

Herzogenaurach, November 6, 2014

adidas<sup>®</sup>  
GROUP



FOR THE LOVE OF SPORT



Analyst Presentation  
**Nine Months 2014 Results**





# Introduction

John Paul O'Meara

SVP Strategy/Investor Relations





# OPERATIONAL HIGHLIGHTS

Herbert Hainer

adidas Group CEO



# adidas Group Sales Up 9% Currency-Neutral In Q3



- adidas and Reebok sales up 12% and 7% in Q3
- Retail sales increase 20% with double-digit growth across all regions
- Negative currency effects and weakness in golf continue to weigh on Group earnings
- Diluted EPS down 11% to € 1.35

# Initiatives To Improve Performance





- Stabilise underperforming areas, particularly at TMaG
- Adjust investment to account for current market risks
- Reorganisation of roles and responsibilities in marketing and sales organisations
- Stack internal and external talent
- Next strategic plan to unlock the power of our brands
- Adjust capital management and shareholder return policies



# TMaG Negatively Impacted By Weakness In Golf

## Golf Market

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- 
- Currency-neutral sales decline 29% in the first nine months of 2014
  - Operating profit negatively impacted by around € 150 million YTD
  - Ongoing measures to clean inventories in the market place
  - Major elements of restructuring programme at TMaG completed

# Consumer Sentiment In Russia/CIS Negatively Impacted

- Higher promotional activities caused by weakening consumer sentiment
- Operating profit negatively impacted by around € 100 million YTD
- Accelerating real estate and inventory management initiatives
- Further reduction in store net opening plan to around 30 per year for 2014 and 2015

Russia/CIS





# Currencies

- Around € 550 million negative impact on sales in the first nine months
- Around € 150 million negative impact on Group operating profit in the first nine months

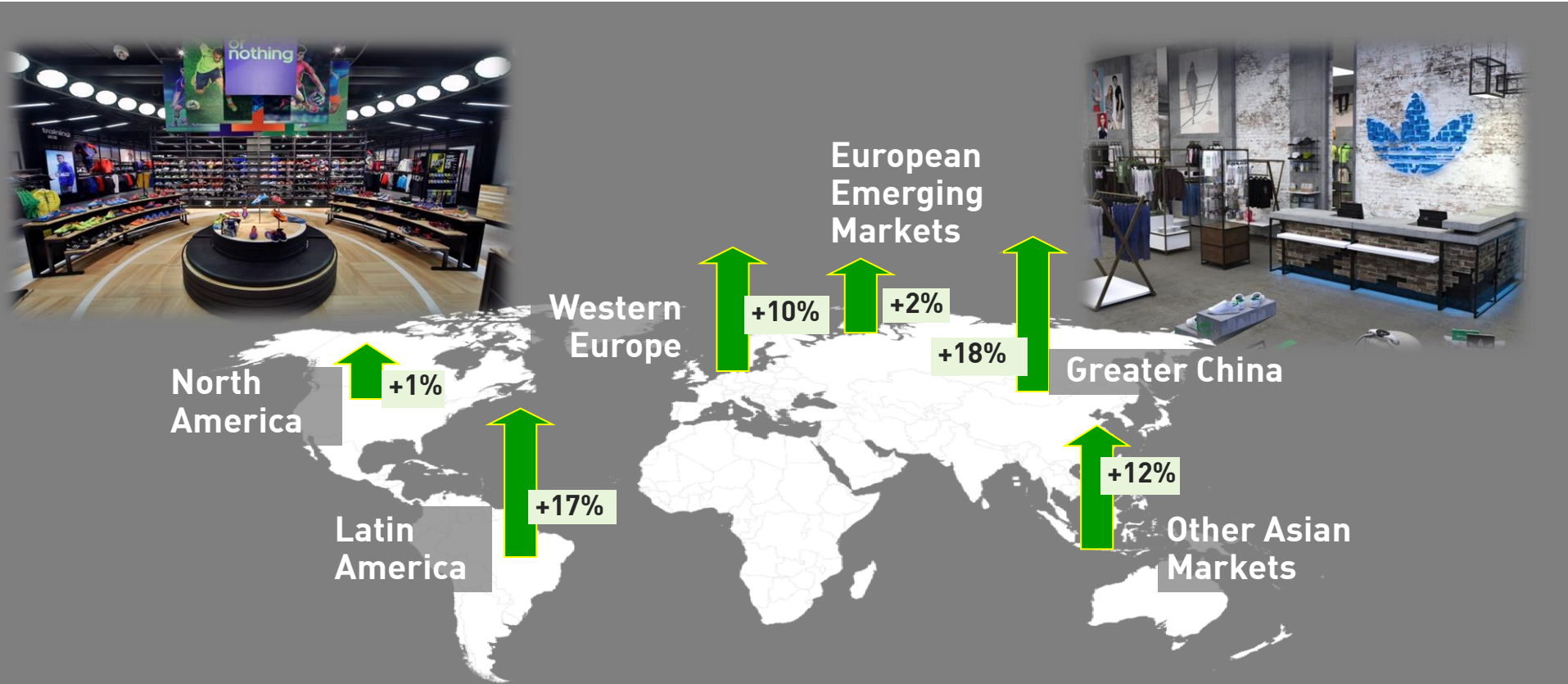














# Strong Sales Growth in Emerging Markets YTD



# Retail Comp Store Sales Up In All Regions In Q3



# adidas And Reebok With Strong Sales Growth In Q3

		Q3 2014	Change	9M 2014	Change
	Net sales (€ in millions)	3,364	 +12% <sup>1)</sup>	8,904	 +11% <sup>1)</sup>
	Gross margin	46.2%	 (2.4pp)	47.0%	 (1.4pp)
	Net sales (€ in millions)	447	 +7% <sup>1)</sup>	1,158	 +6% <sup>1)</sup>
	Gross margin	37.4%	 (3.0pp)	38.4%	 (1.4pp)

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

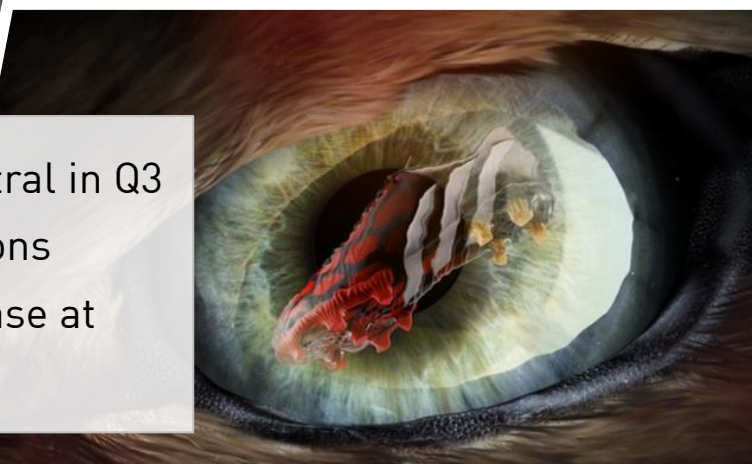
# adidas Football Dominates On And Off The Pitch



- Football sales grow 25% currency-neutral in Q3
- Double-digit growth rates in most regions
- Footwear, apparel and hardware increase at double-digit rates



Football





# Running Growth Rates Accelerate In Q3



## Running

- Running sales accelerate 20% in Q3
- Double-digit sales increases in both apparel and footwear
- Strong momentum across all regions
- 2 million pairs of Boost sold in Q3





# 27 Major Marathon Wins And Counting adizero Adios Boost





# Originals Leverages New Product Franchises



- adidas Originals grows 9% in Q3
- Double-digit sales growth in European Emerging Markets, Greater China, Other Asian Markets and Latin America
- Footwear sales increase 12% during the quarter
- Strong launches of Rita Ora and Pharrell Williams product lines during Q3

# adidas NEO Revenues Accelerate In Q3



#NEORunway

- Sales increase 33% currency-neutral in Q3
- Footwear, apparel and hardware all up at double-digit rates
- Double-digit growth across most regions
- Five additional store openings in Western Europe



# Reebok Enjoys 6th Consecutive Quarter Of Growth

**Reebok** 



- Sales increase 7% currency-neutral in Q3
- Retail sales grow 11%, with eCommerce sales up 77%
- Double-digit growth in most regions
- Ongoing strong momentum in Fitness Training (+25%), Walking (+30%) and Studio (+52% )



# 3-Stripes Footwear Back In The NFL



- New leadership team in place
- Added key internal and external talent
- Increasing investment in marketing and US Sports, in particular in the NBA and NFL



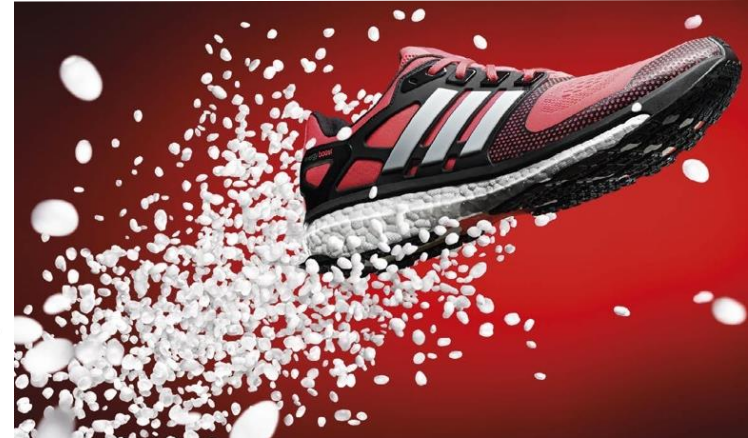
# STRATEGIC INITIATIVES AND OUTLOOK





# BOOST Integrated In Various Categories

**boost your game**





# New Signature Lines Redefine Basketball



# ClimaHeat Open All Winter Campaign Launches In Q4





# adidas Originals With Full Pipeline Of New Products



# adidas Group Confirms 2014 Full Year Outlook

**Group sales (currency-neutral)**

**mid- to 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**

**Gross margin**

**48.0% to 48.5%**  
[Prev.: 48.5% to 49.0%]

**Operating margin**

**between 6.5% and 7.0%**

**Net income attributable to shareholders**

**at a level of around € 650 million**





# FINANCIAL HIGHLIGHTS

Robin J. Stalker

adidas Group CFO



# Sales Increase In Most Regions In Q3



# Latin America With Strong Tailwind From FIFA World Cup™



- Currency-neutral sales grow 16% in Q3
- Double-digit sales increases in all major markets
- Revenues at adidas up 17%, driven by double-digit growth in key categories



# Ongoing Strong Brand Momentum In Greater China



- Currency-neutral sales increase 13% in Q3
- adidas Sport Style grows 32%, driven by double-digit sales increases at adidas Originals and adidas NEO
- Revenues in Retail up 32%, supported by the 18% comp store sales increase



# European Emerging Markets Up 19% In Q3



- Double-digit sales increases for both adidas and Reebok in Q3
- Strong momentum at adidas Sport Performance and adidas Originals & Sport Style
- Double-digit sales growth in all of the region's major markets





# Sales In Western Europe Grow 10% In Q3



- Revenues at adidas and Reebok grow 11% and 13%, respectively
- Currency-neutral Retail sales up 29%, driven by double-digit comp store sales increase
- Growth at adidas supported by double-digit sales increases in football and running and at adidas NEO

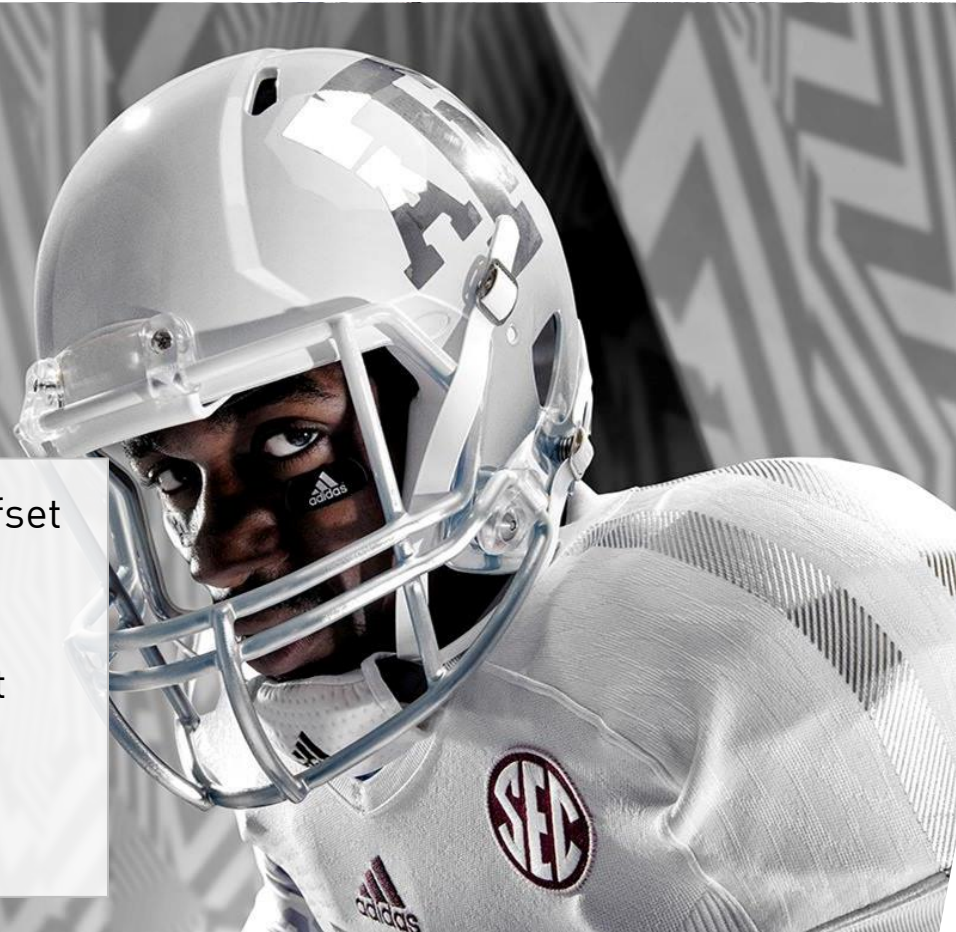


# Other Asian Markets Show Robust Performance In Q3



- Currency-neutral sales increase 6% in Q3
- Double-digit sales growth at both adidas (+11%) and Reebok (+33%)
- Sales growth supported by double-digit increases in South Korea and India

# Sales In North America Decline 1% In Q3



- Sales growth at adidas (+6%) more than offset by double-digit declines at TMaG (-33%) and Reebok (-12%)
- Growth at adidas supported by double-digit sales increases in football and running
- Retail sales up 15% in 9M, driven by mid-single-digit comp store sales increases









# Group Gross Margin Down 1.3pp In 9M



- Overproportionate growth in emerging markets
- More favourable product mix















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

	Q3 2014	9M 2014
Wholesale	 (2.1pp) <b>41.8%</b>	 (0.9pp) <b>42.3%</b>
Retail	 (3.4pp) <b>58.1%</b>	 (3.2pp) <b>59.4%</b>
Other Businesses	 (0.1pp) <b>35.3%</b>	 (3.9pp) <b>37.7%</b>
<b>adidas</b> GROUP	 (1.9pp) <b>47.4%<sup>1)</sup></b>	 (1.3pp) <b>48.5%<sup>1)</sup></b>




1) Total Group includes HQ/Consolidation.









# Group Operating Profit Declines 13% In Q3

	Q3 2014		9M 2014	
Royalty and commission income	 +2%	<b>€ 27 million</b>	 (0%)	<b>€ 77 million</b>
Other operating income	 (68%)	<b>€ 19 million</b>	 (2%)	<b>€ 105 million</b>
Other operating expenses	 +4%	<b>€ 1,594 million</b>	 +3%	<b>€ 4,647 million</b>
Other operating expenses as a percentage of sales	 (0.9pp)	<b>38.7%</b>	 +0.8pp	<b>41.8%</b>
Operating profit	 (13%)	<b>€ 405 million</b>	 (20%)	<b>€ 927 million</b>
Operating margin	 (2.1pp)	<b>9.8%</b>	 (2.2pp)	<b>8.3%</b>

# Diluted EPS Down 11% In Q3

		Q3 2014		9M 2014
Financial income	 (15%)	<b>€ 5 million</b>	 (5%)	<b>€ 14 million</b>
Financial expenses	 (55%)	<b>€ 12 million</b>	 (25%)	<b>€ 50 million</b>
Income before taxes	 (10%)	<b>€ 397 million</b>	 (19%)	<b>€ 892 million</b>
Income tax rate	 +0.6pp	<b>28.6%</b>	 +1.1pp	<b>28.8%</b>
Net income attributable to shareholders	 (11%)	<b>€ 282 million</b>	 (21%)	<b>€ 630 million</b>
Diluted earnings per share	 (11%)	<b>€ 1.35</b>	 (21%)	<b>€ 3.01</b>













# Wholesale Up 8% Currency-Neutral In Q3

Wholesale	Q3 2014	Change	9M 2014	Change
Net sales (€ in millions)	2,717	 +8% <sup>1)</sup>	7,159	 +6% <sup>1)</sup>
Gross margin	41.8%	 (2.1pp)	42.3%	 (0.9pp)
Segmental operating margin	34.2%	 (2.1pp)	34.0%	 (0.7pp)

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



# Retail Sales Increase 20% Currency-Neutral In Q3

<b>Retail</b>	<b>Q3 2014</b>	<b>Change</b>	<b>9M 2014</b>	<b>Change</b>
Net sales (€ in millions)	<b>1,047</b>	 <b>+20%<sup>1)</sup></b>	<b>2,799</b>	 <b>+21%<sup>1)</sup></b>
adidas comp store sales		 <b>+8%<sup>1)</sup></b>		 <b>+10%<sup>1)</sup></b>
Reebok comp store sales		 <b>(2%)<sup>1)</sup></b>		 <b>+0%<sup>1)</sup></b>
Total comp store sales		 <b>+6%<sup>1)</sup></b>		 <b>+8%<sup>1)</sup></b>
Gross margin	<b>58.1%</b>	 <b>(3.4pp)</b>	<b>59.4%</b>	 <b>(3.2pp)</b>
Segmental operating margin	<b>19.8%</b>	 <b>(1.4pp)</b>	<b>17.6%</b>	 <b>(2.8pp)</b>

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

# Retail Store Development

- 2,822 stores operated at quarter-end
- Net increase of 82 stores versus 2,740 at year-end
- 277 new stores opened, 195 stores closed, 89 stores remodelled
- 1,569 adidas and 426 Reebok branded; 827 factory outlets



# Other Businesses Down 12% Currency-Neutral In Q3

Other Businesses	Q3 2014	Change	9M 2014	Change
Net sales (€ in millions)	354	↓ (12%) <sup>1)</sup>	1,158	↓ (17%) <sup>1)</sup>
Gross margin	35.3%	↓ (0.1pp)	37.7%	↓ (3.9pp)
Segmental operating margin	15.1%	↓ (2.1pp)	18.7%	↓ (7.5pp)

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



ROCKPORT

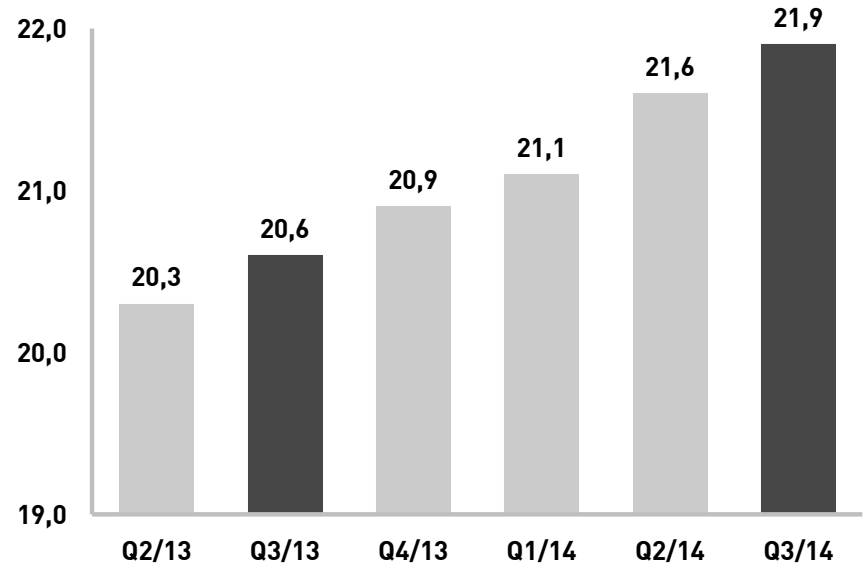
CCM





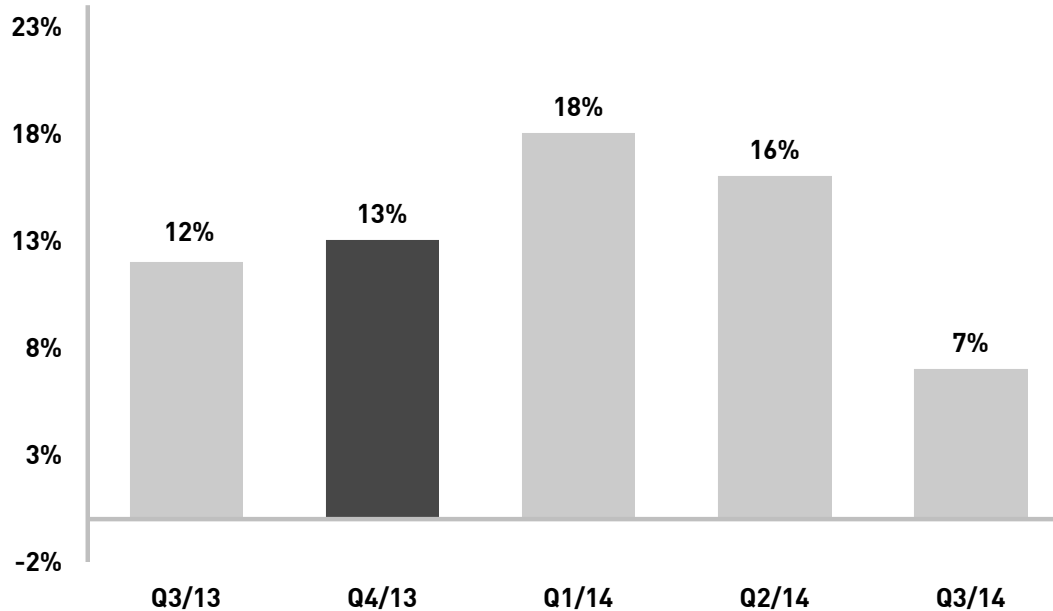
# Operating Working Capital Negatively Impacted By Decrease In Accounts Payable

- Inventories increase 7% on a currency-neutral basis
- Receivables up 7% on a currency-neutral basis
- Payables decrease 8% on a currency-neutral basis



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

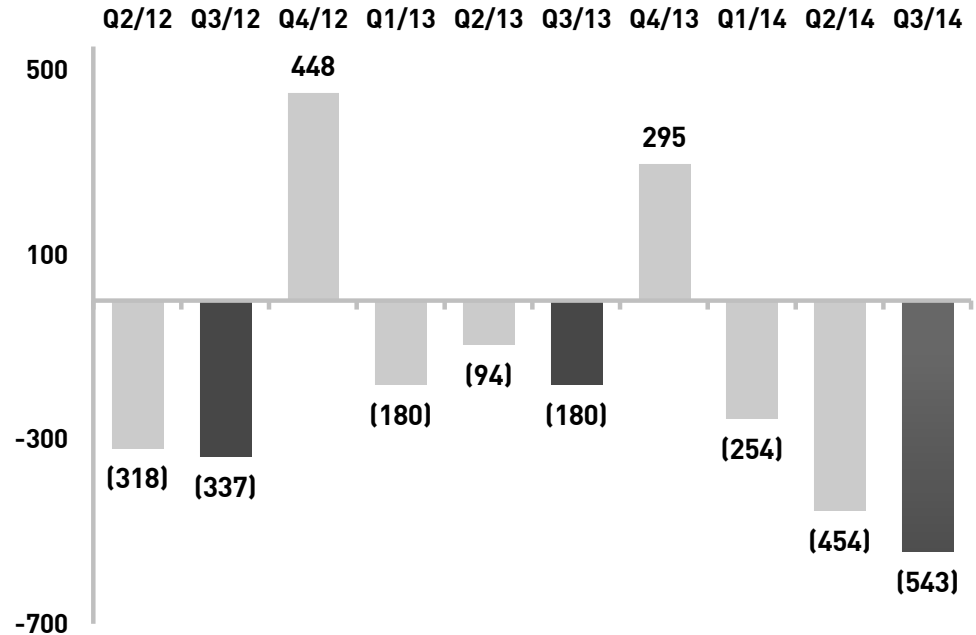
# High Focus On Reducing Inventory Growth Rate



Currency-neutral inventories development in %  
at quarter-end.

# Net Borrowings Negatively Impacted By Higher Capital Expenditure

- Net borrowings increase € 363 million to € 543 million
- Ratio of net borrowings/EBITDA increases to 0.4 from 0.1 in 2013
- Equity ratio increases to 52.1% (2013: 49.3%)



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



# adidas Group Strengthens Financial Flexibility

- Successful placement of two Eurobonds, to benefit from current low-cost financing opportunity
  - 7-year Eurobond of € 600 million with a coupon of 1.25%
  - 12-year Eurobond of € 400 million with a coupon of 2.25%
- Announcement of € 1.5 billion shareholder return programme
  - First tranche of up to € 300 million to commence on November 7, 2014





**adidas<sup>®</sup>**

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G R O U P

QUESTIONS & ANSWERS



# Upcoming Event Dates

March 5, 2015	Full Year 2014 Results
May 5, 2015	First Quarter 2015 Results
May 7, 2015	Annual General Meeting
May 8, 2015	Dividend Payment <sup>1)</sup>
August 6, 2015	First Half 2015 Results
November 5, 2015	Nine Months 2015 Results

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