

FINANCIAL RESULTS PRESENTATION

First Half 2016 Speech

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Sebastian Steffen

Good afternoon ladies and gentlemen and welcome to our first half 2016 financial results conference call. Our presenters today are Herbert Hainer, adidas Group CEO, and Robin Stalker, Group CFO.

Today's call is without doubt a special one – not only because it is Herbert's last one after more than 15 years at the helm of our Group. It is also special because we have Herbert dialling in directly from Rio de Janeiro, where he is currently visiting the 2016 Olympic Games, one of this year's most important sports events.

And lastly, it is also unique for all of us, as Kasper Rorsted, who joined our Executive Board team on August 1st, is also with us here in the room in Herzo joining this conference call. Let me make it clear, however, that Kasper will not be answering any questions today. I am sure you will understand this as it is only his fourth day in office. So I would like to ask you to refrain from asking any questions to Kasper. We will of course make sure we find an appropriate opportunity for Kasper to speak to all of you in due course.

Before we get started, let me remind you that, as always, all revenue-related growth rates will be discussed on a currency-neutral basis, unless otherwise specified. In addition, all figures will refer to the Group's continuing activities and be discussed excluding goodwill impairment losses unless otherwise stated.

So, let's get started and over to you, Herbert.

Herbert Hainer

Thanks Sebastian and good afternoon from Rio de Janeiro, ladies and gentlemen.

As you will have seen from our communication last week, we continue to enjoy tremendous momentum in the marketplace, as the Group delivered another set of record quarterly results. The stellar financial performance in the second quarter is proof positive that we are a true growth company that is winning in the marketplace across all categories, countries and channels.

So, let's take a closer look at the highlights of the quarter:

- As I just mentioned, we achieved record second quarter sales of 4.4 billion euro, up 21%, representing our highest organic second quarter growth rate in more than a

decade. This means that, excluding all the exchange rate developments, we have added more than 750 million euro to our top line – in just one quarter!

- In particular, the adidas brand continued to experience unparalleled brand heat, as revenues increased a strong 25%, driven by key performance and lifestyle categories which all grew at double-digit rates. The development was particularly strong in key regions such as North America, Greater China and Western Europe, where sales increased by an impressive 32%, 30% and 30%, respectively.
- With a 7% top-line increase, sales growth at Reebok saw a further acceleration, compared to the previous quarter. The brand now looks back on thirteen consecutive quarters of growth, reflecting double-digit improvements outside of the US in each and every quarter. This shows how well consumers around the globe are responding to Reebok's new value proposition.
- Despite ongoing severe headwinds from negative currency effects, the Group's gross margin climbed 50 basis points to 48.8%, underlying the high desirability of our brands around the globe.
- The Group's operating margin improved a strong 3.4 percentage points to 9.4%, supported by the increase in gross margin, significant operating expense leverage as well as an extraordinary gain related to the early termination of the Chelsea F.C. contract.
- Consequently, net income from continuing operations almost doubled, reaching an all-time high during the second quarter of 291 million euro.

What pleases me even more than the pure numbers is their composition. It is both our core performance categories – football, training and running – as well as our key lifestyle sub-brands – adidas Originals and adidas neo – that continue to record strong double-digit growth rates across our focus markets.

This underlines that we are focused on those business areas where we can have the biggest impact on the consumer and that offer the greatest opportunities for our Group. And with 'Brand Leadership', where we are putting the consumer at the heart of everything we do, now in full swing across the entire company, there is no doubt that we will continue to be laser-focused when it comes to how we will be tackling all of these major categories in the respective markets going forward. We will ensure that we inspire consumers with unique experiences. We will continue to engage with them through marketing initiatives unheard of before. And we are going to excite them – again and again – with the most innovative and stylish products.

But let's now do a deep dive into each of those categories, starting with football, the heart of the adidas brand, which clearly took centre-stage so far this year. And there is no doubt that we have hit the mark again in 2016, be it through brand visibility, product sales, or simply by confirming our status as the most innovative brand in this sport.

Sales in the second quarter increased 17%, with double-digit increases in most markets. This strong performance prompted us to lift our forecast for the category in June, to a new record of over 2.5 billion euro for the year.

Even before the first whistle was blown at the UEFA EURO 2016, we were already champions of Europe, crowned by the winner of the UEFA Champions League – adidas sponsored team Real Madrid. Later during this year's summer of football, which also included the Copa América, adidas claimed the title of 'most shareable brand' on the various social media channels. This is particularly important as it speaks to the quality of our interaction with the consumer as 'shares' are the most valuable form of consumer interaction on social media. adidas was by far the number one brand in terms of shareability as it dominated the daily share volume for 27 of 30 days from the EURO's first game on June 10 up to the final on July 10. One particular highlight for adidas was that its share of voice, in terms of hashtag usage, was seven times higher than the next best brand.

In order to connect with the consumer, we focused our efforts on the strong relationships the adidas brand has with its partners – leveraging short films and images relating to federations such as Germany, Wales, Belgium and Spain as well as key players like Paul Pogba, Mesut Özil and Gareth Bale.

But our strong second quarter growth rate at adidas was not just all about football. Momentum in our running category accelerated strongly, up 30% in Q2, fuelled by strong double-digit sales growth in all major markets and reflecting the unrivalled strength in our innovative product pipeline.

In particular, our footwear business, which grew 35% in the second quarter, has seen the next wave of the industry's most successful product launches. A particular highlight in this regard was certainly the highly anticipated launch of UltraBOOST Uncaged, which is a prime example of our new Open Source mindset, as the idea of the Uncaged was born out of consumer insights. The shoe, which combines the performance and innovation of the original UltraBOOST with a full adidas Primeknit upper, featuring an internal support system, has caused huge queues in front of stores all over the world. In the US alone, we sold over 16,000 pairs of UltraBOOST Uncaged within 24 hours, and through eCommerce we sold 7,000 pairs within 15 minutes!

While BOOST is without doubt increasingly dominating the global running market, Q2 has also seen the official launch of another powerful running franchise: AlphaBounce, which offers an adaptive fit and feel for both runners and versatile athletes. Focused on the all-important North American market, the launch of this franchise has clearly beaten our own expectations, with record sell-through rates. Within less than twelve hours, men's pairs in the United States were completely sold out.

Our training business also continued to enjoy great momentum during the quarter, as sales increased 11% globally, with double-digit growth rates in all major markets. Growth was particularly strong in apparel, where revenues grew at a double-digit rate, supported by key concepts such as ClimaChill and TechFit.

While we continue to see robust growth in both the men's and women's apparel business, it is especially our strengthened focus on women's training which is clearly starting to pay off and gain traction. In this context, we saw strong double-digit growth in women's training during the quarter, with our workout collection resonating extremely well with the female consumer. With updated silhouettes, fabrics, colours and prints, we have put a special focus on our tights and bra offer, as they represent anchor products for female athletes to get them hooked to the brand.

Moving over to our lifestyle business, where we see unstoppable momentum and brand desire for our Trefoil labelled shoes and apparel collections. Revenues at adidas Originals grew 50% in the second quarter, with strong double-digit increases in all markets except Russia/CIS, where sales grew at a high-single-digit rate.

Our latest product drops around the NMD and Yeezy Boost have once again seen huge demand throughout the quarter with outstanding sell-through rates at full price. In addition, our key franchises around Stan Smith, Superstar and ZX Flux continue to experience excellent momentum at the point of sale. In Western Europe and North America, two key markets for adidas Originals, we witnessed tremendous sell-out successes for the Superstar at major key accounts. And while we remain absolutely encouraged by the longevity of those franchises, our Originals product pipeline has seen the next big wave of footwear launches during the second quarter:

- Firstly, we have successfully relaunched our iconic Gazelle silhouette. With this silhouette that was first introduced in the 1960s, adidas Originals continues to define a contemporary street look for the future, teased and supported by broad-based social media activations and an integrated marketing campaign. The launch of the Gazelle was absolutely encouraging and first reactions to the global campaign are very positive.
- Secondly, during the quarter we announced that we would bring our long-term partnership with Kanye West to the next level. Recognising the influence, success and global brand power that began almost two years ago with the birth of YEEZY, the unprecedented new alliance makes history as the most significant partnership ever created between a non-athlete and an athletic brand. Going forward, the partnership will extend beyond its current lifestyle focus, with the introduction of performance-intended designs, consequently offering options for both sport and street.

With this being said, let me quickly turn to adidas neo, where sales increased 31% in Q2, reflecting strong double-digit increases in all markets except Japan.

The second quarter has seen the launch of adidas neo's latest comfort footwear concept, Cloudfoam, leading to strong double-digit increases in footwear across all key distribution channels. This new comfort concept is resonating extremely well with girls, adidas neo's clear target consumer group, which was achieved through girls-specific footwear models in terms of material and colour choice.

Moving over to Reebok, where the positive trends from the previous quarters continued during the second quarter. With a 7% sales increase in Q2, Reebok saw a further acceleration in top-line growth. More importantly, with the exception of North America, where Reebok continues to streamline its US business, the brand is growing at double-digit rates in most of its key markets, including Western Europe, Greater China, Russia/CIS and Japan.

From a category perspective, Reebok is more and more considered as a true fitness brand, as reflected by strong growth rates posted in the all-important running and training categories. On the latter, Reebok together with three-time Defensive Player of the Year J. J. Watt announced the release of the ultimate training shoe, which was developed in close collaboration with the American football star.

In Classics, another focus category of Reebok, the brand is successfully capitalising on the strong underlying lifestyle trends in the marketplace. Reebok's strong heritage in casual sports together with its unique partnership around Kendrick Lamar is not only translating into double-digit growth for the category, but more importantly enabling the brand to win back shelf-space at important key accounts, including in its home market, North America.

The turnaround of Reebok's US business will without doubt be key for the brand, both in own retail, where we will further rationalise the fleet and improve overall profitability, as well as at the various wholesale accounts. So far we have seen a huge step-up in mall presence year-to-date, including permanent displays at Finish Line, dedicated windows at Champs and branded space at Footaction. And the feedback we are getting from retailers for the upcoming Spring/Summer '17 season is clearly indicating that they are excited to further engage with the Reebok brand.

To conclude on the brands and categories, let me spend a minute on our golf business. I am very pleased that the various initiatives we have brought to life over the past twelve months are bearing fruit.

This became highly visible during the second quarter, as revenues at TaylorMade-adidas Golf turned positive again, up 7%. This development was the result of a 24% increase at TaylorMade, reflecting strong double-digit growth in metalwoods, where our M1 and M2 product families are seeing strong sell-through rates in the marketplace, in particular in

North America. Consequently, TaylorMade remains the undisputed #1 golf brand in metalwoods, with strong market share gains year-to-date June.

These operational improvements are also reflected in the financials. Driven by a significantly more favourable pricing and product mix, TaylorMade-adidas Golf has seen major gross margin improvements during the second quarter. In combination with a considerable reduction in operating expenses, TaylorMade-adidas Golf turned profitable again at the end of Q2.

With this, let me now hand over to Robin, who will guide you through the financials of the second quarter in detail before I conclude our conference call by taking a look into our near future.

Robin J. Stalker

Thank you Herbert and good afternoon also from my side, ladies and gentlemen.

When we last spoke about our segments during the first quarter discussion in May this year, I had told you that I didn't know where to begin and where to end regarding the encouraging business developments worldwide. In the second quarter, the dilemma is quite similar as we once again recorded strong growth in each and every market, in most cases at double-digit rates each. As Herbert has already mentioned, we are especially excited to see our four focus markets perform extremely well. Let me therefore dive deeper into each of those markets.

In Western Europe, we were able to accelerate momentum and increase revenues by 29%. And although this development was also supported by additional revenues generated around the UEFA EURO 2016, it was by far not the exclusive driver of this positive development. Both adidas and Reebok showed an impressive upwards trend in the second quarter throughout all key categories. While adidas sales increased a strong 30%, Reebok generated revenue growth of 23%.

At brand adidas, we saw far-ranging double-digit growth in all key performance and lifestyle categories. While football naturally took the lead within our core performance categories with regard to growth rates, it was the running and training categories which showed a tremendous acceleration in revenues during Q2 and even Originals was able to gain further traction in the second quarter. At Reebok, growth was driven by double-digit increases in training and in Classics. From a market perspective, the main contributors to the sales development were the UK, Germany, Italy, Poland, France and Spain, where revenues grew at double-digit rates each.

Similar to the first quarter, the second quarter gross margin largely suffered from severe pressure resulting from the strengthening of the US dollar and ended the quarter 3.2 percentage points below the previous year at 44.0%. However, despite a further increase in expenditure for marketing investments related to the UEFA EURO 2016, Western Europe

enjoyed strong operating leverage, decreasing other operating expenses as a percentage of sales by 1.7 percentage points. Consequently, we were able to limit the decline of the segment's operating margin to 1.5 percentage points and ended the quarter at 17.3%.

In North America, our growth trajectory from the first quarter persisted, as reflected in the accelerating momentum the Group witnessed in the second quarter. Revenues increased at a phenomenal rate of 26%, driven by energetic growth at brand adidas, where sales went up 32%.

This development was driven by strong double-digit growth in the running, training and basketball categories as well as at adidas Originals and adidas neo. The strongest growth rates were generated in the running category and at Originals, both achieving growth rates of above 60%! Driven by this enormous heat around our performance and lifestyle products, we significantly gained market share with leading US retailers. In the second quarter, the brand's wholesale business in North America actually outperformed the growth of our own-retail business by more than 5 percentage points. This, ladies and gentlemen, is proof positive that adidas is without doubt becoming a viable sports brand in the world's most relevant sporting goods market.

At Reebok, as Herbert has already elaborated on, we continue to press ahead with streamlining the business and rebuilding brand reputation in North America. A limited decline of 3% in the second quarter as well as encouraging backlogs for the second half of 2016 can be regarded as a clear sign that we are on the right track to turn Reebok around in its home market, just as we did in the rest of the world.

Equally encouraging in North America is the fact that the accelerated top-line growth feeds right through to margins. Gross margin in the second quarter increased 2.1 percentage points, driven by an improved pricing, product and channel mix. In combination with strong operating leverage, this translates into an increase in operating margin of a very strong 6.8 percentage points to 9.4%, a margin we haven't seen in North America for years and proof positive that brand strength and scale matter most.

Let's move over to Greater China, where we carried over our incredibly strong momentum of 30% top-line growth from the first to the second quarter. At brand adidas, revenues increased by another 30%, while at Reebok momentum accelerated further, with sales up 38%. Growth at both brands was driven by double-digit increases in all key performance categories as well as in the lifestyle business.

Profitability in Greater China remained at high levels during the second quarter. The segment's operating margin expanded further, up a strong 0.7 percentage points to 37.2%. This development reflects a 1.4 percentage point increase in gross margin, which was only partly offset by higher operating expenses as a percentage of sales.

Given our already strong brand perception in China, in connection with the persistent trends around a healthier and more sports-oriented lifestyle, we have every confidence that China will continue to be a major growth market going forward. And with our new strategic partner, Chinese real estate and sports business giant Wanda Group, we have a new ally who shares our enthusiasm for the market.

Let's continue with Latin America, where revenues increased 8% in the second quarter, a somewhat softer development compared to the strong double-digit growth in the first quarter this year. However, there is no need to become concerned about this development, ladies and gentlemen. While there is no reason to deny the declining purchasing power in Argentina as a result of the strong inflation of the peso, rest assured that this is nothing we haven't already anticipated in our planning for 2016. Furthermore, shifts in timing as a result of strategic restructuring in some markets somewhat distorted the sales performance within the first half of the year.

Year-to-date, segmental revenues increased a strong 13%, with double-digit growth in all major markets and we expect this sort of trend to continue throughout the remainder of this year, also with the additional support of the Olympic Games in Brazil.

Impacted by major currency headwinds, the gross margin in Latin America declined 1.5 percentage points to 41.1% in Q2. In combination with higher operating expenses as a percentage of sales, the segmental operating margin declined 4.6 percentage points to 10.5%.

Let's finish the discussion about our operating segments by having a closer look at Other Businesses, where revenues grew 6% in the second quarter. Sales in Other centrally managed businesses sustained their strong momentum, growing 30% in the second quarter, and revenues at TaylorMade-adidas Golf increased 7%, driven by double-digit growth at TaylorMade, as Herbert has already mentioned. CCM Hockey sales were down 18%, mainly as a result of declines in the licensed apparel and equipment business. This development reflects the challenging environment in the US hockey market, with excess inventory at retail and two major customers having filed for bankruptcy. Nevertheless, we expect the business to normalise in the second half of the year.

Supported by stronger product margins at TaylorMade-adidas Golf, gross margin in Other Businesses showed a substantial increase of 8.5 percentage points to 39.4%. This more than offset the increase in other operating expenses as a percentage of sales, allowing for the segment's operating margin to expand by 5.9 percentage points. This limits the operating loss of the segment in the second quarter to 19 million euro, compared to 40 million euro in the prior year.

This, ladies and gentlemen, concludes our segmental discussion for the second quarter. Let's now turn to the major P&L items of the adidas Group.

The Group's gross margin increased 50 basis points to 48.8% in the second quarter, driven by the positive effects from a more favourable pricing, product and channel mix as well as improved product margins at TaylorMade-adidas Golf, which enabled us to compensate negative currency effects of around 400 basis points in the quarter. This leaves us with an improvement of 40 basis points to a 49.1% gross margin in the first half of 2016. Now, while our several mitigation initiatives certainly were more effective than initially anticipated during the first half, reflecting the strong brand momentum worldwide, please keep in mind that the second half of 2016 will become a lot more challenging as it compares to a very strong 2015 base and, in addition, hedging rates will become even more of a headwind.

Another positive effect from the accelerating brand heat is the high operating leverage our Group is able to generate in 2016. In the second quarter, operating expenses increased 12% to 1.9 billion euro or, as a percentage of sales, declined 30 basis points to 43.8%. This sums up to an increase of 13% to 3.9 billion euro for the first half, translating into an even more pronounced decline in operating expenses as a percentage of sales, down 80 basis points to 42.0%.

While the positive effects from the improvement in gross margin as well as substantial operating leverage would already lead to significant operating profit and margin expansion, the Group also generated two extraordinary gains during the second quarter related to the early termination of the Chelsea F.C. contract as well as the divestiture of the Mitchell & Ness business, which are the major drivers of the 126 million euro increase in other operating income. While the early termination of the Chelsea F.C. contract lifted both other operating income and operating profit by a mid- to high-double-digit million euro amount, the divestiture of Mitchell & Ness did not have an impact on the Group's profitability in the second quarter since the proceeds – as previously announced – were fully re-invested to accelerate initiatives that are part of the company's 'Creating the New' strategic business plan.

In total, operating profit in Q2 increased 77% to 414 million euro, representing an operating margin increase of 3.4 percentage points to 9.4%. And let me point out, ladies and gentlemen, that more than half of this profit and margin improvement is driven by our strong operational performance. From a half year perspective, this converts into an increase in operating profit of 52% to 905 million euro, and operating margin expansion of 2.4 percentage points to 9.8%.

Net financial expenses for the second quarter declined to 4 million euro, compared to 9 million euro in the prior year period. This gives us net financial income of 2 million euro for the first half of 2016, compared to net financial expenses of 9 million euro in the prior year period.

The Group's effective tax rate again declined substantially and returned to a more normalised level of 29.1% in the second quarter compared to 35.1% in the prior year. For the first half of 2016 this translates into an effective tax rate of 29.3%.

The materially improved operating performance and the extraordinary gain in Q2, together with the positive developments in the Group's non-operating KPIs, translated into a substantial improvement in net income from continuing operations. While in the second quarter net income from continuing operations almost doubled to 291 million euro, net income from continuing operations in the first half increased a stellar 60% to 641 million euro.

As a result, diluted earnings per share from continuing operations reached 1 euro 42 cents in the second quarter and 3 euro 13 in the first half of 2016, representing a strong increase of 97% and 59%, respectively.

Now let's briefly discuss the most relevant items of the Group's balance sheet, starting with operating working capital, where inventories grew 24%. This increase purely reflects our strong confidence in the Group's future top-line growth. We do not see elevated inventory levels across any of our markets. Instead, the ageing of our inventory is absolutely healthy!

With accounts receivable up 8% and accounts payable up 10%, this translates into a decrease in average operating working capital as a percentage of sales of 1.2 percentage points to 20.4% at the end of June 2016.

Net borrowings amounted to 1.0 billion euro, representing an increase of 71 million euro compared to the prior year, mainly as a result of the utilisation of cash for the purchase of fixed assets and the acquisition of Runtastic. However, due to the robust operating performance, the ratio of net debt to EBITDA remained unchanged at 0.6 times. Last but not least, the Group's equity ratio decreased to 41.3% from 43.5% in 2015.

This, ladies and gentlemen, concludes my operational and financial review of the second quarter and the first half of 2016. Let me now hand back to Herbert who will share some of the many upcoming initiatives for the remainder of the year and our improved outlook for 2016 with you.

Herbert Hainer

Thanks Robin.

So let's now have a look at what you can expect from us during the second half of 2016.

I'll begin with the Rio 2016 Olympic Games, that are starting as we speak. The Olympics have, from a brand and emotional perspective, always been the biggest event and platform

for our brands. They go back to the origins of sport and they are therefore an important part of our DNA. They are core to showcase our products and our ability to make athletes better. Similar to the past, we will therefore make sure we use this year's Olympic Games and the involvement of people and sports fans around the globe to deliver our key brand messages in the most impactful way.

It is exactly these key brand messages that are also at the forefront of this year's second burst of our global 'Sport 16' brand campaign, which was released in July and celebrates key assets such as Damian Lillard. Under the motto of 'Here to Create', the campaign continues to strengthen adidas' creator positioning and its Open Source mindset.

With a strong focus on social media and our digital platforms, the campaign celebrates creators – those that lead and innovate, those that make their own rules and shape the future of sport together with us. Activations will also be highly visible on adidas.com, inspiring consumers when they shop online and ultimately driving the commercial success of our e-commerce business.

Looking into the various categories and starting with football, where we will use the momentum we created during the big tournaments of this summer to enter the back half of 2016. Ahead of the start of the 2016/2017 football season, we have launched our 'Speed of Light' pack, the most dynamic range of football boots adidas has ever brought to market. The cleats are designed to help players stand out and lead on the pitch. We can't wait to see our new footwear offering be integral to deciding some of the biggest games this season between the world's best players. The 'Speed of Light' boots will be our key priority for the upcoming Fall/Winter 2016 season with premium retail presence and window executions in our own-retail stores as well as at key customers around the globe. Our latest footwear pack will see strong support from several integrated PR and social media activities, such as our 'Back to Club' campaign which was just launched a couple of days ago.

In addition, we have introduced the new soccer season in Europe with a colourful star-studded film featuring players from across the adidas brand's six largest clubs - Real Madrid, FC Bayern Munich, Manchester United, Chelsea, Juventus and AC Milan – as they defy media gossip and get on with the game. They include Paul Pogba, Manuel Neuer, Gareth Bale, James Rodriguez, Diego Costa and Miralem Pjanic, as well as managers such as Zinedine Zidane and new Manchester United manager Jose Mourinho. It centres around the words 'Blah, blah, blah' which float around the screen in bright animation as players and managers appear to ignore the talk about them and focus on the action. It's a playful approach to the constant transfer rumours concerning many of these players, and soccer fans will instantly recognise the references – for instance the film opens with Pogba telling viewers: "Don't believe everything you read in the papers".

The initial response to the campaign has been tremendous and shows that we are hitting the nerve of football consumers around the world. After only four days, more than half a million viewers have watched the videos on YouTube – and this is just the beginning!

Underlining our commitment towards innovation and towards 'Creating the New', adidas football has for the first time taken an on-pitch boot and reinvented it as a lifestyle shoe with the ACE 16+ PURECONTROL. The shoe brings together the unique adidas Primeknit upper and the industry-leading BOOST technology, to meet players' off-pitch needs. The shoe, which was launched at the beginning of July, marks the beginning of a new focus which will see future football products followed by similar off-pitch alternatives.

Turning to running, where our commitment to own and drive our positioning in energy running is stronger than ever before. And the momentum we are currently enjoying is proof positive that with our relentless focus on innovation we are pulling the right levers to conquer the running market.

Through existing franchises around UltraBOOST, PureBOOST and AlphaBounce, we have already shown our ability to create the best product for our consumers at all relevant price points. And we are determined to continue to listen to our running consumers as consumer insights will propel our momentum going forward.

A prime example of how we continue to identify and understand what our consumers want is the introduction of ColorBOOST, providing our iconic BOOST midsole with a completely new look. The new colourways will make their debut alongside the iconic white BOOST midsole in Triple Red, Black and White versions of UltraBOOST Uncaged – offering runners a completely new aesthetic the world has never seen before.

In training, we will continue to leverage the strong performance of our TechFit and ClimaChill apparel franchises. In this context, we will continue to put high emphasis on the women's business and propel the momentum we have started to enjoy around our Spring/Summer '16 collection. To do so, we have just announced a partnership with supermodel and athlete Karlie Kloss, who will be the new face of our Stella McCartney Fall/Winter collection and campaign, encouraging the female consumer to break the barrier and get the most out of their workout.

In addition, Q3 will see the launch of a new, exciting training apparel offering, which will also be supported by a meaningful marketing campaign. All in all, looking at our current momentum and considering our upcoming product initiatives, we have every confidence that training, and our women's business in particular, will continue its stellar growth trajectory also in the second half of 2016.

Turning briefly to basketball, where the third quarter has already seen the successful launch of the Crazy Explosive franchise, built for players with explosive moves. Crazy

Explosive will be the key story for Back-To-School, backed up with a strong product seeding plan to gain hype and traction in the marketplace. The introduction of Crazy Explosive is part of the brand's new design and collaboration approach that combines unique style elements that stand out from the crowd. The shoe, featuring full-length BOOST, will be worn by players such as Andrew Wiggins.

And although it is still early days, we definitely believe that our investments into basketball footwear are starting to pay off, with more to come in the coming weeks and months. We also see that our asset activations and initiatives are resonating with fans and consumers around the globe as our Instagram follower base is growing rapidly. This definitely also reflects our new approach when it comes to collaborations with key assets, such as James Harden. Since the beginning of the partnership last fall, adidas and James have worked hand in hand to create the next wave of basketball style on and off the court. This is a new dimension of co-creation and we feel that more and more consumers, especially in the US, notice and value that.

Moving over to lifestyle, where the fantastic momentum at adidas Originals is the direct consequence of great product introductions together with strong collaborations, creating unexperienced hype around the Trefoil logo. And this is exactly how we have started to go into the second half of 2016: We made our star footwear franchise NMD meet our real-life superstar Pharrell Williams with the HU NMD limited edition. The HU NMD stands for the superstar's vision to bring people together through a shared understanding of values such as love, passion and enthusiasm. While the shoe will drive further brand heat for our NMD franchise, Q3 will also see a stronger focus on our Tubular and Gazelle silhouettes. And not to forget the ZX Flux ADV, which is set to drive our commercial success in the lifestyle running market further, especially in the US.

At adidas neo, we will continue to build upon and strengthen our Cloudfoam concept, which has already proven to be the right product at the right time, introduced to the market with the exact right marketing support to win our lifestyle consumers at commercially attractive price points.

Today, Reebok is the leading provider of CrossFit apparel and footwear, and the brand is determined to drive its current momentum and leverage the credibility it has earned in CrossFit boxes around the globe in the months to come. In July, Reebok therefore amplified its presence at the 2016 Reebok CrossFit Games, which are now in their 10th year with an ever-growing fan base and community and definitely the best platform to showcase the brand's strong CrossFit offer and outstanding range of fitness products.

Reebok will also put an even stronger emphasis on the combat training side of its business, as the brand has just launched a campaign with Ronda Rousey, one of the most popular and biggest mixed martial arts icons in the US. The brand will also continue to

drive its collection and collaboration with the Ultimate Fighting Championships in the upcoming months.

And this is also true for the lifestyle part of Reebok's business, where the brand is expanding its network of global talent with the appointment of international style pioneer and music artist Future. The partnership was revealed on Future's Snapchat and Instagram accounts, where he also unveiled the Instapump Fury Overbranded, launching in fall 2016.

So, as you can see, ladies and gentlemen, the product pipeline for the second half of 2016 is just as full as it has been for the first half.

As a result and as proof of our firm confidence in the Group's operating strength as well as upcoming initiatives, and against the backdrop of our strong performance in the first half, we have increased our full year 2016 top- and bottom-line outlook accordingly.

We now expect to grow Group revenues at a rate in the high teens, supported by double-digit growth in all our markets except Russia/CIS, where revenues are now forecasted to grow at a mid-single-digit rate.

Following the improvements in our Group's gross margin in the first half, we now expect to be able to compensate almost all of the severe headwinds we will be facing this year from negative currency effects as well as further labour cost increases in our sourcing countries. As a result, we are now confident we will be able to achieve a gross margin of 48.0 to 48.3%. This, together with leverage on our operating expenses and the positive impact from the Chelsea payment, will lead to an operating margin improvement of up to 100 basis points to a level of up to 7.5%.

As a result of the stronger than expected top-line development and further operating leverage, net income from continuing operations is now forecasted to increase at a rate between 35% and 39% to a level between 975 million euro and 1.0 billion euro in 2016.

With this, ladies and gentlemen, I am now happy to take your questions.

Sebastian Steffen

So, ladies and gentlemen, that completes our conference call for today. Our next reporting date will be November 3.

If you have any questions, feel free to contact any member of the IR team.

And with that, I would like to thank you for your participation and wish you a very good day. Talk to you soon.