basis points to 29.7% mainly due to a less favourable earnings mix.

In 2014, the Group incurred losses from discontinued operations of 68 million euro related to the Rockport operating segment, which is planned to be divested during the course of 2015. These reflect the book loss in the amount of 82 million euro, which was partly offset by income from Rockport's operating activities of 14 million euro.

Excluding the impact from the planned Rockport divestiture, net income attributable to shareholders reached a level of 650 million euro in 2014, which is in line with the adjusted earnings target we communicated over the year.

Let me now spend a few minutes on our segmental performance, starting with our Wholesale segment. Wholesale revenues grew 5% during the fourth quarter and 6% for the full year, with sales increases in all regions, except North America. Of particular note is our strong momentum in Western Europe, where revenues increased 13% in the fourth quarter, with both adidas and Reebok growing at double-digit rates.

For the full year, the Wholesale gross margin decreased 1.0 percentage points to 41.7%, as the positive effect from a more favourable product mix was more than offset by negative currency effects following the devaluation of currencies such as the Argentine peso and Brazilian real as well as a less favourable pricing mix.

Moving over to the Retail segment, where revenues grew 21% to 3.8 billion euro, representing 26% of total Group sales. This was driven by robust comparable store sales growth of 9%, with every region posting at least mid-single-digit comparable store sales growth.

By brand, adidas comp store sales were up 10% for the quarter and also for the full year, while Reebok comp store sales grew 1% both in Q4 and in the full year.

Our eCommerce business continues to do extremely well, with sales increasing 62% in the fourth quarter and 72% for the full year to more than 420 million euro. In this context, I have every confidence that by the end of this year we will exceed our own expectations of eCommerce revenues of at least 500 million euro by 2015.

Gross margin in the Retail segment decreased 2.8 percentage points to 59.4%. The positive effect from a more favourable product mix was more than offset by a less favourable pricing mix related to increased clearance activities in Russia/CIS. In addition, the devaluation of the Russian rouble was a major headwind for the Retail gross margin in 2014.

Looking at our store base, during the fourth quarter, we added 91 stores net to our Retail portfolio, bringing our net openings for the full year to 173 in total. This is well below our initial plan of around 250 net openings, underlining that we have reacted swiftly to the changing market conditions in Russia/CIS and adjusted our store opening plan. At the end of 2014, our Retail segment operated 2,913 stores. Of the total number of stores, 1,616 were adidas and 446 were Reebok branded. In addition, we operated 851 multi-branded factory outlets. In 2014, we opened 409 new stores, 236 stores were closed and 145 stores were remodelled.

Moving on, revenues in Other Businesses decreased 19% in 2014, due to a 28% decline at TaylorMade-adidas Golf, as Herbert already mentioned. Sales at Reebok-CCM Hockey grew a healthy 7%.

For the fourth quarter, Other Businesses was down 16%, as a result of TaylorMade-adidas Golf's ongoing efforts to clean retail inventories and the timing of new product introductions compared to the prior year period. This resulted in a sales decline of 24% for TaylorMade-adidas Golf.

The full year gross margin for Other Businesses decreased 5.1 percentage points to 34.7%. This is mainly due to significantly lower product margins at TaylorMade-adidas Golf as a result of the reasons outlined before.

Moving over to the balance sheet, operating working capital as a percentage of sales grew 1.0 percentage points to 22.4% compared to the prior year. This was mainly due to the increase in accounts receivable, reflecting the growth of our business during the fourth quarter of 2014, as well as lower accounts payable at the end of 2014. At year-end, inventories increased 2%, reflecting our strong focus on inventory management. In the latter case, I am encouraged by the strong improvements we have achieved during the year, considering the higher than normal inventory levels we were facing at the beginning of 2014.

In terms of capital structure, we ended the year with a net debt position of 185 million euro, compared to net cash of 295 million euro last year. Higher capital expenditure than originally planned, which was mainly related to investments in the Group's logistics infrastructure as well as the further expansion of our Retail segment, negatively influenced this development.

Nevertheless, taking everything into account, our equity ratio remained at a strong level of 45.3% at year-end.

And as a result of our strong balance sheet and our confidence in the strength of the Group's financial position and long-term aspirations, at our Annual General Meeting, we will again propose a dividend of 1 euro and 50 cents. Based on the number of shares outstanding at the end of 2014, this reflects a pay-out ratio of 53.9%. While this is above the Group's dividend pay-out corridor of between 20% and 40% of net income attributable to shareholders, it does reflect our commitment to a reliable dividend policy aimed towards continuity.

As you also heard this morning, we announced the continuation of our shareholder return programme with the start of a second tranche of the share buyback programme. Just like during the first tranche, which we completed during the fourth quarter last year, we again aim to buy back shares in an amount of up to 300 million euro in the period until July 3, 2015. As you already know from the first tranche, we will report regularly on the progress of the share buyback on our Group website.

Ladies and gentlemen, let me wrap up by saying, while our results were significantly impacted by a challenging golf market, negative currency effects and a weakening of consumer sentiment in Russia/CIS, we are very encouraged by the underlying momentum of our brands.

Given the strong pipeline of products and the positive effects from increased brand-building activities, tight control of inventory levels and strict cost management, we have every confidence that we will be able to master the economic challenges and continue to grow in 2015. To give you more details on that, let me now hand back over to Herbert…

Thanks, Robin.

Before we provide you with more details about our financial aspirations for 2015, let me now spend a few minutes highlighting our top priorities and initiatives for the year to come.

As we are enjoying strong growth in most regions around the world, our focus in 2015 will be on the region in which that growth has been elusive up to now – North America. You can be sure that this market will be a key priority for us in 2015. As a Group, we underperformed in North America and we are all disappointed when we look back over the last 12 months. For us, however, one thing is clear: We want and we need to win in that market. This is why we carried out a significant change in leadership in our North American organisation last year, building a high-performance team from various parts within our Group as well as adding key external talent, particularly in design. This will help us to develop the right product for the market and become more relevant to US consumers, which is crucial for our future success in this all-important market – as is our execution at the point of sale. We definitely need to increase brand presence and improve the presentation of our products.

We will also become more visible on the pitch in sports that matter most to the young American athletes – basketball, American football and baseball. Our strong portfolio of outstanding basketball icons such as Derrick Rose, John Wall, Andrew Wiggins and Damian Lillard is a very good basis and we will continue to sign top talent in the draft. In addition, during the NFL combine, the most important pre-draft event in US sport, the adidas brand was already the most talked-about brand, well ahead of any of its competitors. Our adizero 5-star American football shoe was worn by the top six fastest athletes. This, however, is only the beginning. We will increase visibility at the grassroots level, grow our college portfolio and better utilise epic moments in college sports with the ultimate goal to be credible for our young target group.

As mentioned earlier, 2014 was a challenging year for the entire golf industry and for TaylorMade-adidas Golf in particular. And we took some painful measures to fix this. As a result, the retail environment is much healthier today, and so is the organisation. Supported by our strong product pipeline, we will see top-line growth together with a significant swing in profitability into positive territory in 2015. This confidence is underpinned by strong product launches we have had since the start of 2015 – the R15 and the Aeroburner. While the R15 driver provides the highest level of mass adjustment with a double sliding weight front sole system, Aeroburner is made for speed, being our fastest and most aerodynamic driver ever. Both drivers are doing extremely well as you can see in the market share data, where we have strongly gained traction year-to-date. And let me make it very clear: TaylorMade-adidas Golf is and will remain the number one golf company in the world.

In Russia, we will continue to manage the business in a very prudent manner in the short term and close around 15% of our store base net this year. But we still fully believe in the long-term potential of the market. This is why we will increase our store footprint in Moscow and accelerate the installment of our new store concepts HomeCourt and Neighbourhood. The upcoming 2018 FIFA World Cup will be a great platform for adidas, and our preparations for that global event are already in full swing. We are in Russia/CIS for the long run, no question about it.

In order to be more impactful in the marketplace, in the second half of 2014, we turned our entire marketing organisation upside down. We have built an organisational model centred on the consumer, with clear roles and responsibilities, lower levels of escalation and clear accountability, so that we can make more and faster decisions. The new set-up also empowers our category business units – such as running, football, training or Originals – to take responsibility for all marketing processes, end-to-end, and will help us to bring our concepts to the consumer in a more efficient and effective way. I am convinced that, based on a clear business unit strategy and a consumer-focused organisation across all marketing functions, this will help drive engagement and provide a clearer framework for decision-making on all levels.

We know that consumers today use several different channels simultaneously, and because consistent messaging across all these channels is crucial for enhancement of the consumer shopping experience we have also realigned our sales strategy. Thanks to our omni-channel approach, we will integrate all sales channels and marketing activation activities, utilise cross-selling opportunities and align pricing across all channels. As part of initial pilot projects, we have given consumers in some markets the option to order online and then pick up their products in a store. First feedback on our 'click and collect' offer is very encouraging. Therefore we will continue to invest in infrastructure and processes that will enable us to implement the omni-channel approach globally.

Based on the robust brand momentum for adidas and Reebok that we saw in the second half of 2014, the time is right to increase investments into our brands. We know consumers love our brands when they hear our stories. Therefore, we will be bringing even more of these to life on the streets and, screens and in stores this year, to ensure consumers constantly hear what we have to say.

In 2015, we will go out bold and show the world that sport is the heart and soul of adidas. As many of you have witnessed, in February we started the global roll-out of a series of films called 'Sport 15'. Throughout the entire year and across all channels – TV, social media and via our unique adidas global news rooms – we will be telling brand stories that motivate and inspire young athletes. We know them and their sports better than anyone else – and we will make sure that everyone gets that.

In addition, we have launched the 'There Will Be Haters' football campaign creating a fundamentally different tone of voice to anything adidas Football has ever delivered. Featuring players such as Gareth Bale, James Rodriguez, Luis Suarez and Karim Benzema, the campaign is resonating extremely well with its key target consumers, the 17-year -ld football player.

In fact, the success of both of these campaigns is tremendous. At the end of February, adidas led the weekly Viral Video Chart, which tracks online views of marketing campaigns. This time we even took the two top slots, a rare feat, with 'Take It', the first film in our 'Sport 15' campaign, at No. 1 and 'There Will Be Haters' coming in at No. 2, putting other prestigious global brands in the shade. In addition, as a result of these campaigns, we have seen a huge surge in traffic on our websites and engagement rates significantly above industry average. Also in social media our campaigns are creating a lot of buzz, with 'Take It' and 'There Will Be Haters' accounting for more than 30 million and 15 million views on YouTube, respectively.

And Reebok's 'Be More Human' campaign, which is a rally cry to live up to your full potential, has also resonated extremely well with the target consumer. Tough fitness is a niche Reebok owns, but it's a lifestyle not always understood. The campaign, which aired during the NFL Super Bowl pre-game coverage, celebrates and supports everyday athletes who embody the tough fitness lifestyle which is more than just a physical activity. The feedback we have received so far is absolutely overwhelming and has exceeded our expectations by far, with more than 8 million views on YouTube. Athletes realise that Reebok shares their passion, understands their motivation and supports them in their ultimate goal – to be more human.

While each of these campaigns will help us to create lots of noise in the marketplace, 2015 will also see a number of significant product launches. And I am glad to share with you that our pipeline is full of new, exciting product launches, which will help us to more than compensate for the non-recurrence of World Cup related football sales.

Many of our innovations have changed the game for good. And I am not talking downstream innovation, meaning just taking an existing material or manufacturing technique, adding a nice design and a fun campaign to make people buy it. I am talking upstream innovation. Innovation that improves athletes' performance. This goes back to the studs in football boots at the Miracle of Bern to introducing BOOST, a material that has completely changed running and now has permeated other categories as well, such as basketball and even golf. So stay tuned for more. With Ultra Boost we just launched our best running shoe ever in February. We are making a difference and we need to capitalise on it by shouting out loud.

On the lifestyle side, we also enjoyed a fantastic start to the year. To relaunch the iconic Superstar shoe, adidas Originals kicked off its global campaign, which, throughout 2015, will question what it means to be a superstar. It launched with a 90-second film in January, featuring David Beckham, Pharrell Williams, Rita Ora and Damian Lillard.

Then sneakerheads from all over the world were thrilled by 'adidas Yeezy', our first shoe created together with Kanye West which has caused long queues in front of key sneaker stores. The shoe was sold out well before its launch as consumers reserved their pair via our unique 'adidas Confirmed' reservation app. Even before that launch, adidas was the talk of the town at the Grammys in Los Angeles starring Pharrell Williams and Kanye West and at Paris Fashion Week with our Y-3 show, our strong fashion co-operations and Stan Smith shoes being on the feet of nearly every visitor at the shows.

On the apparel side, we will further build on the success of our Clima franchise by introducing the new ClimaCool Aeroknit apparel collection. The new gradient burnout pattern that provides breakthrough breathability creates more ventilation, helping athletes stay cooler and train longer.

For Reebok, together with the new 'Be More Human' campaign as well as our strategic collaborations with CrossFit, Spartan Race, Les Mills and the UFC, we will see great product launches to match these great activities. Yesterday, Reebok introduced its newest running shoe, the ZPump Fusion, in New York City. Featuring Reebok's iconic Pump technology, ZPump Fusion is the first running shoe that provides a locked-in custom fit.

Unlike a traditional running shoe that is often made up of many individual parts, the Reebok ZPump Fusion is made up of just three, working together to deliver unprecedented fit and control. ZPump Fusion is Reebok's largest product story for the year and will be supported with significant above-the-line media and retail excellence in all markets.

In any sport, to reach your goals, tactics and desire are critical to compete and win. We are here to do both.

For 2015, we project top- and bottom-line improvements in our Group's financial results, despite a high degree of economic uncertainty persisting in Russia/CIS and the Middle East, and the non-recurrence of the positive effects relating to the 2014 FIFA World Cup. Our extensive pipeline of new and innovative products at all brands and the positive effects from increased brand-building activities, tight control of inventory levels and strict cost management will spur our growth.

- As a result, we forecast adidas Group sales to increase at a mid-single-digit rate on a currency-neutral basis. Group sales development will be favourably impacted by a significantly improved top-line development at TaylorMade-adidas Golf as well as ongoing robust momentum at both adidas and Reebok.
- We expect growth at all brands and in all our geographical areas except Russia/CIS.
- Given the recent strengthening of major currencies versus the euro, most notably the US dollar and the Chinese renminbi, currency translation is expected to have a positive impact on our top-line development in reported terms this year.
- While Group gross margin will benefit on the one hand from lower levels of clearance activity as well as a more favourable pricing and product mix at both adidas and Reebok, on the other hand, it is expected to be significantly impacted by adverse currency movements. Therefore we forecast Group gross margin to be at a level between 47.5% and 48.5%.
- Group operating margin will be at a level between 6.5% and 7.0%.
- Finally, net income from continuing operations will grow at a higher rate than Group sales and is expected to increase at a rate of 7% to 10%.

But it’s not only the financial figures that matter. Whatever we do needs to benefit our consumers. That’s why the consumer’s perception of our brands will be included as a new KPI into our internal performance review. With our unmatched heritage in sport, the unique breadth of our innovative product offering and innovative sales and marketing concepts we have all pieces in place to succeed by winning the hearts of athletes around the world. No matter which sport you do or on which level – at adidas, Reebok and TaylorMade-adidas Golf we have the right and the best product for you.

To close, allow me to say that we have everything it takes to be successful going forward: our brands are enjoying great momentum, our product pipeline is full, and our campaigns will make our brands even more desirable. We know what our priorities are, we have drawn up our plan accordingly and we will now work in a consistent, resolute and bold way to implement it. At the same time, we will remain vigilant, in order to be able to react quickly and resolutely to any changes in the market environment. The roadmap for the future is clear. We will significantly improve our business and grow our top and bottom line in 2015. But that’s only just the beginning. At the end of March we will present our long-term strategy for the period up to 2020, and I am looking forward to welcoming you here in Herzogenaurach.

With that, let me thank you for your attention. Now it’s time for all your questions.