

adidas is the European leader in sports equipment

Profile

adidas is a global leader specialised in the design, development, production and distribution of sporting goods (footwear, clothing and equipment). The group's business is built around two main brands: adidas and Reebok. Distribution is done through its own stores retail network, eCommerce and independent distributors.

Performance in 2017

In 2017, adidas delivered another year of strong performance, increasing currency-neutral revenues by 16% to EUR 21.2 billion. This development mainly reflects an 18% increase at brand adidas, which was driven by double-digit sales increases in the running category as well as at adidas Originals and adidas neo.

In terms of performance in key regions, the combined sales (on a currency-neutral basis) of the adidas and Reebok brands grew at double-digit rates in nearly all regions. Growth in the company's key regions Greater China and North America was particularly strong, with currency-neutral sales increases by 29% and 27%, respectively.

While currency-neutral revenues in Western Europe increased by 13%, sales in Latin America were up by 12%. Currency-neutral revenues in MEAA and Japan increased by 10% each. Sales in Russia/CIS declined by 13%, reflecting the ongoing challenging consumer sentiment as well as additional store closures during the year.

The company's gross margin increased by 1.2 percentage point to 50.4% (2016: 49.2%) due to the positive effects from a better pricing and product mix, which more than offset negative currency effects as well as higher input costs.

The company's operating profit grew by 31% to EUR 2,070 million (2016: EUR 1,582 million), representing an operating margin increase of 1.2 percentage point to 9.8% (2016: 8.6%).

Net income from continuing operations grew by 32% to EUR 1,430 million. Basic EPS from continuing operations increased by 31% to EUR 7.05.

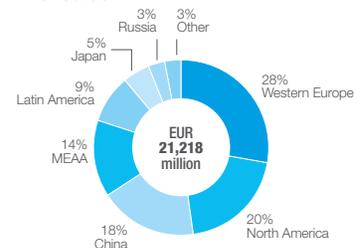
Net cash amounted to EUR 484 million, representing an improvement of EUR 587 million compared to the prior year (2016: net borrowings of EUR 103 million). This development was driven by the increase in cash generated from operating activities as well as proceeds arising from the disposal of TaylorMade and CCM Hockey.

The Executive and Supervisory Boards will recommend a dividend of EUR 2.60 per share which represents an increase by 30% compared to the prior year dividend (2016: EUR 2.00) and a payout ratio of 37.1% (2016: 37.4%). 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.

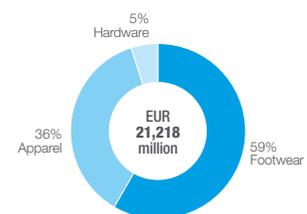
In addition, adidas decided to launch a multi-year share buyback program of up to EUR 3.0 billion in total until 11 May 2021. Starting on 22 March, the company plans to buy back shares worth up to EUR 1.0 billion in 2018.

adidas in figures

Geographic breakdown of 2017 net sales



Breakdown of 2017 net sales per category



Key financial data

2017⁽¹⁾ 2016⁽¹⁾ 2015⁽²⁾

Simplified income statement

(in EUR million)

Net sales	21,218	18,483	16,915
Operating profit	2,070	1,582	1,094
Net income from continuing operations	1,430 ⁽³⁾	1,082	720
Net income (group's share)	1,097	1,017	634

(1) Restated to reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey business

(2) Not restated

(3) Excluding a FY17 negative one-time tax impact

Simplified balance sheet

(in EUR million)

Shareholders' equity (group's share)	6,450	6,472	5,666
Non-controlling interests	(15)	(17)	(18)
Net cash/(net borrowings)	484	(103)	(460)
Debt-equity ratio (%)	n.a.	2	8

Over
21

EUR billion in turnover

#1

in Europe
in sporting goods

Over
56,000

employees

Over
160

countries in which adidas
is present

adidas

Investment case

adidas is a strong brand: #1 in Europe and #2 worldwide in the design and distribution of sporting goods.

There is strong potential for growth in sales supported by (i) advertising and promotional expenditure, (ii) the company's ability to introduce innovative products and (iii) the omni-channel (including digital) approach.

adidas has the possibility to improve its EBIT margin via:

- Optimising the structure of central costs, mainly through economies of scale
- Increased profitability in the USA and Russia
- A restructuring of the brand Reebok in the USA

Market data and information on GBL's investment

Stock market data	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾
Number of shares issued (in thousands)	209,216	209,216	209,216
Market capitalisation (in EUR million)	34,970	31,414	18,811
Closing share price (in EUR/share)	167.15	150.15	89.91
Basic earnings from continuing operations (in EUR/share)	7.05 ⁽³⁾	5.39	3.37
Dividend (in EUR/share)	2.6 ⁽⁴⁾	2.0	1.6

GBL's investment	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾
Percentage of share capital (in %)	7.5	7.5	4.7
Percentage of voting rights (in %)	7.5	7.5	4.7
Market value of the investment (in EUR million)	2,623	2,356	890
Dividends collected by GBL (in EUR million)	27	19	3

Representatives in statutory bodies	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾
	1	1	0

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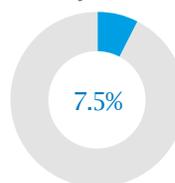
(4) Subject to the approval of the General Shareholders' Meeting

TSR annualised (%)

	1 year	3 years	5 years
adidas	12.6	44.8	21.9
STOXX Europe 600 Consumer Goods	13.1	11.3	12.7



Capital held by GBL

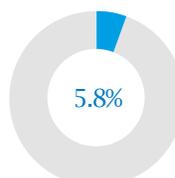


Representatives in statutory bodies



1 out of 16

adidas's contribution to the net dividends collected on GBL's investments



adidas's contribution to GBL's portfolio

