

Herzogenaurach, August 7, 2014

adidas
GROUP



FOR THE LOVE OF SPORT



Analyst Presentation

First Half Year 2014 Results



Reebok

TaylorMade



Adams

ASHWORTH

ROCKPORT

CCM





Introduction

John Paul O'Meara

SVP Strategy/Investor Relations





OPERATIONAL HIGHLIGHTS

Herbert Hainer

adidas Group CEO



adidas Group Sales Up 10% Currency-Neutral In Q2

- 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



Sales Increase Across All Regions In Q2



2014 FIFA World Cup™ Boosts Sales In Latin America



- 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

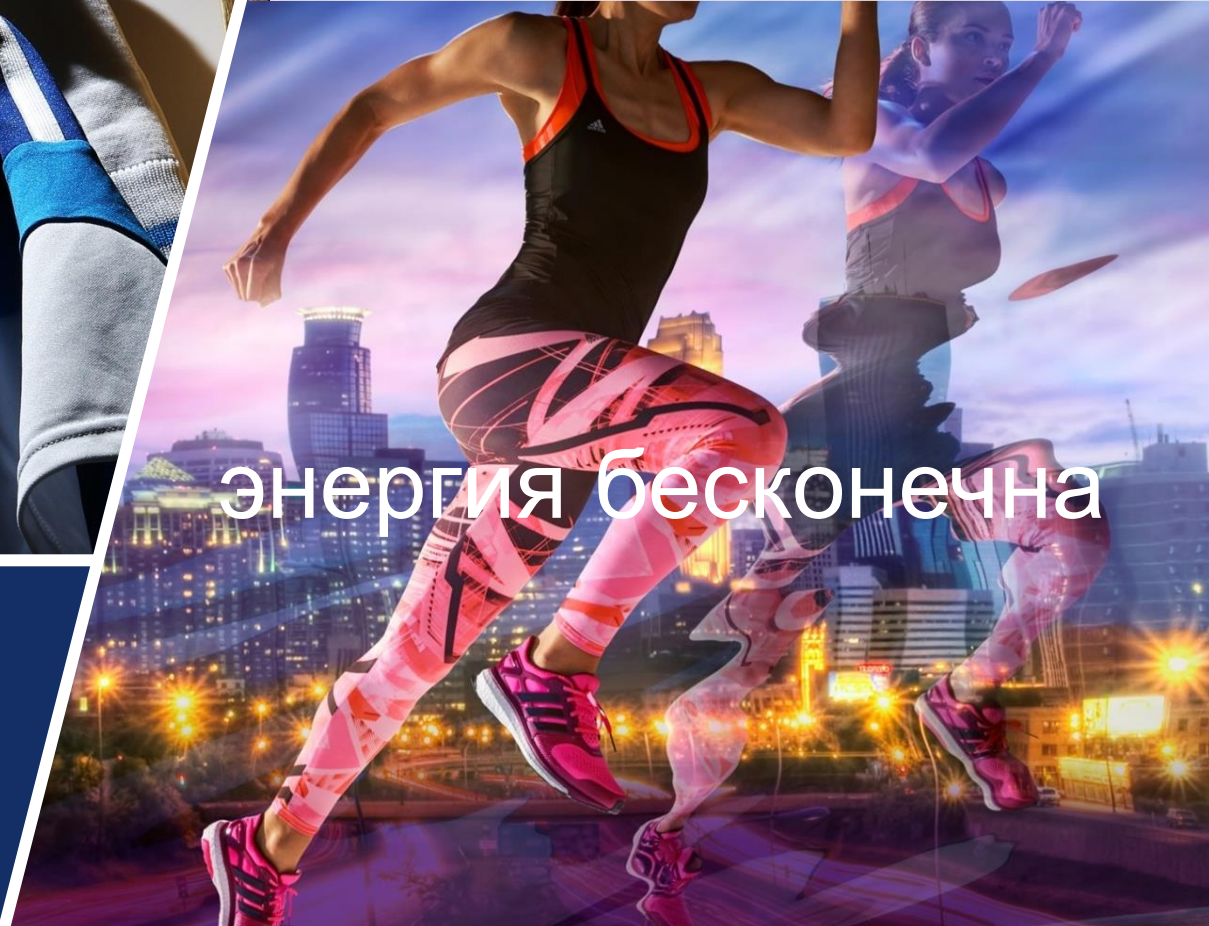
- Currency-neutral sales increase 11% in Q2
- Comp store sales grow 18% currency-neutral
- adidas Originals and adidas NEO continue to enjoy strong momentum



European Emerging Markets Up 14% In Q2



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



Revenues In Western Europe Accelerate In Q2



- 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



- 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%)











Other Asian Markets Influenced By TMaG Decline



- Other Asian Markets remain stable in Q2
- Growth at adidas (+7%) and Reebok (+20%) offset by sales declines at TMaG (-37%)
- Strong momentum in South Korea and India in H1



adidas And Reebok Revenues Accelerate In Q2

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

¹⁾ Currency-neutral.

adidas Has Clean Sweep At 2014 FIFA World Cup™

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

Football



World Cup Success On Every Measure



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

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

adidas Originals Regains Strength In Q2

- 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



- 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



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

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

Reebok 



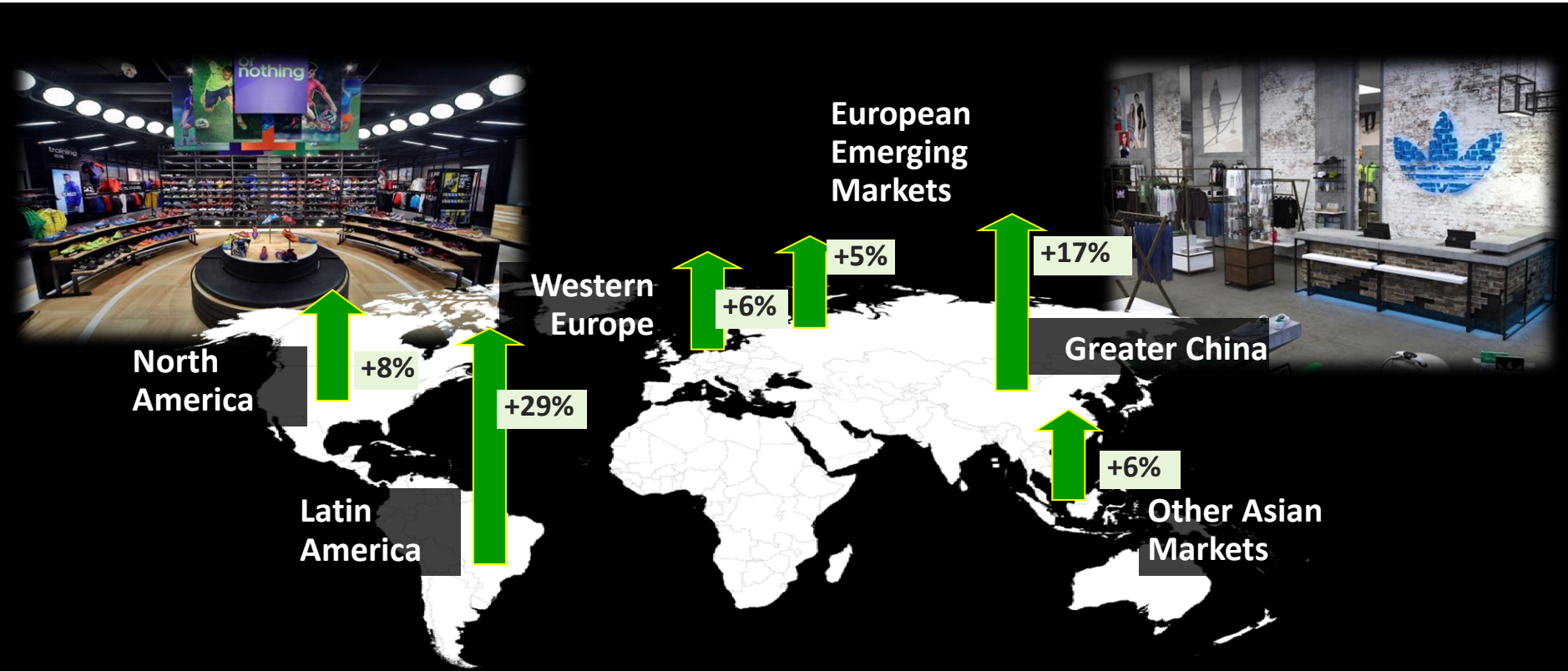
Reebok Classics Grows At A Double-Digit Rate



- 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

Positive Retail Comparable Store Sales Around The World



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

Currencies Significantly Impact Financial Performance

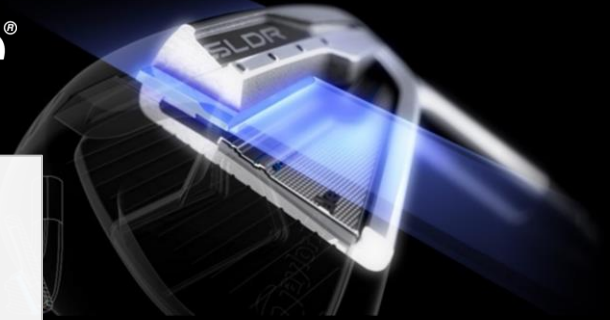
- € 450 million negative impact on sales in the first six months
- € 100 million negative impact on Group operating margin in the first six months



TMaG Impacted By Continued Weakness In Golf Market



- 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



Retail Segment Profitability Impacted By Russia/CIS



- 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

Actions To Stimulate Growth & Profitability Improvements



Strengthen Brand Leadership

strategy

future

creative direction

concepts-to-consumer

brand management

categories



consumer



Increasing Investment In Brands



Reebok



adidas



TaylorMade®

Predator Instinct Takes Over



predator instinct



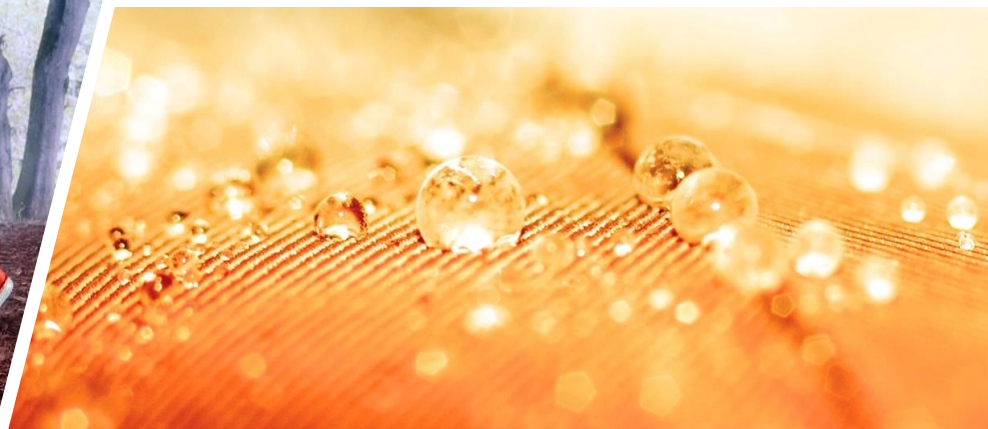
Boost Changes Everything In Basketball



RG3 Energy Boost Signature Training Shoe Launched



ClimaHeat – The Hottest Revolution In Apparel



ZX Flux Takes Customisation To Next Level



adidas
mi zx flux

photo print app
launches august 2014

Creating Hype Through New Collaborations



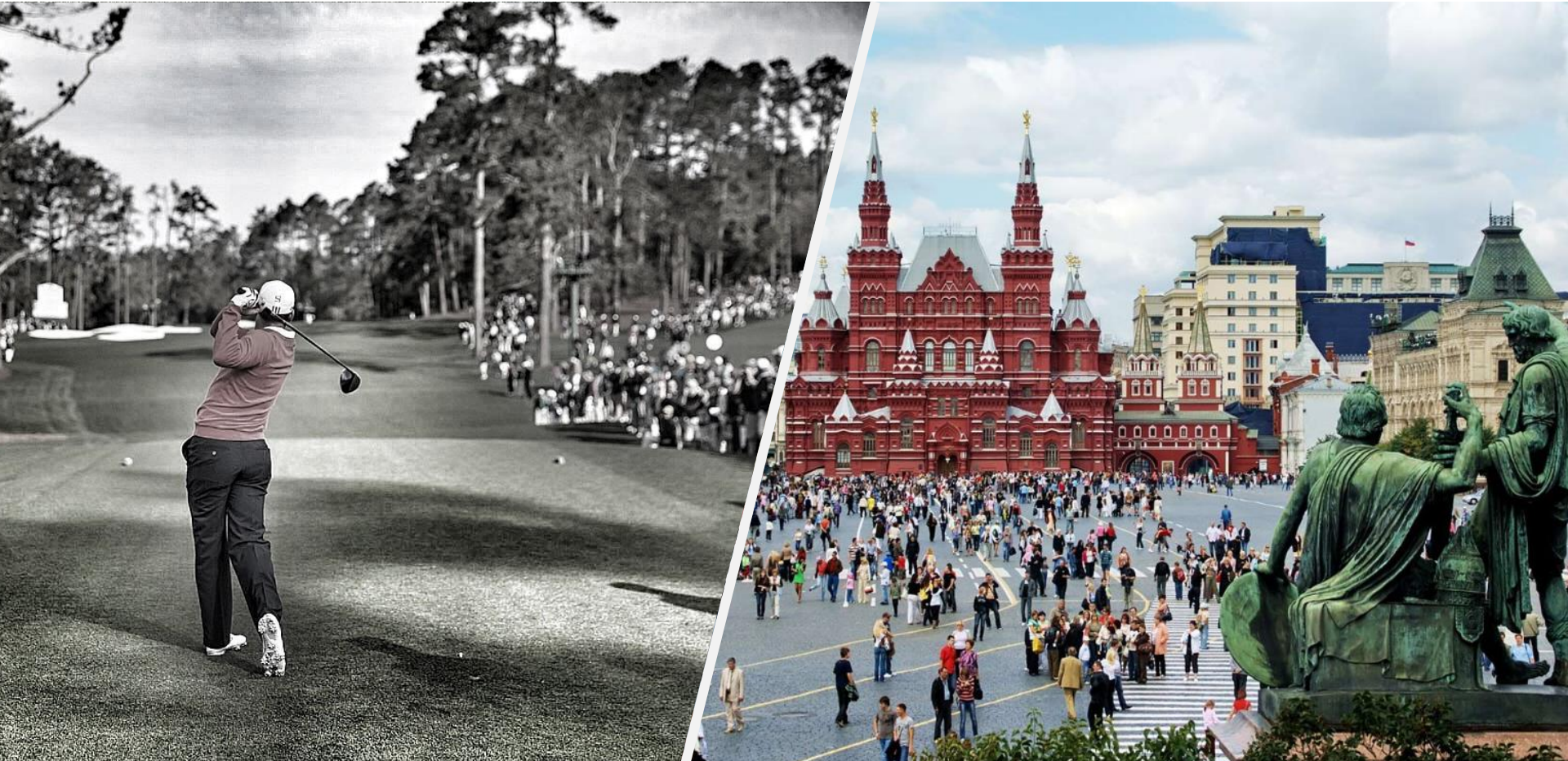
Reebok Building On Key Partnerships With New Products



Reebok 



Initiatives To Tackle Profitability Challenges



Clean-Up Of Golf Market And Restructuring TMaG



- 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

Lifting Our Game To Drive More Consistency In Earnings



- 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



FINANCIAL HIGHLIGHTS

Robin J. Stalker

adidas Group CFO












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	 +0.2pp 41.3%	 (0.2pp) 42.6%
Retail	 (4.9pp) 60.5%	 (3.0pp) 60.2%
Other Businesses	 (4.8pp) 38.5%	 (5.2pp) 38.8%
 GROUP	 (0.9pp) 49.2%¹⁾	 (1.0pp) 49.2%¹⁾

1) Total Group includes HQ/Consolidation.







Group Operating Profit Heavily Impacted By TMaG And Currencies

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

Diluted EPS Down 16% In Q2













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

Wholesale Up 10% Currency-Neutral In Q2

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

¹⁾ Currency-neutral.

Retail Sales Increase 22% Currency-Neutral

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

¹⁾ Currency-neutral.

Retail Store Development

- 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



Other Businesses Down 11% Currency-Neutral In Q2

Other Businesses	Q2 2014	Change	H1 2014	Change
Net sales (€ in millions)	422	↓ (11%) ¹⁾	804	↓ (19%) ¹⁾
Gross margin	38.5%	↓ (4.9pp)	38.8%	↓ (5.2pp)
Segmental operating margin	21.0%	↓ (6.8pp)	20.3%	↓ (9.3pp)

¹⁾ Currency-neutral.



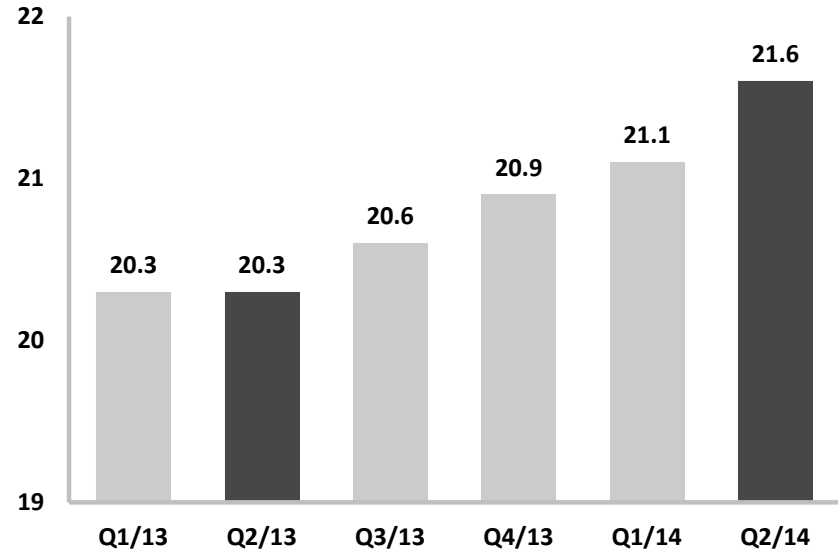
ROCKPORT

CCM



Operating Working Capital Negatively Impacted By Increase In Inventories

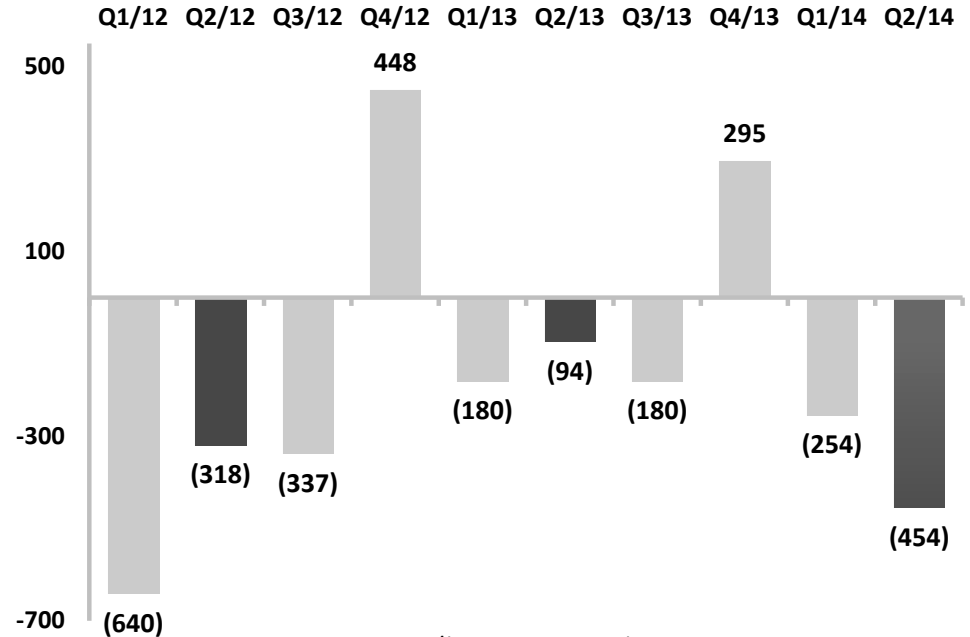
- Inventories increase 16% on a currency-neutral basis
- Receivables up 6% on a currency-neutral basis
- Payables increase 2% on a currency-neutral basis



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.

adidas Group Updates 2014 Full Year Outlook

Group sales (currency-neutral)

mid- to high-single-digit increase
(prev.: high-single-digit increase)

Wholesale sales (currency-neutral)

mid-single-digit increase

Retail sales (currency-neutral)

low-double-digit increase

Other Businesses sales (currency-neutral)

double-digit decrease
(prev.: around prior year level)

Gross margin

48.5% to 49.0%
(prev.: 49.5% to 49.8%)

Operating margin

between 6.5% and 7.0%
(prev.: between 8.5% and 9.0%)

Net income attributable to shareholders

at a level of around € 650 million
(prev.: € 830 million to € 930 million)



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G R O U P

QUESTIONS & ANSWERS

