

adidas<sup>®</sup>  
GROUP



FOR THE LOVE OF SPORT



Roadshow Presentation  
May - July 2014



ROCKPORT

CCM





# OPERATIONAL AND FINANCIAL HIGHLIGHTS



# adidas Group Sales Stable On Currency-Neutral Basis

- Retail sales increase 22% currency-neutral
- Currency-neutral adidas and Reebok sales grow 5% and 3%, respectively
- Strong momentum in emerging markets
- Gross margin decreases 1.0pp to 49.1%
- Operating margin down 3.2pp to 8.6%
- Diluted EPS at € 0.96



# Items Weighing On First Quarter Results

- Sales reduced by € 235 million due to adverse currency translation
- Operating profit impacted by around € 50 million

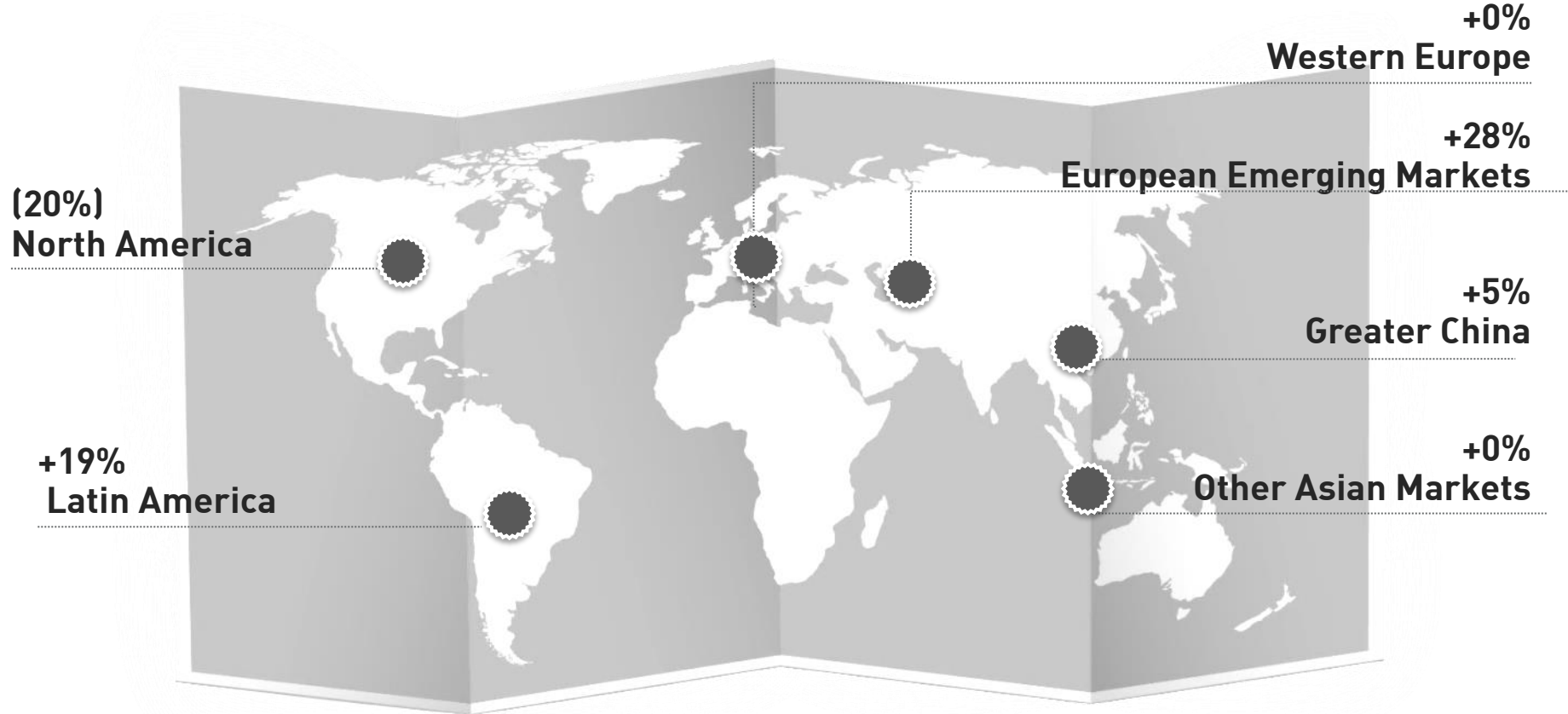


- Strategic changes to product and launch cycles at TaylorMade-adidas Golf
- Operating profit impacted by around € 80 million



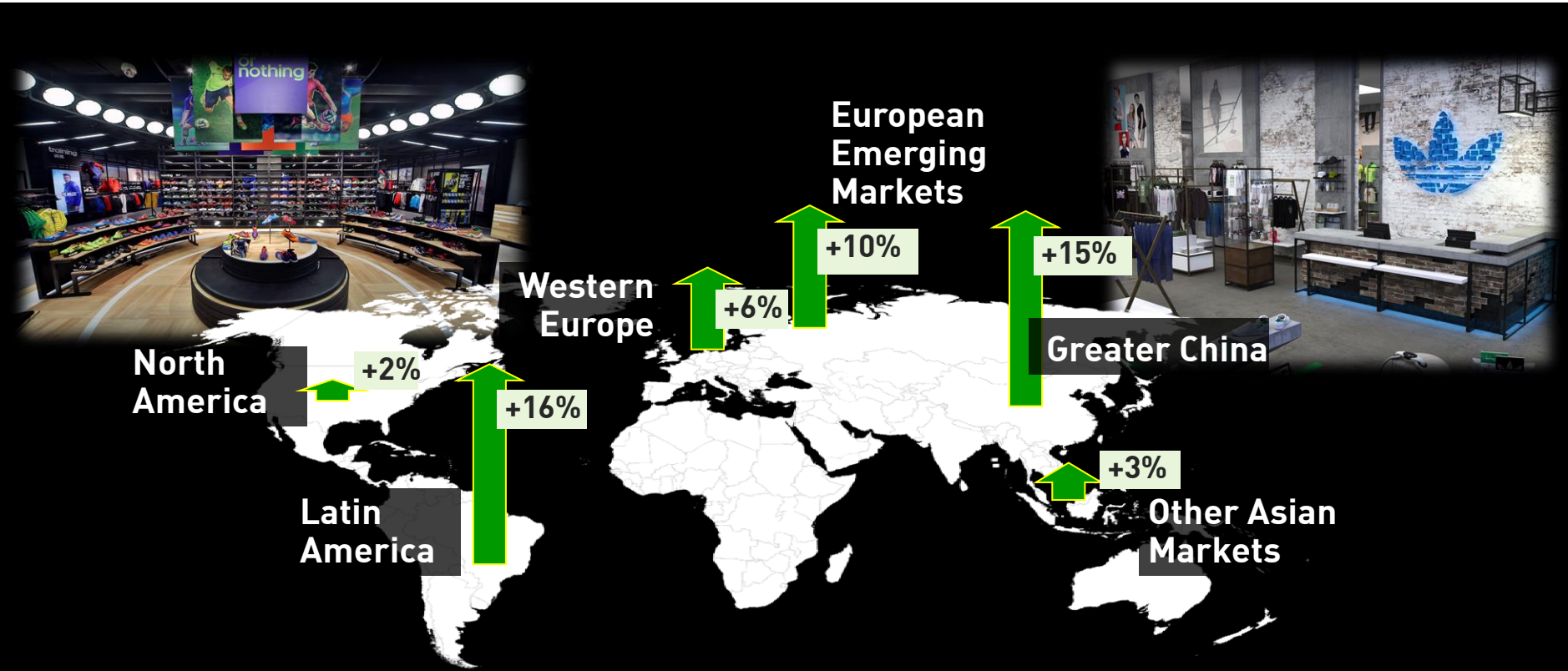


# Strong Growth Continues In Emerging Markets



Sales development on a currency-neutral basis.

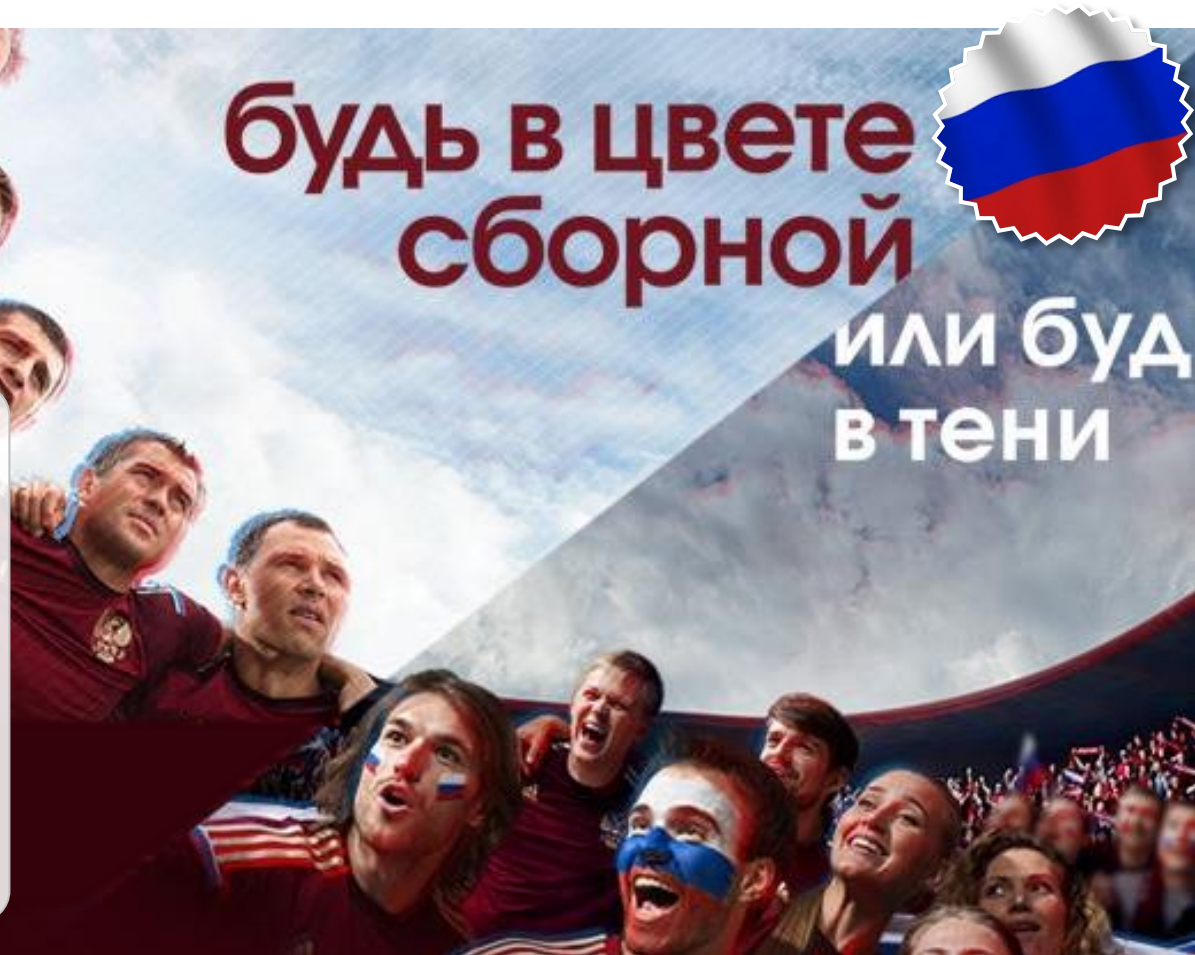
# Acceleration In Comparable Store Sales Around The World



Q1 2014: Own-retail regional comparable store sales growth.

# European Emerging Markets Fastest-Growing Region In Q1

- Sales up 28% currency-neutral driven by strong growth in all markets
- Comp store sales up 10%
- Strong momentum in Football and Running
- Robust growth in adidas Originals & Sport Style



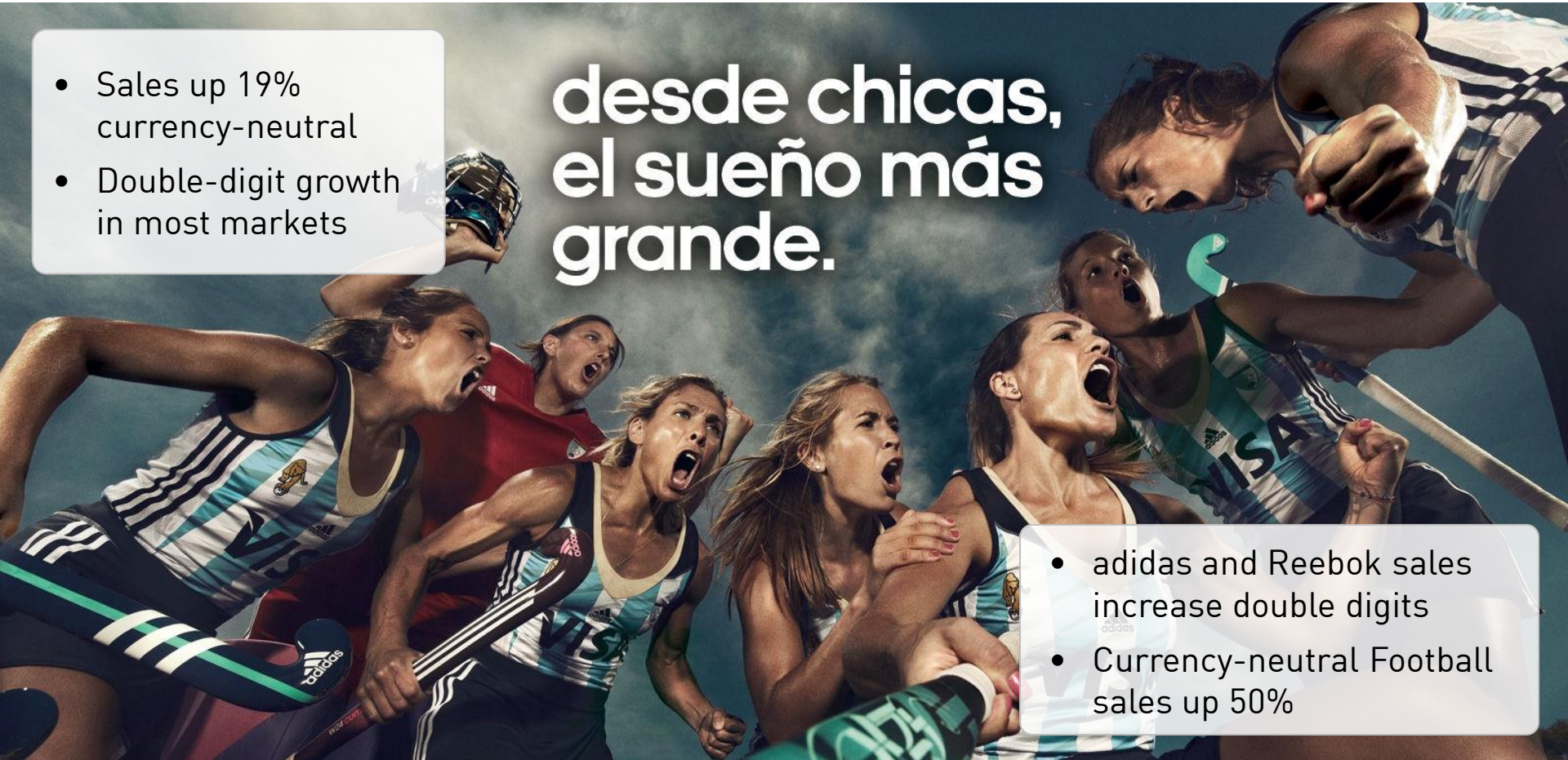


# 5<sup>th</sup> Consecutive Quarter With Double-Digit Growth In LAM

- Sales up 19%  
currency-neutral
- Double-digit growth  
in most markets

desde chicas,  
el sueño más  
grande.

- adidas and Reebok sales  
increase double digits
- Currency-neutral Football  
sales up 50%





# Ongoing Strong Momentum In Greater China



以姐妹之名 全倾全力  
all in for #mygirls

- Sales increase 5% currency-neutral in Q1
- Own-retail revenues increase 22% currency-neutral



# Revenues in Western Europe Stabilise



forever blue



- Double-digit growth in Germany and Poland
- Currency-neutral Retail sales up 25% in Q1
- Revenues in Football, Running and at adidas NEO up strong double digits



# Initiatives To Drive Growth In North America









adidas + Reebok



- Completion of the joint operating model for adidas and Reebok
- Appointment of Mark King



# adidas And Reebok Revenues Up In Q1 2014

		Q1 2014	Change
	Net sales (€ in millions)	2,826	 +5% <sup>1)</sup>
	Gross margin	47.6%	 (0.6pp)
	Net sales (€ in millions)	358	 +3% <sup>1)</sup>
	Gross margin	39.6%	 +0.5pp

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



# Football Sales Increase 27% In Q1

football



- Football sales up 27% in Q1
- Double-digit growth in most regions
- Strong federation jersey and official match ball sales



# Continued Strong Momentum In Running



running

- Sales increase 7% currency-neutral in Q1
- Strong performance of Boost and Springblade franchises
- Western Europe, European Emerging Markets and Japan all up at double-digit rates
- Running apparel sales increase 17%



# ClimaChill Drives Growth In Training

**climachill**  
cooling revolution

**training**

- Sales increase 8% currency-neutral in Q1
- Strong momentum in Latin America and European Emerging Markets

# Originals & Sport Style Up 3% Currency-Neutral In Q1





# New Originals Offering Resonating Well With Consumers

## #zxflux

- Double-digit sales growth in emerging markets
- Retail sales up 27% with double-digit growth in footwear and apparel
- Ongoing strong momentum with Action Sports





# adidas NEO Label Increases At Double-digit Rate

NEO

- Currency-neutral sales up 24%
- Increase driven by double-digit growth in footwear and apparel



# Reebok Sales Up 3% Currency-Neutral



- Sales growth driven by Fitness Training, Walking and Studio categories
- Gross margin expands 50 basis points to 39.6%



# Reebok Introduces The New ZQuick Series





# Reebok Classics Grows At A Double-Digit Rate

- Classics up 19% on a currency-neutral basis
- Footwear and apparel sales up double digits



# TMaG Remains Market Leader In Metalwoods And Irons

light is innovation.



#SLDRwhite



SLDR



**TaylorMade**

*Adams*

ASHWORTH



- Sales down 34% in Q1 2014
- Realigning product launch cycles to mirror market demand patterns
- US rounds played down 5% year-to-date






# Group Gross Margin Decreases 1.0pp In Q1 2014



- Overproportionate growth in emerging markets
- Larger share of higher-margin Retail sales









- Devaluation of currencies
- Less favourable hedging rates
- Higher input costs
- Lower TMaG margin

	Q1 2014	
Wholesale	 (0.5pp)	<b>43.8%</b>
Retail	 (0.8pp)	<b>59.9%</b>
Other Businesses	 (5.5pp)	<b>39.0%</b>
 GROUP	 (1.0pp)	<b>49.1%<sup>1)</sup></b>








1) Total Group includes HQ/Consolidation.









# Group Operating Profit Heavily Impacted By TMaG And Currencies

	Q1 2014	
Royalty and commission income	 (2%)	€ 24 million
Other operating income	 +177%	€ 50 million
Other operating expenses	 +2%	€ 1,507 million
Other operating expenses as a percentage of sales	 +3.1pp	42.7%
Operating profit	 (31%)	€ 303 million
Operating margin	 (3.2pp)	8.6%

# Diluted EPS Down 35% In Q1 2014

	Q1 2014	
Financial income	 +47%	€ 7 million
Financial expenses	 +4%	€ 20 million
Income before taxes	 (32%)	€ 290 million
Income tax rate	 +1.4pp	28.9%
Net income attributable to shareholders	 (34%)	€ 204 million
Basic earnings per share	 (34%)	€ 0.98
Diluted earnings per share	 (35%)	€ 0.96

# Retail Sales Increase 22% Currency-Neutral

<b>Retail</b>	<b>Q1 2014</b>	<b>Change</b>
Net sales (€ in millions)	<b>794</b>	 <b>+22%<sup>1)</sup></b>
adidas comp store sales		 <b>+9%<sup>1)</sup></b>
Reebok comp store sales		 <b>+4%<sup>1)</sup></b>
Total comp store sales		 <b>+8%<sup>1)</sup></b>
Gross margin	<b>59.9%</b>	 <b>(0.8pp)</b>
Segmental operating margin	<b>13.2%</b>	 <b>(0.8pp)</b>

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



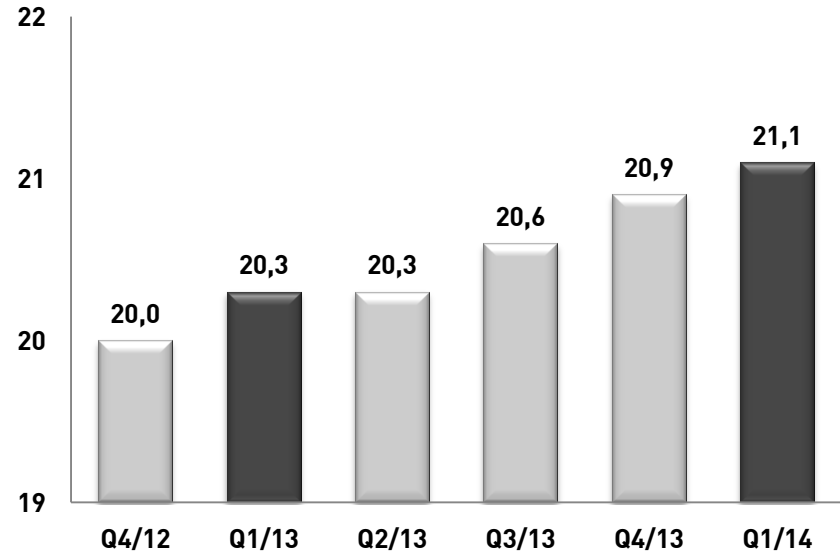
# Retail Store Development In Q1

- 2,741 stores operated at quarter-end
- Net increase of one store versus 2,740 in prior year
- 70 new stores opened, 69 stores closed, 41 stores remodelled
- 1,558 adidas and 411 Reebok branded; 772 factory outlets



# Operating Working Capital Negatively Impacted By The Increase In Inventories And Receivables

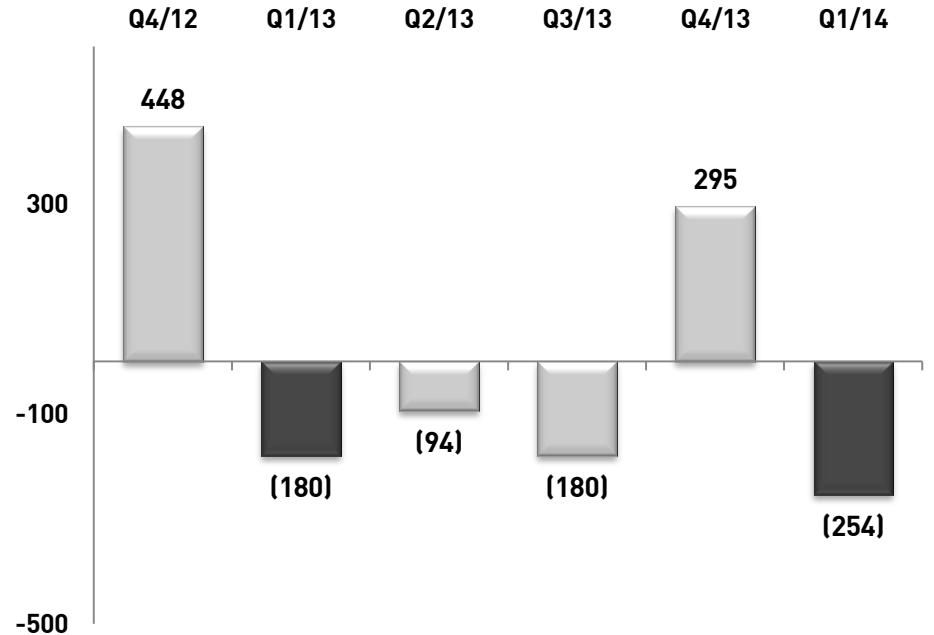
- Inventories increase 18% on a currency-neutral basis
- Receivables up 2% on a currency-neutral basis
- Payables increase 8% on a currency-neutral basis



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

# Net Borrowings Negatively Impacted By Higher Capital Expenditure

- Net borrowings increase € 74 million to € 254 million
- Ratio of net borrowings/EBITDA increases to 0.2 from 0.1 in 2013
- Equity ratio decreases to 48.8% (2013: 49.7%)



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





# STRATEGIC INITIATIVES AND OUTLOOK



# Growth Across All Brands In 2014



 **adidas**

**Reebok** 

 **taylorMade**

# adidas Demonstrates Leadership In Football

**> € 2 billion in  
net sales**





# adidas Football Introduces World's First Knitted Football Boot And Sock Hybrid



**adidas argentina, 1954**  
world's first mid-cut woven  
football boot



**adidas primeknit, 2014**  
world's first knitted football boot



**adidas primeknit fs, 2014**  
world's first knitted all-in-one  
football boot and sock hybrid

# Running To Maintain Double-Digit Pace



# adidas Running To Expand Boost Significantly



**> 8 million pairs  
of boost in 2014**



# Boost To Be Expanded Into New Categories



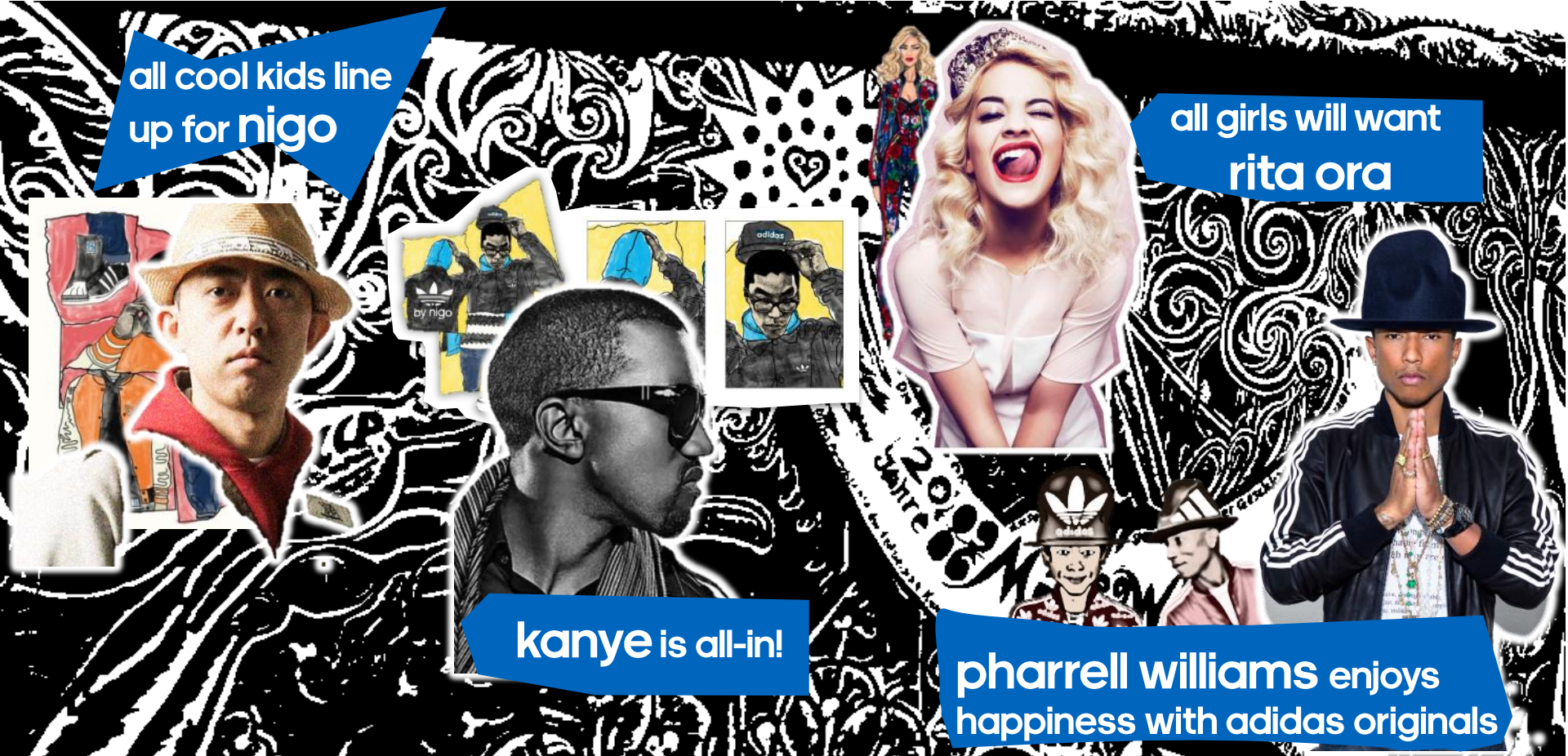
# adidas Originals To Ignite Several New Partnerships

all cool kids line  
up for nigo

all girls will want  
rita ora

kanye is all-in!

pharrell williams enjoys  
happiness with adidas originals





# adidas Originals To Ignite Several New Partnerships



farm



urban  
outfitters



topshop



# Expansion Of New NEO Retail Format



NEO

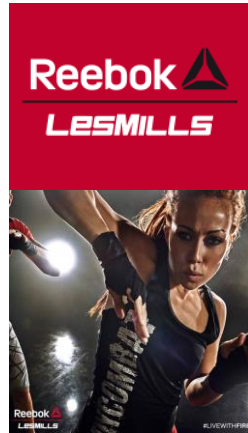
6 STORES IN GERMANY  
5 STORES IN POLAND  
5 STORES IN CZECH REPUBLIC

# Reebok To Drive Visibility By Leveraging Partnerships

## TRAINING



## STUDIO



## RUNNING



## WALKING

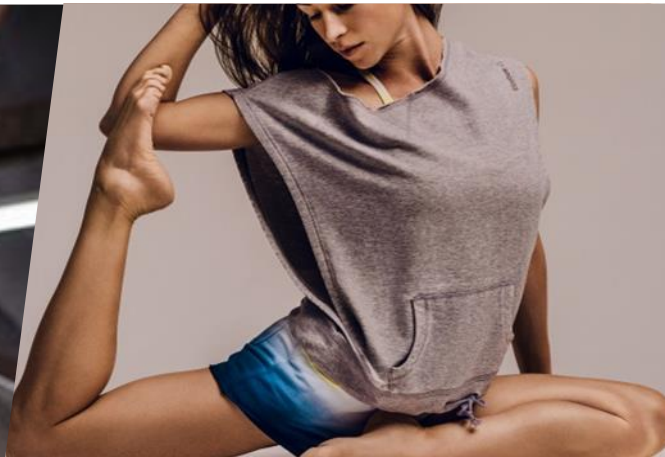


## CLASSICS





# Reebok's Footwear And Apparel Product Pipeline Full





# New Store Concept: Homecourt





# New Store Concept: Neighbourhood

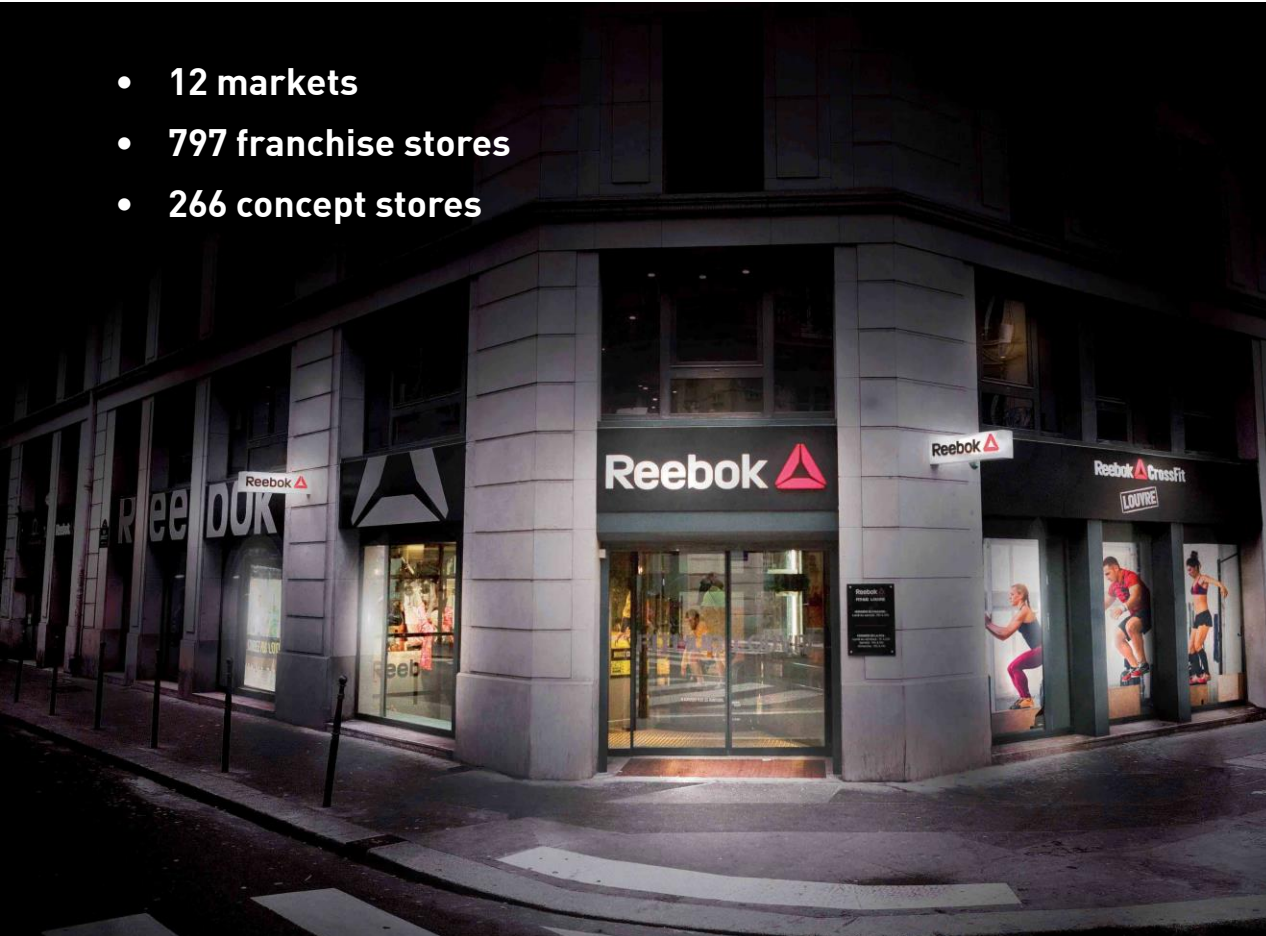


neighbourhood



# New Store Concept: FitHub

- 12 markets
- 797 franchise stores
- 266 concept stores





# adidas Group Confirms 2014 Full Year Outlook

<b>Group sales (currency-neutral)</b>	<b>high-single-digit increase</b>
Wholesale sales (currency-neutral)	mid-single-digit increase
Retail sales (currency-neutral)	low-double-digit increase
Other Businesses sales (currency-neutral)	around prior year level
<b>Gross margin</b>	<b>49.5% to 49.8%</b>
<b>Operating margin</b>	<b>between 8.5% and 9.0%</b>
<b>Net income attributable to shareholders</b>	<b>€ 830 million to € 930 million</b>

# Strong Operational Momentum But Currencies Add Significant Risks

- Currency-neutral sales to increase at a high-single-digit rate
- Net income attributable to shareholders to be between € 830 and € 930 million
- Devaluation of major currencies adds significant risk to the achievement of 2014 goals



**winning  
never quits**



**adidas<sup>®</sup>**

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**GROUP**

**QUESTIONS & ANSWERS**





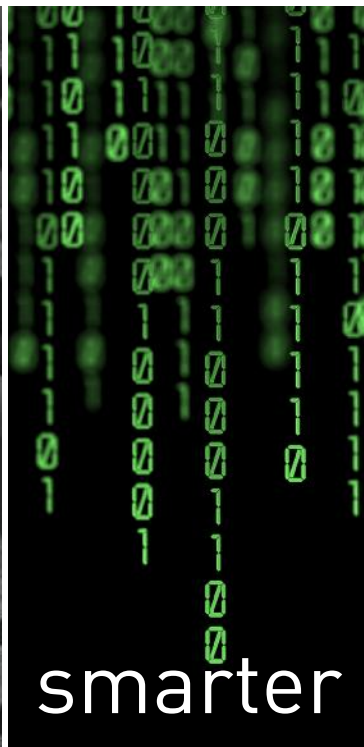
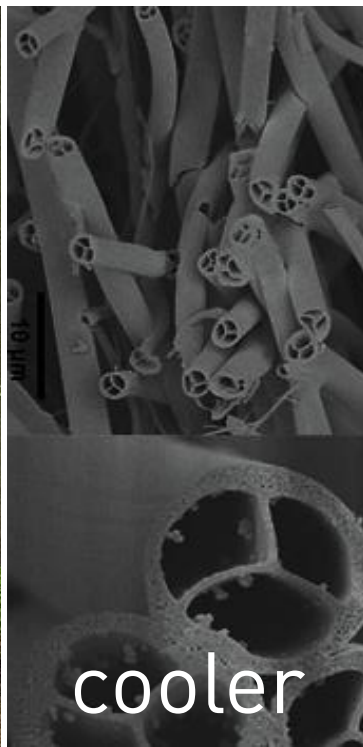
# Upcoming Event Dates

Aug 7, 2014	First Half 2014 Results
Nov 6, 2014	Nine Months 2014 Results
Mar 4, 2015	Full Year 2014 Results

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

# APPENDIX

# adidas Sport Performance – Making The Athlete Better

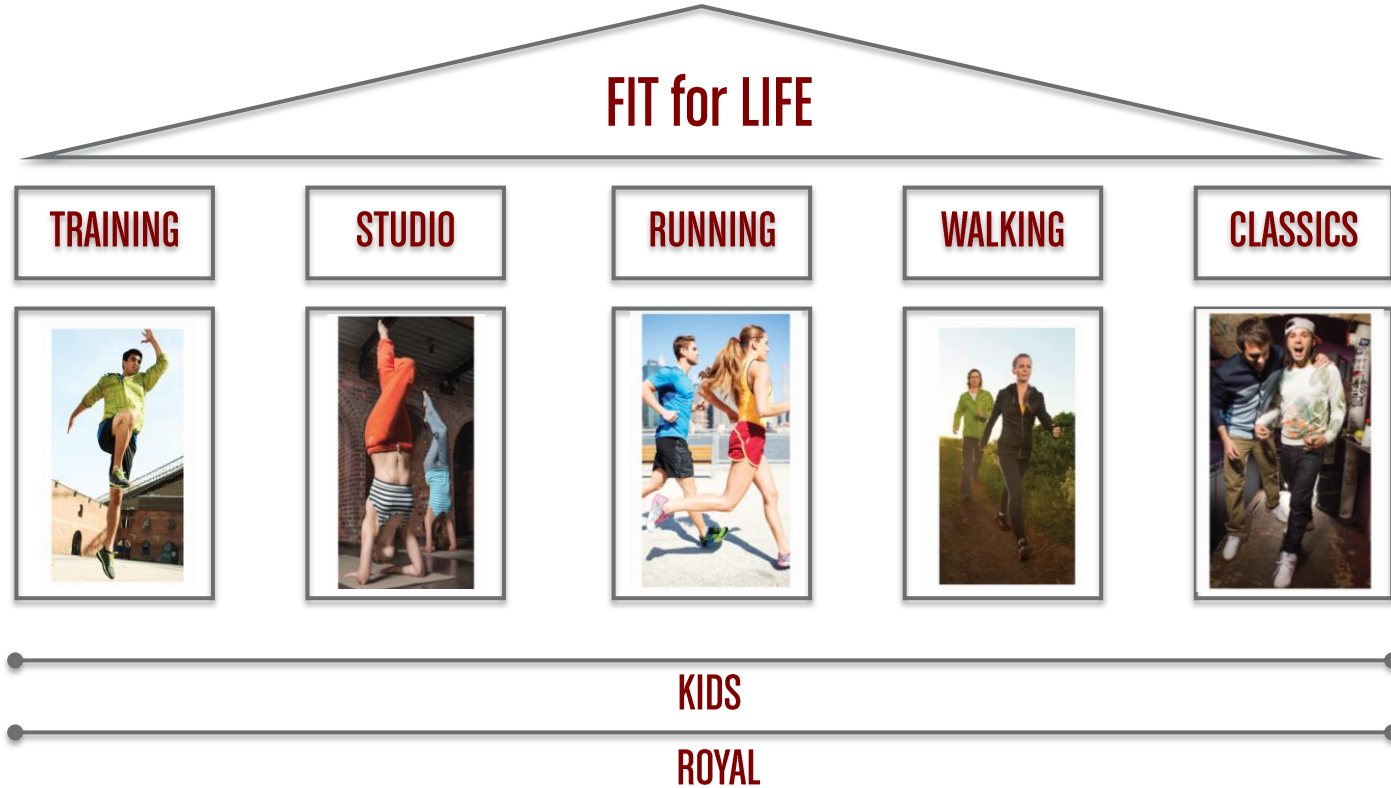




# adidas Sport Style – Multi-Label Strategy

			
			
<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



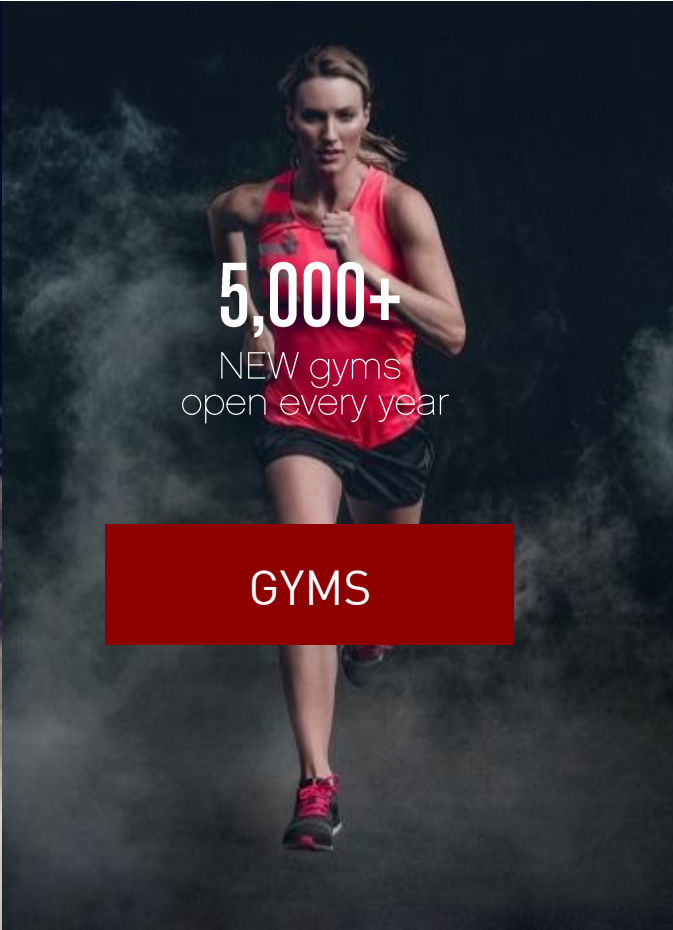
# Fitness Is The Formula For Reebok's Success



1 in 4

Live fitness  
lifestyle globally

PARTICIPATION



5,000+

NEW gyms  
open every year

GYMS



20%

PROJECTED  
growth

SPEND



# 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



**60+**

Spartan Races



**450,000+**

Participants



**3,200,000**

Facebook Followers



# Studio – Accelerating Visibility Through Les Mills



**90,000**  
Instructors



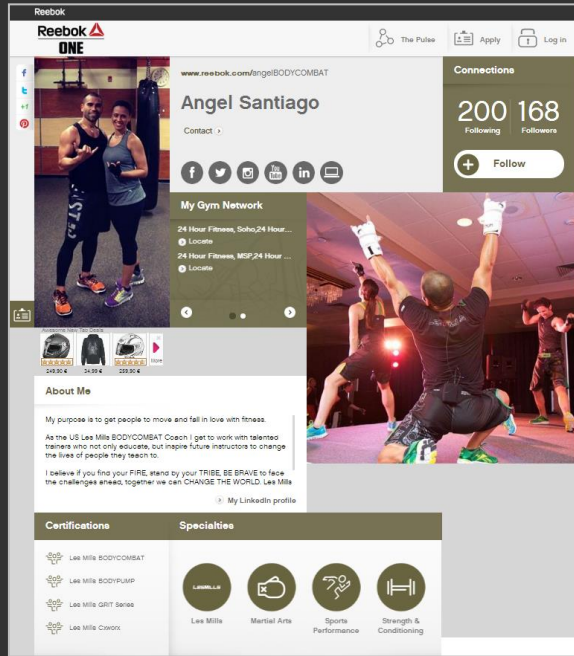
**15,000**  
Gyms



**4 MILLION**  
Consumers Weekly



# Reebok ONE – Bringing The Fitness Community Together



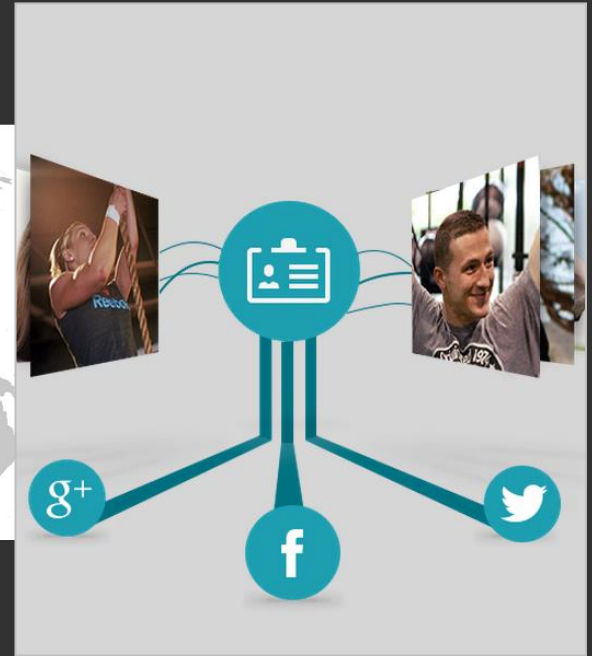
17,000

Registered Fitness Enthusiasts



16

Markets By End Of 2013



25

Markets By End Of 2014