

Q2 2018 RESULTS

London
August 9, 2018

adidas



AGENDA

- 1 BUSINESS HIGHLIGHTS
- 2 FINANCIAL HIGHLIGHTS
- 3 OUTLOOK



BUSINESS HIGHLIGHTS

KASPER RORSTED
CEO



STRENGTHS & WEAKNESSES

IN Q2 2018



+

Double-digit top-line growth

In North America, Asia-Pacific, Latin America and Russia/CIS

+

Strong growth in Sport Performance

Double-digit increases in Training, Running and Football

+

Powerful brand activation on global stages

Capitalized on World Cup and Parley Run For The Oceans

+

Excellent profitability improvement

Despite significant increase in marketing investments

-

Flat top line in Western Europe

Reflecting challenges for adidas and Reebok

-

Opex leverage masked by investments

Continued investments into scalability of business

-

Momentum in Sport Inspired normalizes

Ongoing normalization after period of extraordinary growth

-

Retail comp trend mixed

Comps up mid-single digit, but positively impacted by World Cup

MAJOR P&L DEVELOPMENTS

IN Q2 2018

- 1** **Revenues increase 10% currency-neutral**
and 4% in euro terms to € 5.3 billion
- 2** **Gross margin up 2.2pp to 52.3%**
despite ongoing FX headwinds
- 3** **Operating margin up 1.2pp to 11.3%**
due to higher gross margin and despite higher marketing invest
- 4** **Net income from continuing operations increases 20%**
to € 418 million
- 5** **Basic EPS from continuing operations up 20%**
to € 2.06

Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.



DOUBLE-DIGIT GROWTH IN STRATEGIC GROWTH AREAS IN Q2 2018

adidas
North America

+17%

Greater China

+27%

E-commerce

+26%

Currency-neutral.



FIFA WORLD CUP 2018

SHOWCASING THE POWER OF OUR BRAND

The most influential brand in social media

Content more visible and with greater impact than any other competitor

Stadium advertising drives download of adidas App

Up to five times higher than average download rates

'Creativity is the Answer' campaign permeates every aspect of sport culture

Athletes, musicians, artists, filmmakers form first-ever open-sourced campaign

Global jersey sales and onsite stadium sales exceeding 2014 levels

Commercial success despite unexpected development of tournament

Direct financial impact limited despite excellent growth in Football

Due to highly diversified category mix



ADIDAS BRAND WITH DOUBLE-DIGIT GROWTH

DOUBLE-DIGIT GROWTH IN NORTH AMERICA, ASIA-PACIFIC, LATIN AMERICA AND RUSSIA/CIS

+12%

Sport Performance grows 16%

Due to double-digit growth in Training, Running and Football

Sport Inspired grows 7%

Driven by significant growth in Footwear and Apparel

Footwear growth accelerates

Resulting in double-digit increase



ROBUST PROFITABILITY IMPROVEMENT AT REEBOK

FURTHER PROGRESS ON EXECUTING MUSCLE-UP INITIATIVES

+3.9PP

Reebok revenues decline 3%

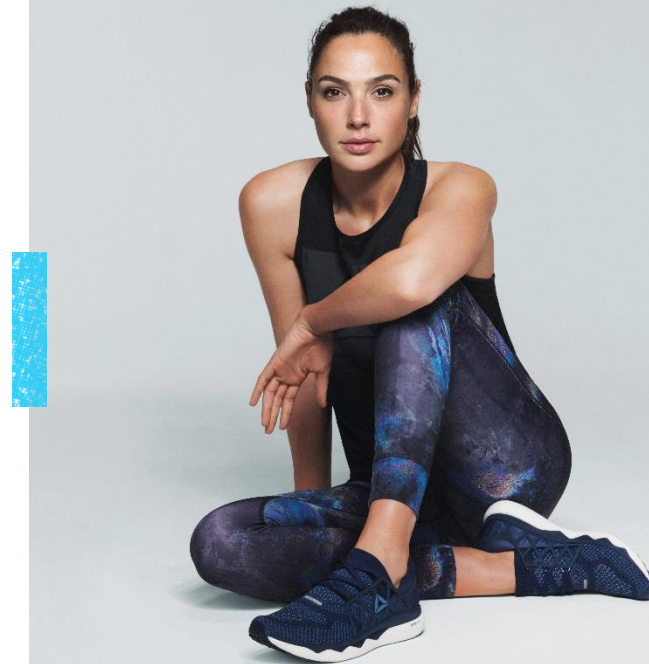
Due to sales declines in Western Europe, Latin America and Emerging Markets

Sales in North America increase 6%

Despite significant number of store closures

Gross margin up 3.9pp to 44.9%

Driven by further execution of Muscle-Up



EXCELLENT GROWTH IN E-COM
LEVERAGING OUR BIGGEST STORE

+26%

E-commerce revenues grow 26%

Driven by double-digit growth in all regions

adidas App now launched in 13 countries

More than 2.5 million App downloads by the end of Q2

App downloads accelerating

Supported by World Cup stadium advertising

Currency-neutral.



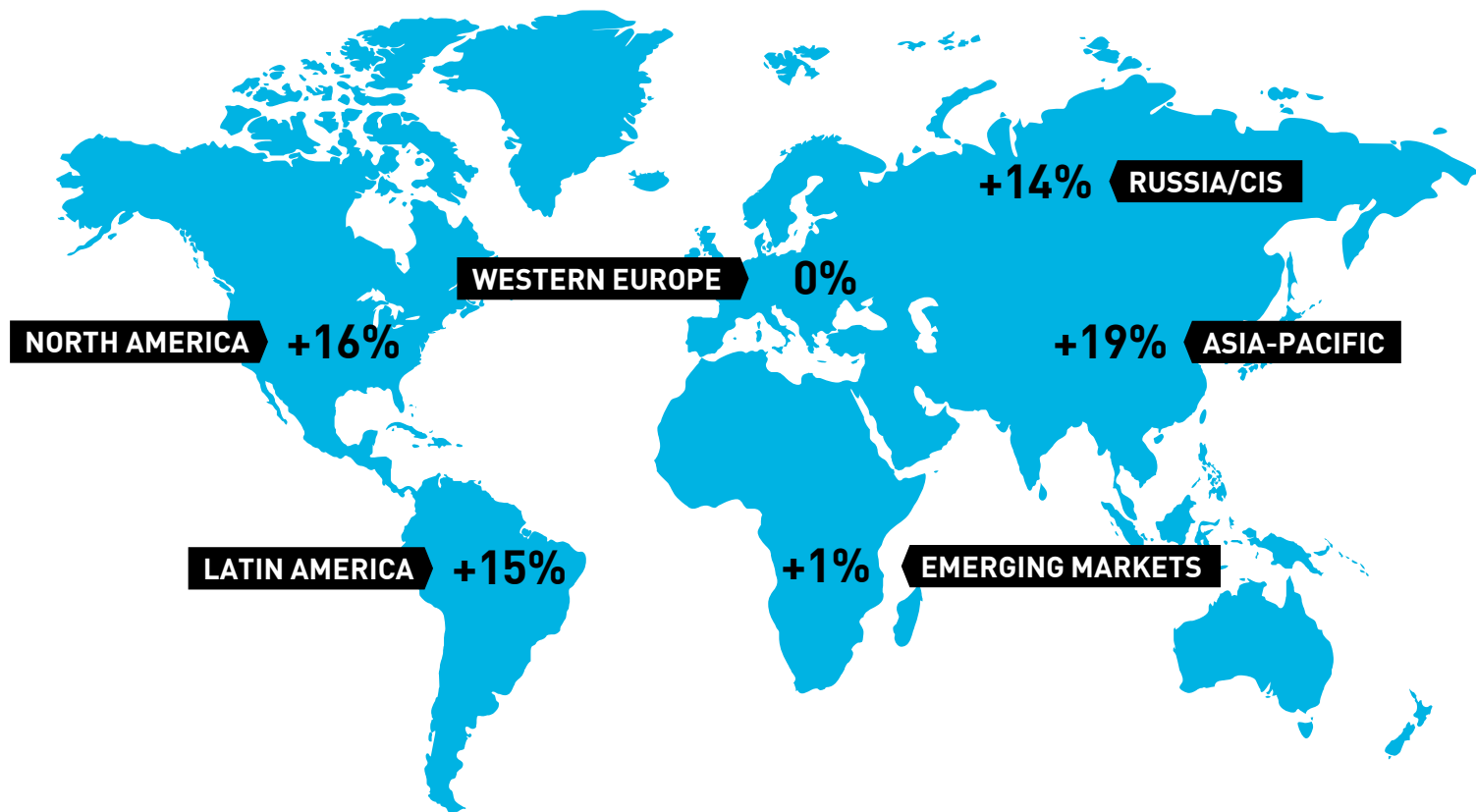
FINANCIAL HIGHLIGHTS

HARM OHLMEYER
CFO



KEY REGIONS CONTINUE TO GROW AS EXPECTED

NORTH AMERICA, ASIA-PACIFIC, LATIN AMERICA AND RUSSIA/CIS WITH DOUBLE-DIGIT SALES INCREASES



NORTH AMERICA

STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS

+16%

Currency-neutral sales increase 16%

adidas brand revenues up 17%

Driven by double-digit growth in Training, Running and Football

Reebok brand revenues grow 6%

Despite significant number of store closures

Gross margin decreases 0.6pp to 40.8%

Better pricing mix offset by less favorable channel and category mix

Operating margin increases 3.8pp to 16.7%

Gross margin decline more than compensated by operating leverage



ASIA-PACIFIC

STRONG DOUBLE-DIGIT GROWTH DRIVEN BY GREATER CHINA

+19%

Currency-neutral sales increase 19%

adidas brand sales increase 19%

Double-digit growth in Training, Running, Football and Sport Inspired

Reebok brand revenues up 7%

Double-digit growth in Training

Gross margin up 0.3pp to 57.5%

Better pricing, channel and category mix compensates FX headwind

Operating margin up 1.0pp to 34.2%

Due to a higher gross margin and operating leverage



WESTERN EUROPE

TOP-LINE DEVELOPMENT IN LINE WITH EXPECTATIONS

0%

Currency-neutral sales flat

adidas brand revenues up 1%

Driven by significant growth in Football on the back of World Cup activation

Reebok brand sales decrease 10%

Reflecting tough prior year comps and more selective distribution

Gross margin improves 3.3pp to 48.3%

Mainly due to a more favorable pricing mix

Operating margin is up 0.8pp to 20.9%

Gross margin improvement partly offset by brand investments



FINANCIAL RESULTS OVERVIEW

OPERATING MARGIN IMPROVEMENT DRIVEN BY GROSS MARGIN INCREASE

	Q2 2018	Q2 2017	Y-O-Y change
NET SALES (€ in millions)	5,261	5,038	+4%
GROSS MARGIN	52.3%	50.1%	+2.2pp
OTHER OPERATING INCOME (€ in millions)	70	24	+193%
OTHER OPERATING EXPENSES (€ in millions)	2,261	2,072	+9%
OTHER OPERATING EXPENSES (in % of sales)	43.0%	41.1%	+1.8pp
OPERATING PROFIT (€ in millions)	592	505	+17%
OPERATING MARGIN	11.3%	10.0%	+1.2pp
NET INCOME FROM CONTINUING OPERATIONS (€ in millions)	418	347	+20%
BASIC EPS FROM CONTINUING OPERATIONS (€)	2.06	1.72	+20%

OPERATING MARGIN EXPANSION DECOMPOSED

OPEX INCREASE OF 1.8PP DRIVEN BY HIGHER MARKETING INVESTMENT

Other operating income

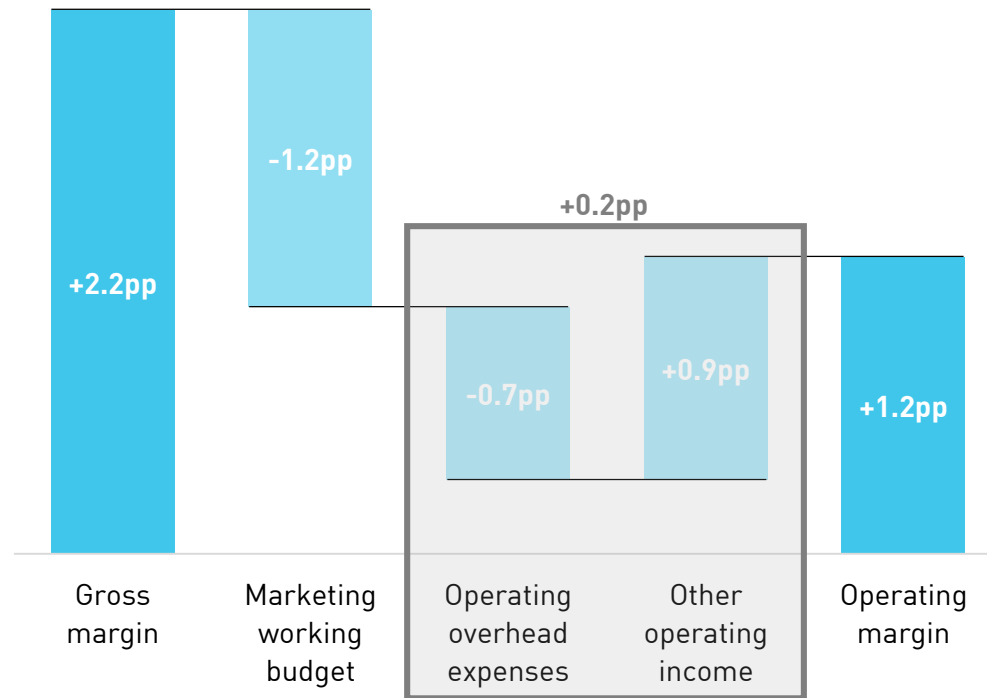
Release of prior year operational provisions and litigation gains

Operating overhead expenses

Continued investments into further improving the scalability of our business

Marketing working budget

2018 FIFA World Cup and overproportionate investments into brands and products



AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 0.3PP YOY TO 20.1%

Inventories

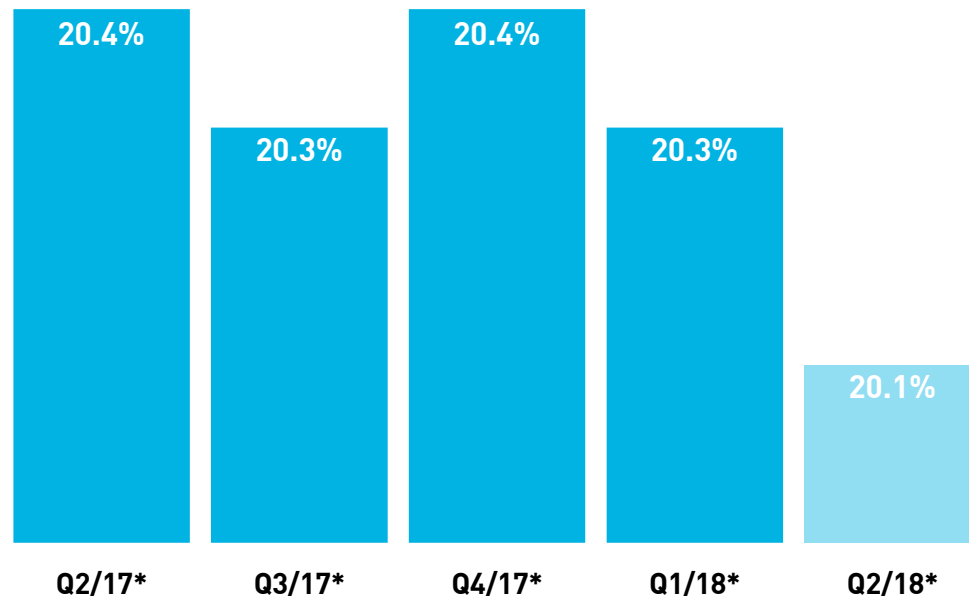
Down 2% currency-neutral

Receivables

Up 15% currency-neutral

Payables

Up 1% currency-neutral

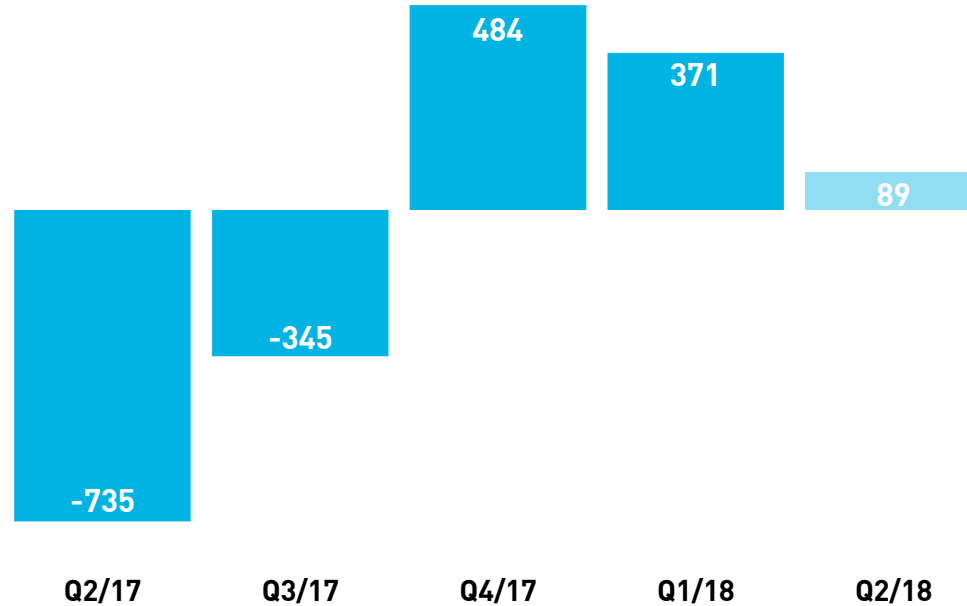


Average operating working capital in % of sales at quarter-end.

** Figures reflect net sales and OWC from continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.*

NET CASH POSITION OF € 89 MILLION

EQUITY RATIO INCREASES 2.0PP TO 42.2%



SHAREHOLDER RETURN

SHARE BUYBACK UPDATE

1

TOTAL SIZE

Up to € 3 billion (up to € 1 billion in 2018)

2

TIMEFRAME

Started March 22, 2018 and ending latest on May 11, 2021

3

NUMBER OF SHARES PURCHASED*

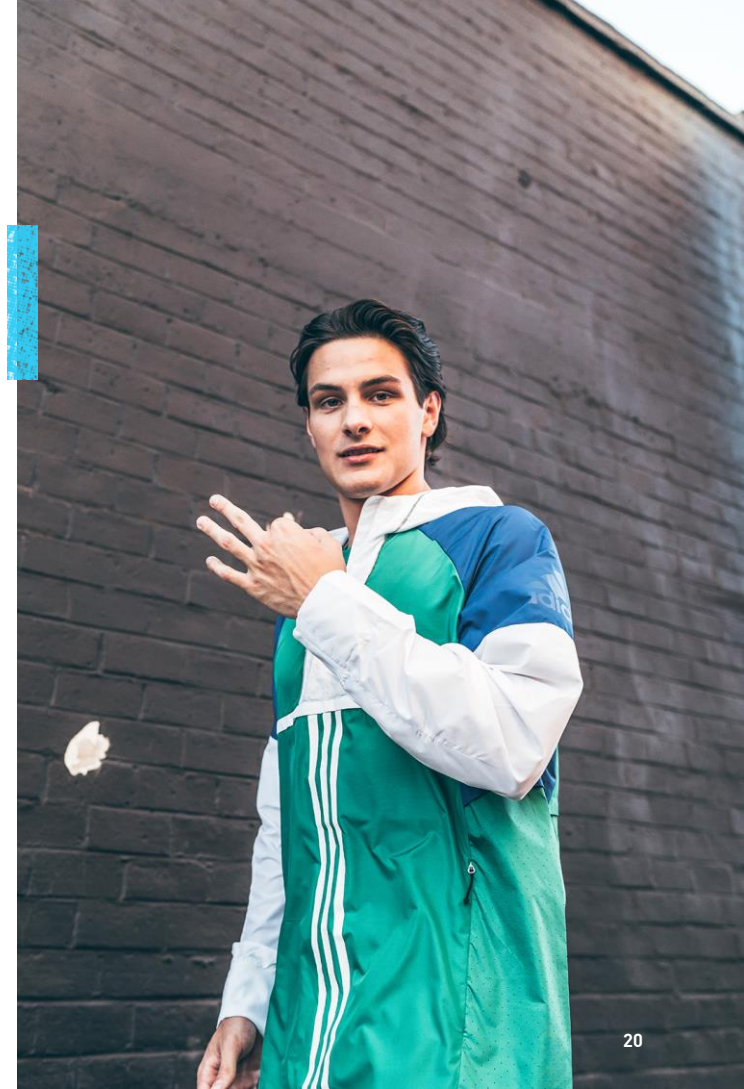
2.8 million adidas AG shares

4

AMOUNT PURCHASED*

€ 544 million

**As at June 30, 2018.*



FREP (FINANCIAL REPORTING ENFORCEMENT PANEL)

RETROSPECTIVE ACCOUNTING RESTATEMENT OF REEBOK TRADEMARK IN 2016

1

ACCOUNTING RESTATEMENT

Retrospective impairment of value of Reebok trademark in 2016

2

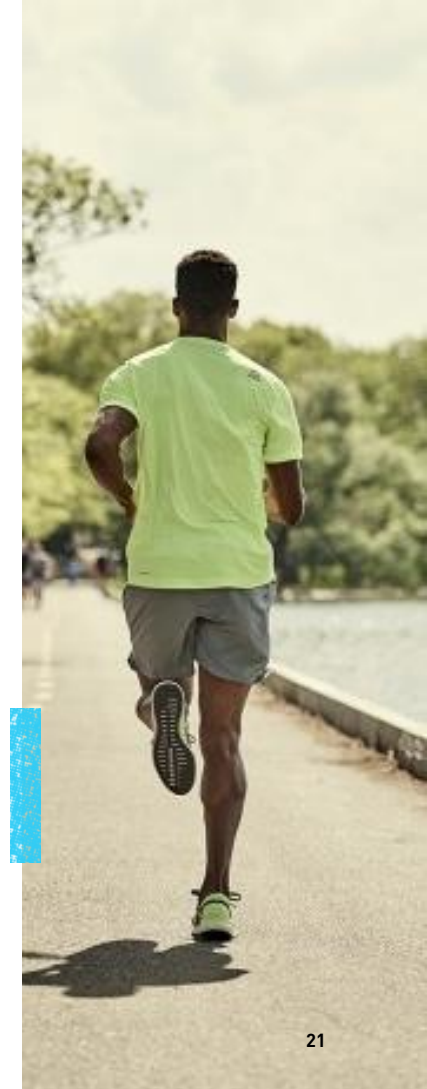
NO IMPACT ON CASH OR P&L

2018 income and cash flow statements as well as short- and long-term guidance not impacted

3

REEBOK'S STRATEGY AND PROSPECTS UNCHANGED

Muscle-Up keeps delivering significant profitability improvements since 2017



OUTLOOK

KASPER RORSTED
CEO



2018

BALANCING MARKET SHARE GROWTH AND MARGIN IMPROVEMENT

- 1 High-quality revenue growth**
- 2 Product pipeline to support planned top-line expansion**
- 3 Overproportionate investments in brands and products**
- 4 Continuing to implement scalable business model**
- 5 Margin expansion and overproportionate net income growth**



OUR POWERFUL ENGINE

DRIVING BRAND DESIRABILITY AS WELL AS TOP-LINE GROWTH

ITERATING
EXISTING
PRODUCT
SUCCESSSES

LAUNCHING
NEW
PRODUCTS AND
FRANCHISES

SCALING
INNOVATION
AND NEW
TECHNOLOGIES

LEVERAGING
THE INDUSTRY'S
DEEPEST
ARCHIVE

CELEBRATING
SPORTS
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CALLING
CREATORS
AND
COMMUNITIES

ULTRA BOOST



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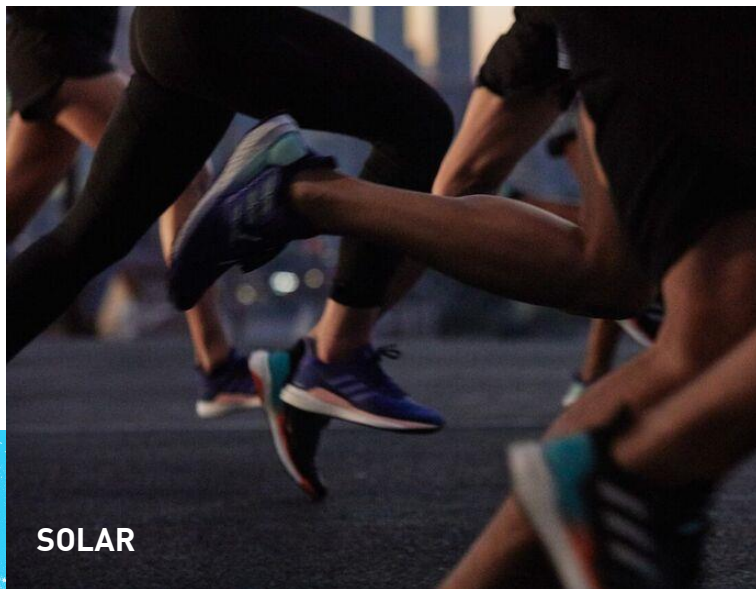
LAUNCHING
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4D



4D



PARLEY



OUR POWERFUL ENGINE

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COMMUNITIES

CONTINENTAL 80



FALCON



YUNG1



AZTREK



OUR POWERFUL ENGINE

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OUTLOOK 2018 RECONFIRMED

STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS EXPECTED

Net sales*	Increase by around 10%
Gross margin	Increase up to 0.3pp to up to 50.7%
Operating profit	Increase between 9% and 13%
Operating margin	Increase between 0.5pp and 0.7pp to between 10.3% and 10.5%
Net income from continuing operations**	Increase of 13% – 17% to € 1.615 – € 1.675 billion
Basic EPS from continuing operations**	Increase between 12% and 16%

* Currency-neutral.

** Excluding negative one-time tax impact of € 76 million in 2017.



SUMMARY

- 1 First half of 2018 according to plan
- 2 Progress across strategic growth areas, acting on Western Europe
- 3 Accelerated marketing investments to support brand and product
- 4 Strong profitability improvements despite investment into brand and business
- 5 Focus on executing the second half of 'Creating the New'



Q&A

