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First Quarter 2017 Results:

adidas records strong start into the year FY 2017 outlook confirmed

Major developments in Q1 2017:

- **Currency-neutral revenues increase 16%**
- **Gross margin declines 0.2pp as a result of anticipated FX headwind**
- **Operating margin improves 0.9pp to 11.1%**
- **Net income from continuing operations grows 30% to € 455 million**
- **Basic EPS from continuing and discontinued operations up 29% to € 2.26**

“We had a strong start into the year, with continued sales and earnings momentum. Our major brands adidas and Reebok as well as all of our key markets posted double-digit sales increases,” said adidas CEO Kasper Rorsted. “As consumer demand for our products was strong across the world, we were again able to significantly improve our profitability despite ongoing currency headwinds. Building on this performance, we are confirming our full-year guidance. We aim to deliver double-digit revenue growth and an over-proportionate profitability increase in 2017 yet again.”

Currency-neutral sales increase 16% in Q1 2017

adidas recorded a strong start into the year with currency-neutral revenues increasing 16%. This development reflects an 18% increase at brand adidas as well as a 13% increase at the Reebok brand. In euro terms, sales were up 19% in the first quarter to € 5.671 billion (2016: € 4.769 billion). Revenue growth at the adidas brand was driven by double-digit increases in the running and outdoor categories as well as at adidas Originals and adidas neo. The major drivers of the top-line improvement at Reebok were strong double-digit sales increases in the training category and in Classics. From a channel perspective, the company’s growth was particularly strong in eCommerce, where revenues grew 53% in Q1.



Revenue growth in nearly all market segments

From a market segment perspective, on a currency-neutral basis, the combined sales of the adidas and Reebok brands grew in all market segments except Russia/CIS. Growth was particularly strong in North America (+31%), Greater China (+30%), Japan (+21%) and MEAA (+15%). In Western Europe and Latin America currency-neutral revenues increased 10% and 9%, respectively, despite difficult prior year comparisons resulting from the sell-in of UEFA EURO 2016 and Copa América related product. Sales in Russia/CIS declined 10% as a result of the challenging consumer sentiment as well as additional store closures. Revenues in Other Businesses were up 4% on a currency-neutral basis driven by increases in Other centrally managed businesses as well as at TaylorMade-adidas Golf. Currency-neutral CCM Hockey sales were down, reflecting sales declines in the licensed apparel business in light of the upcoming transition of the existing NHL partnership to the adidas brand as well as lower revenues in the brand's equipment business.

Operating margin increases 0.9 percentage points to 11.1%

The company's gross margin decreased 0.2 percentage points to 49.2% (2016: 49.4%). This development solely reflects the anticipated significant FX headwind in the quarter, which more than offset the positive effects from a better pricing and product mix as well as lower input costs. Other operating expenses as a percentage of sales decreased 1.3 percentage points to 39.1% (2016: 40.3%), mainly as a result of operating leverage in expenditure for point-of-sale and marketing investments, reflecting the different phasing of the company's marketing spend this year. The company's operating profit increased 29% during the first quarter to a level of € 632 million (2016: € 490 million). As a result, the operating margin improved 0.9 percentage points to 11.1% (2016: 10.3%). Net income from continuing operations was up 30% to € 455 million compared to € 350 million in 2016. Basic earnings per share from continuing and discontinued operations increased 29% to € 2.26 in 2017 (2016: € 1.75).

Average operating working capital as a percentage of sales decreases

Inventories increased 23% to € 3.609 billion (2016: € 2.939 billion). On a currency-neutral basis, inventories grew 18%, reflecting higher stock levels to support the company's top-line momentum. Operating working capital increased 17% to € 4.554 billion (2016: € 3.883 billion) at the end of March 2017. Average operating



working capital as a percentage of sales from continuing operations decreased 0.1 percentage points to 20.1% (2016: 20.2%), 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 borrowings increase to € 859 million

Net borrowings at March 31, 2017 amounted to € 859 million (2016: € 809 million), representing an increase of € 51 million compared to the prior year. This development was mainly a result of the utilisation of cash for the purchase of fixed assets as well as the continued repurchase of adidas AG shares.

adidas confirms outlook for FY 2017

For 2017, adidas continues to expect sales to increase at a rate between 11% and 13% on a currency-neutral basis driven by double-digit growth in Western Europe, North America and Greater China. The company's gross margin is forecasted to increase up to 0.5 percentage points to a level of up to 49.1% (2016: 48.6%). Gross margin will mainly benefit from the positive effects of an improved pricing, product and regional mix as well as further enhancements in the company's channel mix. Nevertheless, these improvements will be partly offset by the projected increase in costs for the company's Asian-dominated sourcing as a result of less favourable US dollar hedging rates, particularly in the first half of the year, as well as rising labour expenditures, which are expected to negatively impact the gross margin development. The operating margin is forecasted to improve between 0.6 and 0.8 percentage points to a level between 8.3% and 8.5% (2016: 7.7%), reflecting the projected gross margin improvement as well as an expected decline in other operating expenses as a percentage of sales. As a result, operating profit is expected to grow between 18% and 20%. Net income from continuing operations is also projected to increase at a rate between 18% and 20% to a level between € 1.200 billion and € 1.225 billion (2016: € 1.019 billion).



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adidas AG Consolidated Income Statement (IFRS)

€ in millions	First quarter 2017	First quarter 2016	Change
Net sales	5,671	4,769	18.9%
Cost of sales	2,881	2,411	19.5%
Gross profit	2,790	2,358	18.3%
<i>(% of net sales)</i>	49.2%	49.4%	<i>(0.2pp)</i>
Royalty and commission income	29	24	18.6%
Other operating income	29	31	<i>(9.2%)</i>
Other operating expenses	2,215	1,924	15.2%
<i>(% of net sales)</i>	39.1%	40.3%	<i>(1.3pp)</i>
Operating profit	632	490	28.8%
<i>(% of net sales)</i>	11.1%	10.3%	<i>0.9pp</i>
Financial income	28	19	44.2%
Financial expenses	20	13	49.0%
Income before taxes	640	497	28.9%
<i>(% of net sales)</i>	11.3%	10.4%	<i>0.9pp</i>
Income taxes	185	146	26.5%
<i>(% of income before taxes)</i>	28.9%	29.5%	<i>(0.6pp)</i>
Net income from continuing operations	455	350	29.9%
<i>(% of net sales)</i>	8.0%	7.3%	<i>0.7pp</i>
Gains from discontinued operations, net of tax	1	1	<i>(33.1%)</i>
Net income	456	351	29.7%
<i>(% of net sales)</i>	8.0%	7.4%	<i>0.7pp</i>
Net income attributable to shareholders	455	351	29.6%
<i>(% of net sales)</i>	8.0%	7.4%	<i>0.7pp</i>
Net income attributable to non-controlling interests	1	0	119.1%
Basic earnings per share from continuing operations (in €)	2.26	1.75	29.1%
Diluted earnings per share from continuing operations (in €)	2.23	1.71	30.5%
Basic earnings per share from continuing and discontinued operations (in €)	2.26	1.75	29.0%
Diluted earnings per share from continuing and discontinued operations (in €)	2.23	1.71	30.4%

Net Sales

€ in millions	First quarter 2017	First quarter 2016	Change	Change (currency-neutral)
Western Europe	1,523	1,414	7.7%	9.6%
North America	988	728	35.8%	30.6%
Greater China	990	762	29.9%	30.3%
Russia/CIS	160	138	16.0%	<i>(9.8%)</i>
Latin America	454	394	15.4%	8.7%
Japan	301	236	27.3%	21.1%
MEAA	833	701	18.9%	15.3%
Other Businesses	421	396	6.2%	3.9%
adidas brand	4,842	4,036	20.0%	17.6%
Reebok brand	492	416	18.5%	13.3%
TaylorMade-adidas Golf	294	275	7.0%	4.4%
CCM Hockey	35	38	<i>(7.3%)</i>	<i>(10.8%)</i>

Rounding differences may arise.



adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions	March 31, 2017	March 31, 2016	Change in %	December 31, 2016
Cash and cash equivalents	1,524	1,328	14.7	1,510
Short-term financial assets	5	5	(2.5)	5
Accounts receivable	2,876	2,517	14.3	2,200
Other current financial assets	605	272	122.0	729
Inventories	3,609	2,939	22.8	3,763
Income tax receivables	81	76	6.3	98
Other current assets	649	531	22.1	580
Assets classified as held for sale	-	0	(100.0)	-
Total current assets	9,348	7,669	21.9	8,886
Property, plant and equipment	1,933	1,598	21.0	1,915
Goodwill	1,403	1,364	2.8	1,412
Trademarks	1,654	1,558	6.1	1,680
Other intangible assets	165	177	(6.7)	167
Long-term financial assets	187	145	29.0	194
Other non-current financial assets	90	97	(7.8)	96
Deferred tax assets	785	680	15.5	732
Other non-current assets	119	126	(5.6)	94
Total non-current assets	6,336	5,746	10.3	6,290
Total assets	15,684	13,415	16.9	15,176
Short-term borrowings	1,406	676	108.0	636
Accounts payable	1,931	1,573	22.8	2,496
Other current financial liabilities	214	235	(9.0)	201
Income taxes	455	446	2.0	402
Other current provisions	578	474	22.1	573
Current accrued liabilities	1,926	1,664	15.7	2,023
Other current liabilities	531	396	33.9	434
Liabilities classified as held for sale	-	0	(100.0)	-
Total current liabilities	7,041	5,464	28.9	6,765
Long-term borrowings	982	1,467	(33.0)	982
Other non-current financial liabilities	28	32	(11.4)	22
Pensions and similar obligations	361	274	31.8	355
Deferred tax liabilities	371	328	13.1	387
Other non-current provisions	60	53	12.3	44
Non-current accrued liabilities	92	92	(0.0)	120
Other non-current liabilities	47	43	9.9	46
Total non-current liabilities	1,941	2,288	(15.2)	1,957
Share capital	202	200	0.7	201
Reserves	582	254	128.6	749
Retained earnings	5,936	5,224	13.6	5,521
Shareholders' equity	6,719	5,679	18.3	6,472
Non-controlling interests	(17)	(16)	(6.0)	(17)
Total equity	6,702	5,663	18.3	6,455
Total liabilities and equity	15,684	13,415	16.9	15,176
Additional balance sheet information				
Operating working capital	4,554	3,883	17.3	3,468
Working capital	2,307	2,205	4.6	2,121
Net borrowings	859	809	6.3	103
Financial leverage	12.8%	14.2%	(1.5pp)	1.6%

Rounding differences may arise.