

adidas
GROUP

Full Year 2014 Results

Analyst Presentation



MAKE A DIFFERENCE



INTRODUCTION

Sebastian Steffen

VP Investor Relations

OPERATIONAL HIGHLIGHTS

Herbert Hainer

adidas Group CEO

adidas Group Reaches Adjusted Full Year 2014 Targets













- Sales increase 6% currency-neutral to € 14.5 billion¹⁾
- adidas and Reebok grow 11% and 5% currency-neutral
- Retail sales up 21% currency-neutral with double-digit growth in all regions
- Underlying net income reaches adjusted target of € 650 million²⁾



1) Figures reflect continuing operations.

2) Excluding goodwill impairment of € 78 million.

Strong Brand Momentum At adidas Throughout 2014

		Q4 2014	Change	FY 2014	Change
	Net sales (€ in millions)	2,870	 +11% ¹⁾	11,774	 +11% ¹⁾
	Gross margin	45.7%	 (1.1pp)	46.7%	 (1.4pp)
	Net sales (€ in millions)	420	 +1% ¹⁾	1,578	 +5% ¹⁾
	Gross margin	33.3%	 (6.0pp)	37.0%	 (2.6pp)

¹⁾ Currency-neutral.

Football With Strong Growth In 2014



Football

- Football sales up 21% in 2014
- Record football revenues of € 2.1 billion in 2014
- Strong double-digit growth rates in most regions
- Over 3 million German national team jerseys sold in 2014



Boost Drives Growth At adidas Running

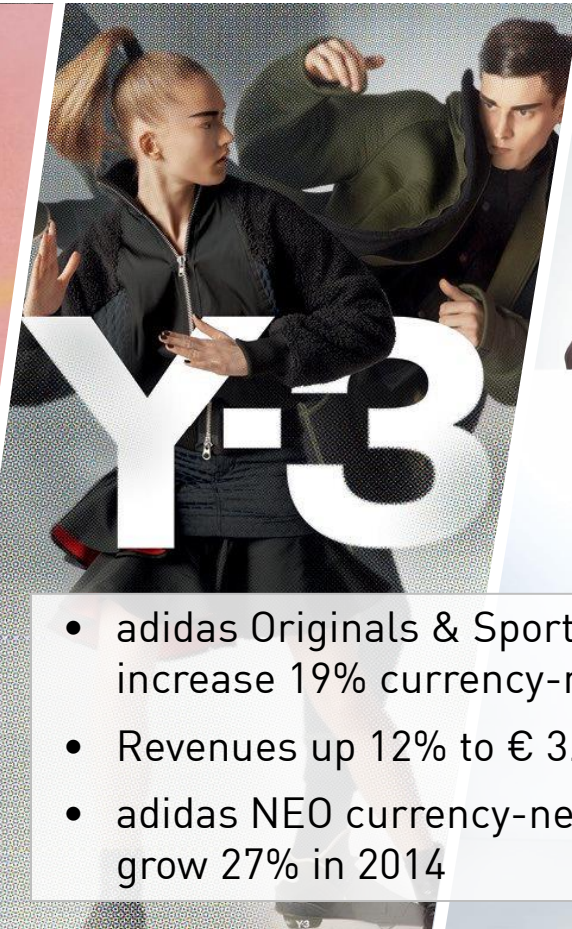
Running

adidas

- Sales grow 17% in Q4 and 15% in 2014
- 4th consecutive year of double-digit growth at adidas Running
- adizero Adios Boost wins 27 major marathons in 2014



adidas Originals & Sport Style Sales Accelerate In Q4



- adidas Originals & Sport Style sales increase 19% currency-neutral in Q4
- Revenues up 12% to € 3.4 billion in 2014
- adidas NEO currency-neutral sales grow 27% in 2014

Reebok With Its 7th Consecutive Quarter Of Growth

- Reebok sales up 5% currency-neutral in 2014
- 7th consecutive quarter of growth
- Double-digit growth rates in Fitness Training and Studio Categories



Reebok 

TMaG Negatively Impacted By Weakness In Golf

Golf Market

- Sales decline 28% currency-neutral in 2014
- Operating profit negatively impacted by around € 200 million versus prior year period
- Strong focus on cleaning retail inventories
- Major elements of restructuring programme at TMaG completed

Consumer Sentiment In Russia/CIS Negatively Impacted

Russia/CIS



- Higher promotional activities caused by weakening consumer sentiment
- Operating profit negatively impacted by around € 130 million
- Accelerating real estate and inventory management initiatives

Currencies Significantly Impact Financial Performance

Currencies

- Negative currency translation effect of around € 550 million on Group revenues in 2014
- Group's contribution affected by around € 170 million



Initiatives Taken To Improve Performance



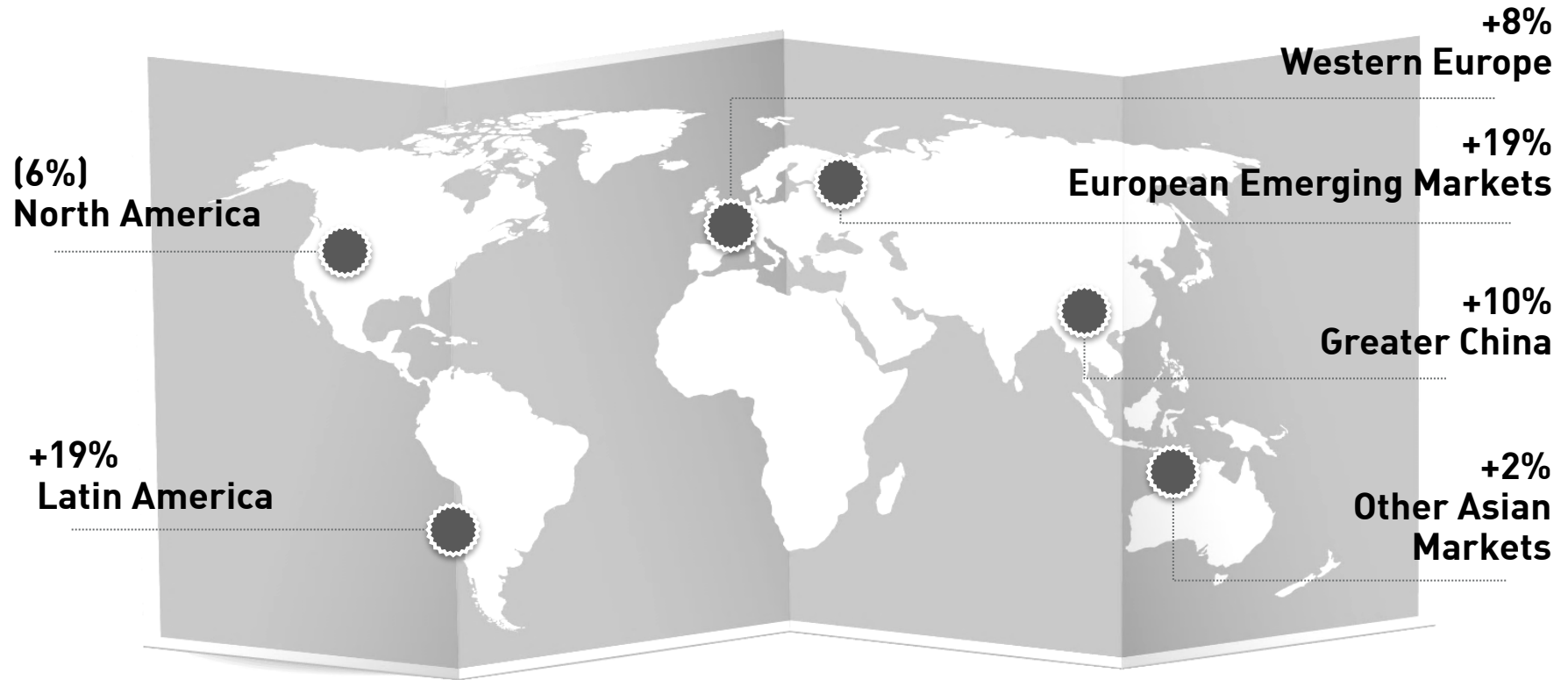
- Stabilise underperforming areas, particularly at TMaG
- Reorganisation of marketing and sales organisations
- Adjust investment to account for current market risks
- Increasing investments in brands

FINANCIAL HIGHLIGHTS

Robin J. Stalker

adidas Group CFO

Emerging Markets Enjoy Robust Sales Growth In 2014



Sales development on a currency-neutral basis.

Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.

Western Europe Grows 13% In Q4



- adidas and Reebok grow at double-digit rates each in 2014
- Growth supported by 2014 FIFA World Cup
- Sales in Football and Running up 18% and 22%, respectively, in 2014

Latin America Fastest-Growing Region In 2014



- Currency-neutral sales up 19% in 2014 with double-digit growth in all major markets
- Revenues grow 12% currency-neutral in Q4
- Strong double-digit growth in Football, Training, Running and Originals in 2014



Growth In Greater China Remains Robust

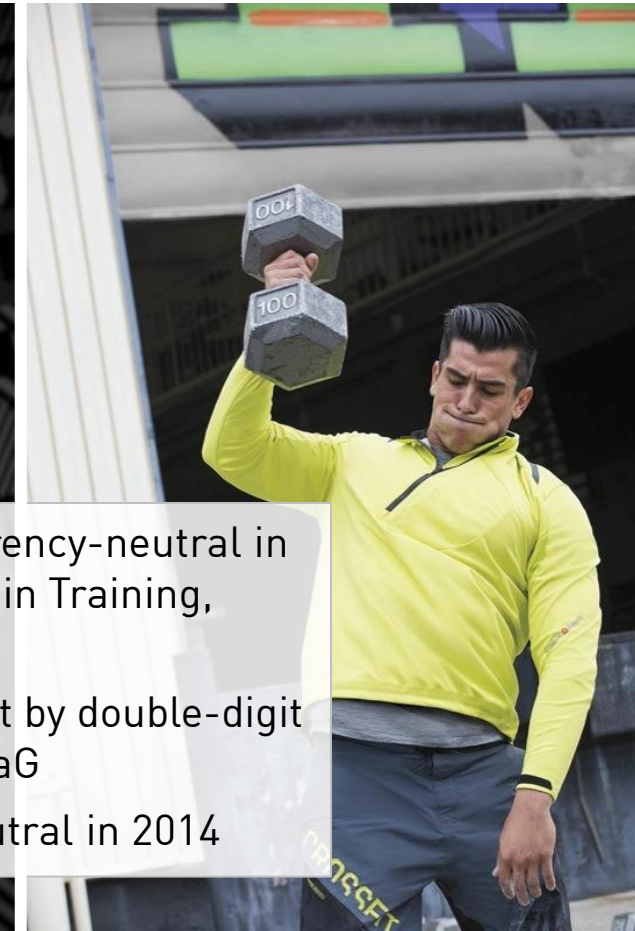


- Sales up 10% currency-neutral in 2014
- Strong year-end finish with revenues up 11% in Q4
- adidas Originals & Sport Style grow 26% in 2014
- Retail sales increase 26% in 2014

North America Down 4% In Q4



- Revenues at adidas grow 4% currency-neutral in Q4, supported by sales increases in Training, Football and Originals
- Growth at adidas more than offset by double-digit sales declines at Reebok and TMaG
- Retail sales up 15% currency-neutral in 2014











Group Gross Margin Down 1.7pp In 2014



- Overproportionate growth in emerging markets
- More favourable product mix















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

	Q4 2014	FY 2014
Wholesale	 39.7% (1.0pp)	 41.7% (1.0pp)
Retail	 59.2% (1.8pp)	 59.4% (2.8pp)
Other Businesses	 31.2% (6.3pp)	 34.7% (5.1pp)
adidas GROUP	 44.9% (2.6pp)	 47.6% (1.7pp)

Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.

Group Operating Margin Declines 2.1pp In 2014

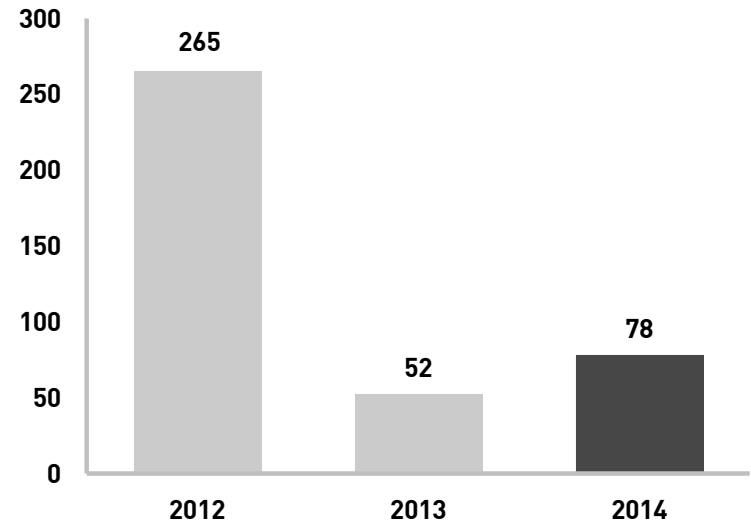
	Q4 2014		FY 2014	
Royalty and commission income	 (3%)	€ 26 million	 (1%)	€ 102 million
Other operating income	 (7%)	€ 34 million	 (3%)	€ 138 million
Other operating expenses	 +3%	€ 1,642 million	 +3%	€ 6,203 million
Other operating expenses as a percentage of sales	 (1.3pp)	45.5%	 +0.3pp	42.7%
Operating profit	 (55%)	€ 38 million	 (22%)	€ 961 million
Operating margin	 (1.4pp)	1.1%	 (2.1pp)	6.6%

Excluding goodwill impairment of € 78 million.

Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.













Goodwill Impairment Of € 78 Million Recognised In 2014

- Impairment of goodwill related to the cash-generating unit Retail Russia/CIS
- Goodwill impairment mainly caused by adjusted growth assumptions due to the significant deterioration of the Russian rouble
- Non-cash in nature and not affecting the adidas Group's financial position



Goodwill impairment losses at year-end, € in millions.

Net Income From Continuing Operations Of € 642 Million

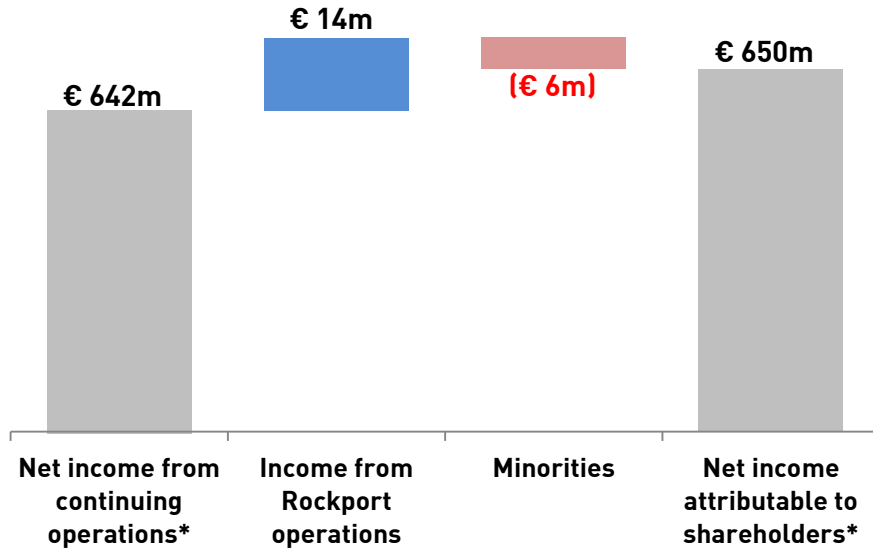
	Q4 2014		FY 2014	
Financial income	 [56%]	€ 5 million	 [27%]	€ 19 million
Financial expenses	 [37%]	€ 18 million	 [28%]	€ 67 million
Income before taxes	 [63%]	€ 25 million	 [22%]	€ 913 million
Income tax rate	 +9.3pp	61.6%	 +0.5pp	29.7%
Net income from continuing operations	 [70%]	€ 10 million	 [22%]	€ 642 million
Diluted earnings per share from continuing operations	 [71%]	€ 0.04	 [22%]	€ 3.05

Excluding goodwill impairment of € 78 million.

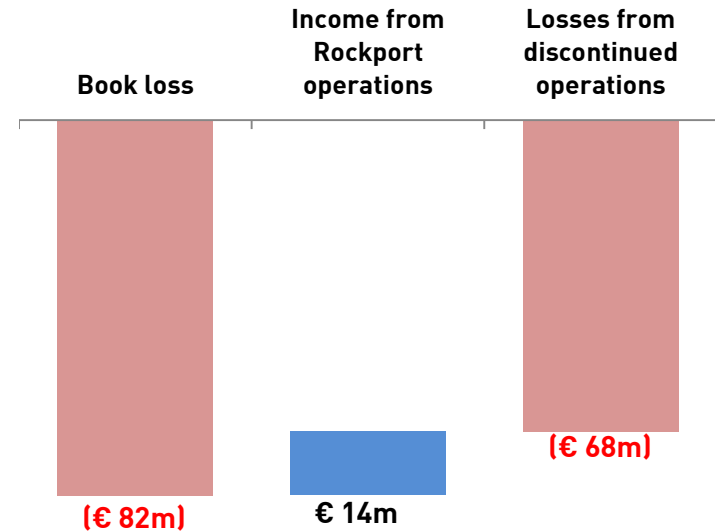
Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.

Underlying Net Income Reaches Target Of € 650 Million

Net income attributable to shareholders excluding the impact from the planned divestiture of the Rockport business









Losses from discontinued operations composition















* Excluding goodwill impairment losses & book losses related to planned divestiture of Rockport

Wholesale Revenues Grow 6% In 2014

Wholesale	Q4 2014	Change	FY 2014	Change
Net sales (€ in millions)	2,217	 +5% ¹⁾	9,376	 +6% ¹⁾
Gross margin	39.7%	 (1.0pp)	41.7%	 (1.0pp)
Segmental operating margin	29.9%	 (0.9pp)	33.1%	 (0.8pp)

¹⁾ Currency-neutral.

Retail Comparable Store Sales Increase 9%

Retail	Q4 2014	Change	FY 2014	Change
Net sales (€ in millions)	1,043	 +20%¹⁾	3,842	 +21%¹⁾
adidas comp store sales		 +10%¹⁾		 +10%¹⁾
Reebok comp store sales		 +1%¹⁾		 +1%¹⁾
Total comp store sales		 +9%¹⁾		 +9%¹⁾
Gross margin	59.2%	 (1.8pp)	59.4%	 (2.8pp)
Segmental operating margin	17.4%	 (0.4pp)	17.5%	 (2.1pp)

¹⁾ Currency-neutral.

Retail Store Development In 2014

- 2,913 stores operated at year-end
- Net increase of 173 or 6% versus 2,740 in the prior year
- 409 new stores opened, 236 stores closed, 145 stores remodelled
- 1,616 adidas and 446 Reebok branded; 851 factory outlets



Other Businesses Down 19% Currency-Neutral In 2014

Other Businesses	Q4 2014	Change	FY 2014	Change
Net sales (€ in millions)	350	↓ (16%) ¹⁾	1,316	↓ (19%) ¹⁾
Gross margin	31.2%	↓ (6.3pp)	34.7%	↓ (5.1pp)
Segmental operating margin	17.7%	↓ (8.6pp)	19.3%	↓ (8.1pp)

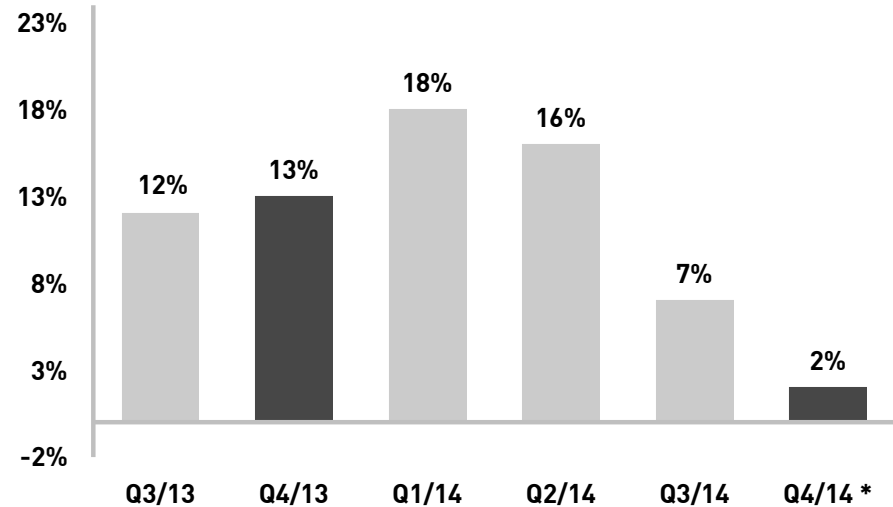
¹⁾ Currency-neutral.



Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.

High Focus On Reducing Inventory Growth Rate

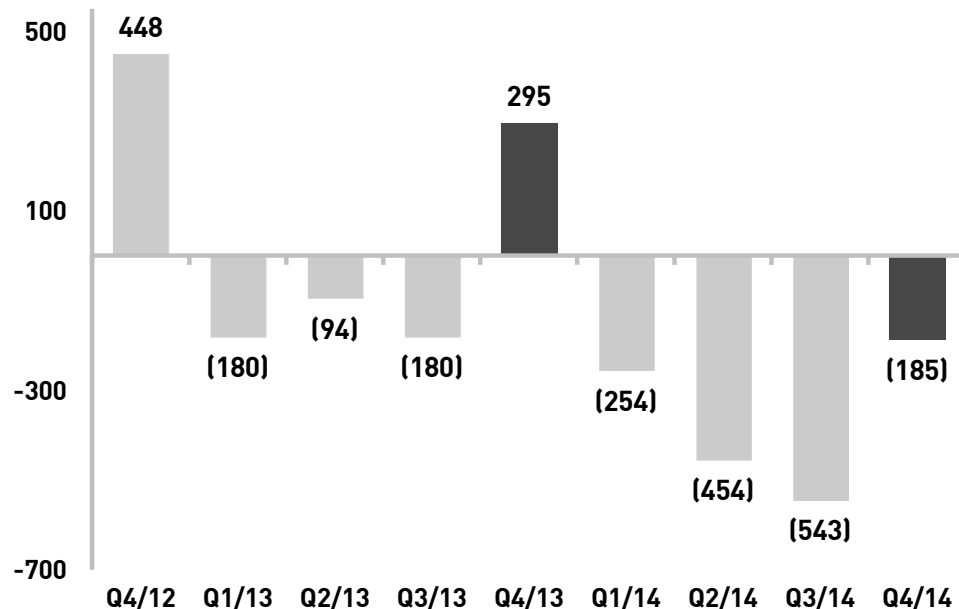
- OWC in % of sales increases 1.0 percentage points to 22.4%
- Inventories from continuing operations increase 2% (c.n.)
- Receivables from continuing operations up 5% (c.n.)
- Payables from continuing operations decrease 10% (c.n.)



** Development of currency-neutral inventories from continuing operations in % at quarter-end.*

Net Borrowings Impacted By Higher Capital Expenditure

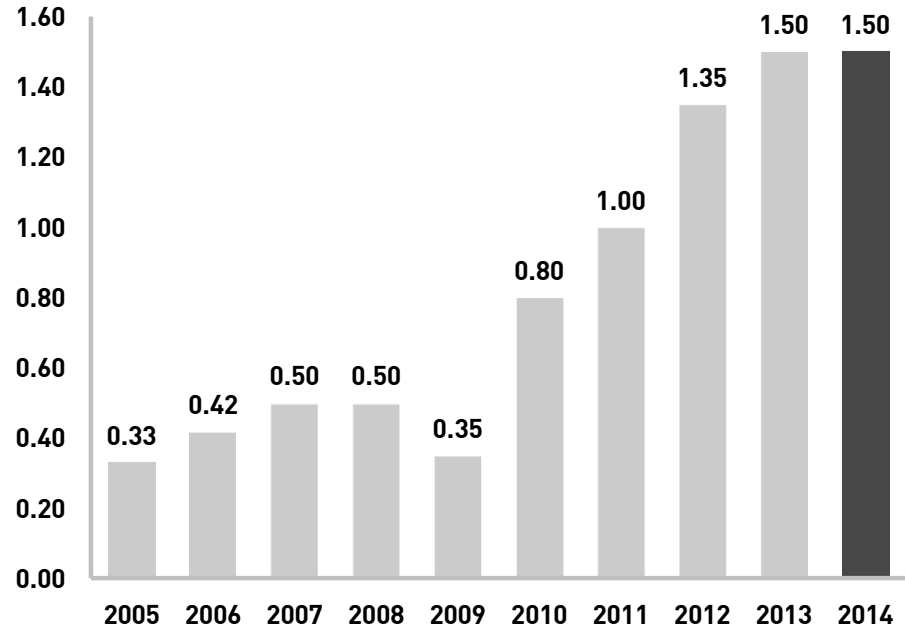
- Net borrowings of € 185 million compared to net cash of € 295 million at the end of 2013
- Capital expenditure increases 16% to € 554 million
- Ratio of net borrowings/EBITDA amounts to 0.1 (2013: (0.2))
- Equity ratio decreases to 45.3% (2013: 47.3%)



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

Dividend Proposal Of € 1.50 Per Share

- adidas Group highly cash generative
- Proposed dividend of € 1.50 per share and thus stable versus prior year
- Payout ratio increases to 53.9% (2013: 37.4%) excluding goodwill impairment losses



*Dividend per share (in €),
2014 subject to Annual General Meeting approval.*

adidas Group Continues Shareholder Return Programme

- Announcement of € 1.5 billion shareholder return programme on October 1, 2014
 - 1st tranche
 - successfully completed (November 7, 2014 to December 12, 2014)
 - 4,889,142 shares repurchased at average price of € 61.36 per share
 - 2nd tranche
 - up to € 300 million (maximum number of shares: 6 million)
 - starting March 6, 2015 and ending latest on July 3, 2015



STRATEGIC INITIATIVES AND OUTLOOK

Herbert Hainer

adidas Group CEO

Top Priorities And Initiatives In 2015



**Returning TMaG to
profitability**



**Securing margins in
Russia/CIS**



**Gaining traction in
North America**



**Strengthening brand
leadership**

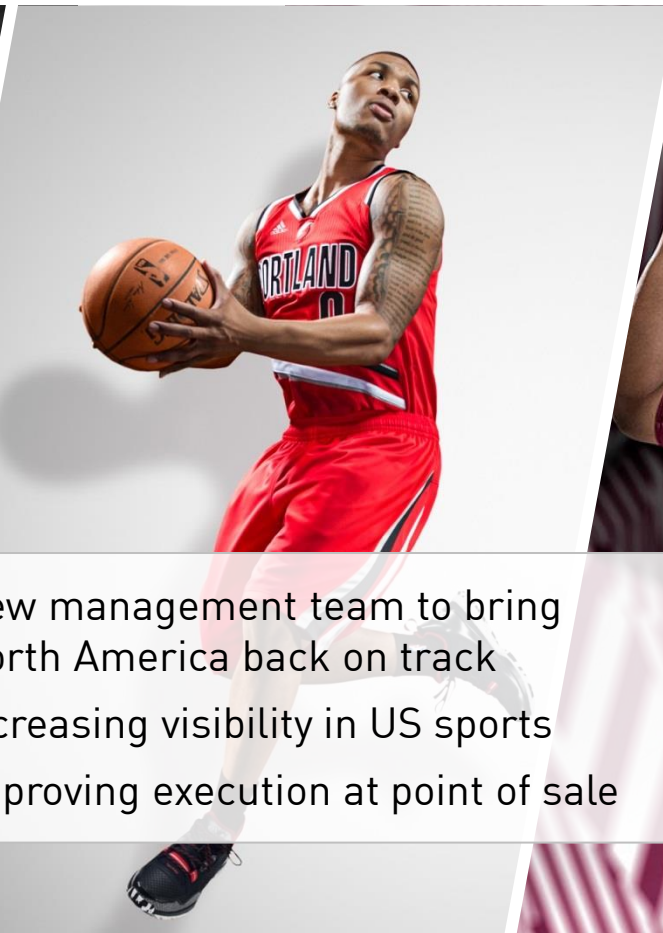


Best consumer experience



**Increasing investments
in brands**

Gaining Traction In North America



North America

- New management team to bring North America back on track
- Increasing visibility in US sports
- Improving execution at point of sale

Returning TMaG To Profitability

Golf



- Cleaner trading environment at retail
- Major product launches in metalwoods and irons: R15 & Aero Burner enter golf market
- Boost franchise integrated into golf footwear
- TMaG factory outlets in US to be opened

Securing Margins In Russia/CIS

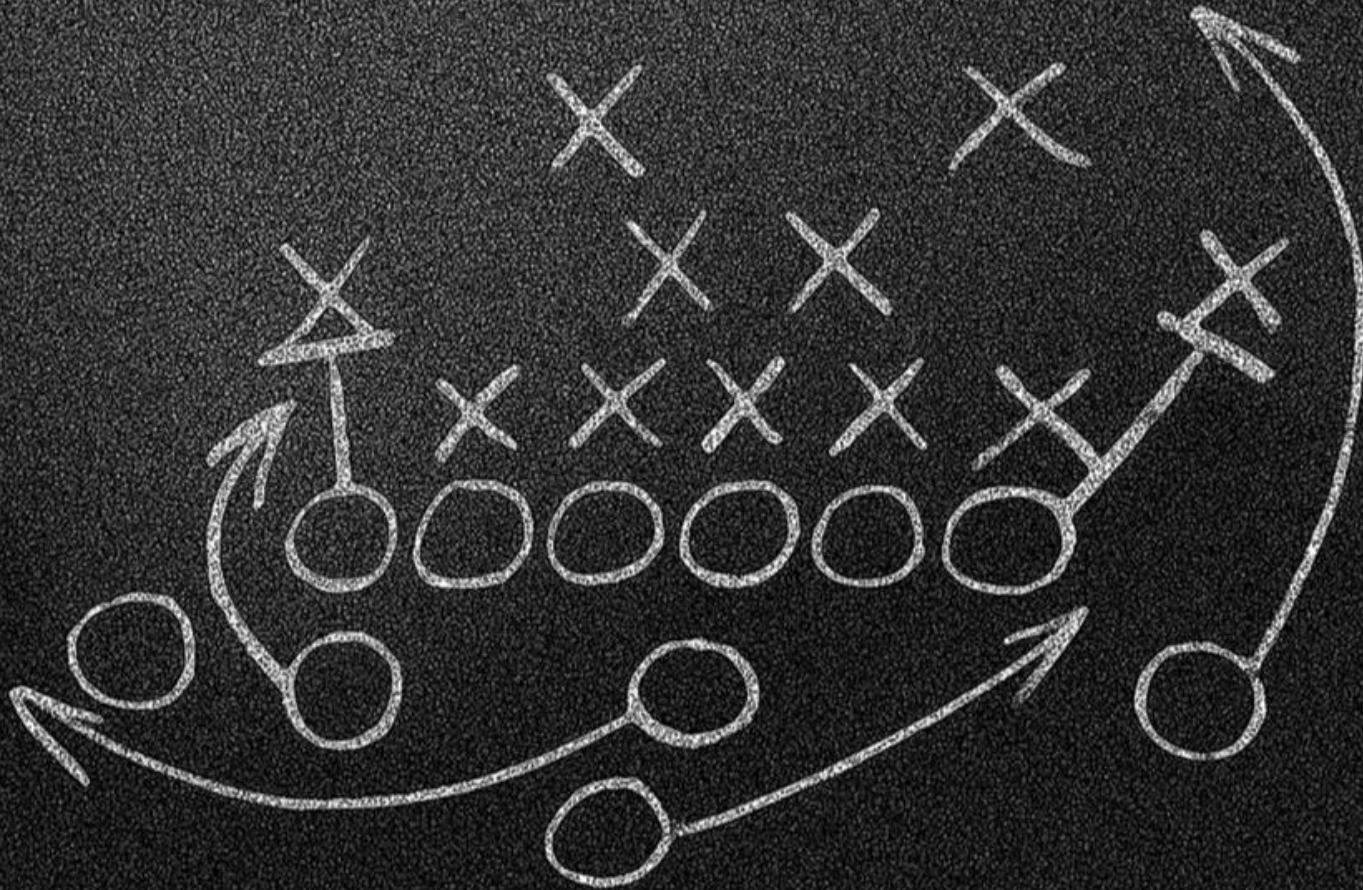


Russia/CIS

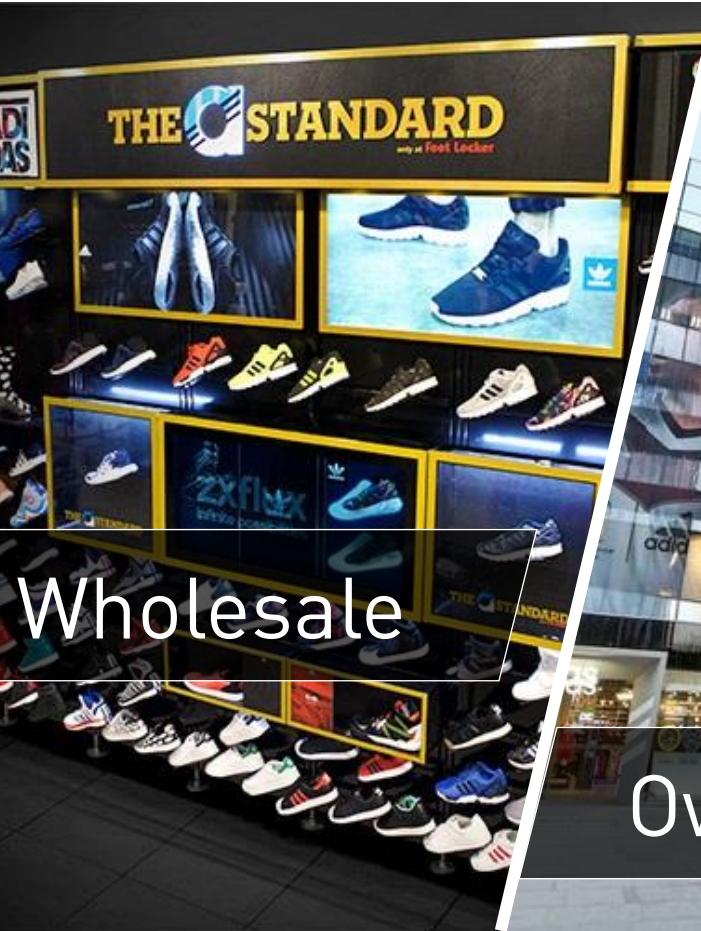


- Accelerating real estate and inventory management initiatives
- Cost reduction and price increase to mitigate headwinds
- Net store closures to compensate for near-term challenges
- Strong focus on capital and risk management in 2015

Strengthening Brand Leadership



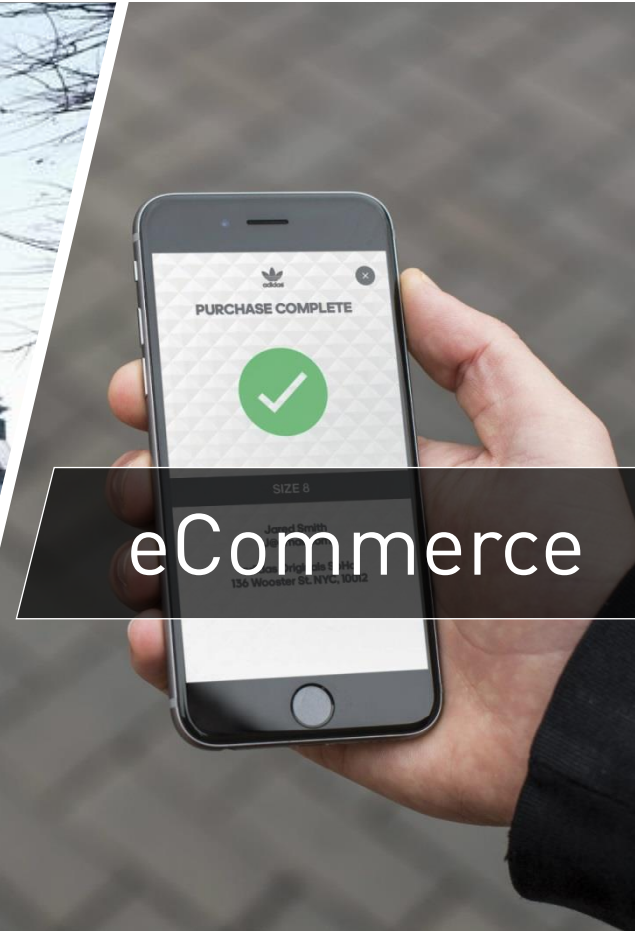
Gaining Market Share Through Best Consumer Experience



Wholesale



Own Retail



eCommerce

Increasing Investment In Brands



Reebok 



 adidas®



 TaylorMade®

'Sport 15' To Inspire Young Athletes



adidas Launches New Global Football Campaign



'Be More Human' With Reebok

Reebok.com/BeMoreHuman

Reebok 



Be more human.

adidas With Strong Product Pipeline In 2015



Manifesting BOOST As THE Cushioning Technology



2015 The Year Of The Superstar



Yeezy Boost Creates More Hype For adidas Originals



YEEZY BOOST
DESIGN
BY
KANYE WEST



Introducing ClimaCool Aeroknit Apparel Collection



Reebok Running Is Getting Pumped



adidas Group 2015 Full Year Outlook

Group sales (currency-neutral)

mid-single-digit increase

Gross margin

47.5% to 48.5%

Other operating expenses (in % of sales)

around prior year level

Operating margin

between 6.5% and 7.0%

Net income from continuing operations

to increase at a rate of 7% to 10%

Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.



adidas[®]

GROUP

QUESTIONS & ANSWERS

Upcoming Event Dates

March 25 - 26, 2015	Investor Day 2015
May 5, 2015	First Quarter 2015 Results
May 7, 2015	Annual General Meeting
May 8, 2015	Dividend Payment ¹⁾
August 6, 2015	First Half 2015 Results
November 5, 2015	Nine Months 2015 Results

¹⁾ Subject to Annual General Meeting Approval.