

FY 2017 RESULTS

Herzogenaurach
March 14, 2018

adidas



AGENDA

1 STRATEGIC UPDATE

2 BUSINESS UPDATE

3 FINANCIAL UPDATE

4 OUTLOOK



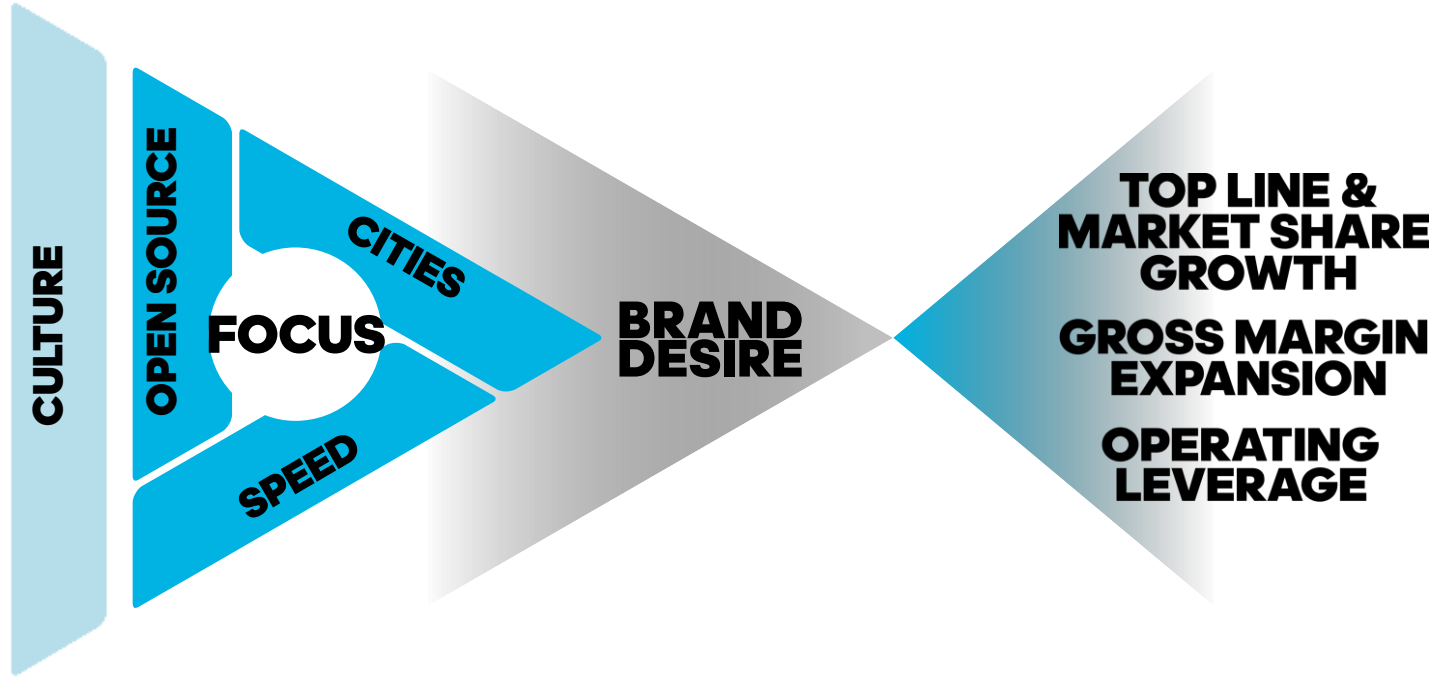
STRATEGIC UPDATE

KASPER RORSTED
CEO



CREATING THE NEW

FOCUS ON DRIVING BRAND HEAT



CULTURE

FOSTERING PASSION FOR SPORTS IN CLEARLY DEFINED PERFORMANCE CULTURE

Value diversity and promote inclusivity

Continuously increasing the share of females in leadership positions

Create a performance culture

Based on clearly defined roles and accountabilities

Establish leadership groups

Defining strong leadership and improving cross-functional collaboration and decision making

Introduce new long-term incentive plan (LTIP)

Strong alignment with shareholder interests through transparent and equity-based compensation



NEW MANAGEMENT TEAM IN PLACE

INTERNAL APPOINTMENTS REFLECT QUALITY AND DEPTH OF THE COMPANY'S POOL OF LEADERSHIP



STRATEGIC CHOICES

EXECUTING 'CREATING THE NEW' WITH MAJOR PROGRESS
ON STRATEGIC CHOICES

SPEED	CITIES	OPEN SOURCE
<p>All markets and categories onboarded</p> <p>Speed-enabled products now representing 28% of net sales</p> <p>Speedfactory releases the AM4 series</p>	<p>Growth rates above market, resulting in market share gains</p> <p>Relative NPS outperformance in most cities</p> <p>Transforming retail spaces within key trade zones</p>	<p>More than one million pairs of shoes using Parley Ocean Plastic</p> <p>Joining forces with Carbon to create the first performance footwear crafted with light and oxygen</p> <p>'adidas Runners' established in more than 50 cities</p>



'ACCELERATION PLAN'

EXECUTING AGAINST 'ACCELERATION PLAN' DRIVES OPERATIONAL PROGRESS

PORTFOLIO	ADIDAS NORTH AMERICA	ONE ADIDAS	DIGITAL
<p>Divestiture of TaylorMade and CCM Hockey completed</p> <p>Reebok Muscle-Up well on track, resulting in margin improvements</p> <p>Brazil and Argentina turnaround plans progressing</p>	<p>Exceptional top-line growth despite challenging environment</p> <p>Significant increase in footwear market share</p> <p>Strong profitability improvements</p>	<p>Initiatives to improve operating efficiency and profitability established</p> <p>Further reduction of product ranges and marketing concepts</p> <p>Becoming a more agile and truly global company</p>	<p>Driving the digital transformation company-wide</p> <p>Digital leadership team established and priority roadmap defined</p> <p>Exceptional e-com growth in FY 2017</p>



BUSINESS UPDATE

KASPER RORSTED
CEO



2017 MAJOR P&L DEVELOPMENTS

STRONG TOP- AND EXCEPTIONAL BOTTOM-LINE PERFORMANCE

STRONG NET SALES DEVELOPMENT

Currency-neutral increase of **16%**

Absolute net sales reach **€ 21.218 billion**

EXCEPTIONAL PROFITABILITY IMPROVEMENTS

Operating margin up **1.2pp** to **9.8%**

Net income from continuing operations increases **32%** to **€ 1.430 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.*



SHAREHOLDER RETURN

CREATING LONG-TERM SHAREHOLDER VALUE

DIVIDEND PROPOSAL IN LINE WITH NET INCOME GROWTH

Dividend of **€ 2.60*** per share, **up 30% versus prior year**

Payout ratio of **37.1%** (2016: 37.4%)**

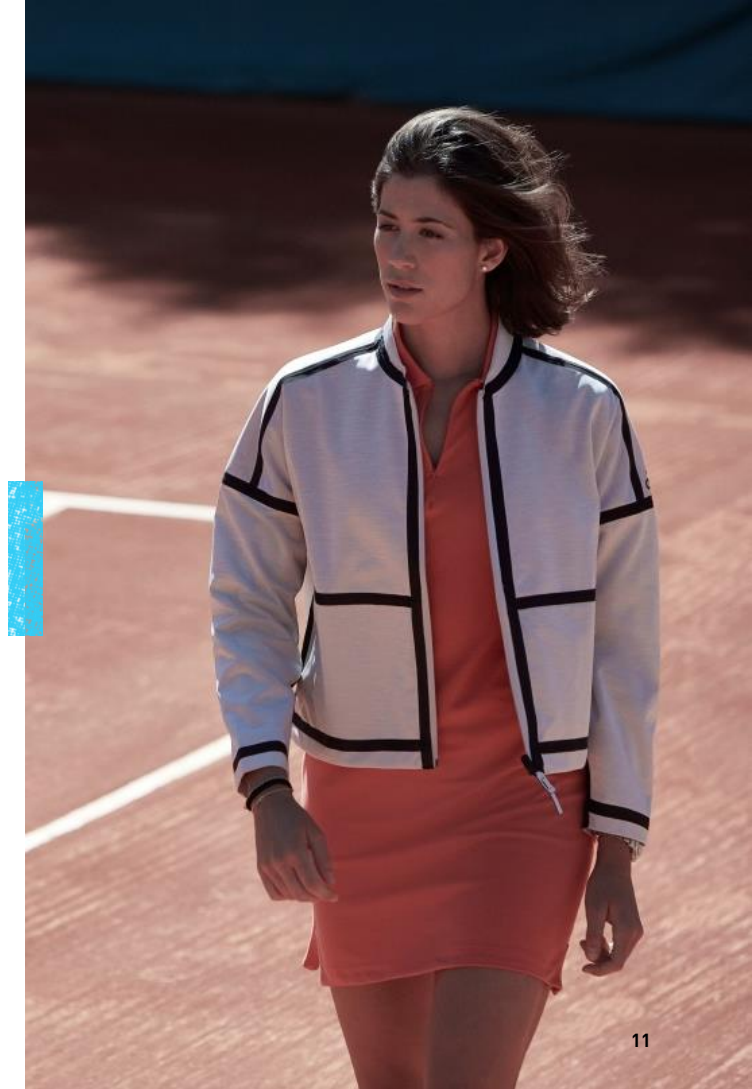
NEW SHARE BUYBACK PROGRAM TO LAUNCH IN 2018

Up to **€ 3.0 billion** until **May 2021**

Reflecting around **8%** of current market capitalization

** Dividend subject to Annual General Meeting approval.*

*** Payout ratio based on net income from continuing operations; excluding negative one-time tax impact of € 76 million in 2017.*



FINANCIAL AMBITION

SHORT- AND LONG-TERM OUTLOOK

2018

STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS EXPECTED IN 2018

Net sales
(currency-neutral)

**Increase
by around 10%**

Net income from continuing operations*

**Increase of 13% – 17%
to € 1.615 billion – € 1.675 billion**

2020

LONG-TERM FINANCIAL AMBITION

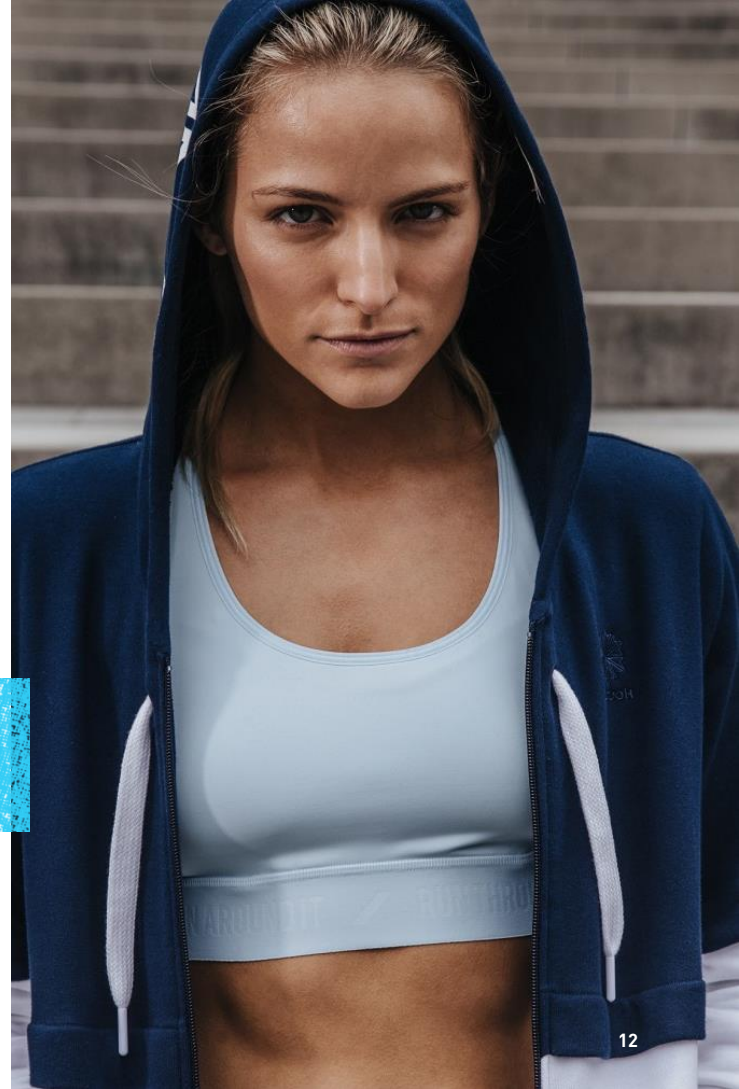
Net sales
CAGR 2015 – 2020 (currency-neutral)

10% – 12% (confirmed)

Net income from continuing operations
CAGR 2015 – 2020

22% – 24% (upgraded)

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



STRENGTHS & WEAKNESSES

IN FY 2017



Broad-based top-line momentum

Double-digit growth across most regions



E-com continues to outperform

Fastest-growing channel in all regions



Strong gross margin increase

Reflecting high quality of sales growth



Relentless execution of 'Creating The New'

'Acceleration Plan' initiated and executed against



Sales decline in football and basketball

Reflecting challenging licensed business



Sales increase in apparel business

Lagging behind footwear



Top-line growth challenging existing infrastructure

Ongoing investments into capacity and scalability



Slower comp store sales growth

Mainly due to Western Europe and Russia/CIS



ADIDAS BRAND GROWS 18% IN 2017
DOUBLE-DIGIT GROWTH IN MOST REGIONS

+18%

Strong double-digit sales growth

On top of a 22% increase in the prior year

Significant double-digit growth in footwear

Ongoing focus on franchise management

Women's business outperforms in 2017

Sales increase of more than 20%

Currency-neutral.



SPORT PERFORMANCE INCREASES 8%

STRONG DOUBLE-DIGIT GROWTH IN KEY FOOTWEAR FRANCHISES

+8%

Running revenues up 23%

Driven by strong growth in footwear

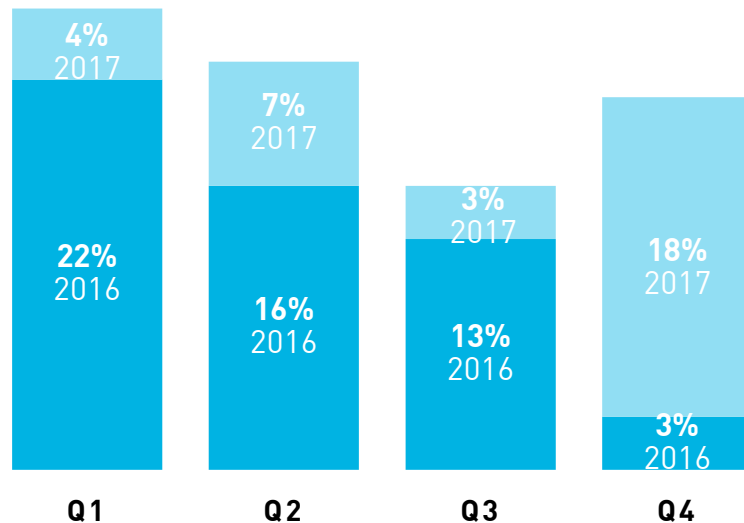
Training sales grow 7%

Reflecting growth in apparel and footwear

Football revenues accelerate in Q4

Supported by revenues generated with 2018 World Cup product

SPORT PERFORMANCE
QUARTERLY REVENUE GROWTH (2-YEAR STACKS)

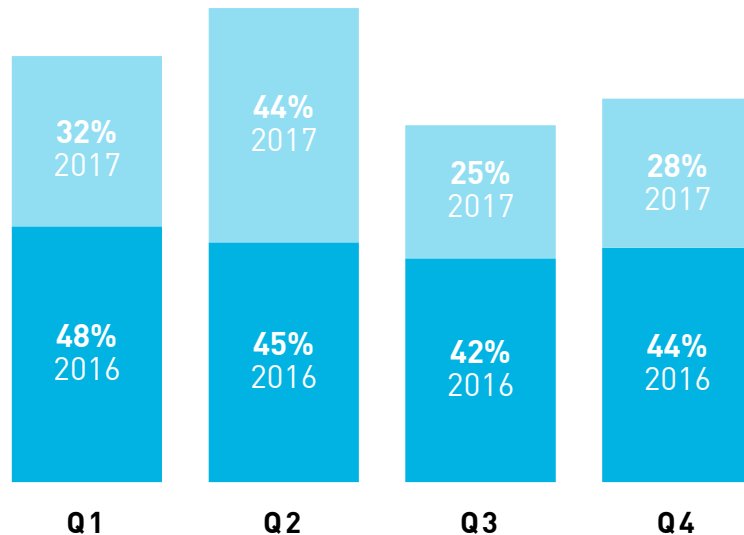


ORIGINALS AND NEO UP 32%

EXCELLENT DOUBLE-DIGIT GROWTH IN FOOTWEAR AND APPAREL

+32%

ORIGINALS AND NEO
QUARTERLY REVENUE GROWTH (2-YEAR STACKS)



Originals up 30%

Driven by North America, Greater China and Western Europe

Modern franchises grow more than 50%

Now representing more than half of Originals footwear business

neo business grows 35%

Exceptional improvement in footwear business

ROBUST PROFITABILITY IMPROVEMENT AT REEBOK

TOP-LINE GROWTH IMPACTED BY STORE CLOSURES IN THE US
AND RUSSIA/CIS

+400BPS

Sales growth of 4% reflecting improvements in most regions

Driven by double-digit growth in Classics business

Decline in North America

Due to store closures and the clean-up of lower-margin business in the US market

Strong profitability improvements

Gross margin up 400bps to 40.7% driven by successful execution of Muscle-Up initiatives



REEBOK MUSCLE-UP

FOCUS ON 'MUSCLE-UP' INITIATIVES DELIVERS OPERATIONAL AND FINANCIAL IMPROVEMENTS

ORGANIZATION

US/Global teams integrated
Relocation to Boston completed
Role clarity driven through organization

DESIGN TO VALUE

Full adoption of DTV principles
New consumer value framework introduced
Value-based pricing model rolled out

MARKETING WORKING BUDGET

Reduction in marketing concepts
New influencer marketing model created
Absolute and relative MWB increase in 2017

NEW BUSINESS MODEL

Prioritize digital
Increase speed-to-market capabilities
Detailed franchise management

US MARKET

Market turnaround ongoing
Optimization of trade terms
Optimization of own-retail stores

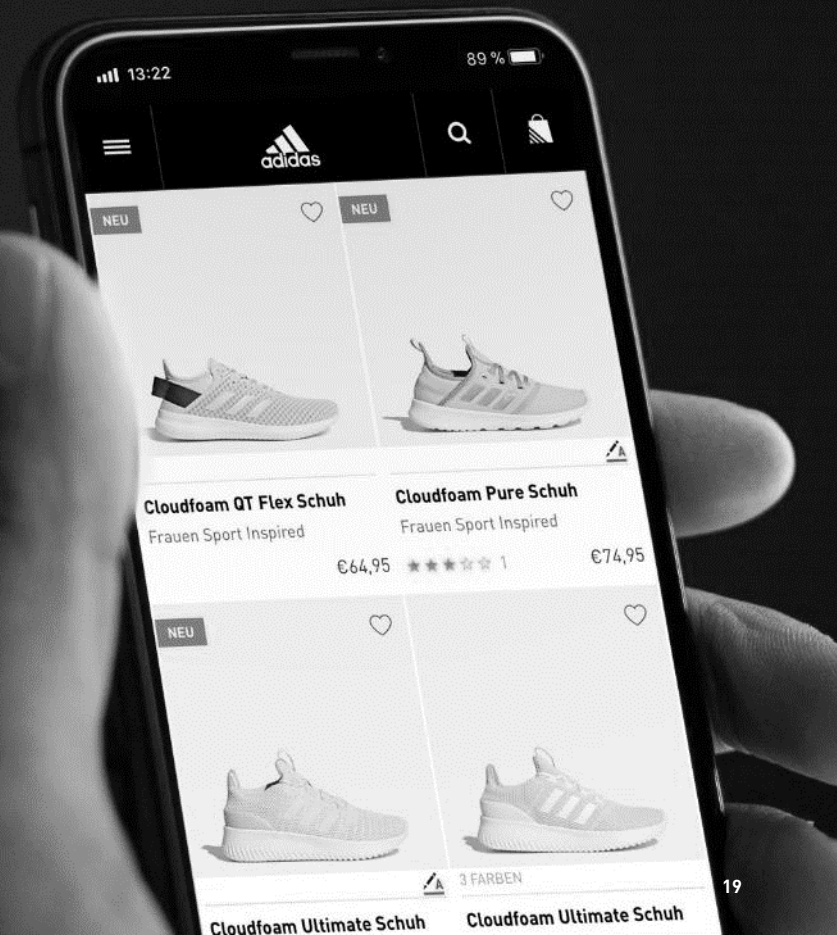
EFFICIENCY IMPROVEMENTS

Model reductions
Process simplification
Operationalization of range overlap

EXCEPTIONAL GROWTH IN E-COM

DIRECT CONSUMER ENGAGEMENT
SPURS BRAND HEAT

+57%



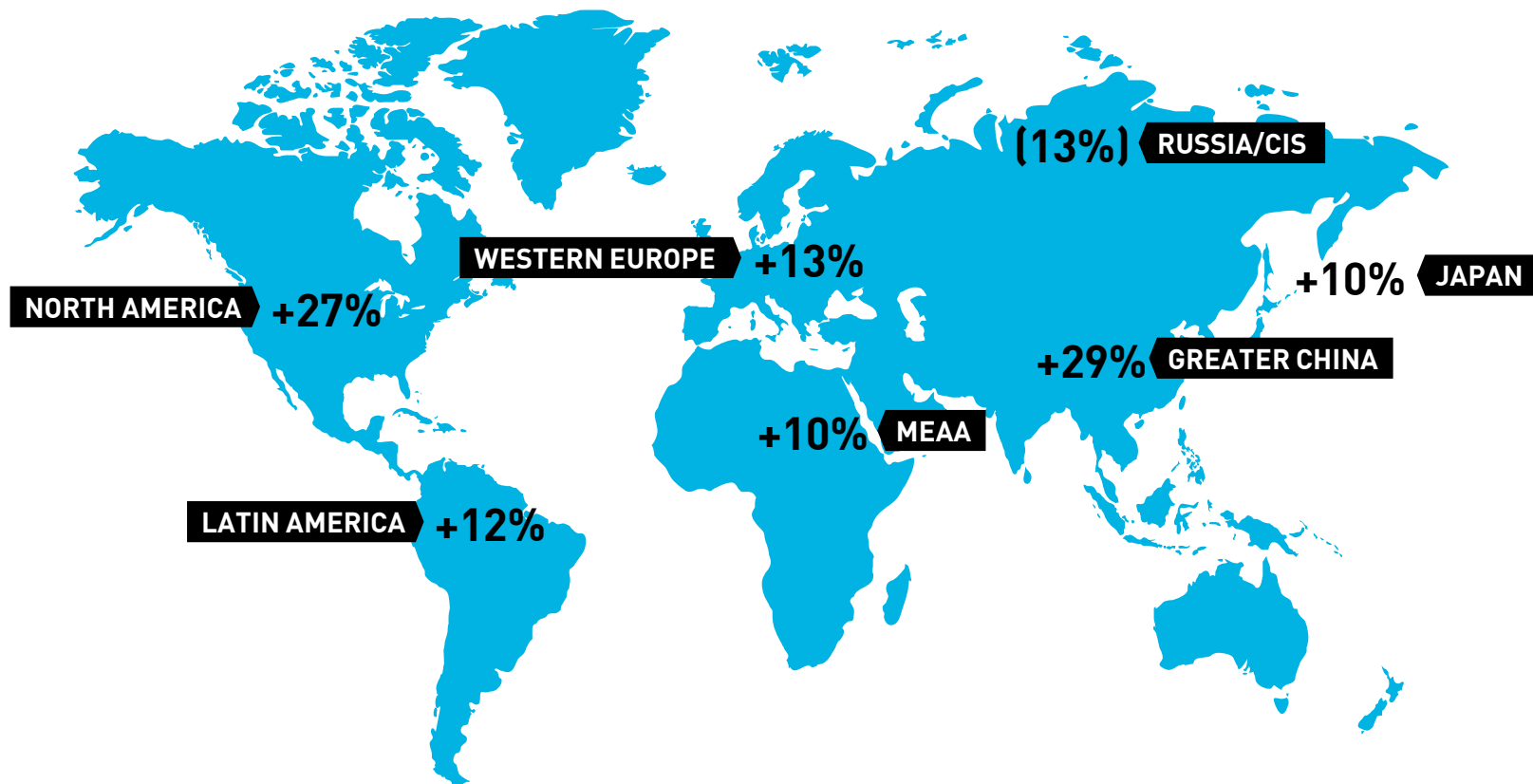
FINANCIAL UPDATE

HARM OHLMEYER
CFO



DOUBLE-DIGIT GROWTH IN MOST REGIONS

NORTH AMERICA AND GREATER CHINA WITH EXCELLENT DOUBLE-DIGIT SALES INCREASE



NORTH AMERICA

ANOTHER YEAR OF EXCELLENT GROWTH

+27%

Currency-neutral sales increase 27% in 2017

adidas brand revenues up 35%

Driven by double-digit growth in Running, Training, Originals and neo

Reebok brand revenues down 15%

Reflecting the closure of own-retail stores in the US

Gross margin increases 1.8pp to 39.5%

Reflecting a more favorable product mix

Operating margin up 4.7pp to 10.9%

Reflecting the gross margin improvement and OPEX leverage



GREATER CHINA

BRAND HEAT SPURS EXCELLENT TOP-LINE IMPROVEMENT

+29%

Currency-neutral sales increase 29% in 2017

adidas brand sales increase 30%

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

Reebok brand revenues up 25%

Double-digit growth in Training, Running and Classics

Gross margin down 0.5pp to 57.1%

Despite positive pricing and category mix

Operating margin up 0.2pp to 35.4%

OPEX leverage secures excellent profitability



WESTERN EUROPE

STRONG GROWTH IN A VERY MATURE MARKET

+13%

Currency-neutral sales increase 13% in 2017

adidas brand revenues up 12%

Double-digit growth in Running, Outdoor, Originals and neo

Reebok brand sales increase 24%

Driven by Training, Running and Classics

Gross margin improves 1.1pp to 45.5%

FX headwind more than offset by a better pricing and channel mix

Operating margin up 2.1pp to 20.0%

Reflecting the gross margin improvement and OPEX leverage



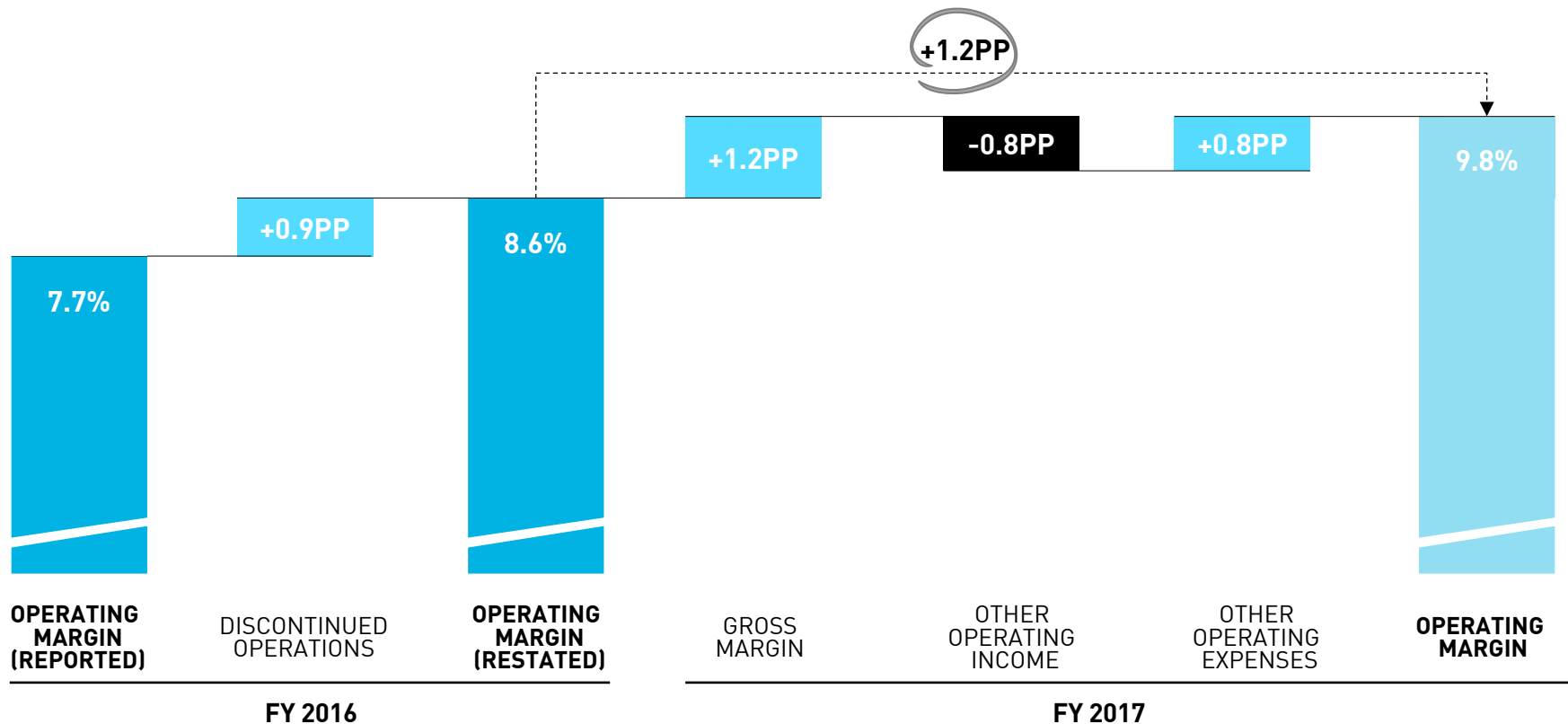
FINANCIAL RESULTS OVERVIEW

OPERATING MARGIN IMPROVEMENT DRIVEN BY GROSS MARGIN INCREASE AND OPEX LEVERAGE

	FY 2017	FY 2016	Y-O-Y change
NET SALES (€ in millions)	21,218	18,483	+15%
GROSS MARGIN	50.4%	49.2%	+1.2PP
OTHER OPERATING INCOME (€ in millions)	133	262	(49%)
OTHER OPERATING EXPENSES (€ in millions)	8,882	7,885	+13%
OTHER OPERATING EXPENSES (in % of sales)	41.9%	42.7%	(0.8PP)
OPERATING PROFIT (€ in millions)	2,070	1,582	+31%
OPERATING MARGIN	9.8%	8.6%	+1.2PP

STRONG PROFITABILITY INCREASE

OPERATING MARGIN UP 1.2PP DESPITE DIFFICULT PRIOR YEAR COMPARISONS



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

FINANCIAL RESULTS OVERVIEW

BASIC EPS FROM CONTINUING OPERATIONS IMPROVES 31% TO € 7.05

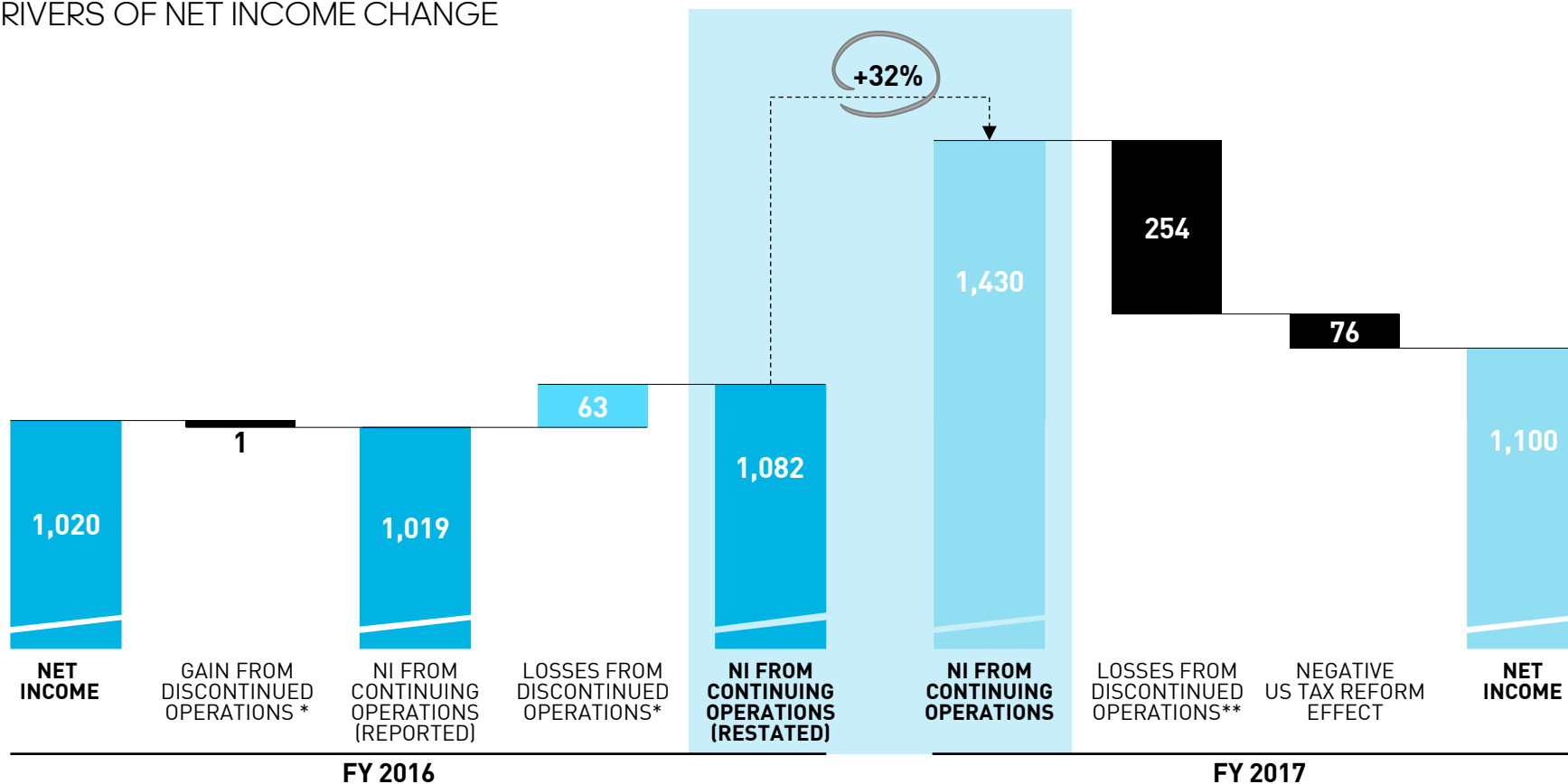
	FY 2017	FY 2016	Y-O-Y change
OPERATING PROFIT (€ in millions)	2,070	1,582	+31%
OPERATING MARGIN	9.8%	8.6%	+1.2PP
NET INCOME from continuing operations* (€ in millions)	1,430	1,082	+32%
BASIC EPS from continuing operations* (€)	7.05	5.39	+31%
DILUTED EPS from continuing operations* (€)	7.00	5.29	+32%

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.*

NET INCOME BRIDGE

DRIVERS OF NET INCOME CHANGE



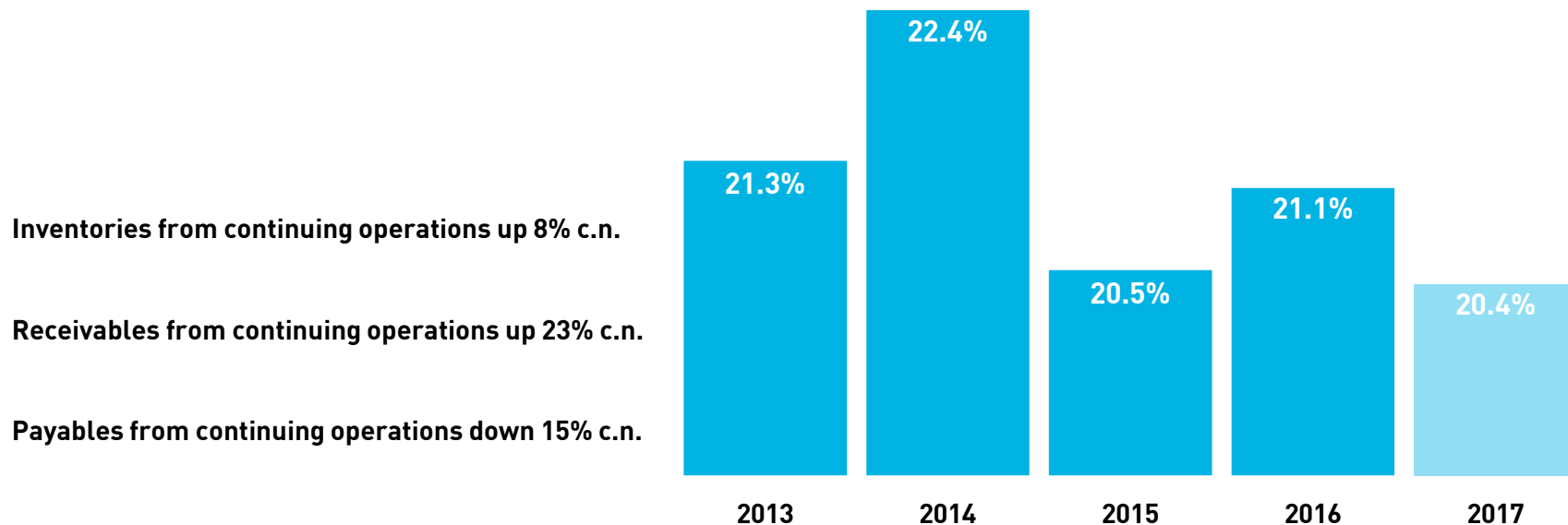
€ in millions.

* 2016: Gain of € 1 million related to Rockport; losses of € 63 million related to TaylorMade, Adams Golf, Ashworth and CCM Hockey.

** 2017: Losses of € 254 million related to Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey.

AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 0.7PP TO 20.4%

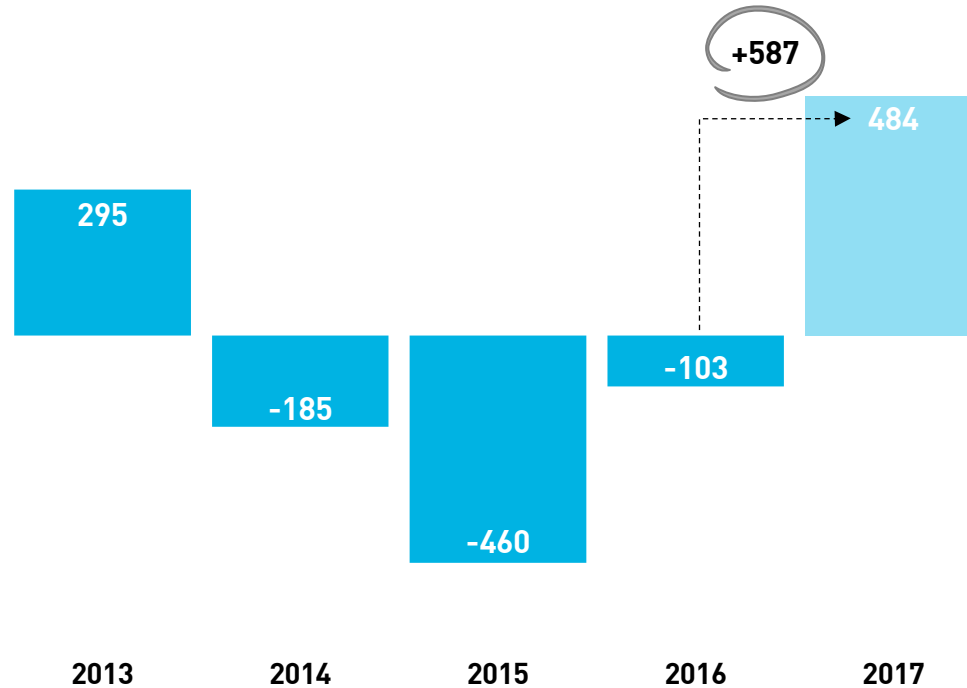


2017 and 2016 figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.

2015, 2014 and 2013 figures reflect continuing operations as a result of the divestiture of the Rockport business.

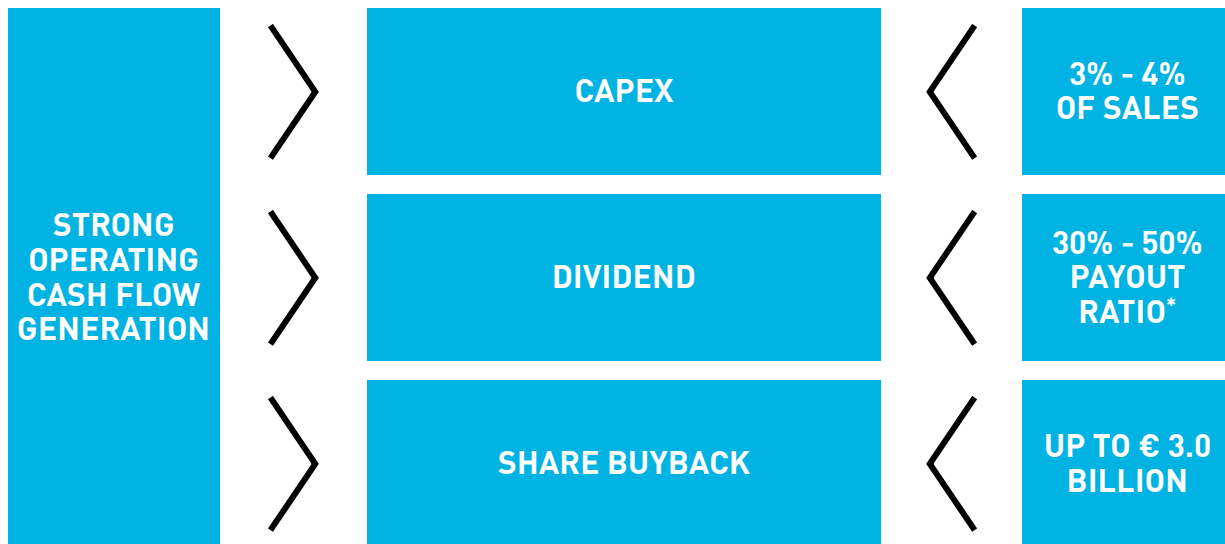
NET CASH POSITION OF € 484 MILLION

EQUITY RATIO IMPROVES 1.8PP TO 44.4%



CASH STRATEGY

STRONG FOCUS ON DRIVING OPERATING CASH FLOW GENERATION



** Based on net income from continuing operations.*

CAPITAL EXPENDITURE

INVESTMENTS TO DRIVE PROFITABLE GROWTH

**CONTROLLED
SPACE**

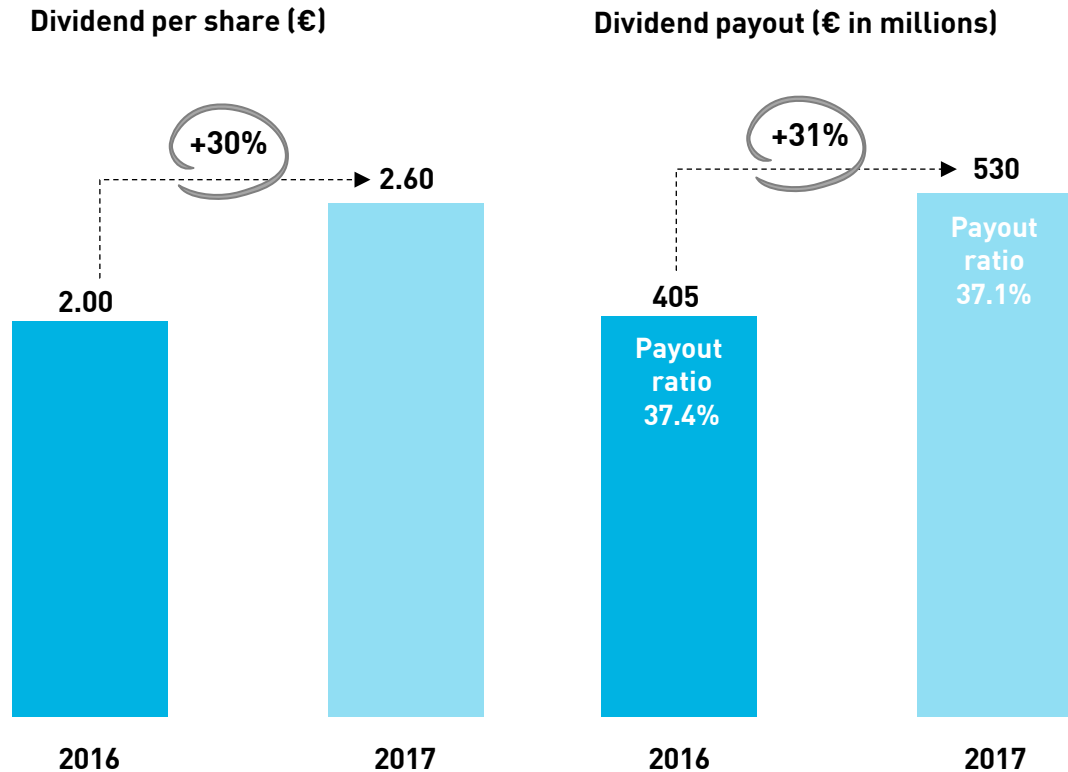
**IT &
LOGISTICS**

**HQ
EXPANSION**



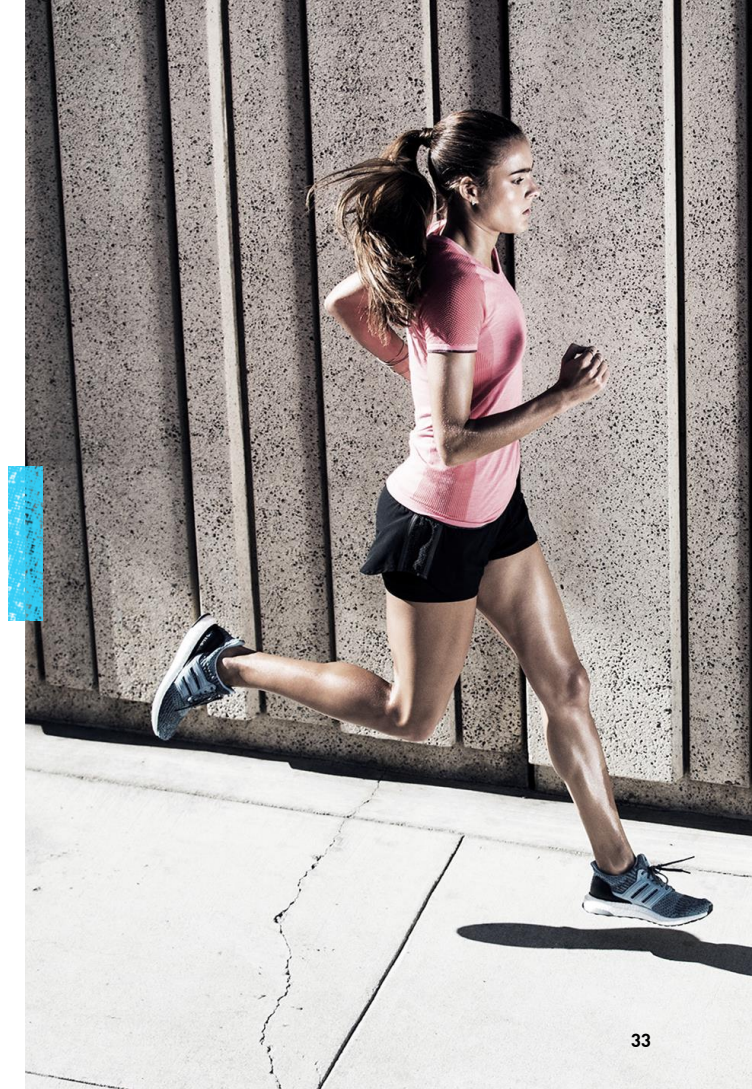
RELIABLE DIVIDEND POLICY

DIVIDEND PROPOSAL REFLECTS STABLE PAYOUT RATIO



2017: Subject to Annual General Meeting approval. Dividend payout based on number of shares outstanding at year-end.

Payout ratio based on net income from continuing operations.



SHAREHOLDER RETURN

SIGNIFICANT SHARE BUYBACK PROGRAM ANNOUNCED

1

TOTAL SIZE

Up to € 3.0 billion

2

TIMEFRAME

Starting March 22, 2018 and ending latest on May 11, 2021

3

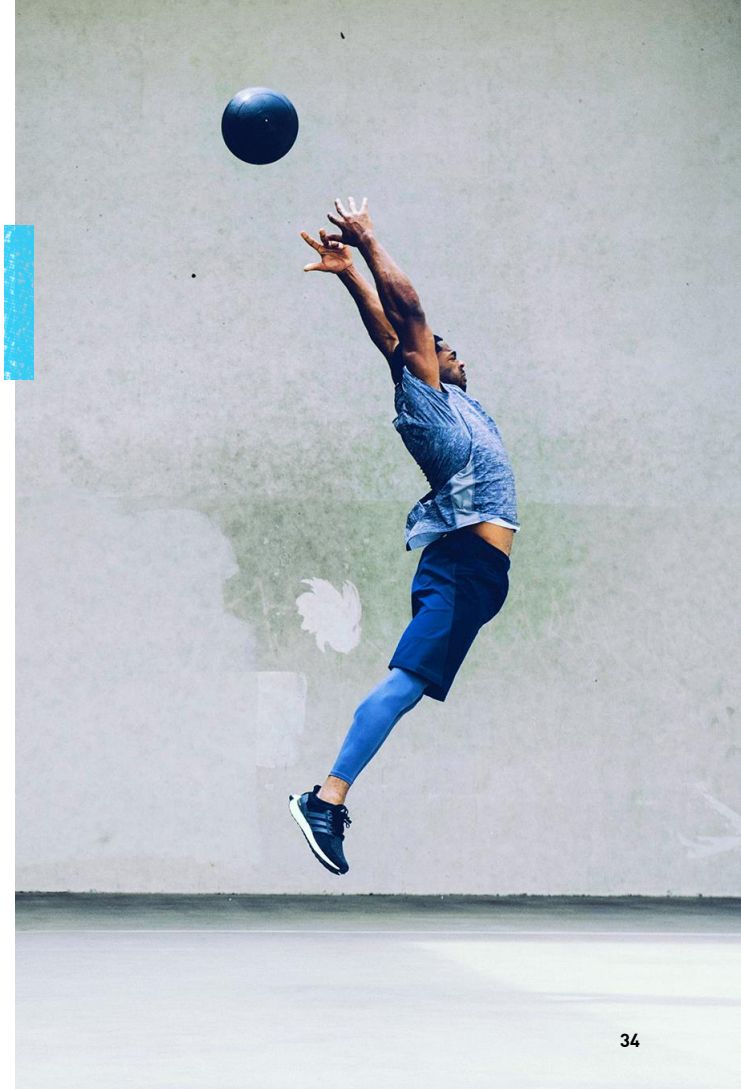
2018

Up to € 1 billion until year-end

4

FUNDING

Through net cash position, operating cash flow generation and debt funding



OUTLOOK

KASPER RORSTED
CEO



FOCUS AREAS 2018

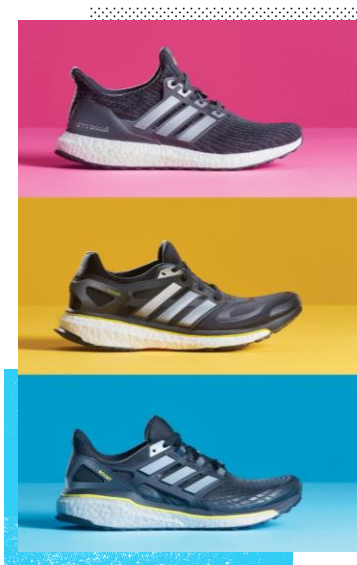
IMPORTANT MILESTONE TOWARD OUR 2020 TARGETS

- 1 **High-quality top-line growth**
- 2 **Overproportionate investments in brands and products**
- 3 **Start leveraging scalable business model**
- 4 **Drive margin expansion and overproportionate net income growth**



STRONG PRODUCT PIPELINE TO FUEL TOP-LINE GROWTH IN 2018

ITERATING EXISTING PRODUCT SUCCESES



LAUNCHING NEW PRODUCTS AND FRANCHISES



LEVERAGING INNOVATION AND NEW TECHNOLOGIES

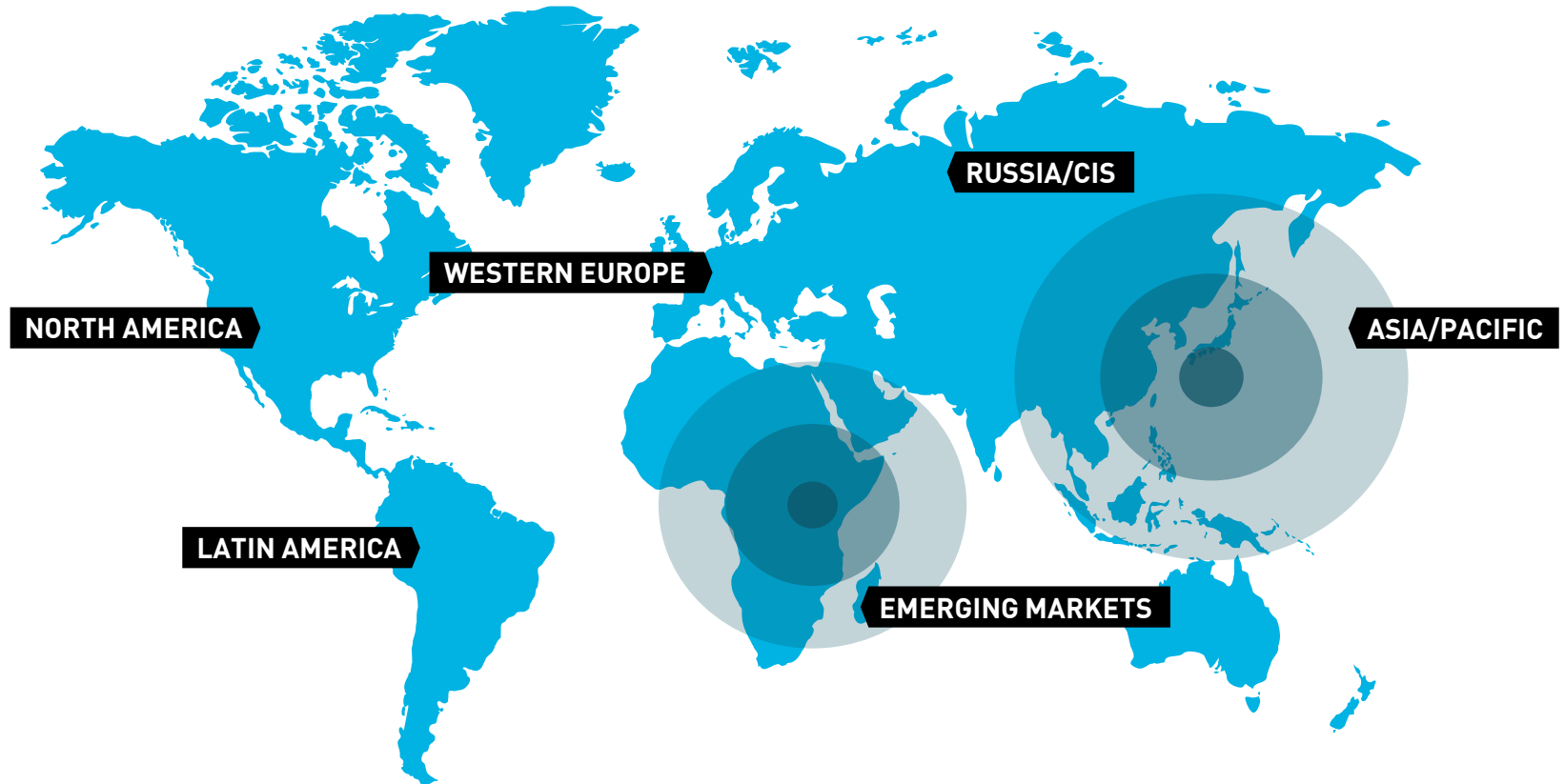


LEVERAGING MAJOR SPORTS EVENTS



ENSURE CONSISTENT EXECUTION

IMPLEMENTING ONE CONSOLIDATED BUSINESS MODEL ACROSS ASIA/PACIFIC



KEY GROWTH DRIVERS

TOP-LINE EXPANSION DRIVEN BY NORTH AMERICA, ASIA/PACIFIC AND E-COM

1

NORTH AMERICA

Double-digit growth on top of a 27% increase in 2017

Margin improvement to continue

2

ASIA/PACIFIC

Double-digit growth on top of a 22% increase in 2017

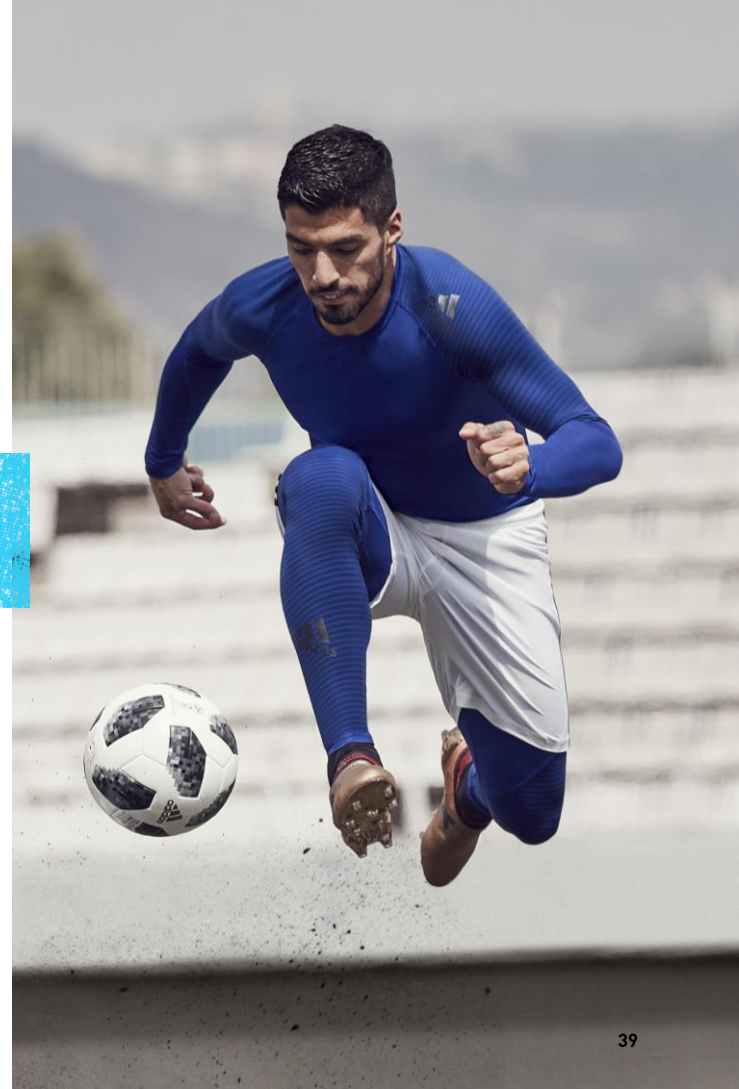
Limited margin opportunity due to already high profitability levels

3

E-COM

Double-digit growth on top of a 57% increase in 2017

Channel to benefit from **ongoing investments in infrastructure**



MARKETING INVESTMENTS

DRIVING CONSUMER ADVOCACY AND BUILDING BRAND EQUITY

REASON TO BELIEVE

Global brand campaigns to take center stage in 2018

REASON TO BUY

Consistent and impactful communication around key franchises

SPORTS COMMUNITIES

Step up grassroots and local activation efforts

**MARKETING INVESTMENTS TO INCREASE
IN ABSOLUTE AND RELATIVE TERMS IN 2018**



OPERATIONAL EXCELLENCE THROUGH ONE ADIDAS

BENEFITING FROM A MORE SCALABLE BUSINESS MODEL

LEVERAGE
**BRAND
LEADERSHIP**

DRIVE
**MARKETING
EFFECTIVENESS**

IMPROVE
**OPERATING
EFFICIENCY**



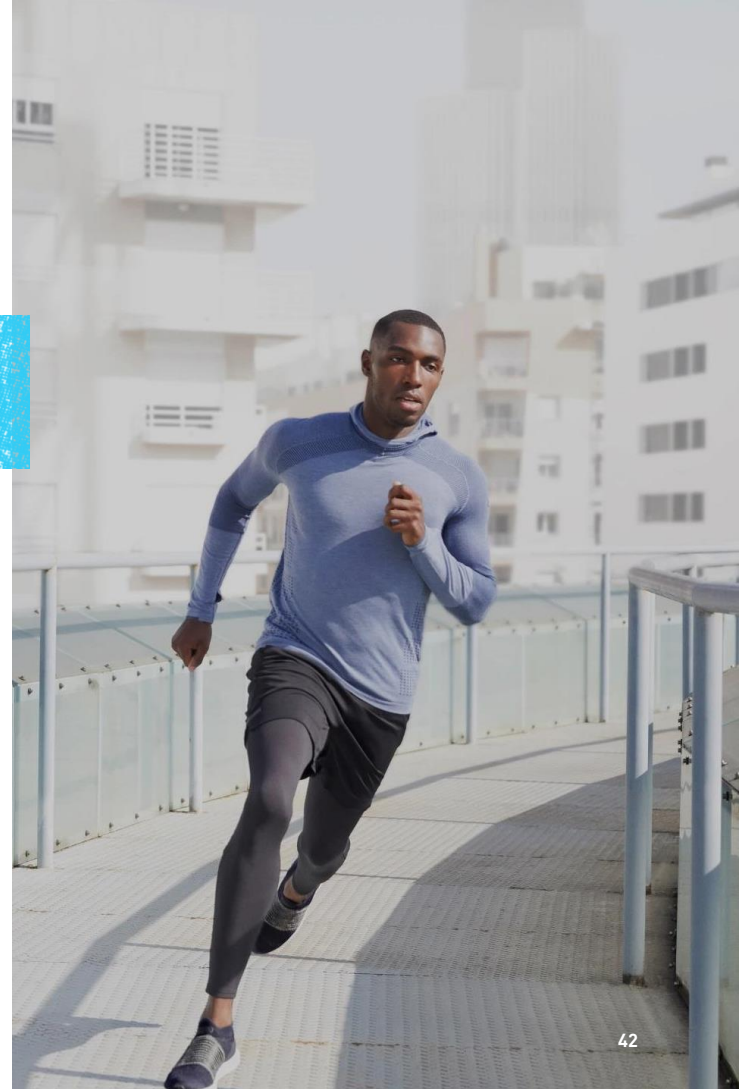
OUTLOOK 2018

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.

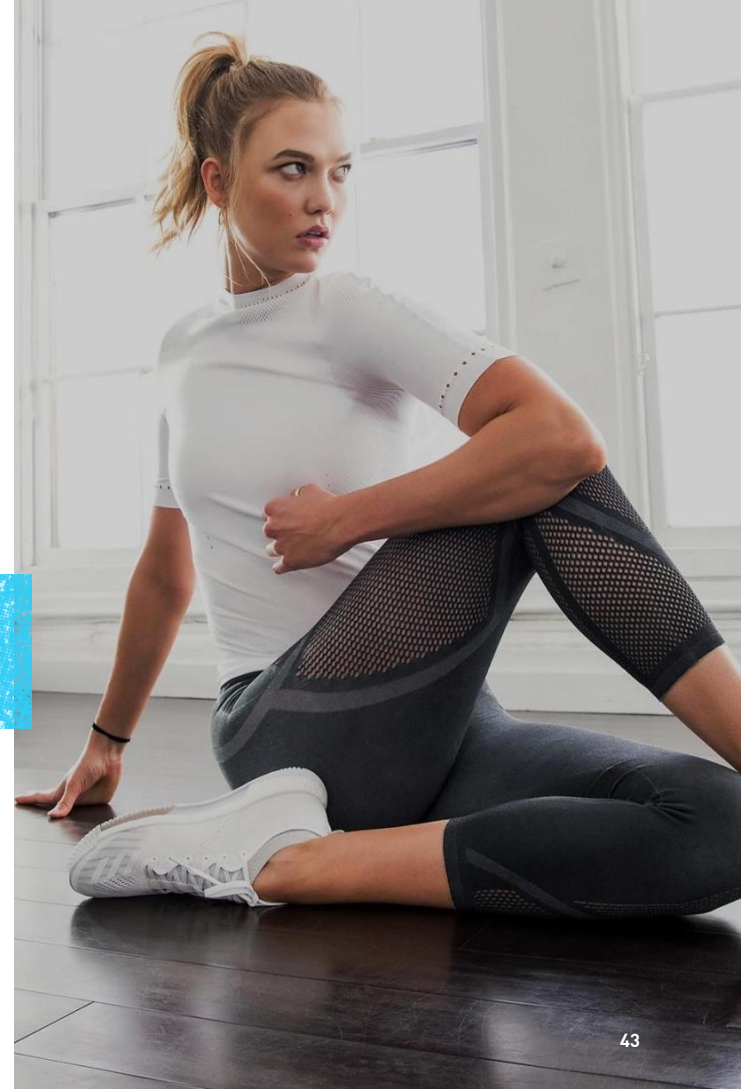


FINANCIAL AMBITION 2020

RECONFIRMED WITH AN UPTICK ON PROFITABILITY

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.



SUMMARY

- 1 Strong operational and financial performance in 2017
- 2 2018 will be another year of high-quality growth
- 3 2020 financial ambition updated and profitability targets increased
- 4 Continuously invest in people, infrastructure and our brands
- 5 Focus on execution of 'Creating The New' and 'Acceleration Plan'



Q&A

