



FOR IMMEDIATE RELEASE

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adidas delivers record results in 2018

Major developments in 2018:

- **Currency-neutral revenues up 8%**
- **Double-digit growth in strategic growth areas adidas North America, Greater China, e-commerce**
- **Operating margin increases 1.1pp to 10.8%**
- **Net income from continuing operations grows 20% to € 1.709 billion**
- **Reebok returns to profitability**
- **Management proposes dividend increase of 29% to € 3.35 per share**

Outlook for 2019:

- **Currency-neutral sales to increase between 5% and 8%**
- **Operating margin to increase to between 11.3% and 11.5%**
- **Net income from continuing operations to increase between 10% and 14%**

“Record sales, the highest margin in our history, strong net income improvements – 2018 was another successful year for our company,” said adidas CEO Kasper Rorsted. “We have made great strides toward and are confirming our 2020 financial ambition. Our strategic growth drivers – adidas North America, China and e-commerce – once again delivered double-digit growth. In 2019, we will continue to drive the execution of ‘Creating the New’ to deliver another year of quality top-line growth and overproportionate bottom-line improvements.”

Financial Performance in 2018

Currency-neutral sales increase 8% in 2018

In 2018, adidas delivered another year of significant top-line growth with currency-neutral revenues increasing by 8%. This development was driven by a 9% improvement at brand adidas, reflecting a double-digit sales increase in Sport Inspired as well as a high-single-digit gain in Sport Performance. The latter was driven by double-digit sales growth in the training and running categories. Currency-neutral Reebok brand sales were down 3% versus the prior year, as double-digit sales growth in Classics was offset by a decline in Sport. From a channel perspective, the company’s top line increase was largely driven by double-digit improvements in direct-to-consumer revenues with particularly strong support from e-commerce, where revenues grew 36% to more than € 2 billion in 2018. In euro terms, the company’s revenues grew 3% to € 21.915 billion (2017: € 21.218 billion), reflecting significant negative currency translation effects.



Double-digit growth in North America and Asia-Pacific

From a market segment perspective, the top-line expansion in 2018 was driven by ongoing strength in the company's strategic growth regions: The combined sales of the adidas and Reebok brands continued to expand at strong double-digit rates in both North America (+15%) and Asia-Pacific (+15%), the latter driven by a 23% increase in Greater China. Currency-neutral revenues in Latin America were up 6% and sales in Russia/CIS increased 1% as the positive impact from World Cup-related sales offset the significant amount of store closures. While sales in Europe remained flat compared to the prior year level, revenues in Emerging Markets declined 3%.

Operating margin increases 1.1 percentage points to 10.8%

The company's gross margin increased 1.4 percentage points to 51.8% (2017: 50.4%). This development was due to the positive effects from a better pricing, channel and product mix as well as lower input costs, which more than offset significant negative currency effects. Other operating expenses were up 5% to € 9.172 billion in 2018 (2017: € 8.766 billion).¹ As a percentage of sales, other operating expenses increased 0.5 percentage points to 41.9% from 41.3% in 2017. This increase was mainly driven by higher marketing investments. In 2018, marketing and point-of-sale expenses amounted to € 3.001 billion reflecting growth of 10% compared to the prior year level (2017: € 2.724 billion). This development was largely due to activities related to the 2018 FIFA World Cup as well as overproportionate investments into the company's brands and the sell-through of its products. As a percentage of sales, marketing and point-of-sale expenses grew 0.9 percentage points to 13.7% (2017: 12.8%). Operating overhead expenses increased 2% to € 6.171 billion (2017: € 6.042 billion), due to further investments into the company's scalability. As a percentage of sales, operating overhead expenses decreased 0.3 percentage points to 28.2% (2017: 28.5%). The company's operating profit grew 14% in 2018 to € 2.368 billion (2017: € 2.070 billion), representing an operating margin increase of 1.1 percentage points to 10.8% (2017: 9.8%). This development was mainly due to the gross margin increase, which more than offset the investment-led increase in other operating expenses. The operating margin increase was also supported by strong profitability improvements at the Reebok brand, which returned to profitability in 2018. This reflects a profit uplift of more than € 150 million for the brand since the launch of its turnaround plan 'Muscle-Up' at the end of 2016.

¹ In the context of the adoption of IFRS 9 and consequential amendments to IAS 1, adidas adjusted the presentation of other operating income and other operating expenses in order to allow for a more granular view of the company's operating expenses in the annual consolidated income statement. As of 2018, other operating expenses are derived from a functional logic and reported in the following line items: marketing and point-of-sale expenses, distribution and selling expense, general and administration expenses and sundry expenses. Furthermore, as required by the amendments to IAS 1, impairments of financial assets are presented as a separate line item within other operating expenses in the company's annual consolidated income statement. Prior year figures are adjusted accordingly.



Net income from continuing operations up 20%

Excluding the negative one-time tax impact recorded in 2017, the company's tax rate declined 1.2 percentage points in 2018 to a level of 28.1% (2017: 29.3%). Net income from continuing operations increased 20% to € 1.709 billion (2017: € 1.430 billion). Basic EPS from continuing operations grew 20% to € 8.46 from € 7.05 in 2017. Losses from discontinued operations, mainly related to the divestiture of the Rockport business, amounted to € 5 million (2017: € 254 million). As a result, net income attributable to shareholders, which in addition to net income from continuing operations includes the losses from discontinued operations, grew 45% to € 1.702 billion (2017: € 1.173 billion), resulting in basic EPS from continuing and discontinued operations of € 8.44, up 46% compared to € 5.79 in 2017.

Average operating working capital as a percentage of sales decreases

At the end of December 2018, inventories decreased 7% to € 3.445 billion (2017: € 3.692 billion). On a currency-neutral basis, inventories decreased 5%, reflecting the company's focus on tight inventory management. Accounts receivable increased 4% to € 2.418 billion at the end of December 2018 (2017: € 2.315). Average operating working capital as a percentage of sales from continuing operations decreased 1.4 percentage points to 19.0% (2017: 20.4%), reflecting the strong top-line development during the last twelve months as well as the company's continued focus on tight working capital management.

Net cash position of € 959 million

Net cash at December 31, 2018 amounted to € 959 million, compared to net cash of € 484 million in 2017, representing an improvement of € 475 million compared to the prior year. This development was driven by the increase in cash generated from operating activities, partly offset by the utilization of cash for the purchase of fixed assets as well as the repurchase of adidas AG shares and the dividend paid to shareholders. In addition, the conversion of convertible bonds into adidas AG shares also contributed to this improvement.

Strong focus on driving shareholder return

As a result of the strong operational and financial performance in 2018, the company's strong financial position as well as Management's confidence in adidas' short- and long-term growth aspirations, the Executive and Supervisory Boards will recommend paying a dividend of € 3.35 per dividend-entitled share to shareholders at the Annual General Meeting on May 9, 2019. This represents an increase of 29% compared to the prior year dividend (2017: € 2.60) and a payout ratio of 39.0% (2017: 37.0%) of net income from continuing operations. This is within the target range of between 30% and 50% of net income from continuing operations as defined in the company's dividend policy. In addition, adidas continues its multi-year share buyback program launched in March 2018. In total, under the current program, adidas plans to buy back own shares for up to € 3.0 billion between March 2018 and May 2021. After the



completion of the first tranche, during which adidas bought back own shares for a total consideration of € 1 billion in 2018, the company intends to repurchase own shares worth around € 800 million in 2019.

Financial Performance in Q4 2018

Currency-neutral sales increase 5% in the fourth quarter of 2018

During the fourth quarter, adidas revenues increased 5% on a currency-neutral basis, on top of 19% growth in the prior year period. This development reflects an increase of 5% at brand adidas. Double-digit growth in Sport Inspired and in the training category as well as high-single digit growth in running were partly offset by a strong decline in football revenues reflecting the non-recurrence of sales related to the 2018 FIFA World Cup in the prior year's quarter. Revenues at the Reebok brand declined 1%, as the double-digit increase in Classics was more than offset by a decline in Sport. In euro terms, sales for the company were up 4% to € 5.234 billion in 2018 (2017: € 5.056 billion).

Double-digit growth in Asia-Pacific

On a currency-neutral basis, the combined sales of the adidas and Reebok brands continued to grow at double-digit rates in Asia-Pacific (+11%), driven by a 13% increase in Greater China. Sales in North America grew 9%, on top of a 31% increase in the prior year period, driven by continued double-digit growth for the adidas brand. Currency-neutral revenues in Latin America (-1%) and Russia/CIS (-2%) declined at a low-single-digit rate, while sales in Emerging Markets (-5%) and Europe (-6%) decreased at a mid-single-digit rate.

Gross margin up 0.5 percentage points to 52.2%

The company's gross margin increased 0.5 percentage points to 52.2% (2017: 51.7%), mainly due to the positive impacts from a better product and channel mix as well as lower input costs, which more than offset significant negative currency effects. Other operating expenses were up 5% to € 2.645 billion (2017: € 2.517 billion). This development reflects a significant increase in marketing expenditure as well as higher operating overhead expenditure. As a percentage of sales, other operating expenses increased 0.7 percentage points to 50.5% (2017: 49.8%). The company's operating profit decreased slightly to € 129 million from € 132 million in 2017, representing an operating margin of 2.5% (2017: 2.6%). Excluding the negative one-time tax impact recorded in the fourth quarter 2017, net income from continuing operations increased 29% to € 93 million (2017: € 72 million). Basic EPS from continuing operations was up 33% to € 0.47 from € 0.35 in 2017. Gains from discontinued operations amounted to € 15 million compared to losses of € 38 million in the prior year period. As a result, net income attributable to shareholders, excluding the negative one-time tax impact, grew to € 108 million (2017:



€ 34 million), resulting in basic EPS from continuing and discontinued operations of € 0.54, compared to € 0.17 per share in 2017.

Outlook for 2019

adidas expects top-line growth of between 5% and 8% in 2019

The company projects sales to increase at a rate of between 5% and 8% on a currency-neutral basis in 2019. While the company is experiencing a strong increase in demand for mid-priced apparel, adidas will not be able to immediately cover this demand in full due to supply chain shortages. Consequently, growth is expected to be negatively impacted, particularly in North America during the first half of the year. The overall impact on the company's full year growth rate in 2019 is anticipated to be between 1 and 2 percentage points. adidas anticipates growth of between 3% and 4% in the first half of 2019, followed by a sequential acceleration during the second half of the year as the company will be able to scale the respective supply over time.

Currency-neutral revenues to increase in all market segments

While currency-neutral revenues in Asia-Pacific are projected to grow at a double-digit rate, currency-neutral revenues in North America and Emerging Markets are expected to grow at high-single-digit rates. Sales in Latin America and Russia/CIS are forecast to improve at a low-single-digit rate in currency-neutral terms. In Europe, the company expects to return to growth in the course of the year and forecasts a slight increase in currency-neutral revenues for the full year.

Bottom line to grow at double-digit rate

The company's gross margin is forecast to increase to a level of around 52.0% (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.²

² 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.



Contacts:

Media Relations

Jan Runau
Chief Corporate Communication Officer
Tel.: +49 (0) 9132 84-3830

Claudia Lange
Head of Media Relations
Tel.: +49 (0) 9132 84-2338

Investor Relations

Sebastian Steffen
Senior Vice President Investor Relations
Tel.: +49 (0) 9132 84-4401

Adrian Rott
Director Investor Relations
Tel.: +49 (0) 9132 84-74843

For more information, please visit [adidas-group.com](https://www.adidas-group.com) or report.adidas-group.com.



adidas AG Consolidated Income Statement (IFRS)

€ in millions	Quarter ending Dec. 31, 2018	Quarter ending Dec. 31, 2017	Change	Quarter ending Dec. 31, 2017 excl. US tax reform	Change excl. US tax reform
Net sales	5,234	5,056	3.5%	5,056	3.5%
Cost of sales	2,502	2,443	2.4%	2,443	2.4%
Gross profit	2,732	2,613	4.6%	2,613	4.6%
<i>(% of net sales)</i>	52.2%	51.7%	0.5pp	51.7%	0.5pp
Royalty and commission income	34	29	14.3%	29	14.3%
Other operating income	8	7	19.4%	7	19.4%
Other operating expenses	2,645	2,517	5.1%	2,517	5.1%
<i>(% of net sales)</i>	50.5%	49.8%	0.7pp	49.8%	0.7pp
Marketing and point-of-sale expenses	875	810	8.1%	810	8.1%
<i>(% of net sales)</i>	16.7%	16.0%	0.7pp	16.0%	0.7pp
Operating overhead expenses ¹	1,769	1,708	3.6%	1,708	3.6%
<i>(% of net sales)</i>	33.8%	33.8%	0.0pp	33.8%	0.0pp
Operating profit	129	132	(2.0%)	132	(2.0%)
<i>(% of net sales)</i>	2.5%	2.6%	(0.1pp)	2.6%	(0.1pp)
Financial income	22	11	104.9%	11	104.9%
Financial expenses	17	19	(9.4%)	19	(9.4%)
Income before taxes	134	124	8.5%	124	8.5%
<i>(% of net sales)</i>	2.6%	2.5%	0.1pp	2.5%	0.1pp
Income taxes	41	127	(67.8%)	52	(20.7%)
<i>(% of income before taxes)</i>	30.5%	102.7%	(72.2pp)	41.7%	(11.2pp)
Net income from continuing operations	93	(3)	n/a	72	29.3%
<i>(% of net sales)</i>	1.8%	(0.1%)	1.8pp	1.4%	0.4pp
Gains/(losses) from discontinued operations, net of tax	15	(38)	n/a	(38)	n/a
Net income	108	(41)	n/a	35	211.0%
<i>(% of net sales)</i>	2.1%	(0.8%)	2.9pp	0.7%	1.4pp
Net income attributable to shareholders	108	(41)	n/a	34	217.3%
<i>(% of net sales)</i>	2.1%	(0.8%)	2.9pp	0.7%	1.4pp
Net income attributable to non-controlling interests	(0)	1	n/a	1	n/a
Basic earnings per share from continuing operations (in €)	0.47	(0.02)	n/a	0.35	33.2%
Diluted earnings per share from continuing operations (in €)	0.47	(0.02)	n/a	0.35	33.7%
Basic earnings per share from continuing and discontinued operations (in €)	0.54	(0.20)	n/a	0.17	223.0%
Diluted earnings per share from continuing and discontinued operations (in €)	0.54	(0.20)	n/a	0.17	224.2%

Net Sales

€ in millions	Quarter ending Dec. 31, 2018	Quarter ending Dec. 31, 2017	Change	Change (currency-neutral)
Europe	1,216	1,292	(5.9%)	(5.7%)
North America	1,297	1,175	10.4%	8.6%
Asia-Pacific	1,665	1,500	11.0%	10.7%
Russia/CIS	132	146	(9.8%)	(1.9%)
Latin America	447	510	(12.5%)	(1.2%)
Emerging Markets	256	280	(8.7%)	(5.3%)
Other Businesses	221	152	45.4%	42.5%
adidas	4,736	4,562	3.8%	5.0%
Reebok	423	435	(2.6%)	(1.1%)

¹ 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 Income Statement (IFRS)

€ in millions	Year ending Dec. 31, 2018	Year ending Dec. 31, 2017	Change	Year ending Dec. 31, 2017 excl. US tax reform	Change excl. US tax reform
Net sales	21,915	21,218	3.3%	21,218	3.3%
Cost of sales	10,552	10,514	0.4%	10,514	0.4%
Gross profit	11,363	10,703	6.2%	10,703	6.2%
<i>(% of net sales)</i>	51.8%	50.4%	1.4pp	50.4%	1.4pp
Royalty and commission income	129	115	12.0%	115	12.0%
Other operating income	48	17	187.9%	17	187.9%
Other operating expenses	9,172	8,766	4.6%	8,766	4.6%
<i>(% of net sales)</i>	41.9%	41.3%	0.5pp	41.3%	0.5pp
Marketing and point-of-sale expenses	3,001	2,724	10.2%	2,724	10.2%
<i>(% of net sales)</i>	13.7%	12.8%	0.9pp	12.8%	0.9pp
Distribution and selling expenses	4,450	4,307	3.3%	4,307	3.3%
<i>(% of net sales)</i>	20.3%	20.3%	0.0pp	20.3%	0.0pp
General and administration expenses	1,576	1,568	0.5%	1,568	0.5%
<i>(% of net sales)</i>	7.2%	7.4%	(0.2pp)	7.4%	(0.2pp)
Sundry expenses	105	130	(19.7%)	130	(19.7%)
<i>(% of net sales)</i>	0.5%	0.6%	(0.1pp)	0.6%	(0.1pp)
Impairment losses (net) on accounts receivable and contract assets	41	37	12.0%	37	12.0%
Operating profit	2,368	2,070	14.4%	2,070	14.4%
<i>(% of net sales)</i>	10.8%	9.8%	1.1pp	9.8%	1.1pp
Financial income	57	46	24.1%	46	24.1%
Financial expenses	47	93	(49.6%)	93	(49.6%)
Income before taxes	2,378	2,023	17.6%	2,023	17.6%
<i>(% of net sales)</i>	10.9%	9.5%	1.3pp	9.5%	1.3pp
Income taxes	669	668	0.1%	593	12.9%
<i>(% of income before taxes)</i>	28.1%	33.0%	(4.9pp)	29.3%	(1.2pp)
Net income from continuing operations	1,709	1,354	26.2%	1,430	19.5%
<i>(% of net sales)</i>	7.8%	6.4%	1.4pp	6.7%	1.1pp
Losses from discontinued operations, net of tax	5	254	(98.2%)	254	(98.2%)
Net income	1,704	1,100	55.0%	1,175	45.0%
<i>(% of net sales)</i>	7.8%	5.2%	2.6pp	5.5%	2.2pp
Net income attributable to shareholders	1,702	1,097	55.1%	1,173	45.1%
<i>(% of net sales)</i>	7.8%	5.2%	2.6pp	5.5%	2.2pp
Net income attributable to non-controlling interests	3	3	(6.1%)	3	(6.1%)
Basic earnings per share from continuing operations (in €)	8.46	6.68	26.7%	7.05	20.0%
Diluted earnings per share from continuing operations (in €)	8.45	6.63	27.4%	7.00	20.7%
Basic earnings per share from continuing and discontinued operations (in €)	8.44	5.42	55.6%	5.79	45.6%
Diluted earnings per share from continuing and discontinued operations (in €)	8.42	5.38	56.5%	5.75	46.5%

Net Sales

€ in millions	Year ending Dec. 31, 2018	Year ending Dec. 31, 2017	Change	Change (currency-neutral)
Europe	5,885	5,932	(0.8%)	(0.4%)
North America	4,689	4,275	9.7%	14.9%
Asia-Pacific	7,141	6,403	11.5%	14.9%
Russia/CIS	595	660	(10.0%)	1.0%
Latin America	1,634	1,907	(14.3%)	5.6%
Emerging Markets	1,144	1,300	(12.0%)	(3.1%)
Other Businesses	829	739	12.3%	14.7%
adidas	19,851	18,993	4.5%	9.5%
Reebok	1,687	1,843	(8.5%)	(3.0%)

Rounding differences may arise.



adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions	December 31, 2018	December 31, 2017 ^{1,2}	Change in %	January 1, 2017 ^{1,2}
Cash and cash equivalents	2,629	1,598	64.5	1,510
Short-term financial assets	6	5	5.3	5
Accounts receivable	2,418	2,315	4.4	2,200
Other current financial assets	542	393	38.1	729
Inventories	3,445	3,692	(6.7)	3,763
Income tax receivables	48	71	(32.3)	98
Other current assets	725	498	45.6	580
Assets classified as held for sale	-	72	(100.0)	-
Total current assets	9,813	8,645	13.5	8,886
Property, plant and equipment	2,237	2,000	11.8	1,915
Goodwill	1,245	1,220	2.0	1,412
Trademarks	844	806	4.7	1,108
Other intangible assets	196	154	27.0	167
Long-term financial assets	276	236	16.9	194
Other non-current financial assets	256	219	16.9	96
Deferred tax assets	651	630	3.4	732
Other non-current assets	94	108	(13.5)	94
Total non-current assets	5,799	5,374	7.9	5,718
Total assets	15,612	14,019	11.4	14,604
Short-term borrowings	66	137	(51.5)	636
Accounts payable	2,300	1,975	16.5	2,496
Other current financial liabilities	186	362	(48.6)	201
Income taxes	268	424	(36.8)	402
Other current provisions	1,232	741	66.2	573
Current accrued liabilities	2,305	2,180	5.7	2,023
Other current liabilities	477	473	1.0	434
Total current liabilities	6,834	6,291	8.6	6,765
Long-term borrowings	1,609	983	63.7	982
Other non-current financial liabilities	103	22	357.7	22
Pensions and similar obligations	246	298	(17.3)	355
Deferred tax liabilities	241	190	26.8	289
Other non-current provisions	128	80	60.2	44
Non-current accrued liabilities	19	85	(77.7)	120
Other non-current liabilities	68	53	29.2	46
Total non-current liabilities	2,414	1,711	41.1	1,859
Share capital	199	204	(2.3)	201
Reserves	123	(29)	n/a	743
Retained earnings	6,054	5,858	3.4	5,053
Shareholders' equity	6,377	6,032	5.7	5,997
Non-controlling interests	(13)	(15)	15.3	(17)
Total equity	6,364	6,017	5.8	5,980
Total liabilities and equity	15,612	14,019	11.4	14,604
Additional balance sheet information				
Operating working capital	3,563	4,033	(11.6)	3,468
Working capital	2,979	2,354	26.6	2,121
Net cash/(Net borrowings)	959	484	98.3	(103)
Financial leverage	(15.0%)	(8.0%)	(7.0pp)	1.7%

1 Restated according to IAS 8, see Note 03 in the 2018 Annual Report.

2 Restated according to IFRS 9, see Note 01, 02 and 31 in the 2018 Annual Report.

Rounding differences may arise.