

adidas<sup>®</sup>  
GROUP



FOR THE LOVE OF SPORT



Roadshow Presentation  
August – October 2014



Reebok

taylorMade



Adams



ROCKPORT

CCM





# OPERATIONAL AND FINANCIAL HIGHLIGHTS

# adidas Group Sales Up 10% Currency-Neutral In Q2

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- Currency-neutral sales increase across all regions in Q2
- Revenues at adidas and Reebok accelerate, up 14% and 9%, respectively
- Negative currency effects and continued weakness in golf weigh on Group results
- Diluted EPS down 16% in Q2 and 27% in H1



# Currencies Significantly Impact Financial Performance

4

- € 450 million negative impact on sales in the first six months
- € 100 million negative impact on Group operating margin in the first six months



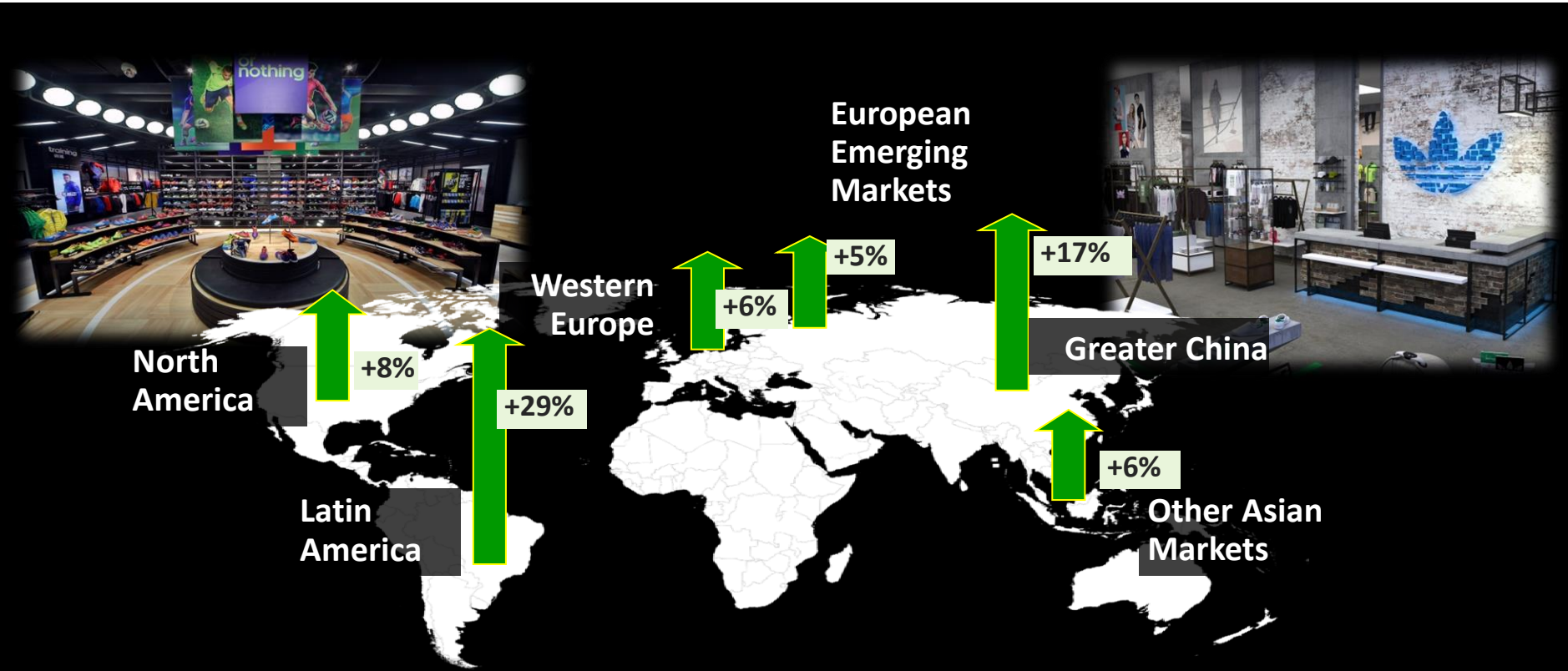


# Sales Increase Across All Regions In Q2

5



# Positive Retail Comparable Store Sales Around The World <sup>6</sup>



H1 2014: Own-retail regional comparable store sales growth.



# 2014 FIFA World Cup™ Boosts Sales In Latin America

7



- Currency-neutral sales increase 33% in Q2
- Double-digit sales increases in all major markets
- adidas Football grows triple-digits in Argentina and Colombia in Q2



# Closing In On Market Leadership In Greater China

8

- Currency-neutral sales increase 11% in Q2
- Comp store sales grow 18% currency-neutral
- adidas Originals and adidas NEO continue to enjoy strong momentum



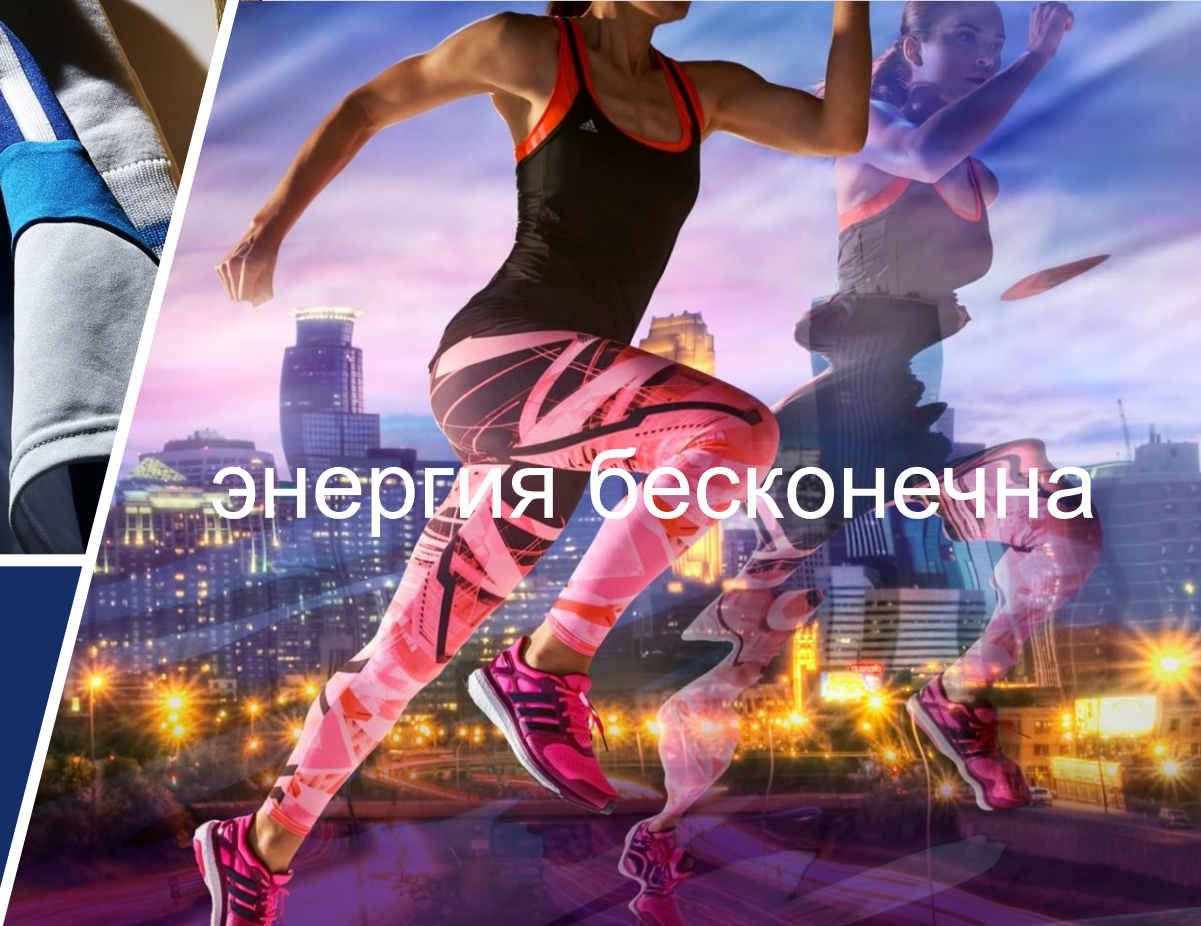


# European Emerging Markets Up 14% In Q2

9



- Russia/CIS up 13% currency-neutral in Q2
- adidas and Reebok grow double-digits currency-neutral



# Revenues In Western Europe Accelerate In Q2

10



- Sales grow 13% currency-neutral
- Revenues at both Wholesale and Retail up double-digits
- Germany, the UK, Spain and Italy grow at double-digit rates



# North America Turns Positive In Q2

11













- Currency-neutral revenues up 1% in Q2
- Retail sales increase 24% currency-neutral

- Sport Performance up 13% driven by strong growth in Football (+52%) and Running (+13%)

# adidas And Reebok Revenues Accelerate In Q2

12

		Q2 2014	Change	H1 2014	Change
	Net sales (€ in millions)	2,713	 +14% <sup>1)</sup>	5,540	 +10% <sup>1)</sup>
	Gross margin	47.3%	 (1.2pp)	47.4%	 (0.9pp)
	Net sales (€ in millions)	354	 +9% <sup>1)</sup>	712	 +6% <sup>1)</sup>
	Gross margin	38.6%	 (1.2pp)	39.1%	 (0.3pp)

<sup>1)</sup> Currency-neutral.



# adidas Has Clean Sweep At 2014 FIFA World Cup™

13

- Football sales up 41% in Q2
- Double-digit growth in all regions
- adidas underpins leadership in football

## Football



# World Cup Success On Every Measure

14



winning team  
germany

4 out of 5 top  
scorers wore  
adidas



most talked  
about brand at  
the world cup

€2 bn

adidas football  
net sales for 2014

all in  
or nothing

Dani Alves  
nitrocharge

Mesut Özil  
predator

Philipp Lahm  
11pro

Leo Messi  
adizero 150 messi

highest scoring  
boot



8m  
jerseys

14m  
brazucas





# Pureboost Enters The Running Market

15

## Running

- Running sales up 16% currency-neutral in Q2



- Double-digit growth in all regions in Q2
- >2 million pairs of Boost sold in H1

# Sales In Training Grow 5% In H1

16



# train hungry

- Currency-neutral sales up 2% in Q2
- Apparel sales grow high-single-digits, driven by successful launch of ClimaChill

## Training



# Basketball Rebounds During Q2

17

- Revenues grow 2% currency-neutral in Q2
- Apparel sales up 8% in H1
- Introduction of Boost into Basketball highly anticipated



THE FUTURE STARTS NOW.

**#teamadidas**

Basketball



# adidas Originals Regains Strength In Q2

18

- Revenues up 8% in Q2 currency-neutral
- Apparel sales increase 14% in Q2
- ZX Flux top-selling boot at Foot Locker Europe



**#zx flux**  
**infinite possibilities**



# adidas NEO Revenues Up 21% In Q2

19



- Sales increase 23% currency-neutral in H1
- Double-digit growth in footwear and apparel
- Revenues in Western Europe grow 32% in Q2



# Momentum At Reebok Accelerates In Q2

20



- Revenues up 9% in Q2
- Retail sales increase 13%

- Sales growth driven by Fitness Training, Walking and Studio categories

The Reebok logo, featuring the brand name in white sans-serif font next to a red vector-style triangle icon.





# Reebok Classics Grows At A Double-Digit Rate

21



- Classics up 24% currency-neutral in Q2
- Footwear and apparel sales up double-digits
- GL 6000 series and Pump Fury remain top-sellers

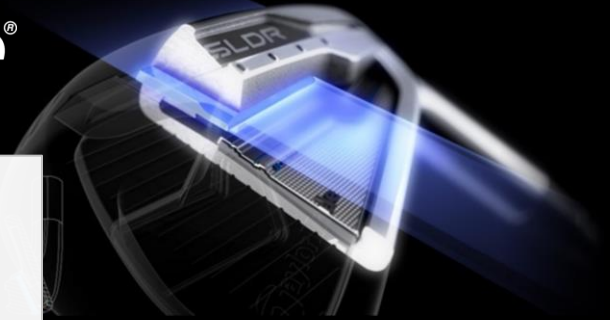
**Reebok**  
CLASSIC

# TMaG Impacted By Continued Weakness In Golf Market

22



- Sales decline 18% in Q2
- TMaG remains market leader in metalwoods and irons
- SLDR continues to be the #1 driver on the PGA Tour



**SLDR**

**#1 Driver in Golf**














# Group Gross Margin Down 0.9pp In Q2



- Overproportionate growth in emerging markets
- More favourable product mix















- Lower margins in Retail and at TMaG
- Less favourable hedging rates
- Devaluation of currencies
- Higher input costs

	Q2 2014	H1 2014
Wholesale	 <b>41.3%</b> +0.2pp	 <b>42.6%</b> (0.2pp)
Retail	 <b>60.5%</b> (4.9pp)	 <b>60.2%</b> (3.0pp)
Other Businesses	 <b>38.5%</b> (4.8pp)	 <b>38.8%</b> (5.2pp)
 GROUP	 <b>49.2%<sup>1)</sup></b> (0.9pp)	 <b>49.2%<sup>1)</sup></b> (1.0pp)

1) Total Group includes HQ/Consolidation.

# Group Operating Profit Heavily Impacted By TMaG And Currencies







	Q2 2014		H1 2014	
Royalty and commission income	 (1%)	<b>€ 26 million</b>	 (1%)	<b>€ 50 million</b>
Other operating income	 +22%	<b>€ 36 million</b>	 +81%	<b>€ 85 million</b>
Other operating expenses	 +3%	<b>€ 1,546 million</b>	 +2%	<b>€ 3,053 million</b>
Other operating expenses as a percentage of sales	 +0.3pp	<b>44.6%</b>	 +1.9pp	<b>43.6%</b>
Operating profit	 (13%)	<b>€ 220 million</b>	 (25%)	<b>€ 523 million</b>
Operating margin	 (1.1pp)	<b>6.3%</b>	 (2.2pp)	<b>7.5%</b>



# Diluted EPS Down 16% In Q2

		Q2 2014		H1 2014
Financial income	 (9%)	<b>€ 5 million</b>	 +16%	<b>€ 12 million</b>
Financial expenses	 (5%)	<b>€ 20 million</b>	 (1%)	<b>€ 40 million</b>
Income before taxes	 (13%)	<b>€ 205 million</b>	 (25%)	<b>€ 495 million</b>
Income tax rate	 +1.6pp	<b>29.1%</b>	 +1.5pp	<b>29.0%</b>
Net income attributable to shareholders	 (16%)	<b>€ 144 million</b>	 (27%)	<b>€ 348 million</b>
Diluted earnings per share	 (16%)	<b>€ 0.69</b>	 (27%)	<b>€ 1.67</b>

# Wholesale Up 10% Currency-Neutral In Q2













Wholesale	Q2 2014	Change	H1 2014	Change
Net sales (€ in millions)	2,085	 +10% <sup>1)</sup>	4,442	 +5% <sup>1)</sup>
Gross margin	41.3%	 +0.2pp	42.6%	 (0.2pp)
Segmental operating margin	32.1%	 +0.8pp	34.0%	 +0.0pp

<sup>1)</sup> Currency-neutral.



# Retail Sales Increase 22% Currency-Neutral

27

Retail	Q2 2014	Change	H1 2014	Change
Net sales (€ in millions)	958	 +22% <sup>1)</sup>	1,752	 +22% <sup>1)</sup>
adidas comp store sales		 +12% <sup>1)</sup>		 +10% <sup>1)</sup>
Reebok comp store sales		 (0%) <sup>1)</sup>		 +2% <sup>1)</sup>
Total comp store sales		 +10% <sup>1)</sup>		 +9% <sup>1)</sup>
Gross margin	60.5%	 (4.9pp)	60.2%	 (3.0pp)
Segmental operating margin	18.8%	 (6.1pp)	16.2%	 (3.7pp)

<sup>1)</sup> Currency-neutral.

# Retail Segment Profitability Impacted By Russia/CIS

28



- Gross margins in the Retail segment decline 4.9pp in Q2
- Almost 4pp due to promotional activity in Russia/CIS and devaluation of the Russian rouble



# Retail Store Development

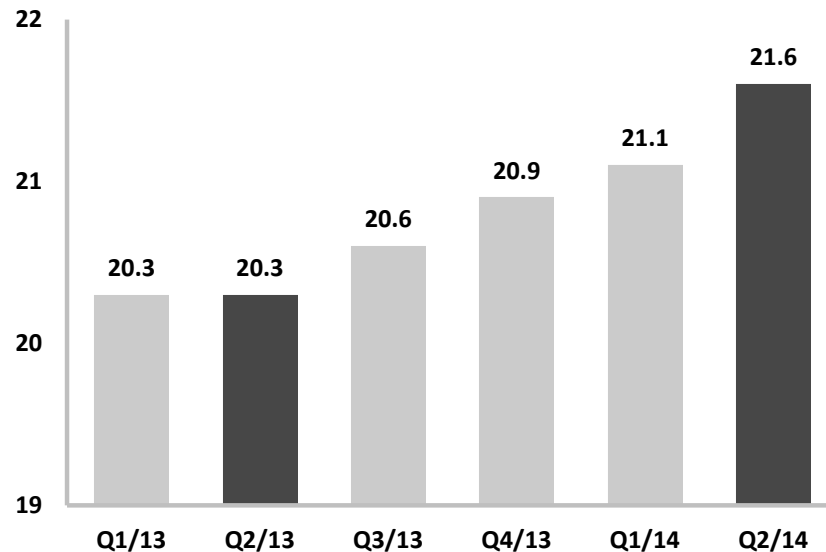
29

- 2,825 stores operated at quarter-end
- Net increase of 85 stores versus 2,740 last year
- 199 new stores opened, 114 stores closed, 64 stores remodelled
- 1,590 adidas and 427 Reebok branded; 808 factory outlets



# Operating Working Capital Negatively Impacted By Increase In Inventories

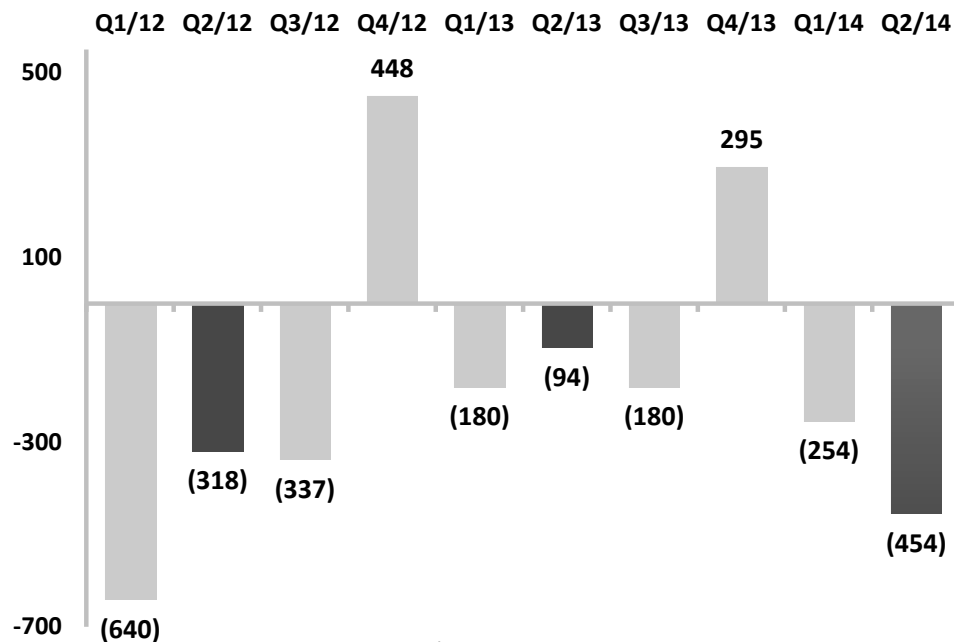
- Inventories increase 16% on a currency-neutral basis
- Receivables up 6% on a currency-neutral basis
- Payables increase 2% on a currency-neutral basis



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

# Net Borrowings Negatively Impacted By Higher Capital Expenditure

- Net borrowings increase € 360 million to € 454 million
- Ratio of net borrowings/EBITDA increases to 0.3 from 0.1 in 2013
- Equity ratio decreases to 46.4% (2013: 47.5%)



Net cash/(net borrowings) at quarter-end, € in millions.





# STRATEGIC INITIATIVES AND OUTLOOK

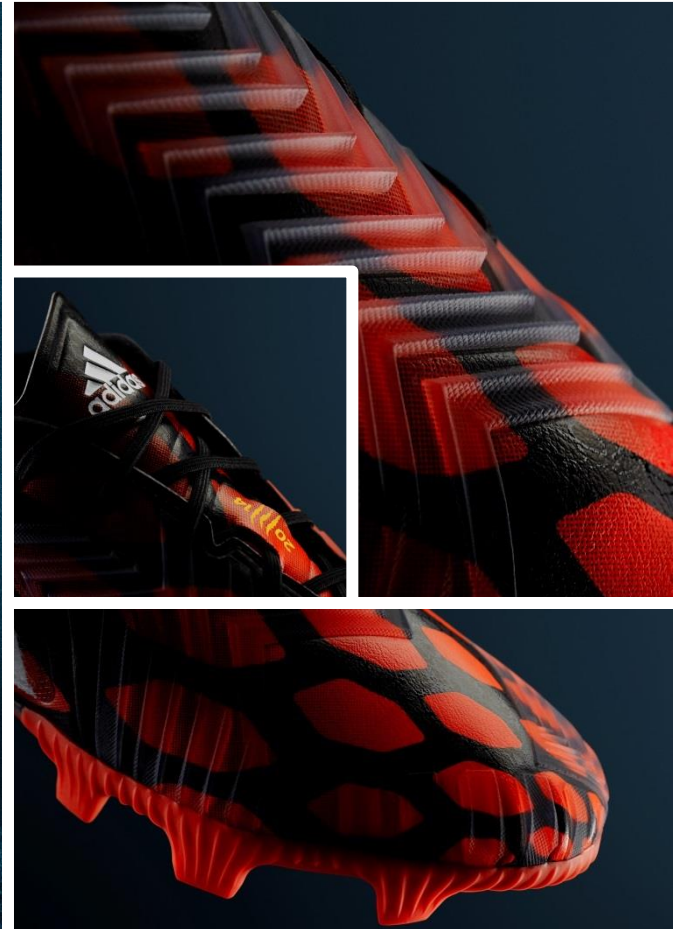


# Predator Instinct Takes Over

33



predator instinct





# Boost Changes Everything In Basketball

34





# RG3 Energy Boost Signature Training Shoe Launched

35





# ClimaHeat – The Hottest Revolution In Apparel

36



# ZX Flux Takes Customisation To Next Level

37



**adidas**  
**mi zx flux**  
**photo print app**  
launches august 2014



# Creating Hype Through New Collaborations

38



# Reebok Building On Key Partnerships With New Products<sup>39</sup>



Reebok 





# Actions To Stimulate Growth & Profitability Improvements<sup>40</sup>





# Clean-Up Of Golf Market And Restructuring TMaG

41



- Poor retail sentiment and slow liquidation of old inventory in the golf market
- Restructuring programme at TMaG to be started in H2 2014
- Impact of around € 50 million to € 60 million on H2 operating profit expected

# Adjusted Store Opening Plan In Russia/CIS

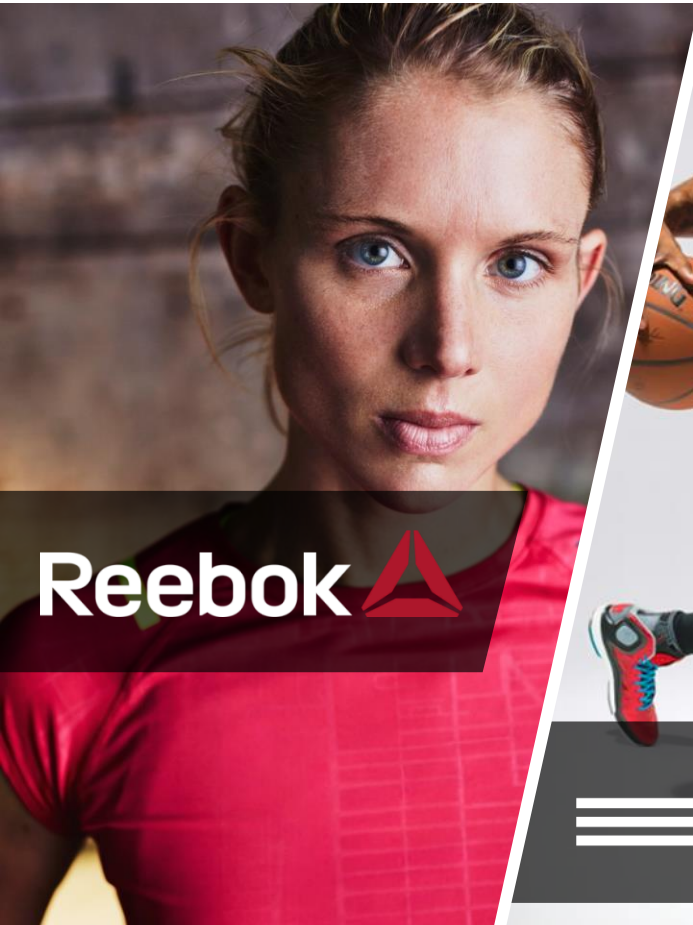


- Increasing risks to consumer sentiment and spending
- Reduction in net store openings in 2014 and 2015
- 80 stores (net) planned to be opened in 2014, versus initial plan of 150 stores
- Impact of around € 50 million on H2 operating profit expected



# Increasing Investment In Brands

43



Reebok



adidas



TaylorMade



# Strengthen Brand Leadership

44

strategy

future

creative direction

concepts-to-consumer

brand management

categories



consumer



# adidas Group Updates 2014 Full Year Outlook

45

<b>Group sales (currency-neutral)</b>	<b>mid- to high-single-digit increase</b> (prev.: high-single-digit increase)
Wholesale sales (currency-neutral)	<b>mid-single-digit increase</b>
Retail sales (currency-neutral)	<b>low-double-digit increase</b>
Other Businesses sales (currency-neutral)	<b>double-digit decrease</b> (prev.: around prior year level)
<b>Gross margin</b>	<b>48.5% to 49.0%</b> (prev.: 49.5% to 49.8%)
<b>Operating margin</b>	<b>between 6.5% and 7.0%</b> (prev.: between 8.5% and 9.0%)
<b>Net income attributable to shareholders</b>	<b>at a level of around € 650 million</b> (prev.: € 830 million to € 930 million)

# Lifting Our Game To Drive More Consistency In Earnings

46



- Momentum returning in key markets
- Driving more agility through new organisational set-up
- Taking consequent and necessary decisions to prepare the Group for the future





**adidas<sup>®</sup>**

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**GROUP**

**QUESTIONS & ANSWERS**



# Upcoming Event Dates

Nov 6, 2014	Nine Months 2014 Results
Mar 5, 2015	Full Year 2014 Results
May 5, 2015	First Quartal 2015 Results
May 7, 2015	Annual General Meeting
May 8, 2015	Dividend Payment <sup>1)</sup>

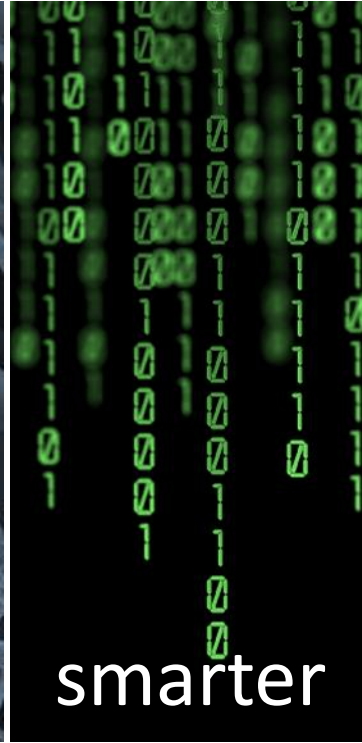
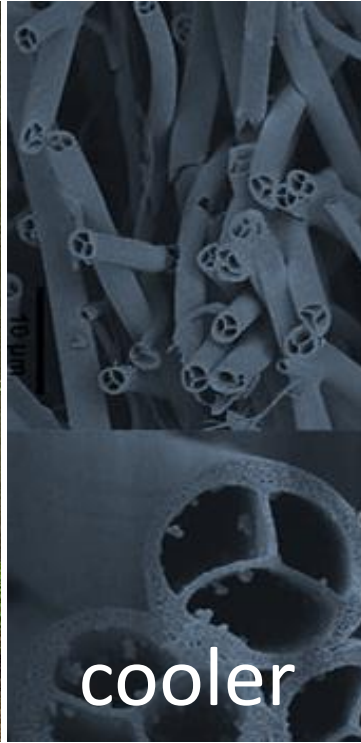
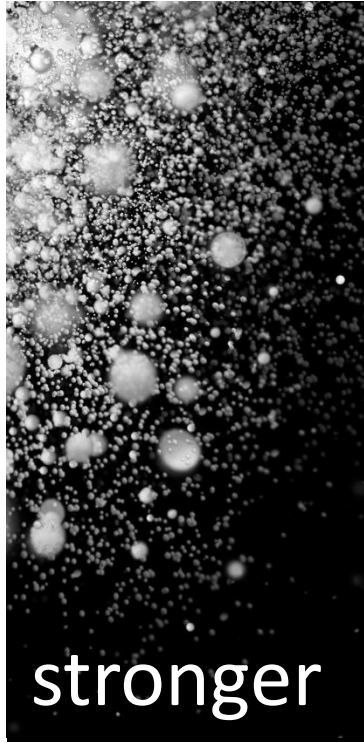
<sup>1)</sup> Subject to Annual General Meeting Approval.

# APPENDIX



# adidas Sport Performance – Making The Athlete Better

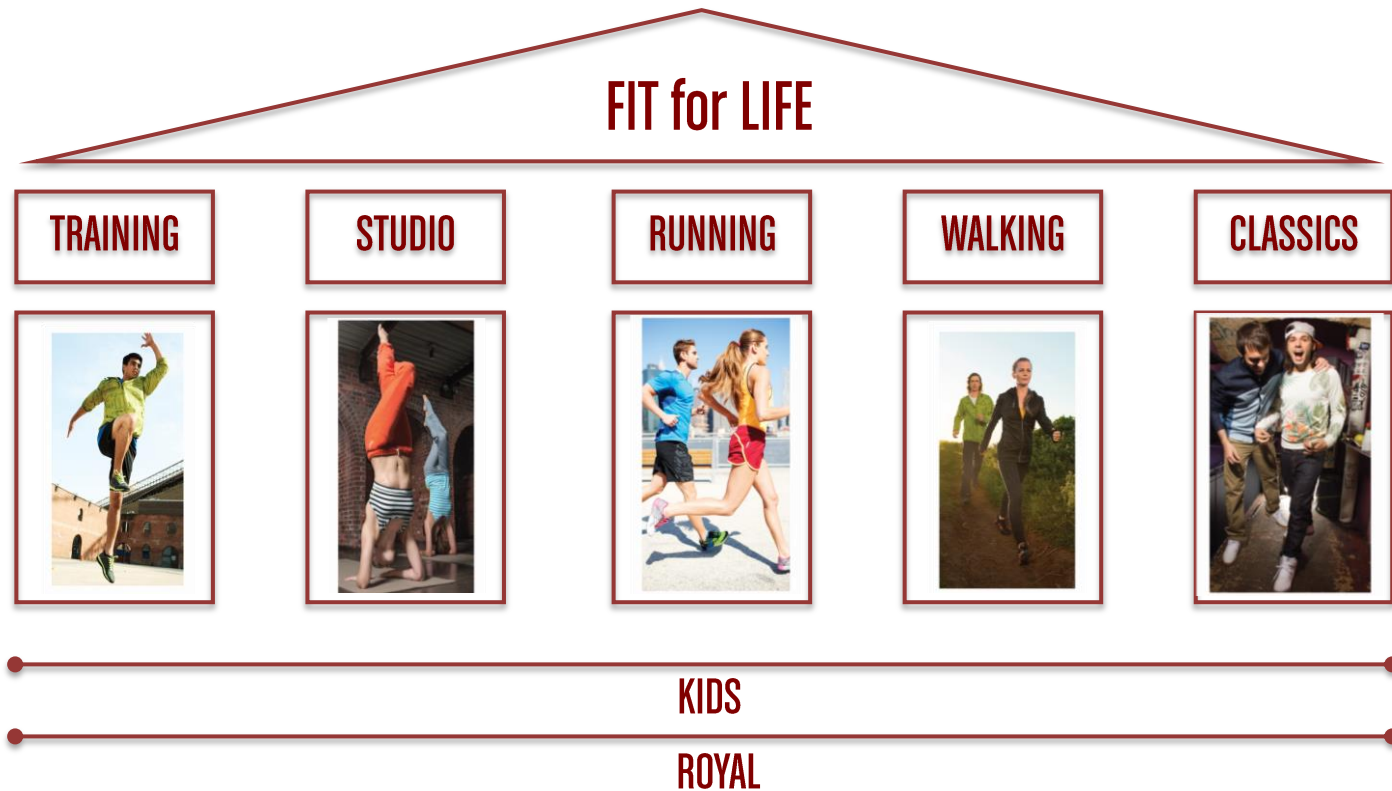
50



# adidas Sport Style – Multi-Label Strategy

			
			
<p>12 - 19 YEARS FOR THE STYLE-ADOPTING HIGH SCHOOL KID</p>	<p>16 - 24 YEARS FROM THE TRENDSETTER TO THE MAINSTREAM KID</p>	<p>24 - 36 YEARS FOR THE OUTWARDLY CONFIDENT, FORWARD- THINKING INDIVIDUAL</p>	<p>35+ YEARS FOR THE SOPHISTICATED, ACTIVE MAN</p>

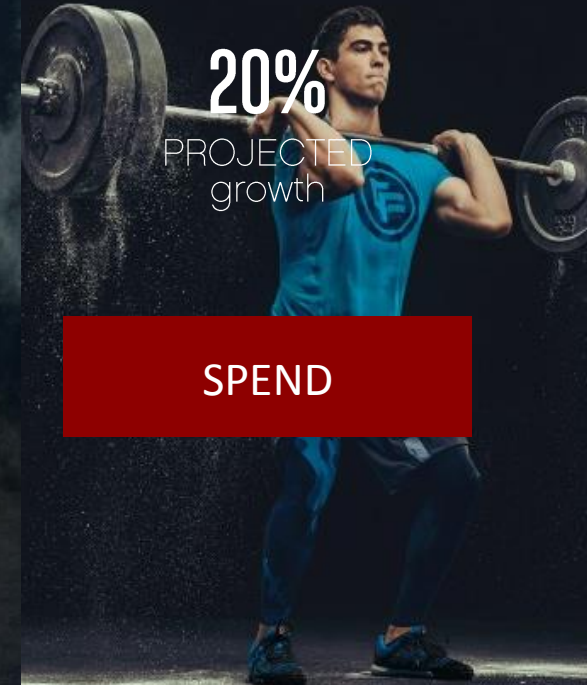
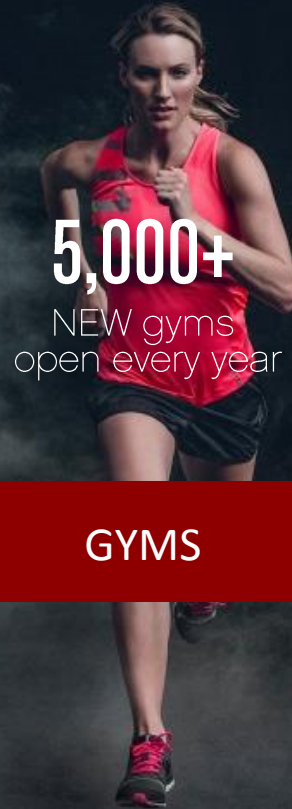
# Reebok Building Sustainable Fitness Activities





# Fitness Is The Formula For Reebok's Success

53



# Training - The Brand Of The CrossFit Community



**7,000+**

Affiliated Gyms

**50%**

Increase In 2013  
Games Participants

**115**

Countries Represented  
At 2013 Games

# Running - Building With The Spartan Race

55



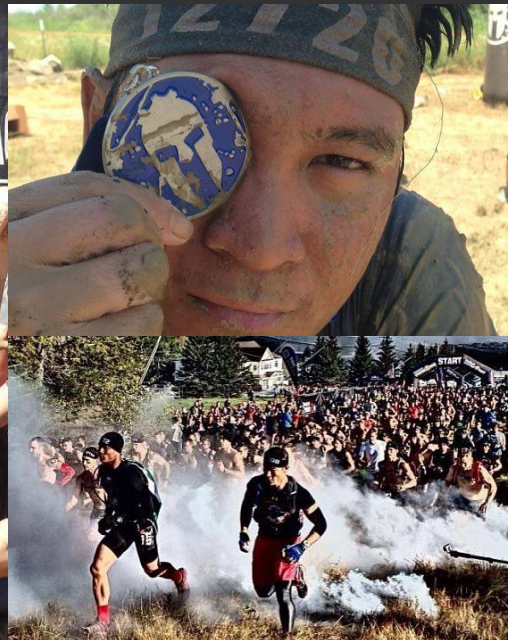
**60+**

Spartan Races



**450,000+**

Participants



**3,200,000**

Facebook Followers



# Studio – Accelerating Visibility Through Les Mills

56



**90,000**

Instructors



**15,000**

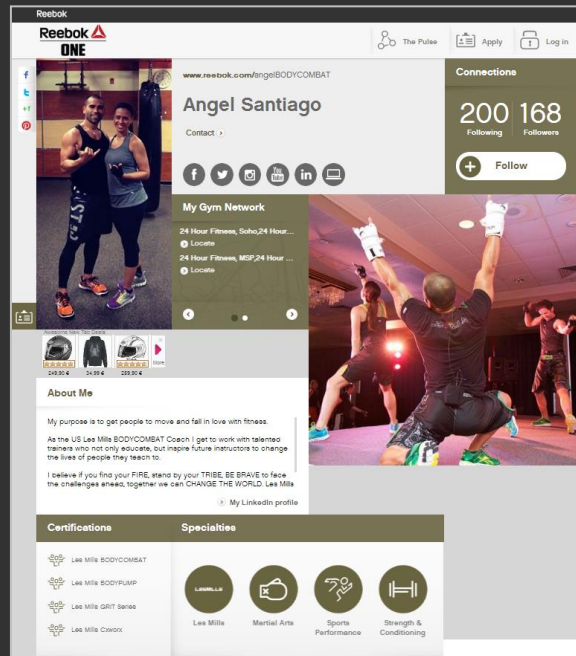
Gyms



**4 MILLION**

Consumers Weekly

# Reebok ONE – Bringing The Fitness Community Together<sup>57</sup>



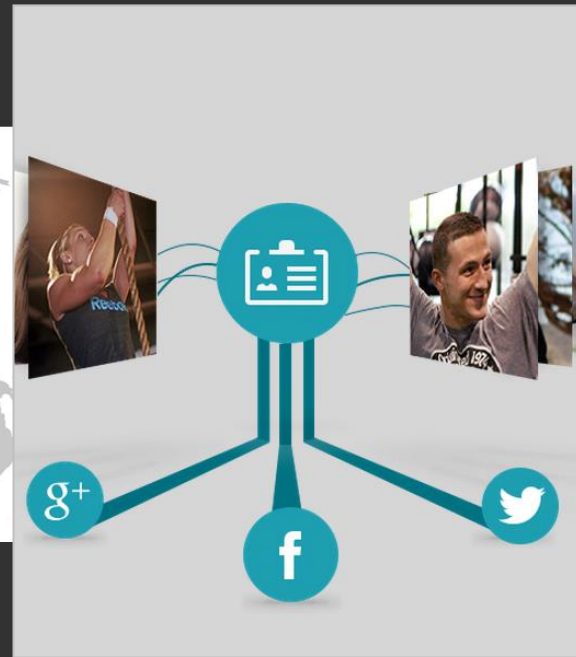
17,000

Registered Fitness Enthusiasts



16

Markets By End Of 2013



25

Markets By End Of 2014