

Q1 2018 RESULTS

Herzogenaurach
May 3, 2018

adidas



AGENDA

1 BUSINESS HIGHLIGHTS

2 FINANCIAL HIGHLIGHTS

3 OUTLOOK



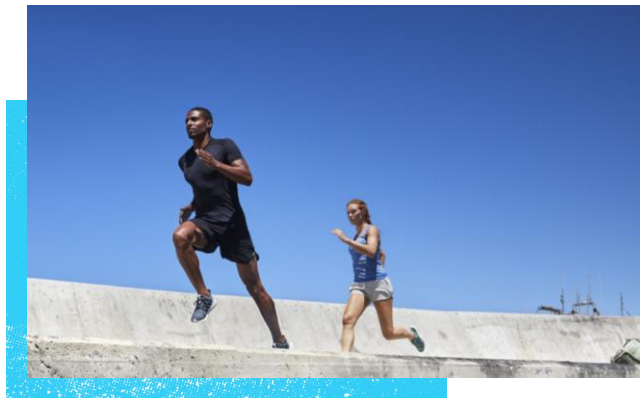
BUSINESS HIGHLIGHTS

KASPER RORSTED
CEO



STRENGTHS & WEAKNESSES

IN Q1 2018



+

Strong top-line growth in line with expectations

Double-digit growth in North America and Asia-Pacific

+

Apparel business accelerates

Driven by strong double-digit growth in Athletics

+

Strong gross margin increase

Reflecting high quality of sales growth

+

Strong operating margin improvement

Despite significant increase in marketing investments

-

Sales decline in Emerging Markets and Russia/CIS

Reflecting challenging market conditions

-

Footwear business up mid-single-digits

Reflecting challenges within certain franchises

-

Momentum at Originals normalizes

Reflecting tough comparison base from prior periods

-

Concept stores comp store sales decline

Driven by Russia/CIS

MAJOR P&L DEVELOPMENTS

IN Q1 2018

- 1 Revenues increase 10% currency-neutral**
and 2% in euro terms to € 5.5 billion
- 2 Gross margin up 1.5pp to 51.1%**
despite ongoing negative FX headwinds
- 3 Operating margin up 1.8pp to 13.4%**
reflecting gross margin improvement and overhead leverage
- 4 Net income from continuing operations increases 17%**
to € 542 million
- 5 Basic EPS from continuing operations up 16%**
to € 2.65

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 Q1 2018

**adidas
North America**

+23%

Greater China

+26%

E-commerce

+27%

Currency-neutral.



BRAND ARCHITECTURE ALLOWS CHANNEL SEGMENTATION

TARGETING THE VALUE CONSUMER ACROSS ALL CATEGORIES WITH CORE



ADIDAS BRAND GROWS 11%

DOUBLE-DIGIT GROWTH IN NORTH AMERICA AND ASIA-PACIFIC

+11%

Sport Performance grows 11%

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

Sport Inspired grows 13%

Due to double-digit growth in both Footwear and Apparel

Women's business continues to grow double-digits

Representing 25% of total brand adidas business

Currency-neutral.



ROBUST PROFITABILITY IMPROVEMENT AT REEBOK

FURTHER PROGRESS AROUND MUSCLE-UP INITIATIVES

+2.7PP

Revenues decline 3%

Mainly due to sales declines in Asia-Pacific, Russia/CIS and Latin America

North America returns to growth, up 3%

With sequential improvements expected as of Q2 2018

Robust profitability improvements

Gross margin up 2.7pp to 41.8% driven by successful execution of Muscle-Up initiatives

Currency-neutral.



EXCELLENT GROWTH IN E-COM

ENFORCING DIGITAL CONSUMER ENGAGEMENT

+27%

E-commerce revenues grow 27%

Driven by double-digit growth in most regions

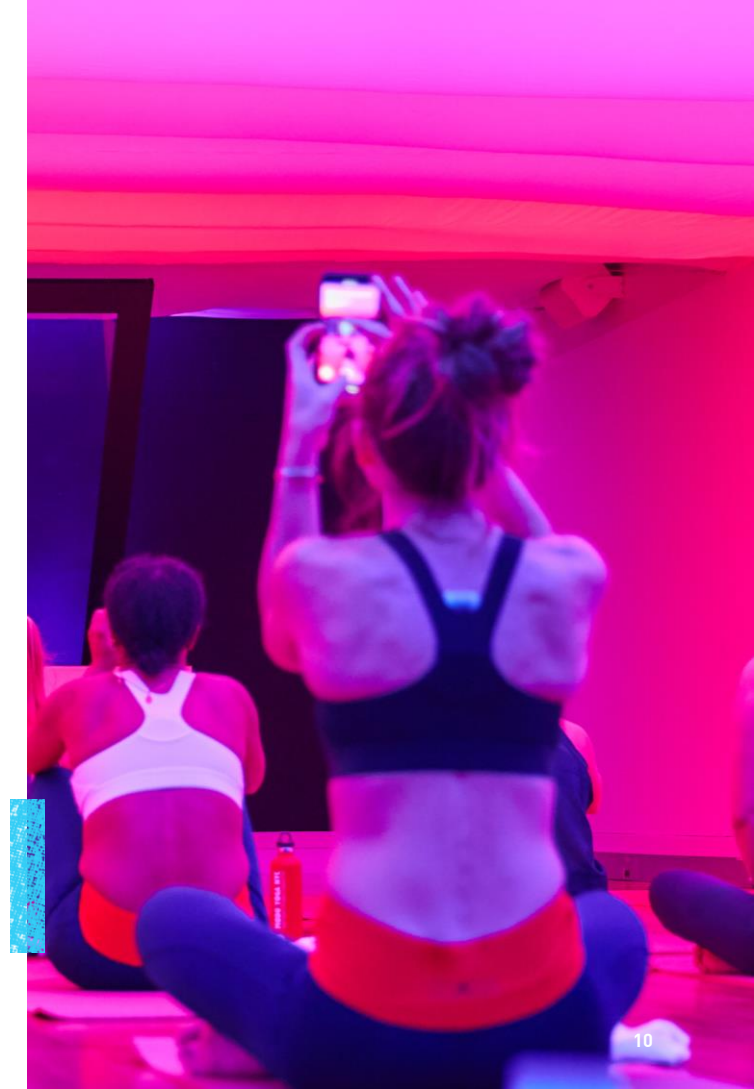
Timing of product launches

Weights on e-commerce growth in Q1 2018

adidas Shopping App launched in the US, UK and Germany

More than 1.5 million App downloads

Currency-neutral.



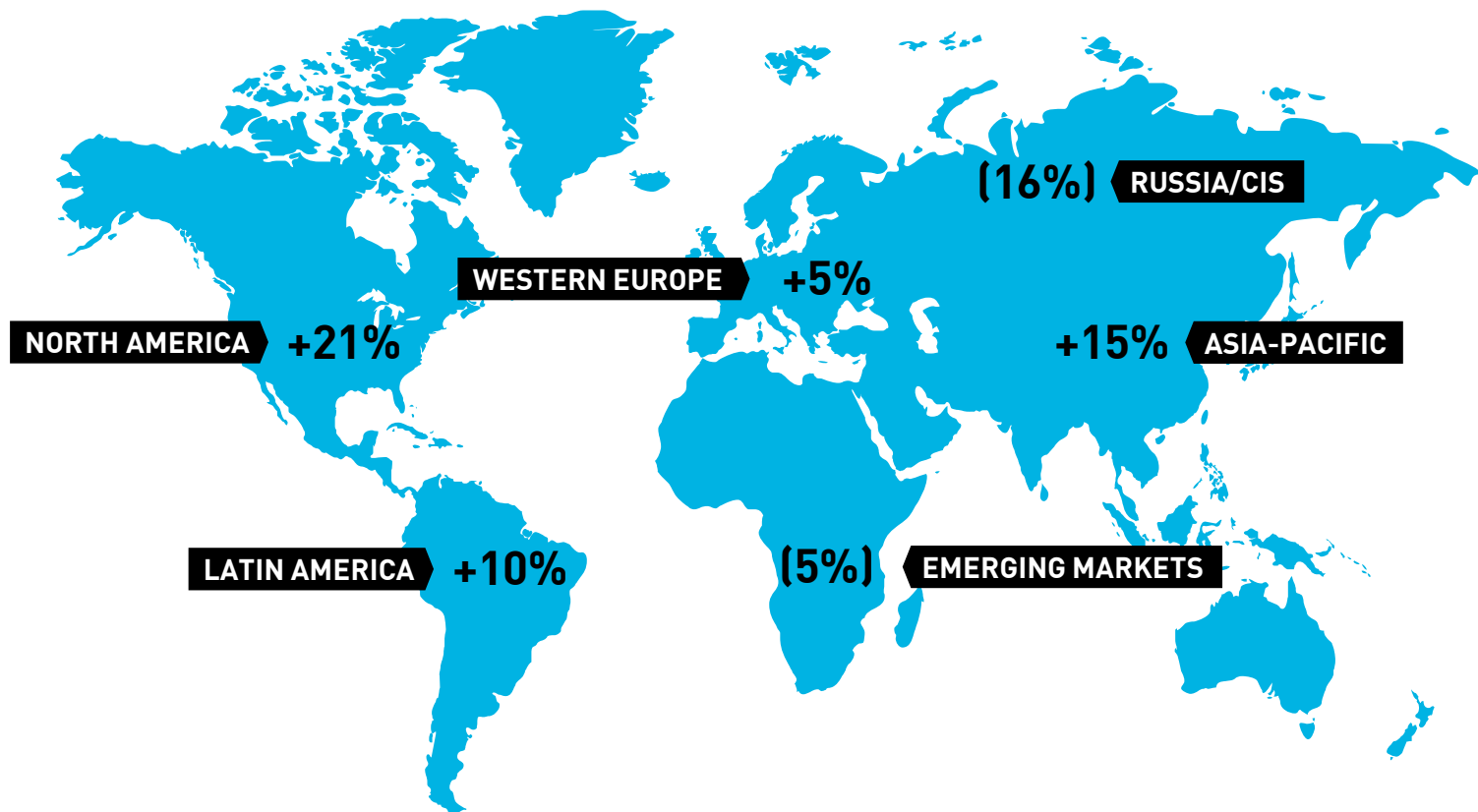
FINANCIAL HIGHLIGHTS

HARM OHLMEYER
CFO



BRAND MOMENTUM IN KEY REGIONS CONTINUES

NORTH AMERICA AND ASIA-PACIFIC WITH STRONG DOUBLE-DIGIT SALES INCREASES



NORTH AMERICA

EXCELLENT BRAND MOMENTUM CONTINUES

+21%

Currency-neutral sales increase 21%

adidas brand revenues up 23%

Driven by double-digit growth in all key categories

Reebok brand revenues grow 3%

Driven by sales increases in Running and Classics

Gross margin decreases 0.3pp to 37.8%

Negatively impacted by warehouse constraints in the prior year

Operating margin down 0.4pp to 9.5%

Mainly due to the gross margin decline



+15%

Currency-neutral sales increase 15%

adidas brand sales increase 17%

Double-digit growth in Running, Training, Basketball and Originals

Reebok brand revenues down 9%

Double-digit growth in Greater China offset by declines in Japan and South Korea

Gross margin up 0.2pp to 56.0%

Due to a more favorable pricing, channel and category mix

Operating margin down 0.2pp to 35.7%

Gross margin improvement more than offset by increase in OPEX in % of sales



WESTERN EUROPE

SLOWER GROWTH IN A VERY MATURE MARKET

+5%

Currency-neutral sales increase 5%

adidas brand revenues up 5%

Driven by significant growth in Football and Originals

Reebok brand sales increase 1%

On top of a 25% increase in the prior year period

Gross margin improves 1.0pp to 45.6%

Mainly driven by a more favorable pricing mix

Operating margin remains stable at 21.6%

Gross margin improvement offset by strong increase in brand investments



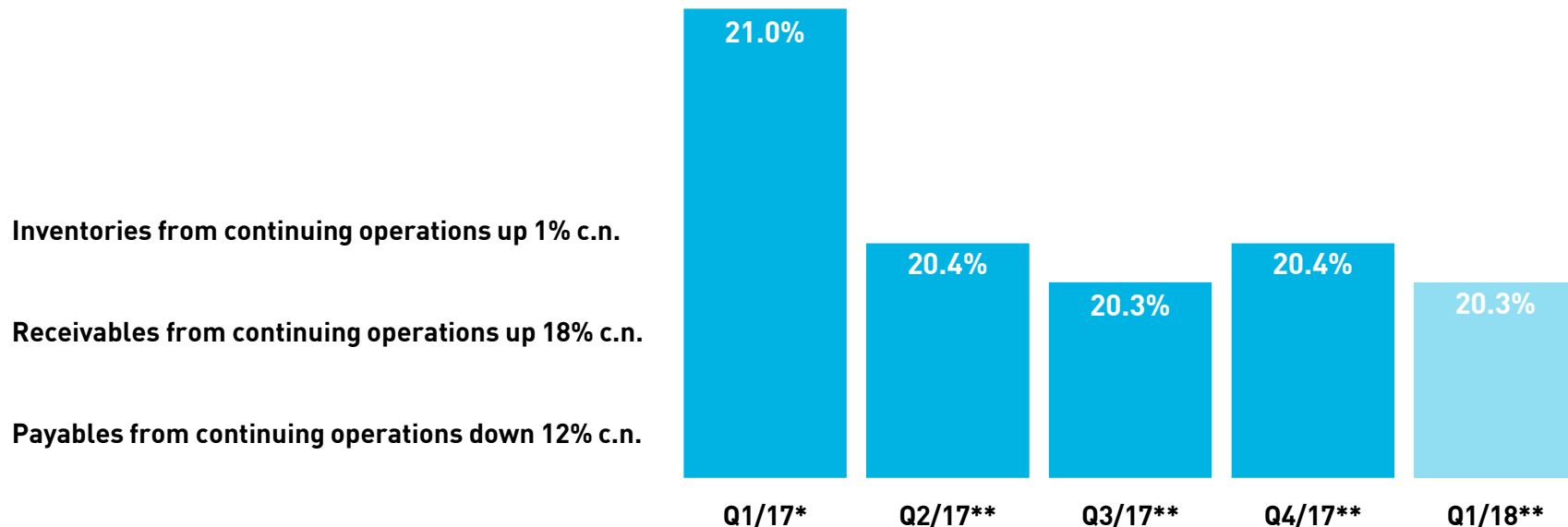
FINANCIAL RESULTS OVERVIEW

OPERATING MARGIN IMPROVEMENT DRIVEN BY GROSS MARGIN INCREASE AND OOH LEVERAGE

	Q1 2018	Q1 2017	Y-O-Y change
NET SALES (€ in millions)	5,548	5,447	+2%
GROSS MARGIN	51.1%	49.6%	+1.5pp
OTHER OPERATING INCOME (€ in millions)	56	28	+98%
OTHER OPERATING EXPENSES (€ in millions)	2,172	2,122	+2%
OTHER OPERATING EXPENSES (in % of sales)	39.1%	39.0%	+0.2pp
OPERATING PROFIT (€ in millions)	746	637	+17%
OPERATING MARGIN	13.4%	11.7%	+1.8pp
NET INCOME FROM CONTINUING OPERATIONS (€ in millions)	542	462	+17%
BASIC EPS FROM CONTINUING OPERATIONS (€)	2.65	2.29	+16%

AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 0.7PP TO 20.3%



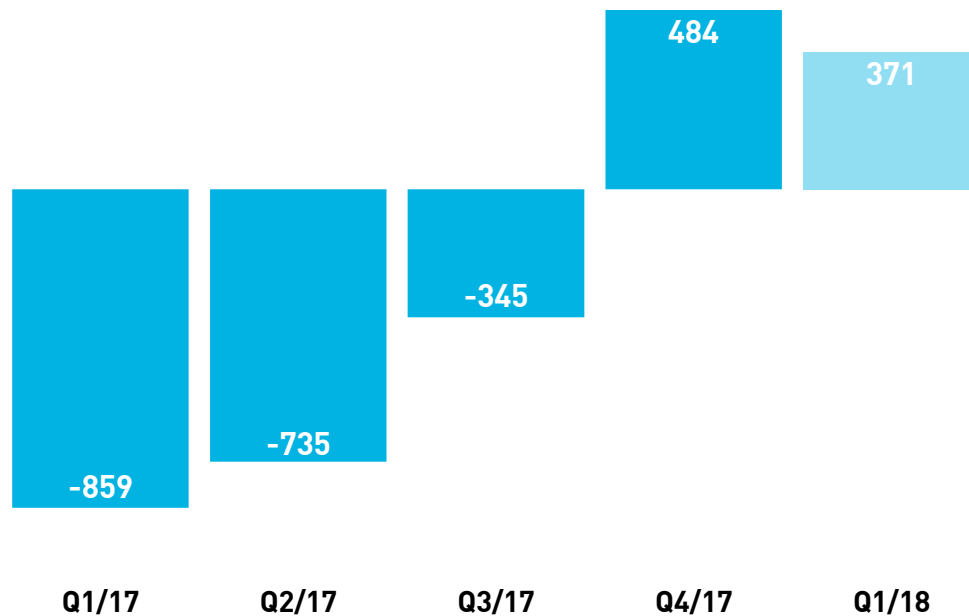
Average operating working capital in % of sales at quarter-end.

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

*** 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 € 371 MILLION

EQUITY RATIO IMPROVES 3.2PP TO 46.0%



SHAREHOLDER RETURN

SHARE BUYBACK PROGRAM INITIATED

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

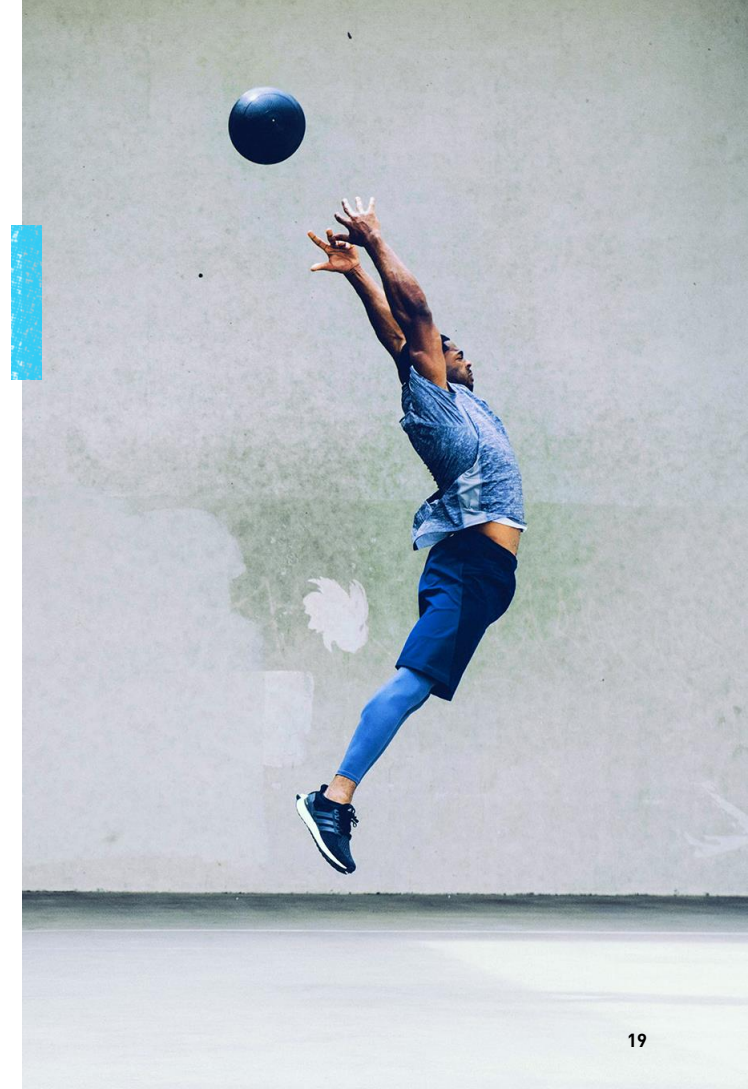
NUMBER OF SHARES PURCHASED*

641k adidas AG shares

4

AMOUNT PURCHASED*

€ 130 million



*As at April 30, 2018.

OUTLOOK

KASPER RORSTED
CEO



2018: IMPORTANT MILESTONE TOWARD 2020 TARGETS

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 Start leveraging scalable business model
- 5 Margin expansion and overproportionate net income growth



12 TEAMS

Biggest sports event in the world

Brand presence on the pitch in every single match

Driving brand desirability around the world

Connecting with consumers and football fans globally

Direct financial impact limited

Due to highly diversified category mix



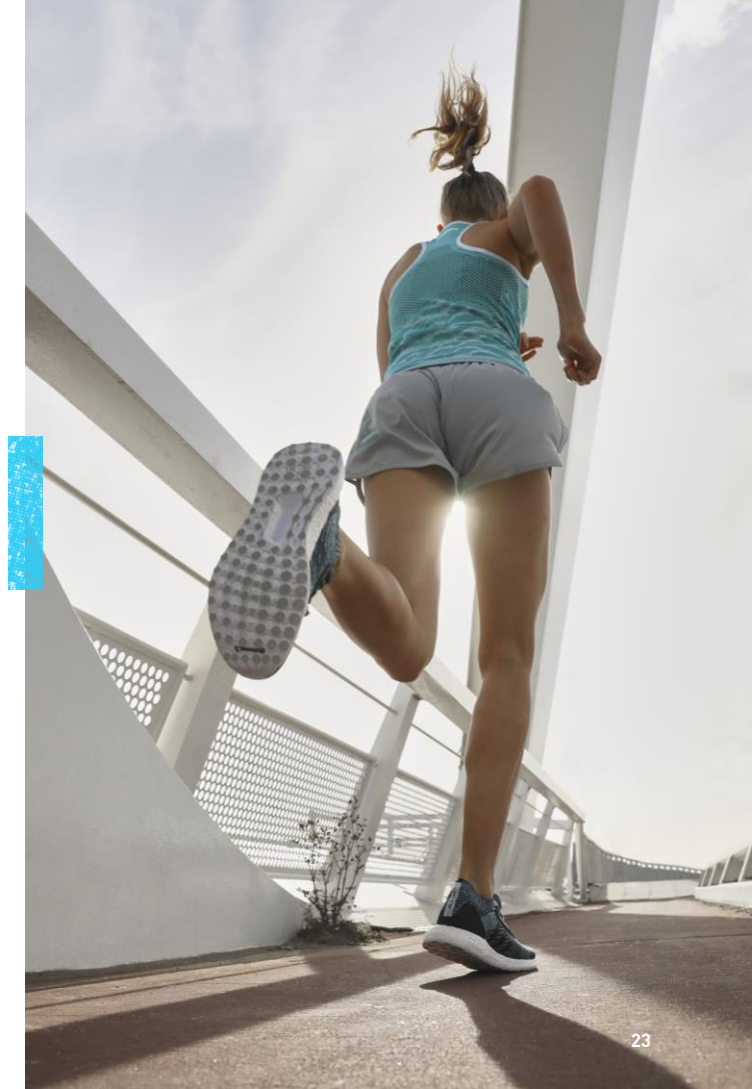
OUTLOOK 2018 CONFIRMED

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%

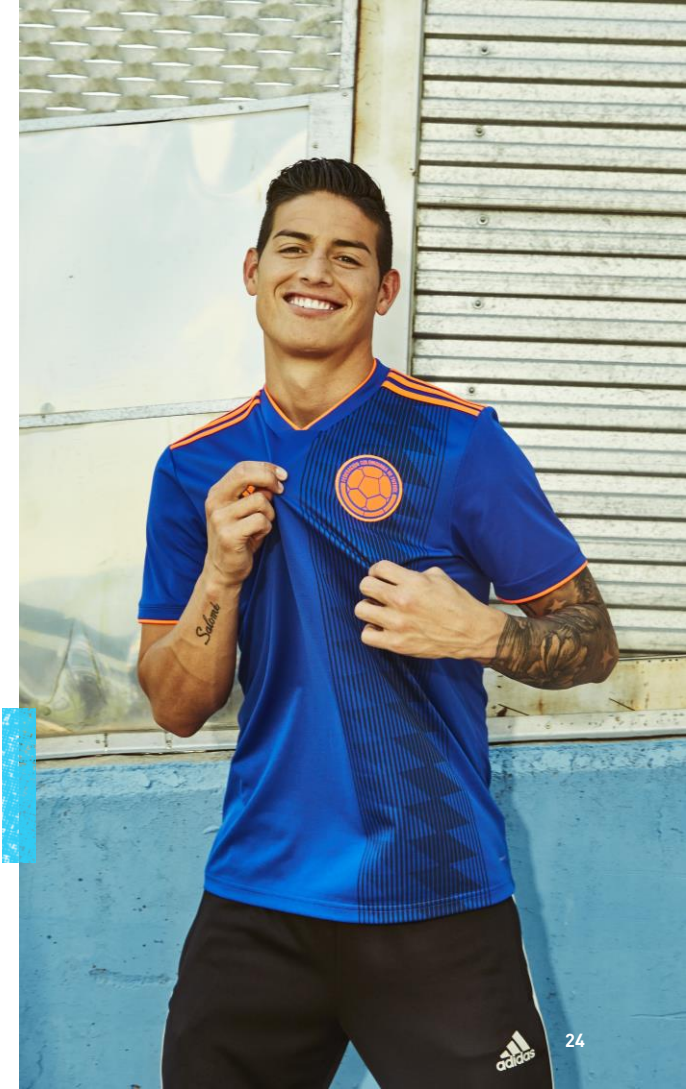
* Currency-neutral.

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



SUMMARY

- 1 Successful start to 2018 according to plan
- 2 Ongoing momentum in strategic growth areas, slowdown in Western Europe
- 3 Strong profitability improvements despite FX headwinds
- 4 Accelerated marketing investments to support brand and product
- 5 Focused execution of 'Creating the New'



Q&A

