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adidas on track for another record year
Full-year outlook confirmed

Major developments in Q3 2019:

- **Revenues grow 6% currency-neutral and 9% in euro terms**
- **Gross margin increases 0.3pp to 52.1%**
- **Operating margin declines 1.3pp to 14.0% due to phasing of operating expenses**
- **Net income from continuing operations decreases 2% as expected**
- **Basic EPS from continuing operations remain stable**
- **Full-year outlook confirmed with significant top-line acceleration expected in Q4**

"I am very pleased with our third quarter results and the continued progress made in our strategic growth areas, delivering double-digit sales increases at adidas North America as well as in Greater China and e-commerce," said adidas CEO Kasper Rorsted. "We confirm our full-year outlook and remain confident about a significant top-line acceleration during the fourth quarter. 2019 will be a record year, despite some challenges, and another important milestone toward achieving our 2020 targets."

Currency-neutral top-line growth accelerates in Q3 2019

In the third quarter, currency-neutral revenues grew 6%. Revenues at the adidas brand also increased 6%. This improvement reflects high-single-digit growth in Sport Performance, driven by increases in the training, running and outdoor categories. In addition, revenues in Sport Inspired grew at a mid-single-digit rate. Currency-neutral Reebok sales were up 2%, driven by growth in Sport. The company's top-line increase was driven by all channels, reflecting an acceleration in wholesale revenues and continued double-digit growth in the company's direct-to-consumer business. The latter was supported by 14% growth in e-commerce, on top of 76% growth in the prior year period. In euro terms, the company's revenues grew 9% in the third quarter to € 6.410 billion (2018: € 5.873 billion).

Growth across all market segments

From a market segment perspective, the top-line expansion in the third quarter was driven by sales increases in all market segments. The combined currency-neutral sales of the adidas and Reebok brands expanded at double-digit rates in Emerging Markets (+14%), Russia/CIS (+13%) and North America (+10%). Revenues in Asia-Pacific increased 8%, driven by double-digit growth in Greater China (+11%), while sales in Latin America were up 5%. Revenues in Europe returned to growth in the third quarter (+3%).

Operating margin declines 1.3 percentage points to 14.0%

The company's gross margin increased 0.3 percentage points to 52.1% (2018: 51.8%). The underlying gross margin decline, reflecting increased air freight costs and a less favorable pricing mix, was less pronounced than expected due mainly to a more positive channel mix. In addition, the company experienced higher-than-anticipated benefits from currency developments during the quarter. Other operating expenses were up 13% to € 2.486 billion (2018: € 2.191 billion) and, as a percentage of sales, increased 1.5 percentage points to 38.8% (2018: 37.3%). This increase was mainly due to a planned shift of costs from the fourth into the third quarter to achieve a more balanced distribution of expenses throughout the second half of the year. Marketing and point-of-sale expenses increased 6% to € 753 million (2018: € 713 million), reflecting the different timing of costs as well as the company's commitment to invest into its brands and the sell-through of its products. As a percentage of sales, marketing and point-of-sale expenses were down 0.4 percentage points to 11.7% (2018: 12.1%). Operating overhead expenses increased 17% to € 1.733 billion (2018: € 1.478 billion), reflecting the planned cost shift as well as the continued strong growth in the company's direct-to-consumer business. As a percentage of sales, operating overhead expenses increased 1.9 percentage points to 27.0% (2018: 25.2%). The company's operating profit remained stable at € 897 million (2018: € 901 million), representing an operating margin decline of 1.3 percentage points to 14.0% (2018: 15.3%).

Net income from continuing operations down 2%

As communicated with the release of the company's second quarter results, net income from continuing operations came in below the prior year level and decreased 2% in the third quarter to € 644 million (2018: € 656 million). This includes a negative impact from the adoption of IFRS 16 of € 15 million, reducing year-over-year net income growth by approximately 2 percentage points. Basic EPS from continuing operations remained stable at € 3.26, including the IFRS 16 impact.

adidas with significant bottom-line growth in the first nine months of 2019

In the first nine months of 2019, revenues increased 5% on a currency-neutral basis. Supply chain shortages, which the company had experienced following a strong increase in demand for mid-priced apparel, weighed on the company's top-line growth, particularly in the first half of the year. In euro terms, revenues grew 7% to € 17.802 billion (2018: € 16.682 billion). From a brand perspective, currency-neutral revenues for brand adidas grew 5%, while Reebok revenues remained stable. Gross margin was up 1.3 percentage points to 53.0% (2018: 51.7%). This improvement reflects the positive effects from lower sourcing costs, more favorable currency developments as well as an improved product and channel mix, which more than offset higher air freight costs and a less favorable pricing mix. Other operating expenses grew 10% to € 7.149 billion (2018: € 6.528 billion), driven by higher marketing expenditures as well

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as higher costs related to the strong growth in the company's direct-to-consumer business and, to a lesser extent, by the planned shift of costs from the fourth into the third quarter. As a percentage of sales, other operating expenses were up 1.0 percentage point to 40.2% (2018: 39.1%). The company's operating profit grew 8% to € 2.416 billion (2018: € 2.239 billion), representing an operating margin of 13.6% (2018: 13.4%), an increase of 0.1 percentage points compared to the prior year. Net income from continuing operations grew 8% to € 1.737 billion (2018: € 1.616 billion), resulting in a 10% increase in basic earnings per share from continuing operations to € 8.76 (2018: € 7.97). The adoption of IFRS 16 has reduced year-over-year net income and EPS growth by approximately 2 percentage points in the first nine months of the year.

Average operating working capital as a percentage of sales decreases

Inventories increased 14% to € 3.677 billion (2018: € 3.216 billion). On a currency-neutral basis, inventories were up 12%. Operating working capital increased 6% to € 4.569 billion (2018: € 4.324 billion). On a currency-neutral basis, operating working capital was up 3%. Average operating working capital as a percentage of sales decreased 1.6 percentage points to 18.1% (2018: 19.7%). This development is mainly due to a strong double-digit increase in payables over the past twelve months as a result of the adidas non-trade procurement initiative, which has led to improved payment terms with the company's vendors.

Net cash position of € 342 million

Net cash at September 30, 2019 amounted to € 342 million (September 30, 2018: net cash of € 535 million), representing a year-over-year decrease of € 194 million. Cash generated from operating activities over the twelve-month period was more than offset by the utilization of cash for the dividend payout as well as the repurchase of adidas AG shares. During the third quarter, the company repurchased 1.2 million shares for a total consideration of € 328 million as part of its multi-year share buyback program.

adidas confirms outlook for FY 2019

For 2019, the company continues to expect sales to increase at a rate of between 5% and 8% on a currency-neutral basis with a significant sequential top-line acceleration during the fourth quarter. The company's gross margin is forecast to increase to a level of around 52.0% in 2019 (2018: 51.8%). The operating margin is expected to increase between 0.5 percentage points and 0.7 percentage points to a level between 11.3% and 11.5% (2018: 10.8%). This, together with continued top-line growth, is expected to once again drive a double-digit-rate improvement of the company's bottom line: Net income from continuing operations is projected to increase to a level between € 1.880 billion and € 1.950 billion, reflecting an increase of between 10% and 14% compared to the prior year level of € 1.709 billion.[1]

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Contacts:

Media Relations
corporate.press@adidas.com
Tel.: +49 (0) 9132 84-2352

Investor Relations
investor.relations@adidas.com
Tel.: +49 (0) 9132 84-2920

For more information, please visit adidas-group.com.

[1] Excluding the impact from the application of the new reporting standard IFRS 16. Based on lease contracts as of January 1, 2019, the change in recognition of lease obligations under the new reporting standard is projected to have a negative impact of around € 35 million on the company's net income from continuing operations. Including this accounting effect, net income from continuing operations is currently expected to increase to a level between € 1.845 billion and € 1.915 billion. This equals a year-on-year increase of between 8% and 12% compared to the prior year level of € 1.709 billion.

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adidas AG Condensed Consolidated Income Statement (IFRS)[1]

€ in millions	Quarter ending September 30, 2019	Quarter ending September 30, 2018	Change
Net sales	6,410	5,873	*9.1%*
Cost of sales	3,071	2,829	*8.6%*
Gross profit	**3,339**	**3,044**	***9.7%***
(% of net sales)	52.1%	51.8%	*0.3pp*
Royalty and commission income	37	37	*(0.4%)*
Other operating income	7	9	*(22.1%)*
Other operating expenses	2,486	2,191	*13.5%*
(% of net sales)	38.8%	37.3%	*1.5pp*
Marketing and point-of-sale expenses	753	713	*5.6%*
(% of net sales)	11.7%	12.1%	*(0.4pp)*
Operating overhead expenses[2]	1,733	1,478	*17.3%*
(% of net sales)	27.0%	25.2%	*1.9pp*
Operating profit	**897**	**901**	***(0.3%)***
(% of net sales)	14.0%	15.3%	*(1.3pp)*
Financial income	12	13	*(10.5%)*
Financial expenses	44	7	*545.7%*
Income before taxes	**865**	**907**	***(4.6%)***
(% of net sales)	13.5%	15.4%	*(1.9pp)*
Income taxes	220	251	*(12.3%)*
(% of income before taxes)	25.5%	27.7%	*(2.2pp)*
Net income from continuing operations	**644**	**656**	***(1.7%)***
(% of net sales)	10.1%	11.2%	*(1.1pp)*
Gains/(losses) from discontinued operations, net of tax	2	3	*(42.0%)*
Net income	**646**	**659**	***(1.9%)***
(% of net sales)	10.1%	11.2%	*(1.1pp)*
Net income attributable to shareholders	**646**	**658**	***(1.8%)***
(% of net sales)	10.1%	11.2%	*(1.1pp)*
Net income attributable to non-controlling interests	**1**	**1**	***(45.2%)***
Basic earnings per share from continuing operations (in €)	**3.26**	**3.26**	***0.1%***
Diluted earnings per share from continuing operations (in €)	**3.26**	**3.26**	***0.3%***
Basic earnings per share from continuing and discontinued operations (in €)	**3.27**	**3.28**	***(0.1%)***
Diluted earnings per share from continuing and discontinued operations (in €)	**3.27**	**3.27**	***0.0%***

Net Sales

€ in millions	Quarter ending September 30, 2019	Quarter ending September 30, 2018	Change	Change (currency-neutral)
Europe	1,698	1,645	*3.2%*	*3.5%*
North America	1,468	1,269	*15.7%*	*10.4%*
Asia-Pacific	2,090	1,894	*10.4%*	*7.7%*
Russia/CIS	199	166	*19.7%*	*13.2 %*
Latin America	405	340	*19.0%*	*5.1%*
Emerging Markets	388	329	*18.1%*	*14.0%*
Other Businesses	162	230	*(29.5%)*	*(30.6%)*
adidas	5,849	5,343	*9.5%*	*6.4%*
Reebok	460	436	*5.4%*	*2.0%*

[1] First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
[2] Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.

Rounding differences may arise.

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adidas AG Condensed Consolidated Income Statement (IFRS)[1]

€ in millions	Nine months ending September 30, 2019	Nine months ending September 30, 2018	Change
Net sales	17,802	16,682	*6.7%*
Cost of sales	8,367	8,051	*3.9%*
Gross profit	**9,435**	**8,631**	***9.3%***
(% of net sales)	53.0%	51.7%	*1.3pp*
Royalty and commission income	111	96	*16.4%*
Other operating income	18	40	*(53.8%)*
Other operating expenses	7,149	6,528	*9.5%*
(% of net sales)	40.2%	39.1%	*1.0pp*
Marketing and point-of-sale expenses	2,200	2,126	*3.5%*
(% of net sales)	12.4%	12.7%	*(0.4pp)*
Operating overhead expenses[2]	4,949	4,402	*12.4%*
(% of net sales)	27.8%	26.4%	*1.4pp*
Operating profit	**2,416**	**2,239**	***7.9%***
(% of net sales)	13.6%	13.4%	*0.1pp*
Financial income	28	35	*(21.3%)*
Financial expenses	112	30	*271.9%*
Income before taxes	**2,331**	**2,244**	***3.9%***
(% of net sales)	13.1%	13.5%	*(0.4pp)*
Income taxes	594	628	*(5.4%)*
(% of income before taxes)	25.5%	28.0%	*(2.5pp)*
Net income from continuing operations	**1,737**	**1,616**	***7.5%***
(% of net sales)	9.8%	9.7%	*0.1pp*
Gains/(losses) from discontinued operations, net of tax	74	(19)	*n.a.*
Net income	**1,811**	**1,597**	***13.4%***
(% of net sales)	10.2%	9.6%	*0.6pp*
Net income attributable to shareholders	**1,809**	**1,594**	***13.5%***
(% of net sales)	10.2%	9.6%	*0.6pp*
Net income attributable to non-controlling interests	**2**	**3**	***(33.2%)***
Basic earnings per share from continuing operations (in €)	**8.76**	**7.97**	***10.0%***
Diluted earnings per share from continuing operations (in €)	**8.76**	**7.95**	***10.2%***
Basic earnings per share from continuing and discontinued operations (in €)	**9.13**	**7.87**	***16.0%***
Diluted earnings per share from continuing and discontinued operations (in €)	**9.13**	**7.86**	***16.2%***

Net Sales

€ in millions	Nine months ending September 30, 2019	Nine months ending September 30, 2018	Change	Change (currency-neutral)
Europe	4,670	4,668	*0.0%*	*0.1%*
North America	3,838	3,392	*13.2%*	*6.7%*
Asia-Pacific	6,101	5,476	*11.4%*	*9.1%*
Russia/CIS	506	463	*9.3%*	*8.6%*
Latin America	1,184	1,187	*(0.3%)*	*2.1%*
Emerging Markets	999	888	*12.5%*	*12.3%*
Other Businesses	504	608	*(17.1%)*	*(18.9%)*
adidas	16,195	15,115	*7.1%*	*5.3%*
Reebok	1,285	1,264	*1.7 %*	*(0.3%)*

[1] First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
[2] Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.

Rounding differences may arise.

adidas AG Consolidated Statement of Financial Position (IFRS)[1]

€ in millions	September 30, 2019	September 30, 2018	Change in %	December 31, 2018
Cash and cash equivalents	2,349	2,209	6.3	2,629
Short-term financial assets	6	5	8.1	6
Accounts receivable	3,247	3,037	6.9	2,418
Other current financial assets	699	530	31.9	542
Inventories	3,677	3,216	14.3	3,445
Income tax receivables	78	57	35.1	48
Other current assets	892	762	17.1	725
Total current assets	**10,946**	**9,817**	**11.5**	**9,813**
Property, plant and equipment[2]	5,133	2,115	142.7	2,237
Goodwill	1,276	1,239	3.0	1,245
Trademarks	886	834	6.2	844
Other intangible assets	216	171	26.1	196
Long-term financial assets	361	278	29.9	276
Other non-current financial assets	418	323	29.5	256
Deferred tax assets	723	658	9.9	651
Other non-current assets	150	107	39.2	94
Total non-current assets	**9,162**	**5,726**	**60.0**	**5,799**
Total assets	**20,109**	**15,542**	**29.4**	**15,612**
Short-term borrowings	414	62	568.9	66
Accounts payable	2,354	1,929	22.0	2,300
Other current financial liabilities[2]	786	187	321.4	186
Income taxes	379	547	(30.8)	268
Other current provisions	1,304	1,107	17.8	1,232
Current accrued liabilities	2,266	2,201	2.9	2,305
Other current liabilities	483	488	(1.0)	477
Total current liabilities	**7,986**	**6,521**	**22.5**	**6,834**
Long-term borrowings	1,599	1,617	(1.2)	1,609
Other non-current financial liabilities[2]	2,640	129	1,953.2	103
Pensions and similar obligations	260	295	(11.7)	246
Deferred tax liabilities	297	285	4.1	241
Other non-current provisions	205	123	67.4	128
Non-current accrued liabilities	12	15	(19.4)	19
Other non-current liabilities	7	66	(89.7)	68
Total non-current liabilities	**5,020**	**2,530**	**98.4**	**2,414**
Share capital	197	200	(1.8)	199
Reserves	347	117	197.5	123
Retained earnings	6,572	6,186	6.2	6,054
Shareholders' equity	7,115	6,503	9.4	6,377
Non-controlling interests	(12)	(12)	(6.4)	(13)
Total equity	**7,103**	**6,491**	**9.4**	**6,364**
Total liabilities and equity	**20,109**	**15,542**	**29.4**	**15,612**
Additional balance sheet information				
Operating working capital	4,569	4,324	5.7	3,563
Working capital	2,961	3,296	(10.2)	2,979
Net cash	342	535	(36.2)	959
Financial leverage	(4.8%)	(8.2%)	3.4pp	(15.0%)

[1] First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
[2] 2019 includes balances of right-of-use assets in the amount of € 2,919 million and lease liabilities in the amount of € 3,107 million related to IFRS 16 implementation.

Rounding differences may arise.