



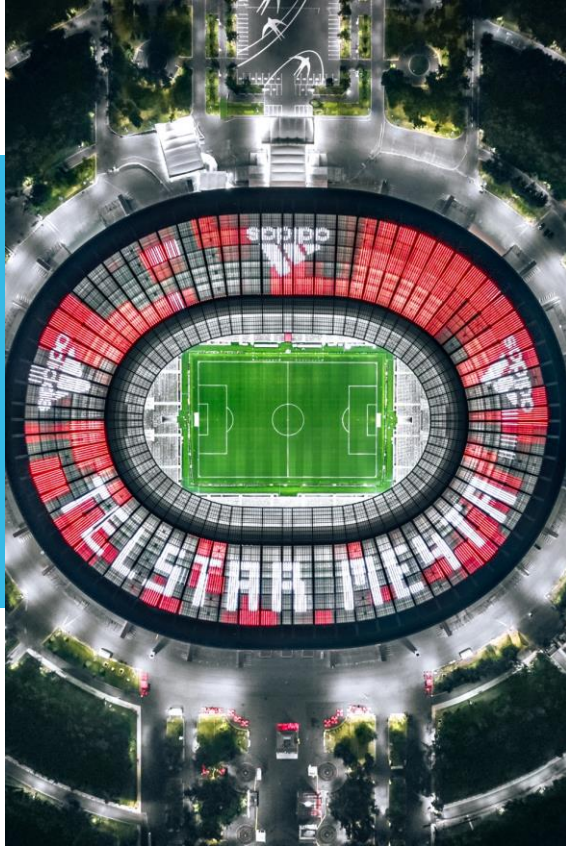
adidas

FY RESULTS

2018

Herzogenaurach,
March 13, 2019

CELEBRATING SPORT IN 2018



CELEBRATING 70 YEARS OF ADIDAS

70 YEARS OF ADIDAS

Founded in 1949 and been redefining sport ever since

STAYING TRUE TO OUR ROOTS

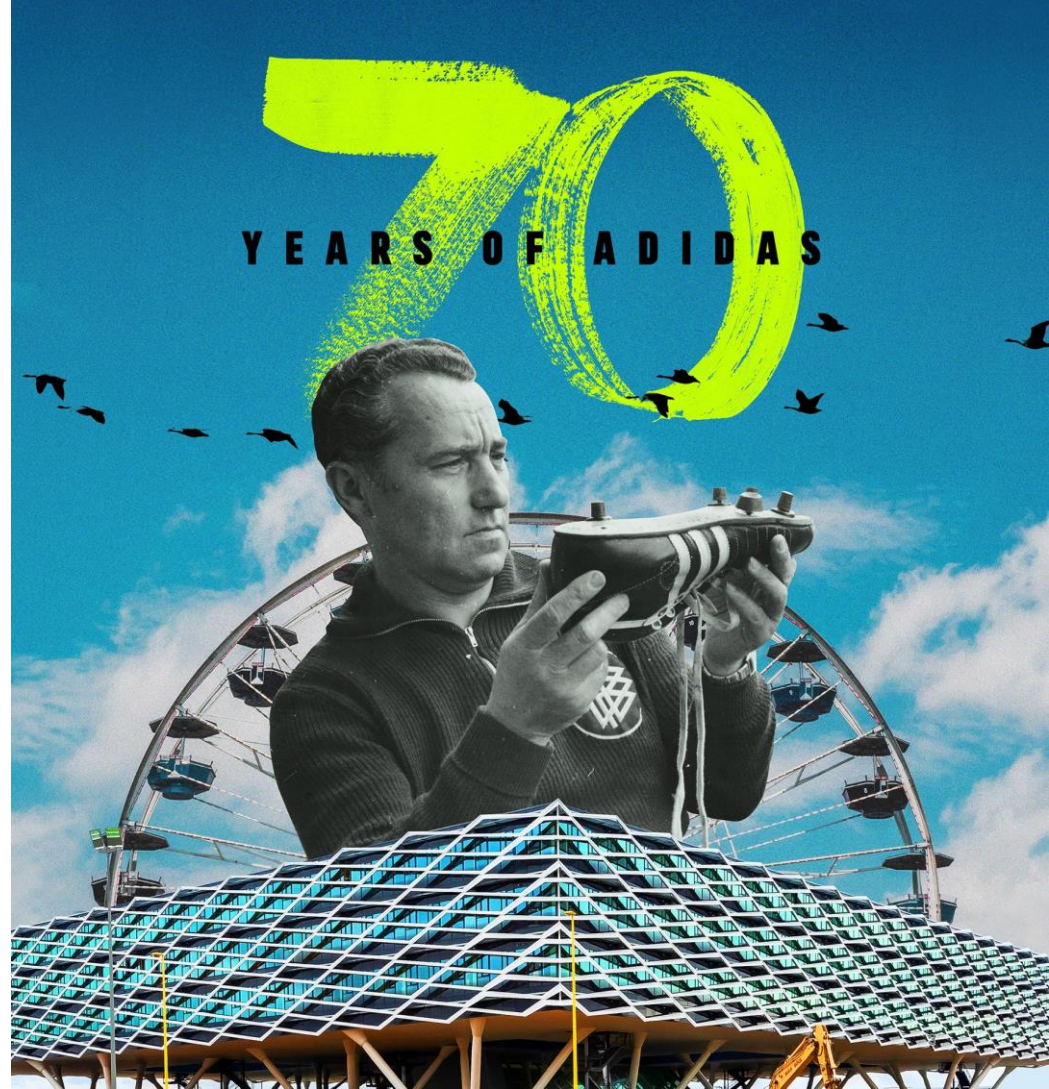
The global sports brand headquartered in Herzogenaurach

INVESTING INTO OUR HQ

Completion of Herzogenaurach campus expansion

INVESTING AROUND THE GLOBE

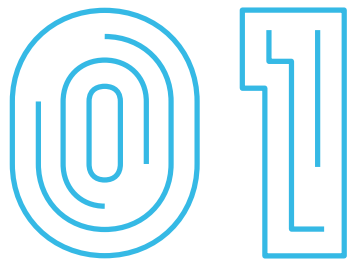
Portland expansion and Shanghai upgrade



AGENDA

- 01** STRATEGIC UPDATE
- 02** BUSINESS UPDATE
- 03** FINANCIAL UPDATE
- 04** OUTLOOK





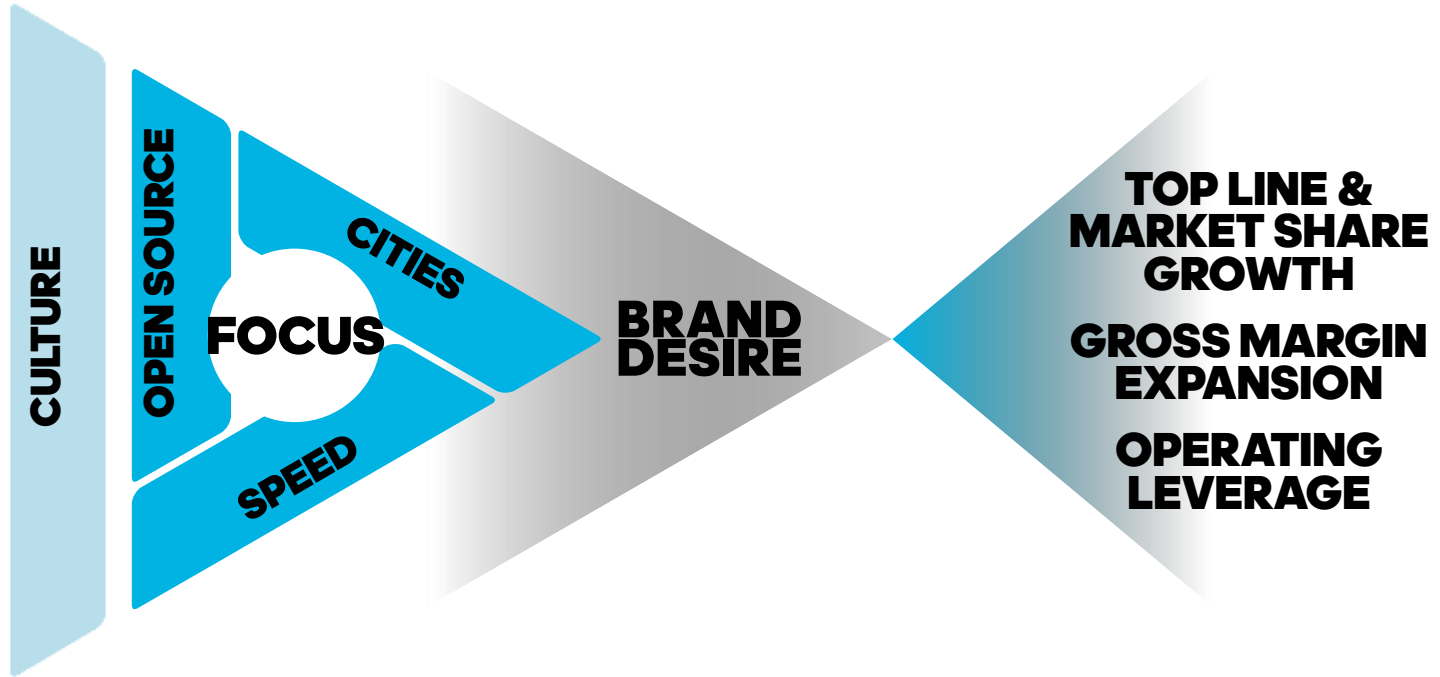
STRATEGIC UPDATE

KASPER RORSTED
CEO



'CREATING THE NEW'

FOCUS ON DRIVING BRAND DESIRABILITY



CULTURE

OUR FOUNDATION TO DRIVE VALUE CREATION

LIVING A PERFORMANCE CULTURE

New company-wide performance management system completes first annual cycle

ACTIVATING LEADERSHIP GROUPS

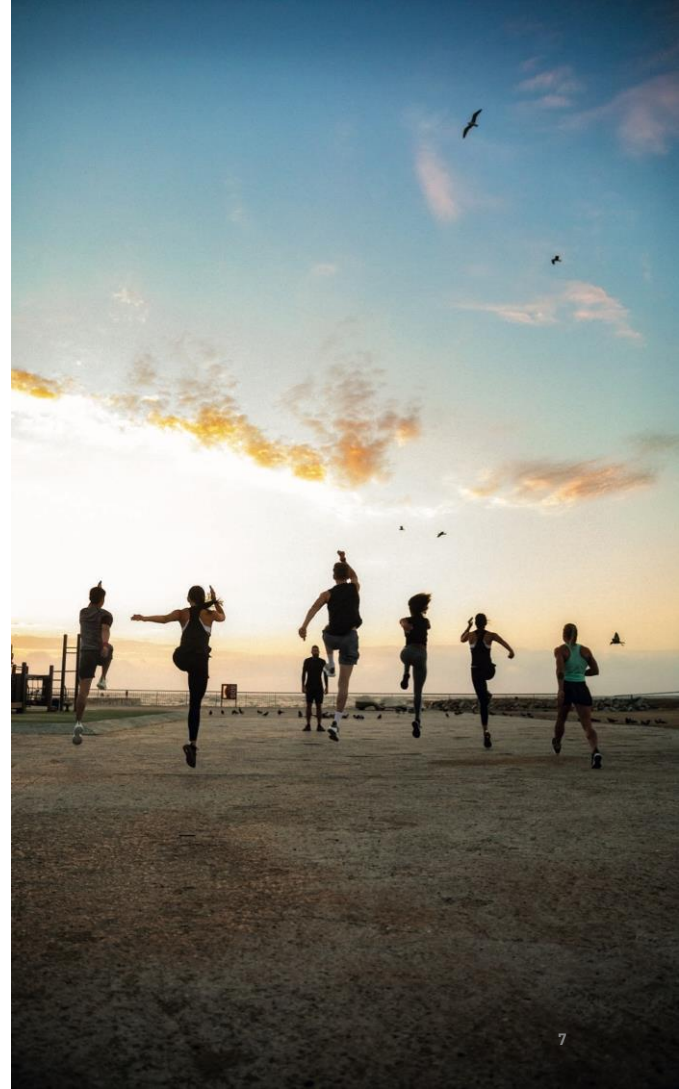
Strong leadership to improve cross-functional collaboration and decision making

ALIGNING WITH SHAREHOLDER INTERESTS

Through transparent and equity-based compensation for Executive Board and leaders

VALUING AND PROMOTING DIVERSITY

Continuously increasing the share of females in leadership positions



MARTIN SHANKLAND SUCCEEDS GIL STEYAERT

AS BOARD MEMBER RESPONSIBLE FOR GLOBAL OPERATIONS



STRATEGIC CHOICES

MAJOR WINS ACROSS ALL THREE STRATEGIC DIMENSIONS



Capitalizing on cultural and sporting moments to drive brand desirability

Utilizing Speedfactory to elevate relationships to consumers and partners alike



City-led activations including Republic of Sport in Shanghai and 747 in Los Angeles

Bringing the brand to life in new flagship stores in Shanghai and Paris



More than five million pairs of shoes made containing Parley Ocean Plastic in 2018

Democratizing Yeezy a big commercial and operational success story

'ACCELERATION PLAN'

EXECUTION DRIVES OPERATIONAL PROGRESS



Optimized performance across countries, categories and brands

Reebok back to profitability in 2018 thanks to 'Muscle Up'



Strong top-line growth with more diversified channel mix

Continued profitability improvements



Global non-trade procurement organization delivering results

More than doubled size of Global Business Solutions



App live in 25 countries and Creators Club launched in the US and Japan

Outstanding e-com growth and flawless execution of releases at scale

@2

BUSINESS UPDATE

KASPER RORSTED
CEO



DRIVING LONG-TERM SHAREHOLDER VALUE

2018 FINANCIAL HIGHLIGHTS

SIGNIFICANT NET SALES GROWTH

Currency-neutral increase of **8%**

Absolute net sales reach **€ 21.915 billion**

EXCELLENT PROFITABILITY IMPROVEMENTS

Operating margin up **1.1pp** to **10.8%**

Net income from continuing operations increases **20%** to **€ 1.709 billion**

CONTINUOUS CASH RETURNS TO SHAREHOLDERS

Dividend of **€ 3.35** per share proposed for 2018, **up 29%** versus prior year

Payout and buyback during 2018 bring **total cash returned** to **€ 1.5 billion**



Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses; excluding negative one-time tax impact of € 76 million in 2017. Dividend subject to Annual General Meeting approval.

STRENGTHS & WEAKNESSES

IN 2018



+

PROGRESS ACROSS ALL STRATEGIC GROWTH AREAS

North America, Greater China and e-com up double-digits

+

SIGNIFICANT GROWTH IN SPORT PERFORMANCE

Double-digit increases in Training and Running

+

BETTER-THAN-EXPECTED GROSS MARGIN

Focus on quality of top line paying off

+

STRONG PROFITABILITY IMPROVEMENT

While continuing to invest and compensating FX headwinds

+

REEBOK RETURNING TO PROFITABILITY

Despite top-line challenges

-

NO GROWTH IN EUROPE

Weighing on company's top-line growth

-

CHALLENGES IN LIFESTYLE KEY ACCOUNTS

New products not fully meeting expectations

-

ORIGINALS NORMALIZING FROM EXTRAORDINARY GROWTH

Reflecting managed decline of Superstar and Stan Smith

-

OPEX LEVERAGE MASKED BY INVESTMENTS

Investments into brand and scalability to pay off long-term

P&L HIGHLIGHTS

IN 2018

REVENUES INCREASE 8% CURRENCY-NEUTRAL

and 3% in euro terms to € 21.915 billion

GROSS MARGIN UP 1.4PP TO 51.8%

despite severe FX headwinds

OPERATING MARGIN UP 1.1PP TO 10.8%

while strongly increasing marketing investment

NET INCOME FROM CONTINUING OPERATIONS INCREASES 20%

to € 1.709 billion

BASIC EPS FROM CONTINUING OPERATIONS UP 20%

to € 8.46



Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses and exclude negative one-time tax impact of € 76 million in 2017.

DOUBLE-DIGIT INCREASES IN STRATEGIC GROWTH AREAS IN 2018

ADIDAS NORTH AMERICA

On top of a 35% increase in 2017

Doubled the business within three years

+17%

GREATER CHINA

On top of a 29% increase in 2017

Doubled the business within four years

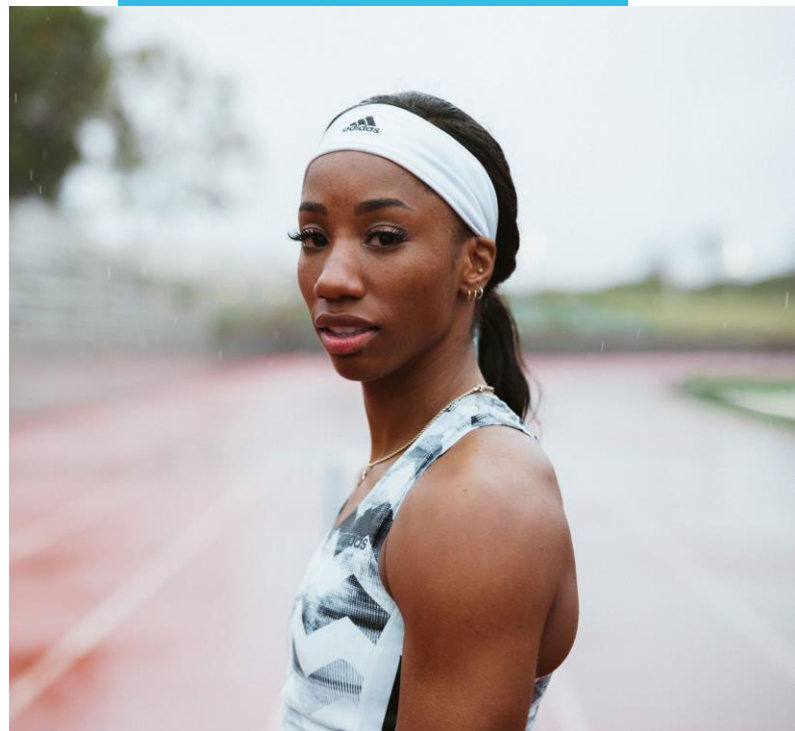
+23%

E-COMMERCE

On top of a 57% increase in 2017

Doubled the business within two years

+36%



ADIDAS BRAND GROWS 9% IN 2018

DOUBLE-DIGIT INCREASE IN NORTH AMERICA AND ASIA-PACIFIC



SPORT PERFORMANCE GROWS 9%

Driven by double-digit growth in Training and Running

SPORT INSPIRED GROWS 11%

Reflecting exceptional Yeezy growth

BROAD-BASED GROWTH

Low-double-digit increase in apparel and high-single-digit gain in footwear



REEBOK RETURNS TO PROFITABILITY

FURTHER PROGRESS ON EXECUTING 'MUSCLE-UP' INITIATIVES

+ 3.0 PP

REEBOK REVENUES DECREASE 3%

Double-digit growth in Classics offset by decline in Sport

GROSS MARGIN UP 3.0PP TO 43.7%

Driven by further implementation of design-to-value approach

BACK TO PROFITABILITY

More than € 150 million profit uplift within just two years



EXCEPTIONAL GROWTH IN E-COM LEVERAGING OUR BIGGEST STORE

+36%

E-COMMERCE REVENUES GROW 36%

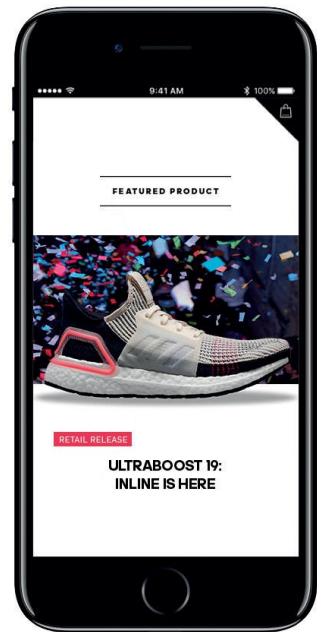
Driven by double-digit growth across all regions

LAUNCH OF CREATORS CLUB IN THE US AND JAPAN

Driving traffic and engagement rates

ADIDAS APP NOW LIVE IN 25 COUNTRIES

More than 7 million downloads by the end of 2018



2018 IN REVIEW

RESILIENCE IN TIMES OF HEADWINDS



Grew currency-neutral sales at a high-single-digit rate

Despite challenges in Europe and managed decline of Stan Smith and Superstar



Increased gross margin by 1.4pp to new record level of 51.8%

Despite more than 1pp of transactional FX headwind



Expanded operating margin by 1.1pp to new record level of 10.8%

Despite a € 0.3 billion increase in marketing investments



Delivered 20% bottom-line growth

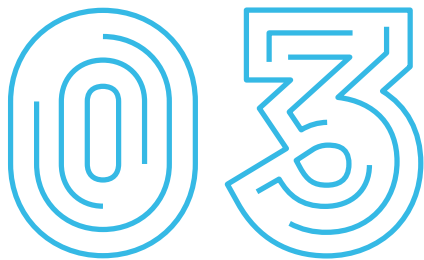
Despite FX translation reducing nominal sales growth by € 1.0 billion



Exited the year with clean inventories

Despite some products and markets not meeting initial expectations





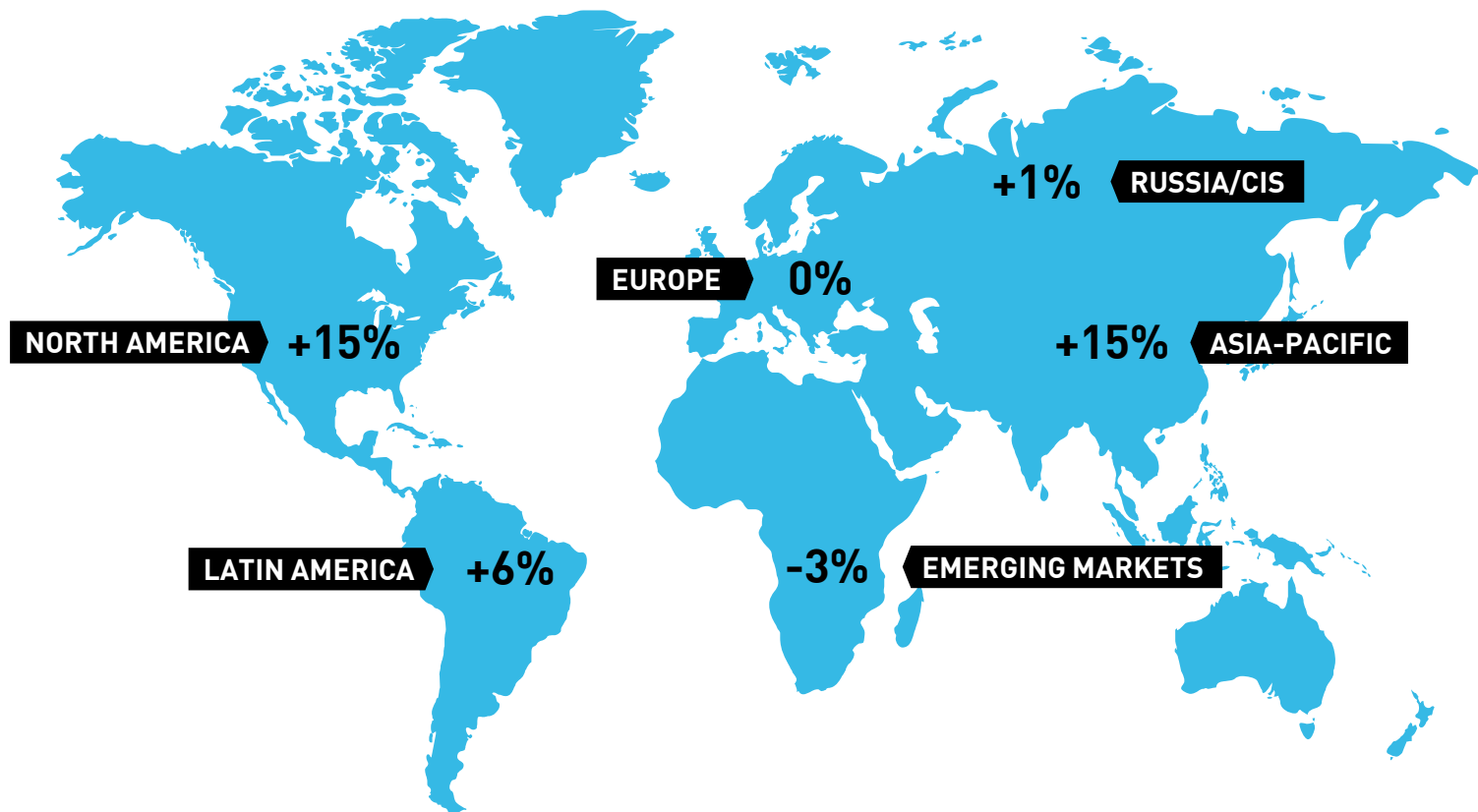
FINANCIAL UPDATE

HARM OHLMEYER
CFO



GROWTH BY MARKET SEGMENT

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



NORTH AMERICA

STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS

+15%

Currency-neutral sales increase 15%

adidas brand revenues up 17%

Driven by double-digit growth in both Sport Performance and Sport Inspired

Reebok brand revenues flat

Growth in US offset by decline in Canada

Gross margin increases 1.7pp to 41.2%

Mainly driven by an improved pricing, product and channel mix

Operating margin increases 3.9pp to 14.9%

On the back of gross margin expansion as well as operating leverage



ASIA-PACIFIC

STRONG DOUBLE-DIGIT GROWTH DRIVEN BY GREATER CHINA

+15%

Currency-neutral sales increase 15%

adidas brand sales increase 16%

Driven by double-digit growth in both Sport Performance and Sport Inspired

Reebok brand revenues up 3%

Decline in Sport compensated by high-single-digit growth in Classics

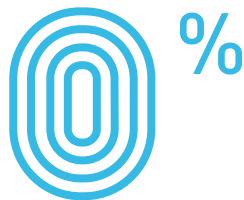
Gross margin up 0.5pp to 56.2%

Better pricing, product and channel mix compensates for FX headwinds

Operating margin down 0.3pp to 32.7%

Opex investments offset gross margin expansion





Currency-neutral sales remain stable

adidas brand revenues remain stable

Growth in Sport Inspired offset by low-single-digit declines in Sport Performance

Reebok brand sales decrease 3%

Mid-single-digit sales growth in Classics offset by a decline in Sport

Gross margin improves 2.0pp to 47.7%

Despite significant negative FX impact as focus on quality of top line pays off

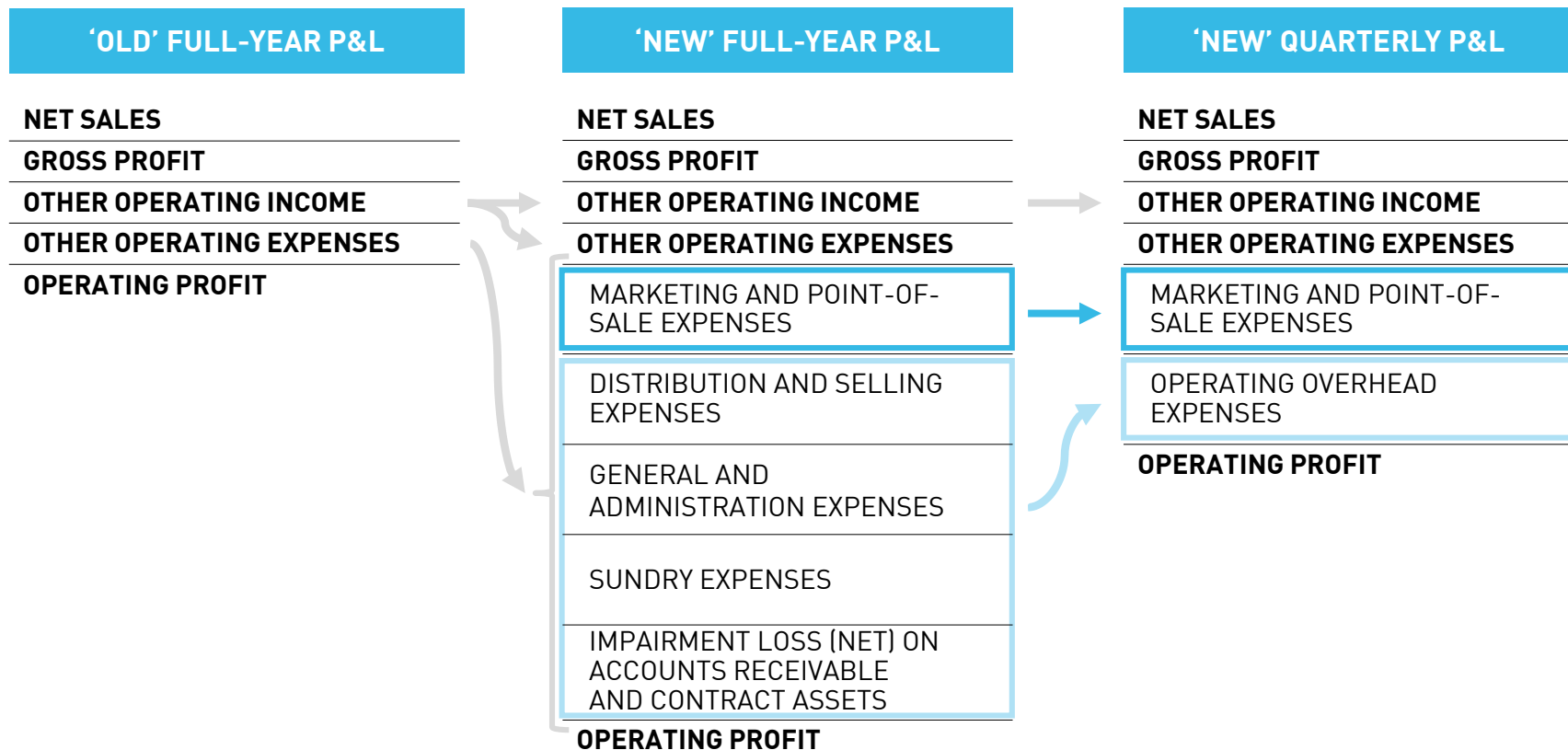
Operating margin is down 0.1pp to 20.0%

Gross margin improvement offset by higher opex



NEW P&L STRUCTURE

MORE GRANULAR VIEW OF OPERATING EXPENSES IN CONTEXT OF IFRS 9 ADOPTION



P&L OVERVIEW

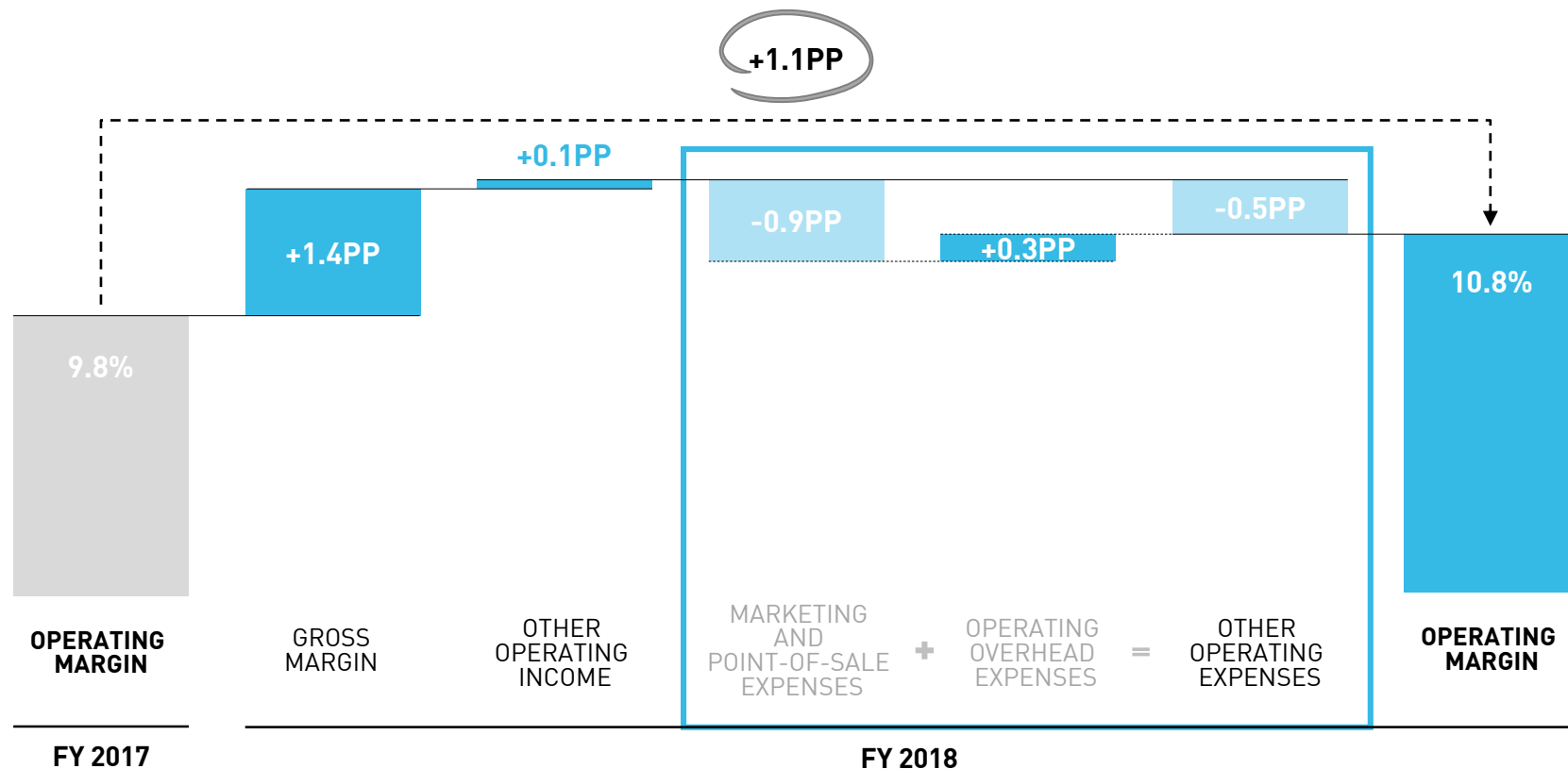
2018 RESULTS IN NEW P&L STRUCTURE

(€ in millions)	FY 2018	FY 2017	Y-O-Y
NET SALES	21,915	21,218	+3%
GROSS MARGIN	51.8%	50.4%	+1.4pp
OTHER OPERATING INCOME	48	17	+188%
OTHER OPERATING EXPENSES	9,172	8,766	+5%
<i>(in % of sales)</i>	41.9%	41.3%	+0.5pp
MARKETING AND POINT-OF-SALE EXPENSES	3,001	2,724	+10%
<i>(in % of sales)</i>	13.7%	12.8%	+0.9pp
OPERATING OVERHEAD EXPENSES	6,171	6,042	+2%
<i>(in % of sales)</i>	28.2%	28.5%	-0.3pp
OPERATING PROFIT	2,368	2,070	+14%
OPERATING MARGIN	10.8%	9.8%	+1.1pp
NET INCOME from continuing operations	1,709	1,430	+20%
BASIC EPS from continuing operations (€)	8.46	7.05	+20%

Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses and exclude negative one-time tax impact of € 76 million in 2017.

STRONG PROFITABILITY INCREASE

OPERATING MARGIN UP 1.1PP TO 10.8%



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

AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 1.4PP TO 19.0%

Inventories down 5% c.n.

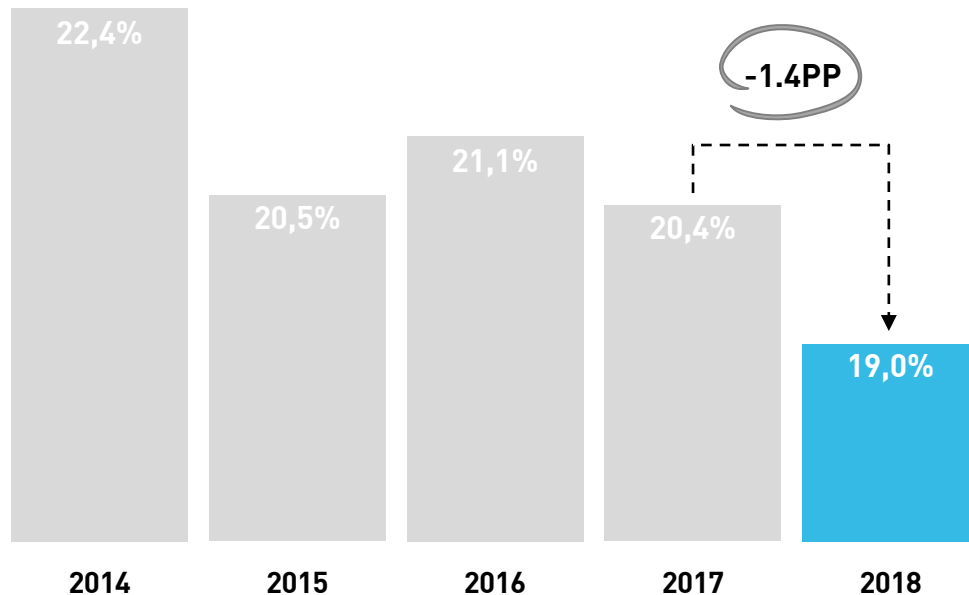
As a result of tight inventory management

Receivables up 5% c.n.

Reflecting top-line development

Payables up 17% c.n.

Due to improved terms with vendors



Average operating working capital = sum of operating working capital at quarter-end / 4.

2018, 2017 and 2016 figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.

2015 and 2014 figures reflect continuing operations as a result of the divestiture of the Rockport business.

NET CASH AND EQUITY POSITION

EQUITY RATIO AT 40.8%

Net cash position

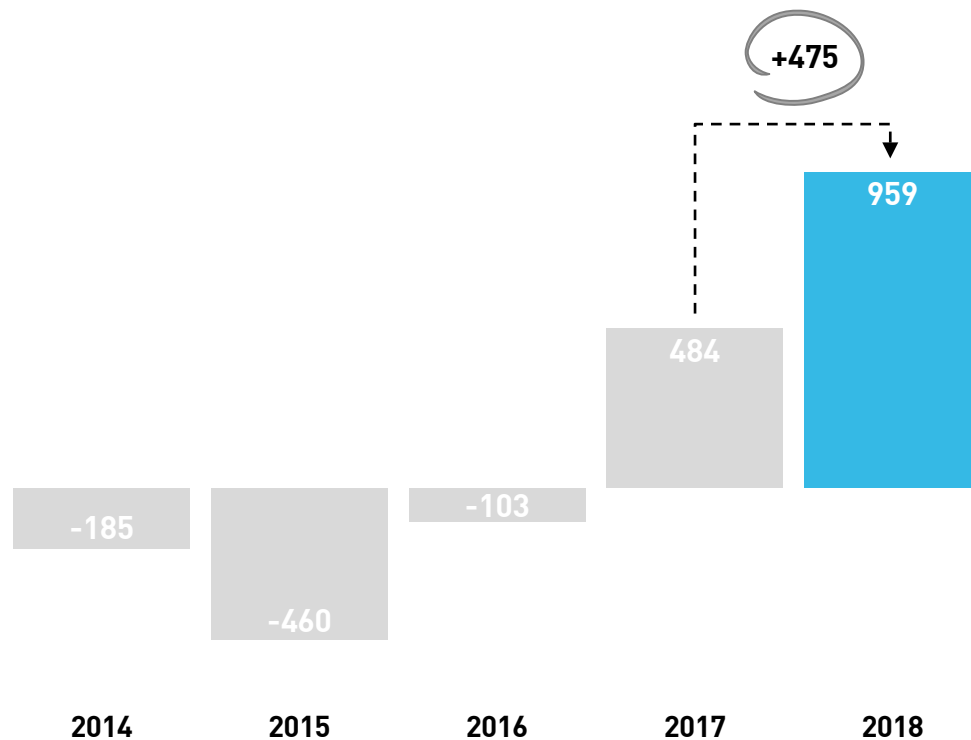
At € 959 million

Equity position

Increases € 344 million year-on-year

Equity ratio

Decreases 2.2pp year-on-year to 40.8%



CAPITAL EXPENDITURE

ALMOST € 800 MILLION INVESTED TO DRIVE PROFITABLE GROWTH



Investments in new or remodeled own-retail and franchise stores

Leveraging shop-in-shop presentations in our customers' stores



Digitalizing the end-to-end creation-to-shelf value chain

Investing into warehouse infrastructure in North America, Asia-Pacific and Europe



Major development of our global headquarters in Herzogenaurach, Germany

Continued expansion of our US headquarters in Portland, Oregon

CASH RETURN TO SHAREHOLDERS

DIVIDEND MORE THAN DOUBLED SINCE 2015

PROPOSED DIVIDEND

Dividend of **€ 3.35** per share proposed for 2018, **up 29%** versus prior year

Payout ratio of 39.0% (2017: 37.0%) within our 30%-50% target corridor

€ 1.5 BILLION CASH RETURNED IN 2018

First tranche of current buyback with volume of **€ 1.0 billion** concluded in 2018

Dividend payment of **€ 0.5 billion** in 2018

ANOTHER € 1.5 BILLION TO BE RETURNED IN 2019

Second tranche of current buyback live with volume of up to **€ 0.8 billion** in 2019





Proposed dividend equals payout of approximately **€ 0.7 billion** in 2019

Dividend for 2018 subject to Annual General Meeting approval; dividend payout ratio for 2018 based on net income from continuing operations and number of shares outstanding at the date of preparation of the Consolidated Financial Statements.



IFRS 16 APPLIED AS OF JANUARY 1, 2019

ESTIMATED 2019 P&L IMPACT

(€ in millions)	FY 2019 ESTIMATED EFFECT	
RENT EXPENSE		Decrease as lease expense to be recognized as depreciation and amortization
DEPRECIATION & AMORTIZATION		Increase due to depreciation of capitalized operating lease assets
OPERATING PROFIT	~ +10	Increase as lease expense is replaced by depreciation and interest
FINANCIAL EXPENSE		Increase due to interest cost component booked in financial result
INCOME TAXES		Lower in first years due to higher deferred tax assets
NET INCOME from continuing operations	~ -35	Lower due to higher interest during first years; neutral over time

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OUTLOOK

KASPER RORSTED
CEO



SUPPLY CHAIN SHORTAGES

TO IMPACT TOP-LINE TRAJECTORY IN 2019

CHALLENGE

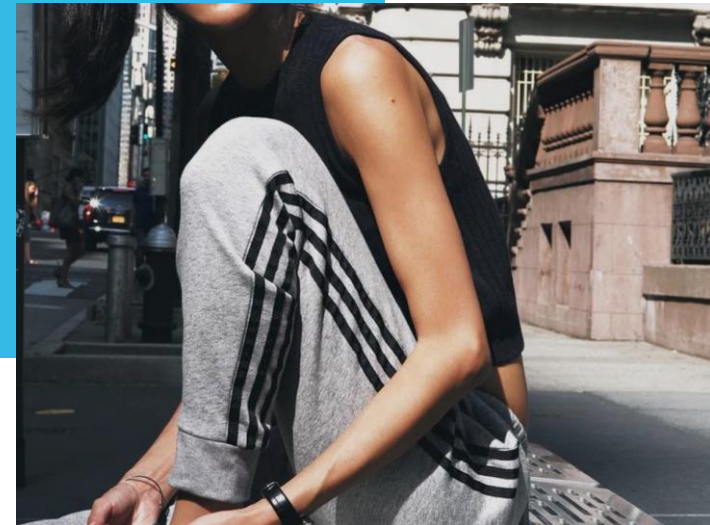
Excess demand for mid-priced apparel leading to substantial increase in volume
Unable to immediately cover demand in full due to supply chain shortages

MITIGATION

Reallocating capacity short-term and acquiring capacity mid-term
Conducting demand level-loading and executing US prioritization

IMPACT

Estimated 1pp-2pp negative impact on company's full-year sales growth
Impact to be felt particularly in North America in H1



2019 FOCUS AREAS

ANOTHER IMPORTANT MILESTONE TOWARD 2020 TARGETS



Leveraging multiple dimensions of innovation

To drive high-quality top- and bottom-line growth



Continuing to invest with impact

Into brand desire and scalable business model



Tackling challenges decisively

Return Europe to growth and mitigate supply shortages



Delivering overproportionate net income growth

On the back of sustainable operating margin expansion



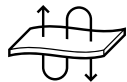
LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION

TO DRIVE HIGH-QUALITY TOP- AND BOTTOM-LINE GROWTH

INNOVATION



EVOLVING **ICONS** FROM THE **PAST** AND BUILDING ICONS OF THE **FUTURE**



SCALING **GROUNDBREAKING TECHNOLOGY**



ENTERING **UNCHARTED TERRITORY IN MATERIALS**



COLLABORATING AND **BREAKING THE RULES** OF THE GAME



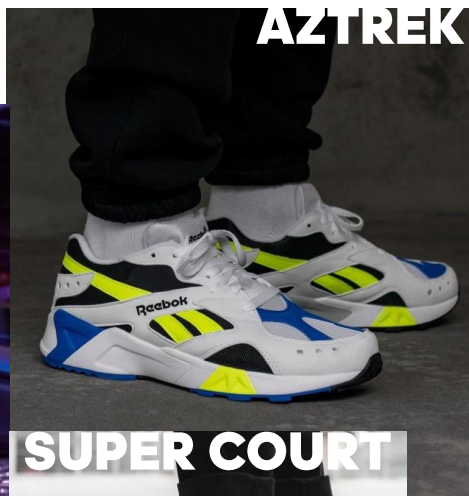
REDEFINING **ACTIVATION** AND **ENGAGING CONSUMERS** FAST AND AT SCALE



WINNING WITH THE WINNERS GLOBALLY AND LOCALLY

EVOLVING ICONS FROM THE PAST

MULTIPLE DIMENSIONS OF INNOVATION



BUILDING ICONS OF THE FUTURE
MULTIPLE DIMENSIONS OF INNOVATION



FREE HIKER



N3XT L3V3L

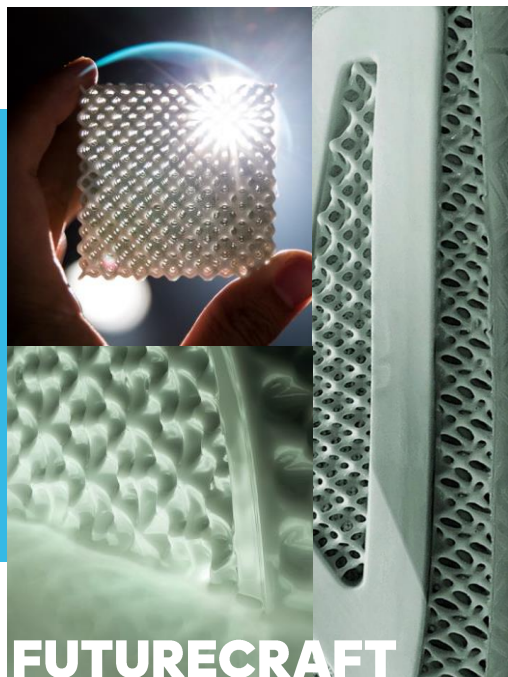


SLEEK



SCALING GROUNDBREAKING TECHNOLOGY

MULTIPLE DIMENSIONS OF INNOVATION



FUTURECRAFT



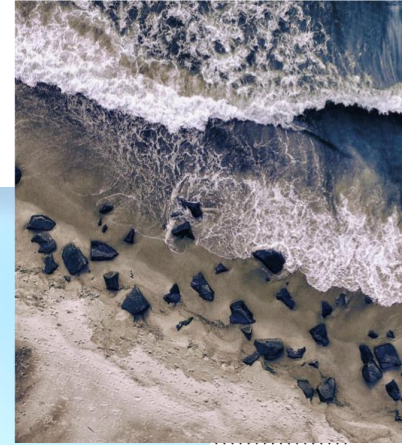
ALPHAEDGE 4D



ZX4000

ENTERING UNCHARTED TERRITORY IN MATERIALS

MULTIPLE DIMENSIONS OF INNOVATION



BREAKING THE RULES OF THE GAME

MULTIPLE DIMENSIONS OF INNOVATION



YEEZY BOOST 350

YEEZY BOOST 700

COLLABORATING LIKE IT'S NEVER BEEN DONE BEFORE

MULTIPLE DIMENSIONS OF INNOVATION



STATION F

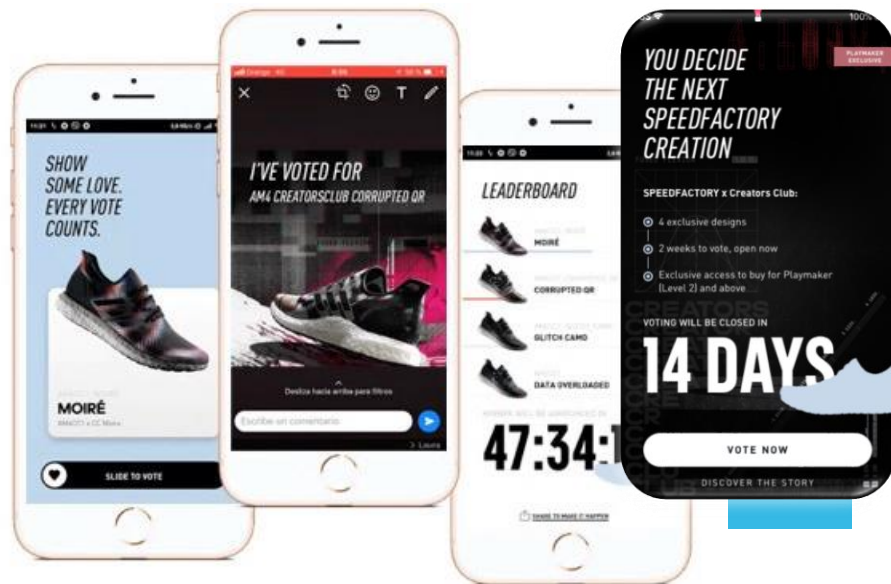
WINNING WITH THE WINNERS GLOBALLY AND LOCALLY

MULTIPLE DIMENSIONS OF INNOVATION

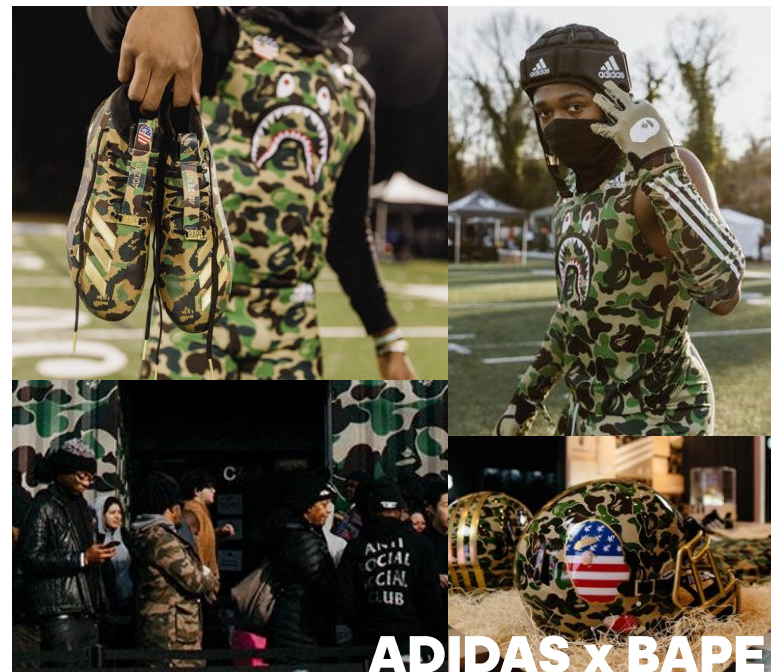


REDEFINING ACTIVATION

MULTIPLE DIMENSIONS OF INNOVATION

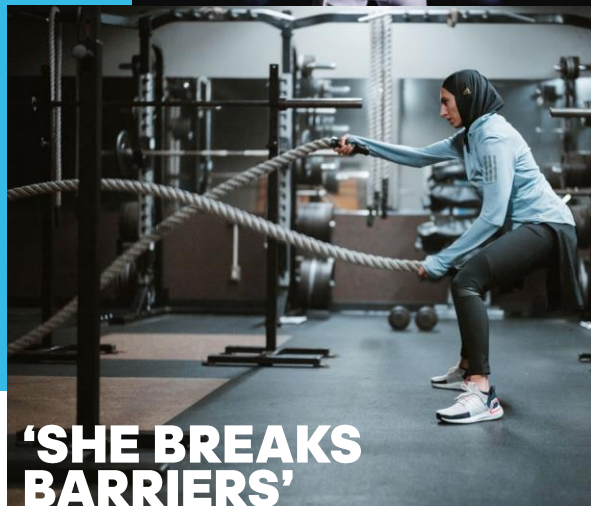


SPEEDFACTORY x CREATORS CLUB



ADIDAS x BAPE

CONTINUING TO INVEST
TO DRIVE BRAND DESIRABILITY



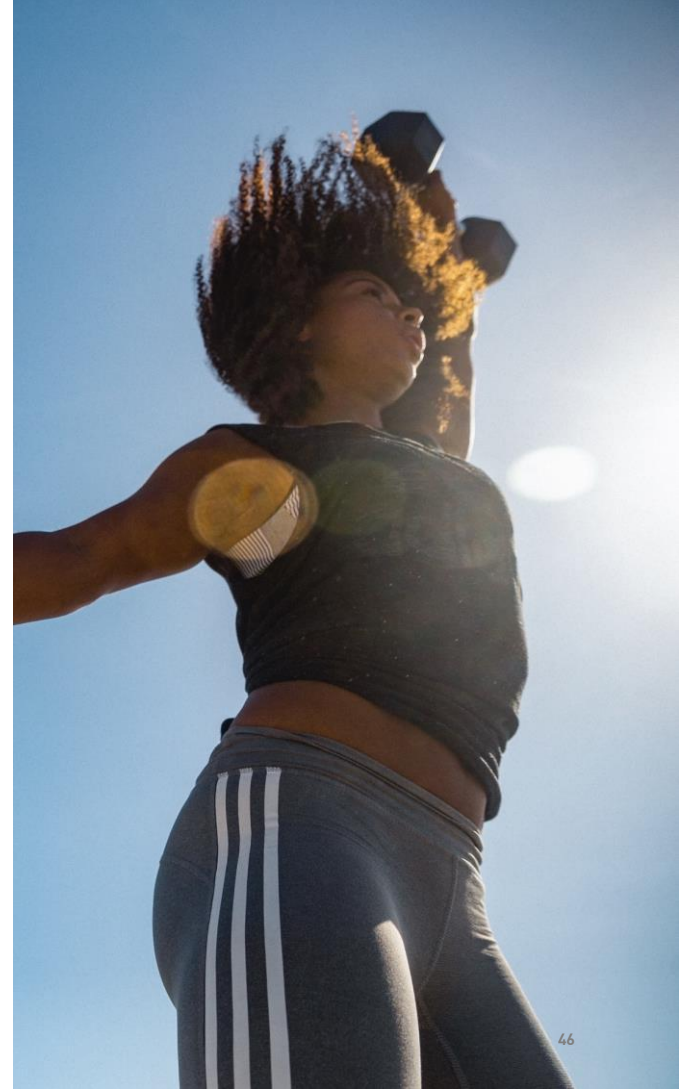
OUTLOOK 2019

DRIVING DOUBLE-DIGIT BOTTOM-LINE GROWTH

	GUIDANCE EXCL. IFRS 16	GUIDANCE INCL. IFRS 16**
Net sales*	Increase of 5% – 8%	
Gross margin	Increase to around 52.0%	
Operating margin	Increase of 0.5pp – 0.7pp to around 11.3% – 11.5%	
Net income from continuing operations	Increase of 10% – 14% to € 1.880 – € 1.950 billion	Increase of 8% – 12% to € 1.845 – € 1.915 billion

* Currency-neutral.

** Estimated impact from accounting change according to IFRS 16 based on lease contracts as of January 1, 2019.



FINANCIAL AMBITION 2020

CONFIRMED ✓

Target KPIs 2020	March 2018	March 2017	March 2015
Net sales growth CAGR 2015-2020 c.n.	10% – 12%	10% – 12%	high-single-digit
Net income* CAGR 2015-2020	22% – 24%	20% – 22%	~15%
Net sales (€ in billions)	25 - 27	25 - 27	~22
E-commerce (€ in billions)	4	4	2
Operating margin	up to 11.5%	11%	~9.9%

Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses and exclude negative one-time tax impact of € 76 million in 2017.



THREE YEARS INTO 'CREATING THE NEW'

TAKING STOCK

NET SALES

€ 21.9 billion in 2018

+ € 5.0 BN

MARKETING INVESTMENT

€ 3 billion in 2018

+ € 0.7 BN

OPERATING MARGIN

10.8% in 2018

+ 4.3 PP

NET INCOME

€ 1.7 billion in 2018

+ € 1.0 BN

2018 compared to 2015; figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.



SUMMARY

- 1 **Successful 2018 another important milestone toward 2020**
- 2 **Further investing in people, infrastructure and our brands**
- 3 **Staying the course while actively addressing challenges**
- 4 **2019 another year of high-quality top- and bottom-line growth**
- 5 **Focus on relentless execution of 'Creating the New'**



Q&A





adidas

FY RESULTS

2018

Herzogenaurach,
March 13, 2019