adidas GROUP

PUSHING BOUNDARIES

adidas Group
Annual Report
2012

Targets – Results – Outlook

Targets 2012	Results 2012[1]	Outlook 2013
Currency-neutral sales development: **adidas Group** increase at a mid- to high-single-digit rate	**Currency-neutral sales development:** **adidas Group** increase of 6% | Group sales of € 14.883 billion	**Currency-neutral sales development:** **adidas Group** increase at a mid-single-digit rate
Wholesale segment increase at a mid-single-digit rate	**Wholesale segment** increase of 2%	**Wholesale segment** increase at a low-single-digit rate
Retail segment increase at a low-teens rate	**Retail segment** increase of 14%	**Retail segment** increase at a high-single- to low-double-digit rate
Other Businesses increase at a low- to mid-single-digit rate	**Other Businesses** increase of 17%	**Other Businesses** increase at a mid- to high-single-digit rate
TaylorMade-adidas Golf increase at a low- to mid-single-digit rate	**TaylorMade-adidas Golf** increase of 20%	**TaylorMade-adidas Golf** increase at a mid-single-digit rate
Rockport increase at a high-single-digit rate	**Rockport** increase of 2%	**Rockport** increase at a mid- to high-single-digit rate
Reebok-CCM Hockey increase at a strong double-digit rate	**Reebok-CCM Hockey** increase of 9%	**Reebok-CCM Hockey** increase at a low-double-digit rate
Gross margin around 47.5%	Gross margin 47.7%	Gross margin 48.0% – 48.5%
Operating margin increase to a level approaching 8.0%	Operating margin 8%	Operating margin increase to a level approaching 9.0%
Average operating working capital (in % of sales) moderate increase expected	Average operating working capital (in % of sales) decreases to 20.0%	Average operating working capital (in % of sales) moderate increase expected
Capital expenditure € 400 million – € 450 million	Capital expenditure € 434 million	Capital expenditure € 500 million – € 550 million
Gross borrowings further reduction	Net borrowings Net cash of € 448 million	Gross borrowings further reduction
Net borrowings/EBITDA ratio to be maintained below 2	Net borrowings/EBITDA ratio – 0.3	Net borrowings/EBITDA ratio to be maintained below 2
Earnings per share increase at a rate of 10% to 15% to a level between € 3.52 – € 3.68	Earnings per share increase 29% to € 3.78 | Net income attributable to shareholders increases 29% to € 791 million	Earnings per share Increase at a rate of 12% to 16% to a level between € 4.25 – € 4.40
Shareholder value further increase	adidas AG share price increases 34% | Dividend per share (subject to Annual General Meeting approval) € 1.35	Shareholder value further increase

1) Excluding goodwill impairment of € 265 million.

adidas GROUP

PUSHING BOUNDARIES

adidas Group Annual Report

2012

With our products, trends are set and records are broken.
Always raising the bar, continuously determined to
reach for more – this is our challenge, our guiding ambition,
our legacy.

Inspired by our passion for sports and performance,
with dedication, commitment and team spirit, we continuously
innovate to establish new benchmarks in everything we do.

We learn from top athletes, we utilise the latest
technologies and we work hard to always achieve the very
best – so that, together with us, you can go higher and
reach further than ever before.

Our Brands

adidas GROUP

adidas

adidas is a true global brand with German roots.

adidas Sport Performance

The guiding principle of adidas Sport Performance is to make athletes better by making them faster, stronger, smarter, cooler and more natural. The main focus is on five key categories: Football, Basketball, Running, Training and Outdoor.

adidas Sport Style

adidas Originals: adidas Originals is the authentic, iconic sportswear label for the street, and its philosophy to "Celebrate Originality". **adidas Sport Style:** adidas Sport Style is defined as the "Future of Sportswear" and includes the labels Y-3, Porsche Design Sport, adidas SLVR and adidas NEO. adidas Sport Style's positioning statement is "Style your Life".

Five Ten

Five Ten, the Brand of the Brave, is a leader in performance, high-friction footwear. From downhill mountain bike racing to rock climbing, from wingsuit flying to kayaking, Five Ten makes footwear for the world's most dangerous sports. The company has been producing cutting-edge designs and proprietary Stealth rubber soles for nearly 30 years.

TaylorMade

TaylorMade

TaylorMade leads the golf industry in metalwood sales and is the No. 1 driver brand on the world's major professional golf tours. The brand is recognised globally for its capacity to develop innovative and performance-enhancing technologies for drivers, fairway woods, hybrids, irons, putters and balls.

adidas Golf

adidas Golf develops high-performance golf footwear and apparel for active, serious, athletic-minded golfers seeking products to elevate their game.

Adams Golf

Adams Golf designs and produces easy-to-hit equipment that makes playing the game more enjoyable for golfers of all skill levels.

Ashworth

Ashworth is an authentic golf apparel and footwear brand with powerful name recognition among true, authentic golfers, offering products that move effortlessly from the golf course to the clubhouse and beyond.

Reebok

Reebok is an American-inspired sports brand with the clear objective to become the leading fitness brand in the world. Understanding and embracing the multi-facets and lifestyle potential of fitness, Reebok provides consumers with innovative products, experiences and inspirations. Its strong roots and history in fitness allow Reebok to empower consumers to be fit for life.

Rockport

Rockport was founded in 1971 on the idea of making fashion footwear comfortable by using the latest in athletic shoe technologies. More than 40 years later, Rockport combines its unique DNA with the innovation resources of the adidas Group and designs products which deliver uncompromised style with state-of-the-art engineered comfort for metropolitan professionals around the world.

Reebok | CCM

Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and apparel, with two of the world's most recognised ice hockey brand names: Reebok Hockey and CCM.

For more information on our brands:

://

WWW.ADIDAS-GROUP.COM/BRANDS

Financial Highlights
2012

01 / Financial Highlights (IFRS)

	2012	2011 [1]	Change
Operating Highlights (€ in millions)			
Net sales	14,883	13,322	11.7%
EBITDA	1,445	1,199	20.6%
Operating profit [2]	1,185	953	24.4%
Net income attributable to shareholders [2]	791	613	29.0%
Key Ratios (%)			
Gross margin	47.7%	47.5%	0.2pp
Operating expenses as a percentage of net sales	41.3%	41.8%	(0.5pp)
Operating margin [2]	8.0%	7.2%	0.8pp
Effective tax rate [2]	29.3%	30.0%	(0.7pp)
Net income attributable to shareholders as a percentage of net sales [2]	5.3%	4.6%	0.7pp
Average operating working capital as a percentage of net sales	20.0%	20.4%	(0.4pp)
Equity ratio	45.5%	45.7%	(0.2pp)
Net borrowings/EBITDA	(0.3)	(0.1)	
Financial leverage	(8.5%)	(1.8%)	(6.7pp)
Return on equity	9.9%	11.9%	(2.0pp)
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	11,651	11,237	3.7%
Inventories	2,486	2,502	(0.6%)
Receivables and other current assets	2,444	2,431	0.5%
Working capital	2,504	1,990	25.8%
Net cash	448	90	397.7%
Shareholders' equity	5,304	5,137	3.3%
Capital expenditure	434	376	15.4%
Net cash generated from operating activities	942	807	16.7%
Per Share of Common Stock (€)			
Basic earnings [2]	3.78	2.93	29.0%
Diluted earnings [2]	3.78	2.93	29.0%
Net cash generated from operating activities	4.50	3.86	16.7%
Dividend	1.35 [3]	1.00	35.0%
Share price at year-end	67.33	50.26	34.0%
Other (at year-end)			
Number of employees	46,306	46,824	(1.1%)
Number of shares outstanding	209,216,186	209,216,186	–
Average number of shares	209,216,186	209,216,186	–

1) Restated according to IAS 8, see Note 03.
2) Excluding goodwill impairment of € 265 million.
3) Subject to Annual General Meeting approval.

PUSHING BOUNDARIES
2012

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GROUP MANAGEMENT REPORT: This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

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42.195 KM
PURE EFFORT

Wilson Kipsang
/ MARATHON RUNNER

MORE SPEED

1 **WINNER** OF THE VIRGIN LONDON MARATHON 2012

BRONZE MEDALLIST OF THE OLYMPIC GAMES IN LONDON

3

2:09:37 h OLYMPIC MARATHON TIME, LONDON, 2012

As bronze medallist of the Olympic Games in London and winner of the Virgin London Marathon in 2012, Wilson Kipsang proved it again. He is one of the best distance runners in the world. Running faster than everybody else is essential to succeed in a marathon. How will adidas Running help Wilson Kipsang and all runners to go even faster in 2013?

Pushing Boundaries.

adidas

Energy Boost

⁄ A GROUNDBREAKING INNOVATION

MORE ENERGY

ENDLESS ENERGY | techfit | TORSION® | 3× MORE TEMPERATURE-RESISTANT THAN STANDARD EVA MATERIAL

In 2013, adidas presents probably one of the most revolutionary innovations in footwear – Energy Boost! The shoe features a new cushioning technology that provides the highest energy return to the athlete in the running industry. It combines the usually conflicting performance benefits of soft and responsive cushioning. In cooperation with BASF, the game-changing material was developed over three years. These shoes will help Wilson Kipsang and all other runners to go faster and run even longer.

Pushing Boundaries.

LONGITUDINAL SECTION OF THE ENERGY BOOST RUNNING SHOE

SOLE ELEMENTS OF THE ENERGY BOOST RUNNING SHOE

DESIGN SKETCHES OF THE
D ROSE 3.5

Derrick Rose
/ BASKETBALL PLAYER

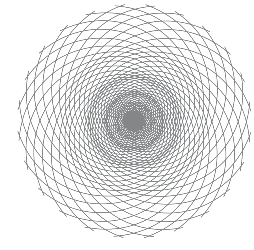
MORE D ROSE

MOST VALUABLE PLAYER 2011

Playing for the Chicago Bulls in the NBA, Derrick Rose is one of the top basketball players in the world. Starting early on with his three brothers on the streets of Chicago, he continued his passion for basketball at high school. In 2008, he entered the NBA and was selected in his first season as Rookie of the Year. Through hard training and self-discipline, he was able to improve his skills. How will adidas Basketball support Derrick Rose and everybody who loves the court to improve their game in 2013?

Pushing Boundaries.

D ROSE 3.5
BASKETBALL SHOE



FOLLOWING THE FIBONACCI SEQUENCE, THE DESIGN OF THE D ROSE 3.5 REPRESENTS HOW DERRICK ROSE'S SUCCESS CONTINUES TO GROW STEADILY
---

drydye

NORMALLY, IT TAKES 25 LITRES OF WATER TO COLOUR 1 SHIRT …

=

… ADIDAS DRYDYE ELIMINATES THE NEED FOR WATER ALTOGETHER.

= 0 H_2O

DryDye
/ EVERY DROP COUNTS

MORE SUSTAINABLE

50% LESS ENERGY	50% FEWER CHEMICALS	1,250,000 LITRES OF WATER SAVED IN 2012

In partnership with the Thailand-based Yeh Group, adidas has supported the development of a new technology – DryDye. This innovation eliminates the need for water in the dyeing process. It is part of adidas' vision to create more environmentally benign products and assume responsibility as a company to make the world a better place. But how did adidas succeed in creating sustainable materials that meet the high adidas performance standards?

Pushing Boundaries.

adidas

Prime Tee

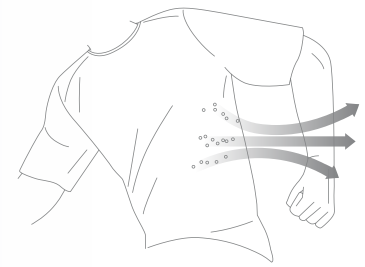
/ DRYDYE INITIATIVE

MORE FUNCTIONAL

climalite+ | drydye

Launched in early 2013, the DryDye Prime Tee is part of the sustainable DryDye product range. The freshrite antibacterial fabric finish enables athletes to stay fresh and comfortable, the ClimaLite technology ensures quick T-shirt drying. adidas succeeds in developing products which are both high-performance and sustainable.

Pushing Boundaries.



CLIMALITE KEEPS ATHLETES DRY
AND COMFORTABLE

ADIDAS ORIGINALS:
SETTING TRENDS
SINCE 1972

It's time to...

adidas

adidas Originals Core Collection
/ BACK TO THE ROOTS

MORE NINETIES

Many adidas innovations have had as much impact on street style as they did on the track. This is especially true for the '90s. There are echoes of that era throughout the adidas Originals Core Collection. adidas Originals fuses sports authenticity and global street style, setting trends around the world. How will adidas Originals celebrate this heritage in 2013?

Pushing Boundaries.

adidas

Torsion Allegra W

/ REVIVAL OF THE '90S

MORE STYLE

MODEL AVAILABLE IN **23** COLOUR-WAYS

TORSION ALLEGRA LADY LAUNCHED IN 1994

TORSION® SYSTEM

Originally introduced in the '90s, the Torsion Allegra Lady running shoe is now back. The new, innovative version, the Torsion Allegra W, has the Torsion support bar on the sole of the shoe and an advanced upper made of synthetic leather. Characteristic of the '90s, the shoe features the iconic three stripes in a modern way. This stylish shoe connects the past with the present and celebrates the authentic heritage of adidas Originals.

Pushing Boundaries.

...Unite all Originals.

1994:
THE ORIGINAL TORSION ALLEGRA LADY

Reebok CrossFit GAMES
THE FITTEST ON EARTH
2012

Reebok

Julie Foucher
／REEBOK CROSSFIT ATHLETE

MORE FIT

2ND PLACE IN 2012

USA
977 POINTS

Julie Foucher is one of the fittest women on earth. Placing second at the Reebok CrossFit Games in 2012, she confirmed her high level of fitness. For her CrossFit workouts, it is important to have high-performing shoes with a perfect fit. They should be able to help her to run, jump and stretch. How will Reebok provide her with the ultimate fitness shoe?

Pushing Boundaries.

REALFLEX FUSION TR 2.0:
SOLE WITH FLEXIBLE NODES

DO YOU HAVE WHAT IT TAKES ?

Reebok

Rich Froning Jr.
/ FITTEST MAN ON EARTH

MORE STRENGTH

CHAMPION 2011 & 2012

USA
1089 POINTS

Rich Froning Jr. won the Reebok CrossFit Games twice in a row, defending his title as “Fittest Man on Earth” in 2012. Combining different fitness disciplines, CrossFit athletes such as Rich Froning Jr. are looking for apparel which guarantees great freedom of movement to be able to perform at their best. How will Reebok serve the world’s fittest athletes in 2013?

Pushing Boundaries.

Reebok

CrossFit Lite Long Sleeve

/ REEBOK DELTA COLLECTION

MORE PLAY

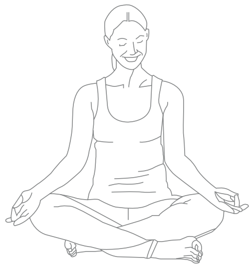
COMPRESSION

PLAYDRY

Reebok's CrossFit Lite Long Sleeve is an antimicrobial compression top, featuring moisture-wicking PlayDry technology, heat-reflecting fabric technology and rub-reducing flatlock stitching. This top fits like a second skin and provides natural wearing comfort to the fitness athlete by enabling them to fully devote themselves to their performance.

Pushing Boundaries.

REEBOK DELTA
COLLECTION:
BE FIT FOR LIFE



BEND THE RULES
WITH REEBOK YOGA

COMFORTABLE YOGA MAT FOR
EXERCISES OF ALL KINDS

Reebok

Tara Stiles
⁄ YOGA EXPERT

MORE REBEL

SLIM
CALM
SEXY
YOGA

SOCIAL MEDIA REACH:
TENS OF MILLIONS

YOGA

Named the "Yoga Rebel" by the New York Times, yoga guru Tara Stiles reaches a global audience and brings a fresh take on a traditional sport. With Tara Stiles as global yoga ambassador, Reebok defines yoga as a sport in a completely new and avant-garde way. Reebok is bending the rules and defying convention with an athletic, fun and social take on yoga. How is this unconventional interpretation reflected in Reebok's yoga apparel?

Pushing Boundaries.

Reebok

Yoga Pocket Tank

/ REEBOK YOGA COLLECTION

MORE EMPOWERED

PLAYDRY

REGULAR FIT ✓

PERFECT FOR LAYERING

Reebok presents a collection which is characterised by bold statement graphics and contemporary urban designs. Implicitly functional, it is complemented and adapted to women's bodies to provide a perfect fit. The Yoga Pocket Tank is designed with a deep racer back for unrestricted back and shoulder motion. With the help of the Reebok yoga collection, yoga practitioners are not restricted in their movement and feel empowered by the natural fit.

Pushing Boundaries.

KEY YOGA QUOTE
FROM TARA STILES

YOGA CAPRI:
BAMBOO JERSEY FOR A SMOOTH FEEL

CUSTOMISED
TO EVERY SWING:
R1 DRIVER

TaylorMade

Dustin Johnson
/ PROFESSIONAL GOLFER

MORE CUSTOMISED

9 SINCE 2008: PROFESSIONAL WINS

CONSTANTLY TOP 5 IN THE PGA TOUR SINCE 2008

IN THE OPEN CHAMPIONSHIP 2011: T2

As a professional golfer, Dustin Johnson knows the importance of excellent equipment. Since joining the PGA Tour in 2008, he has consistently ranked among the TOP 5 players each year. Despite an injury in 2012, he recovered and came back even stronger. With the help of industry-leading equipment tailored and customised to his every need, he went on to win the Hyundai Tournament of Champions by four strokes at the beginning of 2013. Like Dustin, every golfer strives to achieve their best on the golf course.
How is TaylorMade continuing to support golfers with the best and most personalised equipment?

Pushing Boundaries.

TaylorMade

R1 Driver

/ FOR ALL KINDS OF GOLFER

MORE ADJUSTABLE

7 FACE-ANGLE SETTINGS

CAN BE TUNED 168 DIFFERENT WAYS

In 2013, TaylorMade introduces the new R1 driver, which gives the golfer seven face-angle positions to choose from as well as two movable shot-shape weights. It offers twelve loft-sleeve setting positions to help golfers find the loft that delivers the launch conditions to promote maximum distance. Offering the largest scope of adjustability of any driver in the brand's history, the R1 provides the best fit for the widest range of players, from Tour pros to high handicaps.

Pushing Boundaries.

R1 DRIVER:
THICK-THIN CROWN TECHNOLOGY
SAVES VALUABLE WEIGHT

LARGE SCOPE
OF ADJUSTABILITY

ROCKPORT

truWALK zero

/ CHALLENGE GRAVITY

MORE COMFORT

ENGINEERED COMFORT THROUGH LIGHTNESS

ADIPRENE® by adidas

In our fast-moving society, everybody strives for a break and some breathing space. Rockport empowers consumers to do more, be more and live more from weekday to weekend. Rockport shoes fuse contemporary style and engineered comfort. Every shoe has to deliver against this promise – this principle is at the heart of everything the brand does. But what exactly could make you look and feel great even after a long day in the office?

Pushing Boundaries.

truWALK^{zero} SHOE SOLE:
LIGHT AND COMFORTABLE


CCM
91
A
ISLANDERS

Reebok | CCM

John Tavares
⁄ ICE HOCKEY PLAYER

MORE POWER

NATIONAL HOCKEY LEAGUE (NHL)

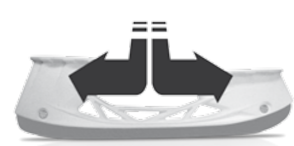
PLAYER IN THE NHL
ALL-STAR GAME 2012
★★★

Canadian-born John Tavares, drafted first overall in 2009 to the National Hockey League, started his career as centre for the New York Islanders. In 2012, he was voted as best NHL player during the month of January and finished the year with a gold medal for Canada at the Spengler Cup. To deliver a perfect game and transcend their own limits, ice hockey players need equipment that enables them to play their game with the highest intensity and impact. How will Reebok-CCM Hockey keep driving the power and the action out on the ice in 2013?

Pushing Boundaries.

HORIZONTAL DEFLECTION

LESS TORSION



VERTICAL DEFLECTION

One team, one goal:
innovations that break new ground.

2012 was once again a year characterised by pioneering innovations, creativity and remarkable success stories. The section dividers will give you a glimpse into some of our game-changing products and technologies which, together with our exceptional partnerships with some of the greatest athletes and icons, all have one thing in common:

Pushing Boundaries.

adidas GROUP

PUSHING BOUNDARIES

2012

⁄ One team, one goal: pushing boundaries through innovation and achievements. ⁄

The new Investor Relations and media app keeps investors, shareholders, journalists and other interested stakeholders up to date with the latest Group and brand news.

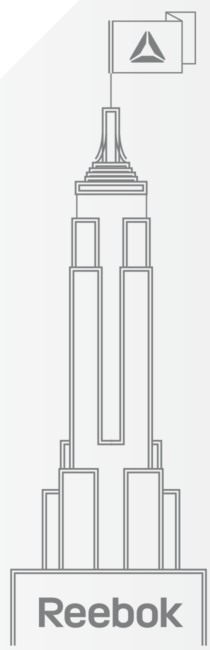
#murraysyear

- US Open final in New York
- Andy Murray vs. Novak Djokovic
- A 4 hour 54 minute match
- Andy's first Grand Slam title
- Olympic gold in London earlier in the year
- Andy's most successful year yet

"Lead, don't copy."

⁄ Adi Dassler ⁄

Working out 1,050 feet above the streets of NYC



Reebok takes fitness to new heights with a unique workout at the top of the Empire State Building.

adidas Golf presents

adizero

Revolutionising the fit, feel and shape of adidas Golf footwear, the new adizero line has been specially built on the principle that you start with zero and add only what is essential to perform.

Five Ten has been pushing the boundaries of climbers since 1985. The revolutionary Stealth rubber makes climbing easier in the world's most dangerous sport.

ENERGY BOOST!

Probably one of the most exciting innovations in 2013.

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Operational and Sporting Highlights 2012

Q1

JAN

09. adidas sponsored Lionel Messi is voted World Footballer of the Year for the third time in a row. / **PICTURE 01**

11. adidas opens the doors to its fourth Brand Centre worldwide, in the city of Shanghai. The store is one of the Group's largest, spanning 2,800m².

15. Reebok kicks off its new brand campaign "The Sport Of Fitness Has Arrived". The campaign builds upon Reebok's conviction that fitness can be as engaging as any sport. / **PICTURE 02**

18. Europe's first stand-alone adidas SLVR store opens in Berlin during Mercedes-Benz Fashion Week. The store is located in "Mitte", one of the most vibrant and trendsetting areas of Berlin.

30. adidas and Porsche Design Group announce the next step in their collaboration by entering into a new contract.

FEB

02. The first adidas NEO label store opens its doors to the public in Hamburg, Germany. The adidas NEO label focuses on 14- to 19-year-olds with a unique and fresh fast-fashion offering. The store in Hamburg is the first of ten to be opened in Germany. / **PICTURE 03**

02. TaylorMade promotes its R11S driver by appealing to consumers' emotions with the "Driver Love" campaign. The effort is focused on the strong bond golfers have with their favourite clubs. / **PICTURE 04**

08. adidas and Dwight Howard launch the adiPower Howard 2 signature basketball shoe. It features a signature shattered glass graphic throughout the shoe as a nod to Dwight's power and history of bringing down backboards.

13. adidas and UEFA launch the adidas Finale Munich, the Official Match Ball for the 2012 UEFA Champions League Final. / **PICTURE 05**

MAR

14. adidas AG issues a convertible bond, due on June 14, 2019, for an aggregate nominal amount of € 500 million. The bonds are convertible into 5.99 million new or existing adidas AG shares.

19. TaylorMade-adidas Golf announces the acquisition of Adams Golf, Inc. The addition of Adams Golf enables TaylorMade-adidas Golf to broaden its product range and to extend its presence across a wider array of golfers.

20. adidas Golf unveils its Samba Golf Majors Collection for 2012 which includes four limited-edition colourways, individually numbered. / **PICTURE 06**

22. adidas, Official Sportswear Partner of Team GB and Paralympics GB, presents the team kit that will be worn by the British athletes at the London 2012 Olympic and Paralympic Games. It was designed by Stella McCartney.

22. The Reebok Classics campaign "It takes a lot to make a Classic" is launched in the USA. Through an integrated global marketing campaign, Reebok is reaffirming its heritage and reclaiming its position as an authentic classics brand.

29. adidas unveils the latest chapter of its "adidas is all in" brand campaign. Featuring brand ambassadors such as Lionel Messi, David Beckham, Derrick Rose and Katy Perry, the campaign concept takes away the boundaries of fame, money, age, gender and geography and showcases that passion unites us all. / **PICTURE 07**

Q2

APR

05. Rockport launches the revolutionary truWalkZero footwear collection in New York City. The collection focuses on lightweight and features performance technologies by adidas and Rockport that allow for a natural full range of motion and stellar comfort.

16. adidas sponsored Sharon Cherop wins the 116th Boston Marathon. / **PICTURE 08**

18. Internationally acclaimed supermodel Miranda Kerr is announced as the latest EasyTone ambassador in Reebok's "Satisfaction" campaign. / **PICTURE 09**

27. The Reebok CrossFit Regionals kick off. Taking place in 17 locations worldwide, these regional competitions make up the second stage of the CrossFit Games on the road towards crowning the next two "Fittest on Earth". / **PICTURE 10**

27. The first adidas Brand Centre in Russia opens in Moscow. In the 1,100m² store, consumers will find more than 3,000 items representing the full spectrum of the adidas brand.

MAY

01. adidas launches the Predator Lethal Zones football boot. The boot is composed of five, superlight (SL) rubber and memory foam 3-D zones, each designed to support perfect ball control. / **PICTURE 11**

19. adidas sponsored football club Chelsea FC wins the UEFA Champions League. / **PICTURE 12**

26. The first adidas by Stella McCartney global flagship store opens in London.

30. adidas Golf introduces Puremotion, a natural movement golf shoe. Inspired by the concept of barefoot training, the shoe is designed to provide extreme comfort both on and off the course. / **PICTURE 13**

31. Reebok Classics and Marvel Entertainment, LLC join forces to create a 10-silhouette sneaker capsule collection featuring some of Marvel's most memorable characters. / **PICTURE 14**

JUN

08. The UEFA EURO 2012 kicks off in Poland and Ukraine. adidas supplies the Official Ball of the tournament, equips officials, referees and volunteers, and outfits the teams Spain, Germany, Ukraine, Greece, Denmark and Russia.

21. adidas announces that the brand expects to achieve record sales of well over € 1.6 billion in the football category in 2012, surpassing even record sales from the World Cup year 2010 (€ 1.5 billion in sales).

26. adidas AG signs a € 500 million revolving credit facility. The facility is another step in securing the Group's financial flexibility and ensures long-term cost-effective financing.

27. The adidas Group 2011 Annual Report claims three significant awards: the prestigious red dot design award, an if communication design award and the Best of Corporate Publishing (BCP) Gold Award.

Q1


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14
FIFA BALLON D'OR 2011
THE SPORT OF FITNESS HAS ARRIVED.
Reebok CrossFit
NEO
adidas is all in
DRIVER LOVE
THE ALL NEW R11s
MORE TUNABLE AND EVEN LONGER.
2012 BOSTON MARATHON
chelsea fc is all in
uefa champions league winner 2012

Q2

Q3

JUL

01. The adidas sponsored Spanish national football team becomes the first European team ever to win three back-to-back international tournaments when they defend the European Championship with an impressive 4-0 win over Italy.

15. For the second consecutive year, Reebok sponsored Rich Froning Jr. and Annie Thorisdottir earn the titles of "Fittest Man and Woman on Earth" at the final of the 2012 Reebok CrossFit Games in Carson, California.

19. During a press conference in New York with adidas Group CEO Herbert Hainer, adidas launches the miCoach Elite System for football. / **PICTURE 01**

27. The London 2012 Olympic Games kick off with an incredible Opening Ceremony in the Olympic Stadium in London. adidas is Official Sportswear Partner of London 2012. / **PICTURE 02**

31. adidas unveils the Group's latest advancement in sustainability, DryDye, a new technology to eliminate the need for water in the dyeing process.

AUG

01. adidas Originals unveils "all originals represent", the newest chapter of the "adidas is all in" brand campaign featuring brand ambassadors such as international superstar Nicki Minaj, hip hop artist Big Sean, Korean pop phenomenon 2NE1, basketball star Derrick Rose and designer Jeremy Scott.

13. Reebok's new Fit Hub concept store opens on NYC's Fifth Avenue. The store stems from the idea of having a retail store and CrossFit Box in one environment to present to consumers that Reebok is truly a one-stop shop for fitness. / **PICTURE 03**

24. The adidas Group 2011 Annual Report receives the prestigious "Best Annual Report 2012" award granted by the German business magazine "manager magazin". / **PICTURE 04**

SEP

02. Brazilian football fans write their own chapter of FIFA World Cup history by picking "Brazuca" as the name of the Official Match Ball for the 2014 FIFA World Cup Brazil.

06. Reebok announces an exclusive partnership and design collaboration with 14-time Grammy Award winning singer/songwriter/producer and actress Alicia Keys. / **PICTURE 05**

09. In celebration of its 10th anniversary, Y-3 presents its spring/summer 2013 collection at the New York Fashion Week. / **PICTURE 06**

10. In a 4 hour 54 minute match, adidas sponsored Andy Murray defeats Novak Djokovic in the US Open final in New York to win his first Grand Slam title.

13. For the 13th consecutive time, adidas AG is selected to join the Dow Jones Sustainability Indexes (DJSI) and is rated as industry leader in sustainability issues and corporate responsibility for the ninth time.

13. adidas and Derrick Rose officially launch the D Rose signature collection in Chicago.

30. adidas sponsored Geoffrey Mutai wins the Berlin Marathon in 2:04:15 wearing adizero running shoes. It is the sixth-fastest time ever. / **PICTURE 07**

Q4

OCT

01. adidas introduces the future of window shopping and installs the first prototype of this innovation in the NEO store in Nuremberg, Germany. From now on, consumers can shop around the clock using the virtual shopping window. / **PICTURE 08**

04. Reebok Classics opens its first "Pop-Up Store" in France, located in Paris at L'Imprimerie Gallery in the Marais district.

16. The adidas NEO label appoints global phenomenon and pop/R&B superstar Justin Bieber as its style icon. To celebrate the partnership, the label kicks off an online challenge for teens worldwide. / **PICTURE 09**

18. adidas.com now offers a solution for consumers in several pilot countries – the virtual fitting room: "fits.me". Consumers enter their measurements and are now able to see exactly how the product will fit and what it will look like in a certain size when they wear it.

23. TaylorMade-adidas Golf introduces the new RocketBladez irons. RocketBladez are for all players seeking the optimum combination of distance, control, feel, forgiveness and playability. / **PICTURE 10**

25. Reebok launches its new yoga collection to European media and UK retailers in an exclusive event with Reebok's yoga ambassador Tara Stiles. / **PICTURE 11**

NOV

07. adidas announces the next-generation adizero f50 football boot weighing only 165g, which enables players to be faster than ever before. / **PICTURE 12**

20. The adidas NEO label announces Selena Gomez as its new global style icon and guest designer with a three-year partnership.

21. adidas Football proudly launches its latest mobile gaming app to promote the release of the next-generation adizero f50 boot.

26. adidas launches its Holiday Campaign for 2012, enlisting the help of some of the world's finest sporting and cultural icons, including Snoop Lion and David Beckham.

27. CCM launches its new "Start Your Legend" brand campaign by featuring actual participants selected from the 2012 CCM Skills Camp. / **PICTURE 13**

DEC

02. The Official Match Ball for the FIFA Confederations Cup Brazil 2013 is unveiled at the FIFA draw show. Three symbols of Brazilian culture – carnival, football and samba – have been combined to create the adidas Cafusa. / **PICTURE 14**

04. The adidas NEO label wins the prestigious MAPIC Award for best fashion and footwear retail concept. The MAPIC award focuses on commercially driven retail concepts.

07. Reebok opens the first two Fit Hub stores in Latin America. Located in Concepción, Chile, and Trujillo, Peru, the two stores are designed to simulate the Reebok fitness experience.

09. Lionel Messi surpasses Gerd Muller's 40-year-old record for goal scoring in a calendar year with 91 goals.

Q3


01
SMART
20
SOCCER
13
02
manager magazin
04
REEBOK
FIT HUB
FIFTH AVE
03
CLASSIC PASSION
05
06
07
NEO
08
10
Make
your
own
yoga
11
NEO
09
13
START
YOUR
LEGEND
CCM
12
14

Q4

Interview with the CEO

HERBERT HAINER
Chief Executive Officer

In 2012, the adidas Group delivered strong financial results despite several external and internal challenges. The Group's commitment to innovation and marketing excellence continued to excite consumers across the globe. This is clearly mirrored in record sales of € 14.9 billion. Further progress on driving long-term sustainable margin improvements, together with low levels of operating working capital as a percentage of sales, allowed the Group to finish 2012 with a healthy net cash position of € 448 million. As a result of this strong performance, Management is proposing a dividend to shareholders of € 1.35, representing an increase of 35% compared to the prior year.

Looking out to 2013, the Group will make further strides towards its Route 2015 strategic goals, and is set to deliver another year of double-digit earnings growth.

In the following interview, adidas Group CEO Herbert Hainer reflects on the achievements of 2012, clarifies the impacts from one-off items and discusses the Group's strategic and financial outlook for 2013.

Herbert, looking at your 2012 results, have the financials lived up to your expectations?

⁄ Yes, absolutely. 2012 has been another successful year for the adidas Group. Our products and brands again enjoyed several important market share wins in key categories and markets. Sales grew 6% currency-neutral, adding € 1.6 billion in revenues to a new record level of € 14.9 billion. We also made strong bottom-line progress. The Group's operating margin excluding goodwill impairment losses improved to 8.0% and earnings per share excluding goodwill impairment losses grew 29% to € 3.78, also our highest ever. As a result, we ended the year with a net cash position of € 448 million, a fivefold increase compared to a year ago. This significant cash flow generation once again underpins the trajectory and value we are unlocking with our Route 2015 strategic business plan.

What were the key highlights for the Group from your perspective?

⁄ Two of our Group's most important values are passion and performance. These really shine through in many of our 2012 achievements. The obvious highlight has to be the role adidas played at the year's major sporting events, which spurred brand sales up 10% currency-neutral. In particular, the London 2012 Olympic and Paralympic Games count amongst the most memorable and inspiring sporting events of our time. The Games not only delivered great feats of athletic performance, they also united a passionate public, creating a spectacular celebration showcasing all that is good about sport. The adidas brand as the official sportswear partner of the event and of Team GB played its role to perfection. It delivered its most comprehensive offering of high-performance products ever and contributed significantly to the emotion of the event with the highly acclaimed "Take the Stage" campaign. In total, adidas kitted out over 5,000 athletes, 11 National Olympic Committees and 21 national sporting federations, including many medal winners wearing adidas, amongst them gold medallists David Rudisha, Jessica Ennis, Andy Murray and the US women's gymnastics team, to name just a few.

Similarly in Poland and Ukraine, standout performances from our teams and players at the UEFA EURO 2012 were another catalyst which truly inspired consumers and fans. Through their purchases, they overwhelmingly reconfirmed adidas as the number one football brand, highlighting that our passion for innovation continues to be the lever that sets us apart from the competition. Be it our iconic Predator and f50 football boots, the match ball or federation jerseys, we once again dominated the world's favourite sport, achieving new record levels of sales of well above € 1.7 billion, eclipsing even our own very high expectations. This passion for innovation leads me to another major highlight of our year – TaylorMade-adidas Golf. With sales up 48% in just two years, our golf business has already rocketed past its initial Route 2015 targets. Considering that the golf industry is still relatively stagnant, this is a remarkable testament to its relentless focus on helping golfers perform better.

Finally, our long-standing and proven ability to tackle internal and external challenges with speed and determination also warrants particular mention for 2012. Be it the full mitigation of the considerable sourcing cost pressures which cost us 3.8 percentage points of gross margin, the countless hours of vigorous effort to solve the commercial irregularities at Reebok India Company or the discipline and restraint in managing our business in a persistently uncertain global economy, I am proud of the passion and dedication of our employees to tackle these challenges. And more importantly, all of this was achieved while continuing to stay diligent and focused on ensuring we remain fully on course to deliver our ambitious Route 2015 strategic goals.

Can you outline the reasons for and details related to the restatement of 2011 and prior year figures?

⁄ As we announced last April, we discovered commercial irregularities at our Reebok business in India, bringing to light a high level of criminal energy and collusion between former employees and external business partners. As promised, we have followed up vigorously and swiftly on the matter through a thorough internal and external investigation, also with police involvement. Key findings from our internal investigations include inappropriate recognition of sales, a failure to book sales returns and a failure to correctly post credit notes to accounts receivable. This resulted in a significant overstatement of net sales, accounts receivable as well as materially incorrect accounting for inventories and provisions. During the investigation process, the new management also discovered four previously undisclosed warehouses not declared in the official accounting records. The findings of the investigations suggest that the practice of inflating sales and profits had been going on for several years.

As a result of the findings, we have restated our accounts in accordance with IAS 8, which has led to a reduction of net income attributable to shareholders of € 58 million for 2011, compared to what we previously reported. In addition, shareholders' equity in the opening balance sheet for 2011 was negatively impacted by € 153 million to account for prior year periods. For further information, we have outlined the changes in detail in Note 3 of our 2012 Annual Report. As unpleasant as the identified irregularities at Reebok India Company are, I am satisfied we have diligently completed our efforts to uncover all the wrongdoings, while simultaneously laying the foundation for a healthy and profitable business for Reebok in India in the future. In addition, we have also taken the opportunity to comprehensively review our internal control processes and procedures of governance and compliance, with the necessary external expertise, at all of our locations around the world. Let me reiterate, non-compliance with our policies has never been and will never be tolerated within our organisation.

You also had goodwill impairment losses in 2012. Could you please elaborate on what the reasons for this were? Does this have any impact on your future outlook?

First of all, let me point out that impairment losses are non-cash in nature and do not affect the adidas Group's financial situation, nor our future outlook. Taking into account our updated targets for Route 2015, outlined in September, and following our review of medium-term growth prospects for specific markets and segments, as part of the annual impairment test, we came to the conclusion that a few of our cash-generating units need to be impaired. The resulting impairment of € 265 million means we have reduced goodwill on our balance sheet by 17% to € 1.3 billion. In the overall scheme of things, from a balance sheet perspective, the negative impact on total assets is minor, at only 2%. Looking at the specifics, within wholesale cash-generating units, goodwill impairment losses amounted to € 106 million in North America, € 41 million in Latin America, € 15 million in Brazil and € 11 million in Iberia. The impairment losses were mainly caused by adjusted growth assumptions for the Reebok brand, especially in North America, Latin America and Brazil, and an increase in the country-specific discount rates as a result of the euro crisis. In addition, goodwill of € 68 million allocated to Reebok-CCM Hockey and € 24 million allocated to Rockport was impaired. These impairment losses are the result of the re-evaluation of future growth prospects and, with regard to Rockport, also due to an increase in the discount rate. Again, we have provided full transparency and clarity on this topic in Note 2 of our 2012 Annual Report.

2012 was another year of significant cash generation. What are your plans in terms of capital deployment?

Through our continuous focus on cash flow generation, we have increased our net cash to € 448 million. Our cash flow from operating activities was up 17%. This once again demonstrates the strength of our business model and puts us in a superb position to support and invest in the opportunities and growth initiatives of our Route 2015 strategic business plan. Executing on this will ultimately yield superior returns to our shareholders. Therefore, I do not see any reason to change our approach right now. We will continue to pay down our maturing gross borrowings, which will amount to € 280 million in 2013. And we will increase our capital expenditure to between € 500 million and € 550 million to further support Group-wide initiatives in areas such as own retail, infrastructure and IT. However, at the same time, we will also continue to advance direct shareholder returns, and the annual dividend is currently our focus tool for this. For 2012, we intend to pay a dividend per share of € 1.35, which is 35% more than in 2011. This represents a payout ratio excluding goodwill impairment losses of 35.7%, compared to 34.1% last year.

Although the fourth quarter is a small contributor to your annual results, is there anything we should be concerned about with weaker trends in the period?

No, definitely not. I highlighted in November that there would be a few negative factors to consider in the fourth quarter. Firstly, our European business faced the anniversary of the sell-in of high-margin event-related products for the Olympic and Paralympic Games as well as the UEFA EURO 2012. Secondly, we continued to see negative impacts on Reebok from the NFL licence termination as well as the finalisation of our clean-up efforts at Reebok India Company. And thirdly, the NHL lockout, which unfortunately extended into January 2013, negatively impacted our results.

However, I also see a lot of positives in the quarter. We achieved our key goal to keep our markets and channels clean and healthy. Throughout the year, we have shown the utmost discipline in managing our inventories and working capital requirements tightly. So much so, we finished the year with average operating working capital as a percentage of sales of 20.0%, well below the prior year level. This also helped to ensure that our gross margin improved, as lower clearance sales provided a two percentage point increase for the quarter. We also continued to show excellent growth in key markets such as Greater China and European Emerging Markets, where currency-neutral sales increased 12% and 9%, respectively. In fact, taking all these factors together, our profitability actually turned out a little better than we had anticipated for the full year.

Speaking of China, many sporting goods companies had a difficult 2012, whereas the adidas Group grew by 15%. What is the reason behind this and what can we expect in 2013?

For many players in our industry, China was indeed a challenge in 2012. However, this was mainly the result of certain specific competitor issues and not due to any lack of interest in sporting goods on the part of the consumer. In fact, Chinese consumers have seen their real income continue to grow strongly, and this is supporting spending power and consumption for our industry. What is our recipe for success? Well, it comes back to one of the guiding principles of our Route 2015 strategic plan – focus on the consumer. As part of a rising middle class, our consumer target group in China is maturing at a rapid pace, becoming increasingly discerning and sophisticated. They are looking for

innovative global brands with functional, stylish and fashionable products which they can identify with. adidas fits perfectly to this consumer and, on top of our global appeal, we also infuse our brand messages and products with local flair and understanding to ensure we are always top of mind. This approach spans the entire offering, and this strength is underpinned through the fact that we saw double-digit growth in adidas Sport Performance, adidas Originals and the adidas NEO label in 2012. Additionally, we have deepened our already very close relationship with our retail partners, who now operate more than 7,500 points of sale across Greater China. By ensuring that our business remains constantly in tune with theirs, in particular through our industry leadership in terms of keeping our inventories under control, we have been able to keep our product offerings fresh and new at the point of sale. This is a clear edge we are enjoying and will continue to enjoy. Looking forward, from our market research, we can see that adidas' brand appeal has the most momentum in the Chinese market right now. I fully expect this to continue in 2013, and I am confident we will take more market share and grow faster than our major competitors in this critical market.

Taking all the negative impacts for Reebok into account, what was the underlying business trend, and what do you expect for the brand in 2013?

Reebok sales declined 18% currency-neutral in 2012. Excluding the impacts from the discontinuation of the NFL business and the transfer of NHL-related sales to Reebok-CCM Hockey, sales declined 8%. The brand's gross margin was essentially flat at 35.9%, which is not a bad performance, given we had quite some promotional activity to move old toning products during the year. While we are obviously disappointed with the result, we have seen the underlying business further stabilise. In the fourth quarter, Reebok sales excluding licence revenues were up 3% currency-neutral. To ensure this now continues, we will commence a major brand and category offensive in fitness in 2013. Our new category approach, which we call "The House of Fitness", allows Reebok to engage with consumers, regardless of how they choose to stay fit. It focuses on five key areas: Fitness Training, Fitness Running, Studio categories including Yoga, Dance and Aerobics, Walking as well as Classics. Several new footwear and apparel collections will be launched throughout the year to create a broad-based foundation for long-term, sustainable success. For example, in Fitness Training, Reebok will introduce the Reebok Delta collection, which takes design inspiration from the CrossFit community. This collection is redefining the fitness apparel aesthetic, with every piece designed and developed for the freedom of movement for any fitness activity. In addition to new products, we will activate new exciting partnerships to authenticate and give credibility to Reebok in each category. Renowned yoga instructor Tara Stiles, the Spartan Race series of obstacle races and the Red Bull X-Alps adventure race are just a taste of what's to come over the next couple of years. Bringing it all together, in 2013, the Reebok brand will speak to the consumer with one voice by launching a global campaign. The campaign, which is called "Live with Fire", will be the brand's first concerted effort to inspire the fitness consumer to live a life of passion, intent and purpose. Everything I see so far confirms we are gaining traction again with retailers and consumers, and I fully expect a return to growth for Reebok once we anniversary the last of the NFL-related comparisons in the first quarter.

Given that there have been some challenging recent trends in North America, what is your view on the Group's prospects in this key market?

⁄ I am very bullish on our prospects in North America. While 2012 was not a good year for Reebok in the region, adidas and TaylorMade-adidas Golf had very strong results. TaylorMade-adidas Golf enjoyed the fastest growth, with sales increasing 25% in the period. adidas brand sales are up 9% currency-neutral, and have increased one third since we began Route 2015, which is well ahead of market growth. In fact, when we dig deeper into the adidas numbers, our business with our key high school kid relevant retail partners was up over 20% in 2012. As already outlined, for Route 2015, we are focused on quality growth, which is crucial to securing long-term, sustainable success for the adidas brand in this market. Through Originals and basketball, we have created a great base to build on and, quite frankly, when I look at our plans for running, we are only at just the beginning to exploit the tremendous opportunities this market has to offer our Group. This year, we intend to push very aggressively into the back-to-school period with adidas and Reebok. And bearing in mind another comprehensive year of product launches for TaylorMade-adidas Golf, I am confident all of our brands will grow in 2013 in North America.

Controlled space initiatives remain one of the cornerstones to your Route 2015 strategy. Can you tell us what progress you are making in these areas?

⁄ Looking across the Group, there are some very notable highlights in relation to controlled space, and the biggest of these is that we have already hit our initial Route 2015 ambition to achieve 45% of sales from these activities. All of our channels have been very active pursuing this strategy, whether through shop-in-shops and franchise stores with our wholesale partners, or through our own consumer-direct initiatives. With Retail, in particular, we are making significant strides. In 2012, we saw strong comparable store sales growth of 7%, as important retail store KPIs such as traffic, average ticket value and full price sell-through continued to improve. In addition, we also saw higher levels of store operational efficiency and productivity, which was a major driver in leveraging our Retail segment operating expenses as a percentage of sales by 1.9 percentage points. I am also happy that the structural improvements we have been implementing in our eCommerce operations are now beginning to take meaningful commercial shape. Key to our efforts in 2012 was the launch of our fully integrated brand and store site, providing a single destination for each of our brand's consumers. While we have been among the industry leaders in digital brand activation, particularly in leveraging our iconic assets, such as the world's greatest footballer Lionel Messi, basketball superstar Derrick Rose or teen idol Selena Gomez, we are now starting to make rapid progress in converting this online buzz and activity into traffic to our e-shops. This is clearly evident in the 68% currency-neutral sales growth we generated last year through our own e-commerce sites, with sales from the channel now up to € 158 million. This means we are well on the way to our target of € 500 million net sales from this channel by 2015.

2013 is a so-called in-between year. How confident are you that you can grow globally despite the non-recurrence of major sporting events?

⁄ I am very confident. Even though there will be some phasing and timing impacts from the prior year event-related sales, and bearing in mind the consumer and retail environment are, on balance, no better in 2013, our product pipeline and marketing plans are packed with game-changing innovations, be it in running, basketball, football, lifestyle, fitness or golf. In fact, I believe when we look back in hindsight at the end of Route 2015, 2013 will be judged as the year we changed the course of innovation in our industry. Let me give you a few examples why. At adidas, in the running category, where all great footwear innovation starts, we will introduce two breakthrough innovations, Energy Boost and SpringBlade. I am certain they will be the catalyst for multi-year growth and market share gains globally. Boost has, already in only a few short weeks, seen higher levels of engagement and enthusiasm from the most experienced industry experts than any running product we have ever brought to market before. Together with our partner BASF, the world's leading chemical company, we created a completely new foam cushioning material. With its distinctive and unique midsole cell structure, it provides more energy return than any other foam cushioning material in the running industry, combining soft comfort with responsive energy for the ultimate running experience. In the heat, in the cold and after countless kilometres, it performs more consistently and doesn't lose its cushioning properties like standard EVA foam.

Beyond products, we will also raise the game in icon building and brand activation. This year, we will build core signature collections around several of our superstars, including Derrick Rose and Lionel Messi. We have also major campaigns planned for the brand to support our product launches and to ensure a deeper consumer connection, such as a new impactful women's campaign, myGirls, and a global Originals campaign, Unite all Originals.

And it will be the same at our other brands. Reebok we spoke about before. At TaylorMade-adidas Golf, our fast pace of new launches will also continue. The new RocketBladez irons have already sent our market share skywards to over 30% since launch. With new, longer metalwoods such as the R1 and RocketBallz Stage 2, a major offensive in golf footwear with the adizero range, and the first full year of Adams Golf, I fully expect our golf business to further stretch the distance between ourselves and our nearest rivals.

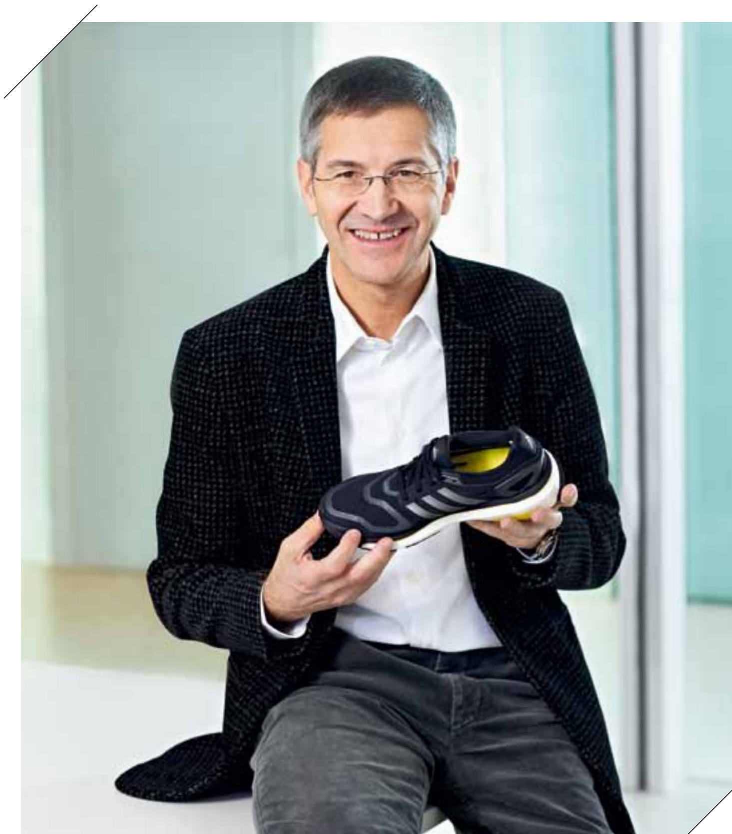
We are therefore very well positioned to again achieve record sales in 2013. For the full year, we expect currency-neutral sales to increase at a mid-single-digit rate, with growth across all brands, regions and channels. In terms of phasing, sales growth is expected to be weighted towards the second half of the year, mainly mirroring our product launch schedule as well as the build-up to the FIFA World Cup in 2014.

What other progress can we anticipate in 2013 in terms of your financials?

2013 will also see a step change in the pace of gross margin and operating margin expansion. The adidas Group gross margin is forecasted to increase to a level between 48.0% and 48.5%. Over-proportionate growth in high-margin emerging markets and Retail will positively impact this development. Our operating margin will improve considerably in line with our previously announced guidance of approaching 9.0%. This, in turn, will lead to another year of double-digit earnings growth, with earnings per share excluding goodwill impairment losses increasing at a rate of 12% to 16% to a level between € 4.25 and € 4.40.

Finally, Herbert, why have you chosen the title "Pushing Boundaries" for the 2012 Annual Report?

It is certainly not by chance that we created this motto for our 2012 Annual Report. Alone from our extraordinary product innovations, great designs and cutting-edge construction methods, our ability to push boundaries has helped athletes to go faster, hit further and achieve their impossible at the pinnacle of sport for decades. However, pushing boundaries at our Group definitely goes far beyond this definition. It lives in every aspect of our business. Every day, we collectively strive to bring a culture of pushing boundaries to life – constantly motivating and challenging each other to improve. The founder of adidas – Adi Dassler – is often quoted as saying "strive for perfection; there's always something you can improve". This is exactly the spirit I am referring to: creating the unexpected, open and committed to doing things better. "Pushing Boundaries" is, has been, and always will be at the very heart of everything we do across our Group. This is the edge that will ensure our Group's success along Route 2015, and well into the future.



Herbert, thank you for this interview.

Executive Board

Our Executive Board is comprised of four members who reflect the international character of our Group. Each Board member is responsible for at least one major function within the Group.

HERBERT HAINER
Chief Executive Officer

Herbert Hainer was born in Dingolfing, Germany, in 1954. Following his business studies, he spent eight years with Procter & Gamble in various sales and marketing positions. Herbert Hainer joined adidas Germany in 1987 and has held numerous management positions within the Group, including Managing Director Germany and Senior Vice President for Sales and Logistics in Europe, Africa and the Middle East. Herbert Hainer joined the Executive Board in 1997 and became CEO of adidas AG in 2001. He is married, has two daughters and lives in Herzogenaurach.

Herbert Hainer is also:
- Deputy Chairman of the Supervisory Board, FC Bayern München AG, Munich, Germany
- Member of the Supervisory Board, Allianz Deutschland AG, Munich, Germany
- Member of the Supervisory Board, Deutsche Lufthansa AG, Cologne, Germany

GLENN BENNETT
Global Operations

Glenn Bennett was born in New Hampshire, USA, in 1963. With a degree in computer science, he began his professional career with Reebok International Ltd. in 1983, where he worked for ten years in various operations and product functions, of which the latest was Director of Footwear Development. In 1993, Glenn Bennett joined adidas AG and began working as the Head of Worldwide Footwear Development. He was promoted to Senior Vice President of Footwear Operations a few months later. In 1997, Glenn Bennett was appointed to the Executive Board where he assumed responsibility for all Footwear, Apparel and Accessories & Gear Operations activities shortly thereafter. Glenn Bennett lives in Boston/Massachusetts, USA.

ROBIN J. STALKER
Chief Financial Officer

Robin J. Stalker was born in Palmerston North, New Zealand, in 1958. In 1982, following his degree in business studies, he began his professional career and qualified as a Chartered Accountant. He worked for Arthur Young in New Zealand and London and subsequently held financial and controlling positions in the entertainment industry, including United International Pictures and Warner Bros. International as well as working as an independent consultant. Robin J. Stalker joined adidas AG in 1996. Since February 2000, he has been Chief Financial Officer of adidas AG and was appointed to the Executive Board, responsible for Finance, in 2001. In 2005, he assumed additional responsibility as Labour Director. Robin J. Stalker is married and lives near Herzogenaurach.

Robin J. Stalker is also:
- Member of the Supervisory Board, Schaeffler AG, Herzogenaurach, Germany

ERICH STAMMINGER
Global Brands

Erich Stamminger was born in Rosenberg, Germany, in 1957. After obtaining a degree in business studies, he started his career at GfK, a German consumer research institute. In 1983, Erich Stamminger joined adidas Germany. He served in numerous marketing positions before becoming Managing Director for Germany and later Europe and Asia/Pacific. In 1997, he was appointed to the Executive Board and became Head of Global Marketing in 2000. Four years later, he was named President of adidas North America, while maintaining his position as Head of Global Marketing. In 2006, he was named President of the adidas brand, and in 2010 he assumed responsibility for Global Brands. Erich Stamminger is married and lives in Nuremberg.

The adidas Group Executive Board in the adidas Research Lab at adidas Group Headquarters in Herzogenaurach, Germany. This is where innovation concepts are validated and tested, and also where the adidas innovation teams conduct sports research for the creation of new, pioneering innovations.

Pushing Boundaries.

Supervisory Board

IGOR LANDAU
Chairman

Former Chief Executive Officer of Aventis S.A., Paris, France

- Member of the Supervisory Board, Allianz SE, Munich, Germany
- Member of the Board of Directors, Sanofi-Aventis S.A., Paris, France
- Member of the Board of Directors, HSBC France S.A., Paris, France [1]

SABINE BAUER [2]
Deputy Chairwoman

Chairwoman of the Central Works Council, adidas AG

WILLI SCHWERDTLE
Deputy Chairman

Management Consultant, Hofheim am Taunus, Germany

- Member of the Supervisory Board, Eckes AG, Nieder-Olm, Germany

DIETER HAUENSTEIN [2]

Deputy Chairman [3] of the Works Council Herzogenaurach, adidas AG

DR. WOLFGANG JÄGER [2]

Managing Director, Hans-Böckler-Stiftung, Düsseldorf, Germany

DR. STEFAN JENTZSCH

Partner, Perella Weinberg Partners UK LLP, London, Great Britain

- Member of the Supervisory Board, Sky Deutschland AG, Unterföhring, Germany
- Deputy Chairman of the Supervisory Board, AIL Leasing München AG, Grünwald, Germany [4]

Standing Committees

Steering Committee ⁄ Igor Landau (Chairman), Sabine Bauer, Willi Schwerdtle
General Committee ⁄ Igor Landau (Chairman), Sabine Bauer, Roland Nosko, Willi Schwerdtle
Audit Committee ⁄ Herbert Kauffmann (Chairman), Dr. Wolfgang Jäger, Dr. Stefan Jentzsch, Hans Ruprecht
Nomination Committee ⁄ Igor Landau (Chairman), Willi Schwerdtle, Christian Tourres
Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG) ⁄ Igor Landau, Sabine Bauer, Willi Schwerdtle, Heidi Thaler-Veh

1) Until the end of 2011. 2) Employee representative. 3) Since March 5, 2012; formerly Member of the Works Council Herzogenaurach, adidas AG. 4) Since November 14, 2012.

HERBERT KAUFFMANN

Management Consultant, Stuttgart, Germany

- Chairman of the Supervisory Board, Uniscon universal identity control GmbH, Munich, Germany

ROLAND NOSKO [2)]

Trade Union Official, IG BCE,
Headquarter Nuremberg, Nuremberg, Germany

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany

ALEXANDER POPOV

Chairman, RSFO "Lokomotiv",
Moscow, Russia

HANS RUPRECHT [2)]

Sales Director Customer Service Central Europe West, adidas AG

HEIDI THALER-VEH [2)]

Member of the Central Works Council,
adidas AG

CHRISTIAN TOURRES

Former Member of the Executive Board
of adidas AG

Supervisory Board Report

IGOR LANDAU
Chairman of the Supervisory Board

Dear Shareholders,

We look back on 2012 as an extremely successful year. Thanks to strong brands as well as innovative products and marketing campaigns, the adidas Group was able to grow in all markets, achieving record sales as well as record operating cash flow. The visibility of the adidas brand at the year's major sports events and the market share gains of TaylorMade-adidas Golf were key highlights. The Group was, however, not without challenges in 2012, with the continuation of the sovereign debt crisis in Europe and the discovery of commercial irregularities at Reebok India Company being particular headwinds. Nevertheless, these issues have been proactively and resolutely managed. With a strong balance sheet, the Group is well positioned to enjoy another year of progress in 2013.

Supervision and advice in dialogue with the Executive Board

In the past year, we again regularly advised the Executive Board on the management of the company and carefully and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof.

We were directly involved in all of the Group's fundamental decisions. After in-depth consultation and examination of the detailed information submitted to us by the Executive Board, we approved individual transactions where required by law.

The Executive Board informed us extensively and in a timely manner through written and oral reports at our Supervisory Board meetings. This information covered all relevant aspects of the Group's business strategy and business planning, including finance, investment and personnel planning, the course of business and the Group's financial position and profitability. We were also kept up to date on matters relating to the risk situation, risk management and compliance as well as all major decisions and business transactions.

The Executive Board regularly provided us with detailed reports for the preparation of our meetings. We thus always had the opportunity to critically analyse the reports and resolution proposals within the committees and within the Supervisory Board as a whole and, after in-depth examination and consultation, to put forward any suggestions we might have before resolving upon the Executive Board's resolution proposals. In the periods between our meetings, the Executive Board kept us continuously informed about the current business situation by means of monthly reports.

We held five Supervisory Board meetings in 2012. In addition, we held a meeting in February 2013, at which we discussed matters relating to the 2012 financial year. Apart from one meeting, which two members were not able to attend due to urgent business appointments that could not be postponed, all Supervisory Board members attended all meetings in the year under review. The average attendance rate at Supervisory Board meetings was just under 97%. All the committee meetings were fully attended. The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), attended all meetings of the Supervisory Board, inasfar as they did not deal with Executive Board matters. KPMG attended all meetings of the Audit Committee. The employee representatives held separate meetings to prepare agenda items for the meetings of the entire Supervisory Board.

In the periods between meetings, the Supervisory Board Chairman and the Audit Committee Chairman maintained regular contact with the Chief Executive Officer and the Chief Financial Officer with respect to matters such as corporate strategy, business development and planning, the risk situation and risk management as well as compliance and major business transactions.

The consultations and examinations of the entire Supervisory Board focused on the following topics:

Business development

The development of sales and earnings, the employment situation as well as the financial position of the Group and the business development of individual markets were presented to us in detail by the Executive Board at every Supervisory Board meeting following the close of the respective quarter and were subsequently discussed together. At each meeting, we placed considerable focus on the possible impact of global economic developments and the development of individual brands. We dealt intensively with the business development of the Reebok brand and its future strategic orientation. The Executive Board informed us that Reebok's sales were forecasted to be below original expectations and explained the main reasons for the decline, pointing out that this was expected to be offset by the very positive sales development of the other brands. At our meeting in November, we discussed the future strategic positioning of one of the smaller business segments, for which we established the ad hoc committee "Project 99".

The KPMG-certified 2011 annual financial statements and consolidated financial statements, including the combined management report for adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings, were discussed and examined in the presence of the Executive Board and the auditor on March 6, 2012.

At our meeting in August, the Executive Board provided us with detailed information on the compliance case that had arisen in connection with Reebok India Company. We discussed this matter in detail under the aspects of compliance, risk management and the potential impact on the previous year's consolidated financial statements as well as on the business development for the year under review.

Transactions requiring Supervisory Board approval

In accordance with statutory regulations and the Rules of Procedure of the Supervisory Board, certain transactions and measures require a formal resolution or the prior approval of the Supervisory Board.

At our meeting on March 6, 2012, we discussed and resolved upon the resolutions to be proposed to the 2012 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2011 financial year. At this meeting, following in-depth discussion, we also approved the sale of land belonging to GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG ("GEV KG") to the town of Herzogenaurach ("the Town") and the purchase of the remaining share in GEV KG held by the Town. At the same meeting, we dealt intensively with the possible issuance of a convertible bond by adidas AG in an amount of up to € 500 million. We delegated granting approval of the issuance of the convertible bond and determination of the terms and conditions, within the framework approved by the Supervisory Board, to the ad hoc committee "Convertible Bond/Bond with Warrants", which was established at this meeting. Furthermore, following a detailed presentation by the Executive Board relating to the planned expansion of the Group's golf segment, we discussed the possibility of acquiring Adams Golf, Inc., the market leader in the hybrid sector. In order to pursue this project efficiently, we formed the "Apple" committee, which was responsible for final approval of the acquisition that was subsequently completed in June 2012.

At our meetings in August and November, respectively, we also discussed in detail and approved a capital injection for Reebok India Company in an amount of up to € 300 million and for adidas Canada Limited in an amount of CAD 50 million (approximately € 39 million).

Matters relating to the Executive Board

A key topic of our meeting on February 8, 2012, was the variable compensation components payable to the Executive Board. Following in-depth discussion, we resolved upon the General Committee's proposals for the amount of the 2011 Performance Bonus to be granted to each member of the Executive Board and the LTIP Bonus 2009/2011 to be granted for the three-year period from 2009 to 2011. Furthermore, following in-depth consultation, we resolved upon the key performance criteria for granting the 2012 Performance Bonus, together with the individual short-term targets, as well as the Performance Bonus target amount relevant for each Executive Board member, as proposed by the General Committee. As the LTIP 2009/2011 had expired at the end of the 2011 financial year, we also discussed and approved the General Committee's proposal to set up a new compensation plan with long-term incentive effect covering the three-year period from 2012 to 2014 ("LTIP 2012/2014"). When determining the two variable compensation components, we took into account that the compensation incentive of the 2012 Performance Bonus Plan shall not exceed the compensation incentive resulting from the sustainability-oriented variable compensation component, the LTIP 2012/2014. The Annual General Meeting approved the changed compensation system on May 10, 2012.

At our meeting on November 7, 2012, following detailed discussion of the proposal submitted by the General Committee, we resolved upon an appropriate increase in the Chief Executive Officer's fixed annual salary, which had remained unchanged for the past three years, to become effective from spring 2013. We took this decision in particular in light of his outstanding personal performance and the excellent position of the Group.

Key topics at our meeting in February 2013 as well as of our circular resolution were the Performance Bonuses for the 2012 financial year and for the previous years. We dealt with the impact on the degree of target achievement for the Performance Bonuses as determined in the previous years, resulting from adjustments made to the 2011 consolidated financial statements in the context of the 2012 consolidated financial statements ⁄ **SEE NOTE 03, P. 203**. We discussed in-depth the proposal prepared by the General Committee, based on the adjusted figures, and subsequently resolved upon a redetermination of the Performance Bonuses for the 2011 financial year and the previous years, including a corresponding obligation for repayment by the Executive Board, while upholding the LTIP Bonus 2009/2011, the latter requiring no redetermination. The Executive Board members and the Chairman of the General Committee were already in agreement prior to the meeting that the Performance Bonuses should be partially repaid. We further resolved upon the proposal submitted by the General Committee with regard to the 2012 Performance Bonus.

Further information on compensation for the 2012 financial year can be found in the Compensation Report ⁄ **SEE COMPENSATION REPORT, P. 56**.

Corporate governance

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the recommendations of the German Corporate Governance Code (the "Code"). In addition to our February meetings, at which corporate governance is usually the focal point, at our August meeting, we dealt with the implementation of the efficiency examinations scheduled for the year under review and resolved to conduct these examinations by means of a questionnaire and the involvement of an external consultant. Another topic of this meeting was the amendments to the Code which were adopted by the Government Commission on the German Corporate Governance Code on May 15, 2012. The Code now recommends, inter alia, that in the objectives the Supervisory Board resolves upon with regard to its composition, it shall specify the number of independent Supervisory Board members it considers adequate. At our meeting on February 12, 2013, we reviewed the objective we had resolved upon in February 2011, which also covers this topic, with the result that, taking into account the employment contracts of the employee representatives, we continue to uphold our objective that all Supervisory Board members shall be independent as defined by the Code. Our other key objectives relating to the composition of the Supervisory Board also continue to apply. At this meeting, following in-depth consultation and the recommendation of the Audit Committee, which is also responsible for corporate governance topics, we then resolved upon the 2013 Declaration of Compliance. The deviation from the Code contained in the 2012 Declaration of Compliance – Supervisory Board compensation does not have any performance-related component – which we had resolved upon at our meeting on February 8, 2012, is no longer included in the 2013 Declaration of Compliance as the new version of the Code no longer contains the recommendation to include a performance-related component for Supervisory Board members. The Declarations of Compliance were made permanently available to shareholders on the corporate website at :⁄⁄ **WWW.ADIDAS-GROUP.COM/CORPORATE_GOVERNANCE**.

There was no indication of any conflicts of interest on the part of the members of the Executive and Supervisory Boards which would require immediate disclosure to the Supervisory Board and would also require reporting to the Annual General Meeting.

There are no direct advisory or other service relationships between the company and a member of the Supervisory Board.

Further information on corporate governance at the adidas Group can be found in the Corporate Governance Report including the Declaration on Corporate Governance ⁄ **SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 51**.

Efficient committee work

In order to perform our tasks in an efficient manner, we have five Supervisory Board standing committees ⁄ **SEE SUPERVISORY BOARD, P. 44** and also four project-related ad hoc committees, which were established in 2009 and 2012. These committees have the task of preparing topics and resolutions of the Supervisory Board. In appropriate cases, and within the legal framework, we have delegated the Supervisory Board's authority to pass resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. The respective chairman always informed the Supervisory Board about the content and results of the committee meetings at the subsequent meeting of the entire Supervisory Board.

The committees' work in the year under review is summarised as follows:

⁄ The **Steering Committee**, which is authorised to pass resolutions on behalf of the entire Supervisory Board in particularly urgent cases, did not meet in the year under review.

⁄ The **General Committee**, which prepares the resolutions of the Supervisory Board on Executive Board related matters, held three meetings in 2012, two of them by way of a conference call. An additional meeting dealing with the determination of the Executive Board members' variable compensation for 2012 as well as with possible changes to the previous years' variable compensation took place in February 2013. At its meeting on February 8, 2012, the committee discussed the amount of the Performance Bonus to be granted to each Executive Board member for the 2011 financial year, based on the key financial figures available at the time. Furthermore, the General Committee focused on the Executive Board's achievement of the targets of the LTIP Bonus 2009/2011 and developed detailed resolution proposals to be presented to the Supervisory Board concerning the amount of the 2011 Performance Bonus and the LTIP Bonus 2009/2011. Another topic of this meeting was the discussion on the 2012 Performance Bonus Plan and the LTIP 2012/2014. At its meeting on February 29, 2012, the General Committee prepared the corresponding resolution proposals to be submitted to the Supervisory Board. At its meeting on October 29, 2012, the General Committee discussed an appropriate increase in the Chief Executive Officer's annual fixed salary, which had remained unchanged for three years, and prepared a corresponding resolution proposal for the Supervisory Board. At its meeting in February 2013, the committee members thoroughly discussed reassessing the Performance Bonuses for the 2011 financial year and the prior years based on the financial figures relevant for the amount of the Performance Bonuses, given that certain relevant figures had been adjusted in the context of restating the 2011 consolidated financial statements. The restated prior year figures did not necessitate an adjustment of the LTIP Bonus 2009/2011. In its resolution proposal to the Supervisory Board, the committee recommended a redetermination of the Performance Bonuses as well as determining the amounts to be repaid by the Executive Board members. After consulting accordingly, the General Committee also resolved upon the resolution proposal to be submitted to the Supervisory Board with respect to the Performance Bonus to be paid to each Executive Board member for the 2012 financial year based on the determined degree of individual target achievement.

⁄ The **Audit Committee** held five meetings in 2012, and also one meeting in March 2013, dealing with topics of the year under review. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

The committee members examined the annual financial statements and the consolidated financial statements for 2011, including the combined management report for adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings and, following an in-depth review of the audit reports with the auditor, recommended that the Supervisory Board approve the annual financial statements and the consolidated financial statements. After obtaining the auditor's declaration of independence, the Audit Committee submitted a recommendation to the Supervisory Board with respect to its proposal to the Annual General Meeting concerning the selection of the auditor of the annual financial statements and the consolidated financial statements. Following the selection of the auditor at the Annual General Meeting in May 2012, the Audit Committee duly commissioned the auditor to carry out the audit on the annual financial statements and the consolidated financial statements for 2012. Together with the auditor, the Audit Committee established the priority topics for the audit and dealt with the audit fees. In the course of its examination of the auditor's independence, the Audit Committee obtained information on the measures taken by the auditor to guarantee independence and assured itself that the auditor does not face any conflicts of interest.

The members of the Audit Committee also focused on the detailed examination of the quarterly financial reports and the first half year report, together with the Chief Financial Officer and the auditor, prior to their publication.

At one Audit Committee meeting, the committee members focused solely on the topic of risk management and the internal control system as well as the compliance system. In this context, the committee members dealt in particular with the main risk factors for the Group and the related control measures as well as the expansion of the compliance organisation and compliance management. The committee members critically analysed the audit results of the Internal Audit function and approved the audit plan for 2012/2013. As part of their examination of the effectiveness of the internal control system and the internal audit system, the committee members reviewed in depth the applied methods and systems and the effectiveness thereof with the aid of written and oral reports. In the course of the following detailed discussions, inter alia with the auditor, they assured themselves of the effectiveness of the systems.

In the context of the regular reporting of the Chief Compliance Officer on material compliance issues, the committee dealt intensively with the case that had arisen at Reebok India Company and the consequences thereof.

⁄ The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), had no reason to convene in 2012. As there are no forthcoming Supervisory Board elections, the **Nomination Committee** also did not meet.

⁄ **Ad hoc committees**:

- The ad hoc "Committee for Real Estate Projects", which was established in 2009, and the "Project 99" committee did not meet in the year under review.
- At a meeting held by way of a conference call, the "Apple" committee dealt intensively with the acquisition of Adams Golf, Inc., USA, and approved the acquisition in lieu of the Supervisory Board within the scope defined by the Supervisory Board.
- The "Convertible Bond/Bond with Warrants" committee held two meetings by way of a conference call, during which it dealt intensively with the decision whether to issue a convertible bond in an amount of up to € 500 million, excluding shareholders' subscription rights, and also with the terms and conditions of the convertible bond. After an in-depth review of the comprehensive information provided by the Executive Board, the committee approved the issuance of the convertible bond with the terms and conditions proposed by the Executive Board.

The chairmen of the committees reported to the Supervisory Board on the results of the meetings in detail and in a timely manner, in oral and sometimes written form.

Examination of the adidas AG 2012 annual financial statements and consolidated financial statements

KPMG audited the 2012 consolidated financial statements prepared by the Executive Board in accordance with § 315a German Commercial Code (Handelsgesetzbuch – HGB) in compliance with IFRS and issued an unqualified opinion thereon. The auditor also approved without qualification the 2012 annual financial statements of adidas AG, prepared in accordance with HGB requirements, as well as the combined management report for adidas AG and the Group. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner. We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 1, 2013 and at the Supervisory Board's March 6, 2013 financial statements meeting, during which the Executive Board explained the financial statements in detail. We were informed in detail regarding the corrections made to the 2011 consolidated financial statements, which the Audit Committee had already dealt with in depth at its meeting. Key to these meetings were also the Executive Board's commentaries and the subsequent discussions concerning the goodwill impairment necessary for the 2012 financial year. At both meetings, the auditor reported the material results of the audit with a focus on the priority topics of the year under review as agreed with the Audit Committee and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. We also discussed in depth with the Executive Board the proposal concerning the appropriation of retained earnings, which provides for a dividend of € 1.35 per dividend-entitled share and adopted it in light of the Group's good financial situation and future prospects as well as the expectations of our shareholders. Based on our own examinations of the annual and consolidated financial statements as well as of the corrections to the 2011 consolidated financial statements, we are convinced that there are no objections to be raised. Following the recommendation of the Audit Committee, at our financial statements meeting, we therefore approved the audit results, including the audit of the corrections made to the 2011 consolidated financial statements, and the financial statements prepared by the Executive Board. The annual financial statements of adidas AG were thus approved.

Expression of thanks

The Supervisory Board wishes to thank the Executive Board and all adidas Group employees around the world for their tremendous personal dedication, their performance and their ongoing commitment, and we also thank the employee representatives for their good collaboration.

For the Supervisory Board

IGOR LANDAU
Chairman of the Supervisory Board
March 2013

Corporate Governance Report including the Declaration on Corporate Governance[1)]

Corporate Governance stands for responsible and transparent management and corporate control oriented towards a sustainable increase in value. These principles apply to all corporate functions and are an essential foundation for sustainable corporate success. We are convinced that good corporate governance enhances the confidence placed in our Group by our shareholders, business partners, employees and the financial markets.

The following report includes the Corporate Governance Report and the Declaration on Corporate Governance issued by the Executive Board and Supervisory Board.

Dual board system

As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is, inter alia, subject to the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and supervision of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated in terms of membership and duties and responsibilities. In the interest of the company, however, both Boards cooperate closely.

Composition and working methods of the Executive Board

Our Executive Board consists of four members ⁄ SEE EXECUTIVE BOARD, P. 40. There are no Executive Board committees. The Executive Board is responsible for independently managing the company, determining the Group's strategic orientation, agreeing this with the Supervisory Board and ensuring its implementation. Further, it defines business targets, corporate policy and the organisation of the Group. Additionally, the Executive Board ensures appropriate risk management and risk control as well as compliance with statutory regulations and internal guidelines. It is bound to the company's interests and obligated to strive for a sustainable increase in company value. When filling management positions in the company, the Executive Board takes diversity into consideration. It especially aims for an appropriate consideration of women. We plan to increase the number of women in management positions from currently 28% to between 32% and 35% worldwide by 2015 ⁄ SEE EMPLOYEES, P. 111.

Irrespective of the Executive Board's overall responsibility, its members are individually responsible for managing their respective business areas in accordance with the Executive Board's Business Allocation Plan. The CEO is responsible in particular for leading the entire Executive Board as well as for management of the Group's business policy. The members of the Executive Board keep each other informed on all significant events in their business areas and align on all cross-functional measures. Further details on collaboration within the Executive Board are governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

At the Supervisory Board meetings, the Executive Board reports in writing and orally on the agenda items and resolution proposals and answers all questions from the individual Supervisory Board members. Additionally, the CEO regularly consults with the Chairman of the Supervisory Board on key aspects of strategy, planning and business development as well as on questions of risk management and compliance within the Group.

Further information on Corporate Governance

More information on topics covered in this report can be found on our website :// **WWW.ADIDAS-GROUP.COM/CORPORATE_GOVERNANCE** including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Business Allocation Plan (excerpt)
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board Committees (composition and tasks)

Composition and working methods of the Supervisory Board

Our Supervisory Board consists of six shareholder representatives and six employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG) ⁄ SEE SUPERVISORY BOARD, P. 44. The Supervisory Board currently has two female members. Five members of the Supervisory Board have many years of international experience. The composition of the Supervisory Board is characterised by a high degree of diversity resulting from the different professional backgrounds of the members and comprehensive knowledge of various industries. The members of our Supervisory Board do not exercise directorship or similar positions or advisory tasks for key competitors of the company. Further, they do not have business or personal relations with adidas AG or its Executive Board which may cause a substantial and not merely temporary conflict of interest ⁄ SEE SUPERVISORY BOARD REPORT, P. 46.

At its meeting held on February 9, 2011, and in accordance with the recommendations of the German Corporate Governance Code ("the Code"), the Supervisory Board determined the following objectives for its composition:

- Maintain the composition of the Supervisory Board including members with international background to the current extent.

1) The Corporate Governance Report including the Declaration on Corporate Governance is part of the Group Management Report.

- Maintain two female members on the Supervisory Board until the next election of the Supervisory Board in 2014.
- Increase the degree of female representation on the Supervisory Board as of the next election of shareholder representatives and employee representatives in 2014; the Supervisory Board strives for at least three female members on the Supervisory Board, at least one of them on the side of the shareholder representatives.
- Maintain the independence of all Supervisory Board members while considering the work relationships of the employee representatives vis-à-vis the company.
- Consider the age limit of, in general, 72 at the time of the election.

In view of the amendments to the Code resolved upon in May 2012, at its meeting in February 2013, the Supervisory Board reviewed the objectives for its future composition, especially the independence criteria, determined already in February 2011. Following prior consultation, the Supervisory Board, in principle, reconfirmed the objectives for its composition determined in 2011. With regard to independence, it considers that the employment contracts of the employee representatives alone do not give any grounds to doubt their independence as defined by the Code. The independence of all Supervisory Board members remains one of its objectives.

The present composition of the Supervisory Board is in compliance with the aforementioned objectives. An increase in the percentage of female members is to be endeavoured at the next regular Supervisory Board elections, to be held at the Annual General Meeting in 2014. In selecting nominees, in the interest of mutually complementing cooperation within the Supervisory Board, sufficient diversity in terms of different professional backgrounds, expert and industry knowledge as well as experience in, inter alia, applying accounting principles and internal control systems are furthermore to be taken into account.

Irrespective of the consideration of these objectives and criteria, the best interests of the company will continue to play a decisive role for the Supervisory Board when nominating candidates for election. The Nomination Committee was provided with the aforementioned objectives that are to be taken into account when nominating candidates. The Supervisory Board does not, however, have a right to nominate candidates for the election of employee representatives to the Supervisory Board. Notwithstanding the above, the Supervisory Board members strive to achieve the aforementioned objectives while taking into account the employee representatives.

The Supervisory Board supervises and advises the Executive Board in matters relating to the management of the company. The Executive Board reports to the Supervisory Board regularly, expeditiously and comprehensively on business development and planning as well as the risk situation including compliance and coordinates the strategy of the company and its implementation with the Supervisory Board. Moreover, the Executive Board provides the Supervisory Board with the annual financial statements of adidas AG and the annual consolidated financial statements of the adidas Group for its approval, taking into consideration the auditor's reports. Certain business transactions and measures of the Executive Board with particular significance are subject to Supervisory Board approval.

In order to increase the efficiency of its work, the Supervisory Board has formed five permanent expert committees from within its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. These committees are the Steering Committee, the General Committee, the Audit Committee, the Mediation Committee in accordance with § 27 section 3 MitbestG and the Nomination Committee. In addition, the Supervisory Board has four project-related ad hoc committees, which were established in 2009 and 2012. The chairmen of the committees report to the entire Supervisory Board on the results of the committee work on a regular basis. The composition of the committees and their respective tasks can be found on our website.

Apart from the tasks and responsibilities, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the individual requirements expected of the members and the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The activities of the Supervisory Board and its committees in the financial year are outlined in the Supervisory Board Report ⁄ **SEE SUPERVISORY BOARD REPORT, P. 46**.

The members of the Supervisory Board are individually responsible for undertaking any necessary training and further education measures required for their tasks and, in doing so, are supported by adidas AG. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature.

Every two years, the Supervisory Board and the Audit Committee examine the efficiency of their work, including the collaboration with the Executive Board. Therefore, suggestions for even better cooperation can be made. The examination is conducted using questionnaires covering various areas and criteria of the Supervisory Board's work. Interviews are also conducted with several individual Supervisory Board members. Subsequently, the results are discussed within the Supervisory Board and/or Audit Committee. The current efficiency examinations commenced in December 2012. The analysis of the questionnaires was carried out by an external consultant. The results of the Supervisory Board's efficiency examination were presented and discussed at the Supervisory Board meeting in February 2013. No major efficiency deficits were detected. The results of the Audit Committee's efficiency examination will be presented and discussed at one of its upcoming meetings.

Avoiding conflicts of interest

The members of the Executive Board and Supervisory Board disclose any conflicts of interests to the Supervisory Board without any delay. Substantial transactions between the company and members of the Executive Board or persons in close relationship with them require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, neither the members of the Executive Board nor the members of the Supervisory Board faced conflicts of interest ⁄ **SEE SUPERVISORY BOARD REPORT, P. 46**.

adidas GROUP

Declaration by the Executive Board and Supervisory Board of adidas AG pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG) on the German Corporate Governance Code

The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG on February 13, 2012. For the period from the publication of the last Declaration of Compliance up to June 15, 2012, the following Declaration refers to the German Corporate Governance Code (hereinafter referred to as the "Code") as amended on May 26, 2010. For the period as of June 16, 2012, the following declaration refers to the recommendations of the Code as amended on May 15, 2012, which was published in the Federal Gazette on June 15, 2012.

The Executive Board and Supervisory Board of adidas AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are met with the following deviations:

Agreeing severance payment caps when concluding Executive Board service contracts (section 4.2.3 subsection 4)

In accordance with the recommendations of the Code, contracts with a term of more than three years provide for a severance payment cap. We believe that for contracts with a term of up to three years the short contractual term agreed in connection with further contractual provisions offers sufficient protection from inappropriate severance payments. Hence, no formal severance payment cap is planned.

Compensation of the Supervisory Board (section 5.4.6 subsection 2 old version)

In order to ensure the independence of the Supervisory Board in their supervisory functions, the members of the Supervisory Board do not receive any performance-related compensation.

This no longer counts as a deviation from the Code, as the recommendation regarding performance-related Supervisory Board compensation no longer exists as a recommendation in the new version of the Code dated May 15, 2012.

Disclosure of the shares held by the individual members of the Executive Board and Supervisory Board or financial instruments related thereto (section 6.6 sentence 1)

Insofar as no further statutory obligations exist, we report the ownership of shares or related financial instruments if it exceeds 1% of the shares issued by adidas AG, but we do not report this on an individual basis for the members of the Boards. Instead, we publish the total holdings of all members of the Executive Board and all members of the Supervisory Board separately in order to safeguard the Board members' protectable interests.

Herzogenaurach, February 13, 2013

For the Supervisory Board

IGOR LANDAU
Chairman of the Supervisory Board

For the Executive Board

HERBERT HAINER
Chief Executive Officer

The aforementioned Declaration of Compliance dated February 13, 2013 has been published on and can be downloaded at
:// **WWW.ADIDAS-GROUP.COM/CORPORATE_GOVERNANCE**.

Suggestions of the German Corporate Governance Code fulfilled

The Code suggests that in the Corporate Governance Report statements are also made on those suggestions that can be deviated from without disclosure. These statements have been integral to our reporting for some time. The suggestion that Supervisory Board meetings shall be prepared separately by shareholder representatives and employee representatives, which our Supervisory Board follows if necessary, no longer exists as a suggestion in the new version of the Code dated May 15, 2012. We are thus now fully compliant with all suggestions.

Further information on the principles of our management

More information on topics covered in this report can be found on our website at :⁄⁄ **WWW.ADIDAS-GROUP.COM** including:

- Code of Conduct
- Sustainability
- Social commitment
- Information and documents on the Annual General Meeting
- Directors' dealings
- Accounting and annual audit

Relevant management practices

Performance, passion, integrity and diversity are the values of our Group. They are actively lived by our Executive Board members, Supervisory Board members and our employees and have been incorporated into our Code of Conduct. Our business activities are oriented towards the legal systems in the various countries and markets in which we operate. This implies a high level of social and environmental responsibility.

Compliance with working and social standards: The development of company guidelines with regard to social minimum standards, work safety as well as health and environmental protection and the monitoring thereof at the production facilities of the adidas Group and its business partners is an integral component of our corporate policy. Our Group has a separate Code of Conduct for the supply chain, the "Workplace Standards" :⁄⁄ **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**. These standards are oriented towards the conventions of the International Labour Organization (ILO) and follow the code of conduct of the World Federation of the Sporting Goods Industry (WFSGI). They help us to only choose such business partners who fulfil the Group's Workplace Standards and business practices. We have appointed an expert team especially for the coordination of compliance with, and control of, the Workplace Standards. We report on our sustainability programme in this Annual Report and publish more detailed sustainability reports regularly on our corporate website :⁄⁄ **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY** ⁄ **SEE SUSTAINABILITY, P. 117**.

Environmental responsibility and social commitment: For long-term, successful management of the Group, sustainable actions that embrace, in particular, social and environmental responsibility towards present and future generations are essential. Our Social & Environmental Affairs department, with its worldwide team, has for many years been dealing with the rights of employees in the supply chain as well as with the coordination of the environmental strategy and product safety management.

In line with the Group-wide sustainability programme, the adidas Group developed the Environmental Strategy 2015. The objective of the Strategy is to make processes more efficient and environmentally friendly at every stage of the value chain. This ranges from areas such as product design, development and sourcing, logistics and IT systems, to improving the efficiency of company-owned locations. Optimising the value chain makes it possible for the adidas Group to offer more sustainable products and improve the company's environmental performance in the future. With our Environmental Strategy, we have the long-term goal of becoming a carbon-neutral company on a global level. A key element of this goal is the introduction of uniform environmental management systems at company-owned locations, in compliance with ISO 14001 :⁄⁄ **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

We strive to support the positive development of the regions in which our Group operates by cooperating with charity organisations in order to improve the quality of life for people, especially children and young people, by means of sports. Moreover, we are committed to education, science and humanitarian initiatives in various projects worldwide.

With the objective of making affordable shoes available for the poorest of the poor, we started our cooperation with Nobel Peace Laureate Professor Muhammad Yunus. The results from the pilot projects in Bangladesh and India, however, show that we still have a long way to go to the production of a correspondingly affordable shoe. We are thus reviewing our initial strategy and critically reflecting whether it is possible to sustainably realise a social business model in the low-price segment. We will intensively utilise the knowledge gained for the further development of future sourcing models.

Compliance and risk management within the adidas Group

Our Compliance Management System is closely aligned with the Group's Risk Management System. Together, these systems create the organisational requirements for Group-wide awareness of the respective governing law as well as of our internal rules and guidelines and for ensuring their observance. We see compliance as all-encompassing, spanning all business functions throughout the entire value chain, from supply chain through to the end consumer.

Compliance: In order to ensure standardised and exemplary actions and behaviour, in 2006, we introduced our Code of Conduct, which is applicable in all regions and business areas. It stipulates guidelines for behaviour in everyday work and is available both on our website and on our intranet.

The Compliance Management System based on the Code of Conduct is founded on three pillars: prevention, detection and response. Guidelines and processes which provide all employees with clear and precise behaviour instructions create an appropriate control, audit and reporting environment with the goal to ensure timely detection of potential infringements of statutory regulations or internal guidelines. Appropriate sanction mechanisms are used to react promptly to possible infringements. Insights gained from the investigation of past violations are used to continuously improve the risk and compliance system. A vital part of prevention is the web-based Code of Conduct training, which is mandatory for all employees worldwide, as well as a web-based data protection training. Additionally, the Group has a "Marketing Guide" to raise our employees' awareness with regard to data protection when in contact with customers. Employees who work in sales receive regular personal training concerning matters of competition and anti-trust law. Before our products enter the market, our Intellectual Property department researches the technologies, trademarks, logos and designs to identify possible infringements of the rights of third parties as well as product safety.

In close cooperation with the employee representatives, we have established a global network of designated local Compliance Officers reporting directly to the Chief Compliance Officer of the Group as contact persons, to whom complaints and information concerning possible compliance infringements can be reported. The Chief Compliance Officer regularly reports to the Executive Board on the further development of the compliance programme and on major compliance cases, which are also reported to the Audit Committee. Further, he reports to the Audit Committee at one of its meetings at least once a year concerning the contents and the further development of the compliance programme.

Risk management: The adidas Group has a company-wide Risk Management System which is linked to the Compliance Management System on an organisational level. Within the scope of this system, strategic and operational risks, legal and compliance-related risks as well as financial risks are continuously identified and assessed throughout the company by risk owners (all key decision-makers reporting to the Executive Board of adidas AG as well as the Managing Directors of all our markets) and are reported to Group Risk Management. The Executive Board receives the consolidated and aggregated information from Group Risk Management. This approach aims to ensure that significant risks are reported to the Executive Board in good time and that appropriate measures for minimising the risks are developed and initiated ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

Transparency and protection of shareholders' interests

It is our goal to inform all institutional investors, private shareholders, financial analysts, employees and the interested public about the company's situation, at the same time and to an equal extent, by regular open and up-to-date communication. We publish all essential information, such as press releases, ad hoc announcements and voting rights notifications as well as all presentations from analyst conferences and all financial reports online. Our Investor Relations department provides a full range of services to the financial community and our shareholders ⁄ **SEE OUR SHARE, P. 60**.

In addition, we also provide all documents and information on our Annual General Meeting on our website. At our next Annual General Meeting, taking place on May 8, 2013, in Fuerth (Bavaria, Germany), we will again provide our shareholders with the best possible service and support them in exercising their rights at the Annual General Meeting. Shareholders have the possibility, inter alia, to electronically register for the Annual General Meeting or to participate in online voting by granting powers of representation and voting instructions to the proxies appointed by the company. Further, all shareholders can follow the Annual General Meeting live and in full length online.

Share ownership of the Executive Board and Supervisory Board

At the end of 2012, the total number of shares or related financial instruments held by the members of the Executive Board of adidas AG amounted to less than 1% of the shares issued by the company.

At the same time, the members of the Supervisory Board owned 1.76% of the shares issued by the company or related financial instruments.

A detailed overview of Directors' Dealings in 2012 is published on our website at :// **WWW.ADIDAS-GROUP.COM/DIRECTORS_DEALINGS**.

Accounting and annual audit

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) ⁄ **SEE AUDITOR'S REPORT, P. 187**.

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the 2012 annual financial statements and annual consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence.

Compensation Report[1)]

For the adidas Group, transparent and comprehensible reporting on the compensation of the Executive Board and Supervisory Board are essential elements of good corporate governance. In the following, we summarise the principles of the compensation system and outline the structure and level of Executive Board and Supervisory Board compensation. We also report on the benefits which the members of our Executive Board will receive in case of resignation from office or retirement.

Compensation system for the Executive Board

Following preparation by the Supervisory Board's General Committee, the compensation system for our Executive Board and the total compensation of each member of the Executive Board is determined and regularly reviewed by the entire Supervisory Board. The compensation and personnel topics dealt with by the Supervisory Board and General Committee are described in the Supervisory Board Report ⁄ **SEE SUPERVISORY BOARD REPORT, P. 46**. The compensation system was presented to and adopted by the Annual General Meeting on May 10, 2012.

The compensation system is geared towards creating and promoting an incentive for successful, sustainably value-oriented corporate development and management. The compensation of the Executive Board members is designed to reflect the size and global orientation of the Group as well as its economic situation and prospects. It aims to appropriately remunerate exceptional performance, while diminishing the overall target compensation when targets are not met. Furthermore, the compensation is oriented towards the typical structure and level of executive board compensation at comparable companies. Taking into account the compensation structure at the adidas Group, the tasks and the contribution of each Executive Board member to the Group's success, their individual performance as well as the performance of the entire Executive Board are considered when determining the compensation. Thus, an appropriate level of compensation can be ensured.

Components of the Executive Board compensation

The composition of the overall compensation is weighted more towards the performance-related short-term and long-term compensation components than towards the fixed components. In the case of 100% target achievement, the target annual income of our Executive Board members consists of a fixed compensation component amounting to around one third and a variable, i.e. performance-related, compensation component amounting to around two thirds of the target amount. The individual compensation components are outlined as follows:

- The annual fixed salary is based on the tasks and responsibilities of the individual Executive Board member. It is paid in twelve monthly instalments and remains unchanged for three years during the term of the service agreement.
- The variable compensation consists of a Performance Bonus payable following the end of the respective financial year and a compensation component with a long-term incentive effect (LTIP Bonus), which is based on the Long-Term Incentive Plan 2012/2014 (LTIP 2012/2014) measured over a three-year period. The variable compensation components are designed in such a way that the incentive to achieve the sustainable targets set for granting the LTIP Bonus is significantly higher than the incentive to achieve the Performance Bonus. Corresponding contractual regulations ensure that this weighting will also be maintained in the future. More than 50% of the variable target compensation component is based upon multi-year performance criteria.

The variable compensation components feature the following criteria:

- The Performance Bonus serves as compensation for the Executive Board's performance in the past financial year in line with the short-term development of the Group. At the beginning of the financial year, the Supervisory Board determines the amount of the target Performance Bonus based on a target achievement of 100% (Bonus target amount) for each member of the Executive Board, and resolves upon the differently weighted performance criteria with their respective explicit targets. As criteria for the 2012 Performance Bonus, the Supervisory Board determined both the business-related criteria (increase in net income attributable to shareholders and an improvement in average operating working capital as a percentage of sales) as well as the Executive Board members' individual performance. The target achievement of business-related criteria can be rated with a maximum of 150% by the Supervisory Board. At the end of the financial year, the Supervisory Board examines the concrete target achievement of each Executive Board member and determines the bonus amount depending on the respective degree of target achievement.
- The LTIP Bonus serves as compensation for the long-term performance of the Executive Board in line with corporate planning. When determining the LTIP 2012/2014, the Supervisory Board defined the following performance criteria with different weightings:
  - increase in net income attributable to shareholders
  - increase in operating free cash flow
  - increase of adidas NEO label sales
  - development of the adidas AG share price.

1) This Compensation Report is a component of the Group Management Report and is also part of the Corporate Governance Report including the Declaration on Corporate Governance.

01 ⁄ **Executive Board Total Compensation in 2012** (€ in thousands)

	Non-performance-related compensation components		Performance-related compensation component	Total[1]
	Annual fixed salary	Other benefits[2]	Performance Bonus	
Herbert Hainer (CEO)	1,400	30	1,236	2,666
Glenn Bennett[3]	555	14	373	942
Robin J. Stalker	595	18	391	1,004
Erich Stamminger	770	38	721	1,529
Total	**3,320**	**100**	**2,721**	**6,141**

1) The total Executive Board compensation for 2012 does not include the amount placed in the reserves for the LTIP 2012/2014 for the 2012 financial year based on the forecasted degree of target achievement as at the balance sheet date as this amount was agreed but not granted.
2) Other benefits comprise entertainment expenses, contributions to pension insurance and non-monetary benefits resulting from the provision of a company car.
3) In accordance with Glenn Bennett's employment contract, his compensation components were granted in US dollars. An exchange rate of 1.2862 $/€ (annual average rate 2012) was used as the basis for calculation.

02 ⁄ **Executive Board Total Compensation in 2011** (€ in thousands)

	Non-performance-related compensation components		Performance-related compensation component[1]	Compensation component with long-term incentive effect[2]	Total[1]
	Annual fixed salary	Other benefits[3]	Performance Bonus	LTIP Bonus 2009/2011	
Herbert Hainer (CEO)	1,400	27	1,200	3,220	5,847
Glenn Bennett[4]	474	13	333	1,741	2,561
Robin J. Stalker	550	16	380	1,610	2,556
Erich Stamminger	757	38	700	2,070	3,565
Total	**3,181**	**94**	**2,613**	**8,641**	**14,529**

1) The indicated amount reflects the 2011 Performance Bonus reduced by the individual repayment amounts.
2) The indicated amount corresponds to the amount placed in the reserves for the 2011 financial year based on the degree of target achievement as at the balance sheet date. The payout amounts for the compensation components with a long-term incentive effect are shown in detail below.
3) Other benefits comprise contributions to pension insurance and non-monetary benefits resulting from the provision of a company car.
4) Glenn Bennett's compensation components were granted in US dollars: fixed annual salary $ 660,000, car allowance $ 18,000, Performance Bonus $ 464,000. An exchange rate of 1.3922 $/€ (annual average rate 2011) was used as the basis for calculation.

When calculating the LTIP Bonus payable following the three-year period, the weighted degrees of target achievement of the performance criteria are accumulated and multiplied by the individual LTIP target amount determined by the Supervisory Board for each Executive Board member when the LTIP 2012/2014 was established. For the final evaluation of the Executive Board's performance, qualitative criteria are also taken into consideration. The payout of the LTIP 2012/2014 is limited to a maximum of 150% of the individual LTIP target amount (Cap). If the overall degree of target achievement lies below 50%, the Executive Board member is not entitled to the LTIP Bonus. Once the Supervisory Board has resolved upon the amount of the LTIP Bonus to be granted to each Executive Board member, the Bonus will be paid upon approval of the 2014 consolidated annual financial statements. In the case of 100% target achievement, for the three-year period from 2012 to 2014, an LTIP Bonus totalling € 12.504 million (Herbert Hainer: € 4.620 million; Glenn Bennett: € 2.604 million; Robin J. Stalker: € 2.310 million; Erich Stamminger: € 2.970 million) will be paid out in 2015.

A compensation component resulting from a management share option plan does not exist and is not planned.

The total compensation paid to our Executive Board for the 2012 financial year amounted to € 6.141 million (2011: € 14.529 million) ⁄ **TABLES 01 AND 02**.

Based on the restatement of the 2011 consolidated financial statements due to the commercial irregularities at Reebok India Company ⁄ **SEE NOTE 03, P. 203**, the financial figures upon which the bonus calculations had been based were adjusted, necessitating a redetermination of the Performance Bonuses for the 2011 financial year as well as for the previous years concerned. The Executive Board will therefore repay to the company the amount of € 471,683, as a partial amount of the Performance Bonuses granted. The total compensation stated for the 2011 financial year is reduced by the bonus amount to be repaid by the Executive Board members.

Other benefits and additional commitments

The Executive Board members receive other minor benefits which are individually taxed as required. These may include, for example, entertainment expenses, contributions to pension insurance as well as non-monetary benefits resulting from the provision of a company car. They do not receive any additional compensation for mandates within the adidas Group. The Executive Board members did not receive any loans or advance payments from adidas AG.

Pension commitments

All members of the Executive Board have individual contractual pension commitments which essentially include the following provisions:

- The pensions which our active Executive Board members receive upon reaching the age of 65 are based on a percentage of their individual pensionable income. This currently equals the individual fixed annual salary stated in the table. Starting from a base amount totalling 10% of the pensionable income, a module of 2% of the pensionable income is formed for each full year of tenure as an Executive Board member. The pension payable to an Executive Board member can reach a maximum level of 40% of the pensionable income.
  Herbert Hainer and Erich Stamminger, who belonged to the group of senior executives of adidas AG prior to their Executive Board appointments, will at the time of their retirement receive additional payments from the "Supplementary Retirement Provisions for Senior Executives". Until their appointment as Executive Board members, adidas AG had contributed pension components for Herbert Hainer and Erich Stamminger under these supplementary provisions which were introduced for all senior executives of the company in 1989.
- In the event of occupational disability of an Executive Board member prior to reaching the retirement age, he receives a disability pension amounting to the pension entitlements achieved up to this point.
- Survivor's benefits provide a pension for the spouse or partner amounting to 50% of the pension entitlements up to this point, and 15% or 30% for each dependent child as half-orphan or orphan; it amounts to a maximum of 100% of the pension entitlements. If an Executive Board member dies during the term of his service contract, his spouse or partner receives or, alternatively, any dependent children additionally receive the pro-rata annual fixed salary for the month of death and the following three months but no longer than until the agreed end date of the service contract.

In the event of the retirement of an Executive Board member prior to reaching the retirement age, the non-forfeiture of the pension entitlement will be in line with legal provisions.

From the second year of pension payments, the current pension payments will increase on the anniversary of the initial pension payment by at least 1% of the amount of the prior year pension and additionally by any income from the pension trust fund allocable to the respective Executive Board member.

Commitments to Executive Board members upon premature termination of tenure

Executive Board service contracts are usually agreed with a contractual term of three years. This term will be shortened accordingly if the Executive Board member reaches the age of 65 prior to expiration.

In the case of premature termination of tenure by mutual consent and without good cause, the following shall apply:

- The Executive Board members Glenn Bennett, Robin J. Stalker and Erich Stamminger each receive a compensatory payment in the amount of the payment claims for the remaining period of service contract. Due to the relatively short contractual terms of up to three years, a severance payment cap is not provided.
  The service contract of Herbert Hainer, on the other hand, which has a contractual term of more than three years, does provide for a severance payment of a maximum of twice the overall annual compensation, limited to payment claims for the remaining period of his service contract (Severance Payment Cap). In this respect, the overall annual compensation means the overall compensation paid to the Executive Board member, as outlined in the compensation report, for the last full financial year prior to resignation from the Executive Board while considering the expected total compensation for the current financial year. If Herbert Hainer's service contract is terminated due to a change of control, a possible severance payment is limited to 150% of the Severance Payment Cap.
- In the case of regular termination of the service contract, i.e. in the case of non-renewal of the service contract or termination due to reaching retirement age, the respective Executive Board member is entitled to a follow-up bonus as individually agreed. This bonus amounts to 75% for Glenn Bennett, 100% for Robin J. Stalker, and 125% each for Herbert Hainer and Erich Stamminger and is based on the Performance Bonus granted to the respective Executive Board member for the last full financial year. The follow-up bonus is payable in two tranches, 12 and 24 months following the end of the contract.

Payments to former members of the Executive Board and their surviving dependants

In 2012, pension payments to former Executive Board members or to their surviving dependants amounted to € 3.336 million (2011: € 3.261 million). As at December 31, 2012, the provisions for pension entitlements of this group of persons totalled € 50.826 million (2011: € 46.150 million). The dynamisation of the pension payments to former Executive Board members is made in accordance with statutory regulations or regulations under collective agreements unless a surplus from the pension fund for former Executive Board members is used after the commencement of retirement for an increase in retirement benefits.

Compensation of the Supervisory Board

The compensation of the Supervisory Board members is determined by the Annual General Meeting and regulated by § 18 of the Articles of Association of adidas AG. The compensation is linked to the size of the Group and to the responsibility and scope of activities of the Supervisory Board members. After the respective financial year, the members receive a fixed compensation amount for their function as well as compensation for the chairmanship of or membership of committees, in accordance with the German Corporate Governance Code. There is no variable compensation scheme for Supervisory Board members ⁄ **SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE P. 51**. Supervisory Board members who have not been members of the Supervisory Board for the entire financial year receive a pro-rated amount of compensation.

Total compensation

Each individual member of the Supervisory Board receives € 40,000 as fixed annual compensation; three times this amount is paid to the Chairman of the Supervisory Board and twice this amount is paid to each Deputy Chairperson. Members of the General Committee or the Audit Committee receive additional compensation of € 20,000 and € 40,000, respectively. In addition to the fixed compensation, the Chairman of the General Committee receives annual compensation of € 40,000, while the Chairman of the Audit Committee receives € 60,000. The remuneration paid for a committee chairmanship also covers the membership of such committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee and committees which are established ad hoc do not receive additional compensation. If a Supervisory Board member is in more than one committee, the member only receives compensation for his/her task in the committee with the highest compensation. The Supervisory Board members are reimbursed for all expenses incurred in connection with their mandates as well as for the VAT payable on their compensation, insofar as they charge for it separately.

The total compensation paid to our Supervisory Board for the 2012 financial year amounted to € 0.92 million (2011: € 0.92 million) ⁄ **TABLE 03**.

Other benefits and additional commitments

The Supervisory Board members did not receive any loans or advance payments from adidas AG.

03 ⁄ **Compensation of the Supervisory Board** (in €)

	2012	2011
Members of the Supervisory Board as at December 31, 2012		
Igor Landau (Chairman of the Supervisory Board, Chairman of the General Committee)	160,000	160,000
Sabine Bauer (Deputy Chairwoman of the Supervisory Board, Member of the General Committee)	100,000	100,000
Willi Schwerdtle (Deputy Chairman of the Supervisory Board, Member of the General Committee)	100,000	100,000
Dieter Hauenstein	40,000	40,000
Dr. Wolfgang Jäger (Member of the Audit Committee)	80,000	80,000
Dr. Stefan Jentzsch (Member of the Audit Committee)	80,000	80,000
Herbert Kauffmann (Chairman of the Audit Committee)	100,000	100,000
Roland Nosko (Member of the General Committee)	60,000	60,000
Alexander Popov	40,000	40,000
Hans Ruprecht (Member of the Audit Committee)	80,000	80,000
Heidi Thaler-Veh	40,000	40,000
Christian Tourres	40,000	40,000
Total	**920,000**	**920,000**

Our Share 1)

In 2012, international stock markets and the adidas AG share increased considerably. Further progress in resolving the sovereign debt crisis in the euro area as well as robust US economic data and expansionary Fed policies were major catalysts for strong market developments throughout the year. However, disappointing economic data in the euro area, slowing economic growth rates in Greater China as well as the looming fiscal cliff in the USA temporarily weighed on financial markets. The DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index increased 29% and 26%, respectively, in 2012. Due to consistently strong financial results throughout the year and market participants' rising confidence in the adidas Group's Route 2015 strategic business plan, the adidas AG share outperformed both indices, gaining 34% in the period. With further balance sheet improvements and the strong increase in the Group's net income attributable to shareholders excluding goodwill impairment losses in 2012, we intend to propose a 35% higher dividend compared to the prior year at our 2013 Annual General Meeting.

International stock markets maintain positive momentum

In 2012, international stock markets maintained the positive momentum from the end of the prior year, driven in particular by European and Asian indices. At the beginning of 2012, international stock markets improved significantly, mainly due to measures from European policymakers to resolve the sovereign debt crisis in the euro area. In addition, investor confidence was also strengthened following a series of solid US economic indicators. However, in the second quarter of 2012, international stock markets reversed the positive trend and suffered considerable losses. This was mainly due to a worsening of the sovereign debt crisis in the euro area, fuelled by persistently negative economic data reported in the region. The emergence of more and more indicators signalling a slowdown of growth of the US and, in particular, the Chinese economy also contributed to negative investor sentiment. In the third quarter, global stock markets recovered, posting considerable gains. This development mainly reflected the reiteration of central bank commitments, in particular by the ECB, to provide further economic stimuli. This more than offset the negative impact from subdued macroeconomic indicators worldwide. Despite the looming fiscal cliff issues in the USA, most international indices continued to gain momentum in the fourth quarter. This was attributable to the ongoing relief in the euro debt crisis, which included a new rescue package for Greece as well as a recovery of leading indicators in China and Germany. Furthermore, robust US economic data as well as an expansionary Fed policy provided additional support. As a result, the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index increased 29% and 26%, respectively ⁄ **TABLE 01**. The Dow Jones Index gained 7% during the period.

01 ⁄ **Historical performance of the adidas AG share and important indices at year-end 2012** (in %)

	1 year	3 years	5 years	10 years	Since IPO
adidas AG	34	78	31	227	596
DAX-30	29	28	(6)	163	247
MSCI World Textiles, Apparel & Luxury Goods	26	73	53	313	312

Source: Bloomberg.

adidas AG share price outperforms market

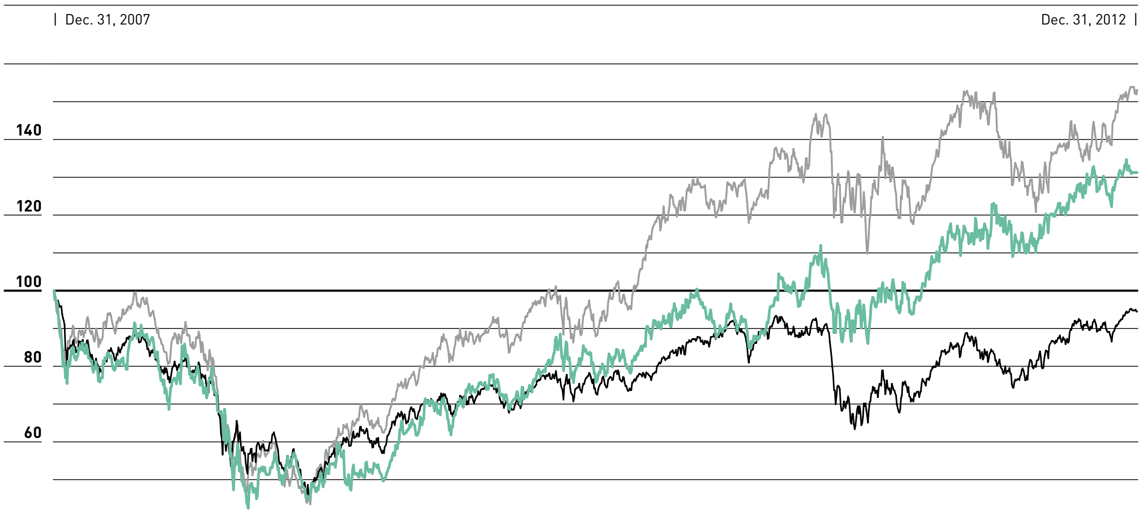
At the beginning of the year, our share traded positively, supported by several analyst recommendation and target price upgrades, reflecting confidence in the positioning of the adidas Group's brands and the Group's ability to benefit from the underlying strength of the sporting goods market. On March 7, the publication of the Group's 2011 financial results as well as the confirmation of our 2012 outlook was well received. Nevertheless, given the strong share price appreciation up to that date, some investors took profits, resulting in a share price correction on the day of the results release. Towards the end of the first quarter, these losses were more than offset, supported by favourable market trends as well as successful investor relations marketing activity. At the beginning of the second quarter, the adidas AG share traded sideways, outperforming the general market weakness. The announcement of better than expected first quarter results and an improved outlook for the full year 2012 provided positive impetus,

1) This section is part of the audited Group Management Report.

adidas GROUP

adidas AG share at a glance

02 / Five-year share price development[1]



1) Index: December 31, 2007 = 100.

03 / The adidas AG share

Number of shares outstanding 2012 average	209,216,186
Number of shares outstanding At year-end 2012[1]	209,216,186
Type of share	Registered no-par-value share
Free float	100%
Initial Public Offering	November 17, 1995
Share split	June 6, 2006 (in a ratio of 1:4)
Stock exchange	All German stock exchanges
Stock registration number (ISIN)	DE000A1EWWW0
Stock symbol	ADS, ADSGn.DE

Important indices

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

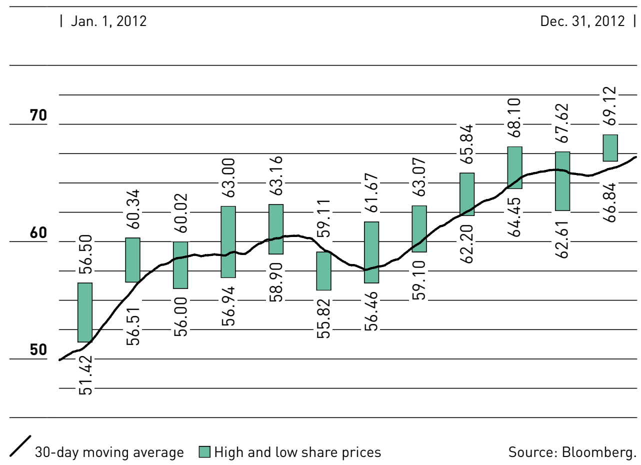
1) All shares carry full dividend rights.

with the adidas AG share reaching a new all-time high of € 63.16 on May 2. In June, negative statements from several competitors in China as well as worse than expected results released by one of the adidas Group's major competitors were key negative catalysts and weighed on the adidas AG share price. In July and August, the adidas AG share progressed favourably as a result of positive comments by market participants regarding our first half year results. In September, positive analyst commentary and target price upgrades prior to the adidas Group Investor Field Trip to Carlsbad, California, provided further stimuli to share price increases. The event, which took place on September 20 and 21, aimed at delivering additional insight into the Group's Generation US 2015 growth plan and the strategy to sustain the success of TaylorMade-adidas Golf as well as increasing investors' understanding of the key pillars of Reebok's new fitness positioning. Benefiting from positive market feedback following the event, the adidas AG share gained steadily at the beginning of the fourth quarter. Following the release of our third quarter results on November 8, the share price gained strong momentum from mid-November onwards. In light of the upcoming holiday season and a generally robust market performance, the adidas AG share reached a new all-time high of € 69.12 on December 12 and remained close to this level towards the end of the year ⁄ **DIAGRAM 04**. The adidas AG share closed 2012 at € 67.33, representing a 34% increase and reflecting a strong outperformance relative to international stock markets ⁄ **TABLE 01**. This implies a market capitalisation of € 14.1 billion at the end of 2012 versus € 10.5 billion at the end of 2011 ⁄ **DIAGRAM 05**.

Average daily trading volume declines

During 2012, the average daily trading volume of the adidas AG share on all German stock exchanges (excluding bank trades) declined to 0.9 million shares (2011: 1.2 million). The average daily trading volume of the adidas AG share on alternative trading systems, such as CHI-X, Turquoise and BATS Europe, declined to 0.5 million shares per trading day (2011: 0.7 million). Share trading on OTC markets such as BOAT and EuroNext OTC increased slightly to over 1.1 million shares per trading day, from under 1.1 million in the prior year.

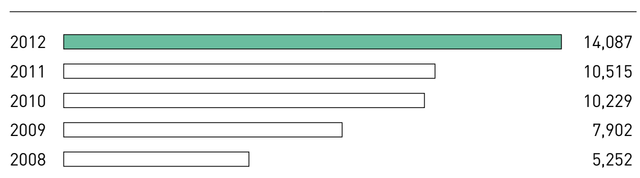
04 ⁄ **adidas AG high and low share prices per month** [1] (in €)



Source: Bloomberg.

1) Based on daily Xetra closing prices.

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



Level 1 ADR sees increased demand

Since its launch on December 30, 2004, our Level 1 American Depositary Receipt (ADR) facility has enjoyed great popularity among American investors. Deutsche Bank Trust Company Americas runs our Level 1 ADR Programme. Our Level 1 ADR closed 2012 at US $ 44.80, representing an increase of 37% versus the prior year level (2011: US $ 32.61). The more pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the depreciation of the US dollar versus the euro at the end of 2012 compared to year-end 2011. The number of Level 1 ADRs outstanding increased to 11.8 million at year-end 2012 (2011: 10.0 million). The average daily trading volume increased 15% to 41,500 ADRs in 2012 (2011: 36,000). Since November 2007, the adidas AG ADR is quoted on the OTCQX International Premier market, the highest over-the-counter market tier. This electronic trading forum includes leading international companies with substantial operating businesses and credible disclosure policies. Further information on our ADR Programme can be found on our website at :// **WWWW.ADIDAS-GROUP.COM/ADR**.

adidas AG share historically outperforms benchmark indices

The adidas Group is committed to continuously enhancing shareholder value. The long-term development of our share price reflects investor confidence and the growth potential of our Group. Over the last ten years, our share has gained 227%. This represents a clear outperformance of the DAX-30, which increased 163% during the period ⁄ **TABLE 01**.

adidas AG share member of important indices

The adidas AG share is included in a variety of high-quality indices around the world, most importantly the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index. The DAX-30 is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The MSCI World Textiles, Apparel & Luxury Goods Index comprises our Group's major competitors. At December 31, 2012, our weighting in the DAX-30, which is calculated on the basis of free float market capitalisation and twelve-month share turnover, was 2.13% (2011: 2.05%). Our higher weighting compared to the prior year was mainly a result of the increase in share turnover and the market capitalisation of adidas AG. Within the DAX-30, we ranked 16 on market capitalisation (2011: 16) and 19 on turnover (2011: 21) at year-end 2012.

Strong sustainability track record reflected in index memberships

In recognition of our social and environmental efforts, adidas AG is listed in several sustainability indices. For the 13th consecutive time, adidas AG has been included in the Dow Jones Sustainability Indexes (DJSI). The Indexes analyse and track the social, environmental and financial performance of more than 300 companies worldwide. In addition, adidas AG was again included in the FTSE4Good Europe Index, the Vigeo Group's Ethibel Sustainability Index Excellence Europe as well as in the ASPI Eurozone Index. Furthermore, in 2012, the adidas Group was included for the eighth consecutive time in the list of The Global 100 Most Sustainable Corporations in the World. Launched in 2005, the annual list of The Global 100 Most Sustainable Corporations in the World is unveiled each year at the World Economic Forum in Davos, Switzerland. In addition, as of September 2011, adidas AG is a constituent of the STOXX Global ESG Leaders indices. The index family is made up of three specialised indices for the categories environmental, social and governance (ESG), and one broad index which sums up the specialised indices. In detail, these are the STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Governance Leaders and STOXX Global ESG Leaders indices. The index family is based on relevant key performance indicators (KPIs) provided by the index partner Sustainalytics, a leading global provider of ESG research and analysis ⁄ **TABLE 03**.

Successful convertible bond issue

In March 2012, adidas AG successfully issued a convertible bond, due on June 14, 2019, for an aggregate nominal amount of € 500 million ⁄ **SEE NOTE 18, P. 215**. The bonds are not callable by the issuer or putable by the bondholders until June 2017. The bonds are convertible into up to 5.99 million new or existing adidas AG shares. Proceeds from the offering have allowed the Group to further optimise its debt structure. The bonds were offered solely to institutional investors outside the USA and were very well received by the financial community, being several times oversubscribed. The bonds were priced with a 0.25% annual coupon and a conversion premium of 40% above the reference price of € 59.61, resulting in a current conversion price of € 83.46 per share. Trading of the convertible bond commenced on the Frankfurt Stock Exchange ("Freiverkehr") on April 12, 2012. The convertible bond closed the year at € 114.30, significantly above its par value level of € 100.

Dividend proposal of € 1.35 per share

The adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 1.35 to shareholders at the Annual General Meeting (AGM) on May 8, 2013 (2011: € 1.00). Subject to the meeting's approval, the dividend will be paid on May 9, 2013. This represents an increase of 35% compared to an increase of net income attributable to shareholders, excluding goodwill impairment losses, of 29%. The total payout of € 282 million (2011: € 209 million) reflects a payout ratio of 35.7% of net income attributable to shareholders, excluding goodwill impairment losses, versus 34.1% in the prior year ⁄ **TABLE 08**. This is in line with our dividend policy, where we intend to pay out between 20% and 40% of net income attributable to shareholders.

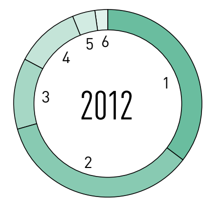
Strong international investor base

Based on our share register, we estimate that adidas AG currently has around 52,000 shareholders. In our latest ownership analysis conducted in February 2013, we identified around 90% of our shares outstanding. Shareholdings in the North American market account for 36% of our total shares outstanding. Identified German institutional investors hold 12% of shares outstanding. The shareholdings in the rest of Europe excluding Germany amount to 35%, while 4% of institutional shareholders were identified in other regions of the world. adidas Group Management, which comprises current members of the Executive and Supervisory Boards, holds 2% in total ⁄ **SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 51**. Undisclosed holdings, which also include private investors, account for the remaining 11% ⁄ **DIAGRAM 06**.

Voting rights notifications published

In 2012, adidas AG published 23 voting rights notifications in accordance with §§ 21 section 1, 25 section 1 and 25a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). All voting rights notifications received in 2012 and thereafter can be viewed on our corporate website :⁄⁄ **WWW.ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS**. Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report ⁄ **SEE NOTE 26, P. 221**.

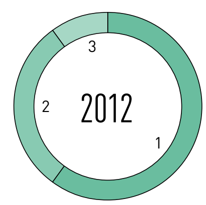
06 ⁄ Shareholder structure [1)]



1 ⁄	**36%**	North America
2 ⁄	**35%**	Rest of Europe
3 ⁄	**12%**	Germany
4 ⁄	**11%**	Other, undisclosed holdings
5 ⁄	**4%**	Rest of the world
6 ⁄	**2%**	Management

1) As of February 2013.

07 ⁄ Recommendation split [1)]



1 ⁄	**60%**	Buy
2 ⁄	**30%**	Hold
3 ⁄	**10%**	Sell

1) At year-end 2012. Source: Bloomberg.

adidas AG share again receives strong analyst support

The adidas Group and the adidas AG share continued to receive strong analyst support in 2012. Around 40 analysts from investment banks and brokerage firms regularly published research reports on our Group. The vast majority of analysts are confident about the medium- and long-term potential of the Group. This is reflected in the recommendation split for our share as at December 31, 2012. 60% of analysts recommended investors to "buy" our share in their last publication during the twelve-month period (2011: 71%). 30% advised to "hold" our share (2011: 24%). 10% of the analysts recommended to "sell" our share (2011: 5%) ⁄ **DIAGRAM 07**.

Award-winning Investor Relations activities

adidas AG strives to maintain close contact to institutional and private shareholders as well as analysts. In 2012, Management and the Investor Relations team spent around 29 days on roadshows and also spent 22 days presenting at 15 national and international conferences. Furthermore, in order to provide greater insight into one of our three key attack markets, North America, we hosted an Investor Field Trip to Carlsbad, California, from September 20 to 21, 2012, which was attended by more than 50 investors and representatives of the financial community. Our efforts to deliver best-in-class services to our investors and analysts were again highly acknowledged in an investor relations survey conducted by Thomson Reuters. In the sector Consumer/Luxury Goods, the adidas Group was ranked second again by buy-side analysts in this survey.

In August 2012, the adidas Group 2011 Annual Report received the prestigious "Best Annual Report 2012" award granted by the German business magazine "manager magazin". The award forms part of the most comprehensive competition of its kind in Germany and one of the most comprehensive globally. manager magazin analysed the annual reports of around 160 corporations which are included in the DAX-30, MDAX, SDAX and TecDAX. After winning the title in 2007 and being narrowly second last year, this is the second time the award has gone to the adidas Group.

Investor Relations and Media app increases availability of detailed adidas Group information

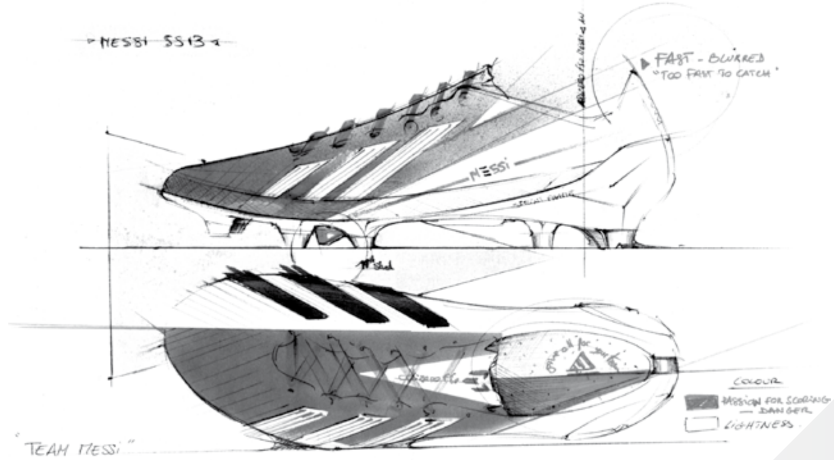
We offer extensive information around our share as well as the adidas Group's strategy and financial results on our corporate website at :// **WWW.ADIDAS-GROUP.COM/INVESTORS**. Our event calendar lists all conferences and roadshows we attend and provides all presentations for download. In addition to live webcasts of all major events such as our Analyst Conferences, the Annual General Meeting and Investor Days, we also offer podcasts of our quarterly conference calls. Furthermore, in order to give a regular update about the latest developments of the adidas Group and the adidas AG share, we also offer our shareholders and the financial market community the opportunity to subscribe to our Investor Relations Newsletter. In an effort to drive further engagement with our Group's stakeholders, in 2012, we launched the adidas Group Investor Relations and Media app, which delivers our key documents and reports and presents them in a highly readable digital format. The app also includes a multimedia library, links to sites such as our corporate blog as well as brand pages which link social media content from across all of our brands. This provides a simple way to directly engage on our Facebook pages and YouTube channels and to ensure our stakeholders are able to keep up to date on the latest Group news and the most recent brand developments.

08 ⁄ Share ratios at a glance

		2012	2011 [1]
Basic earnings per share	€	3.78 [2]	2.93
Cash generated from operating activities per share	€	4.50	3.86
Year-end price	€	67.33	50.26
Year high	€	69.12	57.42
Year low	€	51.42	43.22
Dividend per share	€	1.35 [3]	1.00
Dividend payout	€ in millions	282 [4]	209
Dividend payout ratio	%	35.7 [2]	34.1
Dividend yield	%	2.0	2.0
Shareholders' equity per share	€	25.35	24.55
Price-earnings ratio at year-end		17.8 [2]	17.1
Average trading volume per trading day [5]	shares	900,218	1,171,003
DAX-30 ranking at year-end [6]			
by market capitalisation		16	16
by turnover		19	21

1) Restated according to IAS 8, see Note 03, p. 203.
2) Excluding goodwill impairment of € 265 million.
3) Subject to Annual General Meeting approval.
4) Based on number of shares outstanding at year-end.
5) Based on number of shares traded on all German stock exchanges.
6) As reported by Deutsche Börse AG.

One team, one goal: pushing boundaries through innovation and achievements.



adizero f50 Messi

adidas brings fans even closer to Leo Messi with the new signature adizero f50 Messi boot, inspired by the player himself. The new adizero combines revolutionary technologies and precision engineering with every aspect of the boot design focused on making the wearer as fast as possible on the football pitch. At only 165g, the adizero f50 is one of the lightest shoes on the market.

7,000,000 × Tango 12

adidas sold more than 7 million balls in the design of the Tango 12 in 2012, and thus more EURO balls than ever before.

drydye

Every drop counts: adidas DryDye

adidas unveils DryDye, a new technology to eliminate the need for water in the dyeing process. The technology was developed in partnership with the Thailand-based Yeh Group.

CO_2 / instead of water
50% / less energy use
50% / less chemical input

Reebok and Bose join forces ...

... and launch fitness headphones with sweatproof and water-resistant in-ear buds and other innovative features.

Invincible Spain.

Winning the UEFA EURO 2012, adidas sponsored Spain is the first national team ever to win three major international titles in a row: two European Championships and the World Cup.

"DryDye is a dyeing process that uses CO_2 instead of water, leading to sustainability benefits. It saves water, reduces energy and brings down the chemical input within the dyeing process."

/ Philipp Meister /
adidas Manager Material Sustainability & Innovation

02 OUR GROUP

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT: This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

Group Strategy

The adidas Group strives to be the global leader in the sporting goods industry with brands built upon a passion for sports and a sporting lifestyle. Inspired by our heritage, we know that a profound understanding of the consumer and customer is essential to achieving this goal. To anticipate and respond to their needs, we continuously strive to create a culture of innovation, challenging ourselves to break with convention and embrace change. By harnessing this culture, we push the boundaries of products, services and processes to strengthen our competitiveness and maximise the Group's operational and financial performance. This, in turn, will drive long-term value creation for our shareholders. To achieve this goal, we have made strategic choices and will prioritise our investments under our six key strategic pillars.

Creating long-term shareholder value

Creating long-term value for our shareholders through significant operating cash flow generation drives our overall decision-making process ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 124**. Therefore, we are focused on rigorously managing those factors under our control, making strategic choices that will drive sustainable revenue and earnings growth, and ultimately operating cash flow. Across our operations, we pursue in particular the avenues for growth which we expect to be most value-enhancing, with particular emphasis on improving Group profitability. In addition, rigorously managing working capital and optimising our capital structure remain key priorities for us. Furthermore, we are committed to increasing returns to shareholders with above-industry-average share price performance and dividends ⁄ **SEE OUR SHARE, P. 60**.

Diverse brand portfolio

Consumers want choice. Whether it is the athlete looking for the best possible equipment, or the casual consumer searching for the next fashion trend, we are inspired to develop and create experiences that engage consumers in long-lasting relationships with our brands. To maximise our consumer reach, we have embraced a multi-brand strategy. This approach allows us to tackle opportunities from several perspectives, as both a mass and a niche player, providing distinct and relevant products to a wide spectrum of consumers. In this way, each brand is able to keep a unique identity and focus on its core competencies, while simultaneously providing our Group with a broad product offering, increasing our leverage in the marketplace ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 78**.

Investments focused on highest-potential markets and channels

As a Group, we target leading market positions in all markets in which we compete. However, we have prioritised our investments based on those markets which offer the best medium- to long-term growth and profitability opportunities. In this respect, we place considerable emphasis on expanding our activities in the emerging markets, particularly China and Russia/CIS, as well as building our market share in underpenetrated markets for the Group, such as the USA ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**.

No matter in which market we operate, we recognise that consumer buying behaviour and the retail landscape are unique. Therefore, to fully exploit market opportunities, we tailor our distribution strategy to present our brands to the consumer in the most impactful way. This is achieved by following a distinctive but coordinated channel approach. To this end, we strive to provide our customers with superior service to secure prime shelf space for our brands, while continuing our commitment to building strategic competency in own retail and e-commerce ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**.

Creating a flexible supply chain

Speed and agility are key to outpacing the competition. We are committed to meeting the full range of customer and consumer needs by ensuring constant product availability in the correct size and colour, providing game-changing technical innovations and also the latest high-end fashion products to the highest quality standards.

A key strategic priority is to enable faster product creation and production by continuously improving our infrastructure, processes and systems. By sharing information from point of sale to source and vice versa, we strive to connect and more closely integrate the various elements of our supply chain, to enable quick reaction to changing consumer trends. To this end, we focus on building maximum flexibility within our supply chain. While leveraging the efficiency of common infrastructure and processes, the Group strives to provide tailored solutions for all our business models, be it the wholesale or retail channels, or the performance-oriented or style-oriented businesses SEE GLOBAL OPERATIONS, P. 100.

Leading through innovation

Every adidas Group employee is responsible for driving innovation. Therefore, we foster a culture of challenging convention and embracing change, and require all areas of the Group to generate at least one new innovation or meaningful improvement per year. In particular, we believe that technological evolution and cutting-edge design in our products are essential to achieving sustainable leadership in our industry SEE RESEARCH AND DEVELOPMENT, P. 105. Beyond this, enhancing services for our customers and implementing more efficient and effective internal processes are other areas where our organisation strives to innovate SEE GLOBAL SALES STRATEGY, P. 72.

Develop a team grounded in our heritage

Our culture is continuously shaped by influences from the past and the present as well as our future aspirations. We perpetuate the commitment of our founder, Adi Dassler, to the athlete and consumer, pride in what we do, quality and love of sport. We win as a team through open communication, collaboration and our shared values found in sport SHARED VALUES. Therefore, we foster a corporate culture of performance, passion, integrity and diversity by creating a work environment that stimulates innovation, team spirit and achievement based on strong leadership and employee engagement SEE EMPLOYEES, P. 111.

Becoming a sustainable company

Like any global business, the adidas Group must manage wide-ranging commercial and competitive pressure to deliver increased financial returns and growth. At the same time, we are accountable for our employees and have a high degree of responsibility towards the workers in our suppliers' factories and also for the environment. We are committed to striking the balance between shareholder interests and the needs and concerns of employees and workers, and the environment, or, in short, to becoming a sustainable company SEE SUSTAINABILITY, P. 117. We report publicly on the steps we take to have a more positive impact on society and the planet on our website at **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

Shared values

The adidas Group values help us to create brands that our customers believe in, and they commit us to playing by the rules that society expects of a responsible company:

- Performance
- Passion
- Integrity
- Diversity

SEE ADIDAS GROUP AT A GLANCE BOOKLET, CORPORATE MISSION STATEMENT, P. 2.

01 **adidas Group strategic pillars**

adidas GROUP

Markets/Channels	One Team	Supply Chain	Sustainable Company	Brand Portfolio	Innovation
Focus investment on the highest-potential markets and our distinct channel approach.	Develop a team that is grounded in our rich heritage, that is committed to the positive values found in sport – performance, passion, integrity and diversity – and that values sustainability.	Become closest to every consumer by building and managing a supply chain that quickly responds to changing market needs and supports multiple distinct business models.	We strive to be a sustainable company that recognises its responsibilities towards the environment, our employees and the people who make our products.	Build and manage a diverse brand portfolio with distinctive brands covering consumers from sport performance to sport lifestyle.	Maintain a culture of continuous innovation through improvements of products, services and processes.

adidas Group reconfirms strategic goals from 2010 to 2015

In November 2010, the Group unveiled its 2015 strategic business plan named "Route 2015", which defines strategies and objectives for the period up to 2015. This plan is the most comprehensive the adidas Group has ever developed, incorporating all brands, sales channels and Group functions globally. Based on its strong brands, premium products, extensive global presence and its commitment to innovation and the consumer, the adidas Group aspires to grow its business significantly until 2015.

According to our plan, total Group sales are targeted to grow 45% to 50% on a currency-neutral basis over the five-year period, thereby outperforming total market growth (both GDP and sporting goods industry). In addition, we aim to grow our bottom line faster than the top line. It is targeted to grow annual earnings at a compound annual growth rate of 15% and to reach an operating margin of 11% sustainably by 2015.

In September 2012, Management confirmed its Route 2015 aspirations for the Group. It also provided an update on its targets by segment and by brand in light of the Group's performance in the first two years. For the adidas brand, the 2015 goal was increased by € 600 million to € 12.8 billion. adidas Sport Performance sales are now projected to reach € 8.9 billion (previously: € 8.5 billion), with the increase in expectations driven by record-breaking football sales and momentum in the running and basketball categories. Additionally, sales expectations for adidas Sport Style were increased to € 3.9 billion, up from € 3.7 billion, due to the continuing strong global resonance of adidas Originals and the solid performance of the adidas NEO label. At the Reebok brand, taking into account the strategic decisions to discontinue the NFL contract, reduce exposure to lower-profit markets such as India and Latin America, as well as shift the reporting of US-related NHL sales to Reebok-CCM Hockey, Management now expects sales of € 2 billion in 2015, compared to its previous goal of € 3 billion. The reduction of expectations for Reebok, which is partly offset by the projected increases at adidas, results in a reduction in the Wholesale segment revenue target to € 10.2 billion (previously: € 10.6 billion). Retail segment sales expectations remain unchanged at € 4.6 billion. In Other Businesses, which achieved its Route 2015 sales target of € 1.8 billion already in 2012, 2015 goals were raised to € 2.2 billion. This is driven by an exceptional performance so far at TaylorMade-adidas Golf and the growth opportunities expected with the acquisition of Adams Golf ⁄ **TABLE 02**.

In order to reach our Route 2015 strategic goals, we have defined clear strategic priorities. These include:

⁄ **Clear brand positioning and prioritisation:** We believe that we have significant growth potential to exploit from our portfolio of brands. The majority of our targeted growth will come from Global Brands, which we anticipate will contribute over 80% of the Group's expected revenue increase over the period ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 78**. Areas within the adidas and Reebok brands that have been identified as key contributors to sustainable growth for the adidas Group include:

- adidas Sport Performance: gaining sales and market share in the running and basketball categories.
- adidas Sport Style: expanding in the fast-fashion business with the adidas NEO label and maintaining the strong momentum of adidas Originals.
- Reebok: establishing Reebok as the leading fitness brand.
- Leading the industry in the fields of customisation and interactivity.

⁄ **Expand presence in key growth markets:** We have identified North America, Greater China, Russia/CIS, Latin America, Japan and the UK as key growth markets. Of those markets, the three "attack markets" North America, Greater China and Russia/CIS are expected to contribute around 50% of the total Group growth under the Route 2015 plan, with each market targeting a double-digit compound annual growth rate ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**. In the USA, the Group's brands have enormous potential to gain market share by focusing on improved distribution and allowing a higher share of products to be specifically designed for that market. In emerging markets such as China and Russia/CIS, rising standards of living, increasing disposable income, positive demographic trends and growing sports participation should support demand for sporting goods.

⁄ **Intensify controlled space focus:** We intend to increase the portion of sales that comes from controlled space initiatives to over 50% of Group sales in the coming years (2012: 45%). This includes new openings of adidas and Reebok own-retail stores, the further extension of our mono-branded franchise store base in markets such as China, as well as new shop-in-shop initiatives with retail partners around the world. In terms of our own retail, we intend to open at least 550 adidas and Reebok stores over the five-year period, as well as grow significantly our eCommerce business, which we project to increase to € 500 million by 2015 ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**.

02 adidas Group Route 2015 targets[1] (€ in millions)

	2010	2011	2012	Updated 2015 targets	Original 2015 targets
adidas Group net sales[2]	**11,990**	**13,322**	**14,883**	**17,000**	**17,000**
Global Sales[2]	10,570	11,742	12,906	14,800	15,200
Wholesale	8,181	8,949	9,533	10,200	10,600
Retail	2,389	2,793	3,373	4,600	4,600
thereof eCommerce	55	89	158	500	500
Global Brands[2]	10,627	11,807	13,011	14,800	15,200
adidas	8,714	9,867	11,344	12,800	12,200
Reebok	1,913	1,940	1,667	2,000	3,000
Other Businesses	1,420	1,580	1,977	2,200	1,800
Operating margin	7.5%	7.2%	8%[3]	11.0%	11.0%
Earnings per share	2010 – 2012[3]: compound annual earnings growth of 18%			compound annual earnings growth of 15%	compound annual earnings growth of 15%

1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Rounding differences may arise in totals.
3) Excluding goodwill impairment of € 265 million.

Leverage growth and operational scale through to bottom line: A higher exposure to emerging markets as well as expanding controlled space activities are important levers to improving brand presence, increasing sell-through and driving higher Group profitability. In addition, we continuously work on streamlining internal processes to accelerate decision-making, reduce complexity and make our organisation leaner and more efficient. At the beginning of 2011, we launched Driving Route 2015 to act as a key enabler to achieve these aspirations. The objectives of Driving Route 2015 are very clear: speed, consistency and consumer focus.

- Speed by implementing a leaner organisation that allows faster decision-making.
- Consistency by establishing a more aligned and efficient organisation across functions and geographies.
- Consumer focus by reducing internal complexity, enabling us to put more of our energy into what really matters – the consumer.

In addition, we have identified several profit levers across the Group to support improvements in profitability. For example, we are targeting improved product margins with initiatives such as range reduction, where we have the goal to achieve a 25% reduction by 2015. In wholesale, we are improving our business by sharpening our trade terms policies and reducing our exposure to lower-quality channels of distribution, focusing on higher-quality partners more aligned to where our target consumer is shopping. On our mission to become a best-in-class retailer, we are already halfway to our Route 2015 goal to add five points of margin in our Retail segment. Given the strong results from our HR programme SHINE, our real estate optimisation projects and benefits from the expansion of our Global Foundation Range, we are likely to exceed our original Retail margin target by one or two points. In manufacturing, we are combatting inflation in the supply chain by increasing our investments in automation and new production techniques. Also, our investments in infrastructure such as the new distribution centres in Osnabrueck/Germany, China and Canada will ensure we increase capacity in a cost-efficient way to service all of our channels, be it wholesale, own retail or eCommerce SEE GLOBAL OPERATIONS, P. 100. Finally, we continue to work on enhancing our planning processes, to further improve profitability and working capital efficiency SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 124. Therefore, we believe there is significant potential to increase the Group's operating margin to 11% sustainably by 2015.

Maintain financial flexibility: We strive over the long term to maintain a ratio of net borrowings over EBITDA of less than two times. A strong balance sheet increases our flexibility to realise value-generating medium- and long-term opportunities in the best interests of our shareholders as they arise.

Global Sales Strategy

The Global Sales function is responsible for the commercial activities of the adidas and Reebok brands. The function is organised in three distinctive channels – Wholesale, Retail and eCommerce. By catering to these three business models, the Group aims to service multiple customer and consumer needs in order to fully leverage brand potential, be more responsive to market developments and manage channel synergies by establishing best practices worldwide.

Global Sales defines strategic priorities until 2015

The Global Sales function directs all local market organisations responsible for the distribution of the adidas and Reebok brands. The key priority of Global Sales is to design and implement state-of-the-art commercial strategies that ultimately engage consumers with rewarding point-of-sale experiences.

As part of our strategic business plan Route 2015, the Global Sales function has defined three strategic priorities:

- Increase the share of controlled space to over 50% of Group sales by 2015.
- Implement an Integrated Distribution Roadmap to ensure further growth and maximise brand potential in key demographic locations.
- Leverage cross-channel sales opportunities and range efficiencies.

The Global Sales function has identified North America, Greater China, Russia/CIS, Latin America, Japan and the UK as key growth markets ⁄ SEE GROUP STRATEGY, P. 68. Of these markets, the three attack markets North America, Greater China and Russia/CIS are targeted to contribute around 50% of the sales increase we anticipate as part of Route 2015.

Focus on controlled space

Our brands must be competitive at the point of sale, based on availability, convenience and breadth of product offering. As a result, we are continuously refining our distribution proposition with a strong focus on controlled space.

Controlled space includes:

- Own retail
- eCommerce
- Mono-branded franchise stores
- Shop-in-shops
- Joint ventures with retail partners
- Co-branded stores with sports organisations and other brands.

These formats provide us with a high level of brand control as we either manage the stores ourselves (i.e. Retail and eCommerce) or we work closely with our wholesale partners (e.g. for mono-branded franchise stores, shop-in-shops, joint ventures and co-branded stores) to ensure the appropriate product offering and presentation at the point of sale. We intend to increase our controlled space initiatives to over 50% of Group sales by 2015 (2012: 45%). This will mainly be driven by growth in our Retail segment and the expansion of our own store base as well as by growth initiatives within our Wholesale segment, such as the expansion of our franchise business.

Integrated Distribution Roadmap to increase brand presence and market share

In order to increase our global brand presence and ensure further growth of our business, our Global Sales function has set up a comprehensive initiative called "Integrated Distribution Roadmap" (IDR). The initiative encompasses a joint approach between our three channels, allowing us to define how best to capture the consumer in the biggest and most attractive cities around the world without cannibalising our brands and distribution mix. The roadmap is designed to ensure market share growth in underpenetrated affluent metropolitan areas such as New York City, where the IDR has helped us to clearly map out several potential new locations for increasing our brands' presence, which we are now beginning to execute upon.

Online multi-channel growth toolkit

The online sales opportunity for our Group is enormous and has accelerated faster than previously expected. It includes sales through our own eCommerce channel as well as through our Wholesale channel (i.e. through online platforms of our Wholesale customers). In 2012, Global Sales introduced the online multi-channel growth toolkit. The purpose of this toolkit is to support the growth potential and sales ambition across Wholesale and eCommerce. Ultimately, we are aiming towards the global alignment of our online activities across our sales channels and different geographies to achieve higher speed, more consistency and increased consumer focus.

Increasing range consistency globally

In 2011, as part of a joint initiative between the Global Sales and Global Brands functions, we defined a "Global Foundation Range" (GFR), which represents a set of products that must be sold through all our sales channels globally. This range continues to mature as additional products are added and its commercial performance exceeds that of non-GFR products. We will continue to develop the GFR in 2013 to increase the commonality of products displayed throughout our concept stores and to drive their commercial performance, e.g. full-price sell-through.

Wholesale Strategy

The main strategic objective of the Wholesale channel is to deliver profitable market share growth. To realise this, Wholesale takes the go-to-market strategies handed over by Global Brands and commercialises them within a defined framework across various third-party retail channels.

Our most important third-party retail channels are sporting goods chains, department stores, independent sporting goods retailer buying groups, lifestyle retail chains and e-tailers. In this respect, Wholesale strives to establish strong partnerships with the most dynamic retailers in their respective channel of distribution by offering best-in-class and tailored services. To achieve this, Wholesale has established the following principles ⁄ **DIAGRAM 01**:

- **S**ervice – Deliver excellent sales service and world-class efficiency to our retailers.
- **P**oint of Sale (POS) – Amplify our brands and concepts at the point of sale in all relevant customer segments.
- **O**peration – Implement industry-leading sales best practice to drive sell-out.
- **R**elationships – Build strong relationships with the leading and most dynamic retailers to drive profitable market share growth.
- **T**eam – Develop a highly motivated and highly skilled sales team.

Innovative sales tools key to accelerate speed to market

Accelerating product creation is a key element to gain competitive edge and, ultimately, to increase shelf space with our customers. We have therefore developed a virtual sell-in tool which allows us to offer a holistic sample range to our retail partners. This gives our sales force the benefit of having a "full range in their pocket". The reduced amount of samples used during the sell-in process increases speed to market, while at the same time saving costs. This new tool has already been introduced in several markets and product categories and is targeted to cover in excess of 60% of all Wholesale pre-orders by 2013.

Retail Space Management to amplify our brands at POS

Retail Space Management (RSM) comprises all business models helping our Global Sales function to expand controlled space in retail. The business models we are bringing to our customers are designed to amplify adidas and Reebok presence and visibility in-store. To make this a success, Wholesale is cooperating with retailers along the entire supply chain to the point of sale. By helping to increase profitability per square metre for the Group's retail partners as well as improving product availability, we can achieve higher customer satisfaction, thus driving share of retail shelf space.

The two predominant models to drive the success of RSM for the adidas Group are Franchising and Never-out-of-stock (NOOS).

⁄ **Franchising:** Mono-branded store franchising is one of the Group's prime growth opportunities as it offers superior brand presentation while limiting investment requirements and costs. Franchise stores are financed and operated by franchise partners. The adidas Group normally contributes to the costs for brand-specific fixtures and fittings each store has to be equipped with. Furthermore, we support our franchise partners with a comprehensive franchise concept, including range propositions, merchandising, training concepts and guidelines for store building and store operations. This ensures that the quality of the brand presentation and the service offered to the consumer are at all times high and comparable to our own-retail stores.

⁄ **NOOS:** The NOOS programme comprises a core range of basic articles, mostly on an 18- to 24-month life cycle, that are selling across all third-party channels and markets. Overall, the NOOS replenishment model secures high levels of product availability throughout the season, allowing for quick adaptation to demand patterns. Retailers have to provide dedicated retail space, co-invest in fixtures and fittings and commit to a "first fill" representing about 25% of total expected seasonal demand to participate in this programme. In return, customers can profit from significantly reduced inventory risk on these products. Most NOOS articles are on an end-to-end supply chain, thus limiting the adidas Group's inventory risk as we re-produce based on customer demand.

01 ⁄ **Wholesale strategic pillars**

Vision	**To be the globally leading sales organisation in the sporting goods industry**				
Objectives	**S**ervice	**P**OS	**O**peration	**R**elationships	**T**eam
Strategy	Sales tools	Space management excellence	Game plan	Customer management excellence	PEAK

In 2013, we will roll out several new RSM concepts. In the USA, the adidas brand will further roll out its "Home Court" shop-in-shop concept aimed at the sporting goods retail channel. In addition, we will also see an increasing focus on Reebok as the brand rolls out its Fit Hub concepts to present its expanded fitness offering more comprehensively ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 78**.

Harmonisation and standardisation of processes to leverage best practices

Wholesale is constantly working on reducing complexity by implementing best operational practices across our entire wholesale activities. A key area of focus in this respect is rolling out a trade terms policy globally that rewards customer performance either by higher efficiency (e.g. in logistics), cost savings or better sell-out support. As part of this effort, we have established regular reporting, delivering meaningful benchmarks that allow us to better control our third-party retail support activities.

Customer and range segmentation to exploit market potential

Rolling out standardised product range packages around the globe is an important part of the Group's Wholesale strategy. The initiative involves a customer segmentation strategy that facilitates the systematic allocation of differentiated product packages to groups of comparable customers. With 40,000 different partners around the world that operate more than 100,000 points of sale, this segmentation is broadly based on a distinction between sports and lifestyle retailers that either have an up-market brand-driven positioning or a value-oriented commercial positioning. By best suiting their specific needs, this provides a platform to better exploit market potential. In addition, Wholesale continues to partner with retailers on increasing the level and quality of sell-through information the Group receives on a regular basis. This creates a mutually beneficial understanding of their needs. At the same time, this helps us to drive incremental business opportunities and ensure globally consistent distribution logic.

Build strong relationships with leading and most dynamic retailers

To win in the sporting goods industry, we need to develop collaborative and fact-based strategic plans with our leading customers. In order to ensure success, we work together with our leading customers to jointly identify and quantify the opportunities to improve our business in the future. To gain full customer understanding and to maximise customer profitability, we have been investing considerable resources to support the tracking and analysing of sell-out and sell-through information. This will enable us to reach binding strategic partnership agreements to realise joint business opportunities.

PEAK people development programme to build the best sales team

In order to activate our sales force and enable them to reach higher levels of performance, a people development and training framework for Wholesale has been created called PEAK (Performance, Excellence, Activation and Knowledge). The PEAK performance framework sets the expectations for individual excellence in Wholesale. In addition, PEAK also offers a guideline for desired behaviour and actions that support our employees to become successful leaders in order to deliver on the Route 2015 strategic business plan.

Retail Strategy

Our vision for Retail is to become a top retailer by delivering healthy, sustainable growth with outstanding return on investment. Retail plays an increasingly important role for the future of our Group and our brands, and is a key driver on our Route 2015 journey. The reasons are manifold:

- To showcase the breadth of our brands (e.g. brand centres).
- To create distribution in markets which do not have traditional wholesale structures.
- To grow another profitable distribution channel.
- To leverage our learnings from own retail for the entire organisation.
- To provide a clearance channel (i.e. factory outlets).

Over the past five to ten years, the adidas Group has evolved into a significant retailer, operating 2,446 stores for the adidas and Reebok brands worldwide ⁄ **SEE RETAIL BUSINESS PERFORMANCE, P. 152**.

In order to simplify the shape of our store chain, we have clustered it into three different types, namely brand centres, concept stores and factory outlets.

- **Brand centres** are large stores carrying the full range of each of our adidas sub-brands under one roof. They are the bold and powerful statements about the adidas brand's strength, breadth and depth. This format will be kept to a limited number and only in exclusive locations such as New York, Paris or Shanghai.
- **Concept stores** are the commercial engine for sales and profit across the Group's retail organisation, upholding and accentuating each brand's reputation. There are adidas concept stores, Originals concept stores and Reebok concept stores.
- **Factory outlets** facilitate the controlled sale of excess stock returned from our wholesale key and field accounts, franchise partners, own-retail stores as well as eCommerce. The stock is complemented with a portion of planned production which creates a balanced product offering aimed at maximising profitability.

In addition, we opened ten pilot NEO stores in Germany in 2012 and continue to monitor their progress whilst considering a larger-scale roll-out ⁄ **PICTURE 02**. Furthermore, we will test a new Reebok store concept with 20 stores planned across the USA and the UK in the next two years ⁄ **PICTURE 03**.

02 ⁄ **adidas**
NEO store in Oberhausen, Germany

03 ⁄ **Reebok**
Fit Hub store in New York City

The global strategic framework and guidelines for our own-retail activities are led by a central team. This team works closely with our market organisations to translate the strategy into actions and drive commercial performance of our adidas and Reebok retail operations around the globe.

To become a world-class retailer, four strategic pillars have been defined ⁄ **DIAGRAM 04**:
- ⁄ Focus on the consumer.
- ⁄ Achieve operational excellence.
- ⁄ Exploit portfolio of brands.
- ⁄ Leverage our global presence and scale.

In line with our strategic business plan Route 2015, we will further invest in our own-retail activities and will open up to 300 additional stores by 2015. The majority of these store openings are planned in the emerging markets, particularly Russia.

To execute on these pillars, the strategic priorities for Retail have been broken down into the "Five P's": People, Product, Premises, Processes and Profit.

People

The consumer and our employees are the primary reference points in order to be successful. One of the cornerstones of Route 2015 is greater "consumer focus", an ambition Retail constantly strives towards. Within our stores, we aim to interpret and adapt to changing consumer demand, targeting a mix of new and loyal consumers, whether it be sports-active, sports-inspired or casual consumers. Therefore, we are building a commercially- and consumer-minded Retail back office and field workforce that thinks and "trades" like a vertical retailer, and whose highest priority is to serve the consumer.

In 2012, we continued to implement SHINE, the adidas Group retail field people management framework which enables Retail HR and line managers to recruit, develop, evaluate and manage retail talent. We also continued to evolve SHINE by incorporating additional people management tools, such as the SHINE Secure System. This platform fully integrates the production, translation, hosting and secure distribution of the framework to all active HR and retail line managers. At the same time, it provides full transparency on the entire process as well as on market implementation and user access.

Product

The key element of our product strategy in Retail is to ensure that relevant products are presented through the Group's various retail formats to match the intended consumer profile. This requires a product offering that is price-competitive, simple to understand, easy to find and, most importantly, available at the right time and in the right place. We continue to drive a number of strategic initiatives in areas such as product assortment, range overlap and replenishment to achieve this goal. We launched a global "merchandising manual" in 2012, which gives guidance to our merchandising teams around the world on how to best buy and merchandise for our retail business. In 2013, we will focus on further training and embedding these core merchandising principles within our employees and our business.

04 ⁄ **Retail strategic pillars**

To become a top retailer by delivering healthy, sustainable growth with outstanding return on investment			
Focus on the consumer	Achieve operational excellence	Exploit portfolio of brands	Leverage global presence and scale

Premises

The start of a pleasant shopping experience is the store. It is the meeting point between the consumer and the brands. Therefore, it is of the highest importance that our retail environments are inspirational, athletic, fun and interactive, while at the same time being laid out clearly and logically to make it easy to shop.

In order to drive our sales per square metre, Retail has set a clear priority on optimising its real estate management process.

Dedicated real-estate teams have been set up, who make sure that:

- Store location and store size fit to the local market.
- The store is designed to maximise sales per square metre.
- Market share growth and increased market presence are in line with our Integrated Distribution Roadmap, which has been developed to evaluate real-estate locations in the top 100 cities globally, based on various factors such as consumer profile and competitive landscape.

We have also developed a new store design and layout for factory outlets which offers an improved consumer journey and showcases products in a more inspirational and easy-to-shop manner. The first pilot stores were remodelled according to the new design in 2012 and we will perform additional transformations in 2013.

Processes

To enable the adidas Group to become one of the top retailers in the world, it is essential to have systems and processes in place that fit to a retail business model. Accordingly, we continue to make significant investments in retail systems, namely ERP, merchandising and POS systems. Our largest undertaking has been the roll-out of the global retail systems to Russia, which was largely completed at the end of 2012.

We also continue to drive supply chain enhancements through the adidas NEO label, which requires a shift from a sell-in push model to a more sell-through-driven pull model. This is necessary to increase in-season flexibility, be more responsive to changing trends and, ultimately, compete in fast-fashion retailing. In the long term, leveraging best practices from applying a pull model will result in economies of scale for the activities of the entire Group.

Our in-store operations are constantly being refined with the objective of achieving flawless execution, operational excellence and stores that look good visually. We will take a significant step forward in 2013 with further harmonisation of store operation standards and the definition of a common "operating rhythm" for our portfolio of stores. This initiative will not only help improve how each store runs its operations, it will also drive standardisation as we continually look for ways to leverage our global presence and scale. Furthermore, an updated retail communications portal will be introduced in 2013 which will improve the communication flow between the retail back office and stores.

Profit

Increasing the commerciality and profitability of the Group's existing retail assets is the primary focus of all Retail teams, particularly in light of the pivotal role Retail has in achieving the adidas Group's Route 2015 targets. We have defined operational KPIs benchmarked to best-in-class retailers in order to measure existing business performance and evaluate potential investments. Stores not achieving their required KPIs will continue to be closed down. New stores must be supported by a business plan that meets predefined criteria. Each new store opening and remodelling is closely monitored to ensure that the targeted profitability and return on investment is accomplished. In addition, we will continue to implement our people, product, premises and processes strategies in order to maximise profit.

eCommerce Strategy

The success of our eCommerce strategy rests on our ability to attract, convert and retain the consumer in a crowded marketplace. Therefore, we will activate our key unique selling proposition by offering broad ranges with high size availability to showcase the depth of our brands. We want to attract consumers by having the right products and the right marketing at the right time through our e-shops. To drive conversion, we consistently improve our site visibility online and how it ranks in online searches. Throughout the past two years, we have successfully finished the foundational work for our own eCommerce business. The strategic priorities that were successfully completed in 2012 include:

⁄ Fully establish eCommerce as the third sales pillar.
⁄ Balance Wholesale and eCommerce activities by implementing a new distribution policy.
⁄ Create one consumer destination by integrating brand, shop and customisation sites.
⁄ Build a best-in-class technology.
⁄ Drive attraction, conversion and retention by building enhanced e-marketing capabilities.

In 2012, eCommerce launched a single destination for our adidas brand consumers with :⁄⁄ **WWW.ADIDAS.COM**. The website now fully integrates the adidas brand website and the brand's e-shop together in one place. In addition, we managed to set up new country-specific e-shops globally for both adidas and Reebok. Our eCommerce offering now covers 20 countries, with further expansion plans for 2013. Finally, we also launched a new experience for adidas customisation concepts such as mi adidas and miteam.

With the foundation now laid, in 2013 we will increase our focus on our mission to become the premium online destination for our brands through an innovative shopping experience. Our priorities include:

⁄ Ensure relentless site enhancements also through innovations to evolve the shopping experience across devices.
⁄ Leverage the brand to further enlarge the experience and discovery.
⁄ Evolve mi adidas and YourReebok to deliver a best-in-class customisation experience.
⁄ Become the "go-to destination" for all products in terms of technologies, benefits and heritage.
⁄ Deliver more personalised experiences that adapt to the consumer's preferences by leveraging the full potential of our CRM solutions.

05 ⁄ **adidas**
www.shopadidas.com

In the future, we want to increase the eCommerce opportunity with a more cross-channel approach, where we leverage not only our full sales potential that we have as a Group but also the untapped potential we have through new technologies.

Global Brands Strategy

Global Brands is responsible for brand positioning, brand strategy, product creation, innovation and all the product and brand marketing functions of the adidas and Reebok brands. The primary objective of this portfolio strategy is to ensure that our brands seize market and category opportunities through well-defined and coordinated go-to-market strategies. Each brand is responsible for the execution of its strategic focus by creating a constant stream of innovative and inspiring products and generating communication strategies that represent each brand and category in an engaging and compelling way.

Driving the long-term development of adidas and Reebok

To secure long-term sustainable growth for the Group, Global Brands is focused on driving the development of the adidas and Reebok brands. The overall strategic goal is to achieve qualitative, sustainable growth by building desirable brands in consumers' perception. Global Brands played a central role in the creation of Route 2015, the adidas Group's strategic business plan that was unveiled in 2010. The adidas and Reebok brands are expected to deliver more than 80% of the targeted growth for the Group until 2015.

Areas within adidas and Reebok that were identified as key contributors and game changers for the adidas Group include:

- Gaining sales and market share in the key global categories running and basketball with adidas Sport Performance.
- Expanding adidas Sport Style into fast fashion with the adidas NEO label.
- Maintaining adidas Originals' strong momentum with the fashion-driven lifestyle consumer.
- Establishing Reebok as the leading fitness brand.

Global Brands also plays a key role in bringing the efficiency initiatives of Route 2015 to life, by focusing on speed, consistency and consumer focus. Among other things, we are striving to present adidas and Reebok in a more consistent way around the world in terms of ranges and pricing. In the long term, this should lead to range size efficiencies and gross margin optimisation. One example of this is the creation of the adidas "Global Foundation Range", which will be mandatory for all of our markets and channels.

Focus on the consumer

The consumer is at the heart of everything we do. This is the first and most important realisation, and we must adhere to it to ensure the long-term success of our brands. As part of its function, Global Brands has mapped out our target consumer universe, which spans from our roots in sport, the "pure performer", through to today's style setters who have embraced sporting goods brands as part of their lifestyle ⁄ **DIAGRAM 01.**

To be successful across consumer segments, we acknowledge that a strategy of mass production or mass marketing is no longer sufficient. Only by identifying and understanding consumers' buying habits, their fitness level, their motivations and goals for doing sport and their individual lifestyle can we create meaningful products, services and experiences that build a lasting impression. In this respect, we have identified five key global trends which will be important to address with our brands and sub-brands over the duration of Route 2015:

⁄ **Fit for life:** Sport is no longer just about competing and winning. Sport is becoming more embedded in consumers' everyday lifestyles. Motivations and goals are becoming more holistic, fun, socialising and life-enhancing.

⁄ **You are what you know and what you do:** Society is embracing a life-long learning attitude, and placing more emphasis on what we know and do versus what we have and where we come from.

⁄ **Celebrating individuality:** Consumers increasingly fulfil their desire to differentiate themselves from one another by being more creative – on the one hand mixing and matching products and services they need, and on the other hand seeking personalised offerings tailored for them. The growth in social media continues to fuel more and more opportunities to display individuality, making it even more important.

⁄ **Together is better:** There is an increasing need for meaningful social interaction, both online and offline, as consumers become more mobile, and digital technologies and social networks make it easier for them to connect with like-minded people.

⁄ **Back to basics:** For everyday life, products and services are desired to be simple and authentic, making consumers' lives easier. There is a growing interest in outdoor activities and minimalistically designed products, reflecting the desire to reconnect and be in tune with nature.

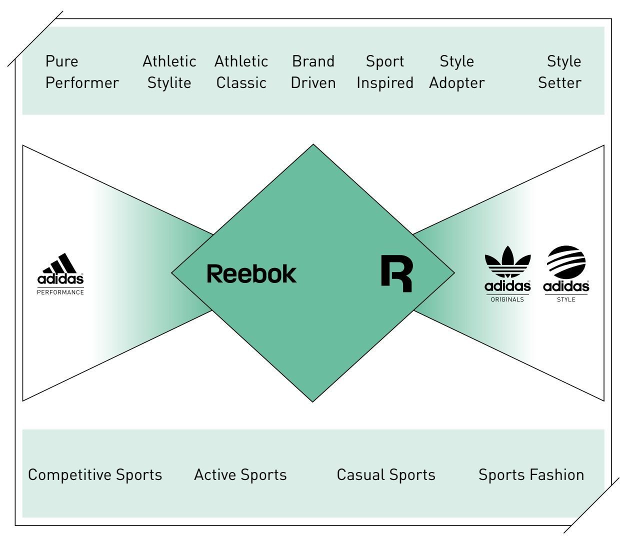
To match these trends and fulfil consumer demands, Global Brands teams adhere to the following principles:
- Create the unexpected through product and brand experience.
- Create the highest emotional connection between our brands and the consumer.
- Be prepared for the next generation, anticipating change.
- Simplify to the maximum.
- Show excellence in execution, being consistent in whatever we do, from idea creation to communication.

Brand architecture and differentiation

We believe that our Group's multi-brand structure gives us an important competitive advantage. Through our brand architecture, we seamlessly cover the consumer segments we have defined, catering to more consumer needs, while at the same time keeping clarity of brand message and values. In each case, the positioning of adidas, Reebok and their respective sub-brands is based on their unique DNAs, their history and their values.

As a true global brand with German roots, adidas is mainly targeting competitive sports based on innovation and technology with adidas Sport Performance. This sub-brand is the multi-sport specialist. Our positioning in this respect clearly starts in producing the best products to help make athletes better, with a strong focus on football, basketball and running. Furthermore, we seek to leverage brand loyalty and strength in innovation in other categories. The sub-brands, adidas Originals and Sport Style, strive to take the brand's unique heritage and design leadership to capture further potential in the sports lifestyle and fashion market.

01 ⁄ **Brand architecture – portfolio strategy**



Reebok, in contrast, is an American-inspired global brand with the clear objective to become the world's leading fitness brand. With Reebok, we aspire to make our consumers "fit for life". Innovation is rooted in developing products, technologies and programming which enable consumers to live a healthy lifestyle and have fun doing it. Reebok connects with the fitness consumer wherever they are and however they choose to stay fit – whether it's training, running, walking, dance, yoga or aerobics. In addition, Reebok Classics leverages the brand's fitness heritage and represents the roots of the brand in the sports lifestyle market ⁄ **DIAGRAM 02**.

Each brand and sub-brand is responsible for bringing its own distinct positioning to life, through the creation of products and communications that not only support the commercial functions in their day-to-day business activities, but also provide the platform and framework for long-term market share and profitability improvements. While adidas and Reebok each have unique identities, heritages, technologies, designs and reputations, the strategic principles and methods for driving future sales growth and profitability improvements are common to both. These include:
- Leadership in product innovation to excite and inspire the consumer.
- Marketing and communication leadership.
- Activation and validation via a relevant set of promotion partnerships.
- Extending brand reach and appeal through strategic partnerships.

Leadership in product innovation to excite and inspire the consumer

Through Global Brands, we are determined to address every consumer in a specific and unique way – with product initiatives that generate trade and consumer interest.

We believe that technological innovation is essential to sustainable leadership in our industry. By leveraging the extensive R&D expertise within the Group, adidas and Reebok continuously challenge the boundaries of functionality and performance. In addition, innovation plays a significant role in differentiating the adidas and Reebok product offerings in the minds of consumers.

For example, at adidas, we focus our R&D efforts on advanced cushioning solutions, lightweight and digital sports technologies as well as sustainable product innovation to ensure we continuously improve the consumer's experience with our products. At Reebok, the innovation focus is on fitness, where the priority is creating products that enhance and improve the consumer's fitness activities and help them reach – or exceed – their fitness goals SEE RESEARCH AND DEVELOPMENT, P. 105.

By creating inspiring product and brand experiences, adidas and Reebok strive to enhance their positions as premium brands. This, in turn, is an important catalyst for sustaining and improving the brands' gross margins, making continuous innovation an important enabler for future profitability improvements.

Marketing and communication leadership

To be competitive in the sporting goods industry, brands must have a clear profile towards their target consumer. To achieve this, adidas and Reebok are focused on creating inspirational and innovative brand marketing campaigns and developing communication techniques that strengthen their positioning, build brand equity and thus support the achievement of the Group's commercial goals.

A key tenet of our marketing and communication strategy is to harness the emotion of sport and the benefits of a sporting lifestyle across all communication channels. Both adidas and Reebok regularly bring new global marketing concepts to life, which can be easily leveraged to create simple and powerful brand messages and support an array of product offerings.

In addition, Global Brands also endeavours to ensure all of its brands are at the forefront of new communication techniques, particularly as the information flow becomes faster and faster. To increase the pace and relevance of our brands' communication with the consumer, digital marketing now acts as a backbone for all brand marketing activities. Whether through in-store or online customisation platforms, digital social networks, mobile apps or digital broadcast mediums, these methods are providing a new scope of consumer experience in a real-time and cost-efficient way. With consumers spending more time online, the adidas and Reebok digital strategies allow the brands to move from campaign-based communication to developing deeper relationships with their respective target audience. In addition to adding significant value to all our communication efforts, our digital marketing and social interaction with consumers also provide the brands with accessible insights, learnings and measurable results, which in turn can be utilised to drive long-term brand equity.

In 2012, adidas celebrated the breadth and depth of the brand across sports, street and style through several brand campaigns. These campaigns focused on increasing engagement with our core audience by leveraging multiple digital platforms, including the launch of the new adidas.com "go all in" platform, providing new levels of access to our products, athletes, celebrities and events. The ClimaCool and Predator Lethal Zones campaigns alone reached over 330 million consumers worldwide. In 2013, adidas will further leverage its brand assets, product initiatives and major sporting events locally, globally and across categories, with the goal of engaging in deeper conversations with its key audience, both online and offline. Innovation messaging is a key priority for the brand in 2013, and it will focus on using innovative ways to continue those deeper conversations, amplifying the product innovations that will be showcased throughout the year while taking the brand experience to the next level.

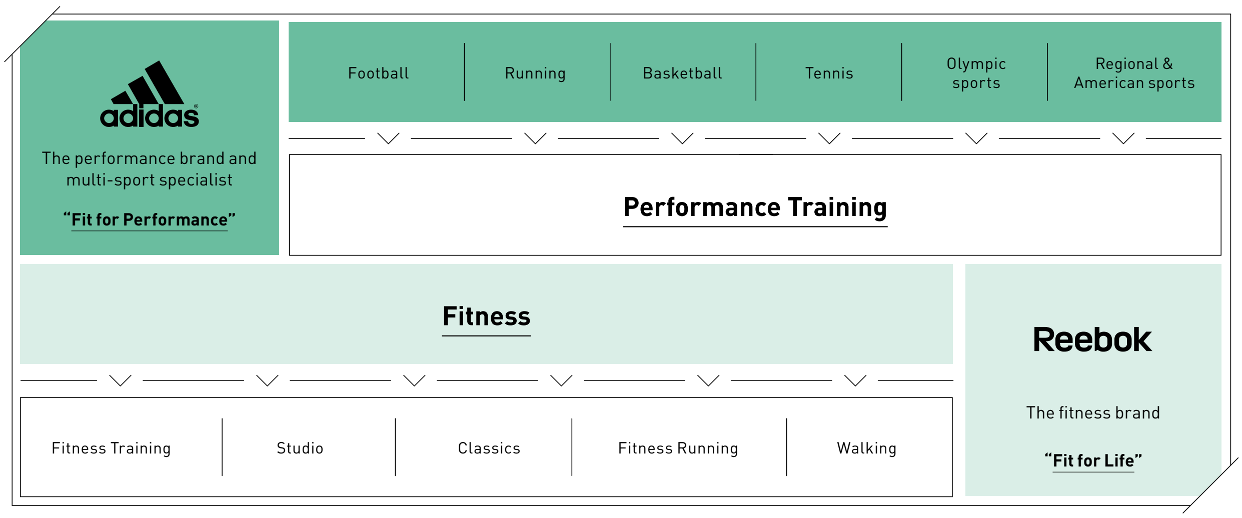
In 2012, Reebok launched one of its largest integrated marketing campaigns in recent years: "The Sport of Fitness Has Arrived". This multi-touchpoint campaign leveraged traditional media such as TV, print and in-store, but carried an even higher emphasis on digital and social media elements, including a re-launched Reebok.com site, as well as a number of impactful grassroots activities. Through the lens of the fitness movement – CrossFit – Reebok introduced consumers around the world to a new way of approaching fitness, making Reebok's passion for fitness apparent to all who engaged with the brand. The goal of the campaign was to highlight to consumers the fun, passion and camaraderie that fitness can deliver, showcasing that everything they love about sport can be found in fitness.

In 2013, Reebok will speak with a united voice for all its Fitness categories and Classics. The global campaign "Live With Fire" aims to inspire people to join the community of movement and demonstrates the positive impact being fit can have on people's lives.

Activation and validation via a relevant set of promotion partnerships

The utilisation of promotion partners such as federations, teams, leagues, events and individuals is an important part of endorsing brand positioning, and an area to which the Group dedicates significant resources. This not only serves as a vehicle to showcase the credentials of adidas and Reebok products in the performance arena, it also facilitates the extension of the adidas and Reebok brands in the sports-inspired lifestyle market. Both adidas and Reebok follow a partnership strategy geared to best reflect their respective positioning in the market.

02 Brand differentiation



One of the guiding principles of adidas is to equip all athletes to achieve their "impossible". As such, adidas brings its passion for great products to the biggest stages in the world, with sponsorship agreements for the FIFA World Cup, the NBA, the Boston Marathon, the European Rugby Cup and the upcoming IAAF World Championships in Moscow in 2013. These types of activities generate tremendous visibility for the brand. For example, the 2012 London Olympic Games were an enormous global platform to showcase adidas. As official sponsor, adidas kitted out over 5,000 athletes, 11 National Olympic Committees and 21 national sporting federations. 30% of medals were won by athletes wearing adidas, amongst them gold medallists David Rudisha, Jessica Ennis, Andy Murray and the US women's gymnastics team. adidas had considerable success leveraging the event with the "Take the Stage" brand campaign, featuring athletes and ambassadors such as Yohan Blake, Laura Trott, Sally Pearson, the Brownlee brothers, Stefanie Graf, David Beckham and Haile Gebrselassie. In addition, adidas has an extensive roster of high-profile sports teams such as Real Madrid, AC Milan, Chelsea FC and FC Bayern Munich in football, the New Zealand All Blacks and France in rugby, American universities such as UCLA and Notre Dame, as well as high-profile individuals such as four-time FIFA World Player of the Year Lionel Messi, basketball stars Derrick Rose and Dwight Howard, marathon legend Haile Gebrselassie, athletic stars Jessica Ennis and Yohan Blake, American football quarterback Robert Griffin III, also known as "RG3" and tennis stars Caroline Wozniacki and Andy Murray.

To activate and validate its key concepts, Reebok is partnering with some of the most influential and accomplished people in the fitness industry, as well as with other top athletes from traditional sports. Reebok assets include Reebok CrossFit Games 2012 Champions Rich Froning Jr. and Annie Thorisdottir, as well as renowned yoga instructor Tara Stiles. In 2013, Reebok is also partnering with some of the premier fitness events in the world, such as the Reebok CrossFit Games, the Spartan Race series of obstacle races and the Red Bull X-Alps adventure race.

Extending brand reach and appeal through strategic partnerships

adidas and Reebok have both successfully pursued design and co-branding strategies with complementary partners. For example, adidas has partnered with Yohji Yamamoto, Stella McCartney and Porsche Design, designing sports-inspired fashion, high-end functional ranges or even luxury sportswear. adidas Originals continues to engage in unique collaborations in fashion, such as with Jeremy Scott, David Beckham and Opening Ceremony, ensuring that adidas remains relevant to the style-conscious consumer.

In 2012, Reebok deepened its partnership with CrossFit, which is one of the fastest-growing fitness movements in the world. Reebok will focus on making strong connections even further beyond the CrossFit community as the brand moves into 2013. On the Classics side, Reebok and Alicia Keys announced a new and exciting partnership as well as design collaboration. Alicia Keys' first project was the launch of her own signature Reebok "AK" collection.

adidas Strategy

03 ⁄ **adidas at a glance**

About adidas	adidas is a truly global brand with German roots. **adidas Sport Performance:** The guiding principle of adidas Sport Performance is to make athletes better by making them faster, stronger, smarter, cooler and more natural. The main focus is on five key categories: Football, Basketball, Running, Training and Outdoor. **adidas Originals:** adidas Originals is the authentic, iconic sportswear label for the street, and its philosophy is to "Celebrate Originality". **adidas Sport Style:** adidas Sport Style is defined as the "Future of Sportswear" and includes the labels Y-3, Porsche Design Sport, adidas SLVR and adidas NEO. adidas Sport Style's positioning statement is "Style your Life".
Brand mission	To be the leading and most loved sports brand in the world.
Brand values	Authentic, passionate, innovative, inspirational, committed, honest
Brand attitude	Impossible Is Nothing.
Key markets	North America, Russia/CIS, Greater China
Focus areas	Football, Basketball, Running, Training, Outdoor, adidas Originals, adidas NEO Label, Customisation, Interactive, Sustainability
Key strategic pillars	⁄ Gaining sales and market share with key growth categories such as Running and Basketball within adidas Sport Performance. ⁄ Expanding adidas Sport Style in the fast-fashion business with the adidas NEO Label. ⁄ Maintaining adidas Originals' strong momentum to serve the needs of the fashion-driven lifestyle consumer.
Net sales in 2012	€ 11.344 billion

adidas – the performance and lifestyle brand

adidas' mission is to be the leading and most loved sports brand in the world. One major lever to achieve this is the brand's broad and unique product portfolio, spanning from apparel and footwear for professional athletes to premium fashion. It allows adidas to address multiple consumer needs, exploit market opportunities from various angles as well as be less affected by one-dimensional market risks. adidas' commitment to product innovation and its rich heritage differentiates the brand from competitors and provides a solid platform for future growth.

adidas Sport Performance: to make athletes better

No other brand has a more distinguished history and stronger connection with sport than adidas. adidas is where the best meet the best, such as at the Olympic Games, but also everywhere else around the world where sports are played, watched, enjoyed and celebrated.

Everything at adidas Sport Performance reflects the spirit of Adi Dassler, the founder of the company. The main objective is simple: to make athletes better. Innovation is at the core of all adidas Sport Performance products. The brand innovates through its five performance benefits (faster, stronger, smarter, cooler, more natural), leverages major sporting events and focuses on five key categories (Football, Basketball, Running, Training, Outdoor).

As "the" multi-sport specialist, the brand also supports a wide range of other sports, e.g. American football, rugby, tennis, baseball, handball, badminton, table tennis, boxing and wrestling.

The target consumers are active in sport, inspired by sport or simply love sport. While adidas has a pivotal strength with the 20- to 29-year-olds, a clear focus is on strengthening its resonance with 14- to 19-year-olds, in particular the high school athlete.

Five performance benefits

To stay relevant as the performance brand, five consumer benefits have been identified which form the basis of the adidas innovation pipeline. By serving them, adidas will remain at the forefront of the industry, further build on brand image and leverage its technologies and positioning across all categories.

⁄ **Faster:** To help athletes be faster, adidas focuses on reducing product weight, making the lightest high-performance products on the market, brought to life via the adizero platform. adizero products were highly successful in all major categories in 2012. For example, adidas Football created the next generation of the adizero f50 football boot, and adidas Basketball launched its lightest basketball shoe, the adizero Crazy Light 2.

⁄ **Stronger:** With adiPower, adidas wants to own power enhancement in sport. This benefit includes products such as TechFit Powerweb compression apparel, with powerband support for more explosive muscle power or the adiPower muscle-warming pants used by Olympic gold medal cyclist Sir Chris Hoy.

⁄ **Smarter:** Through interactive products, such as miCoach, adidas helps users to train and perform smarter. The brand works with the best athletes and coaches worldwide to provide coaching and customisable training plans for athletes and teams on all levels, helping them to define and work towards their individual goals. adidas has also embarked on a partnership with Major League Soccer (MLS) to integrate the adidas miCoach Elite System league-wide during 2013, marking the world's first "smart league". All 19 MLS clubs will use this data-tracking technology, which provides real-time performance metrics including heart rate, speed, acceleration, distance, field position and power.

⁄ **Cooler:** Utilising advanced materials and technologies, these products are geared to help the athlete to always have the right temperature (cooler, warmer, wind protection, etc.). This is served through the Clima franchise, which is already one of adidas' best-known franchises around the world. In 2012, adidas launched two new ClimaCool models – Fresh Ride and Seduction.

⁄ **More natural:** Natural motion is a major trend in the sporting goods industry. Drawing on the brand's history, experience and understanding of the foot shape and body movement, adidas creates products around natural motion and will tailor these to individual sports. In 2012, adidas launched the adipure Trainer 360, a gym training shoe designed to build natural strength, agility and balance.

In 2013, adidas will continue to innovate around all five performance benefits, supplementing and expanding upon existing product technologies and introducing a number of entirely new innovations.

Football: growing strong market position

Being the most popular sport worldwide, football is one of adidas' key strategic priorities. For over 50 years, adidas has led all major developments in boot, ball and apparel technologies. Building on its success around major sporting events, the brand strives to increase its strong market position by continuously creating the industry's top products and fully leveraging its outstanding portfolio of sports marketing partners.

Partners include:

- ⁄ Leading football associations (e.g. FIFA, UEFA)
- ⁄ Events (e.g. FIFA World Cup, UEFA EURO Championship, UEFA Champions League)
- ⁄ National federations (e.g. Spain, Germany, Argentina, Russia, Mexico, China, Japan)
- ⁄ Leagues (e.g. Major League Soccer)
- ⁄ Clubs (e.g. Real Madrid, AC Milan, Chelsea FC, FC Bayern Munich)
- ⁄ Individual players (e.g. four-time FIFA World Player of the Year Lionel Messi, Thomas Müller, David Villa, Nani, Steven Gerrard, David Beckham, Robin van Persie, Xavi and Oscar).

2012 was a highly successful year for adidas Football, with adidas sponsored Spain winning the UEFA EURO 2012 and Chelsea FC becoming the winner of the UEFA Champions League in an all-adidas final against host club FC Bayern Munich. The adizero f50 featuring miCoach has changed the way football is played and how data is analysed. The introduction of Predator Lethal Zones marked the successful reignition of the Predator family, the most successful boot concept in football history. With these key events, successes, a series of cutting-edge concepts and market-leading campaigns, adidas Football was able to achieve another record year in football.

04 ⁄ **adidas Sport Performance adizero f50 Messi football boot**

2013 will mark the build-up to the FIFA World Cup 2014 in Brazil. adidas Football will launch the first icon range for the world's greatest footballer, Lionel Messi ⁄ **PICTURE 04**, equip clubs and federations with innovative apparel and launch the Brazuca, the Official Match Ball for the FIFA World Cup. The FIFA Confederations Cup and the UEFA Champions League will be the key platforms to showcase the brand's dominance in football.

Basketball: leveraging innovations and global icons

adidas is committed to strengthening its position in basketball by expanding its footprint in the critical North American and Chinese markets and capitalising on the growing popularity of the sport in the emerging markets.

To achieve this, adidas Basketball strives to build brand equity, leveraging its status as the official NBA outfitter, capitalising on relationships with some of the most promising stars of the NBA, Derrick Rose and Dwight Howard, and offering the best products from the courts to the streets.

05 ⁄ **adidas Sport Performance NBA All-Star East-West jersey**

In 2012, adidas Basketball focused on expanding the Derrick Rose signature collection and continued to solidify its position of market leadership in lightweight, for example with the highly successful launch of the 269g or 9.5oz adizero Crazy Light 2. With the introduction of the D Rose 3.0 basketball shoe and Derrick Rose's first signature apparel collection, adidas Basketball now has a premium head-to-toe collection, industry-leading in style and performance.

In 2013, adidas Basketball will keep positioning itself as the brand which makes the lightest and fastest products for this sport. In addition, there will be a strong focus on strengthening the Derrick Rose signature collection and leveraging the NBA partnership ⁄ **PICTURE 05**.

Running: speaking to runners through relentless innovation

Running is a critical strategic pillar for the adidas brand. The category's philosophy is to inspire through a shared passion for all things running. This comes to life in the way the brand talks to runners of all levels and through its commitment to improving their runs.

adidas Running strives to increase its market share through performance innovations that provide the best running experience through fit, feel and transition. The brand engages the next-generation athlete through innovative products, such as the ClimaCool Revolution, as well as the young urban runner via products such as the adiStar. One of the largest growth opportunities still remains the young urban woman.

06 ⁄ **adidas Sport Performance Energy Boost running shoe**

In 2013, adidas will introduce a new, groundbreaking innovation – the Energy Boost running shoe. This shoe provides revolutionary energy return, superior cushioning and optimal fit to runners of all levels ⁄ **PICTURE 06**. The shoe combines a great running experience and maintains its high-performance benefits, independent of the temperature during the run. In addition, the miCoach Speed_Cell technology will help consumers to measure their running efficiency. The ClimaCool range will be further expanded, and with the introduction of the new CrazyCool adidas will merge its cool and natural benefits into one commercially relevant product.

Training: whatever the sport, success starts with training

Training is the biggest Sport Performance category, supporting the preparation and recovery needs of athletes across all disciplines and all levels by enabling them to achieve their goals to become the best in their sport.

A strategic priority is adidas Training's dedication to complement its best-in-class product offering with revolutionary new consumer experiences. Insights from top athletes and leading athlete performance authorities led to significant updates of miCoach and adidas Core Performance digital initiatives. This enables the brand to constantly refresh digital content which is used for consumer interaction, providing exercise guidelines and best-in-class services.

07 ⁄ **adidas Sport Performance**
adipure Trainer 360 ClimaCool

In 2012, several new technologies and product updates were launched, such as the adipure Trainer 360 ⁄ **PICTURE 07** – a training shoe for men and women offering unrestricted foot movement using lightweight and flexible materials.

In 2013, adidas Training will continue to innovate with the next generation of the ClimaCool and ClimaWarm apparel technologies, featuring advanced fabrics, as well as expanding the adipure footwear range, to provide athletes with the highest functionality and comfort.

Outdoor: adidas the athletic brand in the outdoors

adidas has a long history in outdoor. In 1978, adidas and climbing legend Reinhold Messner developed a new generation of boots, which he used to reach base camp on his way to becoming the first man to climb Mount Everest without artificial oxygen. With this heritage and the projected growth in the outdoor sports sector, adidas invested into building an authentic, performance-oriented market position. Today, adidas offers a holistic product range for mountaineers, climbers, hikers and other outdoor athletes, including technical footwear, apparel, backpacks and eyewear featuring cutting-edge adidas developments alongside renowned partner technologies. As innovation is key to reach recognition in the outdoor industry, the internal development and innovations team cooperates with partners such as Gore-Tex, Windstopper, Primaloft and Continental.

adidas Outdoor also puts a significant effort into building close industry relationships, for example with the mountain guides from the Alpine Centre in Zermatt, Switzerland, and some of the best climbing and mountaineering athletes from around the world, including legends such as Reinhold Messner or world-renowned climbers like Alexander and Thomas Huber, Mayan Smith-Gobat, Dean Potter and Sasha DiGiulian, a rising star in competitive climbing.

2012 was another successful year, with award-winning innovative shoes such as the Terrex Fast R and the Hydroterra Shandal or advanced apparel offerings like the Terrex Icefeather Gore-Tex Pro-Shell jacket supporting business growth.

08 ⁄ **adidas Sport Performance**
Terrex Solo Stealth outdoor shoe

In 2013, adidas Outdoor will launch the Terrex Solo Stealth, the first adidas shoe with Stealth rubber ⁄ **PICTURE 08** – the best-performing, high-friction rubber available, developed by Five Ten. Built for technical climbing, where perfect grip is essential, the Solo Stealth is the first collaboration between adidas Outdoor and Five Ten.

adidas Sport Style: style your life

Streetwear and lifestyle sports fashion represents a unique opportunity for sporting goods companies. What once started as a niche business, now makes up more than 28% of adidas brand sales globally. To best tap the potential of the sports fashion market, adidas Sport Style targets this market with a clear multi-label strategy.

adidas Originals: the iconic sportswear brand of the street

To be successful in this market segment, brand credibility and heritage is an important prerequisite. As the first brand to credibly leverage its sports assets in the lifestyle area, adidas Originals is regarded as a legitimate sports lifestyle brand. For well over a decade, adidas Originals has been offering a holistic range of products aimed at the 16- to 24-year-old consumer.

To ensure sustainable success, adidas Originals has to keep up to date with and set trends as well as remain committed to serving consumer groups who are constantly looking for more options to express their individuality. To address these needs and maximise business opportunities, a three-tier strategy has been chosen:

⁄ **Innovative partnerships:** adidas Originals establishes innovative partnerships with designers and retailers such as Jeremy Scott and Opening Ceremony. In addition, the brand constantly searches for new expressions of street fashion.

⁄ **Extending addressable market:** adidas Originals continuously develops new offerings to extend its messages into wider business segments such as Denim, Women's and Kids. Most recently, the Action Sports division released a range of snowboard products and will expand into surf.

⁄ **Providing variety to a wide audience:** adidas Originals commercialises concepts such as adicolor, particularly through controlled-space initiatives, where consumers can find their most-loved, trend-driving silhouettes in a wide colour range. The consistent product range approach used throughout adidas Originals ensures that every product can be cross-merchandised, creating a cohesive look and reliable brand story.

Furthermore, to stay connected and to learn what resonates with and inspires its target consumer, adidas Originals engages with them through a constant stream of digital content and conversation on all major social media platforms and blogs. For example, adidas Originals has over 18 million fans on Facebook. Through these media, the brand incorporates itself into consumers' everyday lives, becoming part of their social groups' conversations.

09 ⁄ **adidas Originals Torsion Allegra X**

In 2012, adidas Originals celebrated 40 Years of the Trefoil. This was creatively integrated into products with graphics, golden trefoils and other tributes to the brand's iconic heritage. Leveraging the UEFA EURO 2012 and the Olympic Games, adidas Originals also created sportier silhouettes, providing stylish answers through bold, focused collections.

In 2013, adidas Originals will focus on Street Running, Lifestyle Tennis and Street Basketball. These stories will be pushed across all distribution channels. Exciting design collaborations will continue with partners such as Undefeated & Bathing Ape and Tokyo streetwear brand Bedwin & The Heartbreakers. In addition, the Kids category will strengthen its partnerships with Disney and Marvel Comics.

adidas NEO label: the lifestyle label for the young teen

The adidas NEO label is a key strategic pillar for driving growth for the adidas brand. To ensure success in this more lifestyle-driven business, the adidas formula is to focus on the younger consumer with a "fast fashion" business model. This means quick reaction to emerging trends through shorter lead times and excellence in retail execution. adidas NEO specifically appeals to the young fashionable teen, aged between 14 and 19 years old, with the 16-year-old as the sweet spot. Those teens live for now. They are ready to go, discovering their own way and style. adidas NEO offers stylish products for those more price-conscious consumers, who look for seasonal fashion items with a sports casual flavour and constant newness.

The label puts a strong focus on young girls and, to increase the brand's visibility among them, adidas contracted two teen stars and fashion icons in 2012: Justin Bieber and Selena Gomez. Subsequently, its social media results increased significantly. The number of Facebook fans rose to over 1.2 million by year-end 2012, supported by the Justin and Selena partnership.

10 ⁄ **adidas Neo label**
Style icon and designer Selena Gomez

11 ⁄ **Y-3**
Y-3 X High shoe

In 2012, adidas NEO enjoyed its most successful year to date. In Greater China, the brand is now distributed at over 1,000 points of sale. For the first time, it carried out a fully integrated TV and print campaign including Asian teenage stars Angelababy and Eddie Peng. In addition, adidas NEO opened ten vertical pilot stores with a new adidas retail concept in Germany – all successful and retail award winning after only a few months of operations.

In 2013, adidas NEO will carry on testing its pilot stores. It will keep leveraging its icons globally with several big events, such as at the New York Fashion Week in February 2013. Also, the first products designed by Selena Gomez will be available in all vertical stores and online as of August 2013.

Y-3: pioneering

Launched in October 2002, Y-3 presaged the contemporary obsession with designer athletic wear by being the first to blur the boundaries of style and sport, with the main goal to make sportswear elegant and chic. With its inception, Y-3 launched an entirely new product category – one that blends luxury, wit, craftsmanship and forward-thinking design. In September 2012, Y-3's spring/summer 2013 fashion show marked a decade of the brand and its pioneering sport style. Y-3 products are available at own mono-branded stores in major US, European and Asian cities, such as New York, Miami, Milan, Beijing, Shanghai and Dubai. In 2013, the portfolio will be extended with stores in London, Vienna and Hong Kong. In addition, Y-3 will keep driving business through its global e-commerce site :// **WWW.Y-3STORE.COM**.

Porsche Design Sport: engineered luxury sportswear

The collaboration between adidas and Porsche Design Sport continues by fusing leading-edge performance technologies with a sophisticated, minimalist point of view, defining a new era of engineered luxury sportswear. Every piece marries exclusive materials, performance-enhanced details and meticulous craftsmanship to create a signature look that is cutting-edge, modern and timeless. Product collections are targeted at the authentic, active man who does not compromise style for function. This is portrayed through brand ambassadors such as José Mourinho who showcase the image of Porsche Design Sport.

In 2012, the men's collection included apparel, footwear and accessories in the categories of Driving, Golf, Gym, Running, Water and Snow.

2013 will mark a further milestone for Porsche Design Sport with the cooperation launching its first women's collection and introducing it with the support of its new brand ambassador, tennis player Daniela Hantuchova. Highlight products such as the Made in Germany Cleat II and Compound II as well as an exclusive offer of heli-skiing articles will complement the collection in 2013.

Porsche Design Sport is available in Porsche Design stores, adidas Concept Stores and high-end department stores.

adidas SLVR: smart design

adidas SLVR is a contemporary sportswear collection that fuses innovation and tradition. Built on a principle of functional elegance, adidas SLVR creates an essential wardrobe filled with surprising details and breakthrough materials. adidas SLVR is designed for the relentless pace of 21st-century life. This means clothing that combines comfort and effortless style with advanced fabrics and techniques. The sportswear collection relies on the technical excellence of adidas while pushing the limits of sportswear. This fusion of performance and tailoring creates a look which is highly relevant to today's culture.

Since the launch of the category, adidas SLVR products are sold in own mono-branded stores, such as in New York, Miami, Berlin and Beijing. The products are also available in all major adidas Brand Centres and Concept Stores, in leading department stores and boutiques worldwide. From fall 2013, adidas SLVR will take its online shopping experience to the next level by creating a global e-commerce store via :⁄⁄ **WWW.SLVR.COM**.

12 ⁄ **adidas SLVR Snow Boot Heel**

Reebok Strategy

13 ⁄ **Reebok at a glance**

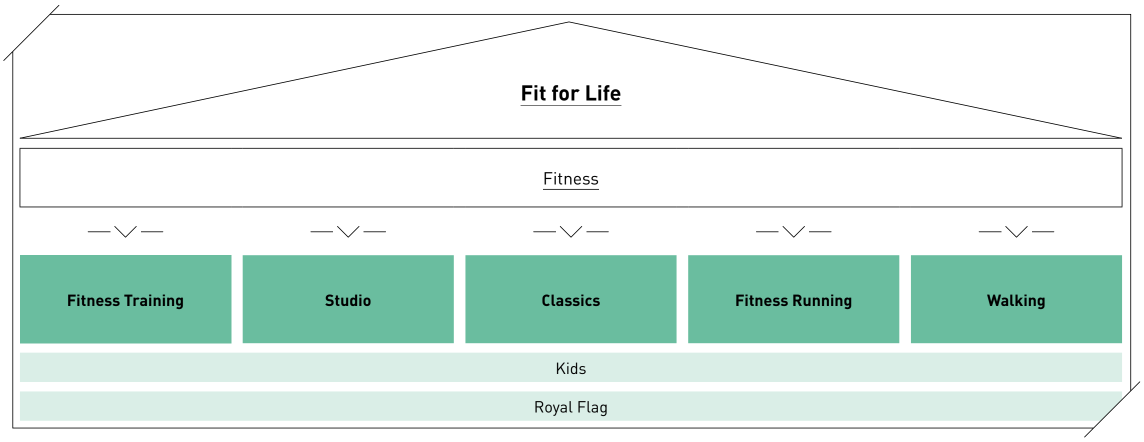
About Reebok	Reebok is an American-inspired sports brand with the clear objective to become the leading fitness brand in the world. Understanding and embracing the multi-facets and lifestyle potential of fitness, Reebok provides consumers with innovative products, experiences and inspirations. Its strong roots and history in fitness allow Reebok to empower consumers to be fit for life.
Brand mission	Empowering you to be fit for life
Brand values	Social, bold, real
Brand attitude	We believe those that are fit for life will be the greatest contributors to our world.
Key markets	North America, Russia/CIS, South Korea, Japan
Focus areas	Fitness Training, Studio, Classics, Fitness Running, Walking
Key strategic pillars	⁄ Establish the House of Fitness. ⁄ Innovate fitness marketing with grassroots and partnership programmes. ⁄ Invest in controlled space activities. ⁄ Focus on five key categories and leverage Reebok Kids and Royal Flag across all of them.
Net sales in 2012	€ 1.667 billion

The fitness brand

Reebok has a clear objective to become the leading fitness brand in the world. Fitness is in the DNA of Reebok, having played an important part in its heritage. In the 1980s, Reebok helped usher in the aerobics movement with groundbreaking, game-changing products and marketing. While the sporting goods industry and the world have changed considerably since then, the role of fitness in society remains one of the largest unconsolidated market opportunities.

Reebok acknowledges that society has gone from a world of fitness participants to a more engaged world of fitness enthusiasts. These are the people we define as the core Reebok consumer. It is because of this that Reebok wants to help shift the paradigm and change the perception of fitness, evolving it from a chore to a series of activities and a lifestyle choice. Therefore, Reebok is on a mission to empower people to be "fit for life", supporting them to achieve their full potential in a fun, collaborative and engaging way. In 2013, Reebok will be considerably expanding its fitness offering and broadening its communication of what the brand stands for and what it means to wear Reebok.

14 ⁄ **The House of Fitness**



House of Fitness established

Understanding the multi-facets of fitness, from running to yoga, from activity to lifestyle, Reebok applies a category-specific approach. Five key fitness categories, called "The House of Fitness", address this diversity and allow Reebok to meet and engage with consumers, regardless of how they choose to stay fit. These five key categories are: Fitness Training, Studio, Classics, Fitness Running and Walking ⁄ **DIAGRAM 14**.

In 2012, Reebok restructured its brand organisation to fully embrace this category-based approach. This new set-up ensures the creation of long-term sustainable categories, as the brand aligns innovation, grassroots activities and communication to serve a variety of fitness activities and movements.

Fitness Training: extending offering in apparel

With Reebok Fitness Training, athletes are ready for anything their workout or life throws at them. With CrossFit as its key driver and inspiration, Reebok Fitness Training is dedicated to delivering the very best training products for functional movement. Key 2013 footwear products are the RealFlex Transition 3.0, CrossFit Nano 2.0 and RealFlex Fusion TR 2.0. In addition, Reebok Fitness Training will introduce a comprehensive performance apparel offering in 2013 – the Reebok Delta collection. Taking its design inspiration from the CrossFit community, this collection is redefining the fitness apparel aesthetic. Every piece is designed and developed for the freedom of movement for any fitness activity.

Fitness Running: broadening concepts to increase market coverage

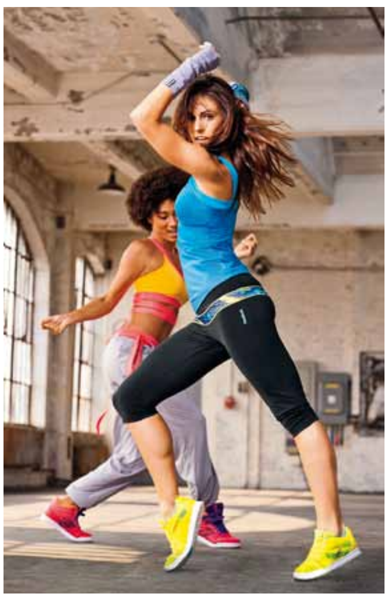
Reebok Fitness Running is about making running fun and varied. For the Reebok consumer, running is a key element of a versatile training regime – not their only activity. Driven by a technology offensive, Reebok will deliver updates to concepts such as RealFlex and ZigTech and extend its offering with new technologies such as ATV and a new commercial line of running products, SubLite.

15 ⁄ **Reebok RealFlex Run 2.0**

Studio: introducing new categories focused on women

New in 2013, Reebok Studio includes Dance, Yoga and Aerobics product concepts and programmes. These products are functional and stylish – empowering women to be confident, fit and strong for life ⁄ **PICTURE 16**. The Dance and Yoga collection will launch in spring 2013, while Aerobics will launch in the second half of 2013. The key dance product is the Dance UR Lead – a technical dance shoe created in collaboration with some of the world's top dance instructors.

16 ⁄ **Reebok**
Studio Dance



Walking: injecting new ideas into a proven category

Historically a core business for Reebok, walking is the most natural and ingrained movement in the consumer's daily life. In addition, walking is a core fitness activity. For some, it is an entry into other fitness activities, for others it is the activity of choice. Reebok is injecting fresh energy and ideas into the Walking category, with key technologies such as DMX and RealFlex. In addition, Reebok is reinventing its Trail walking range with the all-new Reebok One Quest, as well as a partnership with the Red Bull X-Alps adventure race.

Classics: leveraging partnerships and introducing commercial range

Reebok Classics represents the historic fitness roots of the Reebok brand. Classics speaks to the consumer who wants to demonstrate a fitness lifestyle and values trend-right products that fit their mobile lifestyle.

Reebok Classics is focused on three key areas:

- Always Classic: timeless, athletic-inspired silhouettes that are the foundation of Reebok's Classics business, balancing fashion and tradition.
- New Classics: retro silhouettes that are either true bring-backs (re-engineered from the archives) or inspired by Reebok's heritage in the '80s and '90s.
- Heritage: new silhouettes that are inspired by the Reebok Classics DNA and modernised with trend influences for today's fashion consumer.

In 2012, Reebok celebrated important milestones for some of its most iconic fitness models: the 25th anniversary of the Workout Plus and the 30th anniversary of the Freestyle. Reebok also launched the campaign "what it takes to become a classic". The brand profiled the journey of musicians and performers from around the world who have worked hard to pursue their dreams, and featured artists such as Alicia Keys, Rick Ross, Tyga and Verbal and Labrinth. In 2013, Reebok will build on these collaborations and will also add a new commercial offering called Reebok Royal Flag. Reebok Royal Flag offers trend-right casual footwear with optimal value for commercial channels of distribution, while at the same time providing improved margins and efficiencies as a core global range. Reebok Royal Flag focuses on comfort, style and accessibility with a strong assortment of timeless and trend silhouettes. Additionally, a unique selling point is that every model has a royal blue Ortholite sockliner for lightweight cushioning. This offers a comfort story normally only available on high-end products at an accessible price point. The flagship model is the Reebok Royal Cl Jogger, which offers a retro running look and epitomises the clean and fresh design available from this collection.

Reebok Kids: focusing on fun

For Reebok Kids, the brand is focused on the fun in functionality. Here, the brand's success has been driven by key product takedowns as well as innovative and style-right kids-only products. For example, ZigTech in particular continues to be a major success for the Reebok Kids business. In 2013, one of the key launches in this category will be the ATV shoe.

Improving performance identity through the Reebok Delta

Being "fit for life" means being fit physically, mentally and socially. These three ideals are what led to the formation of the Reebok Delta as a new, aspirational symbol of the brand. For Reebok, it represents the transformational power of fitness. Fitness transforms individuals – making them more powerful, more confident and capable of realising their full potential. Products that carry the Reebok Delta logo are the pinnacle fitness products for a variety of activities ⁄ **PICTURE 17**. In 2012, the Reebok Delta logo was seen exclusively on the Reebok CrossFit collection. 2013 will see the introduction of Reebok Delta in other fitness apparel and footwear collections.

17 ⁄ **Reebok**
Reebok Delta training collection

Creating global brand consistency through "Live with Fire" campaign

In 2013, the Reebok brand will be united under one umbrella by launching a global campaign which speaks with one shared voice for all its Fitness categories and Classics. The campaign, which is called "Live with Fire", will manifest itself in the emotional driver behind movement – passion. For the fitness consumer or the consumer who aspires to live a fitter lifestyle, the campaign will inspire them to live a life of passion, intent and purpose – to not just live, but to "Live with Fire" ⁄ **PICTURE 18**.

18 ⁄ **Reebok**
Global brand campaign "Live with Fire"

Expanding grassroots activities

One key element of establishing Reebok's position as the fitness brand is to develop strong grassroots partnerships. Partnerships with CrossFit, Spartan Race, Red Bull X-Alps and key fitness influencers such as Tara Stiles (Yoga) and Amy Dixon (Walking) validate the brand's ambition and product credentials. In addition, beyond events and fitness celebrities, Reebok intends to significantly increase grassroots-level activities through a new instructor/coach programme in 2013. The "Reebok Delta ONE" platform will bring fitness instructors from around the world in connection with the brand, creating true brand ambassadors right at the point of activity.

Accelerating investment in controlled space

In line with our overall Group goal to increase controlled space, Reebok is developing a strategy to create a deeper engagement with the fitness community by going beyond what traditional retail has to offer. In this respect, in 2012, Reebok introduced the Reebok Fit Hub. With the Fit Hub, Reebok redesigned its retail environment to inspire people to move, to train, to get fit and to have fun doing it. At the Fit Hub, people can find innovative fitness and training products, trusted advice, guidance and information on community-based fitness events. Select Fit Hubs, such as the Fifth Avenue location in New York, are situated in close proximity to Reebok CrossFit boxes, creating a complete fitness experience in one environment. In 2013, together with the Retail Centre of Excellence, Reebok will begin a broader roll-out of this concept ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**.

Other Businesses Strategy

Other Businesses primarily include the TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey segments. Each of these segments has its own strategy in place in order to address its specific target groups directly and further expand its market share. In this way, they contribute together to our Group's overall goal: to be the global leader in the sporting goods industry.

TaylorMade-adidas Golf Strategy

TaylorMade-adidas Golf's mission is to maintain its status as the world's leading golf company in terms of sales and profitability. The segment consists of four of the most widely known and respected brands in the sport: TaylorMade, adidas Golf, Adams Golf and Ashworth. Its foundation for success is built on the ability to continuously introduce well-designed, technologically advanced products to the marketplace, supported by innovative marketing and the validation of these products by tour professionals competing on the world's major professional golf tours. The combination of these elements creates some of the most sought-after products in the golfing industry, yielding both high volumes and premium price points. In addition, leveraging brand equity through the creation and execution of new retail initiatives as well as improving global distribution are key priorities for long-term growth.

Leveraging the strength of four of the most respected golf brands

TaylorMade-adidas Golf implements a multi-brand strategy covering four well-defined golf brands under one roof. TaylorMade is the market leader in the metalwoods and irons categories, and is among the leaders and increasing its market share in most other golf categories. The adidas Golf brand develops high-performance, technology-infused footwear and apparel equipment for athletes who want to maximise their potential to improve their play. Ashworth is a brand with a golf lifestyle bias, complementing adidas Golf's athletic high-performance positioning. Combining adidas Golf and Ashworth, TaylorMade-adidas Golf is a global leader in golf apparel and is among the top three in footwear sales. In 2012, TaylorMade-adidas Golf acquired Adams Golf. Adams Golf's product focus on clubs for game improvement as well as for senior and women golfers is highly complementary to TaylorMade's focus on the younger and the lower-handicap golfer.

Focus on design and technologically superior products

One of TaylorMade-adidas Golf's core objectives is to create the best performance golf products in the marketplace. This involves a clear and unrelenting commitment to innovation and technology. TaylorMade-adidas Golf strives to extend its industry-leading position by introducing at least two major product innovations or evolutions every 12 to 18 months. For example, in 2012, TaylorMade unveiled several new products, including the Speed Pocket technology, elevating the brand's market share in its two most important categories, metalwoods and irons ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105**.

01 ⁄ **TaylorMade-adidas Golf at a glance**

About TaylorMade-adidas Golf	TaylorMade-adidas Golf consists of four brands: TaylorMade, adidas Golf, Adams Golf and Ashworth. Each brand's strategy is to develop and commercialise innovative, technologically advanced products at a faster pace than the competition, and to build awareness and demand for these products through high-level visibility on the world's professional golf tours.
Brand mission	To build on its position as the leading performance golf company in the world in terms of sales and profitability.
Brand attitude	Each brand endeavours to create better-designed, superior-performing products through their employees' passion for the game and commitment to authenticity, competition and innovation.
Key markets	North America, UK, Japan, South Korea
Focus areas	Golf clubs, balls, accessories, footwear and apparel
Key strategic pillars	⁄ Continue to develop and distribute technologically advanced metalwoods, irons, wedges, putters, balls, footwear and apparel that help golfers of all skill levels play at a higher level. ⁄ Maintain TaylorMade's status as the No. 1 driver brand on the world's major professional golf tours. ⁄ Maintain the adidas Golf brand's high visibility on the world's major professional golf tours. ⁄ Focus Adams Golf on creating and commercialising easy-to-play equipment for beginners and higher-handicap players. ⁄ Increase Ashworth's visibility on the PGA Tour and incorporate performance fabrics with the quality, comfort and feel the brand is well-known for.
Net sales in 2012	€ 1.344 billion

Tour validation critical to showcasing equipment at the highest level

Golfers of all levels are influenced by what the best professional players in the world play with and wear. Hence, TaylorMade-adidas Golf's leadership and presence on the world's major professional golf tours is imperative to increasing brand exposure and traction among consumers. To attract the most talented players, TaylorMade-adidas Golf offers a comprehensive service to the world's leading players. The strength of the TaylorMade-adidas Golf Tour Staff lies in the number and quality of players and globally recognisable professionals such as Dustin Johnson, Sergio Garcia, Justin Rose, Jason Day, Martin Kaymer, Y.E. Yang, Sean O'Hair, Retief Goosen, Johnson Wagner, Justin Leonard, Camilo Villegas, Paula Creamer and Natalie Gulbis. In addition to TaylorMade Tour Staff members, dozens of other tour professionals also play TaylorMade metalwoods, helping to make TaylorMade the number one driver on the world's six major tours. The visibility and credibility that TaylorMade enjoys from this widespread use of its equipment is instrumental to brand and product awareness.

Marketing innovation and excellence in execution

TaylorMade-adidas Golf's ability to market its products in innovative and effective ways has been critical to its success. Great emphasis is placed on creating compelling messages spread widely through a variety of channels. This includes television, print, social media, public relations and point of sale as well as demonstration events. For example, in February 2012, at the PGA Tour's Northern Trust Open, TaylorMade Tour Staff pros wore hats with a single heart on the front, replacing the usual TaylorMade logo. The heart represented TaylorMade's "Driver Love" marketing campaign, and television viewers were invited to text to a specified number whenever they saw a "heart hat" during the tournament telecast for a chance to win an R11S driver.

Just before the start of the London 2012 Olympic Games, Dustin Johnson and Sergio Garcia lofted wedge shots to a floating green on the River Thames in London to call attention to adidas Golf's new Puremotion footwear introduction, an event that drew international media coverage.

Original ideas like these and a keen ability to execute them on a high level continue to set TaylorMade-adidas Golf's marketing apart from that of its competitors.

Effective retail and e-commerce strategy leverages key accounts and assets

TaylorMade-adidas Golf makes it a point to create compelling point-of-sale displays and communications designed to quickly and clearly educate the consumer on the product benefits of all four brands. Furthermore, TaylorMade-adidas Golf works closely with its key retail partners to ensure a consistent and excellent retail experience for the consumer. Core channels include green grass retailers, off-course golf specialty retailers and sporting goods retail formats with golf-specific departments. TaylorMade-adidas Golf also maintains a close relationship with more than 3,000 golf professionals and assistant golf professionals across the USA, who act as brand ambassadors in their green grass shops, not only selling the products of all four brands but turning golfers into brand loyalists. Additionally, in emerging markets around the world, the company employs established adidas Group infrastructures to distribute products, promote awareness and drive growth.

TaylorMade's continued commitment to leading every major golf category

TaylorMade's priority is to become the leader in each individual golf equipment category. That means strengthening its position as the number one metalwoods and irons brand and ascending to the top market position in wedges, putters, balls and accessories.

Metalwoods

TaylorMade is the clear market leader in metalwoods (drivers, fairway woods and hybrids), driven by over a decade of relentless innovation and product introductions. In 2012, this was again evident with RocketBallz metalwoods, whose combination of performance superiority, tour visibility, powerful marketing and wide distribution led to a new record-high market share for the brand. At the same time, the R11S driver, with its wide range of adjustability technologies for loft, face angle and movable weight, was by far the top-selling adjustable driver in the world ⁄ **PICTURE 02**. These products helped elevate TaylorMade's metalwood market share in the USA to 47% in 2012 from 35% in the prior year.

02 ⁄ **TaylorMade R11S driver**

To continue its momentum in this category, TaylorMade will introduce two new models in 2013, incorporating its latest technologies. The R1 driver offers twelve loft-and-lie settings, seven face-angle positions and movable weight technology. The wide range of loft adjustments lends a tremendous advantage to the player. TaylorMade studies indicate that approximately 80% of golfers are playing a driver with the wrong loft for their swing, and are losing distance because of it. TaylorMade will also introduce the next generation of RocketBallz metalwoods, called RBZ Stage 2. These fairway woods and Rescue clubs promote another dramatic leap in performance.

Irons

In 2012, TaylorMade secured its leading position in the irons category in the USA, driven by the success of the RocketBallz iron, the best-selling model during the year in the USA. Having gained significant credibility in this category over the last five years, 2013 sees the launch of a game-changing innovation with the potential to significantly extend the brand's market share lead. Introduced towards the end of 2012, RocketBladez irons incorporate a Speed Pocket concept. The Speed Pocket technology provides a slot in the sole that helps the clubface to flex faster at impact, promoting increased ball speed and a higher launch angle to give more distance. The Speed Pocket also generates significantly higher ball speed on shots hit low on the clubface, where the majority of iron mis-hits occur, and works in conjunction with a new, ultra-thin face design to promote consistent distance from shot to shot ⁄ **PICTURE 03**.

03 ⁄ **TaylorMade**
RocketBladez irons powered by the Speed Pocket

Wedges

TaylorMade continues to gain credibility in the wedge category with offerings such as the ATV (All-Terrain Versatility) wedge, with its innovative sole that makes it highly effective from a wide variety of lies. The ATV was played widely on tour in 2012, and in the USA it rose to be a best-selling wedge at retail during October 2012.

Putters

TaylorMade's Ghost line of putters was used numerous times to win major tour events in 2012, and continued to perform well in the marketplace. This success was led by the Ghost Spider line, engineered to deliver exceptional stability and forgiveness. A new addition to the Ghost Spider line which will be introduced in 2013, the Ghost Spider Daddy Long Legs, is designed to deliver the next level of high-stability putter performance.

Balls

In 2012, TaylorMade renewed its commitment to growing market share in balls, especially the premium, tour ball category. In 2013, TaylorMade plans several new product launches, including its newest tour ball, Lethal, introduced in February 2013 ⁄ **PICTURE 04**. In testing, the ball has received high praise for its outstanding combination of distance, feel, control and performance, especially in windy conditions, from the many tour pros who have switched to it. Other new ball introductions in 2013 include RocketBallz Urethane, with its three-piece construction and a tour-validated urethane cover priced well below most urethane balls. From a marketing standpoint, TaylorMade will place extra emphasis in 2013 on specifically targeting the multitude of golfers who have purchased TaylorMade metalwoods and irons.

04 ⁄ **TaylorMade**
Lethal golf ball

Accessories

Accessories such as gloves, bags, head covers, towels and umbrellas also play an important role in golf. In 2012, TaylorMade devoted additional resources to improve on the design and functionality of its accessories lines, which resulted in encouraging sales growth. A similar emphasis on developing better accessories will continue in 2013, with similar results expected.

adidas Golf: "Equipment for Your Body" continues to thrive

adidas Golf creates innovative products targeted at athletic, competitive-minded golfers seeking a performance edge in footwear and apparel, and positions its products as "Equipment for Your Body".

To increase market share in the highly competitive golf footwear market, adidas Golf focuses on delivering high-performance benefits in climate management, comfort, traction and stability, as well as on infusing the category with classic adidas styles and colours. Examples of this include the tour-validated adipure motion, puremotion, crossflex, adicross II, along with the Samba Golf, the design of which is based on the Samba, the second-best-selling shoe in the history of adidas.

In 2013, adidas Golf introduces one of the most exciting golf footwear launches in years, the new ultra-lightweight adizero golf shoe, which leverages the established success of the adidas adizero footwear franchise in running, football, tennis, baseball, basketball and track & field. adidas Golf is dedicated to being the leader in "lighter is better" golf footwear, and adizero is the first powerful step in that direction ⁄ **PICTURE 05**.

05 ⁄ **adidas Golf**
adizero golf shoe

In apparel, adidas Golf is well respected as a leader in incorporating advanced technology and design into tops, pants and shorts to help the player perform better. adidas Golf's highly successful ClimaCool line of technically advanced apparel remains exceptionally popular, as does ClimaWarm cold-weather gear and ClimaProof wet-weather gear. All are widely worn on the PGA Tour by numerous athletes, including icons Dustin Johnson, Sergio Garcia and Jason Day. On tour, the high visibility of the 3-Stripes logo is instrumental to boosting consumer awareness ⁄ **PICTURE 06**.

06 ⁄ **adidas Golf**
ClimaCool golf apparel collection

Adams Golf acquisition extends market position

Adams Golf is a highly respected brand that shares TaylorMade's strategic approach to developing better equipment through technology, which has helped create Adams Golf's reputation for strong research and development. Adams Golf will continue to focus on making equipment that is more forgiving and helps all golfers improve their game. In addition, plans are in place to leverage synergies between the TaylorMade and Adams Golf R&D departments, with a key goal not only to share best practice but also to broaden Adams Golf's product architecture. Similarly, plans are also taking shape to turn Adams Golf into a global golf brand by leveraging TaylorMade-adidas Golf's established distribution channels around the world. This is a significant future growth opportunity, as 92% of Adams Golf sales were in North America in 2012.

Ashworth gains significant momentum

Ashworth implemented a new brand strategy in 2012, with a significant focus on increasing tour presence and visibility. This was accomplished by increasing the size of its Tour Staff to more than 30 players and installing Justin Rose as its new icon on the PGA Tour. In addition, Ashworth introduced a new line of shirts called EZ-TEC2 with a performance fabric that is breathable and quick-drying, while also being exceptionally soft and comfortable. The brand also launched a new line of footwear, the Cardiff Mesh, bringing the brand near the forefront of the spikeless golf shoe category. The result was Ashworth's best year since TaylorMade-adidas Golf acquired the brand in 2008.

In 2013, Ashworth will heighten consumer awareness and sales, not only through its increased tour presence but also through a new "devil-may-care" marketing campaign designed to give the brand a livelier and more contemporary image. The goal of this campaign is also to widen the brand's appeal across a broader range of age groups.

Rockport Strategy

Rockport's mission is to become one of the world's leading leather footwear brands through the innovative combination of contemporary style and engineered comfort. Rockport was founded in 1971 on the idea of making fashion footwear comfortable by using the latest in athletic shoe technologies. Today, the brand continues to combine this DNA with the innovation resources of the adidas Group, to design products which deliver uncompromised style with state-of-the-art engineered comfort for metropolitan professionals around the world.

Brand promise: style made comfortable

Every shoe Rockport creates has to deliver against the brand's promise to make style comfortable. Through its products, Rockport is striving to empower consumers to do more, be more and live more from weekday to weekend.

07 ⁄ **Rockport at a glance**

About Rockport	Rockport was founded in 1971 on the idea of making fashion footwear comfortable by using the latest in athletic shoe technologies. More than 40 years later, Rockport combines its unique DNA with the innovation resources of the adidas Group and designs products which deliver uncompromised style with state-of-the-art engineered comfort for metropolitan professionals around the world.
Brand mission	To become one of the world's leading leather footwear brands through the innovative combination of contemporary style and engineered comfort.
Brand attitude	At Rockport, every shoe is designed for style and engineered for comfort. Each shoe created delivers against this promise and is at the heart of everything the brand does. Through its industry-leading products, Rockport empowers consumers to do more, be more and live more from weekday to weekend.
Key markets	USA, Russia/CIS, Canada, Japan, South Korea
Focus areas	The home of the brand is dress casual and relaxed casual footwear for metropolitan professionals around the world.
Key strategic pillars	⁄ Globalise ⁄ Women's ⁄ Retail ⁄ Operational capabilities
Net sales in 2012	€ 285 million

Driving innovation and strategic concepts

Consistency in innovation and product concepts are becoming increasingly important in the brown shoe market. As a result, Rockport is investing in multi-year innovation and product concepts that embody the brand DNA of lightness, flexibility, softness and stability. Following these principles, in spring 2012, Rockport launched the concepts truWalkZero and RocSports Lite to drive for ownership of lightness in the brown shoe industry ⁄ **PICTURE 08** ⁄ **PICTURE 09** ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105.**

08 ⁄ **Rockport**
truWalkZero event in New York City

Building on the global success of these platforms, in 2013, Rockport will expand its lightness agenda across all wearing occasions, i.e. in both the casual and dress shoe categories. In fall 2013, Rockport will also launch its latest footwear innovation for men and women – Total Motion. Total Motion is the next evolution of engineered comfort where stability meets flexibility for all-day comfort.

09 ⁄ **Rockport**
"Challenge Gravity" campaign

Communication strategy combines fashion and benefit messaging

The communication strategy at Rockport centres on metropolitan professionals in motion, expressing the benefit of "style made comfortable" in a fashion-relevant context.

To underline the style competence, Rockport started a close cooperation with celebrity supermodel Erin Wasson in 2012. As a model, actress and entrepreneur, she resonates with the Rockport metropolitan professional target consumer and the fashion-driven consumer alike ⁄ **PICTURE 10**.

10 ⁄ **Rockport**
"Style made comfortable" campaign with Erin Wasson

To underline the product benefit, a retail-focused lightness campaign was successfully executed in 2012 to underpin the brand's positioning in engineered comfort through lightness. Building on this success, Rockport will intensify its lightness campaign in 2013.

Capturing the potential of the women's opportunity

Expanding the product offering and distribution reach of the women's business is the biggest growth opportunity for Rockport. The women's category represents around 70% of the global footwear market. Rockport's brand promise – "style made comfortable" – is ideally suited to and relevant for women. By infusing adidas athletic shoe technologies within a broad range of styles (e.g. heels, boots, wedges), Rockport aims to deliver the "no compromise" combination of style and comfort, which is a true and largely unfulfilled consumer need.

To ensure long-term success, the brand is making significant investments in world-class design, development and manufacturing capabilities. To realise the full potential of the women's opportunity, a new Rockport Design Studio is opening in the Veneto region in Italy in early 2013. With this studio, Rockport will gain direct access to the best talent and industry knowledge in the field of women's design, fashion industry know-how and technical shoe development.

Intensifying customer relationships in domestic market

After successfully establishing the Rockport brand strategy and positioning over the past few years, Rockport returned to growth in its largest market, North America, in 2012. The brand recognition in North America is unparalleled and its positioning appeals to a broad consumer base, which is the right formula for sustainable growth. In 2013, this momentum is expected to increase by further intensifying relationships with existing premium retail accounts.

Globalisation continues to be successful

Leveraging the Group's infrastructure is one of the key enablers to further expand the Rockport business globally in the next years. Rockport also continues to successfully grow its business in many markets outside North America. Regional offices have successfully been established in Europe and Asia, and sales outside the home market delivered 43% of the total Rockport business in 2012.

Expanding the retail footprint

Own-retail stores with a focus on full-price sell-through will be one of the main growth drivers for the brand over the next years. In 2012, Rockport opened more than 40 stores in Russia/CIS, Japan, South Korea and other markets around the world. Rockport will continue to expand its retail footprint in key markets during 2013, to further strengthen the brand image of Rockport in the marketplace and to deliver profitable growth.

Reebok-CCM Hockey Strategy

Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and related apparel under two of the most recognised ice hockey brand names: Reebok Hockey and CCM. Reebok-CCM Hockey equips more professional hockey players than any other company, including NHL superstars such as Sidney Crosby and Pavel Datsyuk. Reebok-CCM Hockey is also the official outfitter of high-profile leagues such as the NHL as well as several NCAA and national teams. Reebok-CCM Hockey's strategy is to increase market share by leveraging its performance positioning and dedication to innovate for the leading athletes in the sport.

11 ⁄ **Reebok-CCM Hockey at a glance**

About Reebok-CCM Hockey	Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and apparel, with two of the world's most recognised ice hockey brand names: Reebok Hockey and CCM.
Brand mission	To make ice hockey players the best they can be by delivering high-end, innovative equipment.
Brand attitude	Performance drives us.
Key markets	Canada, USA, Scandinavia, Russia/CIS
Focus areas	Skates, sticks, NHL licensed apparel, protective/helmets and goalie gear.
Key strategic pillars	⁄ Product innovation ⁄ Pro validation ⁄ Brand marketing communication
Net sales in 2012	€ 243 million

Focus on high-end performance

Reebok-CCM Hockey's primary goal is to lead in the high-end performance segment of the hockey market. Going to market with a dual-brand portfolio (consisting of Reebok Hockey and CCM), Reebok-CCM Hockey has a clear focus on product innovation, supported by professional player validation achieved by having the best athletes in the world play with Reebok-CCM Hockey products. Furthermore, differentiated marketing and brand campaigns are targeted towards the intended consumer segments, for example players or fans.

In-arena and partnership-based marketing programmes, consumer campaigns and web-based initiatives are designed to create brand exposure, increasing demand for Reebok-CCM Hockey products.

Product innovation matches brand positioning

The key priority for Reebok-CCM Hockey's innovation team is to design and market products that are targeted to be different and better than those of the competition, with a dedication to providing elite athletes with high-performance products. With an emphasis on continued product innovation, products incorporate proprietary and patented technological advances ⁄ SEE RESEARCH AND DEVELOPMENT, P. 105. Reebok Hockey's 20K Pump skates, KFS protective equipment, Sickick stick line and the Edge uniform exemplify the brand's breakthrough technologies. CCM's product innovation story is led by its high-performance equipment, which includes the CCM RBZ skate, launching in July 2013, the revolutionary CCM RBZ stick powered by TaylorMade and the Crazy Light protective, the lightest high-performance protective gear CCM has ever created. CCM will further emphasise its commitment to performance by returning to the goalie category, with the introduction of the Extreme Flex series in 2013.

Professional player validation

Reebok-CCM Hockey recognises that success with the consumer is heavily influenced by exposure generated at the pro league level. Product usage by the best players in the game validates Reebok-CCM Hockey's product performance credentials, and both brands are highly visible among professional ice hockey leagues worldwide.

- Reebok-CCM Hockey has partnerships with the most important leagues in the industry. It is the exclusive licensee of jerseys for the National Hockey League (NHL), the American Hockey League (AHL), the Canadian Hockey League (CHL) and many of the European National (8) and Elite League (60) teams. Reebok-CCM Hockey is also the official equipment supplier of the United States Hockey League (USHL), the East Coast Hockey League (ECHL) and numerous National Collegiate Athletic Association (NCAA) Division 1 institutions.

- Reebok-CCM Hockey has formed endorsement partnerships with many of the best athletes in the world. With development capabilities close to the world's major leagues, the two brands can respond rapidly with customised solutions. This provides a strong competitive advantage in attracting key pro athletes. Reebok Hockey is currently endorsed by NHL players such as Sidney Crosby, Pavel Datsyuk, Patrice Bergeron, Dion Phaneuf, Matt Duchene, Roberto Luongo and Marc-André Fleury. CCM's roster of player endorsees includes Joe Thornton, Vincent Lecavalier, John Tavares, Marián Hossa as well as the NHL Rookie of the Year Gabriel Landeskog and rookie sensation Ryan Nugent-Hopkins.

Key strategic categories to drive growth

Reebok-CCM Hockey intends to accomplish growth through a continuous stream of product launches in its key category priorities: skates, sticks, goalie gear, protective/helmets and licensed apparel.

⁄ **Skates:** The focus in the skate category is to drive market share increases through products addressing critical performance aspects such as fit, weight and durability. Launched in April 2012, a new line of Reebok Hockey skates, led by the 20K Pump, features an advanced fit element and is designed with a focus on lightweight and durable materials that maximise energy transfer from foot to ice ⁄ **PICTURE 12**. On the CCM side, the new RBZ skate is designed according to the concept of "speed", including a new blade holder that is 4mm higher, to provide the skater with a better angle of attack on the ice.

12 ⁄ **Reebok Hockey**
20K skate

⁄ **Sticks:** To drive future growth in the sticks category, Reebok-CCM Hockey focuses on developing new technologies that incorporate enhanced power, feel, flexibility and weight. Launched in September 2012, Reebok Hockey's 20K sticks feature the Sickick 4 technology which aims to provide a quicker release and the Accublade technology that seeks to give a better reaction time with the puck. August 2012 marked the major launch of the CCM RBZ stick powered by TaylorMade. The stick was the result of a multi-year R&D collaboration with TaylorMade. The revolutionary stick technology includes a SpeedBlade construction for a higher puck velocity ⁄ **PICTURE 13**.

13 ⁄ **CCM**
CCM RBZ stick powered by TaylorMade

⁄ **Goalie:** On the goalie side, the Premier 4 goalie line solidified Reebok Hockey as the leader in the goalie category. The pro-validated line designed with industry icon Michel Lefebvre delivers quick release, maximum coverage and a solid seal. 2013 will mark the return of the CCM brand to the goalie category with the Extreme Flex equipment line. By offering a new option for different styles of goalies, this will solidify Reebok-CCM Hockey's leadership position in the goalie category.

⁄ **Protective:** CCM took centre-stage with the launch of the highly anticipated Crazy Light protective series in April 2012. The new U Foam construction significantly reduces weight and stays light throughout the entire game. On the Reebok Hockey side, the new Pro series will be launched in early 2013 and offers lightweight pro-level protection gear at retail.

⁄ **Licensed apparel:** Reebok-CCM Hockey will strive to further leverage its league partnerships and exclusive uniform status to drive growth. In addition to official uniforms, Reebok-CCM Hockey will take advantage of its status as the official NHL locker room performance apparel supplier and its exclusive rights related to the NHL Players' Association (NHLPA) for name and numbered apparel and headwear. Reebok-CCM Hockey is also developing its capacity to perform in a reactive market to maximise sales potential.

Pricing strategy mirrors product positioning

Reebok-CCM Hockey's pricing strategy is consistent with its high-performance positioning in the sport. Through a commitment to product innovation, Reebok-CCM Hockey's pricing strategy is to dominate the market in the premium price segments and to be a strong competitor within the mid-price segment of the market.

Global Operations

Global Operations manages the development, production planning, sourcing and distribution of the majority of our products. The function continually strives to increase efficiency throughout the Group's supply chain and ensure the highest standards in product quality and delivery performance for our customers and our own-retail and eCommerce activities at competitive costs.

Clearly defined priorities for Global Operations until 2015

The vision of Global Operations is to be closest to every consumer. The function strives to provide the right product to consumers – in the right size, colour and style, in the right place, at the right time, across the entire range of the Group's channels and brands.

Global Operations has a strong track record for establishing state-of-the-art infrastructure, processes and systems. The function has been successfully consolidating and improving legacy structures, reducing complexity and cost for the Group. By taking strong ownership for quality, cost and availability, the Group has proven that it is able to respond to the fast-changing requirements of consumers and customers.

To support our Route 2015 strategic business plan, Global Operations focuses on delivering against five function-specific strategic priorities driven by several key initiatives ⁄ **TABLE 01**. By continuing to deliver on these initiatives, Global Operations will not only enable the Group to achieve its goals, it will also ensure our supply chain remains a competitive advantage in making us the partner of choice for our consumers and customers alike.

Ensuring cost competitiveness

Global Operations focuses on further optimising product creation through an efficient and simplified material and colour selection process. This, coupled with increased automation in manufacturing, will enhance productivity, shorten lead times and improve overall quality. These improvements are expected to enhance profitability for the Group and ensure we provide our consumers with the best value proposition possible. In 2012, material and colour consolidation efforts between Global Operations and Global Brands for footwear and apparel progressed to plan.

01 ⁄ **Five strategic priorities for Global Operations**

Strategic priorities	Specific goals	Implemented through strategic initiatives
Ensuring cost competitiveness	Reduce product and supply chain costs	⁄ Increase productivity for footwear and apparel manufacturing through a higher level of automation in the production processes ⁄ Optimise product creation through efficient material and colour selection
Providing industry-leading availability	Enhance existing logistics services to create a flexible and cost-efficient supply chain	⁄ Develop flexible planning and production models ⁄ Plan and manage inventory risk at decoupling points in the supply chain
Enabling later ordering	Allow customers to order products later, i.e. closer to the point of sale	⁄ Reduce standard lead times for footwear and apparel to 60 days ⁄ Manufacture closer to key markets to deliver and replenish products faster ⁄ Grow in-season responsiveness and continuous replenishment models to customers
Supporting the Group's growth projects	Support the Group's Route 2015 and Driving Route 2015 initiatives	⁄ Build fast-fashion creation, sourcing and supply chain management solutions ⁄ Ensure further roll-out of processes and systems to optimise existing operational infrastructure ⁄ Expand eCommerce supply chain capabilities and enable customisation
Modernising the Group's infrastructure	Build the necessary operational backbone to support the Group's growth plans	⁄ Consolidate legacy systems and distribution structures ⁄ Build state-of-the-art systems, processes and distribution facilities ⁄ Pool supply chain activities for multiple markets ⁄ Integrate local sourcing activities into the global structure

In the area of manufacturing excellence for footwear, automation represents the key driver for efficiencies. As part of this initiative, we support the implementation of state-of-the-art machinery and solutions, such as computer stitching, high-frequency cutting and automated production lines across factories, and provide technical competency training to factory-floor staff. The resulting improvements in the factories are both visible and tangible. With less manual labour required, manufacturers were able to reduce operating space and energy while increasing their right-first-time rate and optimising their operator utilisation. For apparel, the mid- to long-term goal is to use the manufacturing excellence initiative to roll out modular production lines and Global Sewing Data (GSD) – a globally recognised, industry-leading pre-determined motion time system. It is an accurate and consistent way to measure the standard production time or Standard Minute Value (SMV) of a product. All strategic apparel vendors joined this effort in 2012 and agreed on joint targets.

The Profitability Management department within Global Operations assumes a central role in realising cost competitiveness by driving our strategic costing efforts and optimising our buying strategies. Throughout 2012, the team focused on developing and commencing the implementation of specific workstreams within the "Optimised Costing and Buying" initiative aimed at capturing the value of range efficiencies across our footwear supply base. For 2013, the aim is to implement a more data-driven and standardised cost approach for the apparel division which will, in turn, enable consistent benefit capture of efficiency initiatives.

Providing industry-leading availability

Building on the solid platform that has been established to ensure product availability, Global Operations is further shortening our order-to-delivery lead times. This will be accomplished by establishing and offering a set of tailored and sophisticated replenishment models to our customers and own-retail activities via improvements in our planning systems and processes. The overarching goal of these initiatives is to delay decisions on customer-specific order adjustments to the latest possible point in time for increased flexibility in how we plan, produce, deliver and stock products.

In this context, Global Operations is a key contributor to the Group's Integrated Business Planning (IBP) project ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 124**. IBP forms part of the Group's strategic business plan Route 2015 and aims at establishing a coherent end-to-end demand and supply planning process across finance, marketing and operations.

As part of the product availability priority, Global Operations is building five new supporting system solutions that use SAP as a basis to standardise, automate, bundle and execute market processes and system functionalities. The roll-out of these systems and processes is a prerequisite to enable enhanced value-added services (e.g. labelling, price tags and RFID tags) at our factories and distribution centres. These are also critical for our flexible make-to-stock service, which aims to improve product availability and inventory utilisation by planning and building inventory buffers at different locations further up the supply chain.

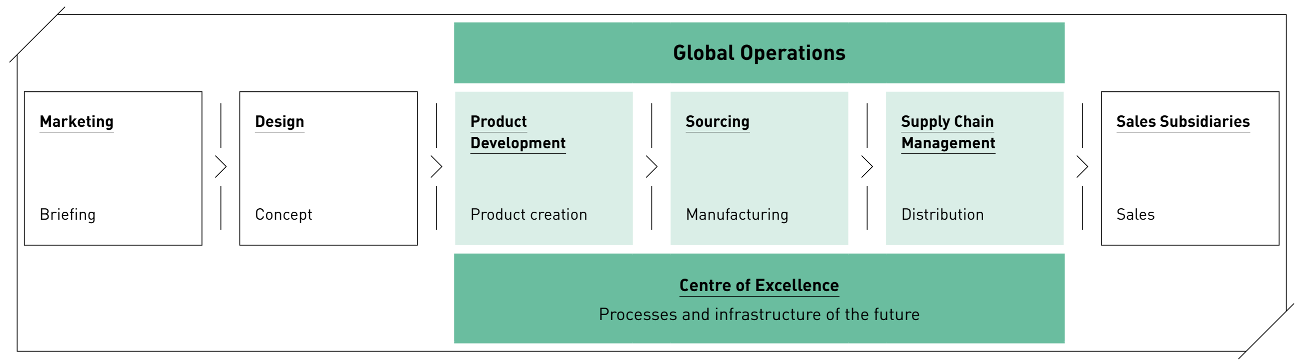
Other capabilities that the function is building include an increased level of transparency on lead times in our supply chain. This will allow for more pro-active and accurate instructions on delivery times, planning and purchasing, resulting in a reduction of workload and increased customer satisfaction. Another important aspect will be the introduction of the capability to transfer inventory between locations in a more automated manner.

Enabling later ordering

Enabling later ordering is a cross-functional priority in Global Operations focused on allowing our customers and own-retail network to order our products closer to the time of sale, facilitating buying decisions that are based on better market knowledge.

This initiative for reducing standard lead times focuses on shortening production lead times on footwear and apparel to 60 days. Since the majority of adidas footwear is already on 60 days, the change will allow us to align sales processes across the brands and improve efficiencies. The implementation for apparel started in early 2012, with the goal to transition a third of all styles for all brands to 60 days. We successfully achieved this target for the fall/winter season 2013, where over 30% of styles and more than 40% of forecast volume will be supplied on the shortened lead time of 60 days. As the project moves forward, focus will now shift to stabilising the 30% for future seasons. Simultaneously, our goal is to continue to increase the share of articles on 60 days or less production lead time for critical ranges and high-volume products, specifically targeting a global foundation range as well as regional ranges.

02 **Global Operations in go-to-market process**



Further order-to-delivery lead time reductions will be achieved through increased proximity to sourcing countries, which will enable us to manufacture closer to our key markets to deliver and replenish products faster. In 2012, Global Operations introduced an in-season response solution for own retail in Russia/CIS and Western Europe and will continue to further develop this approach.

Supporting the Group's growth initiatives

Global Operations supports the Group's key growth and profit projects outlined in the Route 2015 strategic business plan. The function impacts the following growth projects:

adidas NEO label: The focus in 2012 was to provide supply chain services for all adidas NEO stores. This included expanding the company's fashion source base and enabling articles on creation timelines of three months and less for all product divisions **SEE GLOBAL BRANDS STRATEGY, P. 78**.

eCommerce and customisation: Global Operations provides support in further harmonising customisation processes and systems. It has clearly defined supply chain capabilities that enable the demand growth for the customisation business and have supported the evaluation of existing customisation processes for adidas and Reebok footwear **SEE GLOBAL SALES STRATEGY, P. 72** **SEE GLOBAL BRANDS STRATEGY, P. 78**.

As part of the Group's Driving Route 2015 programme **SEE GROUP STRATEGY, P. 68**, Global Operations expanded its responsibilities throughout 2012, supporting the push for increased speed, consistency and consumer focus. Driving Route 2015 deliverables include:

Superior service for the adidas brand's global foundation range **SEE GLOBAL BRANDS STRATEGY, P. 78**.

Organisational integration: Throughout 2012, Global Operations further assumed end-to-end responsibility for the Group's supply chain as additional market operations and local sourcing functions moved into Global Operations. The execution of the initiative saw the review and harmonisation of local systems and processes as well as the consolidation of local suppliers for ultimate integration into global structures. Starting in 2013, all market operations will be moved into Global Operations. Local sourcing integration efforts will continue in 2013 under the Global Operations initiative of "Modernising Group Infrastructure". The organisational integration initiative also saw the establishment of a dedicated adidas Fashion Operations department to service the unique creation and sourcing needs of the Group's fast-fashion business, including Originals, the adidas NEO label and Porsche Design.

Modernising the Group's infrastructure

Global Operations continues to focus on building the required infrastructure, processes and systems to support the Group's growth plans. This includes further process simplification, consolidation of legacy systems and distribution structures, as well as the creation of state-of-the-art systems required to support new business demands.

In 2012, Global Operations completed two state-of-the-art, multi-brand warehouses. The first is located in Pyongtaek, South Korea, and went live in May, followed by a new distribution centre in Mexico City, Mexico, which went live in November. Meanwhile, construction work for the Central Distribution Centre (CDC) near Osnabrueck, Germany, is progressing to plan, with the facility set to open in 2013. By 2015, the CDC will be capable of storing 35 million pieces during peak times and will handle a throughput of more than 100 million pieces annually for the adidas, Reebok and Rockport brands across all channels. A second facility to be completed in 2013 will be the distribution centre in Russia. The vast majority of our facilities operate a standardised warehouse management system which continues to be rolled out to all new and existing warehouses in the operations network.

Majority of production through independent suppliers

To minimise production costs, we outsource almost 100% of production to independent third-party suppliers, primarily located in Asia. While we provide them with detailed specifications for production and delivery, these suppliers possess excellent expertise in cost-efficient, high-volume production of footwear, apparel and hardware. The latest list of our suppliers can be found on our website :⁄⁄ **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

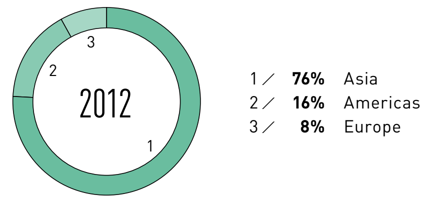
The adidas Group also operates a limited number of own production and assembly sites in Germany (1), Sweden (1), Finland (1), the USA (4) and Canada (3). In order to ensure the high quality consumers expect from our products, we enforce strict control and inspection procedures at our suppliers and in our own factories. In addition, we promote adherence to social and environmental standards throughout our supply chain ⁄ **SEE SUSTAINABILITY, P. 117**.

Our Global Operations function manages product development, commercialisation and distribution, and also supervises sourcing for adidas and Reebok as well as for adidas Golf ⁄ **DIAGRAM 02**. Due to the specific sourcing requirements in their respective fields of business, TaylorMade, Rockport, Reebok-CCM Hockey and the Sports Licensed Division are not serviced through Global Operations, but instead utilise their own purchasing organisation. In order to quickly seize short-term opportunities in their local market or react to trade regulations, Group subsidiaries may also source from selected local suppliers outside the realm of Global Operations. Local purchases, however, account only for a minor portion of the Group's total sourcing volume.

Number of manufacturing partners increases

In 2012, Global Operations worked with 337 independent manufacturing partners (2011: 308), representing an increase of 29 versus the prior year. The number of suppliers increased throughout all product categories (footwear, apparel and hardware) in support of the Group's growth aspirations and reflects expansion into new sourcing countries (e.g. Cambodia). Of our independent manufacturing partners, 76% were located in Asia, 16% in the Americas and 8% in Europe ⁄ **DIAGRAM 03**. 31% of all suppliers were located in China.

03 ⁄ **Suppliers by region** 1)

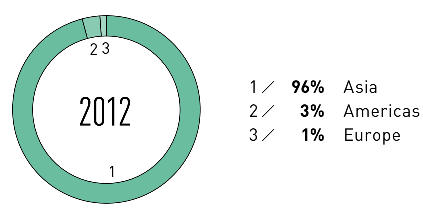


1) Figures include adidas, Reebok and adidas Golf, but exclude local sourcing partners, sourcing agents, subcontractors, second-tier suppliers and licensee factories.

China share of footwear production decreases slightly

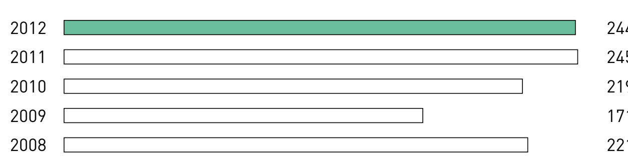
96% of our total 2012 footwear volume for adidas, Reebok and adidas Golf was produced in Asia (2011: 97%). Production in Europe and the Americas combined accounted for 4% of the sourcing volume (2011: 3%) ⁄ **DIAGRAM 04**. China represents our largest sourcing country with 33% of the total volume, followed by Vietnam with 31% and Indonesia with 26%. As part of our strategy to increase the regional diversity of our supplier base, the overall representation of China in our sourcing mix declined 2 percentage points. At the same time, the footwear volumes sourced from Cambodia increased strongly in 2012 compared to the prior year. In 2012, our footwear suppliers produced approximately 244 million pairs of shoes (2011: 245 million pairs) ⁄ **DIAGRAM 05**. Our largest footwear factory produced approximately 10% of the footwear sourcing volume (2011: 9%). Rockport produced approximately 8 million pairs of footwear in 2012, which represents a decrease of 5%

04 ⁄ **Footwear production by region** 1)



1) Figures include adidas, Reebok and adidas Golf.

05 ⁄ **Footwear production** 1) (in million pairs)



1) Figures include adidas, Reebok and adidas Golf.

versus the prior year. Products were primarily sourced from factories in China (72%), Vietnam (17%), India (8%) and Indonesia (3%). The largest factory accounted for 39% of the total sourcing volume of the Rockport brand.

Share of apparel production in Turkey increases significantly

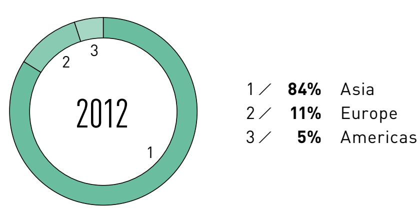
In 2012, we sourced 84% of the total apparel volume for adidas, Reebok and adidas Golf from Asia (2011: 83%). Europe remained the second-largest apparel sourcing region, representing 11% of the volume (2011: 11%). The Americas accounted for 5% of the volume (2011: 6%) ⁄ **DIAGRAM 06**. China was the largest source country, representing 37% of the produced volume, followed by Indonesia with 13% and Turkey with 10%. In total, our suppliers produced approximately 314 million units of apparel in 2012 (2011: 321 million units) ⁄ **DIAGRAM 07**. The year-over-year decrease was driven by a decline in volumes for the adidas and Reebok brands as well as improved inventory management in 2012. The largest apparel factory produced approximately 10% of this apparel volume in 2012 (2011: 8%). In addition, Reebok-CCM Hockey sourced around 3 million units of apparel in 2012. The majority of this volume was also produced in Asia, while small portions were sourced from the Americas (particularly Canada) and Europe. The Sports Licensed Division sourced approximately 25 million units of apparel and 14 million units of headwear (2011: 31 million and 21 million, respectively). The majority of purchased apparel products were sourced as unfinished goods from Latin America (70%), Asia (29%) and the USA (1%), and were subsequently finished in our own screen-printing facilities in the USA. The majority of headwear sourced were finished products manufactured predominantly in Asia (98%) and the USA (2%).

China share of hardware production declines strongly

In 2012, the bulk (i.e. 97%) of adidas and Reebok branded hardware products, such as balls and bags, was also produced in Asia (2011: 98%). China remained our largest source country, accounting for 51% of the sourced volume, followed by Vietnam with 21%, Pakistan with 14% and Indonesia with 9%. European countries accounted for 3% ⁄ **DIAGRAM 08**. The total hardware sourcing volume was approximately 51 million units (2011: approximately 51 million units), with the largest factory accounting for 17% of production ⁄ **DIAGRAM 09**.

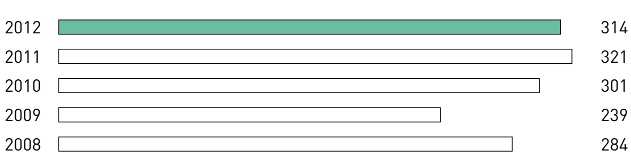
TaylorMade sourced nearly 100% of their hardware volumes from Asia (2011: 98%). The vast majority of golf club components were manufactured by suppliers in Asia (China, Vietnam and Taiwan) and assembled in Asia, the USA and Europe. Reebok-CCM Hockey sourced 81% of their hardware volumes from Asia (2011: 81%). In addition, Reebok-CCM Hockey sourced a portion of hardware products in the Americas.

06 ⁄ **Apparel production by region** 1)



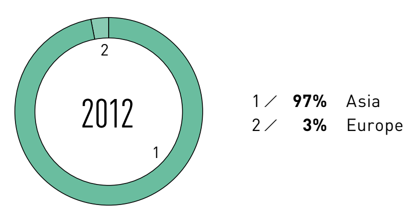
1) Figures include adidas, Reebok and adidas Golf.

07 ⁄ **Apparel production** 1) (in million units)



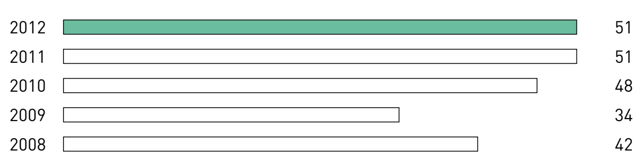
1) Figures include adidas, Reebok and adidas Golf.

08 ⁄ **Hardware production by region** 1)



1) Figures include adidas, Reebok and adidas Golf.

09 ⁄ **Hardware production** 1) (in million units)



1) Figures include adidas, Reebok and adidas Golf.

Research and Development

Creating innovative products to meet the needs of professional and everyday athletes and consumers is a prerequisite to strengthening our market position in the sporting goods industry. In a rapidly changing world, our culture and passion for innovation and consistent investment in research and development (R&D) is essential to the development of new product concepts, processes and production methods that are beneficial to our business objectives and our long-term sustainability ambitions. Our R&D teams have diverse professional competencies and backgrounds, and their activities are highly integrated and cross-functional. In 2013, R&D will focus on cushioning solutions, lightweight and digital sports technologies as well as sustainable product innovation.

R&D is an integral part of the product and user experience creation process

R&D within the adidas Group follows a decentralised approach. However, fundamental research as well as expertise and competencies in sustainable product creation are shared across the Group. In line with their strategic and long-term visions and distinctive positioning, each brand runs its own R&D activities, generally with either a category or a technology focus.

R&D is closely integrated with the sourcing, design and product marketing functions. At the beginning of the product creation process, marketing defines a development priority, which, in recent years, has increasingly included sustainability targets. This is derived on a case-by-case basis from a combination of consumer research and feedback, competition analysis and own product testing.

Independently from specific development requests, our innovation teams analyse new materials, production processes and scientific research – frequently independent of the sporting goods industry – to increase the exchange and scope of idea generation. Their scope also extends to areas such as consumer insights and social media. This helps promote a holistic and innovation-focused culture which gives deeper consumer insights, while also fuelling creativity and synergies across the organisation. To identify innovative materials as well as integrate sustainability, cost and production process aspects into the development phase, the innovation team is in close contact with our sourcing and material teams within product development who, in turn, work closely with our suppliers.

Once conceptualised, new product technologies are engineered using state-of-the-art systems. Furthermore, by embracing entirely new production technology and material approaches, product creation and development can be decoupled from traditional processes. This enables paradigm shifts in products and in user experiences, unattainable through conventional development. Extensive virtual prototype testing and engineering loops are carried out on every technology, which promotes faster development phases as well as improved concept and quality, while simultaneously reducing physical material and resource requirements. Once a new product technology is deemed viable, it is produced as a physical sample. These samples are then comprehensively tested by a broad range of users, including top athletes. Only when these comprehensive tests have been successful are the technologies handed over to product marketing, which commercialises the technology to a final product.

Selective purchase of external R&D expertise

In addition to its internal R&D efforts, the adidas Group also purchases a limited amount of R&D expertise from well-established research partners. This strategy allows for greater flexibility and faster access to know-how that may otherwise require considerable time and resources if built up within the Group. To increase efficiency and protect research results, collaborations are usually long-term and exclusive. All projects carried out with external partners are based on a clearly defined mandate outlining the project scope to ensure consistency with the Group's R&D focus. Major adidas relationships exist with the University of Calgary, Canada, the University of Michigan, USA, the University of Loughborough, UK, the University of Erlangen-Nuremberg and the University of Freiburg, Germany.

In 2012, adidas and BASF, a key material partner, created a groundbreaking material innovation called Boost, which is being used for the first time in running shoes. To create Boost, a solid granular polymer of thermoplastic polyurethane (TPU) is processed in an entirely new way, forming small capsules in the material which makes up the shoe's distinctive midsole. With their unique cell structure, these capsules store and unleash energy more efficiently in every stride. Tests conducted by the adidas innovation team (ait.) show that the highly durable Boost material provides the highest energy return in the running industry. It was launched in early 2013 in a shoe called Energy Boost. Collaborative research studies with the University of Calgary led to the development of the adizero Prime SP sprint shoe. This product played a leading role within the track and field range adidas provided for the London 2012 Olympic Games. The research studies conducted together with the University of Calgary focused on the optimisation of the stiffness of the lightweight carbon nanotube plate and the placement of the shoe's spikes. In 2012, two scientific studies were carried out at Loughborough University to evaluate the effectiveness of the adiPower muscle-warming pants. The studies proved this technology was able to maintain muscle temperature at an optimum level between end of warm-up and race start and therefore to increase sprint performance.

01 Major R&D activities and locations

	Main activities	Major locations	
adidas	The adidas innovation team is divided into groups that focus on performance footwear, apparel and hardware innovation, within which there are individual product focus categories. These reflect adidas' business needs with an emphasis on the five key Sport Performance attributes – i) faster ii) smarter iii) stronger iv) cooler and v) more natural. The teams are closely integrated with associated functions and resources to increase efficiencies and flexibility in all aspects of innovation and technology development.	Global Development Centre (ait.) Global Development Centre (ait.)	Herzogenaurach, Germany Portland/ Oregon, USA
	Dedicated innovation development centres in Asia, working closely with these teams, concentrate on the realisation of concepts through functional product development as part of the creation process. These centres are important in terms of development efficiencies, as product and technology development takes place in real production environments.	Product Creation Centre Product Creation Centre	Shanghai, China Tokyo, Japan
Reebok	R&D teams at Reebok create footwear, apparel and hardware with the primary emphasis being on fitness. Teams are structured along the brand's category priorities. In addition, there are certain cross-category groups such as the Reebok Advanced Concepts (RAC) team, which ensures specific concepts can be taken right through from initial idea to production.	Global Development and Testing Centre	Canton/ Massachusetts, USA
	Collaboration partners at Advanced Development Centres in China and Vietnam focus on new technology developments, cutting-edge materials and treatments as well as manufacturing solutions.	Advanced Development Centre Development and Testing Centre	Fuzhou, China Ho Chi Minh, Vietnam
TaylorMade-adidas Golf	TaylorMade-adidas Golf's R&D team is focused on continuously designing and developing industry-leading products. The team is structured according to the different product categories in golf.	Global Development and Testing Centre	Carlsbad/ California, USA
Rockport	Rockport's R&D function is a vertically integrated organisation that covers all aspects of strategy, innovation, research, design, engineering and testing, while incorporating the Group's advanced proprietary athletic footwear technologies into the shoe collections.	Global Development and Testing Centre	Canton/ Massachusetts, USA
Reebok-CCM Hockey	The R&D team at Reebok-CCM Hockey is dedicated to continuously creating state-of-the-art ice hockey equipment designed to improve the experience for both professional and recreational players. R&D teams are category-specific, combining the design, engineering and product management functions. The goal of this structure is to create category expertise and improve speed to market.	Development and Testing Centre	Montreal/ Quebec, Canada

In 2012, Reebok continued its research with R&D institutes around the world, which included completing testing on EasyTone footwear with Arizona State University, and continuing lacrosse biomechanics with the University of Las Vegas.

TaylorMade-adidas Golf continued its long-term cooperation with researchers at the University of Calgary in 2012, with extensive joint swing dynamic studies, identifying the influence of club specifications on player performance and perception.

Active trademark and patent protection policy

To capitalise on the Group's R&D achievements, we seek patent protection for our innovations. We also own a substantial portfolio of registered trademarks for the Group's brands and related proprietary names. As part of our business policy, we enforce the Group's trademarks and patents by monitoring the marketplace for infringements and taking action to prevent them. This includes a vigorous anti-counterfeiting programme. We also have comprehensive processes, and undertake significant research, to avoid infringement of third-party intellectual property rights. As we use a wide range of different technologies in our products, we are not dependent upon any single technology, or any patent rights related to any single technology **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

Highly skilled technical personnel

Our R&D departments comprise experienced and multi-skilled people from different areas of technical expertise and from diverse cultural backgrounds. A significant part of our innovation process, and therefore personnel and skill base, relates to consumer and user insights. Product designers, engineers and sport scientists as well as material engineering experts focus on product development. These teams are supported by project managers to coordinate execution. Process and production specialists also form an essential part of our product development competencies. Other professional backgrounds include software development, electronic engineering, Finite Element Analysis, advanced CAD design and kinesiology.

The number of people employed in the Group's R&D activities at December 31, 2012, was 1,035, compared to 1,029 employees in the prior year. This represents 2% of total Group employees. In 2013, we expect the number of R&D employees to remain stable.

Initiatives to further streamline product creation process

We aim at improving our ability to adapt to changing consumer preferences more quickly, flexibly and efficiently. We achieve this by facilitating the direct interaction with and involvement of our suppliers in product creation, quality control, product testing and commercialisation. In 2012, we enhanced our computer simulation research platform to further reduce the time to market of product innovations. This software system, with its advanced material and design capabilities, allows for more creativity in the design phase and significantly improves the level of product detailing. While increasing speed and reducing the need for physical product samples and testing in the R&D process, the benefits also translate into other Group commercial and efficiency initiatives. Advanced 3D models contributed to the Group's cross-functional virtualisation project, where in 2012 we reduced the number of manufactured physical samples by over 20%. An additional benefit of creating virtual assets is their application in other areas, such as e-commerce, computer games, virtual merchandising and digital communication.

R&D expenses increase 12%

Each year, we invest considerable resources into developing and commercialising new technologies as well as fresh design ideas, in order to offer the best experience for our users. R&D expenses include expenses for personnel and administration, but exclude other costs, for example those associated with the design aspect of the product creation process ⁄ **SEE NOTE 02, P. 197**. In 2012, as in prior years, all R&D costs were expensed as incurred. adidas Group R&D expenses increased 12% to € 128 million (2011: € 115 million) as a result of increases at the adidas brand from initiatives relating to the development of lightweight and intelligent products. Personnel expenses represent the largest portion of R&D expenses, accounting for more than 69% of total R&D expenses. In 2012, R&D expenses represented 2.1% of other operating expenses as in the prior year. R&D expenses as a percentage of sales remained stable at 0.9% (2011: 0.9%) ⁄ **TABLE 02**.

Successful commercialisation of technological innovations

We believe developing industry-leading technologies and user experiences is only one aspect of being an innovation leader. Even more important is the successful commercialisation of those technological innovations, while consistently increasing our commitment to sustainable product development. The awards we attained in 2012 highlight our technology leadership within the sporting goods industry ⁄ **TABLE 04**.

As in prior years, the majority of adidas Group sales were generated with products newly introduced in the course of 2012. New products tend to have a higher gross margin compared to products which have been in the market for more than one season. As a result, newly launched products contributed over-proportionately to the Group's net income in 2012. We expect this development to continue in 2013 as our launch schedule includes a full pipeline of innovative products ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**.

02 ⁄ **Key R&D metrics** [1]

	2012	2011	2010	2009	2008	2007	2006 [2]	2005 [3]	2004 [3]	2003 [4]
R&D expenses (€ in millions)	128	115	102	86	81	84	98	63	59	86
R&D expenses (in % of net sales)	0.9	0.9	0.8	0.8	0.8	0.8	1.0	0.9	1.0	1.4
R&D expenses (in % of other operating expenses)	2.1	2.1	2.0	2.0	1.9	2.1	2.6	2.5	2.6	3.7
R&D employees	1,035	1,029	1,002	999	1,152	976	1,040	636	595	985

1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006.
3) Reflects continuing operations as a result of the divestiture of the Salomon business segment.
4) Including Salomon business segment, which was more research-intensive due to its significant hard goods exposure.

Successful product launches across all major adidas categories

In 2012, adidas sales were again driven by the latest product offerings, with products launched during the course of the year accounting for 78% of brand sales (2011: 74%). Only 2% of sales were generated with products introduced three or more years ago (2011: 3%).

The adidas brand introduced numerous major product innovations in 2012:

- The faster benefit was validated through the commercial and performance successes of the ultra-lightweight adizero family of products. At the London 2012 Olympic and Paralympic Games, the adizero Prime SP was the lightest sprint shoe at the Games, weighing just 99 grams. It is adidas' lightest-ever fully commercialised sprint shoe. It was worn by sprinters Yohan Blake and Tyson Gay and British heptathlete Jessica Ennis, who were also involved in the creation of the shoe.
- Other major adidas innovations introduced at these Olympic Games were the adizero gld2o swimsuit, which was less than half the weight of the equivalent swimsuit for the preceding Olympic Games, and the adiPower muscle-warming pants. This latter technology was used by Olympic gold medallist Sir Chris Hoy and featured heat filaments that sit over the cyclist's core muscle groups, helping maintain temperature between warm-up and the start of an event in a bid to improve sprinting power.
- In football, the need for speed has never been greater and in November 2012 the world's best player, Lionel Messi, unveiled the next generation of the lightweight adizero f50 football boot with miCoach. Featuring an integrated Speed_Cell, a player's performance can be measured with digital precision. Additionally, adidas also extended the miCoach platform and introduced, in association with Major League Soccer (MLS) in the USA, the miCoach Elite System for the first time in professional team sports. The miCoach Elite System includes a small data cell that fits into a player's apparel base layer and is connected by a series of electrodes and sensors woven into the fabric. The cell wirelessly transmits more than 200 data records per second, allowing detailed monitoring of individual players. Their performances can then be analysed and shared via devices such as an iPad or online.
- In basketball, adidas also demonstrated its leadership in lightweight with the introduction of the adizero Crazy Light 2, which weighs just 9.5 ounces or 269 grams. It also features an enlarged asymmetrical Sprintframe, allowing maximum motion control.
- In 2012, adidas unveiled its first natural running shoe collection with the adipure Motion, Gazelle and Adapt. The adipure range consists of shoes with varying heel gradients to help strengthen the foot's musculoskeletal system. This is combined with a Techfit upper technology which provides 360 degrees of flexibility, allowing the foot to function naturally while providing support exactly where it is needed.

For more information on these and other products ⁄ **SEE ADIDAS STRATEGY, P. 82**.

03 ⁄ **Major 2012 product launches**

Product	Brand
miCoach Resolution running shoe	adidas
adizero adios 2 running shoe	adidas
Terrex Fast R outdoor shoe	adidas
adizero gld2o swimsuit	adidas
Predator Lethal Zones football boot	adidas
ClimaCool Seduction running shoe	adidas
Supernova Sequence 5 running shoe	adidas
adizero Feather 2 running shoe	adidas
Clima365 men's apparel with ThermoCool technology	adidas
adizero f50 with miCoach Speed_Cell football boot	adidas
Confederations Cup match ball	adidas
D Rose 3 basketball shoe	adidas
adizero Crazy Light 2 basketball shoe	adidas
Prime T-shirts with colours in DryDye	adidas
RealFlex Transition training shoe	Reebok
RealFlex CrossFit Nano training shoe	Reebok
CrossFit apparel	Reebok
X Marvel Classics shoe collection	Reebok
CrossFit Nano 2.0 training shoe	Reebok
ZigTech Shark running shoe	Reebok
Freestyle Hi AK Classics sneaker by Alicia Keys	Reebok
R11S and R11S TP drivers	TaylorMade
Penta TP5 and TP3 balls	TaylorMade
Ghost Spider S putter	TaylorMade
RocketBladez irons	TaylorMade
Samba golf shoe	adidas Golf
Powerband 4.0 footwear	adidas Golf
Puremotion golf shoe	adidas Golf
EZ-Tech 2 apparel collection	Ashworth
truWalkZero shoe collection	Rockport
RocSports Lite men's shoe collection	Rockport
Presia women's shoe collection	Rockport
20K Pump skate	Reebok Hockey
KFS Hybrid shoulder pads	Reebok Hockey
Sickick 20K ice hockey stick	Reebok Hockey
U+ Crazy Light protective equipment	CCM

Reebok expands ZigTech and RealFlex technology platforms

In 2012, Reebok's latest products continued to generate the majority of Reebok's sales, with an estimated 67% of footwear sales coming from products launched in 2012 (2011: 69%). Only 14% of footwear product sales relate to products introduced three or more years ago (2011: 10%).

In 2012, Reebok presented several key product introductions:

- Reebok expanded the highly successful ZigTech technology platform, which features a unique zigzag-shaped lightweight foam sole that is designed to absorb the impact of heel strike and return a wave of energy along the length of the shoe. A new, more aggressively designed, more responsive version of ZigTech called ZigShark was introduced. A lighter-weight platform called ZigLite and a heel-only version called ZigKick were also introduced.
- In addition, Reebok expanded the RealFlex technology pillar, which provides a point of difference in the rapidly expanding lightweight/barefoot running segment, by offering natural motion running with cushioning and protection. Multiple new RealFlex options were added in the running and training segments to address specific activities. Also, the new SmoothFlex platform was introduced to offer an even more cushioned option.
- Finally, a pure lightweight concept called SubLite, based on a proprietary Reebok outsole foam, was introduced across multiple categories.

For more information on these and other products **SEE REEBOK STRATEGY, P. 88**.

Innovation a key success factor for TaylorMade-adidas Golf

At TaylorMade-adidas Golf, current products (i.e. products launched in the last 18 months, which is the typical product life cycle in golf) represented 84% of total hardware sales in 2012 (2011: 78%). Products that had been brought to market three or more years ago accounted for 4% of sales in 2012 (2011: 5%).

Among the highlight product launches in 2012 were:

- TaylorMade introduced the R11S line of drivers, which incorporates a larger range of adjustability, featuring TaylorMade's Adjustable Sole Plate technology and proven Flight Control and Movable Weight Technology.
- The RocketBallz drivers, also launched in 2012, are faster and longer thanks to new forward distribution of weight and better aerodynamics. With their stand-out white colour finish, both the R11S and the RocketBallz were retail hits in 2012. The new RocketBallz fairways and Rescues added significant distance, more than any products TaylorMade has ever made. This was achieved via the new Speed Pocket technology which promotes more ball speed, while the forward distribution of weight reduces ball spin.
- Subsequently, the fairway wood breakthrough technology was incorporated in the RocketBladez irons in the form of a thin slot in the sole filled with a soft polymer, resulting in significant distance increase and noticeable higher trajectory with a steeper angle of descent for soft landing.
- Capitalising on the success of the Ghost putters, the Ghost Spider S, the Ghost Manta and the Ghost Tour Series putters were launched in 2012, also featuring the same signature white colour finishes as those in the driver lines.

For more information on these and other products **SEE TAYLORMADE-ADIDAS GOLF STRATEGY, P. 92**.

Rockport launches truWalkZero architecture

Due to the different business model for the Rockport brand as a leather shoe company, the impact from new styles is significantly lower compared to our other brands. Products launched in 2012 accounted for 61% of sales (2011: 58%).

The Rockport brand presented numerous interesting product introductions during the year:

- Rockport launched truWalkZero as its pinnacle concept to claim ownership of lightness in the brown shoe industry. The truWalkZero architecture works with the foot's natural motion, resulting in a more comfortable, energised stride. Using adiPrene technology by adidas, truWalkZero enables a soft heel strike, transitioning to a smooth roll through the arch, and finishing with a forefoot flex for an energised push-off.
- The lightweight concept was extended into both genders and all wearing occasions, with RocSports Lite in the casual category and BusinessLite for dress shoes.

For more information on these and other products **SEE ROCKPORT STRATEGY, P. 96**.

Reebok-CCM Hockey innovates in sticks and skates

At Reebok-CCM Hockey, products launched in 2012 accounted for 45% of sales in North America (2011: 55%). Only 13% of sales were generated with products introduced three or more years ago (2011: 15%). Reebok-CCM Hockey product launches in 2012 included:

- CCM introduced the highly anticipated Crazy Light protective equipment series. Featuring a new U Foam construction, this equipment's weight was reduced and it remains lighter during the game.

- Also in 2012, CCM had the major launch of the CCM RBZ ice hockey stick powered by TaylorMade. The highly successful stick was the result of a multi-year R&D collaboration with TaylorMade-adidas Golf. The stick technology includes a SpeedBlade construction for a significant increase in shot velocity.
- Reebok Hockey launch highlights in 2012 include the 20K skates and sticks. The new 20K Pump skate features a new Dynamic Support System, optimising flexibility and stiffness to effectively maximise power transmission. The 20K Sickick 4 stick's ultra-fast release innovation was the result of its improved Dual Matrix II and Pure Fibre construction.
- On the goalie side, the Premier 4 goalie line solidified Reebok as the leader in the goalie protective category. The professional player validated line designed with industry icon Michel Lefebvre delivers quick release, maximum coverage and a solid seal.

For more information on these and other products **SEE REEBOK-CCM HOCKEY STRATEGY, P. 98**.

Ambitious 2013 R&D targets

Our Group remains committed to maintaining a full and innovative product pipeline, bringing new groundbreaking technologies and evolutions of concepts to the market each year **SEE GROUP STRATEGY, P. 68**.

In 2013, cushioning and energy solutions, lightweight and digital sports technologies as well as sustainable product innovation will be at the forefront of adidas R&D activities as we aim to position the brand as both a technology and sustainability leader in the sporting goods industry. Reebok's R&D activities in 2013 will continue to centre on the brand's strategy to focus on fitness through its proprietary technology pillars, including ZigTech, RealFlex and DMX Moving Air. Each platform will be expanded to provide additional user experience and retail opportunities. TaylorMade-adidas Golf's development efforts will reinforce industry leadership by enhancing golfers' performance through adjustability features in metalwoods, delivering a new level of distance with the breakthrough Speed Pocket technology in the new RocketBallz fairway wood and RocketBladez iron lines and increased distance of Tour balls. In 2013, Rockport will globally launch its latest footwear innovation for men and women: Total Motion. Total Motion is the next evolution of engineered comfort. Reebok-CCM Hockey R&D efforts will focus on introducing new technologies and, at the same time, advancing existing product platforms with a focus on performance skates and sticks. Reebok-CCM Hockey will also expand its partnership with TaylorMade-adidas Golf and its university research partners.

For more information on 2013 product initiatives **SEE THE RESPECTIVE BRAND STRATEGIES** **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**.

04 **Product awards 2012**

Product	Award	Category	Brand
Hydroterra Shandal outdoor shoe	OutDoor Industry Award / OutDoor Show Friedrichshafen (Germany)	Outdoor	adidas
adidas Porsche Design Sport Bounce S3 shoe	Most Innovative Brand Award 2012 / Plus X Award	Porsche Design	adidas
Supernova Glide 4 running shoe	Best shoe in neutral category in spring 2012 / Running Network	Running	adidas
adizero Feather running shoe	Editor's Choice / Runner's World Magazine	Running	adidas
adipure running shoe collection	Lex Award for natural running / Lex Laufexperten	Running	adidas
Men's footwear collection	2012 Plus Award Winner in Men's Comfort Category / Footwear Plus Magazin	Footwear	Rockport
RocketBallz driver and RocketBallz Tour driver	Gold Award in the drivers hot list 2012 / Golf Digest	Golf	TaylorMade
R11S driver	Gold Award in the drivers hot list 2012 / Golf Digest	Golf	TaylorMade
RocketBladez irons	"Gear of the Year" Award 2012 / Men's Journal	Golf	TaylorMade
Adams Idea a12 hybrid and OS hybrid	Editor's Hot List Gold Award 2012 / Golf Digest	Golf	Adams Golf

Employees

Becoming the leader in the sporting goods industry depends upon the potential, dedication, knowledge and performance of our employees and excellence of our leaders. As such, we place considerable effort into creating a work environment that stimulates innovation, team spirit, engagement and achievement. By unlocking the talent of our workforce, we bring to life our company's strategy and drive business results.

Supporting the achievement of our Route 2015 targets

In 2012, the adidas Group Human Resources department dedicated considerable time to supporting the strategic business plan Route 2015, facilitating organisational and cultural changes where applicable. In order to reach our Route 2015 targets and also based on the results of the global engagement survey, which was carried out in 2010, three strategic themes were derived and workstreams were formed around "Leadership", "People" and "Capabilites" / DIAGRAM 01. 2013 will bring further enhancements to existing programmes and concepts, designed also to bring greater focus to our Route 2015 strategic targets.

Commitment to leadership excellence

Bringing our corporate mission to life requires commitment. We are convinced that strong commitment from our workforce is dependent on strong commitment from our Group's leadership to drive a highly motivated and engaged workforce. Therefore, through our leadership excellence programme, we strive to create a work environment that encourages and inspires every employee to work at his or her personal best.

In 2012, we began a major global effort in this area by implementing a consistent and comprehensive programme for every leadership team across the adidas Group. Almost 80 leadership teams at our headquarters and globally are participating in these intensive team and self-reflection sessions which incorporate 360 degree feedback and leadership style awareness. Leaders define team and individual commitments and areas for improvement in order to work more effectively as leadership teams.

In addition, we continue to support leadership excellence with best-in-class tools by conducting regular pulse checks and comprehensive employee engagement surveys to identify, monitor and track our employees' opinions on their work environment. This feedback is reviewed regularly by senior management to develop action plans to address key issues.

01 / **Three strategic themes supporting achievement of our Route 2015 targets**

Themes	Objectives	For more information see:
Leadership	Activate and instill leadership excellence.	Commitment to leadership excellence / **SEE P. 111**
People	Systematically promote motivation and accountability through talent and performance management.	Enabling employees to reach their personal best / **SEE P. 112** Performance-driven remuneration system / **SEE P. 113** Creating an attractive work environment / **SEE P. 114** Employee engagement measured regularly / **SEE P. 115**
Capabilities	Create the foundation for open, innovative and collaborative learning solutions.	Online communication platforms to drive employee engagement and learning / **SEE P. 114**

Enabling employees to reach their personal best

To reach their personal best, our Group employees are offered a wide variety of learning opportunities, building on their strengths, improving their skills and overcoming their own challenges. Our highest priority is to match individual employee aspirations with our organisational needs. As such, we continue to build our integrated talent management process, incorporating performance, succession, development and learning opportunities to enable our employees to reach their potential at every stage of their career ⁄ **DIAGRAM 02**.

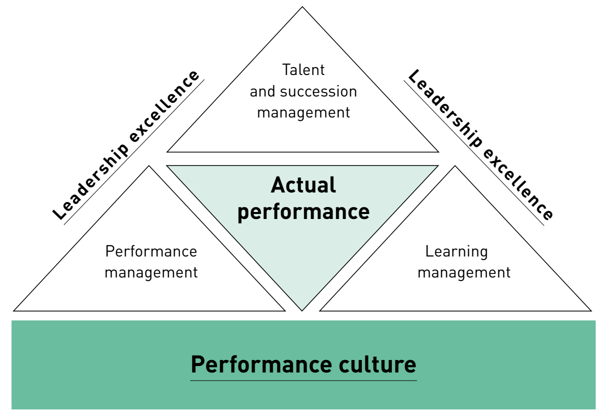
Talent management: The quality of current and future leadership within the adidas Group is key to our success. With specifically designed talent management tools, we identify employees at all management levels of our Group who have the potential to become future leaders within the organisation. In order to prepare them for more complex future roles, they participate in targeted development programmes ⁄ **DIAGRAM 03**. These comprise:

- Executive Development Programme (EDP): a global, cross-functional programme for employees who show potential for the executive level. The programme is centrally managed and executed. In 2012, we had 49 participants in this programme.
- Management Development Programme (MDP): a global programme which is executed regionally. This programme is tailored to employees from different functional areas and brands who show potential for director positions. In 2012, we had 74 employees participating in this programme.
- People Manager Development Programme (PDP): a global programme which is executed locally. The programme targets employees at a professional level who show potential to become team leads or senior managers. In 2012, 121 employees participated in this programme.

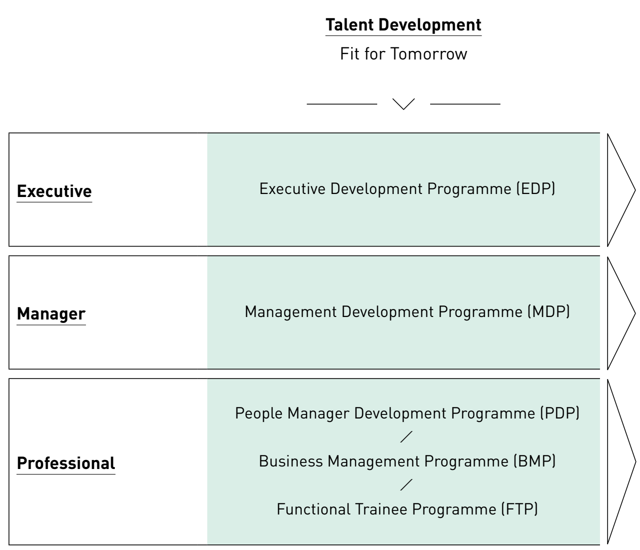
In addition, we offer tailored graduate programmes. The Business Management Programme (BMP), a 24-month international, cross-functional and cross-brand programme, is aimed at attracting professionals with MBA degrees and three to five years of work experience. The goal of this programme is to prepare them for future management positions within our Group. At year-end 2012, 12 employees were participating in the BMP globally (2011: 10).

The Functional Trainee Programme (FTP) is an 18-month programme providing graduates with an international background and excellent educational credentials the opportunity to start a functional career within the adidas Group. The programme comprises six three-month assignments in various departments. At least one of these assignments takes place abroad. At year-end 2012, we employed 62 participants in our global FTP (2011: 47).

02 ⁄ Success drivers for our performance culture



03 ⁄ Development and training framework



Our development programmes are complemented by apprenticeship and internship programmes. The adidas Group apprenticeship offers young people who want to join our Group directly out of school the opportunity to gain business experience in a three-year rotation programme. The programme includes vocational training in retail, industrial management and IT, as well as integrated study programmes. At the end of 2012, we employed 56 apprentices in Germany (2011: 46) and 48 integrated study programme students (2011: 30). Our global internship programme offers students three to six months of work experience within the adidas Group. It plays a key role in our recruiting strategy. At the end of 2012, we employed 492 interns in Germany (2011: 330).

Performance management: Our global Performance Evaluation and Planning tool (PEP) is the cornerstone of performance management at the adidas Group. Based on business targets as well as job tasks and competencies, each employee is evaluated and receives feedback at least once a year. Building on defined development goals, we offer and support our employees with targeted development activities both on and off the job. To further drive a high-performance culture within the adidas Group, we will roll out a new performance management tool in 2013. The new tool will create focus, simplicity and alignment in setting team and individual targets.

Succession management: The adidas Group succession management approach aims to ensure stability and certainty in business continuity. We achieve this through a globally consistent succession plan which covers successors for director level positions and above. These positions and the respective successors are regularly discussed by senior management and reviewed by our global HR leadership teams. The succession management information shows a clear picture of the successor readiness and development needs. Based upon this information, we draft individual development plans to prepare successors for their potential next tasks. In addition, we use the successor information to create dynamic talent pools which provide us with further flexibility in our succession management process. All information is consolidated in a succession management risk analysis.

The succession management process is supported by a system solution which is applied in 91% of the adidas Group's business units and will be part of our Integrated Talent Management Process and System in 2013.

Performance-driven remuneration system

We are committed to rewarding our employees with compensation and benefit programmes that are competitive in the marketplace. Remuneration throughout the Group comprises fixed and variable monetary compensation, non-monetary rewards, as well as other intangible benefits. The cornerstone of our rewards programme is our Global Salary Management System which is used as a basis for establishing and evaluating the value of employees' positions and salaries in a market-driven and performance-oriented way. In addition to a fixed base salary, we offer our employees various variable compensation components.

Bonus programme: In order to allow our employees to participate in the Group's success, and to reward them for their target achievement, we have implemented a global bonus programme. This programme combines individual performance (measured in the PEP process) and corporate performance (actual financial results measured against Group, channel, brand, division and/or business unit targets). To further drive a high-performance culture within the adidas Group, we also plan to make changes in 2013 to our bonus programme to support alignment with business targets and put more emphasis on individual targets through the rewarding element of the bonus programme.

Profit participation programme: For employees at our Group headquarters and our other locations in Germany who do not participate in the bonus programme, we have a profit participation programme called the "Champions Bonus".

Long-term incentive programmes: In order to encourage sustainable financial results as well as retain our top leadership, the adidas Group offers Long-Term Incentive Programmes (LTIP) for leaders and Executive Board members. We value the contributions of our leadership team and provide this compensatory benefit to encourage continued performance and commitment. Other benefits include our 401-K pension plans in the USA and the adidas Group pension plan for our employees in Germany. In 2012, 2,501 employees participated in the latter, which represents 48% of all eligible employees.

Our Group subsidiaries also grant a variety of benefits to employees, depending upon locally defined practices and country-specific regulations and norms.

Online communication platforms to drive employee engagement and learning

We believe that a robust internal communication platform is essential for driving employee engagement and fostering learning and open collaboration within our organisation. For example, the Group intranet is based on blogs and wikis, allowing departments and teams to quickly build and edit their own internal communication platforms. We actively encourage employees to share knowledge, collaborate and discuss current topics. As an example, we have installed an "Ask the Management" platform on our intranet, enabling employees to openly address questions to our senior leaders which are then answered promptly. In 2012, we further rolled out a best-in-class collaboration platform enabling more dynamic and collaborative global interaction throughout the adidas Group.

In 2013, we will implement a new Learning Management System in which our training activities will be integrated. The system will support our Group's ambition to implement innovative learning tools and approaches (e.g. e-learning).

Creating an attractive work environment

We aim to harmonise the commercial interests of the adidas Group with the private and family needs of our employees. Our Work-Life Integration Programme includes family-oriented services, flexible work time and place, people development and leadership competence related to work-life integration.

Diverse workforce to achieve global goals: As a global company, we understand that it takes people with different ideas, strengths, interests and cultural backgrounds to ensure we achieve our goals. A high degree of diversity is already represented within our workforce. At our Group's global headquarters, for example, we have employees from more than 70 nations. Our broad international employee population works in over 40 locations outside their "home" countries. As an employer who truly believes in building global career opportunities for employees, we see value in nurturing global perspectives to be more readily able to meet the needs of our global consumers.

Focusing on mixed leadership talent, diversity and work-life integration: Diversity is one of the adidas Group's four core values. We strongly believe that mixed leadership teams contribute to the strength of our company, and we are committed to bringing this to life. We have joined other DAX-30 companies in an effort to increase the proportion of women in management to between 32% and 35% by 2015 (currently: 28% worldwide). To reach this goal, we have increased the proportion of women in our leadership development programmes to over 35% in order to support our female employees to take leadership positions. The Supervisory Board of adidas AG has committed to increase the degree of female representation to at least three female members at the next election in 2014, with at least one to be on the shareholders' side / **SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 51**. In 2012, the adidas Group additionally became an active member of the "Charta der Vielfalt" ("Diversity Charter") in Germany in order to share our best-practice knowledge regarding awareness of diversity and inclusion in the work environment. Our efforts to develop mixed leadership talent have become increasingly recognised, having been awarded the 2012 "SIEgER - Gerechte Chancen in der Arbeitswelt" ("Fair Opportunities in the World of Work") by the Bavarian government in Munich. The prize is given to companies which have shown remarkable engagement regarding gender balance and work-life integration. The adidas Group is focusing on programmes which give employees with children the option to combine their careers with family life, regardless of gender. In addition to providing flexible working arrangements, teleworking, sabbaticals for family time and parent/child offices, we have had a child-care facility at our company premises in Canton, USA, since 2002, and in 2012 we began the construction of a day-care centre for 110 children at our global headquarters in Herzogenaurach, Germany. The centre will go into operation by the end of 2013 and will offer employees with children the opportunity to benefit from this facility close to their workplace. It will cater for children as young as three months until they are of school age.

In addition, we have regular events highlighting diversity as a key topic, e.g. our Diversity Day 2012 addressing topics such as "Trends for the future workplace", "Gender – Measure, Share, Progress" and "Challenges & opportunities of a multi-generation workforce".

Diverse sports activities for employees: In addition, we offer our employees a wide range of sports activities at our major sites, in which partly also their partners and family members can participate. Employees in Herzogenaurach, Portland, Canton and at other subsidiaries have access to a company gym and numerous other sports facilities. Our Company Sports department in Herzogenaurach also organises various team and individual sports activities. In 2012, the Company Sports department in Germany offered 250 courses and 36 events, which were attended by more than 4,400 participants (2011: >3,900).

Continuing to be the "employer of choice": While the strength of our brands attracts talented and qualified individuals, we continue to challenge ourselves to do what it takes to be and remain the employer of choice. In order to further strengthen this position, we continued recruiting activities at schools and universities throughout 2012, to foster our strong employer image through direct contact with top graduates and students. During 2012, we again received some highly rated rankings as an employer of choice, including the Universum Student Rankings, World's Most Attractive Employers 2012 and Best Place to Work (Australia).

When it comes to highly qualified personnel, the adidas Group continues to face increasing competition in the international labour market. Our Employee Referral Programme was further expanded in 2012 and we continue to give priority attention to this challenge to attract and retain top talent.

Employee engagement measured regularly

Against the background of our Route 2015 aspirations, we need to make sure our workforce is engaged and motivated. Only then can we ensure that we will achieve our ambitious Route 2015 targets. Our Global Human Resources department regularly carries out employee engagement surveys, the results of which enable us to develop the right focus and future people strategies across our organisation.

After our first global employee engagement survey in 2010, we are conducting a second survey in 2013. With a comprehensive set of over 80 questions, we ask our employees for feedback related to all areas of their daily work life within our organisation. We will concentrate on keeping the surveys as consistent as possible so that we can reliably compare previous and future results and measure improvements over time.

04 / Key employee statistics

	2012	2011
Total number of employees	46,306	46,824
Total employees (in %)		
Male	50	50
Female	50	50
Management positions (in %)		
Male	72	73
Female	28	27
Average age of employees (in years) [1]	31	30
Average length of service (in years)	5	4
Annual training hours by employee (in hours)	18	17

1) At year-end.

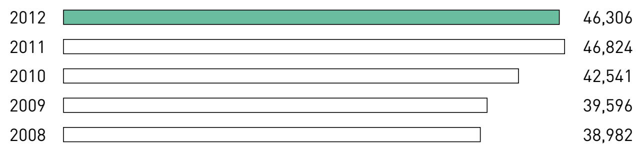
Global employee base decreases 1%

On December 31, 2012, the Group had 46,306 employees, which represents a decrease of 1% versus 46,824 in the previous year ⁄ **DIAGRAM 05**. This development is primarily related to increased efficiencies in the Group's own-retail store base as well as to reorganisation initiatives at Reebok.

On a full-time equivalent basis, our Group had 40,168 employees on December 31, 2012 (2011: 40,637). Due to the high share of employees working on a part-time basis in the Retail segment, this figure is lower than the figure reported on a headcount basis ⁄ **TABLE 08**. Personnel expenses increased 14% to € 1.872 billion in 2012 from € 1.646 billion in 2011, representing 13% of Group sales (2011: 12%) ⁄ **SEE NOTE 32, P. 230**.

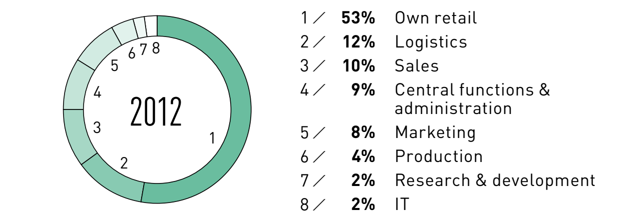
At the end of 2012, 24% of our Group's staff were employed in Western Europe (2011: 23%), 30% in European Emerging Markets (2011: 33%), 25% in North America (2011: 25%), 4% in Greater China (2011: 4%), 10% in Other Asian Markets (2011: 9%) and 7% in Latin America (2011: 6%) ⁄ **DIAGRAM 07**. As a global company with less than 12% of our employees located in Germany, we actively encourage global mobility and offer our employees the opportunity to experience international assignments. To support adidas Group professionals and their families moving to new living and working environments, we provide, among other services, relevant language and cultural training as well as relocation assistance.

05 ⁄ adidas Group number of employees[1]



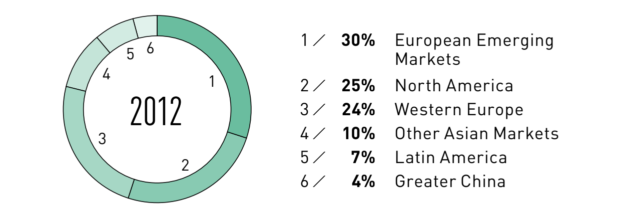
1) At year-end.

06 ⁄ Employees by function[1]



1) At year-end.

07 ⁄ Employees by region[1]



1) At year-end.

08 ⁄ Number of employees[1]

	2012		2011	
	Employees[2]	Full-time equivalents[3]	Employees[2]	Full-time equivalents[3]
Own retail	24,491	19,560	24,649	19,454
Sales	4,853	4,667	5,067	4,697
Logistics	5,363	4,908	5,334	5,167
Marketing	3,851	3,715	3,847	3,716
Central administration	4,018	3,804	3,923	3,703
Production	1,694	1,549	1,969	1,931
Research & development	1,035	994	1,029	990
IT	1,001	970	1,006	979
Total	**46,306**	**40,168**	**46,824**	**40,637**

1) At year-end.
2) Number of employees on a headcount basis.
3) Number of employees on a full-time equivalent basis. Due to the high share of part-time employees in our Retail segment, this figure is lower than the number of employees counted on a headcount basis.

Sustainability

The adidas Group is responsible and accountable for developing and implementing sustainable business practices that adhere to our operational needs as well as our social and environmental obligations. As a consequence, we continuously engage with our various stakeholders in a collaborative way with the goal of enhancing the social and environmental performance of the Group. We believe that acting as a good corporate citizen will improve our reputation and hence our economic value.

Engaging with a variety of stakeholders

At the adidas Group, we openly engage with numerous stakeholders, involving them in key social and environmental decisions that shape day-to-day operations. Through active participation in, for example, the Better Cotton Initiative, the Sustainable Apparel Coalition, the Leather Working Group and the AFIRM Working Group, we work closely with leading companies from a variety of sectors to develop sustainable business approaches and to debate social and environmental topics on a global level. This is also supported by our membership in organisations such as the World Federation of the Sporting Goods Industry (WFSGI), the Fair Factories Clearinghouse (FFC) and the Fair Labor Association (FLA). In addition, we recognise that open and honest communication enhances the transparency of our business and demonstrates our commitment to being accountable. In 2012, our engagement with labour and human rights groups specifically focused on the adidas Group's goal to ensure compliance with the Sustainable Sourcing Code of the London 2012 Olympic Games and to show best practice in terms of supply chain disclosure.

Workplace Standards set rules in the supply chain

We have a responsibility to our employees and the workers in our suppliers' factories as well as the environment. Malpractice in these areas, in particular human rights violations and dubious employment practices, can have a significant impact on the reputation and operational efficiency of our Group and our suppliers. Therefore, covering labour rights, health and safety, and environmental protection at our own sites and our suppliers' factories is of the highest importance to us. We have defined rules and standards embedding our own corporate values as well as those that society expects of global businesses. These standards follow International Labour Organization (ILO) and United Nations conventions relating to human rights and employment practices, as well as the WFSGI model code of conduct. We have condensed our rules into a supplier code of conduct that we call our "Workplace Standards". These Standards help us select manufacturing partners and serve as guiding principles in the early identification and treatment of potential issues of concern at our suppliers' sites.

More information online

More information on the following topics is available on our website at
:// **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**

- Our Group's sustainability programme and strategy
- Supply chain management
- Stakeholder engagement
- The "Better Place" programme
- Reporting and performance data
- Our Group's Environmental Strategy

To illustrate how suppliers should implement our Standards, we have created a set of detailed guidelines for use in factory settings, which demonstrate our expectations for fair, healthy, safe workplace conditions and environmentally sound factory operations. The guidelines are updated on a regular basis by our Social and Environmental Affairs (SEA) team and are publicly available. They are also used to determine suppliers' compliance with our Standards and to advise and train our suppliers in improving their social and environmental performance.

Careful supplier selection

To improve working conditions throughout our supply chain, Global Operations works closely with our SEA team on supplier selection. The SEA team assesses all potential new suppliers, and orders can only be placed with a new supplier if SEA approval has been granted.

Encouraging self-governance

We help our core business partners in establishing management systems with internationally recognised standards such as ISO 14001 for environmental management or OHSAS 18000 for health and safety management systems as we believe good management systems help factories improve their day-to-day operations and support the process of self-governance. By running a certified management system, our suppliers demonstrate commitment to continuously enhancing their performance. We help them build and improve human resources systems to maintain proper working conditions, including factory grievance systems to routinely find and fix non-compliance issues. Furthermore, by enforcing employment standards at the sites of our manufacturing suppliers, we empower workers to protect their own rights and take an active role in decision-making.

Training to achieve sustainable compliance

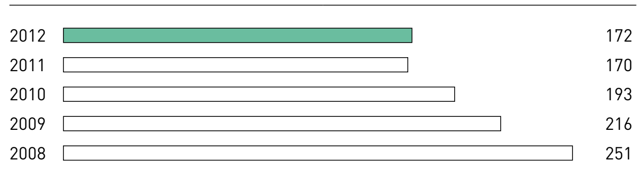
As part of the adidas Group's continuous efforts to achieve more effective and sustainable practices within its supply chain, the Group has initiated a system of multi-level and cross-functional training sessions together with its global supplier network. Our SEA team offers specific training courses and workshops for factory supervisors and managers to help them apply our Standards and implement best practices. These workshops include, for example, introductory training on our Workplace Standards and SEA operating guidelines as well as detailed training on effective health, safety and environmental practices. Furthermore, we promote the establishment of structures that actively involve workers and management of our suppliers, as well as local employee associations and non-governmental organisations (NGOs). In order to strengthen personnel capacities throughout our company, our SEA team also organises workshops for licensees, agents and adidas Group business entities. In this way, the consideration of acceptable working conditions becomes a routine part of our business activities. In 2012, the SEA team conducted 172 training sessions and workshops (2011: 170) / **DIAGRAM 01**.

Monitoring through factory inspection

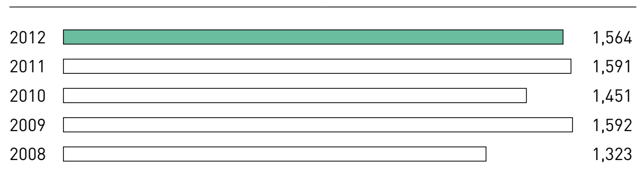
The SEA team assesses compliance with the Workplace Standards by means of factory inspections. Our auditors check performance against a customised risk list for each factory that is monitored. The methodology is linked to a factory rating which measures the effectiveness of compliance systems and the work of their administrators. This enables us to precisely determine training needs at our suppliers' factories. During 2012, we conducted 1,564 factory visits (2011: 1,591 visits) involving management and worker interviews, document reviews, facility inspections and training sessions at different levels in our supply chain / **DIAGRAM 02**.

In addition to our own monitoring activities, we value independent and unannounced assessment by third parties to demonstrate the credibility of and provide verified information about our programme to stakeholders. As a member of the Fair Labor Association (FLA), the adidas Group is subject to external assessment by independent monitors, participation in the FLA third-party complaint system and public reporting. In 2005, the monitoring programme of the adidas Group was accredited by the FLA for the first time; re-accreditation took place in 2008. This decision was based on independent factory monitoring and verification reports of supplier facilities and a thorough audit of monitoring protocols, training programmes and auditing systems. The next review and accreditation cycle by the FLA was rescheduled to 2013. Since joining the FLA, more than 300 independent assessments have been conducted at adidas Group suppliers.

01 / **Number of trainings**



02 / **Number of factory visits**



Warning-letter system to enforce compliance

Where a manufacturing supplier is performing poorly in terms of Workplace Standards compliance, we work closely with them to find solutions. However, when we find ongoing and serious instances of non-compliance as well as a lack of commitment from factory management to address the issues, we send out a formal warning letter including a notification to factory management that their business relationship with the adidas Group is in jeopardy. Overall, three warning letters result in a termination. In 2012, we terminated our business relationship with ten suppliers for compliance reasons (2011: 13 terminations).

Strategic approach to driving environmental progress and tackling climate change

Tackling climate change poses a number of challenges for the adidas Group and its manufacturing partners. As a result of an analysis of our environmental impacts, we have put the Environmental Strategy 2015 in place. The Strategy is targeted to substantially improve our environmental footprint. It follows a clear vision and sets specific targets to be reached by 2015. These targets cover corporate and management processes – reaching from product design and creation to sourcing and manufacturing through to our stores and all other points of sale. The focus is on energy resources, water conservation and discharge, waste and chemicals, and on becoming more thoughtful and efficient in using resources as well as helping reduce operational costs. Our approach is to manage environmental issues as an integral part of our daily operations, positively contributing to the adidas Group's overall business performance. More details on our Environmental Strategy can be found on our website at :// **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

Improving our environmental footprint at own sites

An important part of our Group's Environmental Strategy is the Green Company initiative, which targets reducing the environmental footprint of our own sites. The initiative provides a supporting framework, guidance and communication platform for all Group entities to improve their environmental footprint.

As part of this initiative, we have set Group-wide and site-specific 2015 targets related to carbon emissions, savings in energy, water and paper consumption as well as sourcing green energy. One of the key goals within the Green Company initiative is to operate certified environmental management systems at major sites of the adidas Group. Overall, by 2015, we aim to reduce the relative carbon emissions at our own sites by 30%. By the end of 2012, ten sites of the adidas Group had certified environmental management systems in place. Read more about the Green Company programme and our performance achievements on our website **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

Sustainable materials

One key goal of our Environmental Strategy is to reduce the overall environmental impact of materials used in our products. We aim to find materials that reduce waste or have less of an impact throughout their whole life cycle. The adidas Group has various initiatives in place that help to achieve its goal to increase the usage of recycled and sustainable materials.

One example is our participation in the Better Cotton Initiative, which was co-founded by the adidas Group. We are committed to using 100% Better Cotton in all our products by 2018. Better Cotton can be described as sustainable cotton going mainstream, i.e. decreasing negative social and environmental impacts of growing cotton by cutting water consumption considerably and addressing pesticide management, crop rotation and sound working conditions. In 2013, we will continue to launch products containing Better Cotton. More information about Better Cotton can be found on our website at **WWW.ADIDAS-GROUP.COM/SUSTAINABILITY**.

Another initiative is the adidas brand's sustainable product programme "Better Place", which works with different product creation teams, as well as cross-functional teams such as Sourcing, Corporate Communication and Global Operations to create a sustainable product offering within the adidas Sport Performance and Sport Style ranges. Some ways in which "Better Place" works with product creation teams to increase sustainable products is through the utilisation of sustainable materials, environmental design and innovative manufacturing techniques within the product creation process. These actions, or combinations of these actions, have allowed "Better Place" to work with product creation teams to create a larger sustainable product offering. The first adidas "Better Place" products were introduced globally in 2009 in response to increasing consumer demand for sustainable sports apparel and footwear. These products have been a part of the adidas brand product offering ever since.

The number of adidas products that either reached or exceeded the baseline "Better Place" criteria has grown in recent years. This growth is supported by ongoing innovation in the area of sustainable product construction and manufacturing techniques, such as the low-waste hot-runner injection technologies. Hot runners are a technology brought over from the automotive industry, where injectable materials travel through a heated channel directly from the machine to the mould, only using the needed material. The result is no material overflow from the mould.

In 2012, we focused on increasing the use of sustainable materials such as recycled polyester, organic and Better Cotton and bio-based materials. These environmentally preferred materials have replaced conventional materials in many of our footwear and apparel products. In addition to increasing the use of environmentally preferred materials, we strive to continuously increase the range of more sustainable products by developing sustainable product solutions and using innovative materials. For example, in 2012, all our footwear products reached the minimum sustainability levels required by the "Better Place" guidelines **KEY SUSTAINABLE PRODUCT INITIATIVES IN 2012**.

Driving environmental improvements in our supply chain

In our supply chain, activities focus on helping suppliers establish sound environmental management systems at their manufacturing plants to best reduce their negative environmental impacts. We have guidelines and training programmes in place for our suppliers, using the environmental performance of our own production sites as best practice examples.

The majority of our footwear sourcing volume is produced in factories which are OHSAS 18000 and/or ISO 14001 certified. The remaining part of our footwear sourcing volume is produced in factories that have management systems in place but have not yet been certified. All footwear factories are regularly assessed against the adidas Group's standards on environment and workplace health and safety. In 2012, we introduced "Environmental Key Performance Indicators" that allow us to track the progress of environmental efforts undertaken by our strategic suppliers. Furthermore, we have established a database to collect environmental data from the factories of our core suppliers. A range of other activities have been implemented to reduce our carbon footprint in the supply and distribution chain. Examples of these are in the areas of transportation and energy use. In the transportation of our products, our policy is to minimise the impacts, in particular from airfreight shipments, through improved order and production planning tools.

adidas GROUP

Key sustainable product initiatives in 2012

DryDye

DryDye is an innovative fabric dyeing technology that uses pressurised carbon dioxide to inject dye into fabric instead of water, which is the traditional medium for fabric dyeing. This process saves roughly 25 litres of water for a t-shirt and reduces energy and chemical use by approximately 50%. adidas first used DryDye in summer 2012, on a line of graphic tees. 50,000 tees were produced with a water saving of almost 2.5 million litres. This technology will be utilised in a complete range including some colours of the popular Training Prime t-shirt in spring/summer 2013 and will be expanded to include a larger colour palette and more products in future seasons.

Sustainable product creation for the London 2012 Olympic Games

As London 2012 aimed to be the world's first truly sustainable Olympic and Paralympic Games, sustainability was briefed into on-field, Volunteer, presentation and torch bearer products. 90% of the adidas products for the London 2012 Olympic Games contained sustainable content, with 100% of athlete Village wear, 100% of Volunteer wear and 73% of on-field performance products designed and developed as "Better Place". The London Volunteers' uniform was a prime example. All items in the Volunteer package contained, at a minimum, 35% sustainable content, with three quarters of the Volunteer clothing and accessories having at least 50% sustainable content. Additionally, all Volunteers wore the London version of the popular Fluid Trainer shoe. The Fluid Trainer is technically advanced in the area of sustainability, with pattern innovations and sustainable content that impact the whole shoe. This shoe contains recycled polyester mesh, recycled EVA, as well as recycled rubber, and has achieved a 70% or greater pattern efficiency for every piece of the upper.

From an on-field product perspective, adidas also included sustainable materials and briefed sustainability into products where possible, while still maintaining adidas' strict performance standards and providing the athlete with a great, sustainable performance product.

Primeknit

adidas is constantly researching new product innovations. In summer 2012, we released 2012 pairs of the Primeknit shoe for the London 2012 Olympic Games, a new innovation featuring a fully knit upper which results in no waste from the upper material. This knitted upper incorporates different knitting patterns for strength and breathability and uses recycled polyester yarn for an upper that meets the high performance standards for an adidas running shoe while addressing the topic of sustainability. As this shoe can be knit using automated machinery, it is an efficient technology that will be a game changer in the industry. This shoe offering will continue to grow past its initial first run, and the technology will be expanded beyond the traditional running silhouette to include an offering for other sports.

We see sizeable business opportunities for our Group in the area of sustainable product concepts / **SEE RISK AND OPPORTUNITY REPORT, P. 164**, and have already planned increased growth in the sustainable product segment as well as a rise in consumer engagement for 2013.

Control and monitoring of restricted substances

We have specified clear standards that follow the strictest local regulations and best practice standards for consumer care and safety. These standards are mandatory for all business partners and are updated regularly based on findings in our ongoing dialogue with scientific organisations. They cover all general requirements for eco-labels and green seals (e.g. ÖKO-Tex Standard 100, Toxproof TÜV Rheinland, etc.) for footwear, apparel and hardware products. Both our own quality assurance laboratories and external testing institutes are used to constantly monitor material samples to ensure supplier compliance with these requirements. Materials that do not meet our standards and specifications are rejected.

Furthermore, it is the adidas Group's goal to work with suppliers and the chemical industry on eliminating and reducing the discharge of hazardous chemicals in our sphere of influence as far as possible. Besides our mature policies that ban or restrict chemicals in our products, we have also specified substances that cannot be used during the manufacturing process because they can affect workers' health.

Reducing VOC emissions

Volatile Organic Compounds (VOCs), which are typically found in solvents used in our manufacturing process, can, in a high concentration, cause breathing difficulties and other health problems for production workers. Therefore, for more than a decade, we have been requesting our footwear suppliers to significantly reduce the use of VOCs in their manufacturing.

By applying innovative and environmentally sound bonding and priming technologies and following the adidas Group's guidelines on the use of chemicals, it has been possible for our athletic footwear suppliers to reduce the use of VOCs from well above 100 grams per pair down to close to 20 grams.

Strong sustainability track record reflected in index memberships

Interest from the financial community in sustainability management is steadily increasing. We appreciate positive recognition from international institutions and rating agencies, NGOs and socially responsible investment (SRI) analysts. Each year, we respond to numerous enquiries from socially responsible investors, fund managers and financial analysts. They evaluate our efforts through in-depth analysis of our sustainability programme, including document review as well as interviews with employees and management. As a result, adidas AG has been included in a variety of high-profile sustainability indices **ADIDAS AG IN SUSTAINABILITY INDICES**. For the 13th consecutive time, in 2012, adidas AG was selected to join the Dow Jones Sustainability Indexes (DJSI), the world's first global sustainability index family tracking the performance of the leading sustainability-driven companies worldwide. In the category "Clothing, Accessories & Footwear", adidas AG was rated as industry leader in sustainability issues and corporate responsibility for the ninth time.

adidas AG in sustainability indices

- DJSI World (DJSI = Dow Jones Sustainability Indexes)
- DJSI EUROPE
- FTSE4Good Europe Index
- ASPI Eurozone Index
- Ethibel Sustainability Index Excellence Europe
- ECPI Euro Ethical Equity
- ECPI EMU Ethical Equity
- STOXX Global ESG Leaders

For more information **SEE OUR SHARE, P. 60.**

Improved RealFlex technology

- Bigger elements in the forefoot
- Maximum stability
- The new RealFlex

adidas

2,800m² pure adidas

adidas opens its new Brand Centre in Shanghai. The large store carries the full range of each of our adidas sub-brands under one roof.

The future of shopping

adidas pilots an interactive digital window shopping concept in one of its NEO stores.

It connects with consumers' smartphones and enables them, for example, to shop items 24/7, edit product details and share their favourite products on Facebook and Twitter.

Y-3

Happy 10th Anniversary, Y-3!

September 9, 2012

10 years of trendsetting and cutting-edge design.

Dow Jones Sustainability Indexes
Member 2012/13

9 × industry leader in sustainability issues

For the 13th consecutive time, adidas AG is selected to join the Dow Jones Sustainability Indexes and is rated as industry leader in sustainability issues and corporate responsibility for the ninth time.

"Innovative products with a sales volume of just 5% have a positive influence on the remaining 95%."

Adi Dassler

03 FINANCIAL REVIEW

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT: This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

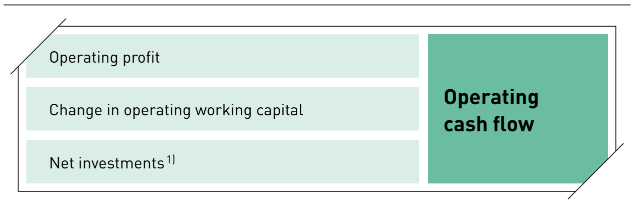
Internal Group Management System

The principal financial goal for increasing shareholder value at the adidas Group is maximising operating cash flow. We strive to achieve this goal by continually improving our top- and bottom-line performance while at the same time optimising the use of invested capital. Our Group's planning and controlling system is therefore designed to provide a variety of tools to assess our current performance and to align future strategic and investment decisions to best utilise commercial and organisational opportunities.

Operating cash flow as Internal Group Management focus

We believe operating cash flow is the most important driver to increase shareholder value. Operating cash flow is comprised of operating profit, change in operating working capital and net investments (capital expenditure less depreciation and amortisation) / **DIAGRAM 01**. To maximise operating cash flow generation across our organisation, management of our operating segments together with management at market level have responsibility for improving operating profit as well as optimising operating working capital and capital expenditure. To keep senior management focused on long-term performance improvements, we have adopted a modified economic value added (EVA) model. The net asset base of a market or operating unit within the Group is subject to a percentage capital charge to the operating profit of the respective business unit. The asset base includes operating working capital as well as other assets needed by a market or operating unit in its day-to-day operations. The resulting internal KPI is called Contribution After Capital Charge (CACC) and is used as one of the primary targets for the variable component of managers' compensation. This concept has been in place Group-wide since 2010.

01 / **Operating cash flow components**



1) Capital expenditure less depreciation and amortisation.

Operating margin as important KPI of operational progress

Operating margin (defined as operating profit as a percentage of net sales) is our Group's most important measure of operational success. It highlights the quality of our top line and operational efficiency. The primary drivers central to enhancing operating margin are as follows:

- **Sales and gross margin development:** Management focuses on identifying and exploiting opportunities that not only provide for future growth, but also have potential to increase gross margin (defined as gross profit as a percentage of net sales). Major levers for enhancing our Group's sales and gross margin include:
  - Optimising our product mix
  - Minimising clearance activities
  - Increasing the quality of distribution, with a particular focus on controlled space
  - Over-proportionate growth in emerging markets such as Greater China and Russia/CIS
  - Realising supply chain efficiency initiatives.

- **Operating expense control:** We put high emphasis on tightly controlling operating expenses to leverage the Group's sales growth through to the bottom line. This requires a particular focus on ensuring flexibility in the Group's cost base. Marketing working budget is our largest operating expense. It is one of the most important mechanisms for driving top-line growth sustainably. Therefore, we are committed to improving the utilisation of our marketing expenditure. This includes concentrating our communication efforts (including advertising, public relations and digital media) on key global brand initiatives and focusing our promotion spend on well-selected partnerships with top events, leagues, clubs and athletes.

We also aim to increase operational efficiency and reduce operating overhead expenses as a percentage of sales. In this respect, we regularly review our operational structure – streamlining business processes, eliminating redundancies and leveraging the scale of our organisation. These measures may also be supplemented by short-term initiatives such as temporarily curtailing operational investments, for example staff hiring.

Furthermore, we carefully analyse the different mix effects which impact the Group's profit ratios, as our business performance differs significantly across geographical markets, business models and channels. The strategic implications and decisions taken in this respect are a key element of our strategic planning efforts, ensuring clarity and focus of the organisation to maximise the Group's operating margin.

Optimisation of non-operating components

Our Group also puts a high priority on the optimisation of non-operating components such as financial result and taxes, as these items strongly impact the Group's cash outflows and therefore the Group's free cash flow. Financial expenses are managed centrally by our Group Treasury department ⁄ **SEE TREASURY, P. 141**. The Group's current and future tax expenditure is optimised globally by our Group Taxes department.

Tight operating working capital management

Due to a comparatively low level of fixed assets required in our business, the efficiency of the Group's balance sheet depends to a large degree on our operating working capital management. Our key metric is operating working capital as a percentage of net sales. Monitoring the development of this key metric facilitates the measurement of our progress in improving the efficiency of our business cycle. We have significantly enhanced operating working capital management over recent years through improvement of our Group's inventories, accounts receivable and accounts payable.

We strive to proactively manage our inventory levels to meet market demand and ensure fast replenishment. Inventory ageing is controlled tightly to reduce inventory obsolescence and to optimise clearance activities. As a result, stock turn development is the key performance indicator as it measures the number of times average inventory is sold during a year, highlighting the efficiency of capital locked up in products. To minimise capital tied up in accounts receivable, we strive to improve collection efforts in order to reduce the Days of Sales Outstanding (DSO) and improve the ageing of accounts receivable. Likewise, we strive to optimise payment terms with our suppliers to best manage our accounts payable.

Capital expenditure targeted to maximise future returns

Improving the effectiveness of the Group's capital expenditure is another lever to maximise our operating cash flow. We control capital expenditure with a top-down, bottom-up approach. In a first step, Group management defines focus areas and an overall investment budget based on investment requests from various functions of the organisation. Our operating units then align their initiatives within the scope of assigned priorities and available budget. We evaluate potential return on planned investments utilising the net present value method. Risk is accounted for, adding a risk premium to the cost of capital and thus reducing our estimate of future earnings streams where appropriate. By means of scenario planning, the sensitivity of investment returns is tested against changes in initial assumptions. For large investment projects, timelines and deviations versus budget are monitored on a monthly basis throughout the course of the project.

The final step of optimising return on investments is our selective post-mortem reviews, where larger projects in particular are evaluated and learnings are documented to be available for future strategic or operational capital expenditure decisions.

M&A activities focus on long-term value creation potential

We see the vast majority of the Group's future growth opportunities coming from our existing portfolio of brands. However, as part of our commitment to ensuring sustainable profitable development, we regularly review merger and acquisition (M&A) options that may provide additional commercial and operational opportunities. Acquisitive growth focus is primarily related to improving the Group's positioning within a certain sports category, strengthening our technology portfolio or addressing new consumer segments.

The strategies of any potential acquisition candidate must correspond with the Group's strategic direction. Maximising return on invested capital above the cost of capital in the long term is a core consideration in our decision-making process. Of particular importance is evaluating the potential impact on our Group's free cash flow. We assess current and future projected key financial metrics to evaluate a target's operating profit potential. In addition, careful consideration is given to potential financing needs and their impact on the Group's financial leverage.

Cost of capital metric used to measure investment potential

Creating value for our shareholders by earning a return on invested capital above the cost of that capital is a guiding principle of our Group strategy. We source capital from equity and debt markets. Therefore, we have a responsibility that our return on capital meets the expectations of both equity shareholders and creditors. We calculate the cost of capital utilising the weighted average cost of capital (WACC) formula. This metric allows us to calculate the minimum required financial returns of planned capital investments. The cost of equity is computed utilising the risk-free rate, market risk premium and beta factor. Cost of debt is calculated using the risk-free rate, credit spread and average tax rate.

Structured performance measurement system

We have developed an extensive performance measurement system, which utilises a variety of tools to measure the performance of the adidas Group. The Group's key financial metrics are monitored and compared against budget as well as a rolling forecast on a monthly basis. The focus is on operating cash flow, CACC, net sales, operating margin, operating working capital and net debt development ⁄ **DIAGRAM 02**. When negative deviations exist between actual and target numbers, we perform a detailed analysis to identify and address the cause. If necessary, action plans are implemented to optimise the development of the Group's operating performance. We also benchmark the Group's financial results with those of our major competitors on a quarterly basis. To assess current sales and profitability development, management analyses sell-through information from our own-retail activities as well as short-term replenishment orders from retailers.

Taking into account year-to-date performance as well as opportunities and risks, the Group's full year financial performance is forecasted on a quarterly basis. In this respect, backlogs comprising orders received up to nine months in advance of the actual sale are also used as an indicator. However, due to the growing share of own retail in our business mix as well as fluctuating order patterns among our wholesale partners, our order books are less indicative of anticipated revenues compared to the past. Therefore, qualitative feedback from our retail partners on the success of our collections at the point of sale as well as data received from our own-retail activities are becoming even more important. Finally, as a further early indicator for future performance, we also conduct market research to better measure brand appeal, brand awareness and resulting purchase intent.

Enhanced integrated business planning and management approach

In order to further improve profitability and working capital efficiency as well as operating cash flow development, in 2011 we started the Integrated Business Planning initiative (IBP). This initiative focuses on developing and forming an enhanced forecasting approach by aligning processes and timelines of major business functions such as marketing, sales and operations at a market and global level. The centre-point of this approach is improving the reliability of future business planning, leading to a new efficiency level of order book building and conversion. This, in turn, is expected to lead to improving full-margin business.

The whole process is set up in a rhythm and timeframe to facilitate full cross-functional alignment and forecasting clarity in advance of important business decision processes – in particular those related to product pricing, range building, material purchasing or production capacity fixing. To create a seamless flow between achieving our strategic objectives and implementing operational plans, we follow a rolling two-year time horizon. This ensures more focus on the mid-term perspective, while at the same time highlighting relevant information around short-term business events and volatilities. All target-setting is fully embedded into the integrated planning process and communicated in advance of all relevant business milestones. The process re-engineering was finalised in 2012, and in 2013 all necessary system changes and data restructuring will be initiated to make the approach sustainable and integrated in all parts of our Group's value chain.

02 ⁄ **Key financial metrics**

Gross margin	=	$\frac{\text{Gross profit}}{\text{Net sales}} \times 100$
Operating margin	=	$\frac{\text{Operating profit}}{\text{Net sales}} \times 100$
Average operating working capital	=	$\frac{\text{Sum of operating working capital at quarter-end}}{4}$
Operating working capital in % of net sales	=	$\frac{\text{Average operating working capital}}{\text{Net sales}} \times 100$
Capital expenditure [1]	=	Additions of property, plant and equipment plus intangible assets
Net borrowings/Net cash	=	Short-term borrowings + long-term borrowings − cash − short-term financial assets

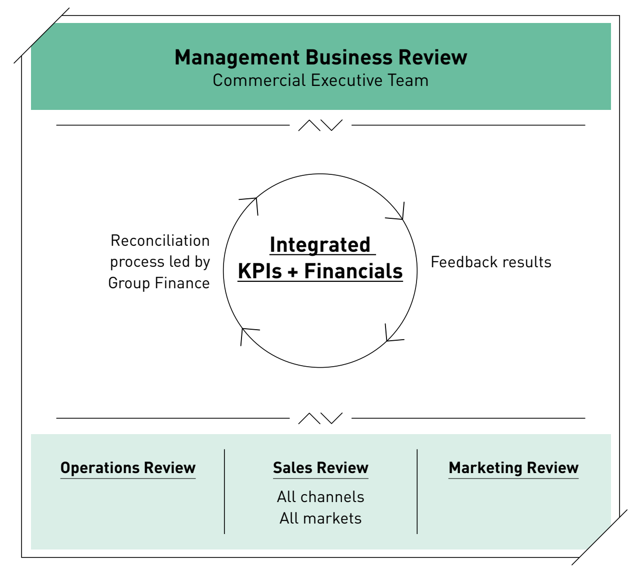
1) Excluding acquisitions and finance leases.

Management appraisal of performance and targets

We communicate our Group's financial targets on an annual basis. We also provide updates throughout the year as appropriate ⁄ **TABLE 03**. In 2012, Group sales and net income excluding goodwill impairment losses increased significantly, despite macroeconomic challenges in many regions. Group sales development outperformed macroeconomic growth ⁄ **SEE ECONOMIC AND SECTOR DEVELOPMENT, P. 128**, due to sales increases in all geographical areas. Stronger performances in the emerging markets as well as within our Retail segment resulted in Group revenues growing in line with our initial guidance of a mid- to high-single-digit increase.

Operating margin excluding goodwill impairment losses increased in line with our initial expectations, due to an increase in gross margin as well as lower other operating expenses as a percentage of sales. Basic and diluted earnings per share excluding goodwill impairment losses exceeded our initial expectations, mainly due to positive currency translation effects ⁄ **SEE INCOME STATEMENT, P. 131**. As a result of our continued focus on operating working capital and cash management, we exceeded our goals related to balance sheet improvements in 2012 and ended the year with a significant improvement in the Group's net cash position ⁄ **SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS, P. 137**.

04 ⁄ **New best practice planning process**



Our expectations for the Group's business performance in 2013 are based on continued global economic growth, albeit at a lower rate than in 2012, as well as an increasing proportion of sales from the emerging markets and controlled space activities. Through our extensive pipeline of new and innovative products, which have received favourable reviews from retailers, we project top- and bottom-line increases in our Group's financial results in 2013. Profitability improvements will be driven by gross margin expansion resulting from improving our product and channel mix as well as lower headwinds from input costs compared to the prior year. In 2014 and beyond, assuming no deterioration in the global economy, we are confident to further increase sales and earnings per share as outlined in our Route 2015 strategic business plan ⁄ **SEE GROUP STRATEGY, P. 68**. We believe that our outlook is realistic within the scope of the current trading environment. No material event between the end of 2012 and the publication of this report has altered our view ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**.

03 ⁄ **adidas Group targets versus actual key metrics**

	2011 Actual[1]	2012 Initial outlook[2]	2012 Actual	2013 Targets
Sales (year-over-year change, currency-neutral)	13%	mid- to high-single-digit increase	6%	mid-single-digit increase
Gross margin	47.5%	around 47.5%	47.7%	48.0% to 48.5%
Other operating expenses (in % of sales)	41.8%	moderate decline	41.3%	moderate decline
Operating margin	7.2%	approaching 8.0%	8.0%[3]	approaching 9.0%
(Diluted) earnings per share (in €)	2.93	3.52 to 3.68	3.78[3]	4.25 to 4.40
Average operating working capital (in % of net sales)	20.4%	moderate increase	20.0%	moderate increase
Capital expenditure (€ in millions)[4]	376	400 to 450	434	500 to 550
Net cash (€ in millions)	90	further reduction of gross borrowings	448	further reduction of gross borrowings

1) Restated according to IAS 8, see Note 03, p. 203.
2) As published on March 7, 2012. The outlook was updated over the course of the year.
3) Excluding goodwill impairment of € 265 million.
4) Excluding acquisitions and finance leases.

Group Business Performance

In 2012, the adidas Group delivered a strong financial performance despite macroeconomic challenges in many regions, especially Western Europe. Currency-neutral Group sales increased 6% as a result of double-digit growth in Retail as well as in Other Businesses. In euro terms, adidas Group revenues grew 12% to € 14.883 billion from € 13.322 billion in 2011. The Group's gross margin increased 0.2 percentage points to 47.7% (2011: 47.5%), as the positive impact from product price increases, a more favourable product and regional sales mix as well as a larger share of higher-margin Retail sales more than offset the increase in input costs. The Group's gross profit rose 12% to € 7.103 billion in 2012 versus € 6.329 billion in 2011. In 2012, the adidas Group incurred one-off expenses in an amount of € 265 million, which are related to the goodwill impairment for several cash-generating units of the Group. These one-off expenses were non-cash in nature and did not affect the adidas Group's liquidity. Excluding these one-off expenses, the Group's operating profit grew 24% to € 1.185 billion, representing an operating margin of 8.0%, up 0.8 percentage points compared to the prior year. Net income attributable to shareholders excluding goodwill impairment losses was up 29% to € 791 million. Basic and diluted earnings per share excluding one-off expenses amounted to € 3.78 in 2012 (2011: € 2.93), which is above our initial guidance of € 3.52 to € 3.68.

Economic and Sector Development

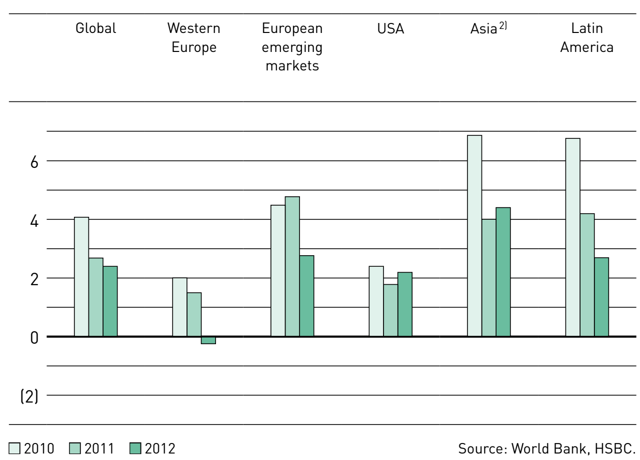
Global economy expands 2.3% in 2012

In 2012, according to the World Bank, global GDP growth moderated to 2.3%, compared to 2.7% in the prior year. The emerging markets outperformed developed economies, growing 5.1% and 1.3% respectively. Stabilising inflationary pressures and increases in real disposable incomes supported domestic consumption and economic activity, particularly in Asia's emerging markets. Conversely, many developed markets continued to face considerable economic challenges, mainly driven by sovereign debt concerns. Despite strengthened policy actions, that temporarily helped lower the debt crisis impact in most of these economies, their low growth and the implementation of austerity measures remained significant negative pressures to global economic expansion.

In Western Europe, GDP contracted 0.2% (2011: increased 1.5%), with economic activity decreasing across most markets and offsetting export-driven growth in Germany. Notwithstanding the progress made in stabilising the euro area's debt crisis, the lack of visibility on the issue during much of the year, combined with high unemployment levels and acute austerity measures in many markets, inhibited investment and depressed consumer spending and confidence.

European emerging markets recorded positive GDP growth of around 2.8%, albeit at lower levels than in recent years (2011: 4.8%), with Russia, the world's largest energy exporter, benefiting from a relatively stable oil price, which supported government spending and consumption. Nonetheless, the contraction in the euro area negatively impacted exports and industrial output for many of the economies in the European emerging markets.

01 ⁄ **Regional GDP development**[1] (in %)



Source: World Bank, HSBC.

1) Real, percentage change versus prior year; 2010 and 2011 figures restated compared to prior year.
2) Asia also includes Japan and Area Pacific.

Despite disruptions from political uncertainty around the presidential elections and budget negotiations, as well as from hurricane Sandy, the US economy improved in 2012, with GDP expanding 1.8% compared to 1.7% in 2011. Modest improvements in the housing and labour markets as well as relatively stable food and fuel prices helped increase consumer confidence and domestic consumption. Additionally, robust export and industrial activity, supported by increasing trade with Asian markets, also contributed to the positive economic development.

In 2012, most Asian economies grew strongly. Excluding Japan, the region's GDP increased 6.1% (2011: 7.4%). Including Japan, Asian GDP growth was 4.4% (2011: 4.0%), with China and India's GDP expanding 7.8% and 5.3%, respectively. Inflation stabilised or fell in most Asian markets and, together with robust wage growth, helped to drive higher levels of domestic consumption, particularly in China. These factors also supported an increase in trade between the region's economies, which helped offset the reduced demand from most mature markets. In Japan, despite government stimulus and reconstruction investments following the earthquake in 2011, the economy grew only modestly, increasing 1.9%, with high energy costs, lacklustre global demand and a diplomatic dispute with China negatively impacting exports and GDP growth.

In Latin America, GDP increased 2.7% (2011: 4.2%), with low unemployment rates, significant government stimulus programmes and solid domestic consumption supporting the region's economies. However, moderating export demand, particularly from Europe, as well as an increase in inflation negatively impacted economic expansion of the region during the year, making 2012 one of the lowest growth years over the last decade.

Positive momentum in the global sporting goods industry

In 2012, the global sporting goods industry outperformed overall economic development. Growth was driven by consumer spending in the emerging markets, which offset subdued consumer confidence and private spending in many Western European markets and in Japan. Two major sporting events, the London 2012 Olympic and Paralympic Games and the UEFA EURO 2012 hosted by Poland and Ukraine, contributed to sporting goods sales and in particular helped support the industry in many European markets. From a category perspective, basketball posted the strongest growth rate in the industry, with both performance and lifestyle performing well. Running, which remained one of the biggest sales drivers, faced some softness as the year progressed, due in part to the shift in demand from lifestyle running to lifestyle basketball. Within the running category, lightweight and technical running continued to grow robustly. The outdoor category faced some headwinds, primarily due to unseasonable weather, resulting in a slight contraction, especially for snow-related products. Demand remained high for higher-priced, innovative sporting goods products introduced during the year with many advanced, high-performance technologies

02 ⁄ Quarterly unemployment rate by region
(in % of total active population)

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
USA[1]	8.7	8.2	8.2	8.0	7.8
Euro area[2]	10.7	11.0	11.4	11.6	11.7
Japan[3]	4.5	4.5	4.3	4.2	4.2
China[4]	4.1	4.1	4.1	4.1	4.1
Russia[5]	6.1	6.5	5.4	5.2	5.3
Brazil[6]	4.7	6.2	5.9	5.4	4.6

1) Source: US Bureau of Labor Statistics.
2) Source: Eurostat.
3) Source: Japan Ministry of Internal Affairs and Communications.
4) Source: China National Bureau of Statistics.
5) Source: Russia Federal Service of State Statistics.
6) Source: Brazil Institute of Geography and Statistics.

03 ⁄ Quarterly development of Consumer Price Index[1]
(by region)

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
USA[2]	3.0	2.7	1.7	2.0	1.7
Euro area[3]	2.7	2.7	2.4	2.6	2.2
Japan[4]	(0.2)	0.5	(0.2)	(0.3)	(0.1)
China[5]	4.1	3.6	2.2	1.9	2.5
Russia[6]	6.1	3.7	4.3	6.6	6.6
Brazil[7]	6.5	5.2	4.9	5.3	5.8

1) Quarter-end figures.
2) Source: US Bureau of Labor Statistics.
3) Source: Eurostat.
4) Source: Japan Ministry of Internal Affairs and Communications.
5) Source: China National Bureau of Statistics.
6) Source: Russia Federal Service of State Statistics.
7) Source: Brazil Institute of Geography and Statistics.

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

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
USA[2]	64.8	69.5	62.7	68.4	66.7
Euro area[3]	(21.2)	(18.9)	(19.6)	(25.7)	(26.3)
Japan[4]	38.1	40.1	40.8	40.4	39.1
China[5]	100.5	100.0	99.3	100.8	103.7
Russia[6]	(7.0)	(5.0)	(4.0)	(6.0)	(8.0)
Brazil[7]	113.4	113.2	112.6	113.2	115.2

1) Quarter-end figures.
2) Source: US Bureau of Labor Statistics.
3) Source: Eurostat.
4) Source: Japan Ministry of Internal Affairs and Communications.
5) Source: China National Bureau of Statistics.
6) Source: Russia Federal Service of State Statistics.
7) Source: Brazil Institute of Geography and Statistics.

entering the market. In technical apparel, this trend resulted in healthy growth, particularly in shells, fleece and base layer clothing. The e-commerce channel continued to see rapid expansion across the industry, with a wide diversity of strategies being presented by many players on how best to embrace omni-channel retail and leverage digital, social media and, particularly, mobile technologies. In addition, 2012 saw further consolidation of the industry, with several important acquisitions during the year.

Modest growth of Europe's sporting goods industry

In Europe, despite austerity measures and high unemployment in many markets, the sporting goods industry grew modestly in 2012. The region benefited directly from two of the world's major sporting events which took place in the region. The UK's industry, in particular, was buoyed by the London 2012 Olympic and Paralympic Games. Many European markets benefited from the UEFA EURO 2012, especially the title winners Spain and the host nations Poland and Ukraine. In European emerging markets, rising wages supported consumption, which also positively impacted the sporting goods sector, particularly in Russia.

Strong retail activity drives growth of North American sporting goods industry

The gradual recovery of the US market and a stabilisation of inflation helped drive solid consumer spending which, in turn, benefited retailers and the sporting goods industry. Strong retail sales trends in basketball, training and sporting lifestyle offset slight contractions in certain running, walking and outdoor categories. We estimate that sporting goods sales in the USA increased at a mid-single-digit rate in 2012, driven mainly by improvements in average selling prices. Many sporting goods retailers focused on high-performance and innovative products to drive sales, in addition to increasing e-commerce activities. Footwear sales are estimated to have increased at a mid-single-digit rate in 2012, driven in particular by growth in the basketball and training categories. US sporting apparel sales are also estimated to have increased at a mid-single-digit rate in 2012.

International brands drive Asian sporting goods industry expansion

Strong wage growth and consumer spending supported increases in Asia's sporting goods industry, which grew at a low- to mid-single-digit rate in 2012. Growth in the region's sportswear industry was mainly driven by international brands, with consumers attracted to them as pseudo-luxury brands at attainable price points. In China, industry growth remained robust; however, inventory issues negatively impacted many of the domestic players. In Japan, by contrast, low consumer spending on discretionary items kept sporting goods sales muted during 2012, in line with overall economic trends in that market.

Latin America's sporting goods industry records strong momentum

In Latin America, despite some inflationary pressures, low unemployment and a significant increase in access to credit for many consumers helped drive retail sales and spending on sporting goods. Sales in the region also benefited from the Copa América as well as the first activities ahead of the 2014 FIFA World Cup.

adidas Group and competitors outperform economic environment

adidas Group revenues and profitability, as well as that of many competitors and retailers, increased in 2012. In most regions, sales of our Group and other major sporting goods companies grew at a higher rate than GDP and overall consumer spending.

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

	Average rate 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Average rate 2012
USD	1.3922	1.3356	1.2590	1.2930	1.3194	1.2862
GBP	0.8678	0.8339	0.8068	0.7981	0.8161	0.8115
JPY	111.04	109.56	100.13	100.37	113.61	102.65
RUB	40.871	39.171	41.316	39.976	40.074	39.951
CNY	9.0000	8.4067	7.9639	8.1989	8.2931	8.1137

1) Spot rates at quarter-end.

06 ⁄ **Oil price development** [1] (in US $ per barrel)

1) West Texas Intermediate Cushing crude oil.

Source: Bloomberg.

Commercial irregularities discovered at Reebok India Company

As announced in an ad hoc release on April 30, 2012, commercial irregularities were discovered at Reebok India Company. The discovery of these irregularities resulted in the identification of material errors in the prior period financial statements of Reebok India Company. As a consequence of these errors, material misstatements are also included in the consolidated financial statements of adidas AG for the 2011 financial year and for previous financial years, which have to be corrected in accordance with IAS 8.41 et seqq. These corrections are reflected in the consolidated financial statements as at December 31, 2012, in which the comparative figures for the year 2011 are restated. The financial years prior to 2011 have not been individually restated due to impracticality. To the extent that earlier periods are affected, the misstatements have been cumulatively adjusted in the opening balance sheet at January 1, 2011. Details and in-depth explanations of these restatements are outlined in the Notes in this Annual Report ⁄ **SEE NOTE 03, P. 203**. All figures in the subsequent discussion of our 2012 financial performance in the Income Statement, Statement of Financial Position and Statement of Cash Flows as well as other sections of this Annual Report are based on a comparison of the 2012 figures and the restated 2011 figures. All financial year figures prior to 2011 are presented as they were originally reported.

Income Statement

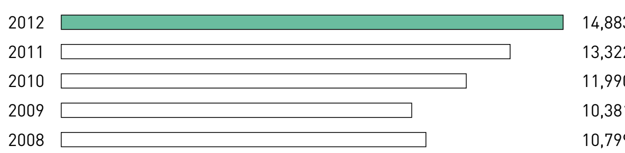
adidas Group currency-neutral sales grow 6%

In 2012, Group revenues grew 6% on a currency-neutral basis, as a result of double-digit sales increases in Retail and Other Businesses. This development is in line with initial Management expectations of a mid- to high-single-digit Group sales increase. Currency translation effects had a positive impact on sales in euro terms. Group revenues grew 12% to € 14.883 billion in 2012 from € 13.322 billion in 2011 ⁄ **DIAGRAM 07**.

Group sales increase driven by double-digit growth in Retail and Other Businesses

In 2012, currency-neutral Wholesale revenues increased 2%, as sales growth at adidas more than offset sales declines at Reebok. Currency-neutral Retail sales increased 14% versus the prior year, driven by 7% comparable store sales growth as well as new store openings in line with the Group's retail expansion. Revenues in Other Businesses were up 17% on a currency-neutral basis, mainly driven by a strong double-digit sales increase at TaylorMade-adidas Golf. Currency translation effects had a positive impact on segmental sales in euro terms. Wholesale revenues increased 7% to € 9.533 billion from € 8.949 billion in 2011. Retail sales rose 21% to € 3.373 billion versus € 2.793 billion in the prior year. Sales in Other Businesses grew 25% to € 1.977 billion (2011: € 1.580 billion).

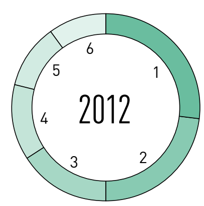
07 ⁄ **Net sales** [1] (€ in millions)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

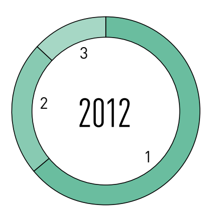
08 ⁄ **Net sales by quarter** (€ in millions)

09 ⁄ **Net sales by region**



1 ⁄ **27%** Western Europe
2 ⁄ **23%** North America
3 ⁄ **16%** Other Asian Markets
4 ⁄ **13%** European Emerging Markets
5 ⁄ **11%** Greater China
6 ⁄ **10%** Latin America

10 ⁄ **Net sales by segment**



1 ⁄ **64%** Wholesale
2 ⁄ **23%** Retail
3 ⁄ **13%** Other Businesses

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

	2012	2011 1)	Change	Change (currency-neutral)
Western Europe	4,076	3,922	4%	3%
European Emerging Markets	1,947	1,597	22%	15%
North America	3,410	3,102	10%	2%
Greater China	1,562	1,229	27%	15%
Other Asian Markets	2,407	2,103	14%	7%
Latin America	1,481	1,369	8%	8%
Total 2)	**14,883**	**13,322**	**12%**	**6%**

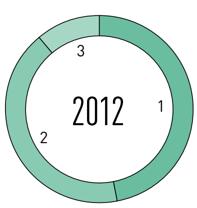
1) Restated according to IAS 8, see Note 03, p. 203.
2) Rounding differences may arise in totals.

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

	2012	2011 1)	Change	Change (currency-neutral)
Footwear	6,922	6,242	11%	6%
Apparel	6,290	5,733	10%	4%
Hardware	1,671	1,347	24%	17%
Total 2)	**14,883**	**13,322**	**12%**	**6%**

1) Restated according to IAS 8, see Note 03, p. 203.
2) Rounding differences may arise in totals.

13 ⁄ **Net sales by product category**



1 ⁄ **47%** Footwear
2 ⁄ **42%** Apparel
3 ⁄ **11%** Hardware

Currency-neutral sales increase in all regions

In 2012, revenues in Western Europe increased 3% on a currency-neutral basis, primarily as a result of double-digit sales increases in the UK and Poland. In European Emerging Markets, Group sales increased 15% on a currency-neutral basis due to double-digit growth in most of the region's markets, in particular Russia/CIS. Sales for the adidas Group in North America grew 2% on a currency-neutral basis, with sales increases in both the USA and Canada. Sales in Greater China increased 15% on a currency-neutral basis. Currency-neutral revenues in Other Asian Markets grew 7%, driven by strong increases in Japan and South Korea. In Latin America, sales grew 8% on a currency-neutral basis, with double-digit increases in most of the region's major markets, in particular Argentina. Currency translation effects had a mixed impact on regional sales in euro terms ⁄ **TABLE 11**.

Group sales up in all product categories

In 2012, Group sales grew in all product categories on a currency-neutral basis. Currency-neutral footwear sales increased 6% in 2012. This development was due to growth in the running, football, basketball, outdoor and lifestyle categories. Apparel revenues increased 4% on a currency-neutral basis, driven by growth in football, basketball, training, running and lifestyle. Currency-neutral hardware sales increased 17% compared to the prior year, primarily due to strong growth at TaylorMade-adidas Golf as well as in the football category. Currency translation effects had a positive impact on sales in euro terms ⁄ **TABLE 12**.

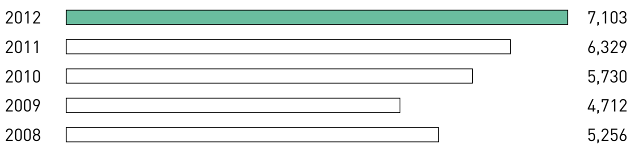
Cost of sales increases

Cost of sales is defined as the amount we pay to third parties for expenses associated with producing and delivering our products. Own-production expenses are also included in the Group's cost of sales. However, these expenses represent only a very small portion of total cost of sales. In 2012, cost of sales was € 7.780 billion, representing an increase of 11% compared to € 6.993 billion in 2011. This development was due to the growth of our business as well as increases in input costs as a result of higher raw material prices at the time of sourcing. In addition, higher labour costs negatively impacted the cost of sales development.

Group gross margin increases 0.2 percentage points

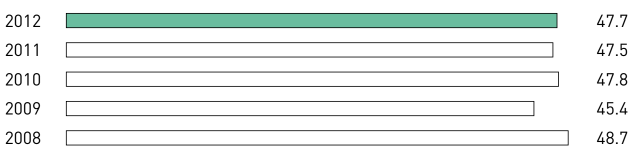
The gross margin of the adidas Group increased 0.2 percentage points to 47.7% in 2012 (2011: 47.5%), above our initial expectations of around

14 ⁄ **Gross profit** [1] (€ in millions)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

15 ⁄ **Gross margin** [1] (in %)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

47.5% ⁄ **DIAGRAM 15**. The positive impact from product price increases, a more favourable product and regional sales mix as well as a larger share of higher-margin Retail sales more than offset the increase in input costs. Gross profit for the adidas Group grew 12% in 2012 to € 7.103 billion versus € 6.329 billion in the prior year ⁄ **DIAGRAM 14**.

Royalty and commission income grows

Royalty and commission income for the adidas Group increased 13% to € 105 million in 2012 from € 93 million in the prior year. On a currency-neutral basis, royalty and commission income was up 11%, mainly as a result of higher licensee sales at adidas.

Other operating income increases

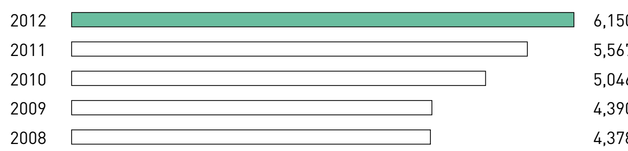
Other operating income includes items such as gains from the disposal of fixed assets and releases of accruals and provisions as well as insurance compensation. In 2012, other operating income increased 29% to € 127 million (2011: € 98 million). This was mainly due to an increase in income from insurance compensation as well as the release of operational accruals and provisions ⁄ **SEE NOTE 30, P. 229**.

Other operating expenses as a percentage of sales down 0.5 percentage points

Other operating expenses, including depreciation and amortisation excluding goodwill impairment losses, consist of items such as sales working budget, marketing working budget and operating overhead costs. In 2012, other operating expenses increased 10% to € 6.150 billion (2011: € 5.567 billion) ⁄ **DIAGRAM 17**. This was primarily a result of the expansion of the Group's own-retail activities as well as higher marketing expenditure ⁄ **SEE NOTE 31, P. 229**. Other operating expenses as a percentage of sales decreased 0.5 percentage points to 41.3% in 2012 from 41.8% in 2011 ⁄ **DIAGRAM 18**.

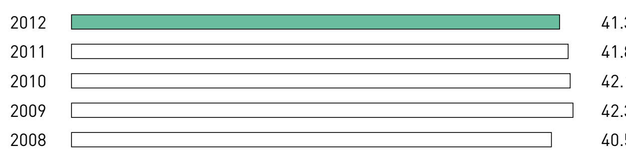
16 ⁄ **Gross margin by quarter** (in %)

17 ⁄ **Other operating expenses** [1] (€ in millions)



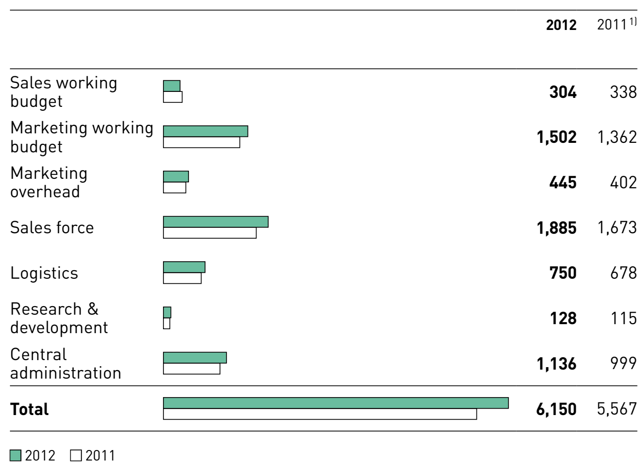
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

18 ⁄ **Other operating expenses** [1] (in % of net sales)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

19 ⁄ **Other operating expenses by area** (€ in millions)



1) Restated according to IAS 8, see Note 03, p. 203.

Sales working budget decreases as a percentage of sales

Sales working budget consists of expenses to support the Group's sell-through development. Expenditures relate to advertising and promotion initiatives at the point of sale as well as store furniture and fixtures. As sales working budget expenses are channel specific, they are allocated to the Group's operating segments. In absolute terms, sales working budget expenditure decreased 10% to € 304 million in 2012 from € 338 million in the prior year. Lower expenditure at the point of sale as a result of increased efficiencies more than offset the negative effect of higher expenditure due to new store openings. By brand, adidas sales working budget decreased 9% to € 220 million compared to € 243 million in the prior year. Sales working budget for Reebok declined 2% to € 50 million at year-end (2011: € 51 million). The Group's sales working budget as a percentage of sales decreased 0.5 percentage points to 2.0% (2011: 2.5%) ⁄ **DIAGRAM 20**.

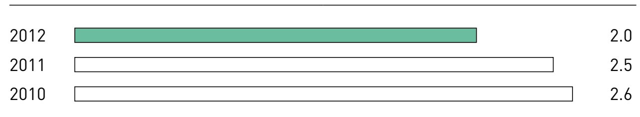
Marketing working budget down as a percentage of sales

Marketing working budget consists of items such as expenses for promotion partnerships, advertising and public relations. As marketing working budget expenses are not distribution channel specific, they are not allocated to the segments. In absolute terms, marketing working budget increased 10% to € 1.502 billion in 2012 from € 1.362 billion in the prior year. This was mainly due to higher expenditure at the adidas brand related to the UEFA EURO 2012 and London 2012 Olympic Games. In addition, increased marketing and promotion initiatives for new product concepts impacted this development. By brand, the adidas marketing working budget increased 15% to € 1.157 billion from € 1.007 billion in 2011. Marketing working budget of the Reebok brand was down 20% to € 188 million (2011: € 236 million). The Group's marketing working budget as a percentage of sales decreased 0.1 percentage points to 10.1% (2011: 10.2%) ⁄ **DIAGRAM 21**.

Operating overhead expenses as a percentage of sales increase 0.2 percentage points

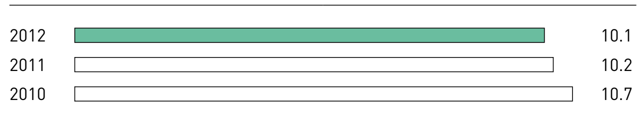
Group operating overheads include overhead costs related to marketing, logistics, sales and R&D as well as central administration. Almost half of the operating overhead expenses are related to personnel costs. In absolute terms, operating overhead expenses were up 12% to € 4.344 billion in 2012 versus € 3.867 billion in 2011. This was primarily a result of the expansion of the Group's own-retail activities, as well as an increase in logistic and warehouse costs. As a percentage of sales, operating overhead expenses grew 0.2 percentage points to 29.2% (2011: 29.0%).

20 ⁄ **Sales working budget** [1] (in % of net sales)



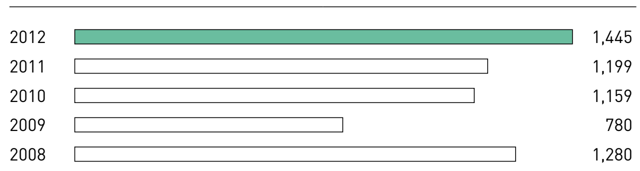
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

21 ⁄ **Marketing working budget** [1] (in % of net sales)



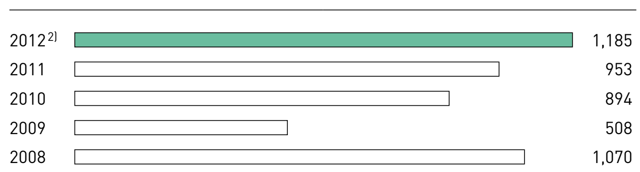
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

22 ⁄ **EBITDA** [1] (€ in millions)



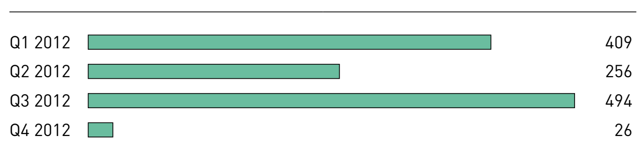
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

23 ⁄ **Operating profit** [1] (€ in millions)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Excluding goodwill impairment of € 265 million.

24 ⁄ **Operating profit by quarter** [1] (€ in millions)



1) Excluding goodwill impairment of € 265 million.

Number of Group employees down 1%

At the end of December 2012, the Group employed 46,306 people. This represents a decline of 1% versus the prior year level of 46,824. Increased efficiencies in the Group's own-retail store operations as well as reorganisation initiatives at Reebok were the main drivers of this development. On a full-time equivalent basis, the number of employees also decreased 1% to 40,168 at the end of 2012 (2011: 40,637) ⁄ **SEE EMPLOYEES, P. 111**.

EBITDA grows 21%

The Group's earnings before interest, taxes, depreciation and amortisation as well as impairment losses/reversal of impairment losses on property, plant and equipment and intangible assets (EBITDA) increased 21% to € 1.445 billion in 2012 (2011: € 1.199 billion) ⁄ **DIAGRAM 22**. Depreciation and amortisation expense for tangible and intangible assets as well as impairment losses more than doubled to € 532 million in 2012 (2011: € 252 million). This development was mainly due to one-off expenses of € 265 million resulting from goodwill impairment in 2012. In accordance with IFRS, intangible assets with indefinite useful lives (goodwill and trademarks) are tested annually and additionally when there are indications of potential impairment. In this connection, impairment of intangible assets with unlimited useful lives was incurred in 2012.

Goodwill impairment in an amount of € 265 million

As a result of the re-evaluation of medium-term growth prospects of several geographic regions and segments, the adidas Group has impaired goodwill and recorded a € 265 million pre-tax charge as at December 31, 2012. The wholesale cash-generating unit North America was impaired by € 106 million, Latin America by € 41 million, Brazil by € 15 million and Iberia by € 11 million. The impairment loss was mainly the result of adjusted growth assumptions for the Reebok brand, especially in North America, Latin America and Brazil, and an increase in the country-specific discount rates as a result of the euro crisis. In addition, goodwill of € 68 million allocated to Reebok-CCM Hockey was completely impaired and € 24 million allocated to Rockport was partially impaired. These impairment losses are primarily the result of the re-evaluation of future growth prospects and, with regard to Rockport, also due to an increase in the discount rate. The impairment loss of € 265 million was non-cash in nature and does not affect the adidas Group's liquidity ⁄ **SEE NOTE 02, P. 197**.

Operating margin excluding goodwill impairment improves to 8.0%

Group operating profit decreased 3% to € 920 million in 2012 versus € 953 million in 2011. The operating margin of the adidas Group declined 1.0 percentage points to 6.2% (2011: 7.2%). Excluding the goodwill impairment losses, the operating profit grew 24% to € 1.185 billion ⁄ **DIAGRAM 23**, representing an operating margin of 8.0% ⁄ **DIAGRAM 25**, which is in line with our initial expectations of approaching 8.0%. This development resulted from the increase in gross margin and the lower other operating expenses as a percentage of sales.

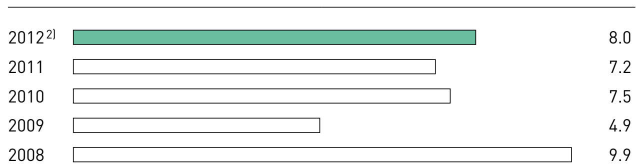
Financial income up 17%

Financial income increased 17% to € 36 million in 2012 from € 31 million in the prior year, mainly due to an increase in interest income as a result of higher average cash and cash equivalents during the year ⁄ **SEE NOTE 33, P. 230**.

Financial expenses decrease 8%

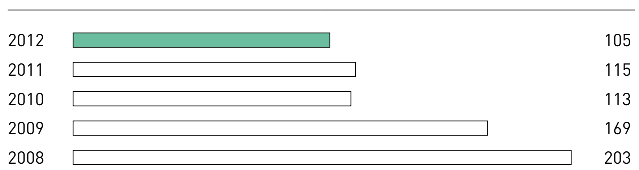
Financial expenses decreased 8% to € 105 million in 2012 (2011: € 115 million) ⁄ **DIAGRAM 26**. A decrease in interest expenses of 9% was the main contributor to the decline. Negative exchange rate effects were similar to the prior year ⁄ **SEE NOTE 33, P. 230**.

25 ⁄ **Operating margin** [1] (in %)



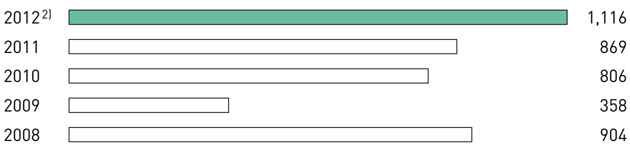
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Excluding goodwill impairment of € 265 million.

26 ⁄ **Financial expenses** [1] (€ in millions)



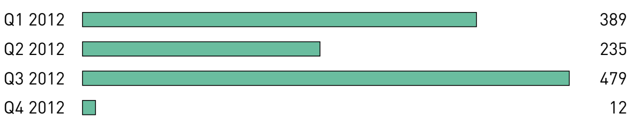
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

27 ⁄ **Income before taxes**[1] (€ in millions)



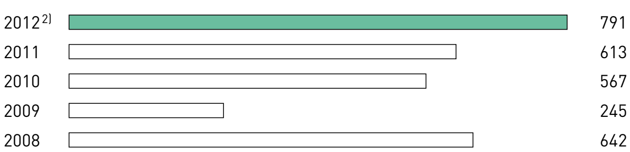
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Excluding goodwill impairment of € 265 million.

28 ⁄ **Income before taxes by quarter**[1] (€ in millions)



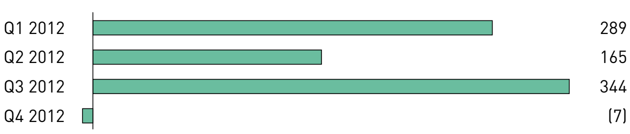
1) Excluding goodwill impairment of € 265 million.

29 ⁄ **Net income attributable to shareholders**[1] (€ in millions)



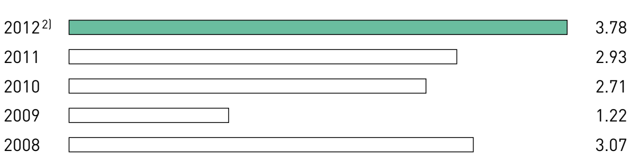
1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Excluding goodwill impairment of € 265 million.

30 ⁄ **Net income attributable to shareholders by quarter**[1] (€ in millions)



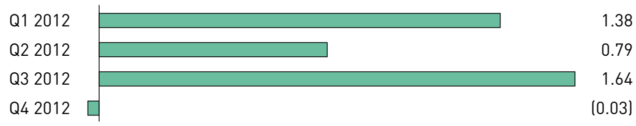
1) Excluding goodwill impairment of € 265 million.

31 ⁄ **Diluted earnings per share**[1] (in €)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.
2) Excluding goodwill impairment of € 265 million.

32 ⁄ **Diluted earnings per share by quarter**[1] (in €)



1) Excluding goodwill impairment of € 265 million.

Income before taxes excluding goodwill impairment up 28%

Income before taxes (IBT) for the adidas Group decreased 2% to € 851 million from € 869 million in 2011. IBT as a percentage of sales decreased 0.8 percentage points to 5.7% in 2012 from 6.5% in 2011. Excluding the goodwill impairment losses, IBT was up 28% to € 1.116 billion ⁄ **DIAGRAM 27** and, as a percentage of sales, increased 1.0 percentage points to 7.5%, primarily as a result of the Group's operating margin increase.

Net income attributable to shareholders excluding goodwill impairment up 29%

The Group's net income attributable to shareholders decreased to € 526 million in 2012 from € 613 million in 2011. This represents a decrease of 14% versus the prior year level. Excluding the goodwill impairment losses, net income attributable to shareholders was € 791 million, representing an increase of 29% ⁄ **DIAGRAM 29**. The Group's tax rate increased 8.4 percentage points to 38.4% in 2012 (2011: 30.0%), mainly due to non-tax-deductible goodwill impairment losses. Excluding the goodwill impairment losses, the effective tax rate was 29.3% ⁄ **SEE NOTE 34, P. 231**.

Earnings per share excluding goodwill impairment reach € 3.78

In 2012, basic and diluted earnings per share amounted to € 2.52 (2011: € 2.93), representing a decrease of 14%. Excluding the goodwill impairment losses, basic and diluted earnings per share were € 3.78 ⁄ **DIAGRAM 31**, which is above our initial projections of € 3.52 to € 3.68. The weighted average number of shares used in the calculation was 209,216,186 ⁄ **SEE NOTE 35, P. 232**.

Statement of Financial Position and Statement of Cash Flows

Accounting policy unchanged

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. In 2012, there were no new or amended IFRS with a material impact on the Group's consolidation and accounting principles ⁄ **SEE NOTE 01, P. 196**.

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

	2012	2011 [2]
Assets (€ in millions)	**11,651**	11,237
Cash and cash equivalents	**14.3%**	8.1%
Accounts receivable	**14.5%**	14.2%
Inventories	**21.3%**	22.3%
Fixed assets	**35.5%**	38.0%
Other assets	**14.4%**	17.4%

■ 2012 □ 2011

1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 188.
2) Restated according to IAS 8, see Note 03, p. 203.

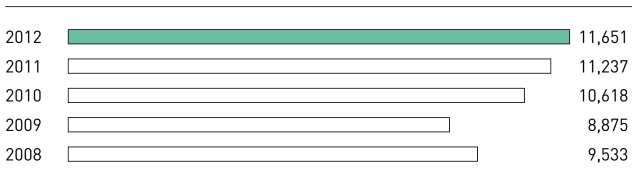
34 ⁄ **Structure of statement of financial position** [1] (in % of total liabilities and equity)

	2012	2011 [2]
Liabilities and equity (€ in millions)	**11,651**	11,237
Short-term borrowings	**2.4%**	2.6%
Accounts payable	**15.4%**	16.8%
Long-term borrowings	**10.4%**	8.8%
Other liabilities	**26.5%**	26.2%
Total equity	**45.3%**	45.6%

■ 2012 □ 2011

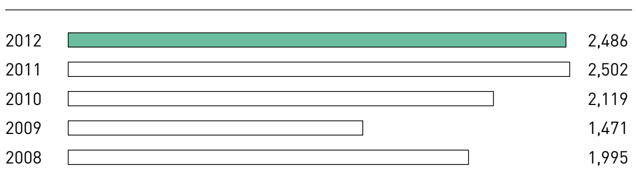
1) For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 188.
2) Restated according to IAS 8, see Note 03, p. 203.

35 ⁄ **Total assets** 1) (€ in millions)



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

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

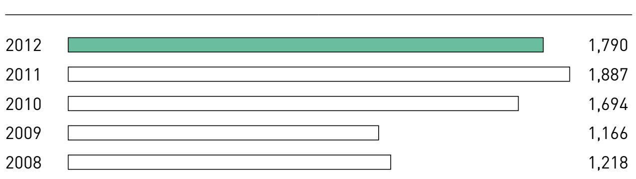


1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

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

1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

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



1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

Total assets increase 4%

At the end of December 2012, total assets grew 4% to € 11.651 billion versus € 11.237 billion in the prior year ⁄ **DIAGRAM 35**. This was the result of an increase in current assets due to a strong increase in cash and cash equivalents, which more than offset a decrease in non-current assets as a result of goodwill impairment losses.

Group inventories down 1%

Group inventories decreased 1% to € 2.486 billion at the end of December 2012 versus € 2.502 billion in 2011, due to a reduction in goods in transit ⁄ **SEE NOTE 09, P. 212**. On a currency-neutral basis, inventories were up 1%, reflecting the Group's strong focus on inventory management ⁄ **DIAGRAM 36**.

Short-term financial assets decline 43%

Short-term financial assets declined 43% to € 265 million at the end of December 2012 from € 465 million in 2011 ⁄ **SEE NOTE 06, P. 211**. This development was driven by the decrease in short-term cash investments.

Accounts receivable increase 6%

At the end of December 2012, Group receivables increased 6% to € 1.688 billion (2011: € 1.595 billion) ⁄ **SEE NOTE 07, P. 211**. On a currency-neutral basis, receivables were up 8%. This reflects the growth of our business over the past twelve months as well as a reduction in allowances for doubtful debts due to an improvement in accounts receivable past due date ⁄ **DIAGRAM 37**.

Other current financial assets down 34%

Other current financial assets declined 34% to € 192 million at the end of December 2012 from € 289 million in 2011 ⁄ **SEE NOTE 08, P. 212**. This development was mainly due to the decrease in the fair value of financial instruments.

Other current assets up 4%

Other current assets increased 4% to € 489 million at the end of December 2012 from € 469 million in 2011, as a result of advanced inventory payments, partly offset by a decrease in prepaid promotion contracts ⁄ **SEE NOTE 10, P. 213**.

Fixed assets decrease 3%

Fixed assets decreased 3% to € 4.139 billion at the end of December 2012 versus € 4.276 billion in 2011. Fixed assets include property, plant and equipment, goodwill, trademarks and other intangible assets as well as long-term financial assets. Currency translation effects in an amount of € 43 million negatively impacted the development of fixed assets. Additions in an amount of € 471 million were primarily related to the continued expansion of our own-retail activities, the construction of the European Distribution Centre near Osnabrueck, Germany, investments into the Group's IT infrastructure as well as the further development of the Group's headquarters in Herzogenaurach. Additions were more than offset by the goodwill impairment of € 265 million, depreciation and amortisation amounting to € 268 million, as well as disposals of € 33 million.

Goodwill decreases 17%

The majority of goodwill is primarily related to the acquisition of the Reebok business in 2006. At the end of December 2012, goodwill decreased 17% to € 1.281 billion from € 1.553 billion in the prior year. The decrease is mainly related to goodwill impaired of € 265 million, of which € 173 million is related to the Wholesale segment and € 92 million is related to Other Businesses ⁄ **SEE NOTE 02, P. 197** ⁄ **SEE NOTE 13, P. 214**.

Assets held for sale decrease 55%

At the end of December 2012, assets held for sale declined 55% to € 11 million compared to € 25 million in 2011. This decrease was mainly due to the sale of Immobilieninvest und Betriebsgesellschaft Herzo Base GmbH & Co. KG in 2012 ⁄ **SEE NOTE 11, P. 213**.

Other non-current financial assets down 49%

Other non-current financial assets decreased 49% to € 21 million at the end of December 2012 from € 42 million in 2011, mainly driven by a decline in the fair value of financial instruments ⁄ **SEE NOTE 16, P. 215**.

Accounts payable decrease 5%

Accounts payable were down 5% to € 1.790 billion at the end of December 2012 versus € 1.887 billion at the end of 2011 ⁄ **DIAGRAM 38**. On a currency-neutral basis, accounts payable decreased 4%, reflecting the Group's focus on inventory management as well as phasing of sourcing activities.

Other current financial liabilities increase 24%

At the end of December 2012, other current financial liabilities increased 24% to € 83 million from € 66 million in 2011, primarily as a result of the increase in the negative fair value of financial instruments ⁄ **SEE NOTE 19, P. 216**.

Other current provisions up 3%

Other current provisions were up 3% to € 563 million at the end of 2012 versus € 549 million at the end of 2011. This primarily relates to an increase in provisions for returns, allowances and warranties as well as customs risks, partly offset by a decrease in provisions for employee benefits ⁄ **SEE NOTE 20, P. 217**.

Current accrued liabilities grow 9%

Current accrued liabilities increased 9% to € 1.084 billion at the end of 2012 from € 992 million in 2011, mainly due to an increase in accruals for personnel costs and customer discounts ⁄ **SEE NOTE 21, P. 217**.

Other current liabilities down 1%

Other current liabilities were down 1% to € 299 million at the end of 2012 from € 303 million in 2011, mainly due to a decrease in accruals for customer prepayments as well as an increase in tax liabilities other than income taxes ⁄ **SEE NOTE 22, P. 218**.

Long-term borrowings grow 22%

At the end of December 2012, long-term borrowings grew 22% to € 1.207 billion from € 991 million in the prior year. The increase primarily relates to the issuance of a convertible bond of € 500 million in March 2012 ⁄ **SEE NOTE 18, P. 215**, which was partly offset by a reduction of private placements which matured during the year.

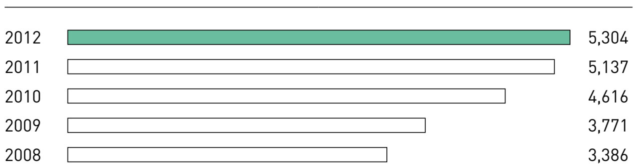
Shareholders' equity grows 3%

Shareholders' equity increased 3% to € 5.304 billion at the end of December 2012 versus € 5.137 billion in 2011 ⁄ **DIAGRAM 39**. The net income generated during the last twelve months was the main contributor to this development, partially offset by the dividend in an amount of € 209 million paid in 2012 for the 2011 financial year, hedging reserves in an amount of € 134 million as well as negative currency translation effects of € 45 million ⁄ **SEE NOTE 26, P. 221**. The Group's equity ratio at the end of December 2012 declined slightly to 45.5% compared to 45.7% in the prior year, mainly as a result of goodwill impairment losses.

Expenses related to off-balance sheet items

The Group's most significant off-balance sheet items are commitments for promotion and advertising contracts as well as operating leases, which are related to own-retail stores, offices, warehouses and equipment. The Group has entered into various operating leases as opposed to property acquisitions in order to reduce exposure to property value fluctuations. Minimum future lease payments for operating leases were € 1.798 billion at December 31, 2012, compared to € 1.558 billion at the end of December 2011, representing an increase of 15% ⁄ **SEE NOTE 28, P. 223**. At the end of December 2012, financial commitments for promotion and advertising declined 2% to € 3.768 billion in 2012 (2011: € 3.843 billion) ⁄ **SEE NOTE 38, P. 236**.

39 ⁄ **Shareholders' equity 1)** (€ in millions)

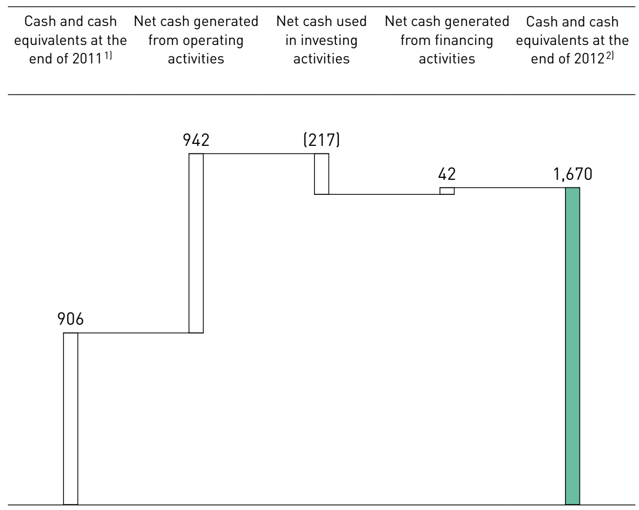


1) 2011 restated according to IAS 8, see Note 03, p. 203. Prior years are not restated, see p. 131.

Net cash flow from operating activities increases

In 2012, net cash generated from operating activities was € 942 million (2011: € 807 million). The increase in cash generated from operating activities compared to the prior year was primarily due to a 21% increase in operating profit before working capital changes. Net cash used in investing activities decreased to € 217 million (2011: € 566 million). The majority of investing activities in 2012 mainly related to spending for property, plant and equipment, such as investments in the furnishing and fitting of stores in our Retail segment, investments in new office buildings and in IT systems as well as the acquisition of Adams Golf. These were partly offset by the sale of short-term financial assets ⁄ **SEE NOTE 04, P. 209**. Net cash generated from financing activities totalled € 42 million (2011: net cash used of € 500 million). Cash generated from financing activities was mainly related to proceeds of € 496 million from the issuance of a convertible bond. This was partly offset by dividends paid in an amount of € 209 million for the 2011 financial year as well as the repayment of short-term borrowings of € 231 million. Exchange rate effects of € 3 million negatively impacted the Group's cash position in 2012 (2011: positive impact of € 15 million). As a result of all these developments, cash and cash equivalents increased € 764 million to € 1.670 billion at the end of December 2012 compared to € 906 million at the end of December 2011 ⁄ **DIAGRAM 40**.

40 ⁄ **Change in cash and cash equivalents** (€ in millions)



1) Includes a positive exchange rate effect of € 15 million.
2) Includes a negative exchange rate effect of € 3 million.

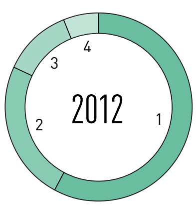
Net cash position of € 448 million

Net cash at December 31, 2012 amounted to € 448 million, compared to net cash of € 90 million at the end of December 2011, reflecting an improvement of € 358 million. This development was mainly driven by the cash flow generated from operating activities and financing activities over the past twelve months. Currency translation had a positive effect in an amount of € 3 million. The Group's ratio of net borrowings over EBITDA amounted to –0.3 at the end of December 2012 (2011: –0.1).

Capital expenditure grows 15%

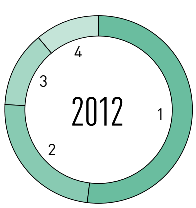
Capital expenditure is the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions). Group capital expenditure increased 15% to € 434 million in 2012 (2011: € 376 million). The Retail segment accounted for 24% of Group capital expenditure (2011: 26%). Investments primarily related to the expansion of our store base for the adidas and Reebok brands. Expenditure in the Wholesale segment accounted for 12% of total capital expenditure (2011: 17%). Capital expenditure in Other Businesses accounted for 6% of total expenditure (2011: 7%). The remaining 58% of Group capital expenditure was recorded in HQ/Consolidation (2011: 50%) and was mainly related to investments into the Group's logistics infrastructure, new office buildings and deployment of IT systems ⁄ **DIAGRAM 41**.

41 ⁄ **Capital expenditure by segment**



1 ⁄ **58%** HQ/Consolidation
2 ⁄ **24%** Retail
3 ⁄ **12%** Wholesale
4 ⁄ **6%** Other Businesses

42 ⁄ **Capital expenditure by type**



1 ⁄ **52%** Other
2 ⁄ **24%** Own retail
3 ⁄ **13%** IT
4 ⁄ **11%** Retailer support

Treasury

Group financing policy

In order to be able to meet the Group's payment commitments at all times, the major goal of our financing policy is to ensure sufficient liquidity reserves, while minimising the Group's financial expenses. The operating activities of our Group segments and markets and the resulting cash inflows represent the Group's main source of liquidity. Liquidity is planned on a rolling monthly basis under a multi-year financial and liquidity plan. This comprises all consolidated Group companies. Our in-house bank concept takes advantage of any surplus funds of individual Group companies to cover the financial requirements of others, thus reducing external financing needs and optimising our net interest expenses. By settling intercompany transactions via intercompany financial accounts, we are able to reduce external bank account transactions and thus bank charges. Effective management of our currency exposure and interest rate risks are additional goals and responsibilities of our Group Treasury department.

Treasury system and responsibilities

Our Group's Treasury Policy governs all treasury-related issues, including banking policy and approval of bank relationships, financing arrangements and liquidity/asset management, currency and interest risk management as well as the management of intercompany cash flows. Responsibilities are arranged in a three-tiered approach:

- The Treasury Committee consists of members of the Executive Board and other senior executives who decide on the Group's Treasury Policy and provide strategic guidance for managing treasury-related topics. Major changes to our Treasury Policy are subject to the prior approval of the Treasury Committee.
- The Group Treasury department is responsible for specific centralised treasury transactions and for the global implementation of our Group's Treasury Policy.
- On a subsidiary level, where applicable and economically reasonable, local managing directors and financial controllers are responsible for managing treasury matters in their respective subsidiaries. Controlling functions on a Group level ensure that the transactions of the individual business units are in compliance with the Group's Treasury Policy.

Centralised treasury function

In accordance with our Group's Treasury Policy, all worldwide credit lines are directly or indirectly managed by the Group Treasury department. Portions of those lines are allocated to the Group's subsidiaries and backed by adidas AG guarantees. As a result of this centralised liquidity management, the Group is well positioned to allocate resources efficiently throughout the organisation. The Group's debt is generally unsecured and may include standard financial covenants, which are reviewed on a quarterly basis. We maintain good relations with numerous partner banks, thereby avoiding a high dependency on any single financial institution. Banking partners of the Group and our subsidiaries are required to have at least a BBB+ long-term investment grade rating by Standard & Poor's or an equivalent rating by another leading rating agency. Only in exceptional cases are Group companies authorised to work with banks with a lower rating ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**. To ensure optimal allocation of the Group's liquid financial resources, subsidiaries transfer excess cash to the Group's headquarters in all instances where it is legally and economically feasible. In addition, Group Treasury is currently rolling out a global standardisation and consolidation of cash management and payment processes, including the set-up of automated, cross-border cash pools and a payment factory. This implementation is scheduled to be completed by the end of 2013.

Group financial flexibility

The adidas Group's financial flexibility is ensured by the availability of unutilised credit facilities in an amount of € 2.304 billion at the end of 2012 (2011: € 3.898 billion). These include a newly committed syndicated loan facility of € 500 million as well as bilateral credit lines at different banks in an amount of € 1.804 billion (2011: € 2.038 billion). The syndicated loan facility replaced a syndicated loan facility of € 1.860 billion, which matured in 2012. It has a remaining time to maturity of five years and incorporates two one-year extension options. The size of the syndicated loan facility was reduced as a result of the Group's strong financial position as well as our desire to rationalise increasingly expensive bank credit facilities. We monitor the ongoing need for available credit lines based on the current level of debt as well as future financing requirements.

Bilateral credit lines decrease

At the end of 2012, bilateral credit lines declined 14% to € 1.863 billion compared to € 2.164 billion in the prior year. Credit lines decreased in line with lower financing needs and growing cash surpluses. Committed and uncommitted credit lines represent approximately 20% and 80% of total short-term bilateral credit lines, respectively (2011: 27% and 73%) ⁄ **DIAGRAM 45**.

43 ⁄ **Total credit facilities** (€ in millions)

	2012	2011
Bilateral credit facilities	**1,863**	2,164
Syndicated loan facility	**500**	1,860
Private placements	**480**	655
Eurobond	**499**	499
Convertible bond	**449**	0
Total	**3,791**	5,178

■ 2012 □ 2011

44 ⁄ **Remaining time to maturity of available facilities** (€ in millions)

	2012	2011
< 1 year	**2,014**	4,187
1 to 3 years	**714**	780
3 to 5 years	**1,063**	211
> 5 years	**0**	0
Total	**3,791**	5,178

■ 2012 □ 2011

45 ⁄ **Bilateral credit lines** (€ in millions)

	2012	2011
Committed	**376**	586
Uncommitted	**1,487**	1,578
Total	**1,863**	2,164

■ 2012 □ 2011

46 ⁄ **Currency split of gross borrowings** (€ in millions)

	2012	2011
EUR	**1,004**	721
USD	**424**	444
All others	**59**	115
Total	**1,487**	1,280

■ 2012 □ 2011

Standard financial covenants

In the case of our committed credit facilities, we have entered into various covenants. These covenants may include limits on the disposal of fixed assets, the amount of debt secured by liens, cross default provisions and change of control. In addition, certain financial arrangements contain equity ratio covenants, minimum equity covenants as well as net loss covenants. If we failed to meet any covenant and were unable to obtain a waiver from a majority of partner banks, borrowings would become due and payable immediately. As at December 31, 2012, we were in full compliance with all of our covenants, with ample coverage above all stipulated minimum requirements. As a result of our cash flow expectations, we are fully confident we will continue to be compliant with these covenants going forward ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**. We believe that cash generated from operating activities, together with access to external sources of funds, will be sufficient to meet our future operating and capital needs.

Gross borrowings increase

Gross borrowings increased 16% to € 1.487 billion at the end of 2012 from € 1.280 billion in the prior year ⁄ **DIAGRAM 46**. The increase in gross borrowings was due to the issuance of a seven-year convertible bond in an amount of € 500 million. Bank borrowings decreased 53% to € 59 million from € 126 million in the prior year. Private placements decreased 27% to € 480 million in 2012 (2011: € 655 million). Bonds outstanding increased by € 449 million at the end of 2012 as a result of the issuance of the convertible bond ⁄ **DIAGRAM 51**. At issuance, the convertible bond was split – after deducting the issuance costs – into the equity component amounting to € 55 million and the debt component amounting to € 441 million. The debt component will be accrued to its nominal value amounting to € 500 million until 2017 by use of the effective interest method. The total amount of bonds outstanding at the end of 2012 was € 948 million (2011: € 499 million). As in the prior year, no commercial paper was outstanding at the end of 2012.

Euro dominates currency mix

The majority of our Group's gross borrowings are denominated in euros and US dollars. At the end of 2012, gross borrowings denominated in euros accounted for 68% of total gross borrowings (2011: 56%). The share of gross borrowings held in US dollars decreased to 29% (2011: 35%) ⁄ **DIAGRAM 46**.

Debt maturity profile improves

With the issuance of the convertible bond, our debt maturity profile improved ⁄ **DIAGRAM 47**. At the end of 2012, total refinancing needs for the next twelve months amounted to € 280 million (2011: € 289 million).

47 ⁄ Remaining time to maturity of gross borrowings
(€ in millions)

	2012	2011
< 1 year	**280**	289
1 to 3 years	**644**	780
3 to 5 years	**563**	211
> 5 years	**0**	0
Total	**1,487**	1,280

■ 2012 □ 2011

48 ⁄ Net cash/(net borrowings) (€ in millions)

2012	448
2011	90
2010	(221)
2009	(917)
2008	(2,189)

49 ⁄ Net cash/(net borrowings) by quarter[1] (€ in millions)

Q4 2012	448
Q4 2011	90
Q3 2012	(337)
Q3 2011	(750)
Q2 2012	(318)
Q2 2011	(863)
Q1 2012	(640)
Q1 2011	(914)

1) At end of period.

50 ⁄ Interest rate development[1] (in %)

2012	4.4
2011	4.9
2010	5.1
2009	5.2
2008	5.2

1) Weighted average interest rate of gross borrowings.

Interest rate improves

The weighted average interest rate on the Group's gross borrowings decreased to 4.4% in 2012 (2011: 4.9%) ⁄ **DIAGRAM 50**. The positive effect from lower interest rates on short-term borrowings was partly offset by the negative effect from local borrowings in currencies which carry a higher average interest rate. Fixed-rate financing amounted to 96% of the Group's total gross borrowings at the end of 2012 (2011: 77%). Variable-rate financing amounted to 4% of total gross borrowings at the end of the year (2011: 23%).

Net cash position increases by € 358 million

The Group ended the year with a net cash position of € 448 million, compared to a net cash position of € 90 million at the end of the prior year, reflecting an improvement of € 358 million ⁄ **DIAGRAM 48**. Strong cash flow from operating activities significantly influenced this development. Currency effects had a positive impact of € 3 million on net cash development. The Group's financial leverage declined to –8.5% at the end of 2012 versus –1.7% in the prior year ⁄ **DIAGRAM 52**. At the end of 2012, the ratio of net borrowings over EBITDA was –0.3 (2011: –0.1) and was thus well within the Group's medium-term guideline of less than two times. Efficient management of our capital structure continues to be a top priority for the Group ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**.

Effective currency management a key priority

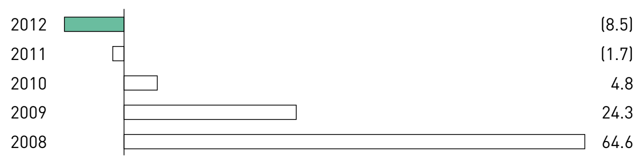
As a globally operating company, the Group is exposed to currency risks. Therefore, effective currency management is a key focus of Group Treasury, with the aim of reducing the impact of currency fluctuations on non-euro-denominated net future cashflows. In this regard, hedging US dollars is a central part of our programme. This is a direct result of the Group's Asian-dominated sourcing, which is largely denominated in US dollars ⁄ **SEE GLOBAL OPERATIONS, P. 100** In 2012, Group Treasury managed a net deficit of around US $ 2.7 billion against the euro, related to operational activities (2011: US $ 3.0 billion). As governed by the Group's Treasury Policy, we have established a rolling 12- to 24-month hedging system, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. As a result, we have almost completed our anticipated hedging needs for 2013 as of year-end 2012 and have already started hedging our exposure for 2014. The rates for 2013 are less favourable compared to those of 2012. The use or combination of different hedging instruments, such as forward contracts, currency options and swaps, protects us against unfavourable currency movements. The use of currency options allows the Group to benefit from future favourable exchange rate developments ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

51 ⁄ **Financing structure** [1] (€ in millions)

	2012	2011
Cash and short-term financial assets	**1,935**	**1,370**
Bank borrowings	59	126
Commercial paper	0	0
Private placements	480	655
Eurobond	499	499
Convertible bond	449	0
Gross total borrowings	**1,487**	**1,280**
Net cash	**448**	**90**

1) Rounding differences may arise in totals.

52 ⁄ **Financial leverage** (in %)



53 ⁄ **Issued bonds at a glance** (in millions)

Issued bonds	Volume	Coupon	Maturity
US private placement	USD 292	fixed	2013
Eurobond	EUR 500	fixed	2014
German private placement	EUR 56	fixed	2014
US private placement	USD 115	fixed	2015
US private placement	USD 150	fixed	2016
Convertible bond	EUR 500	fixed	2019

Financial Statements and Management Report of adidas AG

adidas AG is the parent company of the adidas Group. It includes operating business functions, primarily for the German market, corporate headquarter functions such as Global Marketing, Group Treasury, Taxes, Legal and Finance, and it also administers the shareholdings of the company.

Operating activities and capital structure of adidas AG

The majority of the operating business of adidas AG consists of the sale of merchandise to retailers and own-retail activities.

In addition to its own trading activities, the results of adidas AG are significantly influenced by its holding function for the adidas Group. This is reflected primarily in currency effects, transfer of costs for services provided, interest result and income from investments in affiliated companies.

The opportunities and risks as well as the future development of adidas AG largely reflect those of the adidas Group ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157** ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

The asset and capital structure of adidas AG is significantly impacted by its holding and financing function for the Group. For example, 50% of total assets in 2012 relates to financial assets, which primarily consist of shares in affiliated companies. Intercompany financial accounts, through which transactions between affiliated companies are settled, represent another 27% of total assets and 46% of total liabilities and equity as at December 31, 2012.

Preparation of accounts

Unlike the consolidated financial statements of the adidas Group, which are in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union as at December 31, 2012, the following financial statements of adidas AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch – HGB).

Income Statement

54 ⁄ **Statement of income in accordance with HGB (Condensed)**
(€ in millions)

	2012	2011
Net sales	2,004	1,766
Total output	**2,004**	**1,766**
Other operating income	1,270	1,254
Cost of materials	(574)	(531)
Personnel expenses	(343)	(304)
Depreciation and amortisation	(71)	(69)
Other operating expenses	(2,055)	(2,125)
Operating profit/(loss)	**231**	**(9)**
Financial result	350	178
Taxes	(77)	(58)
Net income	**504**	**111**
Profit brought forward	103	201
Retained earnings	**607**	**312**

Net sales increase 13%

Sales of adidas AG comprise external revenues from adidas and Reebok product sales generated by adidas Germany, external revenues from Y-3 products as well as group-internal revenues from foreign subsidiaries. Reported revenues also include royalty and commission income, mainly from affiliated companies, and other revenues. In 2012, adidas AG net sales grew 13% to € 2.004 billion (2011: € 1.766 billion). The majority of this growth is attributable to an increase in royalty income from affiliated companies ⁄ **TABLE 55**.

55 ⁄ **adidas AG net sales** (€ in millions)

	2012	2011
Royalty and commission income	1,111	922
adidas Germany	722	672
Foreign subsidiaries	102	113
Y-3	46	39
Other revenues	23	20
Total	**2,004**	**1,766**

Other operating income up 1%

In 2012, other operating income of adidas AG increased 1% to € 1.270 billion (2011: € 1.254 billion). This was primarily due to higher income derived from services provided to other Group companies as well as the reversal of allowances, which more than offset a decline in income from currency conversion.

Other operating expenses decrease 3%

In 2012, other operating expenses for adidas AG declined 3% to € 2.055 billion (2011: € 2.125 billion). This decrease was largely due to a decline in losses from currency conversion, which more than offset an increase in expenditure, in particular for marketing and consulting.

Depreciation and amortisation increases 3%

Depreciation and amortisation for adidas AG rose 3% to € 71 million in 2012 (2011: € 69 million), mainly as a result of the opening of the new "Laces" office building in Herzogenaurach, Germany, in July 2011.

Profit from operations

In 2012, adidas AG recorded a profit from operations of € 231 million compared to a loss of € 9 million in the prior year. This was mainly due to the increase in net sales.

Financial result improves 97%

The financial result of adidas AG improved 97% to € 350 million in 2012 from € 178 million in 2011. The strong increase is attributable to higher profit transfers of € 336 million from affiliated companies under profit and loss transfer agreements (2011: € 94 million). Income from investments in affiliated companies declined € 61 million to € 86 million in 2012 (2011: € 147 million).

Net interest expense of adidas AG rose 15% to € 72 million in 2012 (2011: € 63 million). This development was mainly due to higher interest paid to affiliated companies. Interest paid to third parties decreased € 4 million to € 36 million compared to the prior year.

Net income increases strongly

Income from ordinary activities rose 244% to € 581 million in 2012 from € 169 million in 2011. This development is attributable to the profit from operations and the improved financial result. Net income for the year after taxes of € 77 million was € 504 million (2011: € 111 million).

Balance Sheet

56 ⁄ **Balance sheet in accordance with HGB (Condensed)**
(€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Assets		
Intangible assets	152	154
Property, plant and equipment	265	255
Financial assets	3,480	3,429
Fixed assets	**3,897**	**3,838**
Inventories	33	30
Receivables and other assets	1,976	1,767
Cash and cash equivalents, securities	1,048	383
Current assets	**3,057**	**2,180**
Prepaid expenses	76	28
Total assets	**7,030**	**6,046**
Equity and liabilities		
Shareholders' equity	2,672	2,322
Provisions	361	339
Liabilities and other items	3,997	3,385
Total equity and liabilities	**7,030**	**6,046**

Total assets increase 16%

At the end of December 2012, total assets rose 16% to € 7.030 billion versus € 6.046 billion in the prior year. This was mainly a result of an increase in cash and cash equivalents, which rose € 665 million. In addition, receivables and other current assets increased € 209 million.

Shareholders' equity up 15%

Shareholders' equity increased 15% to € 2.672 billion at the end of December 2012 compared to € 2.322 billion in the prior year. The improvement was mainly due to the higher net income. Taking into account the dividend distribution from the prior year retained earnings and the net income generated for the year, the equity ratio remained stable at 38%.

Provisions increase 6%

Provisions rose 6% to € 361 million at the end of 2012 from € 339 million in 2011. This was mainly due to the increase in provisions for pensions and similar commitments of € 12 million.

Liabilities and other items up 18%

Liabilities and other items grew 18% to € 3.997 billion at the end of 2012 (2011: € 3.385 billion). The increase primarily results from the issuance of a convertible bond in an amount of € 500 million.

Cash inflow reflects net income and higher cash and cash equivalents

adidas AG generated a positive cash flow from operating activities of € 665 million compared to € 157 million in the prior year. The positive cash flow from operating activities was mainly a result of the net income of € 504 million generated during the period. Net cash outflow from investment activities was € 128 million (2011: € 132 million). This is largely attributable to capital expenditure for tangible and intangible fixed assets of € 83 million. Financing activities resulted in a positive cash flow of € 128 million (2011: cash outflow of € 323 million). The net cash inflow from financing activities relates to the issuance of the convertible bond. This was partly offset by cash outflows for the dividend payment of € 209 million and the reduction in bank borrowings of € 163 million. As a result of all these developments, cash and cash equivalents of adidas AG increased € 665 million to € 1.048 billion at the end of December 2012 compared to € 383 million at the end of December 2011.

adidas AG has a revolving credit line of € 500 million, which was unutilised as at the balance sheet date ⁄ **SEE TREASURY, P. 141**.

adidas AG is able to meet its financial commitments at all times.

Disclosures pursuant to § 315 Section 4 and § 289 Section 4 of the German Commercial Code

Composition of subscribed capital

The nominal capital of adidas AG amounts to € 209,216,186 (as at December 31, 2012) and is divided into the same number of registered no-par-value shares with a pro-rata amount in the nominal capital of € 1 each ("shares"). As at December 31, 2012, adidas AG does not hold any treasury shares ⁄ **SEE NOTE 26, P. 221**. Pursuant to § 4 section 8 of the Articles of Association, shareholders' claims to the issuance of individual share certificates are, in principle, excluded. Each share grants one vote at the Annual General Meeting. All shares carry the same rights and obligations.

In the USA, we have issued American Depositary Receipts (ADRs). ADRs are deposit certificates of non-US shares that are traded instead of the original shares on US stock exchanges. Two ADRs equal one share.

Restrictions on voting rights or transfer of shares

We are not aware of any contractual agreements with adidas AG or other agreements restricting voting rights or the transfer of shares. Based on the Code of Conduct of adidas AG, however, particular lock-up periods do exist for members of the Executive Board with regard to the purchase and sale of adidas AG shares. These lock-up periods are connected with the publication of quarterly and full year results. Such lock-up periods also exist for employees who have access to yet unpublished financial results.

In addition, restrictions of voting rights pursuant, inter alia, to § 136 German Stock Corporation Act (Aktiengesetz – AktG) or for treasury shares pursuant to § 71b AktG may exist.

Shareholdings in share capital exceeding 10% of voting rights

We have not been notified of, and are not aware of, any direct or indirect shareholdings in the share capital of adidas AG exceeding 10% of the voting rights.

Shares with special rights

There are no shares bearing special rights. In particular, there are no shares with rights conferring powers of control.

Voting right control if employees have a share in the capital

Like all other shareholders, employees who hold adidas AG shares exercise their control rights directly in accordance with statutory provisions and the Articles of Association.

Executive Board appointment and dismissal

Pursuant to § 6 of the Articles of Association and § 84 AktG, the Supervisory Board is responsible for determining the number of members of the Executive Board, for their appointment and dismissal as well as for the appointment of the Chief Executive Officer (CEO). Currently, the adidas AG Executive Board comprises the CEO as well as three further members ⁄ SEE EXECUTIVE BOARD, P. 40. Executive Board members may be appointed for a maximum period of five years. Such appointments may be renewed and the terms of office may be extended, provided that no term exceeds five years.

The Supervisory Board may revoke the appointment of an individual as member of the Executive Board or CEO for good cause, such as gross negligence of duties or a vote of no confidence by the Annual General Meeting. As adidas AG is subject to the regulations of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), the appointment of Executive Board members and also their dismissal requires a majority of at least two thirds of the Supervisory Board members (§ 31 MitbestG). If such a majority is not established in the first vote by the Supervisory Board, the Mediation Committee has to present a proposal which, however, does not exclude other proposals. The appointment or dismissal is then made in a second vote with a simple majority of the votes cast by the Supervisory Board members. Should the required majority not be established in this case either, a third vote, again requiring a simple majority, must be held in which, however, the Chairman of the Supervisory Board has two votes.

Furthermore, the Fuerth, Germany, local court shall, pursuant to § 85 section 1 AktG, in urgent cases, make the necessary appointment upon application by any party involved, if the Executive Board does not have the required number of members.

Amendments to the Articles of Association

Pursuant to § 179 section 1 sentence 1 AktG, the Articles of Association of adidas AG can, in principle, only be amended by a resolution passed by the Annual General Meeting. Pursuant to § 21 section 3 of the Articles of Association in conjunction with § 179 section 2 sentence 2 AktG, the Annual General Meeting of adidas AG principally resolves upon amendments to the Articles of Association with a simple majority of the votes cast and with a simple majority of the nominal capital represented when passing the resolution. If mandatory legal provisions stipulate a larger majority of voting rights or capital, this is applicable. When it comes to amendments solely relating to the wording, the Supervisory Board is, however, authorised to make these modifications in accordance with § 179 section 1 sentence 2 AktG in conjunction with § 10 section 1 of the Articles of Association.

Authorisation of the Executive Board to issue shares

The authorisations of the Executive Board are regulated by §§ 76 et seq. AktG in conjunction with § 7 of the Articles of Association. The Executive Board is responsible, in particular, for managing the company and represents the company judicially and extra-judicially.

The authorisation of the Executive Board to issue shares is regulated by § 4 of the Articles of Association and by statutory provisions:

Authorised Capital

- Until June 21, 2014, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether (Authorised Capital 2009/I).

- Until July 4, 2014, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind once or several times by no more than € 25,000,000 altogether (Authorised Capital 2011).

- Until July 12, 2015, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 20,000,000 altogether (Authorised Capital 2010).

Subject to Supervisory Board approval, shareholders' subscription rights may be excluded in certain cases for each of the above-mentioned authorisations ⁄ SEE NOTE 26, P. 221.

Contingent Capital

- Based on the resolution by the Annual General Meeting of May 6, 2010, the Executive Board is authorised, subject to Supervisory Board approval, to issue bonds with warrants and/or convertible bonds by the company or affiliated companies once or several times in the total amount of up to € 1.5 billion, with or without a limited term, against contributions in cash and to accept guarantee of such bonds issued by affiliated companies until May 5, 2015. Furthermore, the Executive Board is authorised, subject to Supervisory Board approval, to grant to bondholders or bond creditors subscription or conversion rights relating to no more than a total of 36,000,000 shares in compliance with the corresponding conditions of the bonds.
  For this purpose, the nominal capital was conditionally increased by up to € 36,000,000 (Contingent Capital 2010). The Executive Board is authorised, subject to Supervisory Board approval, to exclude shareholders' subscription rights for fractional amounts. The authorisation also provides for excluding shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of bonds already issued before are entitled. Furthermore, the Executive Board is authorised, subject to Supervisory Board approval, to also exclude shareholders' subscription rights if the issue price of the bonds is not significantly below the market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. The issuance of new shares or the use of treasury shares must be taken into account when calculating the limit of 10% in certain specific cases.

On March 14, 2012, following the approval of the Supervisory Board, the Executive Board issued a convertible bond, excluding shareholders' subscription rights, thus making partial use of the authorisation granted by the Annual General Meeting on May 6, 2010. For the issuance of shares to bondholders, the Contingent Capital 2010 may be utilised. However, the shares will only be issued insofar as bondholders make use of their conversion rights. The total number of shares to be issued to bondholders in case of full conversion currently amounts to up to 5,990,894 shares.

Authorisation of the Executive Board to repurchase shares

The authorisations to repurchase adidas AG shares arise from §§ 71 et seq. AktG and, as at the balance sheet date, from the authorisation granted by the Annual General Meeting on May 6, 2010.

⁄ Until May 5, 2015, the Executive Board is authorised to repurchase adidas AG shares of up to an amount totalling 10% of the nominal capital at the date of the resolution (or, as the case may be, a lower amount of nominal capital at the date of utilisation of the authorisation) for any lawful purpose and within the legal framework. The authorisation may be used by the company but also by its subsidiaries or by third parties on account of the company or its subsidiaries or third parties assigned by the company or one of its subsidiaries.

The repurchase via the stock exchange will be carried out through a public repurchase offer, through a public invitation to submit sale offers or through granting tender rights to shareholders. Furthermore, the authorisation sets out the lowest and highest nominal value that may be granted in each case.

The purposes for which adidas AG shares repurchased based on this authorisation may be used are set out in Item 11 of the Agenda for the Annual General Meeting held on May 6, 2010. The shares may in particular be used as follows:

- They may be sold via the stock exchange, through a public share purchase offer made to all shareholders or sold otherwise against cash (limited to 10% of the nominal capital taking into account certain offsets) at a price not significantly below the stock market price of shares with the same features.
- They may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies or participations in companies or within the scope of company mergers.
- They may be offered and sold as consideration for the acquisition of industrial property rights or intangible property rights or for the acquisition of licences relating to such rights, also through subsidiaries.
- They may be used for purposes of meeting the subscription or conversion rights or obligations or the company's right to delivery of shares arising from bonds with warrants and/or convertible bonds.
- They may be cancelled without the cancellation, or the execution thereof, requiring an additional resolution of the Annual General Meeting.

Furthermore, the shares may be assigned to members of the Executive Board as compensation by way of a stock bonus subject to the provision that resale by the Executive Board members shall only be permitted following a retention period of at least three years from the date of assignment. Responsibility in this case lies with the Supervisory Board.

In case of utilisation of shares for the above-mentioned purposes, except for the cancellation of shares, shareholders' subscription rights are excluded.

The Supervisory Board may determine that transactions based on this authorisation may only be carried out subject to the approval of the Supervisory Board or one of its committees.

⁄ In the scope of the authorisation resolved by the Annual General Meeting on May 6, 2010, the Executive Board is furthermore authorised to conduct the share buyback also by using equity derivatives which are arranged with a financial institution in close conformity with market conditions. adidas AG may acquire call options issued for physical delivery and/or sell put options or use a combination of call and put options or other equity derivatives if the option conditions ensure that these shares are only delivered if they were purchased in compliance with the equality principle. All share purchases using the aforementioned equity derivatives are limited to a maximum value of 5% of the nominal capital existing at the date on which the resolution was adopted by the Annual General Meeting (or, as the case may be, a lower amount of nominal capital at the date of utilisation of the authorisation). The term of the options may not exceed 18 months and must furthermore be chosen in such a way that the shares are acquired upon the exercise of the options no later than May 5, 2015. The authorisation furthermore sets out the lowest and highest nominal value that may be granted in each case.

For excluding subscription rights as well as for the use and cancellation of shares purchased using equity derivatives, the general provisions adopted by the Annual General Meeting (set out above) are applicable accordingly.

Change of control/compensation agreements

Material agreements entered into by adidas AG containing a change-of-control clause relate to financing agreements. In the case of a change of control, these agreements, in accordance with common practice, entitle the creditor to termination and early calling-in of any outstanding amounts.

No compensation agreements exist between adidas AG and members of the Executive Board or employees relating to the event of a takeover bid.

Business Performance by Segment

The adidas Group has divided its operating activities into Wholesale, Retail and Other Businesses. The Wholesale segment comprises the adidas and Reebok business activities with retailers. The Retail segment comprises the own-retail and e-commerce activities of the adidas and Reebok brands. The financial results of TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands, which comprise brands such as Y-3 and Five Ten, are aggregated under Other Businesses.

Wholesale Business Performance

Wholesale full year results

In 2012, sales in the Wholesale segment grew 2% on a currency-neutral basis, driven by strong growth at adidas, which more than offset sales declines at Reebok. Currency translation effects positively impacted segmental revenues in euro terms. Sales in the Wholesale segment grew 7% to € 9.533 billion from € 8.949 billion in 2011 ⁄ **TABLE 01**.

Wholesale gross margin increased 0.4 percentage points to 40.3% from 39.9% in 2011, as a result of a more favourable brand sales mix. By brand, the adidas wholesale gross margin grew 0.1 percentage points to 42.1% (2011: 42.0%). The positive impacts from product price increases as well as a more favourable product and regional mix more than offset an increase in input costs. The wholesale gross margin of the Reebok brand decreased 2.9 percentage points to 26.2% versus 29.1% in the prior year due to higher input costs as well as increased promotional activity. Wholesale gross profit grew 8% to € 3.840 billion from € 3.570 billion in 2011 ⁄ **TABLE 01**.

Segmental operating expenses as a percentage of sales decreased 0.7 percentage points to 9.2% (2011: 9.8%). Segmental operating expenses in Wholesale primarily relate to sales working budget expenses as well as expenditure for sales force, administration and logistics. In euro terms, segmental operating expenses were slightly down to € 875 million versus € 880 million in 2011. This was primarily due to lower sales working budget expenses, which more than offset an increase in expenditure for sales force, administration and logistics costs related to the Wholesale segment's expansion.

Segmental operating profit improved 10% to € 2.965 billion versus € 2.690 billion in the prior year. Segmental operating margin increased 1.0 percentage points to 31.1% (2011: 30.1%) ⁄ **TABLE 01**, as a result of the gross margin increase as well as the positive effect of lower segmental operating expenses as a percentage of sales.

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

	2012	2011 [1]	Change
Net sales	9,533	8,949	7%
Gross profit	3,840	3,570	8%
Gross margin	40.3%	39.9%	0.4pp
Segmental operating profit	2,965	2,690	10%
Segmental operating margin	31.1%	30.1%	1.0pp

1) Restated according to IAS 8, see Note 03, p. 203.

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

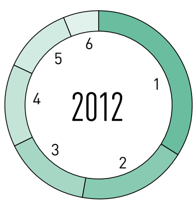
	2012	2011 [1]	Change	Change (currency-neutral)
Western Europe	3,257	3,187	2%	1%
European Emerging Markets	545	496	10%	6%
North America	1,744	1,771	(1%)	(9%)
Greater China	1,322	1,038	27%	15%
Other Asian Markets	1,493	1,332	12%	6%
Latin America	1,172	1,125	4%	5%
Total [2]	**9,533**	**8,949**	**7%**	**2%**

1) Restated according to IAS 8, see Note 03, p. 203.
2) Rounding differences may arise in totals.

Wholesale development by region

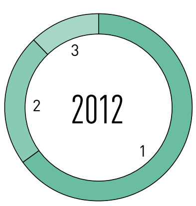
In 2012, currency-neutral sales for the Wholesale segment increased in all regions except North America. Currency-neutral revenues in Western Europe rose 1%, driven by double-digit sales growth in the UK and Poland which more than offset declines in Spain, Switzerland and Italy. Currency-neutral sales in European Emerging Markets were up 6%, mainly due to sales increases in Turkey. Currency-neutral Wholesale sales in North America were down 9% as a result of revenue declines at Reebok, which more than offset sales growth at adidas. Revenues in Greater China increased 15% on a currency-neutral basis. Sales in Other Asian Markets grew 6% on a currency-neutral basis, driven by strong increases in South Korea and Japan. In Latin America, currency-neutral sales were up 5%, supported by double-digit sales growth in Argentina, Chile, Colombia and Peru. Currency translation effects had a mixed impact on regional sales in euro terms ⁄ **TABLE 02**.

03 ⁄ **Wholesale net sales by region**



1 ⁄ **34%** Western Europe
2 ⁄ **18%** North America
3 ⁄ **16%** Other Asian Markets
4 ⁄ **14%** Greater China
5 ⁄ **12%** Latin America
6 ⁄ **6%** European Emerging Markets

04 ⁄ **Wholesale net sales by brand**



1 ⁄ **65%** adidas Sport Performance
2 ⁄ **23%** adidas Sport Style
3 ⁄ **12%** Reebok

Wholesale development by brand

In 2012, adidas Sport Performance wholesale revenues grew 6% on a currency-neutral basis. Growth was mainly a result of double-digit sales increases in the football, running, basketball and outdoor categories. Currency translation effects had a positive impact on revenues in euro terms. adidas Sport Performance sales grew 11% to € 6.187 billion from € 5.578 billion in the prior year.

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

Q1 2012	2,614
Q2 2012	2,113
Q3 2012	2,743
Q4 2012	2,063

06 ⁄ **Wholesale gross margin by quarter** (in %)

Q1 2012	41.8
Q2 2012	38.3
Q3 2012	41.3
Q4 2012	39.1

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

Q1 2012	851
Q2 2012	630
Q3 2012	907
Q4 2012	577

Currency-neutral adidas Sport Style wholesale revenues grew 13% in 2012. This increase was driven by double-digit sales growth at both adidas Originals and the adidas NEO label. Currency translation effects had a positive impact on revenues in euro terms. adidas Sport Style sales grew 18% to € 2.193 billion (2011: € 1.861 billion).

In 2012, Reebok wholesale revenues decreased 28% on a currency-neutral basis. This decline was mainly due to the discontinuation of the NFL licence agreement, ongoing challenges related to the brand's existing joint venture structure in certain markets in Latin America, as well as the weakness in Western Europe. In addition, the shift of the US-related NHL licensed apparel business into the Reebok-CCM Hockey segment negatively contributed to the sales development in North America. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales were down 25% to € 1.109 billion (2011: € 1.476 billion).

Retail Business Performance

Retail full year results

In 2012, Retail revenues increased 14% on a currency-neutral basis as a result of double-digit growth rates at both adidas and Reebok. Concept stores, factory outlets and concession corners were all up versus the prior year. eCommerce grew at a strong double-digit rate. Currency translation effects positively impacted segmental revenues in euro terms. Sales grew 21% to € 3.373 billion from € 2.793 billion in the prior year ⁄ **TABLE 08**. Currency-neutral comparable store sales rose 7% versus the prior year, with increases in all store formats.

Gross margin in the Retail segment decreased 1.7 percentage points to 60.9% from 62.6% in 2011. Increased promotional activities, the rise in input costs as well as the devaluation of the Russian rouble versus the US dollar significantly contributed to the margin decline. This more than offset the positive impact from product price increases. By brand, the adidas gross margin was down 1.5 percentage points to 62.1% (2011: 63.6%) and Reebok's gross margin decreased 2.7 percentage points to 55.1% (2011: 57.8%). Retail gross profit increased 18% to € 2.055 billion from € 1.749 billion in 2011 ⁄ **TABLE 08**.

Segmental operating expenses as a percentage of sales declined 1.9 percentage points to 39.5% (2011: 41.4%), as a result of operating leverage in the segment. Segmental operating expenses in Retail primarily relate to personnel and rent expenses as well as the sales working budget. Segmental operating expenses increased 15% to € 1.331 billion from € 1.156 billion in 2011. This was a result of higher expenditure for sales force and administration related to the expansion of the Group's store base, particularly in emerging markets. In addition, higher expenses for warehousing and distribution costs also contributed to the increase.

Segmental operating profit increased 22% to € 724 million versus € 593 million in the prior year. Segmental operating margin improved 0.2 percentage points to 21.5% (2011: 21.2%) ⁄ **TABLE 08**. This was a result of lower segmental operating expenses as a percentage of sales, which more than offset the decline in gross margin.

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

	2012	2011	Change
Net sales	3,373	2,793	21%
Gross profit	2,055	1,749	18%
Gross margin	60.9%	62.6%	(1.7pp)
Segmental operating profit	724	593	22%
Segmental operating margin	21.5%	21.2%	0.2pp

Retail development by region

Currency-neutral Retail sales increased in all regions. Retail revenues in Western Europe grew 6% on a currency-neutral basis, mainly due to double-digit sales increases in the UK, Germany and France. Sales in European Emerging Markets rose 19% on a currency-neutral basis, driven by growth in Russia/CIS, where both the adidas and Reebok brands achieved strong double-digit sales increases. Currency-neutral Retail sales in North America grew 10% due to double-digit growth in the USA and Canada. Retail revenues in Greater China increased 14% on a currency-neutral basis. Sales in Other Asian Markets grew 9% on a currency-neutral basis, mainly driven by double-digit increases in Japan. In Latin America, currency-neutral Retail sales grew 23%, with double-digit sales increases in all markets except Panama, where sales grew at a high-single-digit rate. Currency translation effects had a positive impact on regional sales in euro terms ⁄ **TABLE 09**.

Retail development by brand

In 2012, adidas Group Retail sales increased at a double-digit rate at both adidas and Reebok. Currency-neutral adidas Sport Performance revenues grew 11% in the period. adidas Sport Style sales rose 20% versus the prior year on a currency-neutral basis. Currency-neutral Reebok sales were 12% higher compared to the prior year. Comparable store sales for the adidas brand increased 7% on a currency-neutral basis. Growth at adidas was driven by double-digit sales increases in the training, football, running and basketball categories. adidas Originals and the adidas NEO label grew at a double-digit rate and high-single-digit

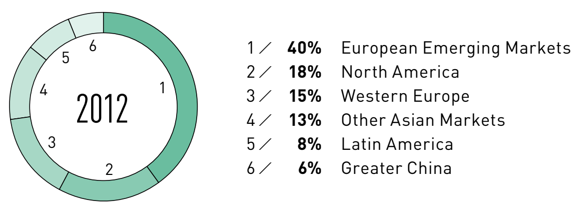
09 ⁄ **Retail net sales by region** (€ in millions)

	2012	2011	Change	Change (currency-neutral)
Western Europe	507	476	7%	6%
European Emerging Markets	1,346	1,055	28%	19%
North America	599	504	19%	10%
Greater China	198	157	26%	14%
Other Asian Markets	436	373	17%	9%
Latin America	287	228	26%	23%
Total [1]	**3,373**	**2,793**	**21%**	**14%**

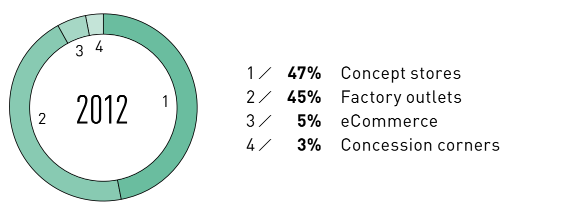
1) Rounding differences may arise in totals.

rate, respectively. Comparable store sales for Reebok were up 7% on a currency-neutral basis, mainly due to double-digit growth in training and running. Classics was also up at a double-digit rate. Currency translation effects had a positive impact on revenues in euro terms. adidas Sport Performance own-retail sales increased 17% to € 1.848 billion from € 1.576 billion in 2011. adidas Sport Style own-retail sales were up 27% to € 958 million from € 752 million in 2011. Own-retail sales of Reebok branded products grew 20% to € 558 million (2011: € 463 million).

10 ⁄ **Retail net sales by region**



11 ⁄ **Retail net sales by store format**



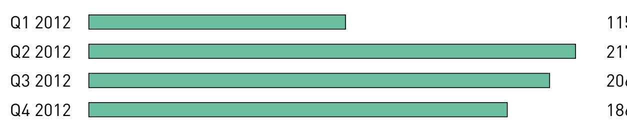
Retail store development

At December 31, 2012, the adidas Group Retail segment operated 2,446 stores. This represents a net increase of 62 stores or 3% versus the prior year-end level of 2,384. Of the total number of stores, 1,353 were adidas and 363 were Reebok branded (December 31, 2011: 1,290 adidas stores, 360 Reebok stores). In addition, the adidas Group Retail segment operated 730 factory outlets (December 31, 2011: 734). During 2012, the Group opened 323 new stores, 261 stores were closed and 92 stores were remodelled.

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

13 ⁄ **Retail gross margin by quarter** (in %)

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



Retail development by store format

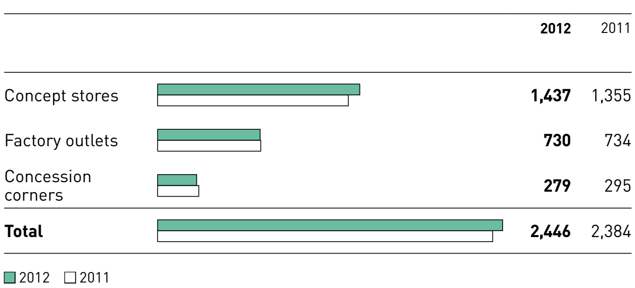
Concept store revenues include sales from adidas Sport Performance, adidas Sport Style and Reebok concept stores. In 2012, concept store revenues grew 16% on a currency-neutral basis. Sales increased at strong double-digit rates at both adidas and Reebok. Currency-neutral comparable concept store sales were up 7%. In 2012, the Group opened 250 new concept stores, 110 concept stores were closed, 57 concept stores were reclassified as concession corners, and one concept store was reclassified as a factory outlet. As a result, the number of concept stores increased by 82 to 1,437 at the end of 2012 (2011: 1,355), of which 1,171 were related to the adidas brand and 266 to the Reebok brand ⁄ **DIAGRAM 15**. Currency translation effects had a positive impact on sales in euro terms. Concept store sales increased 23% to € 1.572 billion from € 1.282 billion in 2011.

Factory outlet revenues include sales from adidas and Reebok factory outlets. In 2012, factory outlet revenues grew 9% on a currency-neutral basis. Sales increased at a double-digit rate at adidas. Reebok sales grew at a high-single-digit rate. Comparable factory outlet sales increased 7% on a currency-neutral basis. In 2012, the Group opened 52 and closed 57 factory outlets. In addition, one concept store was reclassified as a factory outlet. As a result, the number of factory outlets decreased by 4 to 730 at the end of 2012 (December 31, 2011: 734) ⁄ **DIAGRAM 15**. Currency translation effects had a positive impact on sales in euro terms. Factory outlet sales increased 16% to € 1.528 billion from € 1.321 billion in 2011.

Concession corner revenues include adidas and Reebok concession corners. In 2012, sales from concession corners increased 7% on a currency-neutral basis. Sales grew at a high-single-digit rate at adidas while Reebok sales were up at a low-single-digit rate. Currency-neutral comparable sales from concession corners grew 6%. In 2012, the Group opened 21 concession corners and closed 94. In addition, 57 concept stores were reclassified as concession corners. As a result, the number of concession corners decreased by 16 to 279 at the end of 2012 (December 31, 2011: 295), of which 182 were related to the adidas brand and 97 to the Reebok brand ⁄ **DIAGRAM 15**. Currency translation effects had a positive impact on sales in euro terms. Concession corner sales increased 13% to € 115 million (2011: € 101 million).

eCommerce revenues include e-commerce operations of the adidas and Reebok brands. In 2012, sales from adidas and Reebok e-commerce platforms were up 68% on a currency-neutral basis compared to 2011. Sales increased at strong double-digit rates at both adidas and Reebok. Currency translation effects had a positive impact on sales in euro terms. eCommerce revenues grew 78% to € 158 million from € 89 million in 2011.

15 ⁄ **Retail number of stores**



Other Businesses Performance

Other Businesses full year results

In 2012, revenues of Other Businesses grew 17% on a currency-neutral basis, mainly driven by strong double-digit sales growth at TaylorMade-adidas Golf as well as at Other Centrally Managed Brands. Sales at Rockport and Reebok-CCM Hockey also increased. Currency translation effects positively impacted revenues in euro terms. Sales of Other Businesses grew 25% to € 1.977 billion (2011: € 1.580 billion) ⁄ **TABLE 16**.

Gross margin decreased 0.8 percentage points to 42.8% (2011: 43.5%), driven by lower product margins at Reebok-CCM Hockey, where increased sourcing costs as well as the NHL lockout negatively impacted gross margin development. Other Businesses gross profit was up 23% to € 845 million versus € 688 million in 2011 ⁄ **TABLE 16**.

Segmental operating expenses as a percentage of sales decreased 1.1 percentage points to 15.4% (2011: 16.5%). Segmental operating expenses in Other Businesses primarily relate to expenditure for sales force and administration as well as sales working budget expenses for TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands. In euro terms, segmental operating expenses rose 17% to € 304 million from € 261 million in 2011. This was driven in particular by higher expenditure for sales force and administration at TaylorMade-adidas Golf and Rockport.

Other Businesses segmental operating profit increased 27% to € 541 million in 2012 versus € 427 million in the prior year. Segmental operating margin was up 0.4 percentage points to 27.4% from 27.0% in 2011 ⁄ **TABLE 16**. This was the result of lower segmental operating expenses as a percentage of sales, which more than offset the negative effects from a lower gross margin.

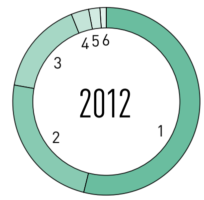
16 ⁄ **Other Businesses at a glance** (€ in millions)

	2012	2011	Change
Net sales	1,977	1,580	25%
Gross profit	845	688	23%
Gross margin	42.8%	43.5%	(0.8pp)
Segmental operating profit	541	427	27%
Segmental operating margin	27.4%	27.0%	0.4pp

Other Businesses development by region

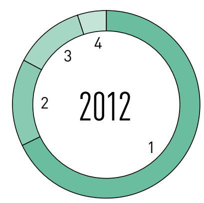
Currency-neutral sales of Other Businesses increased at a double-digit rate in all regions. Revenues in Western Europe were up 16% on a currency-neutral basis due to double-digit sales growth at Other Centrally Managed Brands and TaylorMade-adidas Golf. Sales at Reebok-CCM Hockey grew at a low-single-digit rate, and revenues at Rockport declined at a double-digit rate. Sales in European Emerging Markets increased 17% on a currency-neutral basis, driven by strong double-digit growth at Rockport. Revenues at Reebok-CCM Hockey and TaylorMade-adidas Golf were up at a high-single- and mid-single-digit rate, respectively. Currency-neutral sales in North America rose 19%, due to double-digit growth at TaylorMade-adidas Golf and Reebok-CCM Hockey. Sales at Other Centrally Managed Brands and Rockport increased at a strong double-digit and low-single-digit rate, respectively. Revenues in Greater China were up 10% on a currency-neutral basis as a result of strong growth at TaylorMade-adidas Golf. Sales in Other Asian Markets grew 12% on a currency-neutral basis, due to double-digit increases at TaylorMade-adidas Golf, which more than offset a mid-single-digit decline at Rockport. In Latin America, currency-neutral sales grew 37%, as a result of strong double-digit growth at TaylorMade-adidas Golf and Rockport. Currency translation effects had a positive impact on regional sales in euro terms ⁄ **TABLE 19**.

17 ⁄ **Other Businesses net sales by region**



1 ⁄ **54%** North America
2 ⁄ **24%** Other Asian Markets
3 ⁄ **16%** Western Europe
4 ⁄ **3%** European Emerging Markets
5 ⁄ **2%** Greater China
6 ⁄ **1%** Latin America

18 ⁄ **Other Businesses net sales by segment**



1 ⁄ **68%** TaylorMade-adidas Golf
2 ⁄ **15%** Rockport
3 ⁄ **12%** Reebok-CCM Hockey
4 ⁄ **5%** Other Centrally Managed Brands

Other Businesses development by segment

In 2012, TaylorMade-adidas Golf revenues grew 20% on a currency-neutral basis. Growth was primarily due to TaylorMade, where major categories such as metalwoods and irons increased at strong double-digit rates. In addition, the first-time consolidation of Adams Golf in the second quarter of 2012 positively contributed to the development. Sales for adidas Golf and Ashworth increased at a high-single-digit rate and strong double-digit rate, respectively. Currency translation effects positively impacted TaylorMade-adidas Golf sales in euro terms. Revenues increased 29% to € 1.344 billion from € 1.044 billion in the prior year.

Rockport revenues increased 2% on a currency-neutral basis, supported by several new product initiatives around Rockport's lightness concept. Currency translation effects positively impacted sales in euro terms. Revenues in the Rockport segment increased 9% to € 285 million (2011: € 261 million).

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

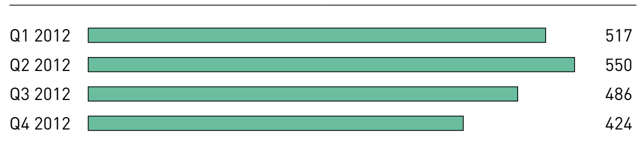
	2012	2011	Change	Change (currency-neutral)
Western Europe	312	259	21%	16%
European Emerging Markets	55	45	22%	17%
North America	1,067	827	29%	19%
Greater China	42	34	21%	10%
Other Asian Markets	478	398	20%	12%
Latin America	22	15	43%	37%
Total [1]	**1,977**	**1,580**	**25%**	**17%**

1) Rounding differences may arise in totals.

Currency-neutral Reebok-CCM Hockey sales were up 9%, mainly due to the shift of the US-related NHL licensed apparel business from Reebok into the Reebok-CCM Hockey segment. This development, however, was partly offset by the NHL lockout during the third and fourth quarter of 2012. Excluding the shift of the US-related NHL licensed apparel business from Reebok into the Reebok-CCM Hockey segment, sales decreased 9% on a currency-neutral basis. Currency translation effects positively impacted sales in euro terms. Reebok-CCM Hockey revenues increased 16% to € 243 million from € 210 million in 2011.

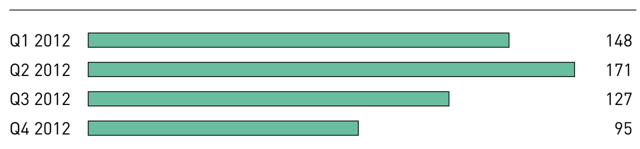
Other Centrally Managed Brands revenues grew 61% on a currency-neutral basis, primarily driven by the first-time consolidation of Five Ten in the fourth quarter of 2011 as well as growth at Y-3. Currency translation effects positively impacted sales in euro terms. Revenues in Other Centrally Managed Brands increased 63% to € 104 million (2011: € 64 million).

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



21 ⁄ **Other Businesses gross margin by quarter** (in %)

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



Subsequent Events and Outlook

In 2013, despite a high degree of economic uncertainty, we expect the global economy and consumer spending to increase, providing a positive backdrop for the continued growth and expansion of the sporting goods industry. Through an extensive pipeline of new and innovative products at all brands, tight control of inventories throughout 2012, and a more benign input cost environment, we project top- and bottom-line improvements in our Group's financial results in 2013. We forecast adidas Group sales to increase at a mid-single-digit rate on a currency-neutral basis, with growth expected in all segments. Group gross margin is forecasted to increase to a level between 48.0% and 48.5%, primarily as a result of positive regional and channel mix effects, as well as improvements in the Retail segment and at the Reebok brand. Group operating margin is forecasted to increase to a level approaching 9.0%, driven by the increase in gross margin as well as lower other operating expenses as a percentage of sales. As a result, we project earnings per share to grow to a level between € 4.25 and € 4.40.

Subsequent Events

No subsequent events

Since the end of 2012, there have been no significant organisation, management, economic, socio-political, legal or financial changes which we expect to influence our business materially going forward.

Outlook

Forward-looking statements

This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of the adidas Group. The outlook is based on estimates that we have made on the basis of all the information available to us at this point in time. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report, which are beyond the control of the adidas Group ⁄ SEE RISK AND OPPORTUNITY REPORT, P. 164. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialise, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. The adidas Group does not assume any obligation to update any forward-looking statements made in this Management Report beyond statutory disclosure obligations.

Global economy to grow in 2013

While policy actions have lowered the effects from the sovereign debt crisis in the euro area and the USA, the development of the global economy remains subject to a high degree of uncertainty in 2013. According to the World Bank, global GDP is projected to increase 2.4% in 2013 (2012: 2.3%). Developed markets are expected to expand by just 1.3%, with the euro area likely to remain in recession and Japan's economic growth expected to be modest. Conversely, the majority of the world's economic growth will continue to be derived from the emerging markets, which are forecasted to grow by 5.5%. Furthermore, in many of these developing economies, this growth is projected to continue to support rapid wage increases and disposable income. These positive economic growth expectations and the outlook for consumer spending, particularly in the emerging markets, are forecasted to be supportive of our growth aspirations in 2013.

In Western Europe, GDP is projected to remain almost unchanged, increasing by around 0.1% in 2013, with the euro area contracting by 0.2%. Deleveraging, tight credit levels, austerity measures and rising unemployment remain as major headwinds to the region's economic recovery. Nevertheless, stabilising demand from Asia is expected to support export activity, particularly for Germany, the region's largest economy, where domestic demand and GDP are forecasted to remain positive. Despite lower demand for exports to the euro area, European emerging markets are estimated to grow at around 2.7% in 2013, with major economies such as Russia, Turkey and Poland, in particular, expected to benefit from robust domestic consumption.

In the USA, GDP is forecasted to grow 2.7% in 2013, driven by domestic consumption as well as increasing industrial and export activities. The consensus is that inflation will remain moderate, while the labour and housing markets will continue to improve. These effects should support more robust spending and economic expansion, with the pace of recovery accelerating in the second half of the year. Nevertheless, continued concerns over the sovereign debt crisis in the euro area as well as headwinds from higher taxes and spending cuts, together with a relatively high unemployment rate, will impede a more rapid overall recovery.

In Asia, GDP is projected to increase 4.2% in 2013. With the exception of Japan, growth is expected to remain robust, driven by strong industrial activity and domestic demand. China remains the region's growth engine and is forecasted to expand by 8.6%. In most of the region's emerging markets, leading economic indicators point to inflation remaining contained and wage growth continuing to expand, which is expected to support consumer spending. However, in Japan, despite the government's substantial fiscal and monetary policies and an expected recovery in export levels, GDP is predicted to increase a modest 0.2% in 2013. Negative pressures such as low domestic consumption, a high debt burden and power supply restraints are expected to keep the pace of growth lacklustre.

In Latin America, GDP growth rates are set to increase 3.1% in 2013, with a recovery in exports, a healthy labour market and relatively robust consumer spending all forecasted to support economic activity. However, further policy intervention as the region's governments seek to balance growth against significant inflationary pressures may impact this development.

Sporting goods industry expansion to continue in 2013

In the absence of any major economic shocks, we expect the global sporting goods industry to grow in 2013, however with significant regional variation. Following macroeconomic trends, consumer spending on sporting goods in the emerging economies is expected to grow faster than in the more developed markets. Inflationary pressures, particularly in relation to commodity prices, are projected to remain relatively contained in most markets. However, wage growth in the faster-growing economies will continue to add significant costs to the industry, especially where the industry sources and manufactures sporting goods.

Private consumption in many mature markets is forecasted to remain challenging in 2013, limiting industry expansion in those markets. Conversely, the sporting goods sector is expected to maintain robust growth in the emerging economies, especially in Asia. Additionally, in 2013, the industry should gain momentum in the second half of the year, especially in the football category, due to the 2013 FIFA Confederations Cup and the build-up to the 2014 FIFA World Cup, which are both being hosted by Brazil.

In much of Europe, the sporting goods industry is expected to face difficult headwinds in 2013. Sporting goods retail activity is forecasted to be negatively affected by rising unemployment levels, stringent austerity measures, low wage growth and reduced consumer spending. Moreover, lapping the London 2012 Olympic Games (UK) and the UEFA EURO 2012 (Poland and Ukraine), which added to the industry's performance in the region in 2012, will accentuate the contraction, particularly in the host markets. However, robust consumer spending in Germany and some European emerging markets, such as Russia and Turkey, should continue. Russia's sporting goods sector, in particular, will benefit from the 14th IAAF World Championships in Athletics, which are being hosted in Moscow in August.

In the USA, industry growth rates are expected to be ahead of the economy's overall growth, with lower fuel prices and a recovery in property values supporting consumer sentiment and spending expectations. From a category perspective, the trend towards basketball styles is set to continue. Training and high-performance technical footwear and apparel are also predicted to be significant sporting goods drivers for the year. The US golf market is also expected to see modest growth in 2013.

In Greater China, strong wage growth and domestic consumption should propel sporting goods sales in 2013. The trend and market share shift towards international brands is expected to continue. However, oversupply and discounting are concerns for the industry, particularly for local players.

In other Asian markets, the sporting goods industry is forecasted to record strong growth in 2013, however with regional differences. Japan's sporting goods industry is expected to be challenging in 2013, given that overall consumer confidence and spending are projected to remain low. Most of the other major Asian emerging markets are expected to see rapid sporting goods sales growth in 2013, as domestic demand increases and rising wages continue to drive purchases of discretionary items.

The sporting goods industry in Latin America is projected to record robust growth in 2013, with a healthy labour market and wage growth, as well as increasing access to credit, expected to promote consumer spending and discretionary purchases. Furthermore, given the importance of football in this region, the industry is expected to gain significant momentum from the 2013 FIFA Confederations Cup and the build-up to the 2014 FIFA World Cup.

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

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

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

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

01 / **adidas Group 2013 outlook**

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

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

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

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

In 2013, revenues of Other Businesses are expected to increase at a mid- to high-single-digit rate on a currency-neutral basis. TaylorMade-adidas Golf currency-neutral sales are projected to grow at a mid-single-digit rate compared to the prior year. Product launches in core categories such as metalwoods and irons, new product introductions in footwear and the first full year of consolidation of Adams Golf should support growth in this segment. Currency-neutral revenues at Rockport are forecasted to increase at a mid- to high-single-digit rate driven by a broadening of the product assortment, particularly in lightweight and women's, as well as own-retail expansion. Currency-neutral sales at Reebok-CCM Hockey are expected to grow at a low-double-digit rate, supported by new product introductions in its key categories skates and sticks, as well as the non-recurrence of negative impacts related to the prolonged NHL lockout affecting the 2012/2013 season.

adidas Group sales expected to increase in all geographical areas

We expect Group currency-neutral revenues to increase in all of our geographical areas in 2013, however at varying growth rates. In Western Europe, despite the non-recurrence of the UEFA EURO 2012 as well as the London 2012 Olympic Games, which provided a positive stimulus in the region in 2012, a gradual improvement in the macroeconomic environment as well as the build-up to the 2014 FIFA World Cup in the second half of the year will positively impact sales development in this region, albeit at a very modest level. In European Emerging Markets, the expansion of and increasing sophistication in our own-retail activities, particularly in Russia/CIS, are forecasted to have a positive influence on Group sales. In North America, we expect solid growth due to continued momentum of the adidas brand as we further strengthen our product offering and distribution scope as well as introduce consumer engagement initiatives. Reebok sales are also projected to return to growth, driven by new product introductions. In Greater China, we expect further growth in line with our Route 2015 aspirations. This development will be primarily driven by expanding and solidifying our distribution footprint, including the further roll-out of adidas Originals and the adidas NEO label. In Other Asian Markets, growth will be driven by markets such as South Korea and Southeast Asia as well as the non-recurrence of clean-up activities at Reebok India Company. Lastly, in Latin America, despite trade barriers which will continue to weigh on growth prospects and the timing of sales in certain markets, Group sales development is projected to be positively impacted by the solid momentum of the region's sporting goods industry. Furthermore, the 2013 FIFA Confederations Cup as well as preparations for the 2014 FIFA World Cup will be a positive stimulus to the region.

Group gross margin to improve in 2013

In 2013, the adidas Group gross margin is forecasted to increase to a level between 48.0% and 48.5% (2012: 47.7%). Improvements are expected in all segments. Group gross margin will benefit from positive regional and channel mix effects, as growth rates in high-margin emerging markets and Retail are projected to be above growth rates in more mature markets and Wholesale. In addition, improvements in the Retail segment as well as at the Reebok brand will positively influence Group gross margin development. However, these positive effects will be partly offset by less favourable hedging terms compared to the prior year as well as increasing labour costs, which are expected to negatively impact our cost of sales.

Group other operating expenses to decrease modestly as a percentage of sales

In 2013, the Group's other operating expenses as a percentage of sales are expected to decrease modestly (2012: 41.3%). Sales and marketing working budget expenses as a percentage of sales are projected to be at a similar level compared to the prior year. Marketing investments to support new product launches at all brands, as well as the expansion of Reebok's activities in the fitness category, will be offset by the non-recurrence of expenses in relation to the UEFA EURO 2012 as well as the London 2012 Olympic Games. Operating overhead expenditure as a percentage of sales is forecasted to decline modestly in 2013. Higher administrative and personnel expenses in the Retail segment due to the planned expansion of the Group's store base will be offset by leverage in the Group's non-allocated central costs.

We expect the number of employees within the adidas Group to increase slightly versus the prior year level. Additional hires will be mainly related to own-retail expansion. The majority of new hires will be employed on a part-time basis and will be located in emerging markets. The adidas Group will continue to spend around 1% of Group sales on research and development in 2013. Areas of particular focus include advanced cushioning solutions, lightweight and digital sports technologies as well as sustainable product innovation. In addition, we will continue our commitment to expanding Reebok's product offering to match its fitness positioning ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105**.

Operating margin to continue to expand

In 2013, we expect the operating margin for the adidas Group to increase to a level approaching 9.0% (2012 excluding goodwill impairment losses: 8.0%). Improvements in the Group's gross margin as well as lower other operating expenses as a percentage of sales are expected to be the primary drivers of the improvement.

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

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

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

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

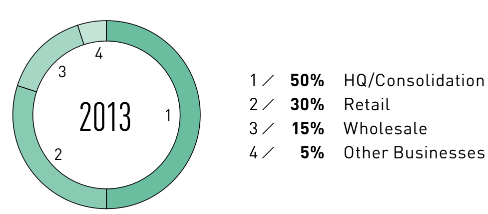
Capital expenditure to be between € 500 million and € 550 million

In 2013, capital expenditure is expected to amount to € 500 million to € 550 million (2012: € 434 million). Investments will focus on adidas and Reebok controlled space initiatives, in particular in emerging markets. These investments will account for around 35% of total investments in 2013. Other areas of investment include the Group's logistics infrastructure, the further development of the adidas Group headquarters in Herzogenaurach, Germany, and the increased deployment of SAP and other IT systems in major subsidiaries within the Group. Projected capital expenditure by segment is outlined in the diagram below ⁄ **DIAGRAM 02**. All investments within the adidas Group in 2013 are expected to be fully financed through cash generated from operating activities.

Excess cash to be used to support growth initiatives

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

02 ⁄ **Capital expenditure by segment**



Efficient liquidity management in place for 2013 and beyond

Efficient liquidity management remains a priority for the adidas Group in 2013. We focus on continuously anticipating the operating cash flows of our Group segments, as this represents the main source of liquidity within the Group. On a quarterly basis, liquidity is forecasted on a multi-year financial and liquidity plan. Long-term liquidity is ensured by continued positive operating cash flows and sufficient unused committed and uncommitted credit facilities. In 2013, we do not expect any major financing activities in order to replace maturing credit facilities **SEE TREASURY, P. 141**.

Management to propose dividend of € 1.35

In light of the strong cash flow generation in 2012 and resulting improved net cash position at year-end, Management will recommend paying a dividend of € 1.35 to shareholders at the Annual General Meeting (AGM) on May 8, 2013, representing an increase of 35% compared to the prior year (2011: € 1.00). Subject to shareholder approval, the dividend will be paid on May 9, 2013. The proposal represents a payout ratio of 35.7% of net income attributable to shareholders excluding goodwill impairment losses, compared to 34.1% in the prior year. This complies with our dividend policy, according to which we intend to pay out between 20% and 40% of net income attributable to shareholders annually. Based on the number of shares outstanding at the end of 2012, the dividend payout will thus increase to € 282 million compared to € 209 million in the prior year.

adidas Group expects further growth and margin improvements in 2014 and 2015

For 2014 and 2015, in line with our Route 2015 strategic business plan aspirations, we project adidas Group sales and net income to increase, and we also expect further improvements in operating margin. Further details of our Route 2015 strategic goals and initiatives for our segments and brands are outlined in the Group Strategy section of this Annual Report **SEE GROUP STRATEGY, P. 68**.

Management assessment of financial outlook

Since the adidas Group publicly announced its Route 2015 strategic business plan in 2010, we have made significant progress towards our Route 2015 aspirations. Given the strong performance over the last two years, we are confident that we will reach our strategic goals. We will remain focused on creating long-term sustainable shareholder value and continue to pursue all targets with utmost diligence. In 2013, we will see a specific emphasis on driving improvements in our operating margin as well as creating a platform for growth in the upcoming 2014 event year. The outlook we are presenting for 2013 underpins the validity of our Route 2015 plan and aspirations.

03 / Major 2013 product launches

Product	Brand
SLVR Primeknit shoe	adidas
Y-3 10-year anniversary collection	adidas
Originals Torsion Allegra running shoe	adidas
adidas NEO Selena Gomez collection	adidas
Porsche Design Sport Bounce S3 running shoe	adidas
adizero f50 Messi football boot	adidas
Energy Boost running shoe	adidas
Crazy Quick basketball shoe	adidas
D Rose 4 basketball shoe	adidas
adipure Trainer 360 ClimaCool training shoe	adidas
Terrex Windstopper Fast outdoor jacket	adidas
Terrex Solo Stealth outdoor shoe	adidas
ClimaCool Boat Sleek women's outdoor shoe	adidas
RealFlex Transition 3.0 training shoe	Reebok
Reebok Delta PWR apparel	Reebok
SubLite Duo running shoe	Reebok
ZigCarbon running shoe	Reebok
ATV19 running shoe	Reebok
One Quest walking shoe	Reebok
ShapeWear women's apparel	Reebok
UR Lead Mid dance shoe	Reebok
Yoga Capri pants	Reebok
Kids Sport ATV19 training shoe	Reebok
R1 driver	TaylorMade
RBZ Stage 2 driver, fairway woods and rescue hybrids	TaylorMade
RocketBladez Tour irons	TaylorMade
Lethal golf ball	TaylorMade
RocketBallz Urethane golf ball	TaylorMade
Ghost Spider S Slant putter	TaylorMade
adizero Tour golf shoe	adidas Golf
adizero Sport golf shoe	adidas Golf
Super LS driver, fairway woods, hybrids and irons	Adams Golf
truWalkZero III footwear collection	Rockport
RocSports Lite men's footwear collection	Rockport
Total Motion footwear collection	Rockport
Seven to 7 women's footwear collection	Rockport
Pro Series protective equipment	Reebok Hockey
CCM RBZ skate	CCM
Extreme Flex goalie equipment	CCM

Risk and Opportunity Report

The adidas Group continuously explores and develops opportunities to sustain earnings and drive long-term increases in shareholder value. We acknowledge that in our daily business we are exposed to various risks and that it is necessary to take certain risks to maximise business opportunities. Our risk and opportunity management principles and system provide the framework for our Group to conduct business in a well-controlled environment.

Risk and opportunity management principles

The adidas Group is regularly confronted with risks and opportunities which have the potential to negatively or positively impact the assets, liabilities, financial position and profit and loss of the Group, or intangible assets such as brand image.

We define risk as the potential occurrence of an external or internal event (or series of events) that may negatively impact our ability to achieve the Group's business objectives or financial goals. Opportunity is defined as the potential occurrence of an external or internal event (or series of events) that can positively impact the Group's business objectives or financial goals.

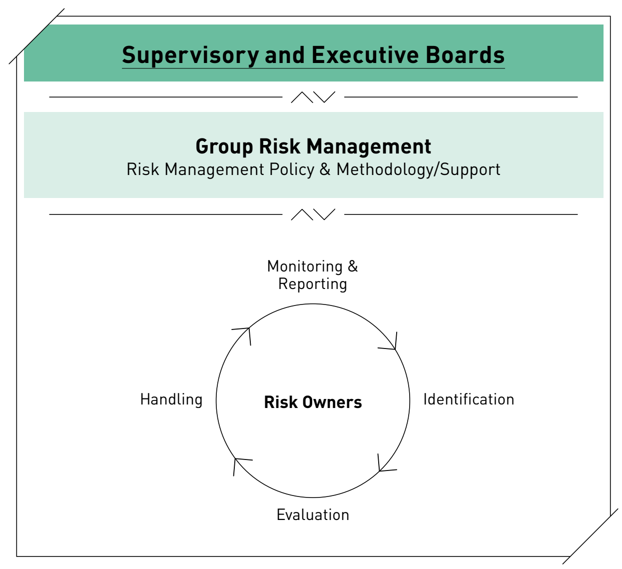
In this Risk and Opportunity Report, we have outlined the Group's most important risks and opportunities as well as other risks that have a particular relevance from an industry or financial market perspective. We have summarised risks in four main categories: Strategic, Operational, Legal & Compliance and Financial. Opportunities are classified in two main categories: Strategic & Operational and Financial.

Risk and opportunity management system

The adidas AG Executive Board has the overall responsibility to operate an effective risk and opportunity management system that ensures comprehensive and consistent management of all significant risks and opportunities. The Group Risk Management department coordinates the execution and further development of the adidas Group's risk and opportunity management system and is the owner of the centrally managed risk and opportunity management process on behalf of the adidas AG Executive Board. The adidas AG Supervisory Board has the responsibility to monitor the effectiveness of the Group's risk management system. These duties are undertaken by the Supervisory Board's Audit Committee. In addition, the Global Internal Audit department also includes an assessment of compliance with the Group Risk Management Policy as part of its regular auditing activities of selected adidas Group subsidiaries or functions each year.

To facilitate effective risk and opportunity management, we implemented an integrated risk and opportunity management system, which focuses on the identification, evaluation, handling, monitoring and reporting of risks and opportunities. The key objective of this system is to protect and further grow shareholder value through an opportunity-focused, but risk-aware decision-making framework.

01 / **adidas Group risk and opportunity management system**



We believe that a key component of optimal risk and opportunity management is the identification and evaluation of risks, risk-mitigating actions and opportunities where they arise. In addition, a concerted approach to handling, monitoring and reporting is of key importance. Therefore, risk and opportunity management is a Group-wide activity, which utilises critical day-to-day management insight from both global and local business units and functions.

Our risk and opportunity management process contains the following components:

⁄ **Risk and opportunity identification:** The adidas Group continuously monitors the macroeconomic environment, developments in the sporting goods industry, as well as internal processes, to identify risks and opportunities as early as possible. The Risk Owners (i.e. all direct reports to the adidas AG Executive Board and the managing directors of all our markets) have primary responsibility for the identification of risks and opportunities. The Group Risk Management department has defined a catalogue of potential risk areas (Risk Universe) to assist Risk Owners in identifying and categorising risks and opportunities. Our Group-wide network of Risk Owners ensures an effective identification of risks and opportunities. While various Risk Owners – according to their area of responsibility – actively monitor the overall macroeconomic, political, social and regulatory landscape, others closely observe brand, distribution channel and price point developments as well as changes in other areas such as input prices, financial market conditions or technological developments.

The Risk Owners use various instruments in the risk and opportunity identification process, such as primary qualitative and quantitative research including trend scouting, consumer surveys as well as feedback from our business partners and controlled space network. These efforts are supported by global market research and competitor analysis. Through this process, we seek to identify the markets, categories, consumer target groups and product styles which show most potential for future growth at a local and global level. Equally, our analysis focuses on those areas that are at risk of saturation, or exposed to increased competition or changing consumer tastes.

⁄ **Risk and opportunity evaluation:** In order to manage risks and opportunities in an effective way, we evaluate identified risks and opportunities individually according to a systematic evaluation methodology, which is applied consistently and allows adequate prioritisation as well as allocation of resources. Risk and opportunity evaluation is also part of the Risk Owners' responsibility. The Group Risk Management department supports and guides the Risk Owners in the evaluation process. According to our risk and opportunity management methodology, risks and opportunities are evaluated by looking at two dimensions – the potential (financial) impact and the likelihood that this impact materialises, both considering the upcoming twelve-month period. This does not mean that the respective Risk Owners are only looking at risks from a short-term perspective. Their assessment also includes a mid-term (12 to 24 months) and long-term (beyond 24 months) perspective. The potential impact is evaluated by utilising five categories: marginal, minor, moderate, significant and major. These categories represent quantitative or equivalent qualitative measurements. The quantitative measurements are based on the potential financial effect on the relevant income statement metrics (operating profit, financial result or tax expenses). Qualitative measurements used are, for example, the degree of media exposure or additional senior management attention needed. Likelihood represents the possibility that a given risk or opportunity may materialise with the specific impact. The likelihood of individual risks and opportunities is evaluated on a percentage scale divided into five categories: unlikely, possible, likely, probable and highly probable.

When assessing risks, we consider two perspectives – the gross risk and the net risk. While the gross risk reflects the worst-case negative (financial) impact before any mitigating actions, the net risk reflects the expected remaining (financial) impact after all mitigating actions. On the one hand, this approach allows for a good understanding of the impact of mitigating action taken, and on the other hand provides the basis for scenario analysis and simulations. We regularly measure the actual financial impact of risks that materialised against the original assessment. In that way, we ensure continuous monitoring of the accuracy of risk evaluations across the Group, which enables us to continuously improve evaluation methodology based on our findings.

In assessing the potential effect from opportunities, each opportunity is appraised with respect to viability, commerciality and potential risks. This approach is applied to longer-term strategic prospects but also to shorter-term tactical and opportunistic initiatives at both the Group and, more extensively, the market and brand level. In contrast to the risk evaluation, we do not distinguish between gross and net perspective when assessing opportunities.

⁄ **Risk and opportunity handling:** Risks and opportunities are treated in accordance with the Group's risk and opportunity management principles as described in the Group Risk Management Policy. Risk Owners are in charge of developing and implementing appropriate risk-mitigating actions and exploiting opportunities within their area of responsibility. In addition, the Risk Owners need to determine a general risk handling strategy for the identified risks, which is either risk avoidance, risk reduction with the objective to minimise (financial) impact and/or likelihood of occurrence, risk transfer to a third party or risk acceptance. The decision on the implementation of the respective risk handling strategy also takes into account the costs in relation to the effectiveness of any planned mitigating actions if applicable. The Group Risk Management department works closely with the Risk Owners to monitor the continuous progress of planned mitigating actions and assess the viability of already implemented mitigating actions.

Risk and opportunity monitoring and reporting: Our integrated risk and opportunity management system aims to increase the transparency of Group risks and opportunities. As both risks and opportunities are subject to constant change, Risk Owners not only monitor developments, but also the adequacy and effectiveness of the current risk handling strategy on an ongoing basis.

Regular risk reporting consists of a two-step reporting stream supported and facilitated by a globally used Group-wide IT solution that was implemented in 2011. Firstly, on a quarterly basis, Risk Owners are required to report to Group Risk Management risks with a possible gross impact rating of at least moderate (financial equivalent: impact on the relevant income statement metric above the threshold of € 10 million) and a net impact rating of at least minor (financial equivalent: impact on the relevant income statement metric above the threshold of € 1 million), both regardless of the likelihood of materialising. Opportunities are aggregated separately, with Risk Owners reporting all opportunities with an impact rating of at least minor (financial equivalent: above € 1 million impact on the relevant income statement metric). Secondly, Group Risk Management aggregates the reported risks and, also on a quarterly basis, provides the adidas AG Executive Board with a consolidated Group-wide report based on the Risk Owners' input.

Material changes in previously reported risks and/or newly identified risks with a potential net impact of moderate (financial equivalent: impact on the relevant income statement metric above the threshold of € 10 million), and any issues identified which due to their material nature require immediate reporting to the Executive Board, are also reported outside the regular quarterly reporting stream on an ad hoc basis.

Description of the main features of the internal control and risk management system relating to the consolidated financial reporting process pursuant to § 315 section 2 no. 5 German Commercial Code (Handelsgesetzbuch – HGB)

We regard the internal control and risk management system relating to the consolidated financial reporting process of the adidas Group as a process which is embedded within the Group-wide corporate governance system. The internal control and risk management system relating to the consolidated financial reporting process aims at avoiding false representation in our Group accounting and in external financial reporting by ensuring Group-wide compliance with statutory provisions and internal Group regulations. We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting and Legal, focusing on the identification, assessment, treatment, monitoring and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process in the various areas. In a first step, the internal control and risk management system serves to identify and assess as well as to limit and control risks identified in the consolidated financial reporting process which might result in our consolidated financial statements not being in conformity with regulations.

The internal control system relating to the consolidated financial reporting process serves to provide reasonable assurance that the financial statements are prepared in compliance with regulations despite identified financial reporting risks. To monitor the effectiveness of the internal control and risk management system, Internal Audit and our central Group Policies and Internal Controls department regularly review accounting-relevant processes. Additionally, as part of the year-end audit, the external auditor selects and examines internal controls, including the IT systems, to assess their effectiveness. The Supervisory Board's Audit Committee also monitors the effectiveness of the internal control system. Even with appropriate and functional systems, however, absolute certainty about the effectiveness of the internal control system cannot be guaranteed.

adidas AG defines uniform consolidated financial reporting policies and updates these on a regular basis, dependent on regulatory changes and internal developments. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the Group. These policies are available to all employees involved in the financial reporting process through the Group-wide intranet. Material changes are communicated to the subsidiaries Group-wide on a quarterly basis. We aim to ensure compliance with the consolidated financial reporting policies through continuous adherence to the four-eyes principle in accounting-related processes. Certain reporting obligations and the extent thereof are mandatory for the Group's subsidiaries. Adherence to reporting obligations and timelines is monitored centrally by Group Accounting.

The accounting at subsidiaries is conducted either locally by the respective company or by an adidas Group Shared Service Centre, in accordance with our global consolidated financial reporting policies. Most of the IT systems used are based on a Group-wide standardised SAP system. Some Group companies use Navision-based ERP software. Following approval by the Finance Director of the subsidiary, the local financial statements are transferred into a central consolidation system based on SAP SEM-BCS. The regularity and reliability of the financial statements prepared by subsidiaries and adjusted to the Group's uniform accounting policies are reviewed at Group level by Group Accounting and Controlling. These measures include automated validation in the system as well as creation of reports and analyses to ensure data integrity and adherence to reporting logic. In addition, differences between actual financial data and prior year as well as budget figures are analysed on a distribution channel and market level. If necessary, the Group seeks the opinion of independent experts to review business transactions that occur infrequently and not on a routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP SEM-BCS. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both system-based, using automatically created consolidation logs, and manually. Any inadequacies are remedied manually by systematically processing the individual errors and differences and are reported back to the subsidiaries. After finalisation of all consolidation steps, all items in the P&L and statement of financial position are analysed with respect to trends and variances. Unless already otherwise clarified, the subsidiaries are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorisation concepts, approval concepts and access restrictions. Access authorisations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimised by Group IT through central control and monitoring of virtually all IT systems, centralised management of change processes and through regular data backups.

Further improvement of risk and opportunity management system in 2012

In 2012, we further sharpened the Group Risk Management Policy, which is available to all Group employees on our intranet. The policy outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements and communication timelines within our Group. In particular, we simplified the reporting thresholds, which are now based only on potential impact independent of the likelihood of materialising (previously a multiplication of both). We also updated and adjusted our Risk Universe. During the year, the Group Risk Management department held numerous training sessions and workshops, to further increase risk awareness and establish a culture of risk-conscious decision-making. Furthermore, we modified our risk aggregation methodology, putting particular emphasis on the evaluation of the potential impact. This also contributed to visible changes in various risk ratings compared to the prior year. In addition, we also strengthened and institutionalised our Group's compliance and internal control structures and activities. From an organisational perspective, we have closely linked our compliance management system with Group Risk Management. We have established a global network of local Compliance Officers, to whom complaints and indications of possible compliance issues can be reported. These Compliance Officers report directly to the Group's Chief Compliance Officer. Moreover, we have set up a central Group Policies and Internal Controls department.

02 / Corporate risk overview

	Likelihood	Potential impact
Strategic risks		
Macroeconomic, socio-political and regulatory risks	Likely	Major
Risks related to distribution strategy	Possible	Significant
Dependency risks	Possible	Significant
Risks related to media and stakeholder activities	Likely	Significant
Customer consolidation/private label risks	Possible	Significant
Competition risks	Possible	Major
Risks related to risk and control environment	Possible	Major
Consumer demand risks	Possible	Significant
Operational risks		
Own-retail risks	Possible	Major
Logistics risks	Likely	Significant
Marketing risks	Likely	Significant
Customer relationship risks	Unlikely	Major
Sales and pricing risks	Possible	Major
Supplier risks	Unlikely	Major
Inventory risks	Possible	Significant
Hazard risks	Possible	Major
Personnel risks	Unlikely	Significant
IT risks	Possible	Major
Product innovation and development risks	Likely	Moderate
Risks related to rising input costs	Likely	Moderate
Legal & compliance risks		
Legal risks	Possible	Major
Risks related to competition, trade and customs regulations	Possible	Significant
Social and environmental risks	Possible	Major
Risks related to product counterfeiting and imitation	Unlikely	Significant
Product quality risks	Possible	Significant
Fraud and corruption risks	Unlikely	Significant
Financial risks		
Credit risks	Possible	Major
Financing and liquidity risks	Unlikely	Minor
Currency risks	Probable	Major
Interest rate risks	Probable	Minor

03 / Corporate risk evaluation categories listed in ascending order

Likelihood	Potential impact
Unlikely	Marginal
Possible	Minor
Likely	Moderate
Probable	Significant
Highly probable	Major

Strategic risks

Macroeconomic, socio-political and regulatory risks

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns, socio-political factors such as civil unrest, nationalisation or expropriation, in particular in regions where the Group is highly represented, therefore pose a significant risk to sales development. In addition, significant changes in the regulatory environment (e.g. trade policies, tax legislation, product quality and safety standards, etc.) could lead to potential cost increases. To mitigate these macroeconomic, socio-political and regulatory risks, the Group strives to balance sales across key global regions and also between developed and emerging markets. We also continuously monitor the macroeconomic, political and regulatory landscape in all our key markets to anticipate potential problem areas, so that we are able to quickly adjust our business activities accordingly upon any change in conditions. Furthermore, a core element of our positioning in performance sports is the utilisation of an extensive global event and partnership portfolio where demand is more predictable and less sensitive to macroeconomic influences. In addition, building on our leading position within the sporting goods industry, we actively engage in supporting policymakers and regulators to liberalise global trade, curtail trade barriers and pro-actively adapt to significant changes in the regulatory environment.

In 2013, we expect the global economy to grow, albeit with varying degrees of performance geographically ⁄ **SEE SUBSEQUENT EVENTS AND OUTLOOK, P. 157**. However, as a result of the highly challenging macroeconomic environment in many European countries, Japan and the USA as well as the political and regulatory uncertainty in the Middle East and several Latin American countries, we still regard the potential impact of macroeconomic, socio-political and regulatory factors as major. Likewise, we continue to assess the likelihood that adverse macroeconomic, socio-political or regulatory events could impact our business to that extent as likely.

Risks related to distribution strategy

The inability to appropriately influence in which channels the Group's products are sold constitutes a continuous risk. Grey market activity, parallel imports or the distribution of our products on open online marketplaces could negatively affect our own sales performance and the image of our Group brands. Furthermore, weakly defined segmentation and channel strategies could lead to an unhealthy utilisation of our multiple distribution channels as well as strong retaliation from our customers. As a result, the Group has developed and implemented clearly defined distribution policies and procedures ⁄ **SEE GLOBAL SALES STRATEGY, P. 72** to avoid over-distribution of products in a particular channel and limit the exposure to unwanted channels such as grey markets or open marketplaces. In addition, we conduct specific trainings for our sales force to appropriately manage product distribution and ensure that the right product is sold at the right point of sale to the right consumer at an adequate price.

Nevertheless, unbalanced product distribution and the inability to effectively manage our different sales channels could have a significant impact on the Group. As a result of the dynamic market environment and the fast-changing world of online sales, we evaluate the likelihood of materialising as possible.

Dependency risks

Risks arise from a dependence on particular suppliers, customers, other business partners, products or even markets. An over-reliance on a supplier for a substantial portion of the Group's product volume, or an over-dependence on a particular customer, increases the Group's vulnerability to delivery and sales shortfalls and could lead to significant margin pressure. Similarly, a strong dependence on certain products or markets could make the Group very susceptible to swings in consumer demand or changes in the market environment.

To mitigate these risks, the Group works with a broad network of suppliers and does not have a single-sourcing model for any key product. Likewise, we utilise a broad distribution strategy which includes further expanding our controlled space activities. This enables us to reduce negative consequences resulting from sales shortfalls that can occur with key customers. Specifically, no single customer of our Group accounted for more than 10% of Group sales in 2012. Furthermore, we consistently provide a well-balanced product portfolio with no particular model or article contributing more than 1% to Group sales, which enables us to minimise negative effects from sudden unexpected changes in consumer demand.

Despite our global diversification, which reduces reliance on a particular market as far as possible, we still remain vulnerable to negative developments in key sales markets such as Russia/CIS, China or North America as well as our important sourcing countries. Therefore, we regard the potential impact of these risks as significant and the likelihood of materialising as possible.

Risks related to media and stakeholder activities

The adidas Group faces considerable risk if we are unable to uphold high levels of consumer awareness, affiliation and purchase intent for our brands. Negative media coverage on our products or business practices, unfavourable stakeholder activism as well as speed and influence of social media discussion may significantly hurt the Group's reputation and brand image and eventually lead to a sales slowdown. To mitigate these risks, we pursue pro-active, open communication with key stakeholders (e.g. consumers, media, non-governmental organisations, the financial community, etc.) on a continuous basis. We have also defined clear mission statements, values and goals for all our brands ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 78** ⁄ **SEE OTHER BUSINESSES STRATEGY, P. 92**. These form the foundation of our product and brand communication strategies. Furthermore, we continue to invest significant marketing resources to build brand equity and foster consumer awareness.

Nevertheless, we continue to believe that unsubstantiated negative media coverage, uncontrolled social media activities and stakeholder activism could have a significant impact on our Group. Despite the fast-moving and hardly controllable nature of social media as well as ever-increasing media and other stakeholder activities worldwide, we now regard the likelihood of being affected to such an extent as likely. This is as a result of our pro-active communication approach and continuous improvements of our communication processes.

Customer consolidation/private label risks

The adidas Group is exposed to risks from consolidation amongst retailers as well as the expansion of retailers' own private label businesses. This can result in a reduction of our bargaining power or reduced shelf space allocation from retailers.

To mitigate this risk, we maintain a regionally balanced sales mix, focusing on cementing strong relationships with retailers and adapting the Group's distribution strategy with a particular focus on controlled space initiatives ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**. In addition, we are constantly investing in strengthening brand equity to increase the attractiveness and consumer appeal of our products ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 78**. We assess the potential impact of customer consolidation and the expansion of private label offerings as significant. Although we expect the consolidation trend amongst retailers and the expansion of their own private label business to continue, we regard the likelihood of these risks materialising as possible due to our brand strength and excellent relationships with key retailers worldwide.

Competition risks

Strategic alliances amongst competitors and/or retailers and intense competition for consumers and promotion partnerships from well-established industry peers and new market entrants (e.g. new brands, vertical retailers) pose a substantial risk to the adidas Group. This could lead to harmful competitive behaviour, such as price wars in the marketplace or bidding wars for promotion partnerships. Sustained pricing pressure in one of the Group's key markets could threaten the Group's sales and profitability development. Aggressive competitive practices could also drive increases in marketing costs, thus hurting the Group's profitability.

To moderate competition risks, we continuously monitor competitive and market information in order to be able to anticipate unfavourable changes in the competitive environment rather than reacting to such changes. This enables us to pro-actively adjust our marketing activities when needed. We also pursue a strategy of entering into long-term agreements with key promotion partners such as Real Madrid, Chelsea FC or Derrick Rose. As we expect competition in our industry to remain intense, we evaluate the potential impact for the Group as major. However, given our leading position in the global sporting goods market and our brand and marketing strength, we assess the likelihood of an impact of such magnitude as only possible.

Risks related to risk and control environment

Failure to identify and actively manage substantial risks and to implement and maintain adequate internal controls across the Group could result in improper decisions, higher costs, compliance violation and fraud and also cause reputational damage. Furthermore, a lack of documentation of processes and procedures could result in a lack of risk awareness among the Group's employees and facilitates fraud and compliance violations.

In order to adequately manage these risks, we maintain a Global Policy Manual that illustrates all relevant Group policies and is freely accessible to all employees via the Group's intranet. In addition, we document key business processes to create transparency and enable the implementation of proper control mechanisms. By operating a Group-wide risk management system, compliance management system and internal control network, we further mitigate these risks. Nonetheless, we believe the potential impact of these risks could be major, but we consider the likelihood of being affected to such a degree as possible.

Consumer demand risks

Failure to anticipate and respond to changes in consumer demand for sporting goods products is one of the most serious threats to our industry. Consumer demand changes can be sudden and unexpected, particularly in our fashion-related businesses. Because industry product procurement cycles average 12 to 18 months, the Group faces a risk of short-term revenue loss in cases where it is unable to respond quickly to such changes. Even more critical, however, is the risk of continuously overlooking a new consumer trend or failing to acknowledge its potential magnitude over a sustained period of time.

To mitigate these risks, identifying and responding to shifts in consumer demand as early as possible is a key responsibility of our brands and, in particular, of the respective Risk Owners. Therefore, we utilise extensive primary and secondary research tools as outlined in our risk and opportunity identification process.

As a leader in our industry, our brand strategies are focused on influencing rather than reacting to the changing consumer environment. We invest significant resources in research and development to innovate and bring fresh new technologies and designs to market ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105**.

We also seek to enhance consumer demand for our brands through extensive marketing, product and brand communication programmes ⁄ **SEE GLOBAL BRANDS STRATEGY, P. 78** ⁄ **SEE OTHER BUSINESSES STRATEGY, P. 92**. In addition, we focus on supply chain improvements to shorten production lead times ⁄ **SEE GLOBAL OPERATIONS, P. 100**.

Even despite our mitigating actions, the potential impact of missing an important trend or failing to adequately tackle shifts in consumer demand could be significant. However, given the broad spectrum of our Group's product offering, feedback from retailers, consumers and athletes as well as evidence from our own-retail stores and other early indicators ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 124**, we consider the likelihood of these risks materialising to such an extent as possible.

Operational risks

Own-retail risks

New adidas, Reebok and Rockport own-retail stores require considerable up-front investment in furniture and fixtures as well as ongoing maintenance. In addition, own-retail activities often require longer-term lease or rent commitments. Retail also employs significantly more personnel in relation to sales than our wholesale business. The higher portion of fixed costs compared to our wholesale business may cause a larger profitability impact in cases of significant sales declines. Success in own retail is predominantly related to the skills and performance of our employees. High turnover of staff as well as a lack of the required skills and qualifications of own-retail employees could negatively affect sales and profitability. An inadequate culture with respect to operating own-retail stores with commercial expertise may also contribute to suboptimal business performance. In addition, delayed openings or poorly executed store operations could lead to sales shortfalls and also negatively affect brand image. Furthermore, inability to secure appropriate store locations may result in a worse than expected sales development.

The Group reduces these risks by applying various measures. We run multiple training initiatives for own-retail employees at all levels, from store clerk to top management. At the same time, we constantly monitor staff turnover and actively manage succession and career development to reduce attrition. Furthermore, we only enter into new lease contracts with durations of no more than ten years. Store openings are managed according to a standardised Group-wide business plan model. Store performance is measured by a retail scorecard consisting of nine quantitative key performance indicators. Underperforming stores are reorganised, remodelled or closed, as appropriate.

Our increased focus on improving our sophistication as a retailer by investing in management expertise, employee development as well as in IT systems remains a key priority for 2013 ⁄ **SEE GLOBAL SALES STRATEGY, P. 72**. Nevertheless, we believe these risks could have a major impact on the Group's performance and we view the likelihood of materialising as possible.

Logistics risks

As a global company with business operations in numerous countries, the Group requires well-functioning logistics processes, from the supplier to our own warehouses and from our distribution centres to the customer. Any interruption of these processes could negatively affect our ability to fulfil orders and deliver products, leading to sales shortfalls, additional costs and deterioration of customer relationships. Inability to secure transportation or warehousing capacity, errors by employees as well as malfunctions in IT logistics systems could all disrupt the flow of goods.

To mitigate these risks, we continuously monitor the global transportation market in order to be able to quickly adapt to changes in the transportation environment and secure required capacity. We work closely with multiple logistics service providers to guarantee transportation of our products to the desired destinations. In addition, we buy insurance coverage against theft or physical damage during transportation and storage. Furthermore, in case of malfunctioning logistics systems, we actively re-prioritise the allocation of products to minimise damage caused.

Given the importance of logistics processes to ensure the proper flow of goods, we evaluate the potential impact of logistics risks as significant. We assess the likelihood of materialising as likely, due to our global footprint.

Marketing risks

Flawless execution of marketing activities is critical to the success of the Group and its brands. Therefore, unaligned product creation, range development, go-to-market or brand communication processes could lead to additional costs, suboptimal sales performance and the inability to resonate with the consumer as desired. Poorly executed marketing activities may also result in negative media coverage and hurt brand image. Similarly, inadequate or insufficient investment in brand-building could negatively affect our ability to maintain brand momentum and our competitive edge in the marketplace.

In order to reduce such risks, our global and local marketing departments are constantly cooperating and thereby ensuring consistent execution of key initiatives. Through continuous planning and alignment within the marketing organisation and also cross-functionally, we enable both consumer relevance and operational excellence. Despite our brands' marketing strength and track record, these risks could have a significant potential impact for the Group, and we assess the likelihood of materialising as likely.

Customer relationship risks

Building strong relationships with retailers to become a valuable and reliable business partner for them is one of the guiding principles of our Wholesale segment ⁄ **SEE WHOLESALE STRATEGY, P. 73**. Failure to cement and maintain strong relationships with retailers could have substantial negative effects on our wholesale activities and thus the Group's business performance. Losing important customers in key markets due to subpar relationship management would result in significant sales shortfalls.

Therefore, the Group is committed to delivering outstanding customer service, providing our retail partners with the support and tools to establish and maintain a mutually successful business relationship. Customer relationship management is not only a key activity for our sales force but also of highest importance to our Group's top executives and second-line management. As a result, the Group's CEO, for example, regularly meets with key customers to ensure a strong partnership between the Group and its retail customers. Should customer relationship risks materialise, however, the potential impact for the Group could be major. However, due to our commitment, dedication and continuous efforts to strengthen our partnerships with retailers, we regard the likelihood of materialising as unlikely.

Sales and pricing risks

To achieve our sales and profitability targets, it is paramount to successfully convert orders into sales, drive sell-through at the point of sale and have product prices that are competitive in the marketplace. Failure to do so would result in sales and profit shortfalls. In addition, price increases required to compensate for higher product costs might not be realised in the marketplace, leading to margin declines.

To mitigate these risks, we pursue a range of pricing strategies. We closely monitor order book conversion, sell-out and sell-through performance and adjust prices where required. In addition, our continuous investment in brand-building and marketing helps us drive our business at various price points and supports a premium positioning. Furthermore, we work closely with our retail customers to minimise mark-downs and potentially re-allocate product.

We believe the potential impact of sales and pricing risks could be major. Given our brand strength, consumer appeal and surgical pricing activities, we rate the likelihood of materialising only as possible.

Supplier risks

Almost the entire adidas Group product offering is sourced through independent suppliers, mainly located in Asia ⁄ **SEE GLOBAL OPERATIONS, P. 100**. To reduce the risk of business interruptions following the potential underperformance of a supplier or a potential supplier default, we work with vendors who demonstrate reliability, quality, innovation and continuous improvement.

Furthermore, in order to minimise any potential negative consequences such as product quality shortfalls, increased product lead times or violation of our Workplace Standards, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain ⁄ **SEE SUSTAINABILITY, P. 117**. In addition, we have bought insurance coverage for the risk of business interruptions caused by physical damage to supplier premises. As a result, and in spite of our mitigating actions, we assess supplier risks as having a major potential impact. However, we regard the likelihood of being impacted to such a degree as unlikely.

Inventory risks

As we place initial production orders around six months in advance of delivery, the adidas Group is exposed to inventory risks relating to misjudging consumer demand at the time of production planning. A sudden decline in demand has the potential to cause excess inventories. This can have negative implications for our financial performance, including higher levels of clearance activity and inventory obsolescence as well as reduced liquidity due to higher operating working capital requirements.

Similarly, a sudden increase in demand can lead to product shortfalls at the point of sale. In this situation, our Group faces the risk of missed sales opportunities and/or customer and consumer disappointment, which could lead to a reduction in brand loyalty and hurt our reputation as an on-time, in-full supplier. In addition, the Group faces potential profitability impacts from additional costs such as airfreight in efforts to speed up replenishment.

In order to mitigate these risks, we continuously strive to improve our forecasting and material planning processes. To that end, in 2012, we started to roll out and follow an enhanced forecasting approach by aligning processes and timelines of major business functions ⁄ **SEE INTERNAL GROUP MANAGEMENT SYSTEM, P. 124**. In addition, our Global Operations function offers sophisticated and tailored replenishment models in order to shorten order-to-delivery times, ensuring availability of products while avoiding excess inventories ⁄ **SEE GLOBAL OPERATIONS, P. 100**.

Nevertheless, the expected over-proportionate growth of the Retail segment will increase the exposure towards swings in consumer demand, and also makes the Group more susceptible to the risk of inventory shrinkage or excess inventory. As a result, we assess the potential impact related to inventory clearance to be significant. Due to our tight control of inventory over the past twelve months, we assess the likelihood of materialising only as possible.

Hazard risks

The adidas Group is exposed to external risks such as natural disasters, epidemics, fire, accidents and malicious acts. Physical damage to our own or our suppliers' premises, production units, warehouses and stock in transit can lead to property damage and business interruption.

These risks are mitigated by loss prevention measures such as working with reliable suppliers and logistics providers who guarantee high safety standards. In addition to the insurance coverage we have secured, the Group has also implemented loss prevention (e.g. sprinklers in facilities) and contingency plans to quickly recover business activities in order to minimise potential negative effects.

Should those risks materialise, the potential financial impact could be major, reflecting the fundamental and devastating consequences natural disasters or terrorist acts might have on our business. As a result of the increasing frequency of natural disasters (e.g. earthquakes, floods, etc.) around the world, we assess the likelihood of materialising as possible.

Personnel risks

Achieving the adidas Group's goal of becoming the global leader in the sporting goods industry is highly dependent on our employees and their talents. Low employee engagement and the failure to maintain a performance-oriented culture amongst our workforce could substantially impede our ability to achieve our goals. The loss of key personnel in strategic positions is also an obvious risk to our success. We also face the risk of being unable to identify, recruit and retain talented people who best meet the specific needs of our Group. In addition, a lack of sufficient training measures might cause the dilution of critical knowledge, in particular within the product design and development area.

To reduce these risks, we strongly engage in developing a motivating working environment and actively promote a way of working that is open, honest, fact-based, non-political, efficient and collaborative. Our goal is to make the adidas Group the "employer of choice" within our industry. Attractive reward and incentive schemes are designed to further support long-term employee commitment ⁄ **SEE EMPLOYEES, P. 111**.

With the expansion of our own-retail activities and the increase of our employee base in emerging markets, we believe that employee turnover will slightly increase in the future. Moreover, labour markets are becoming increasingly more competitive, with the battle for the most talented employees constantly intensifying. As a result, we regard the potential impact of personnel risks as significant. However, given our numerous activities, we believe the likelihood of materialising is unlikely.

IT risks

Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support and financial reporting, are all dependent on IT systems. A significant systems outage or loss of data could result in considerable disruptions to our business. Insufficient project management could delay the execution of projects critical to the Group or make them more expensive than planned. Virus or malware attacks could also lead to systems disruption and may result in the loss of business-critical and/or confidential information.

To mitigate these risks, our IT organisation proactively engages in system preventive maintenance, service continuity planning and adherence to applicable IT policies. Data security is managed by restricting user access based on job description and adhering to data protection regulations. Additional security measures such as anti-virus software and firewalls are designed to further protect our systems and critical information. We perform multiple backups at alternating data centre locations for the Group's core enterprise resource planning system (ERP) on a daily basis. In addition, for the ERP system, our contingency solution allows us to quickly switch to a remote site if necessary – without any loss of data. System security, controls and reliability are reviewed and tested by the Internal Audit department.

IT project risks are further mitigated by utilising a proven project methodology for all IT projects that includes tight cost control and regular risk reviews for all major projects. The IT organisation's strategic direction and five-year plan is aligned with the adidas Group's overall Route 2015 strategic business plan. New quality reviews for major projects have been implemented to ensure that the progress, quality and costs of those projects are regularly evaluated by members of senior management.

Due to the critical nature of IT systems for all our business processes, we regard the potential impact as major. With increasing data volumes driven by the expansion of own-retail and e-commerce activities, we now consider the likelihood of being affected to such a degree as possible.

Product innovation and development risks

Innovative and attractive products generate strong sales and, more importantly, create a halo effect for other products. Furthermore, fulfilling the highest standards in terms of product quality and safety is critical to sustainable commercial success and forms an integral part of the product design and development phase. The speed with which new product technologies and fresh designs are brought to market is decisive for maintaining competitive advantage. In 2012, all brands generated the majority of their sales with products which had been brought to market over the previous 12 to 18 months ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105**. If the adidas Group failed to maintain a pipeline of new innovative products over a sustained period of time, we would risk a significant sales decline. We are committed to pursuing our innovation and design strength. To ensure we can quickly adapt to changing consumer preferences, we focus on streamlining research and development processes to speed up the time to market.

We believe innovation is a key success factor in the sporting goods industry. However, due to our strong R&D track record, we evaluate the potential impact of product innovation and development risks as moderate and the likelihood of materialising as likely.

Risks related to rising input costs

Raw material and labour costs account for approximately 70% of the Group's cost of sales. Prices of materials such as rubber, cotton, polyester and those which closely correlate with the oil price are especially subject to the risk of price changes. As our ordering process and price negotiations usually take place around six months in advance of production, our sourcing function has visibility and reaction time to reflect sharp increases in input costs in its planning.

To reduce the financial impact on our product margins from higher sourcing costs, we are implementing further lean manufacturing techniques at our partner factories, reducing time and cost in the procurement process, re-engineering our products and selectively increasing prices where possible. In addition, the Profitability Management department is mandated with driving strategic sourcing initiatives to ensure competitiveness of our supply chain in light of increasing input costs ⁄ **SEE GLOBAL OPERATIONS, P. 100**. In the medium term, we also have the ability to adapt our sourcing structure to take advantage of more competitive pricing in other locations.

Due to the actions we have taken over the last two years to mitigate effects from increasing input costs, as well as our continuous efforts in optimising our supply chain, we regard the potential impact related to higher sourcing costs as moderate. As we see volatility of global commodity markets easing and because of our pro-active initiatives to improve supply chain competitiveness and flexibility, we now assess the likelihood of materialising as likely.

Legal & compliance risks

Legal risks

As a global player, the adidas Group is exposed to various legal risks, including contractual risks, liability risks related to non-contractual subject matters (e.g. advertising claims) or the risk of claims and litigation for infringement of third-party trademarks, patents and other rights. To avoid contract breaches and prevent the Group from entering into unfavourable contractual agreements, we continually monitor the fulfilment of our contractual obligations and constantly involve internal and external legal experts in all contractual matters. In addition, to reduce the risk of infringing third-party intellectual property rights, we carefully research new product technologies, designs and names to identify and avoid potential conflicts with the rights of third parties. Our Intellectual Property department drives enhancements in our patent portfolio, and in the reviewing and analysis of third-party patents.

Despite the safeguarding measures we have in place, we view the potential impact as major should these risks materialise and assess the likelihood of materialising as possible.

Risks related to competition, trade and customs regulations

Numerous laws and regulations regarding competition, trade and customs affect the adidas Group's business practices worldwide. Non-compliance with regulations concerning fair competition, pricing, advertising or product imports could lead to substantial financial penalties and additional costs as well as negative media coverage and therefore reputational damage. To pro-actively manage such risks, we constantly seek expert legal advice and provide subject matter training to our employees. In addition, our internal Legal department advises the marketing departments to ensure appropriate and compliant brand communication. Furthermore, we work closely with customs authorities and governments worldwide to make sure we adhere to customs and import regulations and obtain the required clearance of products to fulfil sales demand.

As a result of the multitude of competition, trade and customs regulations worldwide, we assess the potential impact on the Group, should these risks materialise, as significant and the likelihood of materialising as possible.

Social and environmental risks

We have a continuing responsibility to our employees, suppliers and the environment. Malpractice in these areas, in particular human rights violations, dubious employment practices as well as environmentally harmful production processes can have a significant impact on the reputation and operational efficiency of our Group and our suppliers. To limit this risk, we have established Workplace Standards to which suppliers must conform before and during business relationships with the Group ⁄ **SEE SUSTAINABILITY, P. 117**. Internal and external inspections of supplier factories verified by extensive independent audits are conducted regularly.

In the event of non-compliance with these standards, we develop joint action plans and set deadlines for compliance. If these deadlines are not met, business relations are terminated ⁄ **SEE SUSTAINABILITY, P. 117**.

In order to minimise the environmental impact of producing and distributing our products, the adidas Group developed a fully comprehensive environmental strategy (Environmental Strategy 2015). This strategy takes a holistic approach towards environmental issues such as sustainable resource use, climate change mitigation, emissions to water and air, waste treatment as well as hazardous substances. Part of this strategy is also to extend our "Better Place" initiative to more adidas athletic footwear and apparel products ⁄ **SEE SUSTAINABILITY, P. 117**.

Although we believe that social and environmental malpractice may occur only in isolated cases, we see increasing corporate social responsibility obligations for the Group as legislative measures and consumer expectations with regard to socially and environmentally sound business practices and behaviour are becoming more demanding. Due to this development we will, for example, have to cope with rising costs in order to fulfil more challenging social and environmental requirements. Therefore, the potential impact on the Group could be major. However, as a consequence of the strategic initiatives we are putting in place, we assess the likelihood as possible.

Risks related to product counterfeiting and imitation

As popular consumer brands which rely on technological and design innovation as defining characteristics, the Group's brands are frequent targets for counterfeiting and imitation. To reduce the loss of sales and the potential damage to brand reputation resulting from counterfeit products, the adidas Group makes use of extensive legal protection (generally through registration) and works closely with law enforcement authorities, investigators and external legal counsel. Although we have stepped up measures such as product security labelling with our authorised suppliers, the development of these measures remains a key priority on an ongoing basis. In 2012, around 13 million counterfeit adidas Group products were seized worldwide.

As our brands remain a key factor for our Group's success, we assess the potential impact related to counterfeiting and imitation as significant but, as a result of our relentless and intensive efforts against counterfeiting, we rate the likelihood of being impacted to such a degree as unlikely.

Product quality risks

The adidas Group faces a risk of selling defective products, which may result in injury to consumers and/or brand and product image impairment. We mitigate this risk by employing dedicated teams that monitor the quality of our products on all levels of the supply chain through rigorous testing prior to production, close cooperation with suppliers throughout the manufacturing process, random testing after retail delivery, open communication about defective products and quick settlement of product liability claims when necessary. In 2012, we did not recall any products.

The potential impact of product liability cases or having to conduct wide-scale product recalls could be significant but, given our internal standards and control activities regarding product quality, we regard the likelihood as possible.

Fraud and corruption risks

We face the risk that our employees breach rules and standards that guide appropriate and responsible business behaviour. This includes the risks of fraud and corruption. In order to successfully manage these risks, the Group Policy Manual was launched at the end of 2006 to provide a framework for basic work procedures and processes. It also includes our Code of Conduct ⁄ SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 51 which stipulates that every employee shall act ethically in compliance with the laws and regulations of the legal systems where they conduct Group business. All of our employees have to participate in a special Code of Conduct training as part of our Global Compliance Programme.

In addition, we utilise controls such as segregation of duties in IT systems to prevent fraudulent activities. Moreover, we have created a network of Compliance Officers across the Group who guide and advise our operating managers regarding fraud and corruption topics, and we are further strengthening our internal control activities by highlighting key controls in our business processes to prevent and detect fraudulent or corruptive behaviour. Various additional mechanisms are in place to monitor compliance. Whenever reasonable, we actively investigate and, in case of unlawful conduct, we work with state authorities to ensure rigorous enforcement of criminal law.

We believe the potential impact on the Group's performance caused by fraud or corruption could be significant. Despite the substantial growth of our global workforce in recent years, we regard the likelihood of being impacted by fraud and corruption risks to such an extent as unlikely, due to our preventative measures and controls. However, we believe the likelihood of occurrence of smaller fraud or corruption cases is higher.

Financial risks

Credit risks

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. The adidas Group is exposed to credit risks from its operating activities and from certain financing activities. Credit risks arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets, short-term bank deposits and derivative financial instruments ⁄ SEE NOTE 29, P. 224. Without taking into account any collateral, the carrying amount of financial assets and accounts receivable represents the maximum exposure to credit risk.

At the end of 2012, there was no relevant concentration of credit risk by type of customer or geography. Our credit risk exposure is mainly influenced by individual customer characteristics. Under the Group's credit policy, new customers are analysed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the Group's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses as well as, on a selective basis, credit insurances, accounts receivable sales without recourse and bank guarantees.

Objective evidence that financial assets are impaired includes, for instance, significant financial difficulty of the issuer or debtor, indications of the potential bankruptcy of the borrower and the disappearance of an active market for a financial asset because of financial difficulties. The Group utilises allowance accounts for impairments that represent our estimate of incurred credit losses with respect to accounts receivable.

Allowance accounts are used as long as the Group is satisfied that recovery of the amount due is possible. Once this is no longer the case, the amounts are considered irrecoverable and are directly written off against the financial asset. The allowance consists of two components:
(1) an allowance established for all receivables dependent on the ageing structure of receivables past due date and
(2) a specific allowance that relates to individually assessed risk for each specific customer – irrespective of ageing.

At the end of 2012, no Group customer accounted for more than 10% of accounts receivable. Based on our allowance accounts, we believe that the potential financial impact of our credit risks from customers could be major but we rate the likelihood of materialising only as possible.

The adidas Group Treasury department arranges currency and interest rate hedges, and invests cash, with major banks of a high credit standing throughout the world. adidas Group companies are authorised to

04 ⁄ **Future cash outflows** [1] (€ in millions)

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	Total
As at December 31, 2012					
Bank borrowings [2]	59	–	–	–	59
Private placements [3]	242	169	117		528
Eurobond [3]	24	514			538
Convertible bond [3]	1	3	503	–	507
Accounts payable	1,790				1,790
Other financial liabilities	26	14			40
Derivative financial liabilities	57	3			60
Total	**2,199**	**703**	**620**	**–**	**3,522**
As at December 31, 2011					
Bank borrowings [2]	126	–	–	–	126
Private placements [3]	193	418	119	–	730
Eurobond [3]	24	538	–	–	562
Accounts payable	1,887	–	–	–	1,887
Other financial liabilities	34	7	–	–	41
Derivative financial liabilities	32	2	–	–	34
Total	**2,296**	**965**	**119**		**3,380**

1) Rounding difference may arise in totals.
2) Classified as long-term (between 1 and 3 years) in the consolidated financial statements, as they are covered by the committed mid-term syndicated loan.
3) Including interest payments.

work with banks rated BBB+ or higher. Only in exceptional cases are subsidiaries authorised to work with banks rated lower than BBB+. To limit risk in these cases, restrictions are clearly stipulated, such as maximum cash deposit levels. In addition, the credit default swap premiums of our partner banks are monitored on a weekly basis. In the event that the defined threshold is exceeded, credit balances are shifted to banks compliant with the limit.

As financial market conditions remain challenging and highly volatile, we believe that the potential financial impact is moderate and the likelihood of materialising is unlikely. Furthermore, we believe our risk concentration is limited due to the broad distribution of our investment business with more than 20 banks. At December 31, 2012, no bank accounted for more than 5% of our investments and the average concentration, including subsidiaries' short-term deposits in local banks, was 1%. This leads to a maximum exposure of € 98 million in the event of default of any single bank. We have further diversified our investment exposure by investing into AAA-rated money market funds.

In addition, we held derivatives with a positive fair market value in the amount of € 61 million. The maximum exposure to any single bank resulting from these assets amounted to € 8 million and the average concentration was 5%.

Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume and currency structure. In addition, the adidas Group faces the risk of having to accept unfavourable financing terms due to liquidity restraints. Our Group Treasury department uses an efficient cash management system to manage liquidity risk. At December 31, 2012, Group cash, cash equivalents and marketable securities amounted to € 1.935 billion (2011: € 1.370 billion). Moreover, our Group maintains € 1.863 billion bilateral credit lines and a € 500 million committed long-term syndicated loan facility with international banks, which does not include a market disruption clause. The € 2.363 billion in credit lines are designed to ensure sufficient liquidity at all times ⁄ **SEE TREASURY, P. 141**.

Future cash outflows arising from financial liabilities that are recognised in the Consolidated Statement of Financial Position are presented in the table above ⁄ **TABLE 04**.

This includes payments to settle obligations from borrowings as well as cash outflows from cash-settled derivatives with negative market values. Financial liabilities that may be settled in advance without penalty are included on the basis of the earliest date of potential repayment. Cash flows for variable-interest liabilities are determined with reference to the conditions at the balance sheet date.

In 2012, we continued to improve our financial position substantially as we ended the year with net cash of € 448 million (2011: € 90 million). Thus the ratio of net borrowings over EBITDA improved to –0.3 times at year-end, which is well in line with the Group's medium-term guideline of less than two times. In light of our available credit lines, financing structure and business model, we assess the potential impact of these risks on the Group as minor and the likelihood of materialising of financing and liquidity risks as unlikely.

Currency risks

Currency risks for the adidas Group are a direct result of multi-currency cash flows within the Group. Furthermore, translation impacts from the conversion of non-euro-denominated results into our Group's functional currency, the euro, might lead to a material negative impact on our Group's financial performance. The biggest single driver behind this risk results from the mismatch of the currencies required for sourcing our products versus the denominations of our sales. The vast majority of our sourcing expenses are in US dollars, while sales are denominated in other currencies to a large extent – most notably the euro. Our main exposures are presented in the adjacent table ⁄ TABLE 05. The exposure from firm commitments and forecasted transactions was calculated on a one-year basis.

In line with IFRS 7 requirements, we have estimated the impact on net income and shareholders' equity based on changes in our most important currency exchange rates. The calculated impacts mainly result from fair value changes of our hedging instruments. The analysis does not include effects that arise from the translation of our foreign entities' financial statements into the Group's reporting currency, the euro. The sensitivity analysis is based on the net balance sheet exposure, including intercompany balances from monetary assets and liabilities denominated in foreign currencies. Moreover, all outstanding currency derivatives were re-evaluated using hypothetical foreign exchange rates to determine the effects on net income and equity. The analysis was performed on the same basis for both 2011 and 2012.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2012 would have led to a € 13 million decrease in net income. The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 129 million. A 10% weaker euro at December 31, 2012 would have led to a € 12 million increase in net income. Shareholders' equity would have increased by € 158 million ⁄ TABLE 06. The impacts of fluctuations of the US dollar against the Russian rouble and of the euro against the British pound and the Japanese yen on net income and shareholders' equity are also included in accordance with IFRS requirements.

However, many other financial and operational variables that could potentially reduce the effect of currency fluctuations are excluded from the analysis. For instance:

- Interest rates, commodity prices and all other exchange rates are assumed constant.
- Exchange rates are assumed at a year-end value instead of the more relevant sales-weighted average figure, which we utilise internally to better reflect both the seasonality of our business and intra-year currency fluctuations.
- The underlying forecasted cash flow exposure (which the hedge instrument mainly relates to) is not required to be revalued in this analysis.
- Operational issues, such as potential discounts to key accounts, which have high transparency regarding the impacts of currency on our sourcing activities (due to their own private label sourcing efforts), are also excluded from this presentation.

05 ⁄ Exposure to foreign exchange risk [1]

(based on notional amounts, € in millions)

	USD	RUB	GBP	JPY
As at December 31, 2012				
Exposure from firm commitments and forecasted transactions	(3,819)	359	369	354
Balance sheet exposure including intercompany exposure	(321)	109	8	8
Total gross exposure	**(4,140)**	**468**	**377**	**362**
Hedged with other cash flows	91			
Hedged with currency options	225		(12)	(24)
Hedged with forward contracts	2101	(72)	(263)	(188)
Net exposure	**(1,723)**	**396**	**102**	**150**
As at December 31, 2011				
Exposure from firm commitments and forecasted transactions	(3,859)	298	330	331
Balance sheet exposure including intercompany exposure	(140)	83	2	30
Total gross exposure	**(3,999)**	**381**	**332**	**361**
Hedged with other cash flows	93	–	–	–
Hedged with currency options	365	–	(11)	–
Hedged with forward contracts	2,298	(47)	(194)	(145)
Net exposure	**(1,243)**	**334**	**127**	**216**

1) Rounding difference may arise in totals.

06 ⁄ Sensitivity analysis of foreign exchange rate changes

(€ in millions)

	USD	RUB	GBP	JPY
As at December 31, 2012				
	EUR +10%	**USD +10%**	**EUR +10%**	**EUR +10%**
Equity	(129)	–	20	15
Net income	(13)	(10)	0	(1)
	EUR –10%	**USD –10%**	**EUR –10%**	**EUR –10%**
Equity	158	–	(24)	(18)
Net income	12	8	0	1
As at December 31, 2011				
	EUR +10%	**USD +10%**	**EUR +10%**	**EUR +10%**
Equity	(195)	–	15	11
Net income	5	(9)	0	(3)
	EUR –10%	**USD –10%**	**EUR –10%**	**EUR –10%**
Equity	243	–	(19)	(13)
Net income	(6)	7	0	4

Utilising a centralised currency risk management system, our Group hedges currency needs for projected sourcing requirements on a rolling 12- to 24-month basis ⁄ SEE TREASURY, P. 141. Our goal is to have the vast majority of our hedging volume secured six months prior to the start of a given season. In rare instances, hedges are contracted beyond the 24-month horizon. The Group also largely hedges balance sheet risks. Due to our strong global position, we are able to minimise currency risk to a large extent by utilising natural hedges.

Nevertheless, our gross US dollar cash flow exposure after natural hedges calculated for 2013 was roughly € 4.0 billion at year-end 2012, which we hedged using forward contracts, currency options and currency swaps ⁄ TABLE 05. Our Group's Treasury Policy allows us to utilise hedging instruments, such as currency options or option combinations, which provide protection from negative exchange rate fluctuations while – at the same time – retaining the potential to benefit from future favourable exchange rate developments in the financial markets.

As 2013 hedging has almost been completed, it is clear that conversion rates on major currencies will be less favourable compared to those of 2012. Volume forecast variances, currency volatility and an increasing portion of our business in emerging markets will expose the adidas Group to additional currency risks in 2013. We regard the possible financial impact of currency risks as major and believe the likelihood of currency risks is probable.

Interest rate risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As the Group does not have material variable-interest liabilities, significant interest rate increases should have only slight adverse effects on the Group's profitability, liquidity and financial position.

In line with IFRS 7 requirements, we have analysed the impact of changes in the Group's most important interest rates on net income and shareholders' equity. The effect of interest rate changes on future cash flows is excluded from this analysis. Nevertheless, accrued interest, which is recognised as a liability, has been re-calculated based on the hypothetical market interest rates as at December 31, 2012. Fair values for derivative interest rate instruments accounted for as cash flow hedges were then re-evaluated based on the hypothetical market interest rates with the resulting effects on net income and equity included in the sensitivity analysis.

However, the effect on the income statement from changes in the fair values of hedged items and hedging instruments attributable to interest rate changes was not material. Exclusions from this analysis are as follows:

- Some fixed-rate financial instruments, such as certificates of deposit, which we value at "fair value through profit or loss" due to the short-term maturity of these instruments. Potential effects due to changes in interest rates are considered immaterial and are not recognised in the sensitivity analysis.
- Other fixed-rate financial instruments are measured at amortised cost. Since a change in interest rates would not change the carrying amount of this category of instruments, there is no net income impact and they are excluded from this analysis.

The interest rate sensitivity analysis assumes a parallel shift of the interest yield curve for all currencies and was performed on the same basis for both 2011 and 2012. A 100 basis point increase in interest rates at December 31, 2012 would have increased shareholders' equity by € 0.00 million (2011: increase by € 0.00 million) and decreased net income by € 0.00 million (2011: decrease by € 0.07 million). A 100 basis point decrease of the interest rates at December 31, 2012 would have resulted in a € 0.00 million decrease in shareholders' equity (2011: decrease by € 0.00 million) and a € 0.00 million increase in net income (2011: increase by € 0.07 million).

We believe the IFRS 7 interest rate analysis represents a realistic, albeit rough, estimate of our current interest rate risk.

To moderate interest rate risks and maintain financial flexibility, a core tenet of our Group's financial strategy is to continue to use surplus cash flow from operations to reduce gross borrowings ⁄ SEE TREASURY, P. 141. Beyond that, the adidas Group is constantly looking for adequate hedging strategies through interest rate derivatives in order to mitigate interest rate risks.

In 2012, interest rates in Europe and North America remained at low levels. Given the central banks' current interest rate policies and macro-economic uncertainty, we do not foresee any major interest rate increases in these regions for the near-term future. Since 97% of the Group's financing is in euros and US dollars, we regard the potential impact of interest rate risks only as minor. Nevertheless, we assess the likelihood that these risks will materialise as probable.

Strategic and operational opportunities

Macroeconomic and socio-political opportunities

Since we are a consumer goods company, consumer confidence and spending can impact our sales development. Therefore, better than initially forecasted macroeconomic developments, which support increased private consumption, can have a positive impact on our sales and profitability. Low unemployment rates, rising real incomes as well as a growing middle class with increasing spending power are fuelling consumption, particularly in emerging economies – and, subsequently, our industry. In addition, legislative and regulatory changes, e.g. with regard to the elimination of trade barriers, can potentially open new channels of distribution and positively impact Group profitability.

Furthermore, governments are increasingly promoting living an active lifestyle to fight obesity and cardiovascular disease. According to the latest International Obesity Task Force (IOTF), more than 600 million adults are currently considered obese. An additional billion are estimated to be overweight. Furthermore, up to 200 million school-age children are either obese or overweight. Once considered a problem only in affluent nations, obesity is also becoming an issue in many countries with low per capita income. This development has serious health consequences and a dramatic effect on health care expenditures. As a result, governments and non-governmental organisations are increasing their efforts to promote a healthy lifestyle and encourage sports participation. For example, in 2012, the US Department of Education awarded 56 additional grants with a total budget of more than US $ 27 million, on top of approximately US $ 51 million for existing grants, to Local Education Agencies (LEAs) and community-based organisations, in order to implement comprehensive physical activity and nutrition programmes for their students through the Carol M. White Physical Education Program (PEP).

In the UK, in July 2011, new advice as to how people of all ages can maintain fitness levels and stay or get healthy was launched as part of the first UK-wide physical activity guidelines by the four nations' Chief Medical Officers. Similar health-promoting programmes and initiatives are being launched or expanded upon around the world. This could lead to increases in sports participation, in particular in categories considered suitable for weight loss, such as training, running and walking. Given the strong global market position the adidas Group and its brands enjoy, acceleration in this trend could positively affect the Group's sales development.

07 ⁄ **Corporate opportunities overview**

	Likelihood	Potential impact
Strategic and operational opportunities		
Macroeconomic and socio-political opportunities	Unlikely	Moderate
Organic growth opportunities	Possible	Major
Opportunities related to organisational and process improvements	Likely	Significant
Marketing and communication opportunities	Likely	Significant
Acquisition opportunities	Possible	Minor
Personnel opportunities	Unlikely	Significant
Financial opportunities		
Favourable financial market changes	Unlikely	Major

Moreover, continued growth in the global population, which is estimated to exceed nine billion by 2050, will over time lead to increasing sports participation and also expand the global consumer base for sports and sports lifestyle products. Most of this growth will be in emerging markets, which already play an important role in our growth strategy and where our brands are already well positioned. This could give an additional boost to the Group's sales performance.

Also, we expect sports participation rates to increase over time, with increasing leisure time, investment in infrastructure and a broadening of awareness of the benefits of sport. This is particularly so in countries such as China or India, where sports participation has historically been lower than in industrialised countries. In addition, European and North American sporting goods brands are often seen as highly desirable, easily accessible, affordable quasi-luxury goods in emerging markets, which presents an additional growth opportunity.

As most of these developments are long-term structural opportunities for the Group's top- and bottom-line performance, the short-term impact is assessed as moderate. Given our ambitious goals, we regard the likelihood of significant short-term opportunities materialising as unlikely.

Organic growth opportunities

Controlled space: The sporting goods retail environment is changing constantly. People increasingly want to get involved with our brands. We therefore continue to adapt our distribution strategy to cater for this change and have made controlled space initiatives a strategic priority. This includes retail space management with key retail partners as well as the introduction of new own-retail store formats. In our wholesale channels, we continue to pilot our latest shop-in-shop concepts globally and have also further invested in unique point-of-sale activation. For example, in the USA, we started the new adidas "Home Court" programme and initiated the new Reebok Fit Hub shop-in-shop concept. Initiatives like these could enable us to target our consumers more effectively, involving them more emotionally with our products and, therefore, ultimately driving sell-through at our retail partners. Furthermore, expanding our own-retail footprint by increasing our store base in emerging markets such as Latin America and developed markets such as North America, while at the same time operating profitably in these markets, could contribute positively to top- and bottom-line results. Also, as the Group is still a relatively immature market participant in e-commerce, establishing our own e-commerce in additional markets worldwide could help drive both sales growth and profitability.

Sports-inspired lifestyle: Organic growth opportunities, however, are not limited to distribution channels. The border between pure athletics and lifestyle continues to blur as sport becomes a more integral part in the lives of more and more consumers. People want to be fashionable when engaging in sporting activities without compromising on quality or the latest technological advances. At the same time, performance features and styles are finding their way into products meant for more leisure-oriented use. We estimate the global sports lifestyle market to be at least three times larger than the performance market. This opens up additional opportunities for our Group and our brands, which already enjoy strong positions in this market. One example of this is the further roll-out of the adidas NEO label as part of our Route 2015 strategic business plan. After the successful introduction in emerging markets, mainly Greater China and Russia/CIS, in 2012, we opened ten adidas NEO label pilot stores in Germany in order to test this fast-fashion model in a mature market ⁄ **SEE ADIDAS STRATEGY, P. 82** Successfully expanding our market presence with the adidas NEO label in mature markets globally could lead to better than expected sales development for the Group and drive bottom-line increases.

Women's: Our Group still generates the majority of its revenues in men's and unisex categories. However, with women accounting for more than a third of total spending on athletic footwear, we believe the women's sports market is one of the most attractive segments in the sporting goods industry. The adidas Group is therefore investing in developing women-specific product offerings in both performance and lifestyle that emphasise female individuality, authenticity and style. Examples today include the adidas by Stella McCartney collection, worn by female athletes such as Olympic gold medallist Jessica Ennis for Team GB. Additionally, in 2012, the adidas Group entered into a number of exclusive partnerships and design collaborations with female global icons such as Alicia Keys for Reebok Classics, Selina Gomez for the adidas NEO label and Tara Stiles for Reebok Yoga. These inspirational athletes and icons may deepen our brands' connection with the female consumer and therefore strengthen our brands and positively impact sales development.

New categories: Exploiting the potential of emerging, fast-growing sports categories is another organic growth opportunity for our brands. Our brand teams conduct market research and engage in trend marketing to detect changes in lifestyle and consumer needs of our target audience as early as possible. Changes in lifestyle, habits and attitudes can potentially result in the emergence of new consumer needs that are not addressed by current product offerings. For example, we see a growing trend in the move by athletes and sports enthusiasts towards more minimalistic products that promote natural body movement. In order to tap into this opportunity, we are expanding our efforts to bring to market more lightweight and flexible products that support the athlete's natural course of motion. Similarly, we see tremendous growth potential in the outdoor and action sports categories and intend to become a leading player in these categories over the next few years. Complementing this ambition in 2012, adidas Originals launched new products and digital marketing activities especially dedicated to snowboarding, featuring athlete Jake Blauvelt wearing his signature adidas Originals snowboarding boot. Additionally, in fall 2012, adidas by Stella McCartney launched its winter sports collection, Winter Wonderland, comprising ski, snowboard and après-ski looks for the winter season 2012/13. These categories may perform better than currently assumed in our projections, depending on the speed at which we establish our credibility with these consumers.

Customisation and personalisation: Today's consumers are looking for choice and variety that go beyond choosing from a wide selection of products. We engage in developing unique and relevant products that fit specific functional and aesthetic requirements. For example, the adidas, Reebok and TaylorMade brands all offer different personalisation and customisation platforms reflecting each brand's strategy. With mi adidas and YourReebok, consumers can design and order completely customised adidas and Reebok footwear online, thereby creating their own unique style. This is a particularly relevant opportunity in the kids' segment. In addition, TaylorMade-adidas Golf's Centres of Excellence provide customised fitting sessions for golfers with expert fitters and technicians. We expect the market for personalised and customised footwear, apparel and hardware to grow strongly and evolve further in the coming years, which might support new sales growth opportunities for the Group.

Digital interactivity: Consumer demand for digital interactivity has increased significantly in recent years as consumers realise the benefits of incorporating real-time data on metrics such as distance, speed and heart rate into their training routines and into their performance on the field. The design and development of this functionality requires significantly more expertise, product and material research, as well as production know-how compared to traditional footwear and apparel. Our resources and our positioning as a sport performance leader as well as collaborations with experts in technology and in the field of analysing data related to athletes' movement and performance are beginning to open up new opportunities. For example, in July 2012, together with Major League Soccer in the USA, adidas launched the miCoach Elite System for football, building on the brand's success in personalised digital coaching. The miCoach Elite System includes a data cell – Speed_Cell – that fits into a protective pocket between the shoulder blades of the player's apparel base layer. By measuring every move, heartbeat and step, this technology enables a better understanding of the player's performance and helps monitor the workload of an individual player, compare one athlete with another or view the whole team to gain a complete picture of the squad ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105**. As consumer demand for this type of functionality increases, and with further advances in technology, we expect that similar opportunities will also exist in other sports categories.

Sustainable products: As consumers demand more products that are environmentally benign and produced on a sustainable basis, the adidas Group continues its efforts to create meaningful product platforms that drive growth in this area. We remain focused on the extension of the adidas "Better Place" programme. Products and packaging in the programme are designed taking sustainability principles into account, such as broadening the use of recycled materials and monitoring energy use in material and product preparation. For example, 90% of all adidas products for the London 2012 Olympic Games contained sustainable content. Furthermore, 100% of athlete Village wear, 100% of Volunteer wear and 73% of on-field performance products were designed and developed as "Better Place" products ⁄ **SEE SUSTAINABILITY, P. 117**.

Strategic partnerships: The adidas Group in recent years has also extended its partnership network beyond sports, be it with academic organisations in research and development, designers in the fashion industry, other brands or non-traditional sporting goods retailers. These partnerships have generated multiple new growth avenues for the Group, as we have acquired product or process know-how and gained access to new distribution channels or markets. For example, our partnership with a leading denim manufacturer allowed us to gain experience with that type of product, which eventually helped us to establish it under our own brand name via adidas Originals and the adidas NEO label. Therefore, new partnerships in the future may enable the adidas Group to pursue further growth opportunities.

Taking all these together, we see many long-term organic growth opportunities and regard the potential impact as major. However, we assess the likelihood of being positively affected to such an extent in the short term as only possible.

Opportunities related to organisational and process improvements

Continued optimisation of key business processes and strict cost control are vital to achieving high profitability and return on invested capital. We are confident that there is still significant opportunity to further streamline cost structures throughout our Group. For example, we continuously search for ways to increase efficiency in our supply chain and make it truly demand-driven. Furthermore, by implementing end-to-end planning processes and improving our replenishment capabilities, we see opportunities not only to better serve our customers but also to reduce our operating working capital needs. Another example in this respect is the reduction of the number of articles; this reduces complexity and workload in the creation area and warehouse costs, and allows us to offer more focused and consistent ranges to our retail partners.

Furthermore, constant improvements in manufacturing excellence, such as process simplification, manufacturing innovation or warehouse consolidation, may help us optimise our production efficiency and significantly increase profitability for the Group. Innovations in production could also support the Group in reducing its environmental impact, while at the same time enabling the Group to provide consumers with the best value proposition possible. For example, a higher level of automation in the production processes for footwear and apparel manufacturing could result in productivity enhancements, shorten lead times and improve overall quality. We have already implemented state-of-the-art machinery and solutions such as computer stitching and welding, high-frequency cutting and automated production lines across factories.

In addition, consolidating and upgrading our distribution centres represents an opportunity for the Group to realise further efficiency gains, reduce operating overheads and provide the operational ability to drive additional revenue growth. In 2012, for example, the adidas Group completed the construction of and move to two state-of-the-art, multi-brand warehouses in South Korea and Mexico, in both cases combining multiple legacy facilities into one facility ⁄ **SEE GLOBAL OPERATIONS, P. 100**. Process improvements in other areas of the Group's business activities could also positively impact profitability. For example, we are investing considerable resources in developing our product virtualisation capabilities, as we believe virtualisation can bring us substantial benefits in terms of speed, innovation, cost saving, sustainability and creativity ⁄ **SEE RESEARCH AND DEVELOPMENT, P. 105**.

Overall, we assess the potential impact of organisational and process improvements as significant. Given our numerous initiatives to improve efficiency and operational excellence, we regard the likelihood that such opportunities materialise as likely.

Marketing and communication opportunities

Given the diverse tastes and expectations of a highly fragmented consumer market, there is a natural limit to the audience size a single brand can appeal to. Our multi-brand approach provides us with the opportunity to leverage the power of our brands in a more precise and meaningful way ⁄ SEE GROUP STRATEGY, P. 68. We are able to utilise the combined strengths of each brand to compete for a higher percentage of the total market, covering a greater number of demographics, consumer needs and price points.

Advances in digital communication also offer significant opportunities for our brands to engage with consumers in a deeper and more meaningful way, and enhance our potential to build long-lasting relationships and brand loyalty. The adidas Group constantly monitors the latest developments and trends in communication technologies. The emergence of social media and social networks is one such example which is helping our brands increase their consumer reach. In this regard, we are investing considerable resources to present the adidas Group's brands through a variety of social media platforms, such as Facebook, YouTube or Twitter. This is reflected in our far higher growth rate of fans and viewers on these different social media platforms compared to industry peers. For example, the adidas Originals Facebook page alone has attracted over 18 million followers, adding more than six million fans over the twelve-month period. A key advantage of these tools is that they allow our brands to engage in a direct dialogue with our consumers. For example, by offering consumers the opportunity to actively participate in brand campaigns or in the design and creation of new products, we can generate a far superior brand experience. In 2012, we made substantial progress in developing and offering many different mobile applications to our consumers. By the end of the London 2012 Olympic Games, adidas topped the PRINT Potential Rankings on the London 2012 Social Scoreboard, which was devoted to ranking the social media performance of the 25 Olympic sponsors. The research highlighted that the adidas brand "#takethestage" campaign created the best fan experience by telling the Olympic story in a new, exciting and relevant way.

Another opportunity for the Group is the activation of promotion partnerships with individual high-profile athletes such as Derrick Rose or Lionel Messi. Working closely with these athletes on joint marketing and product initiatives could, in addition to their on-field performance, help establish them as true icons. Depending on their success and popularity, as well as our ability to sign new future iconic partnerships, this could generate additional sales for the Group via signature product lines as well as increase brand equity.

We assess the potential impact of marketing and communication opportunities as significant. Due to our strong portfolio of promotion partnerships with world-class athletes in key sports, we regard the likelihood that those opportunities materialise to such an extent in the short term as likely.

Acquisition opportunities

Although the Group's focus is on organic growth initiatives, we consider acquisitions of smaller, fast-growing or innovative companies as an opportunity to generate additional sales and profits. Furthermore, acquisition opportunities may arise as a result of challenging macroeconomic and competitive conditions that could lead to financial distress of companies which, while not as financially healthy as industry leaders, possess certain assets that could help the adidas Group further improve its business performance. However, we regard the potential impact of acquisition opportunities only as minor and the likelihood that such opportunities materialise as possible.

Personnel opportunities

Recruiting highly qualified employees, in particular for our own-retail segment, may help us generate better than expected top- and bottom-line results. For example, a reduction of the attrition rates in our own-retail stores could increase conversion rates as well as store productivity and also lead to lower expenses for recruiting activities. In addition, successfully establishing a performance culture as well as developing key talents across the Group may contribute positively to sales and profitability improvements. As a result, we consider the potential impact of such opportunities as significant, but we assess the likelihood of an impact of such magnitude in the short term as unlikely.

Financial opportunities

Favourable financial market changes

Favourable exchange and interest rate developments can potentially have a positive impact on the Group's financial results. Our Group Treasury department closely monitors the financial markets to identify and exploit opportunities ⁄ **SEE TREASURY, P. 141**. Translation effects from the conversion of non-euro-denominated results into our Group's functional currency, the euro, might positively impact our Group's financial performance. Overall, we believe favourable financial market changes could have a major potential impact. Given the volatility of financial markets, and exchange rate movements since the beginning of 2013, we assess the likelihood of being positively affected to such an extent as unlikely.

Management assessment of overall risks and opportunities

Management aggregates all risks and opportunities reported by different business units and functions through the quarterly risk and opportunity assessment process. Taking into account the occurrence likelihood and the potential financial impact of the risks explained within this report, the strong balance sheet as well as the current business outlook, Management does not foresee any material jeopardy to the viability of the Group as a going concern. This assessment is also supported by the historical response to our financing demands ⁄ **SEE TREASURY, P. 141**. The adidas Group therefore has not sought an official rating by any of the leading rating agencies. Management remains confident that the Group's earnings strength forms a solid basis for our future business development and provides the necessary resource to pursue the opportunities available to the Group. Compared to the prior year, our assessment of certain risks has changed in terms of likelihood of occurrence and/or potential financial impact. These changes are reflected in the table below ⁄ **TABLE 08**. The changes in individual risks have no substantial impact on the overall adidas Group risk profile, which we believe remains unchanged compared to the prior year.

08 ⁄ **Changes in corporate risk assessment versus prior year**

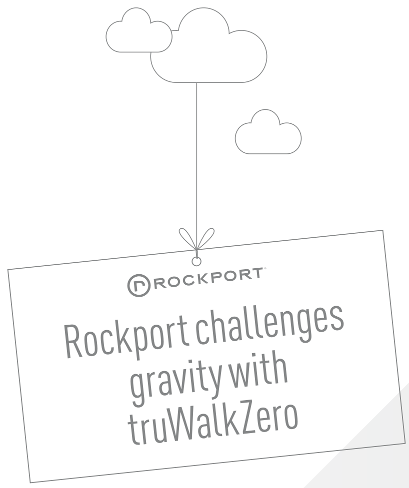
	2012		2011	
	Likelihood	Potential impact	Likelihood	Potential impact
Strategic risks				
Consumer demand risks [1]	Possible	Significant	Likely	Moderate
Operational risks				
Own-retail risks [1]	Possible	Major	Likely	Moderate
Supplier risks	Unlikely		Possible	
Inventory risks [1]	Possible	Significant	Probable	Moderate
Personnel risks [1]	Unlikely	Significant	Likely	Moderate
IT risks		Major		Significant
Product innovation and development risks	Likely	Moderate	Possible	Minor
Risks related to rising input costs	Likely	Moderate	Highly probable	Major
Legal & compliance risks				
Legal risks [1]	Possible	Major	Likely	Significant
Social and environmental risks [1]	Possible	Major	Likely	Moderate
Risks related to product counterfeiting and imitation [1]	Unlikely	Significant	Probable	Moderate
Product quality risks [1]	Possible	Significant	Likely	Moderate
Financial risks				
Credit risks [1]		Major		Moderate
Currency risks	Probable		Highly probable	
Interest rate risks	Probable		Highly probable	

1) Modification of the risk aggregation methodology and further updates of the Risk Universe had an effect on our risk evaluation, contributing to changes in the assessment of likelihood and potential impact. However, the general risk rating remains virtually unchanged versus the prior year.

RocketBladez!

TaylorMade

One of the biggest iron innovations to date is announced by TaylorMade. A remarkable new technology that promotes high-launching, long, straight and quick-stopping performance for golfers of all abilities.



The architecture of truWalkZero shoes provides a natural full range of foot motion, from shock absorption at heel strike to forefront flexibility at push-off.

london 2012

adidas' contribution to make London 2012 the first truly sustainable Olympic Games:

- **70,000** uniforms for the volunteers include sustainable content
- **Stella McCartney** designs a sustainable range made of organic cotton for Team GB
- **73%** of our Olympic on-field products have sustainable content

miCoach Elite
– the future of coaching

micoach elite

One of the most exciting technological developments adidas has ever created: the miCoach Elite System. The technology measures every move, heartbeat and step, and relays the information to a coach on the touchline in less than a second. It thus enables a better understanding of the physical and physiological impact on the team, or any individual, during a game or training session.

PORSCHE DESIGN SPORT

Porsche Design Sport – the collaboration between Porsche Design and adidas – is recognised by the Plus X Award as the "Most Innovative Brand 2012" in the footwear category.

micoach elite

"Technology is becoming an increasingly important part of modern football. From the passes my players make to the distances they cover, real-time data is set to become a vital element of modern coaching."

Vincente Del Bosque
Spanish national team coach about miCoach Elite

04 CONSOLIDATED FINANCIAL STATEMENTS

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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report of adidas AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Herzogenaurach, February 22, 2013

HERBERT HAINER
CEO

GLENN BENNETT
Global Operations

ROBIN J. STALKER
CFO

ERICH STAMMINGER
Global Brands

Auditor's Report

We have audited the consolidated financial statements prepared by adidas AG, Herzogenaurach, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes, together with the management report of the Company and the Group for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB (Handelsgesetzbuch – "German Commercial Code") is the responsibility of the company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and profit or loss in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and profit or loss of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 25, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

Braun	Wolper
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Consolidated Statement of Financial Position

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

	Note	Dec. 31, 2012	Dec. 31, 2011 1)	Change in %	Jan. 1, 2011 1)
ASSETS					
Cash and cash equivalents	5	1,670	906	84.4	1,150
Short-term financial assets	6	265	465	(42.9)	233
Accounts receivable	7	1,688	1,595	5.8	1,620
Other current financial assets	8	192	289	(33.7)	178
Inventories	9	2,486	2,502	(0.6)	2,135
Income tax receivables	34	76	77	(0.9)	71
Other current assets	10	489	469	4.0	390
Assets classified as held for sale	11	11	25	(55.0)	47
Total current assets		**6,877**	**6,328**	**8.7**	**5,824**
Property, plant and equipment	12	1,095	963	13.6	855
Goodwill	13	1,281	1,553	(17.5)	1,512
Trademarks	14	1,484	1,503	(1.3)	1,447
Other intangible assets	14	167	160	4.8	142
Long-term financial assets	15	112	97	14.7	93
Other non-current financial assets	16	21	42	(49.1)	54
Deferred tax assets	34	528	484	9.0	501
Other non-current assets	17	86	107	(19.2)	100
Total non-current assets		**4,774**	**4,909**	**(2.7)**	**4,704**
Total assets		**11,651**	**11,237**	**3.7**	**10,528**

1) Restated according to IAS 8, see Note 03.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

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

	Note	Dec. 31, 2012	Dec. 31, 2011 [1]	Change in %	Jan. 1, 2011 [1]
LIABILITIES AND EQUITY					
Short-term borrowings	18	280	289	(3.2)	284
Accounts payable		1,790	1,887	(5.1)	1,697
Other current financial liabilities	19	83	66	24.4	132
Income taxes	34	275	252	9.1	265
Other current provisions	20	563	549	2.6	485
Current accrued liabilities	21	1,084	992	9.3	842
Other current liabilities	22	299	303	(1.2)	241
Liabilities classified as held for sale	11	–	0	(100.0)	0
Total current liabilities		**4,374**	**4,338**	**0.8**	**3,946**
Long-term borrowings	18	1,207	991	21.8	1,337
Other non-current financial liabilities	23	17	9	92.3	17
Pensions and similar obligations	24	251	205	22.3	180
Deferred tax liabilities	34	368	430	(14.4)	451
Other non-current provisions	20	69	55	26.5	61
Non-current accrued liabilities	21	40	45	(9.0)	39
Other non-current liabilities	25	34	36	(9.5)	36
Total non-current liabilities		**1,986**	**1,771**	**12.2**	**2,121**
Share capital		209	209	–	209
Reserves		641	791	(18.9)	563
Retained earnings		4,454	4,137	7.7	3,691
Shareholders' equity	26	**5,304**	**5,137**	**3.3**	**4,463**
Non-controlling interests	27	(13)	(9)	(54.4)	(2)
Total equity		**5,291**	**5,128**	**3.2**	**4,461**
Total liabilities and equity		**11,651**	**11,237**	**3.7**	**10,528**

1) Restated according to IAS 8, see Note 03.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statement

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

	Note	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]	Change
Net sales	36	14,883	13,322	11.7%
Cost of sales		7,780	6,993	11.3%
Gross profit		**7,103**	**6,329**	**12.2%**
(% of net sales)		47.7%	47.5%	0.2pp
Royalty and commission income		105	93	13.0%
Other operating income	30	127	98	28.7%
Other operating expenses	12, 14, 31	6,150	5,567	10.5%
(% of net sales)		41.3%	41.8%	(0.5pp)
Goodwill impairment losses	13	265	–	100.0%
Operating profit		**920**	**953**	**(3.4%)**
(% of net sales)		6.2%	7.2%	(1.0pp)
Financial income	33	36	31	17.4%
Financial expenses	33	105	115	(7.8%)
Income before taxes		**851**	**869**	**(2.1%)**
(% of net sales)		5.7%	6.5%	(0.8pp)
Income taxes	34	327	261	25.3%
(% of income before taxes)		38.4%	30.0%	8.4pp
Net income		**524**	**608**	**(13.8%)**
(% of net sales)		3.5%	4.6%	(1.0pp)
Net income attributable to shareholders		**526**	**613**	**(14.2%)**
(% of net sales)		3.5%	4.6%	(1.1pp)
Net income attributable to non-controlling interests		**(2)**	**(5)**	**54.8%**
Basic earnings per share (in €)	35	2.52	2.93	(14.2%)
Diluted earnings per share (in €)	35	2.52	2.93	(14.2%)

1) Restated according to IAS 8, see Note 03.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Note	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Net income after taxes		**524**	**608**
Net loss/gain on cash flow hedges, net of tax	29	(134)	123
Actuarial loss of defined benefit plans (IAS 19), net of tax	24	(26)	(10)
Asset ceiling effect (IAS 19), net of tax	24	0	0
Currency translation differences		(43)	116
Other comprehensive income		**(203)**	**229**
Total comprehensive income		**321**	**837**
Attributable to shareholders of adidas AG		321	841
Attributable to non-controlling interests		(0)	(4)

1) Restated according to IAS 8, see Note 03.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

.. ⁄ **adidas AG Consolidated Statement of Changes in Equity (IFRS)** (€ in millions)

	Note	Share capital	Capital reserve
Balance at December 31, 2010		**209**	**722**
Adjustments according to IAS 8	3		
Balance at January 1, 2011 [2]		**209**	**722**
Net income recognised directly in equity			
Net income			
Total comprehensive income			
Dividend payment	26		
Reclassifications of non-controlling interests in accordance with IAS 32	27		
Balance at December 31, 2011 [2]		**209**	**722**
Net income recognised directly in equity			
Net income			
Total comprehensive income			
Dividend payment	26		
Acquisition of shares from non-controlling interest shareholders	4		
Convertible bond	18, 26		55
Reclassifications of non-controlling interests in accordance with IAS 32	27		
Balance at December 31, 2012		**209**	**777**

1) Reserves for actuarial gains/losses, share option plans and acquisition of shares from non-controlling interest shareholders.
2) Restated according to IAS 8, see Note 03.
3) Including € 17 million according to IAS 8.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Cumulative translation adjustments	Hedging reserves	Other reserves[1]	Retained earnings	Total share-holders' equity	Non-controlling interests	Total equity
(121)	**(10)**	**(28)**	**3,844**	**4,616**	**7**	**4,623**
			(153)	(153)	(9)	(162)
(121)	**(10)**	**(28)**	**3,691**	**4,463**	**(2)**	**4,461**
115[3]	123	(10)		228	1	229
			613	613	(5)	608
115	**123**	**(10)**	**613**	**841**	**(4)**	**837**
			(167)	(167)	(3)	(170)
			0	0		0
(6)	**113**	**(38)**	**4,137**	**5,137**	**(9)**	**5,128**
(45)	(134)	(26)		(205)	2	(203)
			526	526	(2)	524
(45)	**(134)**	**(26)**	**526**	**321**	**(0)**	**321**
			(209)	(209)	(3)	(212)
		(0)		(0)	(1)	(1)
				55		55
			0	0		0
(51)	**(21)**	**(64)**	**4,454**	**5,304**	**(13)**	**5,291**

Consolidated Statement of Cash Flows

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

	Note	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Operating activities:			
Income before taxes		851	869
Adjustments for:			
Depreciation, amortisation and impairment losses	12, 13,15, 31	536	253
Reversals of impairment losses		(2)	(2)
Unrealised foreign exchange gains, net		(26)	(31)
Interest income	33	(35)	(30)
Interest expense	33	97	108
Losses on sale of property, plant and equipment, net		12	12
Other non-cash income	30, 31	(3)	(0)
Operating profit before working capital changes		**1,430**	**1,179**
Increase in receivables and other assets		(135)	(41)
Decrease/increase in inventories		23	(353)
Increase in accounts payable and other liabilities		94	449
Cash generated from operations before interest and taxes		**1,412**	**1,234**
Interest paid		(90)	(113)
Income taxes paid		(380)	(314)
Net cash generated from operating activities		**942**	**807**
Investing activities:			
Purchase of trademarks and other intangible assets		(58)	(58)
Proceeds from sale of trademarks and other intangible assets		1	0
Purchase of property, plant and equipment		(376)	(318)
Proceeds from sale of property, plant and equipment		19	2
Acquisition of subsidiaries and other business units net of cash acquired	4	(57)	(20)
Proceeds from disposal of subsidiaries net of cash	4	14	–
Proceeds from sale/purchase of short-term financial assets		195	(192)
Proceeds from sale/purchase of investments and other long-term assets		10	(10)
Interest received		35	30
Net cash used in investing activities		**(217)**	**(566)**
Financing activities:			
Repayments of long-term borrowings		(3)	(57)
Proceeds from issue of a convertible bond	18	496	–
Dividend paid to shareholders of adidas AG	26	(209)	(167)
Dividend paid to non-controlling interest shareholders		(3)	(3)
Acquisition of non-controlling interests	4	(8)	–
Cash repayments of short-term borrowings		(231)	(273)
Net cash used in financing activities		**42**	**(500)**
Effect of exchange rates on cash		**(3)**	**15**
Net increase/decrease of cash and cash equivalents		764	(244)
Cash and cash equivalents at beginning of the year	5	906	1,150
Cash and cash equivalents at end of the year	5	**1,670**	**906**

1) Restated according to IAS 8, see Note 03.
Rounding differences may arise in percentages and totals.
The accompanying notes are an integral part of these consolidated financial statements.

Notes

adidas AG (hereafter also referred to as "the company") is a listed German stock corporation and parent of the adidas Group located at Adi-Dassler-Str. 1, 91074 Herzogenaurach, Germany. adidas AG and its subsidiaries (collectively the "adidas Group" or the "Group") design, develop, produce and market – increasingly through own-retail activities – a broad range of athletic and sports lifestyle products. The operating activities of the adidas Group are divided into six operating segments: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands.

The Wholesale segment comprises all business activities relating to the distribution of adidas and Reebok products to retail customers.

The Retail segment comprises all business activities relating to the sale of adidas and Reebok products directly to end consumers through own retail and own e-commerce platforms.

adidas and Reebok branded products include footwear, apparel and hardware, such as bags and balls.

TaylorMade-adidas Golf includes the four brands TaylorMade, adidas Golf, Adams Golf and Ashworth. TaylorMade designs, develops and distributes primarily golf clubs, balls and accessories. adidas Golf branded products include footwear, apparel and accessories. Adams Golf designs and distributes mainly golf clubs as well as a small range of accessories. Ashworth designs and distributes men's and women's golf-inspired apparel and footwear.

Rockport predominantly designs and distributes leather footwear for men and women.

Reebok-CCM Hockey designs, produces and distributes ice hockey equipment such as sticks, skates and protection gear. In addition, Reebok-CCM Hockey designs, produces and distributes apparel mainly under the brand names Reebok Hockey and CCM.

The Other Centrally Managed Brands segment primarily includes the business activities of the labels Y-3, Porsche Design Sport and adidas SLVR as well as the business activities of the brand Five Ten in the outdoor action sports sector. Furthermore, the segment also comprises the German own-retail activities of the adidas NEO label.

01 General

The consolidated financial statements of adidas AG as at December 31, 2012 comprise adidas AG and its subsidiaries and are prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) as at December 31, 2012, and the additional requirements pursuant to § 315a section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following new standards and interpretations and amendments to existing standards and interpretations are applicable for the first time for financial years beginning on January 1, 2012:

⁄ **IAS 12 Amendment – Deferred Tax: Recovery of Underlying Assets** (effective date: January 1, 2012): This amendment had no impact on the Group's financial statements.

⁄ **IFRS 7 Amendment – Disclosures – Transfers of Financial Assets** (effective date: July 1, 2011): This amendment had no impact on the Group's financial statements.

New standards and interpretations and amendments to existing standards and interpretations that will be effective for financial years beginning after January 1, 2012, and which have not been applied in preparing these consolidated financial statements are:

⁄ **IFRS 7 Amendment – Disclosures – Offsetting Financial Assets and Financial Liabilities** (effective date: January 1, 2013): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IFRS 10 Consolidated Financial Statements** (effective date: January 1, 2014): This new standard is not expected to have any material impact on the Group's financial statements.

⁄ **IFRS 11 Joint Arrangements** (effective date: January 1, 2014): This new standard is not expected to have any material impact on the Group's financial statements.

⁄ **IFRS 12 Disclosure of Interests in Other Entities** (effective date: January 1, 2014): This new standard is not expected to have any material impact on the Group's financial statements.

⁄ **IFRS 13 Fair Value Measurement** (effective date: January 1, 2013): This new standard is not expected to have any material impact on the Group's financial statements.

⁄ **IAS 1 Amendment – Presentation of Items of Other Comprehensive Income** (effective date: July 1, 2012): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IAS 19 Employee Benefits – Revised (2011)** (effective date: January 1, 2013): This amendment is not expected to have any material impact on the Group's financial statements.

⁄ **IAS 27 Separate Financial Statements – Revised (2011)** (effective date: January 1, 2014): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IAS 28 Investments in Associates and Joint Ventures – Revised (2011)** (effective date: January 1, 2014): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IAS 32 Amendment – Offsetting Financial Assets and Financial Liabilities** (effective date: January 1, 2014): This amendment is not expected to have any impact on the Group's financial statements.

⁄ **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine** (effective date: January 1, 2013): This interpretation will not have any impact on the Group's financial statements.

⁄ **Improvements to IFRSs (2011)** (effective date: January 1, 2013): These improvements are not expected to have any material impact on the Group's financial statements.

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by the Group before the effective date.

The consolidated financial statements have in principle been prepared on the historical cost basis with the exception of certain items in the statement of financial position such as financial instruments valued at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, plan assets and receivables, which are measured at fair value.

The consolidated financial statements are presented in euros (€) and all values are rounded to the nearest million (€ in millions).

02 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with the consolidation, accounting and valuation principles described below.

Principles of consolidation

The consolidated financial statements include the financial statements of adidas AG and its direct and indirect subsidiaries, which are prepared in accordance with uniform accounting principles. A company is considered a subsidiary if it is controlled by adidas AG, e.g. by holding the majority of the voting rights and/or directly or indirectly governing the financial and operating policies of the respective enterprise.

The number of consolidated subsidiaries evolved as follows for the years ending December 31, 2012 and December 31, 2011, respectively:

Number of consolidated subsidiaries

	2012	2011
January 1	**173**	**169**
First-time consolidated companies:	13	6
Thereof: newly founded	4	4
Thereof: purchased	9	2
Deconsolidated/divested companies	(9)	–
Intercompany mergers	–	(2)
December 31	**177**	**173**

A schedule of the shareholdings of adidas AG is shown in Attachment II to the consolidated financial statements ⁄ SEE SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, P. 240. Furthermore, the schedule of the shareholdings of adidas AG will be published on the electronic platform of the German Federal Gazette.

Within the scope of the first-time consolidation, all acquired assets and liabilities are recognised in the statement of financial position at fair value at the acquisition date. A debit difference between the acquisition cost and the proportionate fair value of assets, liabilities and contingent liabilities is shown as goodwill. A credit difference is recorded in the income statement.

Acquisitions of additional investments in subsidiaries which are already controlled are recorded as equity transactions. Therefore, neither fair value adjustments of assets and liabilities nor gains or losses are recognised. Any difference between the cost for such an additional investment and the carrying amount of the net assets at the acquisition date is directly recorded in shareholders' equity.

The financial effects of intercompany transactions, as well as any unrealised gains and losses arising from intercompany business relations are eliminated in preparing the consolidated financial statements.

Principles of measurement

The following table includes an overview of selected measurement principles used in the preparation of the consolidated financial statements.

Overview of selected measurement principles

Item	Measurement principle
Assets	
Cash and cash equivalents	Nominal amount
Short-term financial assets	At fair value through profit or loss
Accounts receivable	Amortised cost
Inventories	Lower of cost or net realisable value
Assets classified as held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant and equipment	Amortised cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortised cost
With indefinite useful life	Impairment-only approach
Other financial assets (categories according to IAS 39):	
At fair value through profit or loss	At fair value through profit or loss
Held to maturity	Amortised cost
Loans and receivables	Amortised cost
Available-for-sale	At fair value in other comprehensive income or at amortised cost
Liabilities	
Borrowings	Amortised cost
Accounts payable	Amortised cost
Other financial liabilities	Amortised cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortised cost

Currency translation

Transactions in foreign currencies are initially recorded in the respective functional currency by applying the spot exchange rate valid at the transaction date to the foreign currency amount.

In the individual financial statements of subsidiaries, monetary items denominated in non-functional currencies of the subsidiaries are generally translated into the functional currency at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recorded directly in the income statement.

Assets and liabilities of the Group's non-euro functional currency subsidiaries are translated into the presentation currency, the euro, which is also the functional currency of adidas AG, at closing exchange rates at the balance sheet date. For practical reasons, revenues and expenses are translated at average rates for the period which approximate the exchange rates on the transaction dates. All cumulative differences from the translation of equity of foreign subsidiaries resulting from changes in exchange rates are included in a separate item within shareholders' equity without affecting the income statement.

A summary of exchange rates to the euro for major currencies in which the Group operates is as follows:

Exchange rates (€ 1 equals)

	Average rates for the year ending Dec. 31,		Spot rates at Dec. 31,	
	2012	2011	2012	2011
USD	1.2862	1.3922	1.3194	1.2939
GBP	0.8115	0.8678	0.8161	0.8353
JPY	102.6451	111.0420	113.6100	100.2000
CNY	8.1137	9.0000	8.2931	8.1527
RUB	39.9512	40.8709	40.0737	41.4303

Derivative financial instruments

The Group uses derivative financial instruments, such as currency options, forward contracts as well as interest rate swaps and cross-currency interest rate swaps, to hedge its exposure to foreign exchange and interest rate risks. In accordance with its Treasury Policy, the Group does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised in the statement of financial position at fair value, and subsequently also measured at their fair value. The method of recognising the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, the Group designates derivatives as either a hedge of a forecasted transaction (cash flow hedge), a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, and that are effective, as defined in IAS 39 "Financial instruments: recognition and measurement", are recognised in equity. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognised in the income statement. Accumulated gains and losses in equity are transferred to the income statement in the same periods during which the hedged forecasted transaction affects the income statement.

For derivative instruments designated as fair value hedges, the gains or losses on the derivatives and the offsetting gains or losses on the hedged items are recognised immediately in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of any derivative instruments that do not meet these rules are recognised immediately in the income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. If, for example, the hedging instrument is a derivative (e.g. a forward contract) or, for example, a foreign currency borrowing, effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing, respectively, are recognised in equity.

The Group documents the relationship between hedging instruments and hedge objects at transaction inception, as well as the risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific firm commitments and forecasted transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective by using different methods of effectiveness testing, such as the "dollar offset method" or the "hypothetical derivative method".

The fair values of forward contracts and currency options are determined on the basis of market conditions on the reporting dates. The fair value of a currency option is determined using generally accepted models to calculate option prices. The fair market value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand and short-term deposits with maturities of three months or less from the date of acquisition.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables and other financial assets

Receivables and other financial assets are recognised at fair value, which corresponds to the nominal value for current receivables and other financial assets. For non-current receivables and other financial assets, the fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the balance sheet date. Subsequently, these are measured at amortised cost using the "effective interest method". Required allowances, if necessary, are determined on the basis of individual risk assessments, and on the ageing structure of receivables past due.

Inventories

Merchandise and finished goods are valued at the lower of cost or net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are determined using a standard valuation method: the "average cost method". Costs of finished goods include cost of raw materials, direct labour and the components of the manufacturing overheads which can reasonably be attributed. The allocation of overheads is based on the planned average utilisation. The net realisable value allowances are computed consistently throughout the Group based on the age and expected future sales of the items on hand.

Assets/liabilities classified as held for sale

Assets/liabilities classified as held for sale are primarily non-current assets and liabilities expected to be recovered principally through sale rather than through continuing use. These are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale are not depreciated on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. This comprises any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by Management less accumulated depreciation (except for land and construction in progress) and accumulated impairment losses. Depreciation is recognised over the estimated useful life utilising the "straight-line method" and taking into account any potential residual value, except where the "declining-balance method" is more appropriate in light of the actual utilisation pattern. Parts of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately.

Estimated useful lives are as follows:

Estimated useful lives of property, plant and equipment

	Years
Buildings and leasehold improvements	5 – 50
Technical equipment and machinery as well as other equipment and furniture and fixtures	2 – 10

Expenditures for repairs and maintenance are expensed as incurred. Renewals and improvements are capitalised and depreciated separately, if the recognition criteria are met.

Impairment losses

If facts and circumstances indicate that non-current assets (e.g. property, plant and equipment, intangible assets including goodwill and certain financial assets) might be impaired, the recoverable amount is determined. It is measured at the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in other operating expenses or reported separately if the carrying amount exceeds the recoverable amount. If there is an impairment loss for a cash-generating unit, first the carrying amount of any goodwill allocated to the cash-generating unit is reduced, and subsequently, provided that the recoverable amount is lower than the carrying amount, the other non-current assets of the unit are reduced pro rata on the basis of the carrying amount of each asset in the unit.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life and goodwill acquired in business combinations are tested annually for impairment.

An impairment loss recognised in goodwill is not reversible. With respect to all other impaired assets, an impairment loss recognised in prior periods is reversed affecting the income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

Leases

Under finance lease arrangements, the substantial risks and rewards associated with an asset are transferred to the lessee. At the beginning of the lease arrangement, the respective asset and a corresponding liability are recognised at the fair value of the asset or, if lower, the net present value of the minimum lease payments. For subsequent measurement, minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability. In addition, depreciation and any impairment losses for the associated assets are recognised. Depreciation is performed over the lease term or, if shorter, over the useful life of the asset.

Under operating lease agreements, rent expenses are recognised on a straight-line basis over the term of the lease.

Intangible assets (except goodwill)

Intangible assets are valued at amortised cost less accumulated amortisation (except for assets with indefinite useful lives) and impairment losses. Amortisation is calculated on a straight-line basis taking into account any potential residual value.

Expenditures during the development phase of internally generated intangible assets are capitalised as incurred if they qualify for recognition under IAS 38 "Intangible Assets".

Estimated useful lives are as follows:

Estimated useful lives of intangible assets

	Years
Trademarks	indefinite
Software	3 – 5
Patents, trademarks and concessions	5 – 15

The adidas Group determined that there was no impairment necessary for any of its trademarks with indefinite useful lives in the years ending December 31, 2012 and 2011. In addition, an increase in the discount rate of up to 1.5% or a reduction of cash inflows of up to 20% would not result in any impairment requirement.

The recoverable amount is determined on the basis of fair value less costs to sell (costs to sell are calculated with 1% of the fair value). The fair value is determined in discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset ("relief-from-royalty method"). These calculations use projections of net sales related royalty savings, based on financial planning which covers a period of five years in total. The level of the applied royalty rate for the determination of the royalty savings is based on contractual agreements between the adidas Group and external licensees as well as publicly available royalty rate agreements for similar assets. Notional royalty savings beyond this period are extrapolated using steady growth rates of 1.7% (2011: 1.7%). The growth rates do not exceed the long-term average growth rate of the business to which the trademarks are allocated.

The discount rate is based on a weighted average cost of capital calculation derived using a five-year average market-weighted debt/ equity structure and financing costs referencing the Group's major competitors. The discount rate used is an after-tax rate and reflects the specific equity and country risk. The applied discount rate depends on the respective intangible asset being valued and ranges between 6.5% and 8.4% (2011: between 6.5% and 8.1%).

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised. This results when the purchase cost exceeds the fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets, liabilities and contingent liabilities of that foreign entity are treated as assets, liabilities and contingent liabilities of the respective reporting entity, and are translated at exchange rates prevailing at the date of the initial consolidation. Goodwill is carried in the functional currency of the acquired foreign entity.

Acquired goodwill is valued at cost and is tested for impairment on an annual basis and additionally when there are indications of potential impairment.

The cash-generating units are defined as the geographic regions (split into wholesale and retail) which are responsible for the joint distribution of adidas and Reebok as well as the other operating segments TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey. Compared to 2011, Brazil is now managed separately from the rest of Latin America. As a result, the number of cash-generating units increased overall to a total of 32 (2011: 30).

The cash-generating units (or groups of units) represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The impairment test for goodwill has been performed based on cash-generating units (or groups of units).

The recoverable amount of a cash-generating unit is determined on the basis of value in use. This calculation uses cash flow projections based on the financial planning covering a five-year period in total. The planning is based on the adidas Group's strategic business plan "Route 2015" ⁄ **SEE GROUP STRATEGY, P. 68** until 2015 and was prolonged by two further years based on historical and expected growth prospects and margin developments until 2015. It reflects an expected mid- to high-single-digit sales increase for the majority of the cash-generating units (or groups of units). For a few emerging markets, we expect, on average, a low-double-digit sales growth rate. Furthermore, we expect the operating margin to improve, primarily driven by an improvement in the gross margin as well as lower operating expenses as a percentage of sales. The planning for capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the single cash-generating units (or groups of units). Cash flows beyond this five-year period are extrapolated using steady growth rates of 1.7% (2011: 1.7%). According to our expectations, these growth rates do not exceed the long-term average growth rate of the business in which each cash-generating unit operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing the Group's major competitors for each cash-generating unit (or groups of units). The discount rates used are after-tax rates and reflect the specific equity and country risk of the relevant cash-generating unit.

As a result of the financial irregularities identified in spring 2012, the total goodwill of € 27 million allocated to the geographic region India was retroactively impaired as of January 1, 2011 as part of the adjustments according to IAS 8 ⁄ **SEE NOTE 03**.

In total, goodwill impairment losses of € 265 million have been recognised in 2012 (2011: € 0 million). Within wholesale cash-generating units, goodwill impairment losses amounted to € 106 million in North America, € 41 million in Latin America, € 15 million in Brazil and € 11 million in Iberia. The goodwill of the respective cash-generating units is completely impaired except for the cash-generating unit Wholesale Iberia. The impairment losses were mainly caused by adjusted growth assumptions for the Reebok brand, especially in North America, Latin America and Brazil, and an increase in the country-specific discount rates as a result of the euro crisis.

In addition, goodwill of € 68 million allocated to Reebok-CCM Hockey was completely impaired and € 24 million allocated to Rockport was partially impaired. The impairment losses are the result of changes in the re-evaluation of future growth prospects and, with regard to Rockport, also due to an increase in the discount rate.

Even a small change in the discount rate or a reduction of planned cash inflows would result in an additional impairment requirement of up to € 52 million for the cash-generating units (or groups of units) Wholesale Iberia and Rockport. For all other cash-generating units, even an increase in the discount rate of up to 1.5% or a reduction of cash inflows of up to 20% would not result in any additional impairment requirement.

The carrying amounts of acquired goodwill allocated to the respective groups of cash-generating units and the respective discount rates applied to the cash flow projections are as follows:

Allocation of goodwill

	Goodwill (€ in millions)		Discount rate (after taxes)	
	Dec. 31, 2012	Dec. 31, 2011 [1]	Dec. 31, 2012	Dec. 31, 2011
Wholesale China	160	162	8.1%	7.9%
Wholesale Central Europe	154	155	7.5%	7.3%
Wholesale Northern Europe	133	134	7.4%	7.2%
Wholesale North America	–	105	7.2%	7.0%
Wholesale – Other	287	357	7.2 – 11.3%	7.0 – 10.5%
Wholesale	**734**	**913**		
Retail CIS	78	79	9.6%	9.5%
Retail North America	29	30	7.2%	7.0%
Retail Central Europe	29	29	7.5%	7.3%
Retail - Other	95	96	7.2 – 11.3%	7.0 – 10.5%
Retail	**231**	**234**		
TaylorMade-adidas Golf	288	284	7.6%	7.3%
Other Businesses - Other	28	122	6.5 – 8.0%	6.5 – 7.5%
Other Businesses	**316**	**406**		
Total	**1,281**	**1,553**		

1) Restated according to IAS 8, see Note 03.

Research and development

Research costs are expensed in full as incurred. Development costs are also expensed as incurred if they do not meet the recognition criteria of IAS 38 "Intangible Assets".

The Group spent € 128 million and € 115 million on product research and development for the years ending December 31, 2012 and 2011, respectively.

Financial assets

All purchases and sales of financial assets are recognised on the trade date. Costs of purchases include transaction costs. Available-for-sale financial assets include non-derivative financial assets which are not allocable under another category of IAS 39. If their respective fair value can be measured reliably, they are subsequently carried at fair value. If this is not the case, these are measured at amortised cost. Realised and unrealised gains and losses arising from changes in the fair value of financial assets are included in the income statement for the period in which they arise, except for available-for-sale financial assets where unrealised gains and losses are recognised in equity unless they are impaired.

Borrowings and other liabilities

Borrowings and other liabilities are recognised at fair value using the "effective interest method", net of transaction costs incurred. In subsequent periods, long-term borrowings are stated at amortised cost using the "effective interest method". Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowing.

adidas AG has issued a compound financial instrument in the form of a convertible bond which grants the holder the right to convert the bond into adidas AG shares. The number of underlying shares is fixed and does not vary subject to the fair value of the shares.

Compound financial instruments (e.g. convertible bonds) are divided into a liability component shown under borrowings and into an equity component resulting from conversion rights. The equity component is included in the capital reserve. The fair value of the liability component is determined by discounting the interest and principal payments of a comparable liability without conversion rights, applying risk-adjusted interest rates. The liability component is subsequently measured at amortised cost using the "effective interest method". The equity component is determined as the difference between the fair value of the total compound financial instrument and the fair value of the liability component and is reported within equity. There is no subsequent measurement of the equity component. At initial recognition, directly attributable transaction costs are assigned to the equity and liability component pro rata on the basis of the respective carrying amounts.

Other provisions and accrued liabilities

Other provisions are recognised where a present obligation (legal or constructive) to third parties has been incurred as a result of a past event which can be estimated reliably and is likely to lead to an outflow of resources, and where the timing or amount is uncertain. Other non-current provisions are discounted if the effect of discounting is material.

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Here, however, the timing and amount of an outflow of resources is not uncertain.

Pensions and similar obligations

Provisions and expenses for pensions and similar obligations relate to the Group's obligations for defined benefit and defined contribution plans. Obligations under defined benefit plans are determined separately for each plan by valuing the employee benefits accrued in return for their service during the current and prior periods. These benefit accruals are discounted to determine their present value, and the fair value of any plan assets is deducted in order to determine the net liability. The discount rate is set on the basis of yields at the balance sheet date for high-quality corporate bonds provided there is a deep market for high-quality corporate bonds in a given currency. Otherwise, government bond yields are used as a reference. Calculations are performed by qualified actuaries using the "projected unit credit method" in accordance with IAS 19 "Employee Benefits". Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

In addition to recognising actuarial gains and losses in the income statement according to the "corridor method", IAS 19 grants the option to immediately recognise actuarial gains and losses within equity. The Group utilises this option in order to avoid earnings volatility and recognises actuarial gains or losses for defined benefit plans arising during the financial year immediately within other comprehensive income.

Recognition of revenues

Sales are recognised at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, when the significant risks and rewards of ownership of the goods are transferred to the buyer, and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Royalty and commission income is recognised based on the contract terms on an accrual basis.

Advertising and promotional expenditures

Production costs for media campaigns are included in prepaid expenses (other current and non-current assets) until the services are received, and upon receipt expensed in full. Significant media buying costs are expensed over the intended duration of the broadcast.

Promotional expenses that involve payments, including one-time up-front payments for promotional contracts, are expensed on a straight-line basis over the term of the agreement.

Interest

Interest is recognised as income or expense as incurred using the "effective interest method" with the exception of interest that is directly attributable to the acquisition, construction or production of a qualifying asset. This interest is capitalised as part of the cost of the qualifying asset.

Income taxes

Current income taxes are computed in accordance with the applicable taxation rules established in the countries in which the Group operates.

The Group computes deferred taxes for all temporary differences between the carrying amount and the tax base of its assets and liabilities and tax loss carry-forwards. As it is not permitted to recognise a deferred tax liability for goodwill, the Group does not compute any deferred taxes thereon.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards which exceed taxable temporary differences are only recognised to the extent that it is probable that the company concerned will generate sufficient taxable income to realise the associated benefit.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Estimation uncertainties and judgements

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the respective Notes, in particular goodwill ⁄ **SEE NOTE 13**, trademarks ⁄ **SEE NOTE 14**, other provisions ⁄ **SEE NOTE 20**, pensions ⁄ **SEE NOTE 24**, derivatives ⁄ **SEE NOTE 29** as well as deferred taxes ⁄ **SEE NOTE 34**.

Judgements have, for instance, been used in classifying leasing arrangements as well as in determining valuation methods for intangible assets.

03 Adjustments according to IAS 8

At Reebok India Company (hereinafter "Reebok India"), numerous financial irregularities were identified in March 2012. As a result, the services of the then Managing Director (MD) and Chief Operating Officer were terminated, and a new MD was instated. Immediately on becoming aware of the aforesaid financial irregularities, Reebok India carried out an externally assisted internal investigation and filed a criminal complaint with the police. This resulted in an investigation which is being carried out by the Special Economic Wing of the Gurgaon Police. Additionally, various other regulatory agencies are conducting specific investigations into various aspects of the case.

Key findings from the internal investigation include inappropriate recognition of sales due to sales cut-off irregularities, a failure to book sales returns and a failure to correctly post credit notes to accounts receivable. This also resulted in a significant overstatement of the accounts receivable balances as well as materially incorrect accounting for inventories and provisions. During the investigation process, the new management also discovered four secret warehouses not disclosed in the official accounting records. The investigations also revealed that Reebok India had adopted inappropriate procedures to artificially reduce the accounts receivable balance. The findings of the investigations suggest that the practice of inflating sales and profits had been going on for several years.

The discovery of these activities resulted in the identification of material errors in the prior period financial statements of Reebok India. As a consequence of these errors, material misstatements are also included in the consolidated financial statements of adidas AG for the 2011 financial year and previous financial years, which have to be corrected in accordance with IAS 8.41 et seqq. These corrections are reflected in the consolidated financial statements as at December 31, 2012, in which the comparative figures for the year 2011 are restated and the opening balance sheet for 2011 is corrected to the extent that earlier periods are affected.

The following tables provide an overview of the impact of all corrections:

Adjustment of the adidas AG Opening Consolidated Statement of Financial Position (IFRS) as at January 1, 2011 (€ in millions)

	Dec. 31, 2010 (as reported)	Adjustments IAS 8	Opening balance Jan. 1, 2011
Cash and cash equivalents	1,156	(6)	1,150
Short-term financial assets	233		233
Accounts receivable	1,667	(47)	1,620
Other current financial assets	197	(19)	178
Inventories	2,119	16	2,135
Income tax receivables	71		71
Other current assets	390		390
Assets classified as held for sale	47		47
Total current assets	**5,880**	**(56)**	**5,824**
Property, plant and equipment	855		855
Goodwill	1,539	(27)	1,512
Trademarks	1,447		1,447
Other intangible assets	142		142
Long-term financial assets	93		93
Other non-current financial assets	54		54
Deferred tax assets	508	(7)	501
Other non-current assets	100		100
Total non-current assets	**4,738**	**(34)**	**4,704**
Total assets	**10,618**	**(90)**	**10,528**
Short-term borrowings	273	11	284
Accounts payable	1,694	3	1,697
Other current financial liabilities	123	9	132
Income taxes	265		265
Other current provisions	470	15	485
Current accrued liabilities	842		842
Other current liabilities	241	0	241
Liabilities classified as held for sale	0		0
Total current liabilities	**3,908**	**38**	**3,946**
Long-term borrowings	1,337		1,337
Other non-current financial liabilities	15	2	17
Pensions and similar obligations	180		180
Deferred tax liabilities	451		451
Other non-current provisions	29	32	61
Non-current accrued liabilities	39		39
Other non-current liabilities	36		36
Total non-current liabilities	**2,087**	**34**	**2,121**
Share capital	209		209
Reserves	563	0	563
Retained earnings	3,844	(153)	3,691
Shareholders' equity	**4,616**	**(153)**	**4,463**
Non-controlling interests	7	(9)	(2)
Total equity	**4,623**	**(162)**	**4,461**
Total liabilities and equity	**10,618**	**(90)**	**10,528**

Rounding differences may arise in percentages and totals.

Adjustment of the adidas AG Consolidated Income Statement (IFRS) for the year ending December 31, 2011 (€ in millions)

	Year ending Dec. 31, 2011 (as reported)	Adjustments IAS 8	Year ending Dec. 31, 2011 (restated)
Net sales	13,344	(22)	13,322
Cost of sales	7,000	(7)	6,993
Gross profit	**6,344**	**(15)**	**6,329**
(% of net sales)	47.5%		47.5%
Royalty and commission income	93		93
Other operating income	98		98
Other operating expenses	5,524	43	5,567
(% of net sales)	41.4%		41.8%
Operating profit	**1,011**	**(58)**	**953**
(% of net sales)	7.6%		7.2%
Financial income	31		31
Financial expenses	115	0	115
Income before taxes	**927**	**(58)**	**869**
(% of net sales)	6.9%		6.5%
Income taxes	257	4	261
(% of income before taxes)	27.7%		30.0%
Net income	**670**	**(62)**	**608**
(% of net sales)	5.0%		4.6%
Net income attributable to shareholders	**671**	**(58)**	**613**
(% of net sales)	5.0%		4.6%
Net income attributable to non-controlling interests	**(1)**	**(4)**	**(5)**
Basic earnings per share (in €)	3.20	(0.27)	2.93
Diluted earnings per share (in €)	3.20	(0.27)	2.93

Rounding differences may arise in percentages and totals.

Adjustment of the adidas AG Consolidated Statement of Financial Position (IFRS) as at December 31, 2011 (€ in millions)

	Dec. 31, 2011 (as reported)	Adjustments IAS 8	Dec. 31, 2011 (restated)
Cash and cash equivalents	906		906
Short-term financial assets	465		465
Accounts receivable	1,707	(112)	1,595
Other current financial assets	304	(15)	289
Inventories	2,482	20	2,502
Income tax receivables	77		77
Other current assets	469	(0)	469
Assets classified as held for sale	25		25
Total current assets	**6,435**	**(107)**	**6,328**
Property, plant and equipment	963		963
Goodwill	1,580	(27)	1,553
Trademarks	1,503		1,503
Other intangible assets	160		160
Long-term financial assets	97		97
Other non-current financial assets	42		42
Deferred tax assets	493	(9)	484
Other non-current assets	107		107
Total non-current assets	**4,945**	**(36)**	**4,909**
Total assets	**11,380**	**(143)**	**11,237**
Short-term borrowings	289		289
Accounts payable	1,886	1	1,887
Other current financial liabilities	56	10	66
Income taxes	252		252
Other current provisions	507	42	549
Current accrued liabilities	990	2	992
Other current liabilities	301	2	303
Liabilities classified as held for sale	0		0
Total current liabilities	**4,281**	**57**	**4,338**
Long-term borrowings	991		991
Other non-current financial liabilities	6	3	9
Pensions and similar obligations	205		205
Deferred tax liabilities	430		430
Other non-current provisions	55		55
Non-current accrued liabilities	45		45
Other non-current liabilities	36		36
Total non-current liabilities	**1,768**	**3**	**1,771**
Share capital	209		209
Reserves	770	21	791
Retained earnings	4,348	(211)	4,137
Shareholders' equity	**5,327**	**(190)**	**5,137**
Non-controlling interests	4	(13)	(9)
Total equity	**5,331**	**(203)**	**5,128**
Total liabilities and equity	**11,380**	**(143)**	**11,237**

Rounding differences may arise in percentages and totals.

Adjustment of the adidas AG Consolidated Statement of Cash Flows (IFRS) for the year ending December 31, 2011 (€ in millions)

	Year ending Dec.31, 2011 (as reported)	Adjustments IAS 8	Year ending Dec.31, 2011 (restated)
Operating activities:			
Income before taxes	927	(58)	869
Adjustments for:			
Depreciation, amortisation and impairment losses	253		253
Reversals of impairment losses	(2)		(2)
Unrealised foreign exchange gains, net	(31)		(31)
Interest income	(30)		(30)
Interest expense	108	0	108
Losses on sale of property, plant and equipment, net	12		12
Other non-cash income	(0)		(0)
Operating profit before working capital changes	**1,237**	**(58)**	**1,179**
Increase in receivables and other assets	(116)	75	(41)
Increase in inventories	(349)	(4)	(353)
Increase in accounts payable and other liabilities	447	2	449
Cash generated from operations before interest and taxes	**1,219**	**15**	**1,234**
Interest paid	(113)		(113)
Income taxes paid	(314)		(314)
Net cash generated from operating activities	**792**	**15**	**807**
Investing activities:			
Purchase of trademarks and other intangible assets	(58)		(58)
Proceeds from sale of trademarks and other intangible assets	0		0
Purchase of property, plant and equipment	(318)		(318)
Proceeds from sale of property, plant and equipment	2		2
Acquisition of subsidiaries and other business units net of cash acquired	(20)		(20)
Purchase of short-term financial assets	(192)		(192)
Purchase of investments and other long-term assets	(10)		(10)
Interest received	30		30
Net cash used in investing activities	**(566)**	**0**	**(566)**
Financing activities:			
Repayments of long-term borrowings	(48)	(9)	(57)
Dividend paid to shareholders of adidas AG	(167)		(167)
Dividend paid to non-controlling interest shareholders	(3)		(3)
Cash repayments of short-term borrowings	(273)		(273)
Net cash used in financing activities	**(491)**	**(9)**	**(500)**
Effect of exchange rates on cash	**15**	**0**	**15**
Net decrease of cash and cash equivalents	(250)	6	(244)
Cash and cash equivalents at beginning of the year	1,156	(6)	1,150
Cash and cash equivalents at end of the year	**906**	**0**	**906**

Rounding differences may arise in percentages and totals.

Moreover, as a result of these adjustments relating to the financial year 2011, the consolidated statement of changes in equity, the consolidated statement of comprehensive income and the comparative amounts for 2011 in the Notes to the consolidated financial statements also had to be restated accordingly. In addition, a correction of the consolidated statement of changes in equity at the time of the opening balance as at January 1, 2011 was necessary.
In particular, the following errors had to be adjusted:

a) Manipulation of sales and accounts receivable
Through different practices, Reebok India overstated net sales and accounts receivable, whereas inventories were understated as at December 31, 2011 and in previous financial years.
This was achieved through the following practices:

- Issuing invoices to customers, even though inventories were not delivered at the time of invoicing, but stored in secret warehouses of Reebok India or in warehouses of a shipping company.
- Entering into sales agreements with distributors which did not transfer risk and rewards.
- Not recording sales returns received from customers at the time of return and storing the returned inventory in secret warehouses.
- Issuing unjustified invoices, for example, for subsequent price increases, or not recording valid credit notes to customers.
- The incorrect or omitted recording of contractual obligations towards customers.

As a result of these practices, the allowances for inventories and the provision for sales returns were also determined incorrectly.

The impact on the opening consolidated statement of financial position as at January 1, 2011 and the consolidated statement of financial position as at December 31, 2011 is as follows:

Impact on the consolidated financial statements (€ in millions)

	Jan. 1, 2011	Dec. 31, 2011
Accounts receivable	(94)	(132)
Inventories	16	20
Other current financial liabilities	–	6
Other current provisions	14	10
Other current liabilities	–	(1)
Total equity	(92)	(127)
Net sales	–	(37)
Cost of sales	–	(6)
Other operating expenses	–	20

b) Fictitious cash collections
Reebok India recorded fictitious cash collections of outstanding accounts receivable. This scheme involved agreements with business partners, whereby Reebok India transferred money to business partners in January 2011 while at the same time receiving cheques back-dated to December 2010 from those same partners.

In addition, in 2011, Reebok India initiated a programme to roll out further franchise stores, whereby the investees had to make a prepayment which was recorded as collection of various outstanding customer accounts instead of recording a financial liability against the investor.

The required corrections led to a reduction of cash and cash equivalents of € 5 million and an increase in accounts receivable of € 27 million as well as an increase in short-term borrowings of € 11 million and in other current and non-current financial liabilities of € 11 million in the opening consolidated balance sheet as at January 1, 2011.

For the year ending December 31, 2011, the correction led to an increase in accounts receivable as well as other current and non-current financial liabilities of € 6 million.

c) Unrecorded liabilities and provisions
A significant number of vendor invoices and provisions relating to commitments given to business partners were not recorded. Amongst others, this included committed subsequent sales discounts as well as termination penalties in connection with store closures.

Furthermore, in the statement of financial position, Reebok India has not recognised onerous contracts relating to contracts with franchisees which will incur losses over the remaining contractual term due to minimum guarantee agreements in favour of the franchisees.

The impact on the consolidated financial statements as at December 31, 2011 is as follows:

Impact on the consolidated financial statements (€ in millions)

	Jan. 1, 2011	Dec. 31, 2011
Other current provisions	1	30
Current accrued liabilities	–	1
Other current liabilities	–	3
Other non-current provisions	32	–
Total equity	(33)	(34)
Net sales	–	(6)
Other operating expenses	–	1

d) Goodwill
Deducting the overstated sales and income in the business plans established in the previous years would have resulted in full impairment of the goodwill allocated to the cash-generating unit Wholesale India. Therefore, the goodwill of € 27 million is impaired in the opening consolidated balance sheet as at January 1, 2011.

e) Deferred tax assets
Deferred tax assets of € 7 million and € 9 million for the years ending December 31, 2010 and 2011, respectively, were recognised by Reebok India. Deducting the overstated sales and income in the business plans established in the previous years would have resulted in a business plan which does not support the probability of the utilisation of these deferred tax assets.

The required corrections led to a decrease of deferred tax assets in the opening consolidated balance sheet as at January 1, 2011 of € 7 million. For the year ending December 31, 2011, the deferred tax asset was reduced by € 9 million and tax expense for the year ending December 31, 2011 was increased by € 4 million as the recognition criteria for deferred tax assets were not fulfilled anymore.

f) Other adjustments

Some balance sheet items as at December 31, 2011 and for previous years could not be substantiated and therefore were written off.

Balance sheet items written off (€ in millions)

	Jan. 1, 2011	Dec. 31, 2011
Accounts payable	3	1
Other current provisions	1	2
Other current liabilities	–	1
Total equity	(4)	(4)
Net sales	–	(1)
Cost of sales	–	(1)
Other operating expenses	–	2

In addition, the following consolidated balance sheet reclassifications were recorded:

Consolidated statement of financial position reclassifications (€ in millions)

	Jan. 1, 2011	Dec. 31, 2011
Accounts receivable	19	13
Other current financial assets	(19)	(13)
Other current assets	–	(1)
Accounts payable	–	1

g) Non-controlling interest

6.85% of the shares of Reebok India are held by a minority shareholder. As a result of the adjustments described in this Note, the non-controlling interest also had to be adjusted accordingly.

Earnings per share

As a result of the above-mentioned adjustments, basic and diluted earnings per share for the 2011 financial year declined from € 3.20 to € 2.93.

04 Acquisition/disposal of subsidiaries as well as assets and liabilities

Effective March 30, 2012, adidas AG acquired the remaining 10% share in its German subsidiary GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG, which was formerly reported as a non-controlling interest in other liabilities in compliance with IAS 32 "Financial Instruments: Presentation" SEE NOTE 27. The purchase price of € 7 million was paid at the beginning of April 2012.

Effective June 1, 2012, Taylor Made Golf Co., Inc. completed the acquisition of Adams Golf, Inc. ("Adams Golf"). Based in Plano, Texas (USA), Adams Golf designs, assembles and distributes golf clubs. With this acquisition, the adidas Group intends to further improve its market position within the golf industry. The entire business of Adams Golf was purchased for a purchase price of US $ 89 million in cash.

The acquisition had the following effect on the Group's assets and liabilities, based on a preliminary purchase price allocation:

Net assets of Adams Golf, Inc. including subsidiaries at the acquisition date (€ in millions)

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	14	–	14
Accounts receivable	28	(0)	28
Inventories	17	2	19
Other current assets	0	–	0
Property, plant and equipment	1	–	1
Trademarks	–	11	11
Other intangible assets	1	3	4
Deferred tax assets	9	(2)	7
Other non-current assets	0	–	0
Accounts payable	(5)	–	(5)
Other current provisions	(4)	–	(4)
Current accrued liabilities	(3)	–	(3)
Other current liabilities	(0)	–	(0)
Deferred tax liabilities	–	(6)	(6)
Net assets	**58**	**8**	**66**
Goodwill arising on acquisition			5
Purchase price settled in cash			**71**
Less: cash and cash equivalents acquired			(14)
Cash outflow on acquisition			**57**

The following valuation methods for the acquired assets were applied:
- **Inventories:** For finished goods, the "comparative sales method" was used, which estimates the expected sales price of the respective inventory, reduced for all costs expected to be incurred in its completion/disposition and a profit on those costs. The value of the component parts was determined by estimating the cost to replace each component.
- **Trademarks and other intangible assets:** The "relief-from-royalty method" was applied for the trademarks/trade names as well as for patents and technology. The fair value was determined by discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset. For the valuation of customer contracts and related customer relationships, the "distributor method" was used under the "income approach".

The purchase price allocation is considered to be preliminary with regard to the tax items.

The excess of the acquisition cost paid versus the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed, taking into consideration the respective deferred taxes, was recognised as goodwill. It mainly arises from expected synergies and the resulting expansion of the product portfolio of TaylorMade-adidas Golf. Any acquired asset that did not meet the identification and recognition criteria for an asset was included in the amount recognised as goodwill.

The goodwill arising on this acquisition was allocated to the cash-generating unit TaylorMade-adidas Golf at the time of the acquisition. The goodwill is not deductible for tax purposes and is denominated in US dollars as the local functional currency SEE NOTE 02.

The acquired subsidiary generated net sales of € 33 million as well as net losses of € 22 million for the period from June to December 2012. If this acquisition had occurred on January 1, 2012, total Group net sales would have been € 14.9 billion and net income attributable to shareholders would have been € 534 million for the year ending December 31, 2012.

Effective August 31, 2012, adidas AG acquired the remaining 15% of the shares of its subsidiary in Hungary, adidas Budapest Kft., Budapest, for a purchase price of € 1 million. This acquisition represented an equity transaction, whereby no goodwill has been incurred.

At September 30, 2012, 90% of the shares in Immobilieninvest und Betriebsgesellschaft Herzo-Base GmbH & Co. KG, whose assets and liabilities were classified as held for sale, were sold for a purchase price of € 14 million SEE NOTE 11. The remaining 10% of the shares continue to be held by the Group and are recorded under long-term financial assets SEE NOTE 15. The sale led to a gain of € 1 million.

Effective November 4, 2011, adidas America Inc. signed a share purchase agreement to acquire Stone Age Equipment, Inc. ("Five Ten") based in Redlands, California (USA). Five Ten is a company in the outdoor action sports sector, which focuses on categories such as climbing and mountain biking. Through the acquisition of Five Ten, the adidas Group intends to improve its position in the outdoor category, which provides significant growth opportunities as articulated in the Group's strategic business plan "Route 2015". The entire business of Five Ten was purchased for a purchase price in the amount of US $ 25 million in cash and contingent payments in an amount of US $ 13 million, of which US $ 3 million was paid up front. The contingent payments are dependent on Five Ten achieving certain performance measures over the first three years after the acquisition.

The acquisition had the following effect on the Group's assets and liabilities, based on a purchase price allocation:

Net assets of Stone Age Equipment, Inc. including subsidiaries at the acquisition date (€ in millions)

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Accounts receivable	2	–	2
Inventories	4	–	4
Other current assets	1	0	1
Property, plant and equipment	0	–	0
Trademarks	–	8	8
Other intangible assets	–	14	14
Other non-current assets	0	–	0
Short-term borrowings	(0)	–	(0)
Accounts payable	(3)	–	(3)
Current accrued liabilities	(0)	–	(0)
Long-term borrowings	(1)	–	(1)
Deferred tax liabilities	–	(9)	(9)
Net assets	**3**	**13**	**16**
Goodwill arising on acquisition			11
Purchase price in consideration of contingent payments			**27**
Less: contingent payments in subsequent years			(7)
Cash outflow on acquisition			**20**

The following valuation methods for the acquired assets were applied:
- **Trademark:** The "relief-from-royalty method" was applied for the trademark/trade name. The fair value was determined by discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset.
- **Other intangible assets:** For the valuation of technologies and other intangible assets, the "multi-period-excess-earnings method" was used. The respective future excess cash flows were identified and adjusted in order to eliminate all elements not associated with these assets. Future cash flows were measured on the basis of the expected sales by deducting variable and sales-related imputed costs for the use of contributory assets. Subsequently, the outcome was discounted using the appropriate discount rate and adding a tax amortisation benefit.

The excess of the acquisition cost paid versus the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed, taking into consideration the respective deferred taxes, was recognised as goodwill. Any acquired asset that did not meet the identification and recognition criteria for an asset was included in the amount recognised as goodwill.

The goodwill arising on this acquisition was allocated to those cash-generating units operating in the outdoor product segment at the time of the acquisition. The goodwill is denominated in the local functional currency ⁄ **SEE NOTE 02**.

The acquired subsidiary generated net sales of € 1 million as well as net losses of € 0 million for the period from November to December 2011. If this acquisition had occurred on January 1, 2011, total Group net sales would have been € 13.3 billion (restated) and net income attributable to shareholders would have been € 613 million (restated) for the year ending December 31, 2011.

Notes to the Consolidated Statement of Financial Position

05 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks, cash on hand, short-term bank deposits and investments in money market funds. Short-term financial assets are only shown as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

06 Short-term financial assets

Short-term financial assets are classified at "fair value through profit or loss". Changes in the fair value are recognised in the income statement as they occur.

The majority of short-term financial assets are marketable securities relating to structured deposits.

07 Accounts receivable

Accounts receivable consist mainly of the currencies euro, US dollar and Japanese yen and are as follows:

Accounts receivable (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Accounts receivable, gross	1,809	1,740
Less: accumulated allowances for doubtful accounts	(121)	(145)
Accounts receivable, net	**1,688**	**1,595**

1) Restated according to IAS 8, see Note 03.

Movement in allowances for doubtful accounts (€ in millions)

	2012	2011 [1]
Allowances at January 1	**145**	**122**
Additions	48	80
Reversals	(50)	(37)
Write-offs charged against the allowance accounts	(23)	(17)
Currency translation differences	(0)	(3)
Other changes	1	0
Allowances at December 31	**121**	**145**

1) Restated according to IAS 8, see Note 03.

Accounts receivable past due but not impaired (€ in millions)

	Past due 1 – 30 days	Past due 31 – 60 days	Past due 61 – 90 days	Past due 91 – 180 days	Past due > 180 days
Dec. 31, 2012	**141**	**76**	**11**	**5**	**1**
Dec. 31, 2011 [1]	158	61	25	6	2

1) Restated according to IAS 8, see Note 03.

With respect to accounts receivable as at the balance sheet date past due but not impaired, based on credit history and current credit ratings, there are no indications that customers will not be able to meet their obligations.

Further, no indications of default are recognisable for accounts receivable that are neither past due nor impaired.

For further information about credit risks ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

08 Other current financial assets

Other current financial assets consist of the following:

Other current financial assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Currency options	8	26
Forward contracts	53	137
Security deposits	82	74
Sundry	49	52
Other current financial assets	**192**	**289**

1) Restated according to IAS 8, see Note 03.

Information in relation to currency options and forward contracts is also included in these Notes ⁄ **SEE NOTE 29**.

09 Inventories

Inventories by major classification are as follows:

Inventories (€ in millions)

	Dec. 31, 2012			Dec. 31, 2011 [1]		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	1,717	(80)	1,637	1,809	(87)	1,722
Goods in transit	817	–	817	746	–	746
Raw materials	27	(1)	26	28	(1)	27
Work in progress	6	–	6	7	–	7
Inventories	**2,567**	**(81)**	**2,486**	**2,590**	**(88)**	**2,502**

1) Restated according to IAS 8, see Note 03.

Goods in transit mainly relate to shipments of finished goods and merchandise from suppliers in Asia to subsidiaries in Europe, Asia, North America and Latin America. The carrying amount of inventories which is measured at fair value less costs to sell amounts to € 177 million and € 143 million (restated) as at December 31, 2012 and 2011, respectively ⁄ **SEE NOTE 02**.

10 Other current assets

Other current assets consist of the following:

Other current assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Prepaid expenses	231	232
Tax receivables other than income taxes	136	151
Sundry	123	88
Other current assets, gross	**490**	**471**
Less: accumulated allowances	1	2
Other current assets, net	**489**	**469**

1) Restated according to IAS 8, see Note 03.

Prepaid expenses relate mainly to promotion agreements and service contracts as well as rents.

11 Assets/liabilities classified as held for sale

At September 30, 2012, 90% of the shares in Immobilieninvest und Betriebsgesellschaft Herzo-Base GmbH & Co. KG, whose assets and liabilities were classified as held for sale at December 31, 2011, were sold for a purchase price of € 14 million.

At December 31, 2012, part of the assets of GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG, which mainly comprise land amounting to € 11 million (2011: € 11 million), is still presented as held for sale following a signed contract of sale, which is still awaiting certain conditions to be fulfilled that are not in the area of influence of the adidas Group.

12 Property, plant and equipment

Property, plant and equipment consist of the following:

Property, plant and equipment (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Land, buildings and leasehold improvements	670	674
Technical equipment and machinery	199	180
Other equipment as well as furniture and fixtures	1,204	1,131
	2,073	**1,985**
Less: accumulated depreciation and impairment losses	1,167	1,107
	906	**878**
Construction in progress, net	189	85
Property, plant and equipment, net	**1,095**	**963**

Depreciation expenses were € 214 million and € 205 million for the years ending December 31, 2012 and 2011, respectively ⁄ **SEE NOTE 31**. Impairment losses amounted to € 5 million and € 0 million for the years ending December 31, 2012 and 2011, respectively ⁄ **SEE NOTE 31**. These are related to assets within other equipment as well as furniture and fixtures, mainly in the Group's own-retail activities, for which contrary to expectations there will be an insufficient flow of future economic benefits. In 2012, reversals of impairment losses were recorded in an amount of € 2 million (2011: € 1 million).

The increase in construction in progress mainly relates to the construction of a new warehouse facility in Germany.

For details see Attachment I to the consolidated financial statements ⁄ **SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 238.**

13 Goodwill

Goodwill primarily relates to the Group's acquisitions of the Reebok and TaylorMade businesses as well as acquisitions of subsidiaries, primarily in the United States, Australia/New Zealand, the Netherlands, Denmark and Italy.

Goodwill (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Goodwill, gross	1,568	1,580
Less: accumulated impairment losses	(287)	(27)
Goodwill, net	**1,281**	**1,553**

1) Restated according to IAS 8, see Note 03.

The majority of goodwill which primarily relates to the acquisition of the Reebok business in 2006 is denominated in US dollars. A currency translation effect of negative € 12 million and € 30 million was recorded for the years ending December 31, 2012 and 2011, respectively.

The Group determines whether goodwill impairment is necessary at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Goodwill impairment losses for 2012 amounted to € 265 million (2011: € 0 million). The goodwill impairment amount related to 2012 comprises an impairment loss within the Wholesale segment (€ 173 million) and an impairment loss within the Other Businesses segment (€ 92 million) ⁄ **SEE ALSO NOTE 02**.

Future changes in expected cash flows and discount rates may lead to impairments of the reported goodwill in the future. For details see Attachment I to the consolidated financial statements ⁄ **SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 238**.

The reconciliation of goodwill is as follows:

Reconciliation of goodwill, net (€ in millions)

	Wholesale	Retail	Other Businesses	Total
January 1, 2012 [1]	**913**	**234**	**406**	**1,553**
Additions	–	–	5	5
Currency translation differences	(6)	(3)	(3)	(12)
Impairment losses	(173)	–	(92)	(265)
December 31, 2012	**734**	**231**	**316**	**1,281**

1) Restated according to IAS 8, see Note 03.

14 Trademarks and other intangible assets

Trademarks and other intangible assets consist of the following:

Trademarks and other intangible assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Reebok	1,174	1,198
Rockport	166	169
Reebok-CCM Hockey	99	101
Other	45	35
Trademarks	**1,484**	**1,503**
Software, patents and concessions	702	669
Less: accumulated amortisation and impairment losses	535	509
Other intangible assets	**167**	**160**
Trademarks and other intangible assets	**1,651**	**1,663**

At December 31, 2012, trademarks, mainly related to the acquisition of Reebok International Ltd. (USA) in 2006 and Ashworth, Inc. in 2008, have indefinite useful lives. This is due to the expectation of permanent use of the acquired brand names.

The reported other trademarks mainly relate to the brand names Ashworth, Adams Golf and Five Ten. The increase of € 10 million compared to 2011 is a result of the acquisition of Adams Golf, effective June 1, 2012 ⁄ **SEE NOTE 04**.

The Group tests at least on an annual basis whether trademarks with indefinite useful lives are impaired. This requires an estimation of the fair value less costs to sell of the trademarks. As part of this estimation, the Group is required to make an estimate of the expected future trademark-specific sales and appropriate arm's length notional royalty rates from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There was no need for impairment for the years ending December 31, 2012 and 2011.

Future changes in expected cash flows and discount rates may lead to impairments of the accounted trademarks in the future.

As part of the goodwill impairment test, the Reebok trademark is allocated on a pro-rata basis to the cash-generating units (or groups of units). Thereof, the major shares relate to Retail CIS (€ 263 million), Retail North America (€ 204 million), Wholesale North America (€ 171 million), Wholesale Latin America (€ 80 million) and Wholesale Japan (€ 74 million).

Amortisation expenses for intangible assets with definite useful lives were € 49 million and € 48 million for the years ending December 31, 2012 and 2011, respectively ⁄ **SEE NOTE 31**.

For details see Attachment I to the consolidated financial statements ⁄ **SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 238**.

15 Long-term financial assets

Long-term financial assets primarily include a 9.1% investment in FC Bayern München AG (2011: 9.1%) of € 79 million (2011: € 79 million). This investment is classified as "fair value through profit or loss" and recorded at fair value. This equity security does not have a quoted market price in an active market. Therefore, existing contractual settlements were used in order to calculate the fair value as at December 31, 2012.

The line item investments and other financial assets comprises the shares in Immobilieninvest und Betriebsgesellschaft Herzo-Base GmbH & Co. KG ⁄ **SEE NOTE 04** as well as other minority shareholdings amounting to € 11 million (2011: € 0 million) which are classified as "available-for-sale" and measured at amortised cost as a reliable determination of the fair value is impossible without having concrete negotiations regarding a sale. These shares are unlisted and do not have an active market. There is no intention to sell these shares.

Additionally, long-term financial assets include investments which are mainly invested in insurance products and are measured at fair value, as well as other financial assets.

Long-term financial assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Investment in FC Bayern München AG	79	79
Investments and other financial assets	33	18
Long-term financial assets	**112**	**97**

16 Other non-current financial assets

Other non-current financial assets consist of the following:

Other non-current financial assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Currency options	–	8
Forward contracts	0	10
Security deposits	20	22
Sundry	1	2
Other non-current financial assets	**21**	**42**

Information regarding currency options and forward contracts is also included in these Notes ⁄ **SEE NOTE 29**.

17 Other non-current assets

Other non-current assets consist of the following:

Other non-current assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Prepaid expenses	86	105
Sundry	0	2
Other non-current assets	**86**	**107**

1) Restated according to IAS 8, see Note 03.

Prepaid expenses mainly include prepayments for long-term promotional contracts and service contracts ⁄ **SEE NOTES 38 AND 28**.

18 Borrowings and credit lines

Borrowings are denominated in a variety of currencies in which the Group conducts its business. The largest portions of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2012 are denominated in euros (2012: 68%; 2011: 56%) and US dollars (2012: 29%; 2011: 35%).

The weighted average interest rate on the Group's gross borrowings decreased to 4.4% in 2012 (2011: 4.9%).

As at December 31, 2012, the Group had cash credit lines and other long-term financing arrangements totalling € 3.8 billion (2011: € 5.2 billion); thereof unused credit lines accounted for € 2.3 billion (2011: € 3.9 billion). In March 2012, adidas AG issued a convertible bond for an amount of € 500 million. Due to the cash inflow arising from the issuance of the convertible bond and due to the expensive syndicated loan market, the syndicated loan facility was reduced from € 2.0 billion to € 500 million. This decrease in credit lines is the main reason for the significant decrease in the Group's total credit lines. In addition, at December 31, 2012, the Group had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 200 million (2011: € 200 million).

The Group's outstanding financings are unsecured and may include standard financial covenants, which are reviewed on a quarterly basis. These covenants may include limits on the disposal of fixed assets, the maximum amount of debt secured by liens, cross default provisions and change of control. In addition, certain financial arrangements contain equity ratio covenants, minimum equity covenants as well as net loss covenants.

As at December 31, 2012, and December 31, 2011, shareholders' equity was well above the amount of the minimum equity covenant. Likewise, the relevant amount of net income clearly exceeded net loss covenants.

The amounts disclosed as gross borrowings represent outstanding borrowings under the following arrangements with aggregated expiration dates as follows:

Gross borrowings as at December 31, 2012 (€ in millions)

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	Total
Bank borrowings	59	–	–	–	59
Private placements	221	145	114	–	480
Eurobond	–	499	–	–	499
Convertible bond	–	–	449	–	449
Total	**280**	**644**	**563**	**–**	**1,487**

The above table includes a Eurobond issued on July 6, 2009 in a nominal amount of € 500 million and with a maturity of five years. The Eurobond with an annual coupon of 4.75% was issued in denominations of € 1,000 each and was priced with a spread of 200 basis points above the respective euro mid-swap. The issue was fixed at 99.865%.

In addition, gross borrowings include a convertible bond for an aggregate nominal amount of € 500 million divided into denominations of € 200,000 which was issued on March 21, 2012. The bond has a maximum maturity (including prolongation options) until June 14, 2019. The coupon of the bond amounts to 0.25% and is payable annually, commencing on June 14, 2013. The bond is, at the option of the respective holder, convertible at any time from and including May 21, 2012, up to and including June 5, 2019, into up to 5.99 million new or existing adidas AG shares. The convertible bond has a conversion premium of 40% above the reference price of € 59.61, resulting in a current conversion price of € 83.46 per share. On June 14, 2017, the bondholders have the right to call the bond at nominal value plus interest accrued on the nominal amount. adidas AG is entitled to redeem the remaining bonds in whole if, at any time, the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. Furthermore, as of July 14, 2017 at the earliest, adidas AG is entitled to redeem the bonds in whole if on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of € 83.46 by at least 30%.

According to IAS 32 "Financial Instruments: Presentation", the conversion right represented in the convertible bond constitutes a financial instrument which is covered in the capital reserve in an amount of € 55 million after deduction of the issuance cost. The liability component amounts to € 441 million after deduction of the issuance cost and is shown within long-term borrowings. The difference of € 59 million compared to the nominal amount of € 500 million is accrued as interest expense of the financial liability over the expected maturity of the convertible bond using the "effective interest method". As at December 31, 2012, the financial liability amounted to € 449 million.

Gross borrowings as at December 31, 2011 (€ in millions)

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	Total
Bank borrowings	126	–	–	–	126
Private placements	163	281	211	–	655
Eurobond	–	499	–	–	499
Total	**289**	**780**	**211**	**–**	**1,280**

For further details on future cash outflows ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

19 Other current financial liabilities

Other current financial liabilities consist of the following:

Other current financial liabilities (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Interest rate derivatives	–	4
Currency options	5	6
Forward contracts	52	22
Finance lease obligations	5	3
Sundry	21	31
Other current financial liabilities	**83**	**66**

1) Restated according to IAS 8, see Note 03.

Information regarding interest rate derivatives, currency options and forward contracts is also included in these Notes ⁄ **SEE NOTE 29**. For information regarding finance lease obligations ⁄ **SEE NOTE 28**.

20 Other provisions

Other provisions consist of the following:

Other provisions (€ in millions)

	Jan. 1, 2012[1]	Currency translation differences	Usage	Reversals	Changes in companies consolidated	Additions	Transfers	Dec. 31, 2012	Thereof non-current
Marketing	69	(0)	(58)	(2)	–	52	–	61	–
Personnel	103	(2)	(28)	(1)	–	45	(28)	89	32
Returns, allowances and warranty	194	(8)	(111)	(0)	2	109	29	215	–
Taxes, other than income taxes	26	(0)	(6)	–	0	1	(0)	21	0
Sundry	212	(3)	(54)	(2)	–	93	0	246	37
Other provisions	**604**	**(13)**	**(257)**	**(5)**	**2**	**300**	**1**	**632**	**69**

1) Restated according to IAS 8, see Note 03.

Marketing provisions mainly consist of provisions for promotion contracts.

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components. With regard to provisions for early retirement, claims for reimbursement in an amount of € 1 million (2011: € 1 million) are shown under other non-current assets.

Provisions for returns, allowances and warranty primarily arise due to bonus agreements with customers and the obligation of fulfilling customer claims with regard to the return of products sold by the Group. The amount of the provision follows the historical development of returns, allowances and warranty as well as current agreements.

Provisions for taxes other than income taxes mainly relate to value added tax, real estate tax and motor vehicle tax.

Sundry provisions mainly include provisions for customs risks as well as anticipated losses from purchases and other transactions, and contingent losses from pending lawsuits.

Management follows past experience from similar transactions when estimating the amounts recognised as other provisions while considering all evidence from events until the preparation of the consolidated financial statements.

21 Accrued liabilities

Accrued liabilities consist of the following:

Accrued liabilities (€ in millions)

	Jan. 1, 2012[1]	Currency translation differences	Usage	Reversals	Changes in companies consolidated	Additions	Transfers	Dec. 31, 2012	Thereof non-current
Goods and services not yet invoiced	415	(7)	(268)	(14)	(0)	308	(5)	429	0
Marketing and sales	267	1	(158)	(3)	1	202	3	313	2
Personnel	295	(1)	(211)	(9)	1	250	3	328	35
Sundry	60	(1)	(40)	(1)	0	38	(2)	54	3
Accrued liabilities	**1,037**	**(8)**	**(677)**	**(27)**	**2**	**798**	**(1)**	**1,124**	**40**

1) Restated according to IAS 8, see Note 03.

Marketing accrued liabilities mainly consist of accruals for distribution, such as discounts, rebates and sales commissions.

Accrued liabilities for personnel mainly consist of accruals for outstanding salary payments, such as bonuses and overtime, as well as outstanding vacation.

Sundry accrued liabilities partly include accruals for interest.

22 Other current liabilities

Other current liabilities consist of the following:

Other current liabilities (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1)]
Liabilities due to personnel	36	34
Tax liabilities other than income taxes	131	94
Liabilities due to social security	15	18
Deferred income	27	22
Customers with credit balances	39	73
Sundry	51	62
Other current liabilities	**299**	**303**

1) Restated according to IAS 8, see Note 03.

23 Other non-current financial liabilities

Other non-current financial liabilities consist of the following:

Other non-current financial liabilities (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1)]
Currency options	1	2
Forward contracts	2	–
Finance lease obligations	13	4
Sundry	1	3
Other non-current financial liabilities	**17**	**9**

1) Restated according to IAS 8, see Note 03.

Information regarding currency options and forward contracts is also included in these Notes ⁄ **SEE NOTE 29**. For information regarding finance lease obligations ⁄ **SEE ALSO NOTE 28**.

24 Pensions and similar obligations

The Group has recognised post-employment benefit obligations arising from defined benefit plans. The benefits are provided pursuant to the legal, fiscal and economic conditions in each respective country and mainly depend on the employees' years of service and remuneration.

Pensions and similar obligations (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Pension liability	241	195
Similar obligations	10	10
Pensions and similar obligations	**251**	**205**

Defined contribution plans

The total expense for defined contribution plans amounted to € 46 million in 2012 (2011: € 36 million).

Defined benefit plans

Given the diverse Group structure, different defined benefit plans exist, comprising a variety of post-employment benefit arrangements. The Group's major defined benefit plans relate to adidas AG and subsidiaries in the UK and Japan. The defined benefit plans of adidas AG mainly relate to direct pension commitments as well as commitments which relate to the Executive Board and which are managed through a pension fund in combination with a reinsured support fund. The benefit plans generally provide payments in case of death, disability or retirement to former employees and their survivors. The obligations arising from defined benefit plans are partly covered by plan assets. In 2011, the defined benefit plan offered at one of the Japanese subsidiaries of adidas AG was converted into a defined contribution plan, resulting in a plan settlement.

The following tables analyse the defined benefit plans, plan assets, present values of the defined benefit plans, expenses recognised in the consolidated income statement, actuarial assumptions and other information.

Amounts for defined benefit plans recognised in the consolidated statement of financial position (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Present value of funded obligation	89	76
Fair value of plan assets	(76)	(67)
Funded status	**13**	**9**
Present value of unfunded obligation	228	184
Asset ceiling effect	0	1
Net defined benefit liability	**241**	**194**
Thereof: liability	241	195
Thereof: adidas AG	196	154
Thereof: asset	(0)	(1)
Thereof: adidas AG	–	(1)

The asset ceiling effect arises from a funded defined benefit plan in Germany and is recognised in the consolidated statement of comprehensive income.

The determination of assets and liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates or future increases in salaries) and demographic variables (such as mortality and employee turnover). The actuarial assumptions may differ significantly from the actual results, i.e. the present value of the actual future performance may differ from the reported present value.

Actuarial assumptions (in %)

	Dec. 31, 2012	Dec. 31, 2011
Discount rate	3.5	4.3
Expected rate of salary increases	3.2	3.3
Expected pension increases	2.1	2.1
Expected return on plan assets	4.0	4.8

The actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pension expense for the upcoming financial year.

The actuarial assumptions for withdrawal and mortality rates are based on statistical information available in the various countries, the latter for Germany on the Heubeck 2005 G mortality tables.

The calculation of the pension liabilities in Germany is based on a discount rate determined using the Mercer Pension Discount Yield Curve (MPDYC) approach which was adjusted in 2012 due to the current market development. Had a discount rate been used which was based on the previous year-end's approach, the defined benefit obligation would have increased by approximately € 20 million.

The Group recognises actuarial gains or losses arising in defined benefit plans during the financial year immediately outside the income statement in the consolidated statement of comprehensive income. The actuarial losses recognised in this statement for 2012 amount to € 35 million (2011: € 13 million). The accumulated actuarial losses recognised amount to € 86 million (2011: € 51 million).

In 2012, the expected return on plan assets assumption was set separately, by aggregating the expected rate of return for each asset class over the underlying asset allocation, for the various benefit plans. Historical markets were studied and expected returns were based on widely accepted capital market principles.

Pension expenses for defined benefit plans (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Current service cost	16	12
Interest cost	11	11
Expected return on plan assets	(3)	(4)
Pension expenses for defined benefit plans	**24**	**19**

Of the total pension expenses, an amount of € 15 million (2011: € 13 million) relates to employees of adidas AG. The pension expense is mainly recorded within other operating expenses. The production-related part of the pension expenses is recognised within cost of sales.

Present value of the defined benefit obligation (€ in millions)

	2012	2011
Present value of the defined benefit obligation as at January 1	**260**	**237**
Currency translation differences	2	3
Current service cost	16	12
Interest cost	11	11
Contribution by plan participants	0	0
Pensions paid	(11)	(10)
Actuarial loss	39	10
Plan settlements	0	(3)
Present value of the defined benefit obligation as at December 31	**317**	**260**

Fair value of plan assets (€ in millions)

	2012	2011
Fair value of plan assets at January 1	**67**	**67**
Currency translation differences	2	2
Pensions paid	(4)	(3)
Contributions by the employer	4	4
Contributions paid by plan participants	0	0
Actuarial gain/loss	4	(4)
Expected return on plan assets	3	4
Plan settlements	0	(3)
Fair value of plan assets at December 31	**76**	**67**

Around 85% of the plan assets are related to plan assets in the UK, Germany and Switzerland.

In the UK, the plan assets are held under trust within the pension fund. In Germany, the plan assets are invested in insurance contracts and in a pension fund. The plan assets in Switzerland are held by a pension foundation. In the rest of the world, the plan assets consist predominantly of insurance contracts.

The expected payments for 2013 amount to € 11 million. Thereof, € 7 million relate to benefits paid directly by the Group companies and € 4 million to employer contributions paid into the plan assets. In 2012, the actual return on plan assets was € 7 million (2011: € 0 million).

Constitution of plan assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Equity instruments	24	21
Bonds	10	9
Real estate	1	1
Pension plan reinsurance	24	22
Other assets	17	14
Fair value of plan assets	**76**	**67**

Historical development (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Present value of defined benefit obligation	317	260	237	207	172
Fair value of plan assets	76	67	67	61	53
Thereof: defined benefit assets	0	(1)	(1)	(2)	(5)
Deficit in plans	**241**	**194**	**171**	**148**	**124**
Experience adjustments arising on the plan liabilities	(3)	(4)	(1)	(3)	2
Experience adjustments arising on the plan assets	4	(4)	1	3	(8)

25 Other non-current liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Liabilities due to personnel	9	11
Deferred income	23	25
Sundry	2	0
Other non-current liabilities	**34**	**36**

26 Shareholders' equity

The nominal capital of adidas AG ("the company") has remained unchanged since December 31, 2011. As at the balance sheet date, and in the period beyond, up to and including February 22, 2013, it amounted to € 209,216,186 divided into 209,216,186 registered no-par-value shares ("registered shares") and is fully paid in.

Each share grants one vote and is entitled to dividends starting from the beginning of the year it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). Neither at the balance sheet date nor at February 22, 2013 does the company hold any treasury shares.

Authorised Capital

The Executive Board of adidas AG did not make use of the existing amounts of authorised capital of up to € 95 million in the 2012 financial year or in the period beyond the balance sheet date up to and including February 22, 2013.

The authorised capital of the company, which is set out in § 4 sections 2, 3 and 4 of the Articles of Association as at the balance sheet date, entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital

until June 21, 2014

⁄ by issuing new shares against contributions in cash once or several times by no more than € 50 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorised Capital 2009/I);

until July 4, 2014

⁄ by issuing new shares against contributions in kind once or several times by no more than € 25 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorised Capital 2011);

until July 12, 2015

⁄ by issuing new shares against contributions in cash once or several times by no more than € 20 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to exclude shareholders' subscription rights when issuing the new shares at a value not essentially below the stock market price of shares with the same features (Authorised Capital 2010). The authorisation to exclude subscription rights pursuant to the previous sentence may, however, only be used to the extent that the pro-rata amount of the new shares in the nominal capital together with the pro-rata amount in the nominal capital of other shares which have been issued by the company since May 6, 2010, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorised capital or following a repurchase, or for which conversion or subscription rights or conversion or subscription obligations were granted after May 6, 2010, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded in accordance with § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorisation into the commercial register or – if this amount is lower – as of the respective date on which the authorisation is used.

Contingent Capital

The following description of the Contingent Capital is based on § 4 section 5 of the Articles of Association of the company as well as on the underlying resolutions of the Annual General Meeting held on May 6, 2010. Additional contingent capital does not exist.

At the balance sheet date, the nominal capital is conditionally increased by up to € 36 million divided into no more than 36,000,000 registered shares (Contingent Capital 2010). The contingent capital increase will be implemented only to the extent that holders or creditors of option or conversion rights or the persons obligated to exercise option or conversion duties on bonds issued by the company or a group company, pursuant to the authorisation of the Executive Board granted by the resolution adopted by the Annual General Meeting of May 6, 2010, up to May 5, 2015 and guaranteed by the company, exercise their option or conversion rights or, if they are obliged to exercise the option or conversion duties, meet their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver shares in the company for the total amount or partially instead of a payment and insofar as no cash settlement, treasury shares or shares of another public-listed company are used to serve these rights. The new shares shall be issued at the respective option or conversion price to be established in accordance with the aforementioned authorisation resolution. The new shares shall carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorised, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

The Executive Board of adidas AG did not issue shares from the Contingent Capital 2010 in the 2012 financial year or in the period beyond the balance sheet date up to and including February 22, 2013.

Convertible Bond

On March 14, 2012, the Executive Board, with the approval of the Supervisory Board, made partial use of the authorisation of the Annual General Meeting from May 6, 2010, and on March 21, 2012 issued a convertible bond due on June 14, 2019 in a nominal value of € 500 million via an offer to institutional investors outside the USA excluding shareholders' subscription rights. In principle, the conversion rights are exercisable between May 21, 2012 and June 5, 2019, subject to lapsed conversion rights as set out under § 6 section 3 or to the excluded periods as defined by § 6 section 4 of the bond terms and conditions, and (subject to an adjustment to the conversion rights resulting from the dilution adjustment regulations set out under § 10 or a change of control in accordance with § 13 of the bond terms and conditions) are convertible into 5,990,894 shares of the company. The conversion price currently amounts to € 83.46 per share. The convertible bond bears an interest rate of 0.25% per annum. Bondholders are entitled to demand early redemption of the bonds as of June 14, 2017. As of July 14, 2017, adidas AG may conduct an early redemption of the bond, if, on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of € 83.46 by at least 30%. The bonds are listed on the Open Market segment of the Frankfurt Stock Exchange.

Repurchase of adidas AG shares

The Annual General Meeting on May 6, 2010, authorised the Executive Board to repurchase adidas AG shares up to an amount totalling 10% of the nominal capital until May 5, 2015. The authorisation may be used by the company but also by its subsidiaries or by third parties on account of the company or its subsidiaries or third parties assigned by the company or one of its subsidiaries. For further information ⁄ **SEE DISCLOSURES PURSUANT TO § 315 SECTION 4 AND § 289 SECTION 4 OF THE GERMAN COMMERCIAL CODE, P. 147**.

The authorisation was not utilised in the year under review and up to and including February 22, 2013.

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to the company in accordance with § 21 section 1 or section 1a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) need to be disclosed.

The following table reflects shareholdings reportable as at February 22, 2013 which have been notified to the company. The respective details are taken from the most recent voting rights notification received by the company. All voting rights notifications disclosed by the company in the year under review and up to and including February 22, 2013 are available on the adidas Group website :⁄⁄ **WWW.ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS**. The details on the percentage of shareholdings and voting rights may no longer be up to date.

Notified reportable shareholdings as at February 22, 2013

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attribution in accordance with § 22 WpHG	Shareholdings in %	Number of voting rights
BlackRock Group Limited, London, Great Britain [1]	January 28, 2013	Falling below 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	2.998	6,271,706
Thornburg International Value Fund, Wilmington, Delaware, USA [2]	January 9, 2013	Falling below 3%	–	2.98	6,244,063
The Capital Group Companies, Inc., Los Angeles, California, USA [3]	September 1, 2012	Exceeding 3% and 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2 and 3	6.00	12,554,828
BlackRock Advisors Holdings, Inc., New York, NY, USA [4]	May 4, 2012	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.30	6,903,160
BlackRock International Holdings, Inc., New York, NY, USA [4]	May 4, 2012	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.16	6,605,250
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands [4]	May 4, 2012	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.16	6,605,250
BlackRock Financial Management, Inc., New York, USA [5]	August 9, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	5.004	10,468,681
BlackRock Holdco 2, Inc., Wilmington, Delaware, USA [5]	August 9, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	5.004	10,468,681
BlackRock, Inc., New York, USA [6]	July 27, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	5.04	10,549,445
Garett Thornburg, USA [7]	July 13, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2 [8]	5.03	10,527,146
Thornburg Investment Management, Inc., Santa Fe, New Mexico, USA [7]	July 13, 2011	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6 [8]	5.03	10,527,146
Capital Research and Management Company, Los Angeles, USA [9]	December 19, 2008	Exceeding 5%	§ 22 sec. 1 sent. 1 no. 6	5.01	9,695,127

1) See the company's disclosure dated February 4, 2013.
2) See the company's disclosure dated January 14, 2013.
3) See the company's disclosure dated September 7, 2012.
4) See the company's disclosure dated May 14, 2012.
5) See the company's disclosure dated October 17, 2012.
6) See the company's disclosure dated August 4, 2011.
7) See the company's disclosure dated November 17, 2011.
8) Attributed by Thornburg International Value Fund, see the company's disclosure dated November 28, 2011.
9) See the company's disclosure dated January 7, 2009.

Capital management

The Group's policy is to maintain a strong capital base so as to uphold investor, creditor and market confidence and to sustain future development of the business.

The Group seeks to maintain a balance between a higher return on equity that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group further aims to maintain net debt below two times EBITDA over the long term.

Financial leverage is defined as the ratio between net borrowings (short- and long-term borrowings less cash and cash equivalents as well as short-term financial assets) in an amount of negative € 448 million (2011: negative € 90 million) and shareholders' equity in an amount of € 5.304 billion (2011 restated: € 5.137 billion). EBITDA amounted to € 1.445 billion for the financial year ending December 31, 2012 (2011 restated: € 1.199 billion). The ratio between net borrowings and EBITDA amounted to negative 0.3 for the financial year ending December 31, 2012 (2011 restated: negative 0.1).

Reserves

Reserves within shareholders' equity are as follows:

⁄ **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as the equity component of issued convertible bonds.

⁄ **Cumulative translation adjustments:** comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

⁄ **Hedging reserve:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred as well as of hedges of net investments in foreign subsidiaries.

⁄ **Other reserves:** comprise the cumulative net change of actuarial gains or losses, the asset ceiling effect regarding defined benefit plans as well as expenses recognised for share option plans and effects from the acquisition of non-controlling interests.

⁄ **Retained earnings:** comprise the accumulated profits less dividends paid.

Distributable profits and dividends

Distributable profits to shareholders are determined by reference to the retained earnings of adidas AG and calculated under German Commercial Law.

Based on the resolution of the 2012 Annual General Meeting, the dividend for 2011 was € 1.00 per share (total amount: € 209 million). The Executive Board of adidas AG will propose to shareholders a dividend payment of € 1.35 per dividend-entitled share for the year 2012 to be made from retained earnings of € 606 million reported in the financial statements of adidas AG according to the German Commercial Code as at December 31, 2012. The subsequent remaining amount will be carried forward.

As at December 31, 2012, 209,216,186 dividend-entitled shares exist, resulting in a dividend payment of € 282 million.

27 Non-controlling interests

This line item within equity comprises the non-controlling interests in several subsidiaries, which are not directly or indirectly attributable to adidas AG.

Non-controlling interests are assigned to six subsidiaries as at December 31, 2012 and to seven subsidiaries as at December 31, 2011 (see Attachment II to the consolidated financial statements ⁄ **SEE SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, P. 240**). These subsidiaries were partly acquired in connection with the acquisition of Reebok and partly through purchases or foundations in the last years.

As at December 31, 2011, this line item comprised a 15% non-controlling interest in the subsidiary in Hungary, adidas Budapest Kft., Budapest, which adidas AG acquired effective August 31, 2012 ⁄ **SEE NOTE 04**.

In 2011, in compliance with IAS 32 "Financial Instruments: Presentation", the non-controlling interests of GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG (Germany) were not reported within the line item non-controlling interests as the company is a limited partnership. The fair value of these non-controlling interests was shown within other liabilities and the result for these non-controlling interests was reported within financial expenses ⁄ **SEE NOTE 33**. Effective March 30, 2012, adidas AG acquired the remaining share in the company ⁄ **SEE NOTE 04**.

28 Leasing and service arrangements

Operating leases

The Group leases primarily retail stores as well as offices, warehouses and equipment. The contracts regarding these leases with expiration dates of between 1 and 13 years partly include renewal options and escalation clauses. Rent expenses, which partly depend on net sales, amounted to € 637 million and € 548 million for the years ending December 31, 2012 and 2011, respectively.

Future minimum lease payments for minimum lease durations on a nominal basis are as follows:

Minimum lease payments for operating leases (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Within 1 year	456	449
Between 1 and 5 years	996	778
After 5 years	346	331
Total	**1,798**	**1,558**

Finance leases

The Group also leases various premises for administration and warehousing which are classified as finance leases.

The net carrying amount of these assets of € 19 million and € 9 million was included in property, plant and equipment as at December 31, 2012 and 2011, respectively. For the year ending December 31, 2012, interest expenses were € 0 million (2011: € 0 million) and depreciation expenses were € 3 million (2011: € 2 million).

The minimum lease payments under these contracts over their remaining terms up to 2018 and their net present values are as follows:

Minimum lease payments for finance leases (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Lease payments falling due:		
Within 1 year	5	3
Between 1 and 5 years	13	4
After 5 years	0	–
Total minimum lease payments	**18**	**7**
Less: estimated amount representing interest	0	0
Present value of minimum lease payments	**18**	**7**
Thereof falling due:		
Within 1 year	5	3
Between 1 and 5 years	13	4
After 5 years	0	–

Service arrangements

The Group has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

Financial commitments for service arrangements
(€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Within 1 year	81	39
Between 1 and 5 years	115	44
After 5 years	–	26
Total	**196**	**109**

29 Financial instruments

Additional disclosures on financial instruments

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, accounts receivable and payable as well as other current financial receivables and payables, their respective fair values approximate their carrying amount.

The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities, and adjusted by an adidas Group specific credit risk premium.

Fair values of long-term financial assets classified as available-for-sale are based on quoted market prices in an active market or are calculated as present values of expected future cash flows.

The fair values of forward contracts and currency options are determined on the basis of market conditions at the balance sheet date. The fair value of a currency option is determined using generally accepted models to calculate option prices, such as the "Garman-Kohlhagen-model". The fair market value of an option is influenced not only by the remaining term of the option, but also by other determining factors such as the actual foreign exchange rate and the volatility of the underlying foreign currency base.

Carrying amounts of financial instruments as at December 31, 2012, according to categories of IAS 39 and their fair values (€ in millions)

	Category according to IAS 39	Carrying amount Dec. 31, 2012	Measurement according to IAS 39			Measurement according to IAS 17	Fair value Dec. 31, 2012
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
Financial assets							
Cash and cash equivalents	n.a.	1,670	1,670				1,670
Short-term financial assets	FAHfT	265			265		265
Accounts receivable	LaR	1,688	1,688				1,688
Other current financial assets							
Derivatives being part of a hedge	n.a.	44		44			44
Derivatives not being part of a hedge	FAHfT	17			17		17
Other financial assets	LaR	131	131				131
Long-term financial assets							
Other equity investments	FAHfT	79			79		79
Available-for-sale financial assets	AfS	33	11	22			33
Loans	LaR	0	0				0
Other non-current financial assets							
Derivatives being part of a hedge	n.a.	0		0			0
Derivatives not being part of a hedge	FAHfT	–			–		–
Other financial assets	LaR	21	21				21
Assets classified as held for sale	LaR	–	–				–
Financial liabilities							
Short-term borrowings							
Bank borrowings	FLAC	59	59				59
Private placements	FLAC	221	221				221
Eurobond	FLAC	–	–				–
Convertible bond	FLAC	–	–				–
Accounts payable	FLAC	1,790	1,790				1,790
Accrued liabilities	FLAC	459	459				459
Other current financial liabilities							
Derivatives being part of a hedge	n.a.	47		47			47
Derivatives not being part of a hedge	FLHfT	10			10		10
Other financial liabilities	FLAC	21	21				21
Finance lease obligations	n.a.	5				5	5
Long-term borrowings							
Bank borrowings	FLAC	–	–				–
Private placements	FLAC	259	259				259
Eurobond	FLAC	499	499				530
Convertible bond	FLAC	449	449				572
Other non-current financial liabilities							
Derivatives being part of a hedge	n.a.	2		2			2
Derivatives not being part of a hedge	FLHfT	1			1		1
Other financial liabilities	FLAC	1	1				1
Finance lease obligations	n.a.	13				13	13
Liabilities classified as held for sale	FLAC	–	–				–
Thereof: aggregated by category according to IAS 39							
Financial assets at fair value through profit or loss		361					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		–					
Thereof: Held for Trading (FAHfT)		361					
Loans and Receivables (LaR)		1,840					
Available-for-Sale Financial Assets (AfS)		33					
Financial Liabilities Measured at Amortised Cost (FLAC)		3,758					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)		11					

Carrying amounts of financial instruments as at December 31, 2011, according to categories of IAS 39 and their fair values (€ in millions)

	Category according to IAS 39	Carrying amount Dec. 31, 2011	Measurement according to IAS 39			Measurement according to IAS 17	Fair value Dec. 31, 2011
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
Financial assets							
Cash and cash equivalents	n.a.	906	906				906
Short-term financial assets	FAHfT	465			465		465
Accounts receivable	LaR	1,595	1,595				1,595
Other current financial assets							
Derivatives being part of a hedge	n.a.	145		145			145
Derivatives not being part of a hedge	FAHfT	18			18		18
Other financial assets	LaR	126	126				126
Long-term financial assets							
Other equity investments	FAHfT	79			79		79
Available-for-sale financial assets	AfS	18		18			18
Loans	LaR	0	0				0
Other non-current financial assets							
Derivatives being part of a hedge	n.a.	14		14			14
Derivatives not being part of a hedge	FAHfT	4			4		4
Other financial assets	LaR	24	24				24
Assets classified as held for sale	LaR	–	–				–
Financial liabilities							
Short-term borrowings							
Bank borrowings	FLAC	126	126				126
Private placements	FLAC	163	163				163
Eurobond	FLAC	–	–				–
Accounts payable	FLAC	1,887	1,887				1,887
Accrued liabilities	FLAC	445	445				445
Other current financial liabilities							
Derivatives being part of a hedge	n.a.	22		22			22
Derivatives not being part of a hedge	FLHfT	10			10		10
Other financial liabilities	FLAC	31	31				31
Finance lease obligations	n.a.	3				3	3
Long-term borrowings							
Bank borrowings	FLAC	492	492				510
Private placements	FLAC	–	–				–
Eurobond	FLAC	499	499				532
Other non-current financial liabilities							
Derivatives being part of a hedge	n.a.	–		–			–
Derivatives not being part of a hedge	FLHfT	2			2		2
Other financial liabilities	FLAC	3	3				3
Finance lease obligations	n.a.	4				4	4
Liabilities classified as held for sale	FLAC	–	–				–
Thereof: aggregated by category according to IAS 39							
Financial assets at fair value through profit or loss		566					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		–					
Thereof: Held for Trading (FAHfT)		566					
Loans and Receivables (LaR)		1,745					
Available-for-Sale Financial Assets (AfS)		18					
Financial Liabilities Measured at Amortised Cost (FLAC)		3,646					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)		12					

Fair value hierarchy of financial instruments according to IFRS 7 as at December 31, 2012 (€ in millions)

Fair value hierarchy, aggregated by category	Fair value Dec. 31, 2012	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)	–			
Thereof: Held for Trading (Financial Assets Held for Trading - FAHfT)	361		282	79 [1]
Available-for-Sale Financial Assets (AfS)	22		22	
Other financial assets				
Derivatives being part of a hedge	44		44	
Financial assets	**427**		**348**	**79**
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)	11		11	
Other financial liabilities				
Derivatives being part of a hedge	49		49	
Financial liabilities	**60**		**60**	

	Fair value Jan. 1, 2012	Gains	Losses	Fair value Dec. 31, 2012
1) This category relates to a 9.1% investment in FC Bayern München AG of € 79 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments.	79	0	–	79

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Net gains/losses on financial instruments recognised in the consolidated income statement (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Financial assets or financial liabilities at fair value through profit or loss	(20)	(12)
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	(20)	(12)
Loans and receivables	1	(43)
Available-for-sale financial assets	–	–
Financial liabilities measured at amortised cost	14	12

1) Restated according to IAS 8, see Note 03.

Net gains or losses on financial assets or financial liabilities held for trading include the effects from fair value measurements of the derivatives that are not part of a hedging relationship, and changes in the fair value of other financial instruments as well as interest payments which mainly relate to investment funds.

Net gains or losses on loans and receivables comprise mainly impairment losses and reversals.

Net gains or losses on financial liabilities measured at amortised cost include effects from early settlement and reversals of accrued liabilities.

The disclosures required by IFRS 7 "Financial Instruments: Disclosures", paragraphs 31 – 42 ("Nature and Extent of Risks arising from Financial Instruments") can be found in ⁄ **NOTE 07** and the Group Management Report ⁄ **SEE RISK AND OPPORTUNITY REPORT, P. 164**.

Financial instruments for the hedging of foreign exchange risk

The adidas Group uses natural hedges and arranges forward contracts, currency options and currency swaps to protect against foreign exchange risk. As at December 31, 2012, the Group had outstanding currency options with premiums paid totalling an amount of € 4 million (2011: € 5 million). The effective part of the currency hedges is directly recognised in hedging reserves and as part of the acquisition costs of inventories, respectively, and posted into the income statement at the same time as the underlying secured transaction is recorded. An amount of € 4 million after taxes (2011: € 17 million) for currency options and an amount of negative € 7 million after taxes (2011: € 101 million) for forward contracts were recorded in hedging reserves. Currency option premiums impacted net income in the amount of € 4 million in 2012 (2011: € 6 million).

The total time value of the currency options not being part of a hedge in an amount of negative € 3 million (2011: € 2 million) was recorded in the income statement in 2012. Due to a change in the exposure, some of the currency hedges were terminated and consequently an amount of € 1 million was reclassified from hedging reserves to the income statement.

In the years ending December 31, 2012 and 2011, hedging instruments related to product sourcing were bought to hedge a total net amount of US $ 5.1 billion and US $ 4.8 billion, respectively.

The notional amounts of all outstanding currency hedging instruments, which are mainly related to cash flow hedges, are summarised in the following table:

Notional amounts of all outstanding currency hedging instruments (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Forward contracts	3,943	4,051
Currency options	265	376
Total	**4,208**	**4,427**

The comparatively high amount of forward contracts is primarily due to currency swaps for liquidity management purposes and hedging transactions.

Of the total amount of outstanding hedges, the following contracts related to the US dollar (i.e. the biggest single exposure of product sourcing):

Notional amounts of outstanding US dollar hedging instruments (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Forward contracts	2,130	2,816
Currency options	225	365
Total	**2,355**	**3,181**

The fair value of all outstanding currency hedging instruments is as follows:

Fair values (€ in millions)

	Dec. 31, 2012		Dec. 31, 2011	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward contracts	53	(54)	147	(22)
Currency options	7	(5)	34	(6)
Total	**60**	**(59)**	**181**	**(28)**

A total net fair value of negative € 10 million (2011: € 115 million) for forward contracts related to hedging instruments falling under hedge accounting as per definition of IAS 39 “Financial Instruments: Recognition and Measurement” was recorded in the hedging reserve. The remaining net fair value of € 9 million (2011: € 10 million), mainly related to liquidity swaps for cash management purposes and to forward contracts hedging intercompany dividend receivables, was recorded in the income statement. The total fair value of € 2 million (2011: € 28 million) for outstanding currency options related to cash flow hedges. This consists of a positive time value of € 2 million and a negative time value of € 5 million and, in contrast to the table above, does not include the intrinsic value of the options.

The fair value adjustments of outstanding cash flow hedges for forecasted sales are reported in the income statement when the forecasted sales transactions are recorded. The vast majority of these transactions are forecasted to occur in 2013. As at December 31, 2012, inventories were adjusted by positive € 16 million (2011: negative € 5 million) which will be recognised in the income statement in 2013.

In the hedging reserve, a negative amount of € 21 million (2011: negative € 8 million) is included for hedging the currency risk of net investments in foreign entities, mainly for the Russian subsidiary LLC “adidas, Ltd.”. This reserve will remain until the investment in the foreign entity has been sold. As at December 31, 2012, no ineffective part of the hedges was recorded in the income statement.

In order to determine the fair values of its derivatives that are not publicly traded, the adidas Group uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

In 2012, the fair values of the derivatives were determined applying mainly the “par method”, which uses actively traded forward rates.

Financial instruments for the hedging of interest rate risk

In 2011, outstanding interest rate swaps in the nominal amount of € 105 million had a maturity of less than one year and were classified as cash flow hedges pursuant to IAS 39 to protect future cash flows arising from private placements with variable interest rates. In 2011, these interest rate swaps classified as cash flow hedges had a positive fair value in the amount of € 0 million and a negative fair value of € 4 million. The negative fair value change of € 0 million for interest rate swaps which were classified as cash flow hedges was booked in hedging reserves in 2011. The amount that was reclassified from equity to the income statement for the 2011 financial year was negative € 3 million. These cash flow hedges matured in 2012. As at December 31, 2012, no further interest rate swaps were outstanding.

Notes to the Consolidated Income Statement

30 Other operating income

Other operating income consists of the following:

Other operating income (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Income from accounts receivable previously written off	4	4
Income from release of accrued liabilities and other provisions	37	27
Gains from disposal of fixed assets	1	0
Sundry income	83	66
Reversals of impairment losses for intangible and tangible assets	2	1
Other operating income	**127**	**98**

In 2012 and 2011, sundry income partly related to income from insurance compensations.

31 Other operating expenses

Other operating expenses include expenses for sales, marketing, research and development, as well as for logistics and central administration. In addition, they include impairment losses as well as depreciation on tangible assets and amortisation on intangible assets (except goodwill impairment losses), with the exception of depreciation and amortisation which is included in the cost of sales.

Marketing working budget is a material component of other operating expenses. The marketing working budget consists of promotion and communication spending such as promotion contracts, advertising, events and other communication activities. However, it does not include marketing overhead expenses, which are presented in marketing overheads. In 2012, marketing working budget accounted for 25% (2011: 25%) of the total other operating expenses.

Expenses for central administration include the functions IT, Finance, Legal, Human Resources, Facilities & Services as well as General Management.

Depreciation and amortisation expense for tangible and intangible assets (except goodwill impairment losses) and impairment losses were € 266 million and € 252 million for the years ending December 31, 2012 and 2011, respectively. Thereof, € 3 million and € 3 million were recorded within the cost of sales as they are directly assigned to the production costs.

Other operating expenses (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Marketing working budget	1,502	1,362
Sales working budget	304	338
Marketing overhead [2]	445	402
Sales force [2]	1,885	1,673
Logistics [2]	750	678
Research and development [2]	128	115
Central administration [2]	1,136	999
Other operating expenses	**6,150**	**5,567**
Thereof:		
Depreciation, amortisation and impairment losses	263	249

1) Restated according to IAS 8, see Note 03.
2) Including personnel and administration expenses.

32 Cost by nature

Expenses are presented by function according to the "cost of sales method" in the income statement. Supplementary information on the expenses by nature is detailed below.

Cost of materials

The total cost of materials relating to the amount of inventories recognised as an expense during the period was € 7.641 billion and € 6.876 billion (restated) for the years ending December 31, 2012 and 2011, respectively.

Personnel expenses

Personnel expenses were as follows:

Personnel expenses (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Wages and salaries	1,634	1,439
Social security contributions	169	152
Pension expenses	69	55
Personnel expenses	**1,872**	**1,646**

Personnel expenses are primarily included within other operating expenses. Personnel expenses which are directly attributable to the production costs of goods are included within the cost of sales.

33 Financial income/financial expenses

Financial result consists of the following:

Financial income (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Interest income from financial instruments measured at amortised cost	13	12
Interest income from financial instruments at fair value through profit or loss	22	18
Interest income from non-financial assets	0	0
Other	1	1
Financial income	**36**	**31**

Financial expenses (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Interest expense on financial instruments measured at amortised cost	97	108
Interest expense on financial instruments at fair value through profit or loss	0	0
Interest expense on other provisions and non-financial liabilities	0	0
Net foreign exchange losses	7	7
Other	1	0
Financial expenses	**105**	**115**

1) Restated according to IAS 8, see Note 03.

Interest income from financial instruments, measured at amortised cost, mainly consists of interest income from bank deposits and loans.

Interest income/expense from financial instruments at fair value through profit or loss mainly includes interest payments from investment funds as well as net interest payments from interest derivatives not being part of a hedging relationship. Unrealised gains/losses from fair value measurement of such financial assets are shown in other financial income or expenses.

Interest expense on financial instruments measured at amortised cost mainly includes interest on borrowings and effects from using the "effective interest method".

Interest expense on other provisions and non-financial liabilities particularly includes effects from measurement of other provisions at present value and interest on non-financial liabilities such as tax payables.

Other financial expenses include impairment losses on other financial assets amounting to € 1 million for the year ending December 2012 (2011: € 0 million).

Also included in other financial expenses are non-controlling interests, which are not recorded in equity according to IAS 32 "Financial Instruments: Presentation" ⁄ **SEE NOTE 27**.

Information regarding the Group's available-for-sale investments, borrowings and financial instruments is also included in these Notes ⁄ **SEE NOTES 06, 15, 18 AND 29**.

34 Income taxes

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2012 and 2011, the statutory corporate income tax rate of 15% plus a surcharge of 5.5% thereon is applied to earnings. The municipal trade tax is approximately 11.6% of taxable income.

For non-German subsidiaries, deferred taxes are calculated based on tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if they relate to the same fiscal authority. The following deferred tax assets and liabilities, determined after appropriate offsetting, are presented in the consolidated statement of financial position:

Deferred tax assets/liabilities (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Deferred tax assets	528	484
Deferred tax liabilities	(368)	(430)
Deferred tax assets, net	**160**	**54**

1) Restated according to IAS 8, see Note 03.

The movements of deferred taxes are as follows:

Movement of deferred taxes (€ in millions)

	2012	2011 [1]
Deferred tax assets, net as at January 1	**54**	**49**
Deferred tax income	80	28
Change in consolidated companies [2]	3	(9)
Change in deferred taxes attributable to effective portion of qualifying hedging instruments recorded in other comprehensive income [3]	23	(21)
Currency translation differences	(9)	3
Change in deferred taxes attributable to actuarial gains and losses recorded in other comprehensive income [4]	9	4
Deferred tax assets, net as at December 31	**160**	**54**

1) Restated according to IAS 8, see Note 03.
2) See Note 04.
3) See Note 29.
4) See Note 24.

Gross Group deferred tax assets and liabilities after valuation allowances, but before appropriate offsettings, are attributable to the items detailed in the table below:

Deferred taxes (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Non-current assets	135	121
Current assets	132	117
Accrued liabilities and provisions	260	208
Accumulated tax loss carry-forwards	75	76
Deferred tax assets	**602**	**522**
Non-current assets	374	393
Current assets	44	49
Accrued liabilities and provisions	24	26
Deferred tax liabilities	**442**	**468**
Deferred tax assets, net	**160**	**54**

1) Restated according to IAS 8, see Note 03.

Deferred tax assets are recognised only to the extent that the realisation of the related benefit is probable. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Deferred tax assets for which the realisation of the related tax benefits is not probable increased on a currency-neutral basis from € 398 million (restated) to € 508 million for the year ending December 31, 2012. These amounts mainly relate to tax losses carried forward and unused foreign tax credits of the US tax group and tax losses carried forward of the Indian subsidiaries. The remaining unrecognised deferred tax assets relate to subsidiaries operating in markets where the realisation of the related tax benefit is not considered probable.

The Group does not recognise deferred tax liabilities for unremitted earnings of non-German subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the Group were to sell its shareholdings in the subsidiaries.

Tax expenses

Tax expenses are split as follows:

Income tax expenses (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Current tax expenses	407	289
Deferred tax income	(80)	(28)
Income tax expenses	**327**	**261**

1) Restated according to IAS 8, see Note 03.

The deferred tax income includes tax income of € 60 million in total (2011: € 44 million) related to the origination and reversal of temporary differences.

The effective tax rate of the Group differs from an assumed tax rate of 30% for the year ending December 31, 2012 as follows:

Tax rate reconciliation

	Year ending Dec. 31, 2012		Year ending Dec. 31, 2011 [1]	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	255	30.0	261	30.0
Tax rate differentials	(110)	(12.9)	(83)	(9.5)
Non-deductible expenses	1	0.1	6	0.6
Goodwill impairment losses	79	9.3	–	–
Losses for which benefits were not recognisable and changes in valuation allowances	53	6.2	23	2.7
Changes in tax rates	(16)	(1.9)	(8)	(0.9)
Other, net	1	0.1	1	0.1
	263	**30.9**	**200**	**23.0**
Withholding tax expenses	64	7.5	61	7.0
Income tax expenses	**327**	**38.4**	**261**	**30.0**

1) Restated according to IAS 8, see Note 03.

For 2012, the effective tax rate is affected by non-tax-deductible goodwill impairment losses. Excluding the goodwill impairment losses, the effective tax rate is 29.3%.

For 2012 and 2011, the line "losses for which benefits were not recognisable and changes in valuation allowances" mainly relates to the subsidiaries in India.

For 2012 and 2011, the line "changes in tax rates" mainly reflects a UK tax rate deduction effective in 2012 and 2011.

35 Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding during the year.

A dilutive effect from 5.99 million potential shares arising from the convertible bond does not apply in 2012 as the conversion right does not have any value as at the balance sheet date ⁄ **SEE NOTE 18**.

Earnings per share

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Net income attributable to shareholders (€ in millions)	526	613
Weighted average number of shares	209,216,186	209,216,186
Basic and diluted earnings per share (in €)	**2.52**	**2.93**

1) Restated according to IAS 8, see Note 03.

Notes – Additional Information

36 Segmental information

The Group operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

Following the Group's internal management reporting and in accordance with the definition of IFRS 8 "Operating Segments", six operating segments have been identified: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands. According to the criteria of IFRS 8 for reportable segments, the business segments Wholesale and Retail are reported separately, while the remaining are aggregated under Other Businesses due to their only subordinate materiality.

The Wholesale segment comprises all business activities relating to the distribution of adidas and Reebok products to retail customers.

The Retail segment comprises all business activities relating to the sale of adidas and Reebok products directly to end consumers through own retail and own e-commerce platforms.

The operating segment TaylorMade-adidas Golf comprises the brands TaylorMade, adidas Golf, Adams Golf and Ashworth.

The Other Centrally Managed Brands segment primarily includes the business activities of the labels Y-3, Porsche Design Sport and adidas SLVR as well as the business activities of the brand Five Ten in the outdoor action sports sector. Furthermore, the segment also comprises the German own-retail activities of the adidas NEO label.

Certain centralised Group functions do not meet the definition of IFRS 8 for a reportable operating segment. This includes functions such as central treasury, global sourcing as well as other headquarter departments. Assets, liabilities, income and expenses relating to these corporate functions are presented together with other non-allocable items and intersegment eliminations in the reconciliations.

The chief operating decision maker for the adidas Group has been defined as the joint Executive Board of adidas AG.

There are no intersegment sales between the reportable segments. Accounting and valuation policies applied for reporting segmental information are the same as those used for the adidas Group ⁄ **SEE NOTE 02**.

The results of the operating segments are reported in the line item "Segmental operating profit". This is defined as gross profit minus costs directly attributable to the segment or the group of segments (primarily sales and logistics costs) before marketing working budget expenditures and operating overhead costs not directly attributable.

Segmental assets include accounts receivable as well as inventories. Only these items are reported to the chief operating decision maker on a regular basis. Depreciation, amortisation, impairment losses (except for goodwill) and reversals of impairment losses as well as capital expenditures for tangible and intangible assets are part of the segmental reporting, even though segmental assets do not contain tangible and intangible assets. Depreciation and amortisation as well as impairment losses and reversals of impairment losses not directly attributable to a segment or a group of segments are presented under HQ/Consolidation in the reconciliations.

Segmental liabilities only contain accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision maker.

Interest income and interest expenses as well as income taxes are not allocated to the reportable segments and are not reported separately to the chief operating decision maker.

Segments (€ in millions)

	Wholesale		Retail		Other Businesses		Total	
	2012	2011 [1]	2012	2011 [1]	2012	2011 [1]	2012	2011 [1]
Net sales (non-Group)	9,533	8,949	3,373	2,793	1,977	1,580	14,883	13,322
Segmental operating profit	2,965	2,690	724	593	541	427	4,230	3,710
Segmental assets	2,715	2,769	721	686	712	638	4,148	4,093
Segmental liabilities	392	525	58	55	190	138	640	718
Capital expenditure	53	62	103	99	28	28	184	189
Depreciation and amortisation	39	25	83	85	11	9	133	119
Impairment losses and reversals of impairment losses	2	0	1	(1)	0	0	3	(1)

1) Restated according to IAS 8, see Note 03.

Reconciliations

The following tables include reconciliations of segmental information to the aggregate numbers of the consolidated financial statements, taking into account items which are not directly attributable to a segment or a group of segments.

Net sales (non-Group) (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 1)
Reportable segments	12,906	11,742
Other businesses	1,977	1,580
Total	**14,883**	**13,322**

1) Restated according to IAS 8, see Note 03.

Operating profit (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 1)
Operating profit for reportable segments	3,689	3,283
Operating profit for other businesses	541	427
HQ/Consolidation	345	292
Marketing working budget	(1,502)	(1,362)
Other operating expenses	(2,258)	(1,780)
Royalty and commission income	105	93
Operating profit	**920**	**953**
Financial income	36	31
Financial expenses	(105)	(115)
Income before taxes	**851**	**869**

1) Restated according to IAS 8, see Note 03.

Operating profit of centralised functions which do not represent a segment, such as central treasury and global sourcing, is shown under HQ/Consolidation.

Capital expenditure (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Reportable segments	156	161
Other businesses	28	28
HQ/Consolidation	250	187
Total	**434**	**376**

Depreciation and amortisation (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Reportable segments	122	110
Other businesses	11	9
HQ/Consolidation	127	130
Total	**260**	**249**

Impairment losses and reversals of impairment losses (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Reportable segments	3	(1)
Other businesses	0	0
HQ/Consolidation	265	0
Total	**268**	**(1)**

Assets (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Accounts receivable and inventories of reportable segments	3,436	3,455
Accounts receivable and inventories of other businesses	712	638
Segmental assets	**4,148**	**4,093**
Non-segmental accounts receivable and inventories	26	4
Current financial assets	2,127	1,660
Other current assets	576	571
Non-current assets	4,774	4,909
Total	**11,651**	**11,237**

1) Restated according to IAS 8, see Note 03.

Liabilities (€ in millions)

	Dec. 31, 2012	Dec. 31, 2011 [1]
Accounts payable of reportable segments	450	580
Accounts payable of other businesses	190	138
Segmental liabilities	**640**	**718**
Non-segmental accounts payable	1,150	1,169
Current financial liabilities	364	355
Other current liabilities	2,220	2,096
Non-current liabilities	1,986	1,771
Total	**6,360**	**6,109**

1) Restated according to IAS 8, see Note 03.

Product information

Net sales (non-Group) (€ in millions)

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]
Footwear	6,922	6,242
Apparel	6,290	5,733
Hardware	1,671	1,347
Total	**14,883**	**13,322**

1) Restated according to IAS 8, see Note 03.

Geographical information

Net sales (non-Group) are shown in the geographic market in which the net sales are realised. Non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary independent of the segmental structure and consist of tangible assets, goodwill, trademarks, other intangible assets and other non-current assets.

Geographical information (€ in millions)

	Net sales (non-Group)		Non-current assets	
	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011 [1]	Dec. 31, 2012	Dec. 31, 2011 [1]
Western Europe	4,076	3,922	1,449	1,511
European Emerging Markets	1,947	1,597	599	653
North America	3,410	3,102	1,080	877
Greater China	1,562	1,229	274	482
Other Asian Markets	2,407	2,103	536	554
Latin America	1,481	1,369	175	209
HQ/Consolidation	0	0	0	0
Total	**14,883**	**13,322**	**4,113**	**4,286**

1) Restated according to IAS 8, see Note 03.

With regard to Germany, Western Europe contains net sales (non-Group) amounting to € 739 million and € 722 million as well as non-current assets amounting to € 673 million and € 393 million for the years 2012 and 2011, respectively. With regard to the USA, North America contains net sales (non-Group) amounting to € 2.978 billion and € 2.688 billion as well as non-current assets amounting to € 928 million and € 701 million for the years 2012 and 2011, respectively.

37 Additional cash flow information

In 2012, the increase in cash generated from operating activities compared to the prior year was primarily due to a 21% increase in operating profit before working capital changes.

Net cash outflow from investing activities in 2012 was mainly related to spending for property, plant and equipment such as investments in the furnishing and fitting of stores in the Retail segment, in new office buildings and IT systems as well as the acquisition of Adams Golf.

Cash inflows from financing activities were mainly related to proceeds from the issue of a convertible bond in an amount of € 496 million.

Current revolving financial transactions are offset within financing activities.

38 Commitments and contingencies

Other financial commitments

The Group has other financial commitments for promotion and advertising contracts, which mature as follows:

Financial commitments for promotion and advertising
(€ in millions)

	Dec. 31, 2012	Dec. 31, 2011
Within 1 year	679	681
Between 1 and 5 years	1,991	1,918
After 5 years	1,098	1,244
Total	**3,768**	**3,843**

Commitments with respect to advertising and promotion maturing after five years have remaining terms of up to 18 years from December 31, 2012.

Information regarding commitments under lease and service contracts is also included in these Notes ⁄ **SEE NOTE 28**.

Litigation

The Group is currently engaged in various lawsuits resulting from the normal course of business, mainly in connection with distribution agreements as well as intellectual property rights. The risks regarding these lawsuits are covered by provisions when a reliable estimate of the amount of the obligation can be made ⁄ **SEE NOTE 20**. In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the consolidated financial position of the Group.

39 Related party disclosures

According to the definitions of IAS 24 "Related Party Disclosures", the Supervisory Board and the Executive Board of adidas AG were identified as related parties who solely received remuneration in connection with their function as key management personnel. For information about the remuneration of the Supervisory Board and the Executive Board of adidas AG ⁄ **SEE NOTE 40** ⁄ **SEE COMPENSATION REPORT, P. 56**.

40 Other information

Employees

The average numbers of employees are as follows:

Employees

	Year ending Dec. 31, 2012	Year ending Dec. 31, 2011
Own retail	24,841	24,429
Sales	4,627	5,125
Logistics	5,421	5,262
Marketing	3,827	3,864
Central administration	3,933	3,891
Production	1,927	1,957
Research and development	1,052	1,001
Information technology	995	993
Total	**46,623**	**46,522**

Accountant service fees for the auditor of the financial statements

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach, as well as all German subsidiaries of adidas AG. In 2012, the expenses for the professional service fees of the auditor KPMG AG amounted to € 2.6 million (2011: € 0.8 million).

Expenses for tax consultancy services provided by the auditor, for other confirmation services provided by the auditor and for other services provided by the auditor amounted to € 0.1 million (2011: € 0.1 million), € 0.0 million (2011: € 0.0 million) and € 0.1 million (2011: € 0.4 million), respectively.

Remuneration of the Supervisory Board and the Executive Board of adidas AG

Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board members' fixed annual payment amounted to € 0.9 million (2011: € 0.9 million).

Members of the Supervisory Board were not granted any loans in 2012.

Executive Board

In 2012, the overall compensation of the members of the Executive Board totalled € 6.1 million (2011 restated: € 14.5 million): € 6.1 million thereof relates to short-term benefits (2011 restated: € 5.9 million) and € 0.0 million to long-term benefits (2011: € 8.6 million). Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totalled € 0.8 million (2011: € 0.7 million).

Based on the restatement of the 2011 consolidated financial statements due to the financial irregularities at Reebok India Company ⁄ **SEE NOTE 03** and the dependence of the Performance Bonus on net income attributable to shareholders, a partial repayment of the Performance Bonuses for the 2011 financial year and for the previous years concerned of € 0.5 million is to be made. The total compensation stated for the 2011 financial year is reduced by the 2011 Performance Bonus amount to be repaid by the Executive Board members.

In 2012, former members of the Executive Board and their survivors received pension payments totalling € 3.3 million (2011: € 3.3 million).

Provisions for pension obligations relating to former members of the Executive Board and their survivors amount in total to € 50.8 million (2011: € 46.2 million).

Members of the Executive Board were not granted any loans in 2012.

Further information on disclosures according to § 314 section 1 no. 6a German Commercial Code (Handelsgesetzbuch – HGB) is provided in the Compensation Report ⁄ **SEE COMPENSATION REPORT, P. 56**.

41 Information relating to the German Corporate Governance Code

Information pursuant to § 161 German Stock Corporation Act (Aktiengesetz - AktG)

On February 13, 2013, the Executive Board and Supervisory Board of adidas AG issued the updated declaration of conformity in accordance with §161 AktG. The full text of the Declaration of Compliance is available on the Group's corporate website.

42 Events after the balance sheet date

Group-specific subsequent events

No Group-specific subsequent events are known which might have a material influence on the assets, liabilities, financial position and profit or loss of the Group.

Date of preparation

The Executive Board of adidas AG prepared and approved the consolidated financial statements for submission to the Supervisory Board on February 22, 2013. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval and authorisation for issue.

Herzogenaurach, February 22, 2013
The Executive Board of adidas AG

Statement of Movements of Intangible and Tangible Assets

.. Statement of Movements of Intangible and Tangible Assets (€ in millions)

	Goodwill	Trademarks	Software, patents and concessions
Acquisition cost			
January 1, 2011	**1,539**	**1,447**	**595**
Currency effect	31	47	12
Additions	0	–	58
Increase in companies consolidated	11	8	15
Transfers from assets held for sale	–	–	–
Transfers to assets held for sale	–	–	–
Decrease in companies consolidated	–	–	–
Transfers	–	–	(1)
Disposals	–	–	(17)
December 31, 2011/January 1, 2012	**1,580**	**1,503**	**662**
Currency effect	(17)	(29)	(8)
Additions	0	0	58
Increase in companies consolidated	6	10	3
Transfers from assets held for sale	–	–	–
Transfers to assets held for sale	–	–	–
Decrease in companies consolidated	–	–	(0)
Transfers	–	–	(1)
Disposals	–	–	(25)
December 31, 2012	**1,569**	**1,484**	**689**
Accumulated depreciation, amortisation and impairment			
December 31, 2010	**(0)**	**0**	**456**
Adjustments according to IAS 8	27	–	–
January 1, 2011 1)	**27**	**0**	**456**
Currency effect	1	0	11
Additions	–	0	46
Impairment losses	–	–	0
Reversals of impairment losses	–	–	–
Increase in companies consolidated	–	–	–
Transfers from assets held for sale	–	–	–
Transfers to assets held for sale	–	–	(0)
Decrease in companies consolidated	–	–	–
Transfers	(0)	–	(0)
Disposals	–	–	(7)
December 31, 2011/January 1, 2012	**27**	**0**	**506**
Currency effect	(6)	(0)	(7)
Additions	–	0	47
Impairment losses	265	–	0
Reversals of impairment losses	–	–	(0)
Increase in companies consolidated	–	–	–
Transfers from assets held for sale	–	–	–
Transfers to assets held for sale	–	–	–
Decrease in companies consolidated	–	–	–
Transfers	–	–	0
Disposals	–	–	(20)
December 31, 2012	**287**	**0**	**527**
Net carrying amount			
January 1, 2011 1)	1,512	1,447	139
December 31, 2011	1,553	1,503	156
December 31, 2012	1,281	1,484	162

1) Restated according to IAS 8, see Note 03.
Rounding differences may arise in percentages and totals.

ATTACHMENT I

Internally generated software	Total intangible assets	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Construction in progress	Total tangible assets
5	**3,586**	**511**	**161**	**987**	**140**	**1,798**
–	90	10	4	18	1	33
0	58	43	6	154	115	318
–	34	–	0	0	0	0
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
3	2	117	15	37	(170)	(2)
(1)	(18)	(6)	(7)	(64)	(1)	(78)
7	**3,752**	**674**	**180**	**1,132**	**85**	**2,071**
–	(54)	(6)	1	(14)	(0)	(19)
(0)	58	19	9	169	179	376
–	19	–	0	1	–	1
–	–	1	–	–	–	1
–	–	–	–	–	–	–
–	(0)	–	–	(0)	–	(0)
3	2	10	20	44	(76)	(2)
(0)	(25)	(27)	(9)	(129)	0	(165)
10	**3,752**	**670**	**199**	**1,203**	**189**	**2,262**
1	**458**	**173**	**68**	**703**	**–**	**943**
–	27	–	–	–	–	–
1	**485**	**173**	**68**	**703**	**–**	**943**
–	12	5	4	23	–	31
2	48	32	22	151	–	205
–	0	0	0	0	–	0
–	–	(1)	–	(1)	–	(1)
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	(0)	(0)	–	(0)	–	(1)
–	–	–	–	–	–	–
–	(0)	4	0	(4)	0	0
(0)	(7)	(5)	(7)	(60)	–	(72)
3	**537**	**208**	**87**	**812**	**0**	**1,107**
–	(13)	(3)	0	(16)	(0)	(18)
2	50	36	23	155	–	214
–	265	1	0	4	–	5
–	(0)	(1)	(0)	(1)	–	(2)
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	0	0	0	(0)	–	(0)
(0)	(20)	(8)	(8)	(123)	–	(139)
5	**819**	**233**	**102**	**832**	**0**	**1,167**
4	3,101	338	93	284	140	855
4	3,215	466	93	319	85	963
5	2,933	437	97	371	189	1,095

Shareholdings

Shareholdings of adidas AG, Herzogenaurach (at December 31, 2012)

ATTACHMENT II

	Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
	Germany					
1	GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG	Herzogenaurach (Germany)	EUR	861	directly	100
2	GEV Grundstücks-Beteiligungsgesellschaft Herzogenaurach mbH	Herzogenaurach (Germany)	EUR	41	directly	100
3	adidas Insurance & Risk Consultants GmbH[10]	Herzogenaurach (Germany)	EUR	26	directly	100
4	adidas Beteiligungsgesellschaft mbH[10]	Herzogenaurach (Germany)	EUR	354,103	directly	100
5	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	EUR	(1,331)	24	100
6	World of Commerce Management GmbH	Herzogenaurach (Germany)	EUR	–	directly	100
7	World of Commerce GmbH & Co. KG	Herzogenaurach (Germany)	EUR	(1,115)	directly	100
8	Hotel Herzo-Base GmbH & Co. KG[5]	Herzogenaurach (Germany)	EUR	–	directly	100
9	Herzo-Base Management GmbH[5]	Herzogenaurach (Germany)	EUR	–	directly	100
10	Factory Outlet Herzo-Base GmbH & Co. KG[5]	Herzogenaurach (Germany)	EUR	–	directly	100
11	Reebok-CCM Hockey GmbH[5]	Kirchheim-Heimstetten (Germany)	EUR	–	105	100
	Europe (incl. Middle East and Africa)					
12	adidas sport gmbh	Cham (Switzerland)	CHF	7,829	directly	100
13	Sarragan AG[5]	Cham (Switzerland)	CHF	(2,461)	directly	100
14	adidas Austria GmbH	Klagenfurt (Austria)	EUR	7,043	directly	95.89
					12	4.11
15	adidas France S.a.r.l.	Landersheim (France)	EUR	102,013	31	100
16	adidas International B.V.	Amsterdam (Netherlands)	EUR	6,141,268	directly	93.97
					15	6.03
17	adidas International Trading B.V.	Amsterdam (Netherlands)	EUR	659,464	16	100
18	adidas International Marketing B.V.	Amsterdam (Netherlands)	EUR	52,666	16	100
19	adidas International Finance B.V.	Amsterdam (Netherlands)	EUR	13,406	16	100
20	adidas Benelux B.V.	Amsterdam (Netherlands)	EUR	4,482	directly	100
21	Reebok International Finance B.V.[5]	Amsterdam (Netherlands)	USD	573	117	100
22	Rockport (Europe) B.V.	Amsterdam (Netherlands)	USD	4,502	107	100
23	Hydra Ventures B.V.	Amsterdam (Netherlands)	EUR	(240)	16	100
24	adidas International Property Holding B.V.	Amsterdam (Netherlands)	EUR	(4)	16	100
25	adidas (UK) Limited[1]	Stockport (Great Britain)	GBP	50,030	31	100
26	adidas (ILKLEY) Limited[1] [5]	Stockport (Great Britain)	GBP	–	25	100
27	LARA SPORT (UK) Limited[1] [5]	Stockport (Great Britain)	GBP	–	25	100
28	Sarragan (UK) Limited[1] [5]	Stockport (Great Britain)	GBP	–	25	100
29	adidas Trefoil Trading (U.K.) Limited[1] [5]	Stockport (Great Britain)	GBP	–	28	100
30	Three Stripes Limited[1] [5]	Stockport (Great Britain)	GBP	–	25	50
					26	50
31	Reebok International Limited[9]	London (Great Britain)	EUR	1,299,101	16	65.1
					117	34.9
32	Reebok Finance Limited[5] [9]	London (Great Britain)	GBP	–	117	100
33	RBK Holdings Limited[5] [9]	London (Great Britain)	GBP	–	117	89
					106	11
34	Reebok Sports Limited[5]	London (Great Britain)	USD	1,634	31	100
35	J.W. Foster & Sons (Athletic Shoes) Limited[5] [9]	London (Great Britain)	GBP	–	31	100
36	The Rockport Company Limited[5] [9]	London (Great Britain)	GBP	–	31	100
37	Reebok Eastern Trading Limited[5]	London (Great Britain)	USD	3,112	31	100
38	Reebok Pensions Management Limited[5] [9]	London (Great Britain)	GBP	–	31	100
39	Reebok Europe Holdings	London (Great Britain)	GBP	43,799	31	100
40	Adams Golf, U.K. Ltd.[5] [13]	London (Great Britain)	GBP	–	100	100
41	Taylor Made Golf Limited[4]	Basingstoke (Great Britain)	GBP	2,117	16	100
42	Ashworth U.K. Ltd.[4]	Basingstoke (Great Britain)	GBP	–	41	100
43	adidas (Ireland) Limited	Dublin (Ireland)	EUR	2,853	16	100
44	adidas International Re Limited	Dublin (Ireland)	EUR	9,875	16	100
45	Reebok Ireland Limited[5]	Dublin (Ireland)	EUR	56	43	100

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Shareholdings of adidas AG, Herzogenaurach (at December 31, 2012)

ATTACHMENT II

Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
46 adidas Belgium NV	Brussels (Belgium)	EUR	2,787	20	100
47 Five Ten Europe NV	Wavre (Belgium)	EUR	798	120	100
48 adidas Espana S.A.U.	Zaragoza (Spain)	EUR	28,105	4	100
49 adidas Finance Spain S.A.U.	Zaragoza (Spain)	EUR	34,125	117	100
50 Global Merchandising, S.L.	Madrid (Spain)	EUR	(184)	16	100
51 adidas Italy S.p.A	Monza (Italy)	EUR	44,076	16	100
52 adidas Portugal - Artigos de Desporto, S.A.	Lisbon (Portugal)	EUR	12,032	16	100
53 adidas Business Services Lda.	Maia (Portugal)	EUR	171	16	98
				directly	2
54 adidas Norge AS	Lillestrom (Norway)	NOK	17,934	directly	100
55 Reebok-CCM Hockey AS	Gressvik (Norway)	NOK	4,186	54	100
56 adidas Sverige AB	Solna (Sweden)	SEK	83,987	directly	100
57 adidas Finance Sverige AB	Solna (Sweden)	SEK	562,862	105	100
58 Reebok-CCM Hockey AB	Malung (Sweden)	SEK	84,659	56	100
59 adidas Suomi Oy	Helsinki (Finland)	EUR	1,714	16	100
60 Reebok-CCM Hockey Oy	Forssa (Finland)	EUR	11,872	16	100
61 adidas Danmark A/S	Århus (Denmark)	DKK	12,515	16	100
62 adidas CR s.r.o.	Prague (Czech Republic)	CZK	113,725	directly	100
63 adidas Budapest Kft.	Budapest (Hungary)	HUF	1,424,133	directly	100
64 adidas Bulgaria EAD	Sofia (Bulgaria)	BGN	13,554	directly	100
65 LLC "adidas, Ltd."	Moscow (Russia)	RUB	27,341,461	14	100
66 adidas Poland Sp.z.o.o.	Warsaw (Poland)	PLN	38,244	directly	100
67 adidas Finance Poland S.A.	Warsaw (Poland)	PLN	92,700	117	100
68 adidas Romania S.R.L.	Bucharest (Romania)	RON	19,093	16	100
69 adidas Baltics SIA	Riga (Latvia)	EUR	1,006	16	100
70 adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	EUR	2,334	directly	100
71 adidas Trgovina d.o.o.	Ljubljana (Slovenia)	EUR	968	directly	100
72 SC "adidas-Ukraine"	Kiev (Ukraine)	UAH	475,111	directly	100
73 adidas LLP	Almaty (Republic of Kazakhstan)	KZT	5,834,515	directly	100
74 adidas Serbia d.o.o.	New-Belgrade (Serbia)	RSD	792,126	16	100
75 adidas Croatia d.o.o.	Zagreb (Croatia)	HRK	22,315	16	100
76 adidas Hellas A.E.	Athens (Greece)	EUR	5,046	directly	100
77 adidas (Cyprus) Limited	Nicosia (Cyprus)	EUR	1,887	directly	100
78 adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	TRY	194,200	16	100
79 a-RET Tekstil ve Deri Ürünleri Ticaret A.S.[5]	Istanbul (Turkey)	TRY	935	17	100
80 adidas Emerging Market L.L.C.	Dubai (United Arab Emirates)	USD	45,936	indirectly	51
				15	49
81 adidas Emerging Markets FZE	Dubai (United Arab Emirates)	USD	54,591	16	100
82 adidas Levant Limited	Dubai (United Arab Emirates)	JOD	2,618	81	55
83 adidas Levant Limited - Jordan	Amman (Jordan)	JOD	2,380	82	100
84 adidas Imports & Exports Ltd.	Cairo (Egypt)	EGP	3,026	85	100
85 adidas Sporting Goods Ltd.	Cairo (Egypt)	EGP	50,167	16	90
				17	10
86 adidas Egypt Ltd.[5]	Cairo (Egypt)	USD	(1,831)	directly	100
87 adidas Israel Ltd.[5]	Holon (Israel)	ILS	8,354	directly	100
88 Life Sport Ltd.	Holon (Israel)	ILS	35,535	16	51
89 adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	ZAR	138,138	directly	100
North America					
90 adidas North America, Inc.	Portland, Oregon (USA)	USD	4,613,542	16	100
91 adidas America, Inc.	Portland, Oregon (USA)	USD	75,941	90	100
92 adidas International, Inc.	Portland, Oregon (USA)	USD	53,261	90	100
93 adidas Team, Inc.[5]	Portland, Oregon (USA)	USD	(155)	90	100

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Shareholdings of adidas AG, Herzogenaurach (at December 31, 2012) ATTACHMENT II

Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
94 Taylor Made Golf Co., Inc.[11]	Carlsbad, California (USA)	USD	112,565	90	100
95 Ashworth, LLC.[11]	Carlsbad, California (USA)	USD	–	94	100
96 The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	USD	13,346	117	100
97 Adams Golf Inc.[13]	Plano, Texas (USA)	USD	53,742	94	100
98 Adams Golf Holding Corp.[13]	Plano, Texas (USA)	USD	–	97	100
99 Adams Golf GP Corp.[13]	Plano, Texas (USA)	USD	–	97	100
100 Adams Golf, Ltd.[13]	Plano, Texas (USA)	USD	–	98	99
				99	1
101 Adams Golf IP, L.P.[13]	Plano, Texas (USA)	USD	–	98	99
				99	1
102 Adams Golf Mgmt. Corp.[13]	Plano, Texas (USA)	USD	–	99	100
103 WGU, LLC[13]	Plano, Texas (USA)	USD	–	100	100
104 Reebok-CCM Hockey, Inc.[8]	Wilmington, Delaware (USA)	USD	156,604	117	100
105 Sports Holdings Corp.	Wilmington, Delaware (USA)	USD	(18,339)	104	100
106 Reebok Securities Holdings LLC[2]	Wilmington, Delaware (USA)	USD	–	117	100
107 The Rockport Company, LLC	Wilmington, Delaware (USA)	USD	28,669	117	100
108 Textronics, Inc.	Wilmington, Delaware (USA)	USD	13,991	92	100
109 Ashworth Acquisition Corp.[5] [11]	Wilmington, Delaware (USA)	USD	–	95	100
110 Ashworth Store I, Inc.[5] [11]	Wilmington, Delaware (USA)	USD	–	95	100
111 Ashworth Store II, Inc.[5] [11]	Wilmington, Delaware (USA)	USD	–	95	100
112 Sunice Holdings, Inc.[5] [11]	Wilmington, Delaware (USA)	USD	–	95	100
113 Putter, LLC[5] [11]	Montgomery, Alabama (USA)	USD	–	109	100
114 SLM Trademark Acquisition Corp.[5] [8]	Dover, Delaware (USA)	USD	–	104	100
115 Onfield Apparel Group, LLC[5] [7]	Dover, Delaware (USA)	USD	–	117	99
				116	1
116 Reebok Onfield, LLC[5] [7]	Dover, Delaware (USA)	USD	–	117	100
117 Reebok International Ltd.[2]	Canton, Massachusetts (USA)	USD	(1,040,298)	90	100
118 Sports Licensed Division of the adidas Group, LLC[7]	Boston, Massachusetts (USA)	USD	(103,486)	117	99
				106	1
119 Reebok-CCM Hockey U.S., Inc.	Montpelier, Vermont (USA)	USD	5,993	104	64
				105	36
120 Stone Age Equipment, Inc.	Redlands, California (USA)	USD	20,281	91	100
121 Technikka Conexion LLC	Atlanta, Georgia (USA)	USD	0	directly	100
122 adidas Canada Ltd.	Concord, Ontario (Canada)	CAD	141,222	directly	100
123 R.C. Investments Ltd.	Montreal (Canada)	CAD	2,243	117	100
124 CCM Holdings (1983) Inc.	Montreal (Canada)	CAD	6,137	126	100
125 Sport Maska Inc.	New Brunswick (Canada)	CAD	37,187	104	100
126 SLM Trademark Acquisition Canada Corporation[5] [8]	New Brunswick (Canada)	CAD	–	114	100
Asia					
127 adidas Sourcing Limited	Hong Kong (China)	USD	262,158	17	100
128 adidas Services Limited	Hong Kong (China)	USD	8,568	16	100
129 adidas Hong Kong Ltd.	Hong Kong (China)	HKD	185,133	directly	100
130 Smedley Industries (Hong Kong) Limited[5] [8]	Hong Kong (China)	HKD	–	104	100
131 Reebok Trading (Far East) Limited	Hong Kong (China)	USD	35,898	117	100
132 Reebok (China) Services Limited[5]	Hong Kong (China)	USD	7,099	131	100
133 adidas (Suzhou) Co. Ltd.	Suzhou (China)	CNY	193,521	4	100
134 adidas Sports (China) Co. Ltd.	Suzhou (China)	CNY	2,859,626	4	100
135 adidas (China) Ltd.	Shanghai (China)	CNY	76,923	16	100
136 Zhuhai adidas Technical Services Limited	Zhuhai (China)	USD	16,066	127	100
137 adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	CNY	88,020	24	100
138 adidas Business Services (Dalian) Limited	Dalian (China)	CNY	(520)	16	100
139 adidas Japan K.K.	Tokyo (Japan)	JPY	6,599,469	31	100

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.. Shareholdings of adidas AG, Herzogenaurach (at December 31, 2012)

ATTACHMENT II

Company and domicile		Currency	Equity (currency units in thousands)	Share in capital held by[6]	in %
140 Taylor Made Golf Co., Ltd.	Tokyo (Japan)	JPY	7,618,724	31	100
141 Adams Golf Japan, Inc.[5] [13]	Tokyo (Japan)	JPY	–	100	100
142 adidas Korea Ltd.	Seoul (Korea)	KRW	129,242,972	directly	100
143 Taylor Made Korea Ltd.	Seoul (Korea)	KRW	27,146,401	directly	100
144 adidas Korea Technical Services Limited	Pusan (Korea)	KRW	3,127,588	127	100
145 adidas India Private Ltd.[3]	New Delhi (India)	INR	2,211,189	directly	10.74
				16	89.26
146 adidas India Marketing Pvt. Ltd.[3]	New Delhi (India)	INR	–	145	98.99
				16	1.01
147 adidas Technical Services Pvt. Ltd.	New Delhi (India)	USD	1,202	127	100
148 Reebok India Company	New Delhi (India)	INR	(21,182,280)	159	93.15
149 PT adidas Indonesia	Jakarta (Indonesia)	IDR	68,797,889	16	99
				directly	1
150 adidas (Malaysia) Sdn. Bhd.	Kuala Lumpur (Malaysia)	MYR	47,488	directly	60
				16	40
151 adidas Philippines Inc.	Manila (Philippines)	PHP	363,829	directly	100
152 adidas Singapore Pte. Ltd.	Singapore (Singapore)	SGD	20,245	directly	100
153 adidas Taiwan Limited	Taipei (Taiwan)	TWD	684,856	16	100
154 adidas Holding (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	(56,051)	indirectly	51
				directly	49
155 adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	681,819	directly	100
156 adidas Australia Pty. Limited	Mulgrave (Australia)	AUD	63,065	16	100
157 adidas New Zealand Limited	Auckland (New Zealand)	NZD	9,028	directly	100
158 adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	VND	(22,960,772)	16	100
159 Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	USD	2,194	117	99
				96	1
Latin America					
160 adidas Argentina S.A.	Buenos Aires (Argentina)	ARS	274,304	16	95
				4	5
161 Reebok Argentina S.A.	Buenos Aires (Argentina)	ARS	9,248	16	26.13
				17	73.86
162 adidas do Brasil Ltda.[12]	São Paulo (Brazil)	BRL	373,041	4	100
163 ASPA do Brasil Ltda.[5]	São Paulo (Brazil)	BRL	253	127	100
164 adidas Trading Paraná Ltda.[12]	Pinhais (Brazil)	BRL	–	162	100
165 Reebok Produtos Esportivos Brasil Ltda.	Jundiai (Brazil)	BRL	(3,065)	16	99.99
166 adidas Chile Ltda.	Santiago de Chile (Chile)	CLP	14,476,557	directly	99
				3	1
167 adidas Colombia Ltda.	Bogotá (Colombia)	COP	27,415,779	directly	100
168 adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	MXN	(173,975)	directly	100
169 adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	MXN	122,528	directly	100
170 Reebok de Mexico, S.A. de C.V.[5]	Mexico City (Mexico)	MXN	(355,352)	directly	100
171 adidas Latin America, S.A.	Panama City (Panama)	USD	4,844	directly	100
172 Concept Sport, S.A.	Panama City (Panama)	USD	3,677	16	100
173 adidas Market LAM, S.A.	Panama City (Panama)	USD	0	16	100
174 3 Stripes S.A. (adidas Uruguay)[5]	Montevideo (Uruguay)	UYU	(436)	directly	100
175 Reebok Central America S.A.[2]	San Pedro Sula (Honduras)	HNL	–	117	99.6
				96	0.4
176 adidas Corporation de Venezuela, S.A.[5]	Caracas (Venezuela)	VEF	(17)	directly	100
177 adisport Corporation	San Juan (Puerto Rico)	USD	(2,252)	16	100

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One team, one goal: pushing boundaries through innovation and achievements.

adidas

January 2013:

adidas Originals celebrates

18,000,000

fans
on Facebook.
Thank you!

REEBOK FIT HUB

July 27, 2012

Store opens on New York's Fifth Avenue

Fit Hub, Reebok's newest retail concept store, rolls out globally throughout 2012. The most prominent location is New York's Fifth Avenue.

adidas adizero

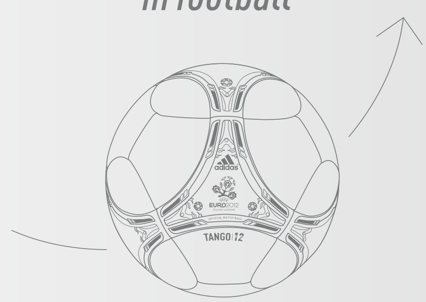
Crazy Light 2

- **9.5 ounces**
- **10%** lighter than the nearest competitor's basketball shoe
- The lightest shoe in basketball

Seamless engineering

adidas presents the adizero Primeknit in London, its first one-piece-upper performance running shoe featuring a new seamless engineering technology. At the same time, the shoe is one of the brand's most sustainable products.

Breaking records in football



adidas achieves record sales of well over € 1.6 billion in the football category in 2012, even surpassing record sales from the World Cup year 2010.

Reebok FITLIST

Reebok launches a new app on Spotify to give consumers the perfect music for any type of workout.

"The idea of enabling women to have great heels with athletic technology for maximum comfort and style is the perfect ten."

Erin Wasson

Supermodel, about Rockport shoes

05 ADDITIONAL INFORMATION

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Ten-Year Overview[1]

Ten-Year Overview

	2012	2011	2010
Income Statement Data (€ in millions)			
Net sales[3]	14,883	13,322	11,990
Gross profit[3]	7,103	6,329	5,730
Royalty and commission income[3]	105	93	100
Other operating income[3]	127	98	110
Other operating expenses[3]	6,150	5,567	5,046
EBITDA[3]	1,445	1,199	1,159
Operating profit[3] [4] [5]	1,185	953	894
Net financial result[3] [6]	(69)	(84)	(88)
Income before taxes[3] [4] [6]	1,116	869	806
Income taxes[3]	327	261	238
Net income attributable to non-controlling interests[3] [6]	(2)	(5)	(1)
Net income attributable to shareholders[4] [7]	791	613	567
Income Statement Ratios			
Gross margin[3]	47.7%	47.5%	47.8%
Operating margin[3] [4] [5]	8.0%	7.2%	7.5%
Interest coverage[3]	14.6	12.2	10.1
Effective tax rate[3] [4]	29.3%	30.0%	29.5%
Net income attributable to shareholders as a percentage of net sales[4] [7]	5.3%	4.6%	4.7%
Net Sales by Brand (€ in millions)			
adidas	11,344	9,867	8,714
Reebok	1,667	1,940	1,913
TaylorMade-adidas Golf	1,344	1,044	909
Rockport	285	261	252
Reebok-CCM Hockey	243	210	200
Net Sales by Product Category (€ in millions)			
Footwear[3]	6,922	6,242	5,389
Apparel[3]	6,290	5,733	5,380
Hardware[3]	1,671	1,347	1,221
Balance Sheet Data (€ in millions)			
Total assets[6]	11,651	11,237	10,618
Inventories	2,486	2,502	2,119
Receivables and other current assets	2,444	2,431	2,324
Working capital[6]	2,504	1,990	1,972
Net cash/(net borrowings)	448	90	(221)
Shareholders' equity[6]	5,304	5,137	4,616

Rounding differences may arise in percentages and totals.
1) 2011 restated according to IAS 8. Prior years are not restated.
2) Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006 onwards.
3) 2004 and 2005 reflect continuing operations as a result of the divestiture of the Salomon business segment.
4) 2012 excludes goodwill impairment of € 265 million.
5) Operating profit figures prior to 2004 exclude royalty and commission income and goodwill amortisation.
6) 2003 and 2004 figures have been restated due to application of IAS 32/IAS 39 and amendment to IAS 19.
7) Includes income from continuing and discontinued operations.
8) Figures adjusted for 1:4 share split conducted on June 6, 2006.
9) Subject to Annual General Meeting approval.

2009	2008	2007	2006 [2]	2005	2004	2003
10,381	10,799	10,299	10,084	6,636	5,860	6,267
4,712	5,256	4,882	4,495	3,197	2,813	2,814
86	89	102	90	47	42	42
100	103	80	55	36	n/a	n/a
4,390	4,378	4,115	3,759	2,573	n/a	n/a
780	1,280	1,165	1,078	806	716	652
508	1,070	949	881	707	584	490
(150)	(166)	(135)	(158)	(52)	(59)	(49)
358	904	815	723	655	526	438
113	260	260	227	221	193	167
0	(2)	(4)	(13)	(8)	(7)	(11)
245	642	551	483	383	314	260
45.4%	48.7%	47.4%	44.6%	48.2%	48.0%	44.9%
4.9%	9.9%	9.2%	8.7%	10.7%	10.0%	7.8%
3.9	7.4	6.8	5.9	18.4	10.2	8.4
31.5%	28.8%	31.8%	31.4%	33.7%	36.7%	38.0%
2.4%	5.9%	5.4%	4.8%	5.8%	5.4%	4.2%
7,520	7,821	7,113	6,626	5,861	5,174	4,950
1,603	1,717	1,831	1,979	–	–	–
831	812	804	856	709	633	637
232	243	291	293	–	–	–
177	188	210	202	–	–	–
4,642	4,919	4,751	4,733	2,978	2,620	2,767
4,663	4,775	4,426	4,105	2,798	2,462	2,222
1,076	1,105	1,121	1,246	860	778	1,278
8,875	9,533	8,325	8,379	5,750	4,434	4,188
1,471	1,995	1,629	1,607	1,230	1,155	1,164
2,038	2,523	2,048	1,913	1,551	1,425	1,335
1,649	1,290	1,522	1,733	2,644	1,336	1,433
(917)	(2,189)	(1,766)	(2,231)	551	(665)	(1,018)
3,771	3,386	3,023	2,828	2,684	1,544	1,285

Ten-Year Overview (continued)

	2012	2011	2010
Balance Sheet Ratios			
Net borrowings/EBITDA [3]	(0.3)	(0.1)	0.2
Average operating working capital as a percentage of net sales	20.0%	20.4%	20.8%
Financial leverage [6]	(8.5%)	(1.8%)	4.8%
Equity ratio [6]	45.5%	45.7%	43.5%
Equity-to-fixed-assets ratio [6]	111.1%	104.6%	97.4%
Asset Coverage [6]	152.7%	140.7%	141.5%
Asset Coverage II [6]	100.4%	93.2%	97.7%
Fixed asset intensity of investments	41.0%	43.7%	44.6%
Current asset intensity of investments	59.0%	56.3%	55.4%
Liquidity I [6]	44.3%	31.6%	35.5%
Liquidity II [6]	82.9%	68.3%	78.2%
Liquidity III [6]	139.7%	126.0%	132.4%
Working capital turnover [6]	5.9	6.7	6.1
Return on equity [6] [7]	9.9%	11.9%	12.3%
Return on capital employed [6] [7]	19.3%	19.9%	20.2%
Data Per Share [8]			
Share price at year-end (in €)	67.33	50.26	48.89
Basic earnings [4] [7] (in €)	3.78	2.93	2.71
Diluted earnings [4] [7] (in €)	3.78	2.93	2.71
Price/earnings ratio at year-end [4]	17.8	17.1	18.0
Market capitalisation at year-end (€ in millions)	14,087	10,515	10,229
Net cash generated from operating activities (in €)	4.50	3.86	4.28
Dividend (in €)	1.35 [9]	1.00	0.80
Dividend payout ratio [4] (in %)	35.7	34.1	29.5
Number of shares outstanding at year-end (in thousands)	209,216	209,216	209,216
Employees			
Number of employees at year-end [3]	46,306	46,824	42,541
Personnel expenses [3] (€ in millions)	1,872	1,646	1,521

Rounding differences may arise in percentages and totals.
1) 2011 restated according to IAS 8. Prior years are not restated.
2) Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006 onwards.
3) 2004 and 2005 reflect continuing operations as a result of the divestiture of the Salomon business segment.
4) 2012 excludes goodwill impairment of € 265 million.
5) Operating profit figures prior to 2004 exclude royalty and commission income and goodwill amortisation.
6) 2003 and 2004 figures have been restated due to application of IAS 32/IAS 39 and amendment to IAS 19.
7) Includes income from continuing and discontinued operations.
8) Figures adjusted for 1:4 share split conducted on June 6, 2006.
9) Subject to Annual General Meeting approval.

2009	2008	2007	2006 [2]	2005	2004	2003
1.2	1.7	1.5	2.1	(0.7)	0.9	1.6
24.3%	24.5%	25.2%	25.8%	26.0%	28.4%	30.7%
24.3%	64.6%	58.4%	78.9%	(20.5%)	43.1%	79.2%
42.5%	35.5%	36.3%	33.8%	46.7%	34.8%	30.7%
85.9%	73.6%	72.2%	63.5%	194.0%	110.4%	91.1%
137.4%	127.7%	136.1%	138.7%	284.1%	194.1%	197.6%
102.9%	89.1%	98.0%	102.0%	150.4%	106.3%	108.3%
49.5%	48.2%	50.3%	53.2%	24.1%	31.6%	33.7%
50.5%	51.8%	49.7%	46.8%	75.9%	68.4%	66.3%
30.0%	10.5%	14.5%	15.8%	92.0%	26.8%	20.8%
80.4%	55.1%	70.3%	80.4%	148.0%	88.4%	100.8%
132.2%	109.8%	132.6%	153.7%	219.4%	156.4%	187.4%
6.3	8.4	6.8	5.8	2.6	4.4	4.4
6.5%	18.9%	18.2%	17.1%	14.3%	20.4%	20.2%
11.3%	19.8%	20.2%	17.6%	49.3%	27.5%	22.1%
37.77	27.14	51.26	37.73	40.00	29.69	22.58
1.25	3.25	2.71	2.37	2.05	1.72	1.43
1.22	3.07	2.57	2.25	1.93	1.64	1.43
31.0	8.8	19.9	16.8	20.7	18.1	15.8
7,902	5,252	10,438	7,679	8,122	5,446	4,104
6.11	2.52	3.83	3.74	1.88	3.17	3.58
0.35	0.50	0.50	0.42	0.33	0.33	0.25
29.8	15.1	18.0	17.7	17.2	18.9	17.5
209,216	193,516	203,629	203,537	203,047	183,436	181,816
39,596	38,982	31,344	26,376	15,935	14,254	15,686
1,352	1,283	1,186	1,087	706	637	709

Glossary

A

AFIRM (Apparel and Footwear International Restricted Substances List Management Working Group)

A centre of excellence comprising experts whose aim is to reduce the use and impact of harmful substances in the apparel and footwear supply chains :// **WWW.AFIRM-GROUP.COM**.

American Depositary Receipt (ADR)

US-traded negotiable certificate of a foreign-based company held by a US bank that entitles the holder to all dividends and rights of the underlying stock. ADRs provide a way for US-based investors to invest in foreign-based companies by buying their shares in the USA instead of through an overseas exchange.

B

Backlogs

Also called order backlogs. The value of orders received for future delivery. Most retailers' orders are received six to nine months in advance.

Basic Earnings Per Share (Basic EPS)

Performance indicator used to gauge a company's earnings per share, based on the number of shares outstanding.
Basic EPS = net income attributable to shareholders / weighted average number of shares outstanding during the year ⁄ **SEE ALSO DILUTED EARNINGS PER SHARE**.

Beta factor

Indicates a stock's relative risk. A beta factor of more than one indicates that the stock has a higher risk than the overall market. Conversely, a beta factor of less than one indicates a lower risk.

Better Cotton Initiative (BCI)

The Better Cotton Initiative was created through a collaboration between the World Wildlife Fund (WWF) and a wide range of stakeholders involved in the cotton supply chain. BCI aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more economically, environmentally and socially sustainable :// **WWW.BETTERCOTTON.ORG**.

C

CAD design

Computer-aided design (CAD) is the use of computer technology for the process of design and design documentation.

Capital charge

Capital charge is a payment for capital employed by a given business unit. The asset base includes operating working capital as well as other assets needed by a market or operating unit in its day-to-day activities.
Capital charge = asset base x weighted average cost of capital (WACC).

Capital expenditure

Total cash expenditure used for the purchase of tangible and intangible assets, excluding acquisitions and finance leases.

Cash pool

Cash pooling is a cash management technique for physical concentration of cash. Cash pooling allows the adidas Group to combine credit and debit positions from various accounts and several subsidiaries into one central account. This technique supports our in-house bank concept where advantages are taken of any surplus funds of subsidiaries to cover cash requirements of other subsidiaries, thus reducing external financing needs and optimising our net interest expenses.

Commercial paper

Tradable unsecured promissory notes issued for the purpose of short-term financing. Commercial paper is issued on an ongoing, revolving basis with maturities typically between seven days and twelve months or more.

Comparable store sales

Comparable (comp) store sales are sales generated in stores which have been open for the entire prior financial year and are currently operating. Remodelled stores are included if the store format or store size has remained unchanged.

Concession corners

Retail space that is fully operated by one brand of the adidas Group and is part of a larger sales area operated by a retail partner.

Consumer price index (CPI)

Measure of the average price of consumer goods and services purchased by households. Determined by measuring the price of a standard group of goods meant to represent the typical market basket of a typical urban consumer. The percentage change in the CPI is a measure of inflation.

Controlled space

Controlled space includes own-retail business, mono-branded franchise stores, shop-in-shops, joint ventures with retail partners and co-branded stores. Controlled space offers a high level of brand control and ensures optimal product offering and presentation according to brand requirements.

Corporate governance

Distribution of rights and responsibilities among the primary stakeholders in a company, in particular shareholders, the Executive Board and the Supervisory Board.

Cost of sales

The amount the Group pays to third parties for expenses associated with producing and delivering our products. Own-production expenses are also included in the Group's cost of sales. However, these expenses represent only a very small portion of total cost of sales.

Credit default swap (CDS)

A credit default swap is a derivative in which the buyer of the CDS makes a payment to the seller and, in exchange, receives a payoff if a credit instrument (typically a bond or loan) undergoes a defined "Credit Event", often described as a default (failure to pay).

Credit spread

Risk premium which represents the yield difference between risk-free government bonds and corporate bonds with the same duration. A potential investor demands an additional yield (risk premium = credit spread) for the higher risk of default with corporate bonds versus government bonds.

Currency-neutral

This figure eliminates variances arising from currency translation and thus reflects the underlying business performance.

CRM (Customer Relationship Management)

Capabilities and methodologies used by a company with its customers to systematically design and build customer relationships and processes.

D

Days of Sales Outstanding (DSO)

Average time of receipt of outstanding payments from customers.

Diluted Earnings Per Share (Diluted EPS)

Performance indicator used to gauge a company's earnings per share, assuming that all stock options and conversion rights related to a convertible bond are exercised, which would result in an increase of the number of shares outstanding.
Diluted EPS = (net income attributable to shareholders + interest expense on convertible bonds net of tax) / (weighted average number of shares outstanding during the year + weighted share options + shares from assumed conversion of convertible bonds).

E

EBITDA

Earnings before interest, taxes, depreciation, amortisation and impairment losses as well as reversals of impairment losses for tangible and intangible assets.

Economic value added (EVA)

Economic value added is a measure of a company's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit (after tax). EVA can thus also be described as the surplus profit over the WACC demanded by the capital market, indicating whether shareholders have earned a return that compensates the risk.
EVA = operating profit after tax – cost of capital.

Emerging markets

Developing countries showing potential for growth in both economic strength and private wealth in the future. For the adidas Group, emerging markets are the developing countries of Asia, Eastern Europe, Latin America and Africa.

Enterprise Resource Planning (ERP)

A business management system that integrates all facets of the business (e.g. planning, manufacturing, sales and marketing).

Equity derivatives

Class of derivatives whose value is at least partly derived from one or more underlying equity securities. Options and forward contracts are by far the most common equity derivatives. However, there are many other types of equity derivatives that are actively traded.

Equity ratio

Shows the role of shareholders' equity within the overall financing structure of a company.
Equity ratio = (shareholders' equity / total assets) × 100.

E-tailer

Retailer that primarily uses the internet as a medium for consumers to shop for the goods or services provided. E-tailers optimise the internet potential to attract, convert and retain consumers.

F

Fair Factories Clearinghouse (FFC)

The Fair Factories Clearinghouse was established in 2004 with the purpose of improving social, environmental and security standards and helping to create humane working conditions for workers making consumer goods globally. Membership includes many sporting and consumer goods companies as well as a wide range of consumer goods suppliers :// **WWW.FAIRFACTORIES.ORG**.

Fair Labor Association (FLA)

The Fair Labor Association, a non-profit labour rights organisation, is a multi-stakeholder initiative bringing together companies, colleges and universities and civil society organisations to improve working conditions worldwide by promoting adherence to international and national labour laws :// **WWW.FAIRLABOR.ORG**.

Fair value

Amount at which assets are generally traded between business parties. Fair value is often identical to market price.

Finance lease

Method of acquiring an asset that involves a lease with a special leasing company for a specific, non-terminable initial leasing term. The investment risk is borne by the lessee.

Financial leverage

Ratio reflecting the role of borrowings within the financing structure of a company.
Financial leverage = (net borrowings / shareholders' equity) × 100.

Forward contract

Agreement to exchange amounts of one currency for another currency at an agreed fixed rate at a future date.

Franchising

Form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees). The franchisor offers assistance in organising, training, merchandising, marketing and managing in return for a monetary consideration.

Free cash flow

Cash that is generated by a company's operating activities after the deduction of net Investments and other cash expenses such as taxes and interest from the operating profit.
Free cash flow = operating profit +/– change in operating working capital +/– net investments (capital expenditure less depreciation and amortisation) +/– financial result and income taxes.

⁄ G

German Co-Determination Act
Mitbestimmungsgesetz (MitbestG). This act governs the form of co-determination of employees in corporations employing more than 2,000 employees. It stipulates, among other things, that such a corporation's Supervisory Board must be composed of an equal number of employee and shareholder representatives.

Goodwill
Intangible asset that quantifies the price that a buyer of a company has paid for the reputation, know-how and market position of the acquired company. Goodwill is the excess of the amount paid over the fair value of the net assets acquired at the purchase date. It is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Go-to-market
All instruments, tools and channels used to connect with customers in order to best fulfil their needs, prior to the launch and/or the commercialisation of a new product.

Grassroots events
Grassroots events involve the advertising and promotion of products and/or services on a local and/or personal level. A message is shared with a small group of influencers within a target group. If successful, these then spread the marketing message, e.g. by sharing it with others in person, on social media platforms or writing a recommendation.

Green grass retailers
Golf distribution channel. Small golf specialty shops typically located at a golf course.

Gross Domestic Product (GDP)
Market value of all finished goods and services produced within a country in a given period of time. GDP = consumption + investment + government spending + (exports – imports).

Gross margin
Gross profit as a percentage of net sales.
Gross margin = (gross profit / net sales) × 100.

⁄ H

Halo effect
The halo effect refers to the cognitive bias effect that, when we consider something good (or bad) in one category, we are likely to make a similar evaluation in other (related) categories.

Hardware
A product category which comprises equipment that is used rather than worn by the consumer, such as bags, balls, fitness equipment, golf clubs and hockey sticks.

Hedging
A strategy used to minimise exposure to changes in prices, interest rates or exchange rates by means of derivative financial instruments (options, swaps, forward contracts, etc.) ⁄ **SEE ALSO NATURAL HEDGES**.

⁄ I

Institutional investors
Investors such as investment companies, mutual funds, brokerages, insurance companies, pension funds, investment banks and endowment funds. They are financially sophisticated, with a high degree of knowledge of investment vehicles and risks, and have the means to make large and long-term investments.

International Financial Reporting Standards (IFRS)
Reporting standards (formerly called IAS) which have been issued by the International Accounting Standards Board (IASB). The objective is to achieve uniformity and transparency in the accounting principles that are used by businesses and other organisations for financial reporting around the world.

International Labour Organization
The International Labour Organization (ILO) is a specialised agency of the United Nations that engages in formulating and implementing international social and workplace standards and guidelines :⁄⁄ **WWW.ILO.ORG**.

ISO 14001
International Organization for Standardization (ISO) Standard 14001 specifies the requirements for an environmental management system within companies and organisations. It applies to those environmental aspects over which the organisation has control and over which it can be expected to have an influence (e.g. energy and water consumption).

⁄ J

Joint venture
A cooperation between companies involving the foundation of a new, legally independent business entity in which the founding companies (two or more companies) participate with equity and significant resources.

⁄ K

Key accounts
Wholesalers or retailers which are considered to be primary customers for the adidas Group and account for a large percentage of sales.

Kinesiology
The scientific study of the mechanisms associated with human movement.

⁄ L

Leather Working Group (LWG)
The Leather Working Group was formed in April 2005 to promote sustainable and appropriate environmental stewardship practices within the leather industry :⁄⁄ **WWW.LEATHERWORKINGGROUP.COM**.

Licensed apparel
Apparel products which are produced and marketed under a licence agreement. The adidas Group has licence agreements with several associations (e.g. FIFA, UEFA), leagues (e.g. NBA, NHL), teams (e.g. Real Madrid, AC Milan) and universities (e.g. UCLA, Notre Dame).

Licensees
Companies that have the authorisation to use the name of a brand or business for the production and sale of products. For example, for adidas, licensed products include cosmetics, watches and eyewear, for Reebok, fitness equipment.

Lien
The right to take and hold or sell the asset of a debtor as security or payment for a debt.

Liquidity I, II, III
The liquidity ratio indicates how quickly a company can liquidate its assets to pay for current liabilities.
Liquidity I:
((Cash + short-term financial assets) / current liabilities) × 100.
Liquidity II:
((Cash + short-term financial assets + accounts receivable) / current liabilities) × 100.
Liquidity III:
((Cash + short-term financial assets + accounts receivable + inventories) / current liabilities) × 100.

⁄ M

Market capitalisation
Total market value of all shares outstanding.
Market capitalisation = number of shares outstanding × current market price.

Marketing working budget (MWB)
Promotion and communication spending including sponsorship contracts with teams and individual athletes, as well as advertising, events and other communication activities, but excluding marketing overhead expenses. As marketing working budget expenses are not distribution channel specific, they are not allocated to the Group's operating segments.

Mature markets
Developed countries which have highly industrialised economies, high income levels and in which most people have a high standard of living. For the adidas Group, mature markets are the high-income countries of Western Europe, North America and also Japan.

Mono-branded stores
adidas, Reebok or Rockport branded stores that are not operated or owned by the adidas Group but by franchise partners. This concept is used especially in the emerging markets such as China, benefiting from local expertise of the respective franchise partners ⁄ **SEE ALSO FRANCHISING**.

⁄ N

Natural hedges
Offset of currency risks that occurs naturally as a result of a company's normal operations, without the use of derivatives. For example, revenue received in a foreign currency and used to pay known commitments in the same foreign currency.

Net borrowings/Net cash
Net borrowings is the portion of gross borrowings not covered by the sum of cash and short-term financial assets. Net cash is when the sum of cash and short-term financial assets exceeds gross borrowings.
Net borrowings/net cash = short-term borrowings + long-term borrowings – cash – short-term financial assets.

Non-controlling interests
Part of net income or equity which is not attributable to the shareholders of the reporting company as it relates to outside ownership interests in subsidiaries that are consolidated with the parent company for financial reporting purposes.

⁄ O

OHSAS 18000
OHSAS 18000 is an international occupational health and safety management system specification.

ÖKO-Tex Standard 100
An international testing and certification system for textiles, defining and limiting the use of certain chemicals.

Operating cash flow
Operating cash flow is comprised of operating profit, change in operating working capital and net investments.
Operating cash flow = operating profit +/– change in operating working capital +/– net investments (capital expenditure less depreciation and amortisation).

Operating lease
Method of leasing assets over periods less than the expected lifetime of those assets. An operating lease is accounted for by the lessee without showing an asset or a liability on the balance sheet. Periodic payments are accounted for by the lessee as operating expenses for the period.

Operating overheads
Expenses which are not directly attributable to the products or services sold, such as costs for distribution, marketing overhead costs, logistics, research and development, as well as general and administrative costs, but not including costs for promotion, advertising and communication.

Operating working capital
A company's short-term disposable capital which is used to finance its day-to-day business. In comparison to working capital, operating working capital does not include non-operational items such as financial assets and taxes.
Operating working capital = accounts receivable + inventories – accounts payable ⁄ **SEE ALSO WORKING CAPITAL**.

Option
Financial instrument which ensures the right to purchase (call option) or to sell (put option) a particular asset (e.g. shares or foreign exchange) at a predetermined price (strike price) on or before a specific date.

P

Parallel import
Parallel imports are goods that are transferred via a non-authorised channel from lower-priced countries into higher-priced countries. They are the result of retailers and/or end-consumers trying to profit from price differences between two countries.

Payment factory
A payment factory represents a centralised process to execute all active payment transactions (transfers, direct debits, etc.). It supports a harmonised and standardised external and internal payment process and executes payments from local bank accounts owned by subsidiaries or on behalf of adidas AG. In addition, the payment factory collects all electronic bank statements.

Performance business
In the sporting goods industry, performance business relates to technical footwear and apparel, used primarily in doing sports.

Price-earnings ratio (P/E)
A company's share price divided by its current or future diluted earnings per share. The P/E ratio is used by investors as a fundamental measure of the attractiveness of a particular security versus other securities or the overall market. It is usually more useful to compare P/E ratios of one company to other companies in a similar industry. In general, a high P/E ratio suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.

Price points
Specific selling prices, normally using "psycho-logical" numbers, e.g. a product price of US $ 99.99 instead of US $ 100.

Private investor
An individual who invests his/her own money in the capital market, as opposed to an institutional investor.

Private placement
Placement of debt securities directly to institutional investors, such as banks, mutual funds, insurance companies, pension funds and foundations.

Promotion partnerships
Partnerships with events, associations, leagues, clubs and individual athletes. In exchange for the services of promoting the adidas Group, the party is provided with products and/or cash and/or promotional materials.

Push model/pull model
A push-pull system in the retail business describes the supply and demand dynamic between retailers and consumers. In a push model, products are supplied based on anticipated customer orders, whereas in a pull model goods are supplied based on consumer point-of-sale demand and actual market sales trends.

R

Regions
The adidas Group distinguishes six regions: Western Europe, European Emerging Markets, North America, Greater China, Other Asian Markets and Latin America.

RFID tag
A radio-frequency identification (RFID) tag is a microchip combined with an antenna that electronically stores information and can be attached to any kind of object. The tag's antenna picks up signals from an RFID reader or scanner and then returns the signal, usually with some additional data (such as a unique serial number or other customised information).

Risk-free rate
Rate of return to be expected on a risk-free investment.

Risk premium
Extra return that the overall market or a particular stock must provide over the risk-free rate to compensate an investor for taking a relatively higher risk.
Risk premium = overall market rate – risk-free rate.

Rolling forecast
A rolling forecast is a projection about the future that is updated at regular intervals, keeping the forecasting period constant (e.g. twelve months).

S

Sales working budget
Sales working budget expenditures relate to advertising and promotion initiatives at the point-of-sale as well as to store fittings and furniture. As sales working budget expenses are channel-specific, they are allocated to the adidas Group's operating segments.

Segment
Also called Business Segment. Units within a company that have profit and loss responsibility. The adidas Group is currently divided into six business segments: Wholesale, Retail, TaylorMade-adidas Golf, Rockport, Reebok-CCM Hockey and Other Centrally Managed Brands.

Sell-through
An indicator of how fast retailers are selling a particular product to the consumer.

Share turnover
Share turnover states the total value of all shares traded in the share price currency over a specific period of time (normally daily). It is calculated by multiplying the number of shares traded by the respective price.

Shop-in-shop
Exclusive adidas, Reebok or Rockport area within a wholesale partner's or retailer's store. The concept may be operated by the store or the adidas Group, depending on individual arrangements. The goal of this distribution method is to give consumers a similar experience to an own-retail environment, albeit on a smaller scale.

Signature collection
A collection which is developed in close collaboration with top athletes and personalities, bearing the signature, logo and/or name of the athlete. The offering can either be a single product or a broader product family (footwear, apparel and hardware).

Single-sourcing model
Supply chain activities limited to one specific supplier. Due to the dependency on only one supplier, the adidas Group can face disadvantages during the sourcing process.

Socially Responsible Investment (SRI)

Socially responsible investments evaluate a company's efforts through in-depth analysis of sustainability programmes and consider these aspects in the investment decision process. The evaluation looks at how companies approach their social and environmental responsibilities. Socially responsible investments are often seen as a method to identify better-managed companies with a lower risk profile.

Stakeholders

All groups that have a direct or indirect interest in the efforts and results of a company, e.g. lenders, shareholders, consumers, retailers, suppliers, licensees, business partners in the supply chain, employees, international sport federations, non-governmental organisations, media, etc.

Swap

A derivative in which two counterparties agree to exchange one stream of cash flows against another stream.

Syndicated loan

A syndicated loan is one that is provided by a group of lenders and is structured, arranged and administered by one or several commercial banks or investment banks, known as arrangers.

⁄ T

Top and bottom line

A company's bottom line is its net income attributable to shareholders. More specifically, the bottom line is a company's income after all expenses have been deducted from revenues. The top line refers to a company's sales or revenues.

Top-down, bottom-up

Specific concept for information and knowledge processing. In a first step, information and empowerment of management decisions is delegated from top to bottom. After going into more detail on the bottom level, the final information/decision is then transported back to the top.

Toxproof/TÜV Rheinland

The Toxproof mark is a safety mark issued by TÜV Rheinland, especially for testing the quantities of toxins in products.

Trend scouting

Identification and commercialisation of future trends, particularly lifestyle trends.

⁄ V

Vertical retailer

A retail company that (vertically) controls the entire design, production and distribution processes of its products.

Visual merchandising

Activity of promoting the sale of goods, especially by their presentation at the point-of-sale. This includes combining products, environments and spaces into a stimulating and engaging display to encourage the sale of a product or service.

VOCs (Volatile Organic Compounds)

Volatile organic compounds (VOCs) are organic chemical compounds that can vaporise into the air and may be harmful and cause breathing and health problems. VOCs are by-products of the shoe manufacturing process.

⁄ W

Weighted average cost of capital (WACC)

Calculation of the cost of capital according to the debt/equity structure, utilising a weighted average cost of capital (WACC) formula. The cost of equity is typically computed utilising a risk-free rate, market risk premium and a beta factor. The cost of debt is calculated through the risk-free rate, credit spread and average tax rate.

Working capital

A company's short-term disposable capital used to finance day-to-day operations.
Working capital = total current assets – total current liabilities ⁄ **SEE ALSO OPERATING WORKING CAPITAL**.

World Business Council for Sustainable Development (WBCSD)

The WBCSD is a global association of around 200 international companies dealing exclusively with business and sustainable development :⁄⁄ **WWW.WBCSD.ORG**.

World Federation of the Sporting Goods Industry (WFSGI)

The WFSGI is an independent non-profit organisation formed by sporting goods brands, manufacturers, suppliers, retailers and other sporting industry-related businesses. It is the world authoritative body for the sporting goods industry and is officially recognised by the International Olympic Committee (IOC) as the industry representative :⁄⁄ **WWW.WFSGI.ORG**.

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Declaration of Support

adidas AG declares support, except in the case of political risk, that the below-mentioned companies are able to meet their contractual liabilities. This declaration replaces the declaration dated February 15, 2012. The 2012 Declaration of Support is no longer valid.

Adams Golf, Ltd., Plano, Texas, USA
adidas (China) Ltd., Shanghai, China
adidas (Cyprus) Limited, Nicosia, Cyprus
adidas (Ireland) Limited, Dublin, Ireland
adidas (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
adidas (South Africa) (Pty) Ltd., Cape Town, South Africa
adidas (Suzhou) Co. Ltd., Suzhou, China
adidas (Thailand) Co., Ltd., Bangkok, Thailand
adidas (UK) Limited, Stockport, Great Britain
adidas America, Inc. (formerly adidas Sales, Inc.), Portland, Oregon, USA
adidas Argentina S.A., Buenos Aires, Argentina
adidas Australia Pty. Limited, Mulgrave, Australia
adidas Austria GmbH, Klagenfurt, Austria
adidas Baltics SIA, Riga, Latvia
adidas Belgium N.V., Brussels, Belgium
adidas Benelux B.V., Amsterdam, Netherlands
adidas Beteiligungsgesellschaft mbH, Herzogenaurach, Germany
adidas Bulgaria EAD, Sofia, Bulgaria
adidas Business Services Lda., Maia, Portugal
adidas Business Services (Dalian) Limited, Dalian, China
adidas Canada Ltd., Concord, Ontario, Canada
adidas CDC Immobilieninvest GmbH, Herzogenaurach, Germany
adidas Chile Ltda., Santiago de Chile, Chile
adidas Colombia Ltda., Bogotá, Colombia
adidas CR s.r.o., Prague, Czech Republic
adidas Croatia d.o.o., Zagreb, Croatia
adidas Danmark A/S, Århus, Denmark
adidas de Mexico, S.A. de C.V., Mexico City, Mexico
adidas do Brasil Ltda., São Paulo, Brazil
adidas Emerging Market L.L.C., Dubai, United Arab Emirates
adidas Emerging Markets FZE, Dubai, United Arab Emirates
adidas Espana S.A., Zaragoza, Spain
adidas Finance Poland S.A., Warsaw, Poland
adidas Finance Spain S.A.U., Zaragoza, Spain
adidas Finance Sverige AB, Solna, Sweden
adidas France S.a.r.l., Landersheim, France
adidas Hellas A.E., Thessaloniki, Greece
adidas Hong Kong Ltd., Hong Kong, China
adidas Imports & Exports Ltd., Cairo, Egypt
adidas India Marketing Pvt. Ltd., New Delhi, India
adidas Industrial, S.A. de C.V., Mexico City, Mexico
adidas Insurance & Risk Consultants GmbH (formerly adidas Versicherungs-Vermittlungs GmbH), Herzogenaurach, Germany
adidas International B.V., Amsterdam, Netherlands
adidas International Finance B.V., Amsterdam, Netherlands
adidas International Marketing B.V., Amsterdam, Netherlands
adidas International Property Holding B.V., Amsterdam, Netherlands
adidas International Re Limited, Dublin, Ireland
adidas International Trading B.V., Amsterdam, Netherlands
adidas International, Inc., Portland, Oregon, USA
adidas Italy S.p.A, Monza, Italy
adidas Japan K.K., Tokyo, Japan
adidas Korea Ltd., Seoul, Korea
adidas Korea Technical Services Ltd., Pusan, Korea
adidas Latin America, S.A., Panama City, Panama
adidas Levant Limited – Jordan, Amman, Jordan
adidas LLP, Almaty, Republic of Kazakhstan
adidas Logistics (Tianjin) Co., Ltd., Tianjin, China
adidas Market LAM, S.A, Panama City, Panama
adidas New Zealand Limited, Auckland, New Zealand
adidas Norge AS, Lillestrom, Norway
adidas North America, Inc., Portland, Oregon, USA
adidas Philippines Inc., Manila, Philippines
adidas Poland Sp.z.o.o., Warsaw, Poland
adidas Portugal - Artigos de Desporto, S.A., Lisbon, Portugal
adidas Romania S.R.L., Bucharest, Romania
adidas Serbia d.o.o., New Belgrade, Serbia
adidas Services Limited, Hong Kong, China
adidas Singapore Pte. Ltd., Singapore, Singapore
adidas Slovakia s.r.o., Bratislava, Slovak Republic
adidas Sourcing Limited, Hong Kong, China
adidas Spor Malzemeleri Satis ve Pazarlama A.S., Istanbul, Turkey
adidas sport gmbh, Cham, Switzerland
adidas Sporting Goods Ltd., Cairo, Egypt
adidas Sports (China) Co. Ltd., Suzhou, China
adidas Suomi Oy, Helsinki, Finland
adidas Sverige AB, Stockholm, Sweden
adidas Taiwan Limited, Taipei, Taiwan
adidas Team, Inc., Portland, Oregon, USA
adidas Technical Services Pvt. Ltd., New Delhi, India
adidas Trgovina d.o.o., Ljubljana, Slovenia
adidas Vietnam Company Limited, Ho Chi Minh City, Vietnam
adisport Corporation, San Juan, Puerto Rico
ASPA do Brasil Ltda., São Paulo, Brazil
Concept Sport, S.A., Panama City, Panama
Factory Outlet Herzo-Base GmbH & Co. KG, Herzogenaurach, Germany
GEV Grundstücks-Beteiligungsgesellschaft Herzogenaurach mbH, Herzogenaurach, Germany
Global Merchandising, S.L., Madrid, Spain
Herzo-Base Management GmbH, Herzogenaurach, Germany
Hotel Herzo-Base GmbH & Co. KG, Herzogenaurach, Germany
Hydra Ventures B.V., Amsterdam, Netherlands
LLC "adidas, Ltd.", Moscow, Russia
PT adidas Indonesia, Jakarta, Indonesia
Reebok (China) Services Limited, Hong Kong, China
Reebok de Mexico, S.A. de C.V., Mexico City, Mexico
Reebok Europe Holdings, London, Great Britain
Reebok International Limited, London, Great Britain
Reebok International Ltd., Canton, Massachusetts, USA
Reebok-CCM Hockey AB, Malung, Sweden
Reebok-CCM Hockey AS, Gressvik, Norway
Reebok-CCM Hockey Oy, Forssa, Finland
Reebok-CCM Hockey U.S. Inc., Montpelier, Vermont, USA
Reebok-CCM Hockey, Inc., Wilmington, Delaware, USA
RIL Indonesia Services Limited, Hong Kong, China
Rockport (Europe) B.V., Amsterdam, Netherlands
SC "adidas-Ukraine", Kiev, Ukraine
Sport Maska Inc., New Brunswick, Canada
Sports Licensed Division of the adidas Group, LLC, Boston, Massachusetts, USA
Stone Age Equipment, Inc., Redlands, California, USA
Taylor Made Golf Co., Inc., Carlsbad, California, USA
Taylor Made Golf Co., Ltd., Tokyo, Japan
Taylor Made Golf Limited, Basingstoke, Great Britain
Taylor Made Korea Ltd., Seoul, Korea
The Rockport Company, LLC, Wilmington, Delaware, USA
World of Commerce GmbH & Co. KG, Herzogenaurach, Germany
World of Commerce Management GmbH, Herzogenaurach, Germany
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Press release, conference call and webcast
Publication of 2012 Annual Report

May 3, 2013

First Quarter 2013 Results
Press release, conference call and webcast
Publication of First Quarter 2013 Report

May 8, 2013

Annual General Meeting
Fuerth (Bavaria), Germany
Webcast

May 9, 2013

Dividend payment
(Subject to Annual General Meeting approval)

August 8, 2013

First Half 2013 Results
Press release, conference call and webcast
Publication of First Half 2013 Report

November 7, 2013

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

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