COMMERZBANK GERMAN INVESTMENT SEMINAR 2019

New York City
January 14-16, 2019
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AGENDA

1  BUSINESS HIGHLIGHTS
2  FINANCIAL HIGHLIGHTS
3  OUTLOOK
STRENGTHS & WEAKNESSES
IN Q3 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**
In spite of severe FX headwinds

**Challenges in Western Europe**
Still weighing on company’s top-line growth

**Opex leverage masked by investments**
Investments into brand and scalability of business

**Sport Inspired supported by exceptional Yeezy launch**
Originals normalizing after period of extraordinary growth

**Retail comp trend mixed**
Comps up mid-single-digits but concept store comps slow down
MAJOR P&L DEVELOPMENTS IN Q3 2018

1. **Revenues increase 8% currency-neutral and 3% in euro terms to €5.9 billion**

2. **Gross margin up 1.4pp to 51.8%** despite severe FX headwinds

3. **Operating margin up 1.3pp to 15.3%** despite higher marketing investment

4. **Net income from continuing operations increases 19%** to €656 million

5. **Basic EPS from continuing operations up 21%** to €3.26

Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.
## DOUBLE-DIGIT INCREASES IN STRATEGIC GROWTH AREAS IN Q3 2018

<table>
<thead>
<tr>
<th>Region</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>adidas North America</td>
<td>+18%</td>
</tr>
<tr>
<td>Greater China</td>
<td>+26%</td>
</tr>
<tr>
<td>E-commerce</td>
<td>+76%</td>
</tr>
</tbody>
</table>

*Currency-neutral.*
ADIDAS BRAND WITH STRONG GROWTH
DOUBLE-DIGIT INCREASE IN NORTH AMERICA AND ASIA-PACIFIC

Sport Performance grows 8%
Driven by double-digit growth in Training and Running

Sport Inspired grows 11%
Reflecting exceptional Yeezy growth

Balanced growth
Double-digit increases in both Footwear and Apparel

Currency-neutral.
Reebok revenues decrease 5%
Due to sales decreases in all markets

Double-digit growth in Classics
Offset by declines in Training and Running

Gross margin up 4.4pp to 45.3%
Driven by further execution of Muscle-Up

Currency-neutral.
EXCEPTIONAL GROWTH IN E-COM
LEVERAGING OUR BIGGEST STORE

+E-commerce revenues grow 76%
Driven by double-digit growth across all regions

Hype releases and launch of Creators Club
Driving traffic and engagement rates

adidas App now live in 17 countries
Close to 5 million downloads by the end of Q3

Currency-neutral.
FINANCIAL HIGHLIGHTS
KEY REGIONS CONTINUE TO GROW AS EXPECTED
NORTH AMERICA AND ASIA-PACIFIC WITH DOUBLE-DIGIT SALES INCREASES

Currency-neutral.
adidas brand revenues up 18%
Driven by double-digit growth in Training, Running, Football and Sport Inspired

Reebok brand revenues flat
High-single-digit increase in the US offset by decline in Canada

Gross margin increases 2.2pp to 42.0%
Several positive drivers, including favorable channel and category mix

Operating margin increases 6.8pp to 18.1%
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%
Double-digit growth in Training, Running, HBS and Sport Inspired

Reebok brand revenues decrease 1%
Decline in Training largely compensated by growth in Classics and Running

Gross margin up 1.8pp to 57.2%
Better pricing, channel and category mix compensates FX headwind

Operating margin up 0.9pp to 35.5%
Investments partially offset gross margin expansion
Currency-neutral sales decrease 1%

- **adidas brand revenues decrease 1%**
  Moderate gain in Sport Performance offset by moderate decline in Sport Inspired

- **Reebok brand sales decrease 5%**
  Reflecting tough prior year comps and more selective distribution

- **Gross margin improves 3.4pp to 48.8%**
  Despite negative FX impact as focus on quality pays off

- **Operating margin is up 1.1pp to 24.4%**
  Gross margin improvement partly offset by brand investments
WESTERN EUROPE
COMPREHENSIVE SET OF COUNTERMEASURES INITIATED

<table>
<thead>
<tr>
<th>CHALLENGES</th>
<th>COUNTERMEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Overreliance on and overdistribution of Originals</td>
<td>1 More holistic segmentation approach and better input process</td>
</tr>
<tr>
<td>2 Planned decline of Stan and Superstar not compensated for by new franchises</td>
<td>2 Relentless activation of commercial launches according to marketplace needs</td>
</tr>
<tr>
<td>3 Slow reaction to changing trends</td>
<td>3 New management team and simplified organization with focus on consumer and key accounts</td>
</tr>
<tr>
<td>4 Aggressive competition in a mature market</td>
<td>4 Tailored investment plans in order to regain market share in key accounts</td>
</tr>
</tbody>
</table>
**FINANCIAL RESULTS OVERVIEW**

**OPERATING MARGIN IMPROVEMENT DRIVEN BY GROSS MARGIN INCREASE**

<table>
<thead>
<tr>
<th></th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>Y-O-Y change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET SALES</strong> (€ in millions)</td>
<td>5,873</td>
<td>5,677</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>GROSS MARGIN</strong></td>
<td>51.8%</td>
<td>50.4%</td>
<td>+1.4pp</td>
</tr>
<tr>
<td><strong>MARKETING WORKING BUDGET</strong> (€ in millions)</td>
<td>716</td>
<td>667</td>
<td>+7%</td>
</tr>
<tr>
<td><strong>MWB</strong> (in % of sales)</td>
<td>12.2%</td>
<td>11.7%</td>
<td>+0.4pp</td>
</tr>
<tr>
<td><strong>OPERATING OVERHEADS</strong> (€ in millions)</td>
<td>1,504</td>
<td>1,463</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>OOH</strong> (in % of sales)</td>
<td>25.6%</td>
<td>25.8%</td>
<td>-0.2pp</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT</strong> (€ in millions)</td>
<td>901</td>
<td>795</td>
<td>+13%</td>
</tr>
<tr>
<td><strong>OPERATING MARGIN</strong></td>
<td>15.3%</td>
<td>14.0%</td>
<td>+1.3pp</td>
</tr>
<tr>
<td><strong>NET INCOME FROM CONTINUING OPERATIONS</strong> (€ in millions)</td>
<td>656</td>
<td>549</td>
<td>+19%</td>
</tr>
<tr>
<td><strong>BASIC EPS FROM CONTINUING OPERATIONS</strong> (€)</td>
<td>3.26</td>
<td>2.70</td>
<td>+21%</td>
</tr>
</tbody>
</table>

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

**STRONG UNDERLYING IMPROVEMENT AS FOCUS ON QUALITY GROWTH PAYS OFF**

- **Gross margin expansion continues**
  - Up 1.4pp in Q3

- **Despite stronger drag from FX**
  - 1.3pp headwind in Q3

- **Strong underlying improvement**
  - Reflecting brand strength and healthy inventories

Year-on-year change.

Gross margin Q3 2017 | FX headwinds | Underlying improvement | Gross margin Q3 2018
---|---|---|---
| -1.3PP | +2.7PP | +1.4PP |
Average operating working capital in % of sales at quarter-end.

* Figures reflect net sales and OWC from continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.
**Net Cash and Equity Position**

**Equity Ratio at 41.8%**

- **Net cash position**
  - At € 535 million

- **Equity position**
  - Increases € 456 million year-on-year

- **Equity ratio**
  - Decreases 0.3pp year-on-year to 41.8%

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*Net cash/(net borrowings) at quarter-end, € in millions.*
SHAREHOLDER RETURN
SHARE BUYBACK UPDATE

1. TOTAL SIZE
Up to €3 billion (up to €1 billion in 2018)

2. TIMEFRAME
Started March 22, 2018 and ending latest on May 11, 2021

3. NUMBER OF SHARES PURCHASED*
3.8 million adidas AG shares

4. AMOUNT PURCHASED*
€733 million

*As at September 30, 2018.
OUTLOOK
2018
BALANCING MARKET SHARE GROWTH AND MARGIN IMPROVEMENT

1. High-quality revenue growth

2. Product pipeline to support planned top-line expansion

3. Overproportionate investments in brands and products

4. Continuing to implement scalable business model

5. Margin expansion and overproportionate net income growth
OUR POWERFUL ENGINE
DRIVING BRAND DESIRABILITY AS WELL AS TOP-LINE GROWTH

ITERATING EXISTING PRODUCT SUCCESSES

LAUNCHING NEW PRODUCTS AND FRANCHISES

SCALING INNOVATION AND NEW TECHNOLOGIES

LEVERAGING THE INDUSTRY’S DEEPEST ARCHIVE

CELEBRATING SPORTS ASSETS AND EVENTS

CALLING CREATORS AND COMMUNITIES
FLAWLESS EXECUTION OF BIGGEST DIGITAL RELEASE
YEEZY BOOST 350 V2 TRIPLE WHITE

- **Large-scale activation**
  Executing perfectly in sync across all functions around the globe

- **Taking over social media**
  Media mentions and search interest surpassing past Yeezy releases

- **Driving e-commerce traffic**
  Launch generating millions of adidas.com site visits

- **Major commercial success**
  Sell-through and margin metrics above expectations

- **Sticking to the plan**
  Democratizing Yeezy while preserving the hype
MOVING FAST IN ORDER TO WIN IN PHYSICAL RETAIL
NEW BRAND CENTER SHANGHAI EAST NANJING ROAD
# OUTLOOK 2018 INCREASED

STRONGER BOTTOM-LINE IMPROVEMENT EXPECTED

<table>
<thead>
<tr>
<th>Metric</th>
<th>Increase of</th>
<th>LOWER END</th>
<th>Increase of</th>
<th>LOWER END</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales*</td>
<td>around 10%</td>
<td></td>
<td>8% – 9%</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>up to 0.3pp</td>
<td>INCREASED</td>
<td>up to 0.3pp</td>
<td>INCREASED</td>
</tr>
<tr>
<td>Operating profit</td>
<td>9% – 13%</td>
<td></td>
<td>12% – 16%</td>
<td></td>
</tr>
<tr>
<td>Operating margin</td>
<td>0.5pp – 0.7pp</td>
<td>INCREASED</td>
<td>around 1.0pp</td>
<td>INCREASED</td>
</tr>
<tr>
<td>Net income from continuing operations**</td>
<td>13% – 17%</td>
<td>INCREASED</td>
<td>16% – 20%</td>
<td>INCREASED</td>
</tr>
<tr>
<td>Basic EPS from continuing operations**</td>
<td>12% – 16%</td>
<td>INCREASED</td>
<td>15% – 19%</td>
<td></td>
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</tbody>
</table>

* Currency-neutral.

** Excluding negative one-time tax impact of € 76 million in 2017; not taking into account any decrease in the number of shares outstanding due to the company’s share buyback program.
SUMMARY

1. 2018 ahead of plan, full-year outlook increased

2. Progress across strategic growth areas, acting on Western Europe

3. Higher marketing investments to support brand and product

4. Strong profitability improvements despite investment into brand and business

5. Focus on executing the second half of ‘Creating the New’
Q&A