



FOR IMMEDIATE RELEASE

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adidas delivers double-digit bottom-line growth in Q2 Full-year outlook confirmed

Major developments in Q2 2019:

- **Revenues grow 4% currency-neutral and 5% in euro terms**
- **Gross margin increases 1.2pp to 53.5%**
- **Operating margin improves 0.4pp to 11.7%**
- **Net income from continuing operations grows 10%**
- **Basic EPS from continuing operations rises 13%**

“We delivered another successful quarter. Sales in our strategic growth areas Greater China and e-commerce continued to increase at a double-digit rate – and so did our bottom line,” said adidas CEO Kasper Rorsted. “We remain confident about the sequential revenue acceleration in the second half of the year and confirm our top- and bottom-line outlook for 2019.”

Currency-neutral revenues increase 4% in Q2 2019

In the second quarter, currency-neutral revenues grew 4%, reflecting growth at both brands. Revenues at brand adidas were up 4% in the quarter, driven by a high-single-digit increase in Sport Inspired. Revenues in Sport Performance declined at a low-single-digit rate as the non-recurrence of last year’s FIFA World Cup-related sales led to a strong decrease in the football category which more than offset double-digit growth in the training and basketball categories. Reebok sales returned to growth in the second quarter. Driven by the Classics category, revenues of the Reebok brand grew 3% on a currency-neutral basis. From a channel perspective, the company’s top-line increase reflects a double-digit improvement in direct-to-consumer revenues with particularly strong growth in e-commerce, where sales increased 37% in the quarter. In euro terms, the company’s revenues grew 5% in the second quarter to € 5.509 billion (2018: € 5.261 billion).

Growth in most market segments

The top-line expansion in the second quarter was driven by sales increases in most market segments: The combined currency-neutral sales of the adidas and Reebok brands expanded at a double-digit rate in Emerging Markets (+12%) and at a high-single-digit rate in Asia-Pacific (+8%), the latter driven by double-digit growth in China (+14%). Revenues in North America increased 6%, reflecting a 5% increase at brand adidas and 10% growth for Reebok. While sales in Latin America also increased at a mid-single-digit rate (+5%), revenues in



Europe were flat year-over-year. Sales in Russia/CIS declined at a mid-single-digit rate (-4%) due to difficult prior year comparisons in relation to the 2018 FIFA World Cup.

Operating margin improves 0.4 percentage points to 11.7%

The company's gross margin increased 1.2 percentage points to 53.5% (2018: 52.3%). Higher air freight costs to mitigate the supply chain shortages and a less favorable pricing mix were overcompensated by positive currency developments, lower sourcing costs as well as a better product and channel mix. Other operating expenses were up 6% to € 2.346 billion (2018: € 2.210 billion). As a percentage of sales, other operating expenses increased 0.6 percentage points to 42.6% (2018: 42.0%). Marketing and point-of-sale expenses grew 5% to € 744 million (2018: € 707 million), as the company increased its brand investments. As a percentage of sales, marketing and point-of-sale expenses were up 0.1 percentage points to 13.5% (2018: 13.4%). Operating overhead expenses increased 7% to € 1.602 billion (2018: € 1.502 billion), due to further investments into the scalability of the company's business model as well as higher costs related to the strong growth in the company's direct-to-consumer channel. As a percentage of sales, operating overhead expenses increased 0.5 percentage points to 29.1% (2018: 28.6%). The company's operating profit grew 9% to a level of € 643 million (2018: € 592 million), representing an operating margin increase of 0.4 percentage points to 11.7% (2018: 11.3%). This development was mainly driven by the gross margin expansion, which more than offset the increase in other operating expenses as well as the non-recurrence of litigation gains and the release of operational provisions which were recorded in the prior year quarter.

Net income from continuing operations grows 10%

The company's net income from continuing operations increased 10% to € 462 million (2018: € 418 million). This includes a negative impact from the adoption of IFRS 16 of € 7 million, reducing year-over-year net income growth by approximately 2 percentage points. Basic EPS from continuing operations reached € 2.33 including the IFRS impact, an increase of 13% year-over-year (2018: € 2.06).

adidas with strong bottom-line growth in the first half of 2019

In the first half of 2019, revenues increased 4% on a currency-neutral basis, which is in line with the 3% to 4% guidance provided at the beginning of the year in light of the supply chain shortages the company has been experiencing following a strong increase in demand for mid-priced apparel. In euro terms, revenues grew 5% to € 11.392 billion (2018: € 10.809 billion). From a brand perspective, currency-neutral revenues for brand adidas grew 5%, while Reebok revenues declined 2%. Gross margin was up 1.8 percentage points to 53.5% (2018: 51.7%). The improvement reflects the positive effects from more favorable currency developments and lower sourcing costs as well as an improved product and channel mix,



which overcompensated higher air freight costs and a less favorable pricing mix. Other operating expenses grew 8% to € 4.663 billion (2018: € 4.337 billion) and were up 0.8 percentage points to 40.9% (2018: 40.1%) as a percentage of sales. This increase was driven by higher marketing expenditures, investments into the scalability of the company's business model as well as higher costs related to the strong growth in the company's direct-to-consumer channel. The company's operating profit grew 13% to € 1.518 billion (2018: € 1.338 billion), representing an operating margin of 13.3% (2018: 12.4%), an increase of 0.9 percentage points compared to the prior year. Net income from continuing operations grew 14% to € 1.093 billion (2018: € 960 million), resulting in a 17% increase in basic earnings per share from continuing operations to € 5.50 (2018: € 4.71). The adoption of IFRS 16 has reduced year-over-year net income and EPS growth by approximately 2 percentage points in the first six months of the year.

Average operating working capital as a percentage of sales decreases

Inventories increased 5% to € 3.579 billion (2018: € 3.425 billion). On a currency-neutral basis, inventories were also up 5%. Operating working capital decreased 2% to € 4.248 billion (2018: € 4.318 billion). On a currency-neutral basis, operating working capital was down 2%. Average operating working capital as a percentage of sales decreased 1.9 percentage points to 18.3% (2018: 20.1%), reflecting a double-digit increase in payables. This development is a direct result of the adidas non-trade procurement initiative, which is leading to improved payment terms with the company's vendors.

Net cash position of € 362 million

Net cash at June 30, 2019 amounted to € 362 million (June 30, 2018: net cash of € 89 million), representing a year-over-year increase of € 273 million. This development was driven by the increase in cash generated from operating activities, partly offset by the utilization of cash for the purchase of fixed assets, the dividend payout as well as the repurchase of adidas AG shares.

adidas confirms outlook for FY 2019

For 2019, the company continues to expect sales to increase at a rate of between 5% and 8% on a currency-neutral basis. Following the 4% revenue growth during the first six months, adidas continues to project a sequential acceleration during the second half of the year. The company's gross margin is forecast to increase to a level of around 52.0% (2018: 51.8%) in 2019. The operating margin is expected to increase between 0.5 percentage points and 0.7 percentage points to a level between 11.3% and 11.5% (2018: 10.8%). This, together with continued top-line growth, is expected to once again drive a double-digit-rate improvement of the company's bottom line: Net income from continuing operations is projected to increase to



a level between € 1.880 billion and € 1.950 billion, reflecting an increase of between 10% and 14% compared to the prior year level of € 1.709 billion.¹

Supervisory Board extends contracts of Karen Parkin and Harm Ohlmeyer

At its meeting yesterday, the adidas AG Supervisory Board extended the mandates of Executive Board members Karen Parkin, responsible for Global Human Resources, and Harm Ohlmeyer, Chief Financial Officer, by five years beyond 2020 until 2025. Karen Parkin and Harm Ohlmeyer have both been members of the adidas AG Executive Board since 2017.

“I am very pleased to announce that Karen and Harm have extended their contracts as Executive Board members of adidas AG. They have been instrumental in driving the success of our long-term strategy Creating the New that runs until 2020. Together with CEO Kasper Rorsted, Roland Auschel, Eric Liedtke and Martin Shankland, they form a strong Executive Board team that will ensure the company’s long-term sustainable success,” stated Igor Landau, Chairman of the Supervisory Board of adidas AG.

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For more information, please visit [adidas-group.com](https://www.adidas-group.com).

¹ Excluding the impact from the application of the new reporting standard IFRS 16. Based on lease contracts as of January 1, 2019, the change in recognition of lease obligations under the new reporting standard is projected to have a negative impact of around € 35 million on the company’s net income from continuing operations. Including this accounting effect, net income from continuing operations is currently expected to increase to a level between € 1.845 billion and € 1.915 billion. This equals a year-on-year increase of between 8% and 12% compared to the prior year level of € 1.709 billion.



adidas AG Condensed Consolidated Income Statement (IFRS)¹

€ in millions	Quarter ending June 30, 2019	Quarter ending June 30, 2018	Change
Net sales	5,509	5,261	4.7%
Cost of sales	2,564	2,509	2.2%
Gross profit	2,945	2,751	7.0%
<i>(% of net sales)</i>	53.5%	52.3%	1.2pp
Royalty and commission income	39	32	24.1%
Other operating income	5	19	(73.5%)
Other operating expenses	2,346	2,210	6.2%
<i>(% of net sales)</i>	42.6%	42.0%	0.6pp
Marketing and point-of-sale expenses	744	707	5.2%
<i>(% of net sales)</i>	13.5%	13.4%	0.1pp
Operating overhead expenses ²	1,602	1,502	6.6%
<i>(% of net sales)</i>	29.1%	28.6%	0.5pp
Operating profit	643	592	8.6%
<i>(% of net sales)</i>	11.7%	11.3%	0.4pp
Financial income	18	14	29.9%
Financial expenses	43	18	(135.0%)
Income before taxes	618	588	5.2%
<i>(% of net sales)</i>	11.2%	11.2%	0.1pp
Income taxes	157	169	(7.4%)
<i>(% of income before taxes)</i>	25.4%	28.8%	(3.5pp)
Net income from continuing operations	462	418	10.3%
<i>(% of net sales)</i>	8.4%	8.0%	0.4pp
Gains/(losses) from discontinued operations, net of tax	70	(21)	n.a.
Net income	532	397	33.8%
<i>(% of net sales)</i>	9.7%	7.6%	2.1pp
Net income attributable to shareholders	531	396	34.0%
<i>(% of net sales)</i>	9.6%	7.5%	2.1pp
Net income attributable to non-controlling interests	0	1	(52.7%)
Basic earnings per share from continuing operations (in €)	2.33	2.06	13.0%
Diluted earnings per share from continuing operations (in €)	2.33	2.05	13.2%
Basic earnings per share from continuing and discontinued operations (in €)	2.68	1.95	37.2%
Diluted earnings per share from continuing and discontinued operations (in €)	2.68	1.95	37.4%

Net Sales

€ in millions	Quarter ending June 30, 2019	Quarter ending June 30, 2018	Change	Change (currency-neutral)
Europe	1,421	1,420	0.1%	0.1%
North America	1,213	1,082	12.1%	5.8%
Asia-Pacific	1,872	1,726	8.5%	7.8%
Russia/CIS	171	177	(3.9%)	(4.1%)
Latin America	403	416	(3.1%)	4.7%
Emerging Markets	281	251	11.9%	12.4%
Other Businesses	147	188	(22.0%)	(23.6%)
adidas	5,004	4,772	4.9%	4.0%
Reebok	406	387	4.7%	3.1%

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

² Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.

Rounding differences may arise.



adidas AG Condensed Consolidated Income Statement (IFRS)¹

€ in millions	Half year ending June 30, 2019	Half year ending June 30, 2018	Change
Net sales	11,392	10,809	5.4%
Cost of sales	5,296	5,222	1.4%
Gross profit	6,096	5,586	9.1%
<i>(% of net sales)</i>	53.5%	51.7%	1.8pp
Royalty and commission income	74	58	27.2%
Other operating income	11	31	(63.4%)
Other operating expenses	4,663	4,337	7.5%
<i>(% of net sales)</i>	40.9%	40.1%	0.8pp
Marketing and point-of-sale expenses	1,448	1,413	2.5%
<i>(% of net sales)</i>	12.7%	13.1%	(0.4pp)
Operating overhead expenses ²	3,215	2,924	10.0%
<i>(% of net sales)</i>	28.2%	27.1%	1.2pp
Operating profit	1,518	1,338	13.5%
<i>(% of net sales)</i>	13.3%	12.4%	0.9pp
Financial income	27	22	20.3%
Financial expenses	78	23	236.0%
Income before taxes	1,447	1,337	9.7%
<i>(% of net sales)</i>	12.9%	12.4%	0.5pp
Income taxes	374	377	(0.8%)
<i>(% of income before taxes)</i>	25.5%	28.2%	(2.7pp)
Net income from continuing operations	1,093	960	13.8%
<i>(% of net sales)</i>	9.6%	8.9%	0.7pp
Gains/(losses) from discontinued operations, net of tax	72	(23)	n.a.
Net income	1,164	938	24.2%
<i>(% of net sales)</i>	10.2%	8.7%	1.5pp
Net income attributable to shareholders	1,163	936	24.3%
<i>(% of net sales)</i>	10.2%	8.7%	1.6pp
Net income attributable to non-controlling interests	1	2	(23.2%)
Basic earnings per share from continuing operations (in €)	5.50	4.71	16.6%
Diluted earnings per share from continuing operations (in €)	5.50	4.70	16.9%
Basic earnings per share from continuing and discontinued operations (in €)	5.86	4.60	27.3%
Diluted earnings per share from continuing and discontinued operations (in €)	5.86	4.59	27.6%

Net Sales

€ in millions	Half year ending June 30, 2019	Half year ending June 30, 2018	Change	Change (currency-neutral)
Europe	2,972	3,023	(1.7%)	(1.7%)
North America	2,370	2,122	11.7%	4.6%
Asia-Pacific	4,011	3,582	12.0%	9.9%
Russia/CIS	307	297	3.5%	5.9%
Latin America	779	847	(8.0%)	0.6%
Emerging Markets	611	560	9.2%	11.3%
Other Businesses	342	378	(9.6%)	(11.8%)
adidas	10,346	9,772	5.9%	4.7%
Reebok	825	828	(0.3%)	(1.5%)

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

² Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.

Rounding differences may arise.



adidas AG Consolidated Statement of Financial Position (IFRS)¹

€ in millions	June 30, 2019	June 30, 2018	Change in %	December 31, 2018
Cash and cash equivalents	2,455	1,313	87.0	2,629
Short-term financial assets	6	5	4.7	6
Accounts receivable	2,780	2,751	1.0	2,418
Other current financial assets	548	421	30.1	542
Inventories	3,579	3,425	4.5	3,445
Income tax receivables	71	57	23.7	48
Other current assets	795	758	4.8	725
Total current assets	10,232	8,730	17.2	9,813
Property, plant and equipment ²	5,151	2,025	154.4	2,237
Goodwill	1,249	1,236	1.1	1,245
Trademarks	849	829	2.4	844
Other intangible assets	209	160	31.0	196
Long-term financial assets	348	277	25.5	276
Other non-current financial assets	409	260	57.4	256
Deferred tax assets	713	683	4.4	651
Other non-current assets	114	106	7.5	94
Total non-current assets	9,041	5,575	62.2	5,799
Total assets	19,273	14,305	34.7	15,612
Short-term borrowings	496	95	419.4	66
Accounts payable	2,111	1,858	13.6	2,300
Other current financial liabilities ²	841	275	205.9	186
Income taxes	384	532	(27.7)	268
Other current provisions	1,236	1,086	13.9	1,232
Current accrued liabilities	2,225	2,129	4.5	2,305
Other current liabilities	480	480	0.2	477
Total current liabilities	7,774	6,455	20.4	6,834
Long-term borrowings	1,602	1,134	41.3	1,609
Other non-current financial liabilities ²	2,595	9	28,026.2	103
Pensions and similar obligations	259	298	(13.0)	246
Deferred tax liabilities	250	203	23.6	241
Other non-current provisions	164	106	54.6	128
Non-current accrued liabilities	13	13	1.7	19
Other non-current liabilities	8	61	(87.3)	68
Total non-current liabilities	4,892	1,823	168.3	2,414
Share capital	198	201	(1.6)	199
Reserves	174	133	30.4	123
Retained earnings	6,248	5,705	9.5	6,054
Shareholders' equity	6,619	6,040	9.6	6,377
Non-controlling interests	(11)	(12)	7.8	(13)
Total equity	6,608	6,027	9.6	6,364
Total liabilities and equity	19,273	14,305	34.7	15,612
Additional balance sheet information				
Operating working capital	4,248	4,318	(1.6)	3,563
Working capital	2,458	2,276	8.0	2,979
Net cash	362	89	307.9	959
Financial leverage	(5.5%)	(1.5%)	(4.0pp)	(15.0%)

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

² 2019 includes balances of right-of-use assets in the amount of € 3,004 million and lease liabilities in the amount of € 3,149 million related to IFRS 16 implementation.

Rounding differences may arise.