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## **adidas with strong financial performance in the third quarter FY 2017 top- and bottom-line outlook confirmed**

### **Major developments in Q3 2017<sup>1</sup>:**

- **Currency-neutral revenues increase 12%**
- **Gross margin improves 2.4pp to 50.4%**
- **Operating margin increases 2.7pp to 14.0%**
- **Net income from continuing operations grows 35% to € 549 million**
- **Basic EPS from continuing operations increases 33% to € 2.70**

“The company’s strategic growth areas – North America, Greater China and eCommerce – were again the main drivers of our strong top-line performance during the third quarter. We are even more pleased with the quality of our growth, which is clearly reflected in the exceptional profitability improvement in Q3,” said adidas CEO Kasper Rorsted. “We delivered another set of strong results and are fully on track to achieve our ambitious 2017 financial targets.”

### **Currency-neutral sales increase 12% in Q3 2017**

During the third quarter, adidas continued to deliver a strong financial performance with currency-neutral revenues up 12%. This development mainly reflects a 13% increase at brand adidas, which was driven by double-digit increases in the running and outdoor categories as well as at adidas Originals and adidas neo. Sales in the football and basketball categories declined, reflecting significantly lower licence revenues mainly due to the termination of two major sponsorship agreements. Revenues at the Reebok brand grew 1%, as the planned efforts to clean up Reebok’s distribution in the US marketplace are having an increasingly negative impact on the brand’s top-line development. From a channel perspective, the company’s revenue growth was driven by increases in all distribution channels, with particularly strong support from eCommerce, where revenues grew 39%. In euro terms, sales for the company were up 9% in the third quarter to € 5.677 billion (2016: € 5.222 billion).

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<sup>1</sup> Due to the divestiture of the TaylorMade (including the TaylorMade, Adams Golf and Ashworth brands) and CCM Hockey businesses, all income and expenses of the TaylorMade and CCM Hockey businesses are reported as discontinued operations at the end of September 2017. For the sake of clarity, all figures related to the 2016 financial year refer to the company’s continuing operations unless otherwise stated. However, restatement of the 2016 balance sheet items is not permitted under IFRS.



### **Excellent growth in Greater China and North America**

On a currency-neutral basis, the combined sales of the adidas and Reebok brands grew in all regions except Russia/CIS. Greater China (+28%) and North America (+23%) increased at double-digit rates each, driven by the adidas brand, which continues to enjoy particularly strong momentum in these key regions as reflected in growth rates of 29% and 31%, respectively. Currency-neutral revenues in Western Europe (+7%) and Latin America (+8%) increased at a high-single-digit rate each. Currency-neutral revenues in MEAA and Japan increased 6% and 3%, respectively. Sales in Russia/CIS declined 17%, reflecting the ongoing challenging consumer sentiment as well as additional store closures during the third quarter. Revenues in Other Businesses, comprising adidas Golf, Runtastic and Other centrally managed businesses, were up 14% on a currency-neutral basis, driven by double-digit increases at adidas Golf.

### **Operating margin increases 2.7 percentage points to 14.0%**

The company's gross margin increased 2.4 percentage points to 50.4% (2016: 48.1%). This development was mainly due to the positive effects from a better pricing and product mix, which more than offset higher input costs as well as unfavourable currency developments. Other operating expenses increased 8% to € 2.129 billion (2016: € 1.963 billion), reflecting an increase in expenditure for point-of-sale and marketing investments as well as operating overhead expenditure. As a percentage of sales, however, other operating expenses decreased 0.1 percentage points to 37.5% (2016: 37.6%). The company's operating profit increased 35% during the third quarter to a level of € 795 million (2016: € 591 million), resulting in an operating margin increase of 2.7 percentage points to 14.0% (2016: 11.3%). Net income from continuing operations was up 35% to € 549 million (2016: € 407 million) and basic earnings per share from continuing operations grew 33% to € 2.70 (2016: € 2.03). Losses from discontinued operations, net of tax, mainly related to the divestiture of the TaylorMade and CCM Hockey businesses, amounted to € 22 million (2016: € 20 million). As a result, net income attributable to shareholders increased 36% to € 526 million (2016: € 386 million), resulting in basic earnings per share from continuing and discontinued operations of € 2.59, up 34% compared to € 1.93 in 2016.

### **adidas with strong financial performance in the first nine months of 2017**

In the first nine months of 2017, revenues increased 16% on a currency-neutral basis and in euro terms, to € 16.162 billion (2016: € 13.983 billion). From a brand



perspective, currency-neutral revenues for brand adidas grew 17%. Reebok sales were up 6% on a currency-neutral basis versus the prior year. The gross margin increased 0.9 percentage points to 50.1% (2016: 49.2%), reflecting the positive effects from an improved pricing and product mix, which more than offset unfavourable currency developments as well as higher input costs. Royalty and commission income increased 5% to € 86 million (2016: € 82 million). Other operating income declined 59% to € 85 million (2016: € 206 million), mainly due to the non-recurrence of extraordinary gains related to the early termination of the Chelsea FC contract and the Mitchell & Ness divestiture. Other operating expenses were up 13% to € 6.323 billion (2016: € 5.620 billion). The company's operating profit grew 26% to € 1.938 billion (2016: € 1.541 billion), representing an operating margin of 12.0% (2016: 11.0%), an increase of 1.0 percentage points compared to the prior year. Net income from continuing operations grew 26% to € 1.358 billion (2016: € 1.078 billion), resulting in a 25% increase in basic earnings per share from continuing operations to € 6.71 (2016: € 5.37). In the first nine months of 2017, adidas incurred losses from discontinued operations of € 217 million, net of tax (2016: losses of € 48 million). As a result, net income attributable to shareholders increased 11% to € 1.139 billion (2016: € 1.027 billion) while basic EPS from continuing and discontinued operations grew 10% to € 5.63 (2016: € 5.13).

#### **Average operating working capital as a percentage of sales decreases**

Inventories increased 7% to € 3.441 billion (2016: € 3.203 billion). On a currency-neutral basis, inventories grew 11%. Inventories from continuing operations increased 13% (+16% currency-neutral). Operating working capital increased 6% to € 4.502 billion (2016: € 4.228 billion) at the end of September 2017. On a currency-neutral basis, operating working capital grew 11%. Operating working capital from continuing operations rose 14% (+19% currency-neutral). Average operating working capital as a percentage of sales from continuing operations decreased 1.0 percentage points to 20.3%, reflecting the strong top-line development during the last twelve months as well as the company's continued focus on tight working capital management.

#### **adidas confirms its top- and bottom-line outlook for FY 2017**

Against the background of the strong financial performance in the first nine months of 2017, adidas has confirmed its outlook for the financial year 2017, which the company had previously increased with the announcement of its preliminary second



quarter results on July 27, 2017. The company continues to expect sales to increase at a rate between 17% and 19% on a currency-neutral basis in 2017. Net income from continuing operations is projected to increase at a rate between 26% and 28% to a level between € 1.360 billion and € 1.390 billion.

In addition to the strong revenue growth, the excellent bottom-line improvement will be driven by a gross margin increase of up to 0.8 percentage points to a level of up to 50.0%. Other operating expenses as a percentage of sales are forecasted to be below the prior year level of 42.7%, driven by leverage from both expenditure for point-of-sale and marketing investments as well as lower operating overheads as a percentage of sales. These positive effects will be partly offset by the significant decline in other operating income, mainly reflecting the non-recurrence of the one-time gain related to the early termination of the Chelsea FC sponsorship that was included in the prior year. As a result, operating profit is expected to increase between 24% and 26%, reflecting an operating margin improvement of up to 0.6 percentage points to a level of up to 9.2%. Due to an increase in the average number of shares following conversions of convertible bonds into adidas AG shares, basic earnings per share from continuing operations are expected to increase at a rate between 25% and 27%.

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## adidas AG Consolidated Income Statement (IFRS)<sup>1)</sup>

€ in millions	Third quarter 2017	Third quarter 2016	Change
Net sales	5,677	5,222	8.7 %
Cost of sales	2,814	2,712	3.7 %
<b>Gross profit</b>	<b>2,864</b>	<b>2,510</b>	<b>14.1 %</b>
<i>(% of net sales)</i>	50.4%	48.1%	2.4 pp
Royalty and commission income	29	29	(0.7%)
Other operating income	33	16	110.5 %
Other operating expenses	2,129	1,963	8.5 %
<i>(% of net sales)</i>	37.5%	37.6%	(0.1pp)
<b>Operating profit</b>	<b>795</b>	<b>591</b>	<b>34.6 %</b>
<i>(% of net sales)</i>	14.0%	11.3%	2.7 pp
Financial income	7	6	6.2 %
Financial expenses	35	24	45.7 %
<b>Income before taxes</b>	<b>767</b>	<b>573</b>	<b>33.9 %</b>
<i>(% of net sales)</i>	13.5%	11.0%	2.5 pp
Income taxes	219	166	31.7 %
<i>(% of income before taxes)</i>	28.5%	29.0%	(0.5pp)
<b>Net income from continuing operations</b>	<b>549</b>	<b>407</b>	<b>34.8 %</b>
<i>(% of net sales)</i>	9.7%	7.8%	1.9 pp
Losses from discontinued operations, net of tax	22	20	9.7%
<b>Net income</b>	<b>527</b>	<b>387</b>	<b>36.1 %</b>
<i>(% of net sales)</i>	9.3%	7.4%	1.9 pp
<b>Net income attributable to shareholders</b>	<b>526</b>	<b>386</b>	<b>36.2 %</b>
<i>(% of net sales)</i>	9.3%	7.4%	1.9 pp
<b>Net income attributable to non-controlling interests</b>	<b>1</b>	<b>1</b>	<b>0.7 %</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>2.70</b>	<b>2.03</b>	<b>33.2 %</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>2.68</b>	<b>1.98</b>	<b>35.4 %</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>2.59</b>	<b>1.93</b>	<b>34.5 %</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>2.57</b>	<b>1.88</b>	<b>36.7 %</b>

### Net Sales

€ in millions	Third quarter 2017	Third quarter 2016	Change	Change (currency- neutral)
Western Europe	1,656	1,557	6.3 %	7.4 %
North America	1,099	927	18.5 %	22.7 %
Greater China	1,012	822	23.1 %	28.3 %
Russia/CIS	173	195	(11.1%)	(16.7%)
Latin America	502	487	3.0 %	8.4 %
Japan	243	264	(8.2%)	2.7 %
MEAA	801	794	0.8 %	5.5 %
Other Businesses	192	175	9.9 %	13.7 %
adidas brand	5,091	4,640	9.7 %	13.2 %
Reebok brand	485	493	(1.6%)	0.6 %

1) Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses. Rounding differences may arise.



## adidas AG Consolidated Income Statement (IFRS)<sup>1)</sup>

€ in millions	Nine months 2017	Nine months 2016	Change
Net sales	16,162	13,983	15.6%
Cost of sales	8,071	7,110	13.5%
<b>Gross profit</b>	<b>8,090</b>	<b>6,874</b>	<b>17.7%</b>
<i>(% of net sales)</i>	50.1%	49.2%	0.9pp
Royalty and commission income	86	82	4.6%
Other operating income	85	206	(58.7%)
Other operating expenses	6,323	5,620	12.5%
<i>(% of net sales)</i>	39.1%	40.2%	(1.1pp)
<b>Operating profit</b>	<b>1,938</b>	<b>1,541</b>	<b>25.8%</b>
<i>(% of net sales)</i>	12.0%	11.0%	1.0pp
Financial income	35	35	1.0%
Financial expenses	75	51	46.7%
<b>Income before taxes</b>	<b>1,899</b>	<b>1,525</b>	<b>24.5%</b>
<i>(% of net sales)</i>	11.7%	10.9%	0.8pp
Income taxes	541	448	20.9%
<i>(% of income before taxes)</i>	28.5%	29.3%	(0.8pp)
<b>Net income from continuing operations</b>	<b>1,358</b>	<b>1,078</b>	<b>26.0%</b>
<i>(% of net sales)</i>	8.4%	7.7%	0.7pp
Losses from discontinued operations, net of tax	217	48	348.0%
<b>Net income</b>	<b>1,141</b>	<b>1,029</b>	<b>10.8%</b>
<i>(% of net sales)</i>	7.1%	7.4%	(0.3pp)
<b>Net income attributable to shareholders</b>	<b>1,139</b>	<b>1,027</b>	<b>10.8%</b>
<i>(% of net sales)</i>	7.0%	7.3%	(0.3pp)
<b>Net income attributable to non-controlling interests</b>	<b>2</b>	<b>2</b>	<b>8.0%</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>6.71</b>	<b>5.37</b>	<b>24.8%</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>6.65</b>	<b>5.25</b>	<b>26.6%</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>5.63</b>	<b>5.13</b>	<b>9.8%</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>5.58</b>	<b>5.01</b>	<b>11.4%</b>

### Net Sales

€ in millions	Nine months 2017	Nine months 2016	Change	Change (currency- neutral)
Western Europe	4,600	4,185	9.9%	11.6%
North America	3,100	2,443	26.9%	26.1%
Greater China	2,867	2,269	26.4%	28.8%
Russia/CIS	514	505	1.9%	(12.5%)
Latin America	1,397	1,260	10.9%	10.2%
Japan	805	736	9.3%	11.8%
MEAA	2,291	2,067	10.9%	10.9%
Other Businesses	587	519	13.2%	13.6%
adidas brand	14,431	12,381	16.6%	16.9%
Reebok brand	1,409	1,308	7.7%	6.1%

1) Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses. Rounding differences may arise.



## adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions	September 30, 2017	September 30, 2016	Change in %	December 31, 2016
Cash and cash equivalents	1,343	1,264	6.2	1,510
Short-term financial assets	5	5	(3.3)	5
Accounts receivable	2,808	2,715	3.4	2,200
Other current financial assets	414	481	(13.9)	729
Inventories	3,441	3,203	7.4	3,763
Income tax receivables	108	102	6.2	98
Other current assets	562	547	2.7	580
Assets classified as held for sale	376	0	n.a.	-
<b>Total current assets</b>	<b>9,057</b>	<b>8,317</b>	<b>8.9</b>	<b>8,886</b>
Property, plant and equipment	1,883	1,715	9.8	1,915
Goodwill	1,228	1,376	(10.7)	1,412
Trademarks	1,350	1,589	(15.0)	1,680
Other intangible assets	132	173	(23.7)	167
Long-term financial assets	220	187	17.3	194
Other non-current financial assets	160	88	82.2	96
Deferred tax assets	719	695	3.5	732
Other non-current assets	122	116	5.3	94
<b>Total non-current assets</b>	<b>5,815</b>	<b>5,938</b>	<b>(2.1)</b>	<b>6,290</b>
<b>Total assets</b>	<b>14,871</b>	<b>14,255</b>	<b>4.3</b>	<b>15,176</b>
Short-term borrowings	711	1,057	(32.8)	636
Accounts payable	1,747	1,689	3.4	2,496
Other current financial liabilities	345	199	73.7	201
Income taxes	529	465	13.6	402
Other current provisions	593	531	11.7	573
Current accrued liabilities	2,030	1,942	4.5	2,023
Other current liabilities	445	386	15.2	434
Liabilities classified as held for sale	152	0	n.a.	-
<b>Total current liabilities</b>	<b>6,552</b>	<b>6,269</b>	<b>4.5</b>	<b>6,765</b>
Long-term borrowings	983	982	0.1	982
Other non-current financial liabilities	19	30	(35.5)	22
Pensions and similar obligations	333	334	(0.5)	355
Deferred tax liabilities	329	341	(3.5)	387
Other non-current provisions	46	44	4.2	44
Non-current accrued liabilities	109	101	8.4	120
Other non-current liabilities	46	45	2.7	46
<b>Total non-current liabilities</b>	<b>1,865</b>	<b>1,877</b>	<b>(0.6)</b>	<b>1,957</b>
Share capital	203	200	1.3	201
Reserves	(28)	336	n.a.	749
Retained earnings	6,295	5,590	12.6	5,521
Shareholders' equity	6,470	6,126	5.6	6,472
Non-controlling interests	(15)	(17)	9.2	(17)
<b>Total equity</b>	<b>6,454</b>	<b>6,109</b>	<b>5.6</b>	<b>6,455</b>
<b>Total liabilities and equity</b>	<b>14,871</b>	<b>14,255</b>	<b>4.3</b>	<b>15,176</b>
<b>Additional balance sheet information</b>				
Operating working capital	4,502	4,228	6.5	3,468
Working capital	2,505	2,048	22.3	2,121
Net total borrowings	345	769	(55.1)	103
Financial leverage	5.3%	12.6%	(7.2pp)	1.6%

Rounding differences may arise.