FINANCIAL RESULTS PRESENTATION
First Quarter 2016 Speech
May 4, 2016
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Sebastian Steffen
Good afternoon ladies and gentlemen and welcome to our first quarter 2016 financial results conference call. Our presenters today are Herbert Hainer, adidas Group CEO, and Robin Stalker, Group CFO.

Let me remind you that, as always, to allow for ease of comparison, 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 ladies and gentlemen.

As you will have seen from our communication last week, we flew off the starting blocks in 2016, as the Group experienced its fastest start to a year in more than a decade.

- We achieved record first quarter sales of 4.8 billion euro, up 22%, which is our highest organic quarterly growth rate in more than ten years.
- We recorded particularly strong growth at adidas, with revenues increasing a blistering 26%, as key performance categories as well as our lifestyle business grew at strong double-digit rates.
- Sales growth at Reebok also further accelerated. With a 6% top-line increase, Reebok now looks back on twelve consecutive quarters of growth.
- Despite severe headwinds from negative currency effects, the Group's gross margin increased 30 basis points to 49.4%, a clear testament to the desirability of our brands and products across the globe.
- And despite a further increase in marketing investments, operating expense leverage in the quarter helped drive operating margin, up 1.4 percentage points to 10.3%.
- Consequently, net income from continuing operations grew 38% in the quarter.

This powerful performance reflects a strong acceleration for our Group across the board.

Particularly important was the strong momentum in our focus markets.

As we had outlined last year, North America, Western Europe, Greater China and Latin America are key to our 2020 strategic plan as we expect 80% of our growth towards 2020 to come from those markets.

And in Q1, those markets did exactly that, all growing at strong double-digit rates, thus contributing the vast majority of our Group's top-line growth. We have every confidence that this overall momentum will be sustainable going forward and forecast double-digit growth in each of those markets for the full year 2016.

From a brand perspective as well, it is exactly those categories driving this growth today that will also be key to take our top line to new heights over the next five years. I am sure you remember that we have assigned clear roles to each of our categories, to focus their energy on achieving specific goals over the next years. And I am very pleased to see that our core performance categories – football, training and running – as well our key lifestyle categories – adidas Originals and adidas neo – are all enjoying outstanding momentum in the marketplace, with all of them posting strong double-digit growth rates in Q1.

This, ladies and gentlemen, is proof positive that we are focused on the right areas of our business, which not only bring us operational and financial success in the here and now, but, even more importantly, ensure we are making major progress towards our long-term strategic aspirations.

We are all extremely excited about the achievements of the first three months of the year. But the best part is that there is much more behind this stellar financial performance than just successful product launches and inspiring marketing campaigns.

The momentum our brands are enjoying today is a direct consequence of our new consumer-obsessed mindset, which, after the implementation of 'Brand Leadership', is now not only fully reflected in our organisational structure but is also clearly leaving its mark on our results. Our new operating model is directly spurring our current momentum as it allows us to develop holistic concepts that include all the different areas – such as product design, marketing and point-of-sale activation – which ultimately decide how impactful we are vis-à-vis the consumer.

And with the strong double-digit growth rates in literally all regions as well as in all key performance and lifestyle categories, the first quarter results are proof positive that with 'Brand Leadership' in full swing, we are indeed much more impactful in winning the hearts and minds of our consumers on a much broader scale than ever before.

But make no mistake: Brand Leadership is not only about organisational adjustments. It's much more a change in mindset. This new consumer-obsessed mindset is strongly embedded in our 2020 strategic business plan, and is the foundation to create brand desire with our consumers.

In order to measure brand advocacy amongst our target audience, we established the Net Promoter Score as a comprehensive system that guides us forward. In 2015, we invested heavily in the roll-out of this NPS system, which now allows us to constantly listen and respond to our consumers' needs. At the same time, we have started to integrate the voice of the consumer in our business processes. It is fair to say that the consumer now has a seat at our table. Besides establishing NPS and making it a bonus-eligible KPI for all our employees, we have refined and significantly upgraded our consumer-profiling capabilities. All of this enables us to have a laser-sharp focus on our target consumer.

We are absolutely convinced that Brand Leadership and its consumer-centric approach is a significant contributor to the excellent momentum our Group is currently enjoying and ensures that the current success is much more sustainable.

Let's now dive deeper into the operational and financial highlights of the first quarter, which is characterised by accelerating momentum at our core brands adidas and Reebok.

In particular, adidas – the engine of our Group – has never come out of the blocks faster. Revenues grew at a blistering rate of 26% in the first quarter. While this also reflects continued strong double-digit improvements in our lifestyle businesses, more importantly the momentum in Sport Performance accelerated as expected. Driven by double-digit increases in key performance categories, revenues in our Sport Performance business grew 22% during the quarter. So let's have a more detailed look at the different categories.

Starting with football, which could not have had a better start to this important event year. Revenues were up 25% in the first quarter with double-digit increases in most markets.
We are especially proud seeing our footwear business grow at strong double-digit rates, reflecting the successful introduction of new products and franchises. Back in January, we revolutionised the game of football by releasing ACE 16+ Purecontrol, the first laceless football boot, presented and worn on the pitch by some of the world's best players.

One of those players is Juventus Turin and France midfielder Paul Pogba, with whom we joined forces earlier this year. Paul is one of Europe's most in-demand football players and we are thrilled about working with him in the future. Paul will, from here on, be our main athlete promoting the ACE franchise and we are all excited to see him and our boots shine at the UEFA EURO 2016 later this year.

Talking about the EURO, our apparel business, which also grew double-digits during the quarter, sees ongoing robust demand for federation kits, is well prepared for the upcoming events and will once again enjoy huge popularity in 2016.

Our running business also performed very strongly during the first three months of the year.

While both footwear and apparel sales improved at double-digit rates, the overall sales increase of 19% was very much driven by the further roll-out of our BOOST product family, now representing one third of our total running footwear business.

A particular highlight of the first quarter was certainly the official launch of PureBOOST X, our first true female-focused running shoe concept. Without a doubt, PureBOOST X will help us to position BOOST as THE must-have innovation, also for the female athlete. We had successful launch activations in major cities around the world and the initial feedback we have received from female consumers is very encouraging. Q1 also saw the introduction of PureBoost ZG, another super-light running shoe that helps us gain even more credibility in the area of 'Energy Running'.

In addition to some very exciting product launches, the overall visibility of BOOST continues to gain traction. Within the marathon scene, BOOST is more and more being the synonym for crossing the finish line before anybody else does. Only a couple of weeks back, Lemi Berhanu won the Boston Marathon, wearing of course – BOOST. In total, BOOST is now looking back on 80 major marathon wins. And we continue counting as we speak.

In training, we also enjoyed great momentum during the quarter, as sales increased 15% with double-digit growth rates in all major markets. Within the training business, the female athlete is playing an increasingly important role, and it comes as no surprise that our women's business outperformed the male business during the first quarter. We received very positive feedback on our 'Here To Create' campaign, launched in February, which has been a major activation tool so far this year. Later in March, we announced a multi-year partnership with Wanderlust, producer of the largest yoga lifestyle events in the world, which helps us to bring an entirely new level of everyday fitness engagement to the female athlete. Through marketing activations like these and innovative product concepts, we have identified the right anchors to get the versatile female athlete hooked to the brand and our training business.

Moving over to our lifestyle business, where the unparalleled momentum from the prior year continued right into the first quarter of 2016. Revenues at adidas Originals grew 45%, with strong double-digit increases in all markets except Russia/CIS.

And while we continue to experience huge demand around established key franchises such as the Superstar or the Stan Smith, the clear highlight of the first quarter bears only three letters: NMD, the hottest shoe model in the game this year. The global launch of NMD on March 17 was just phenomenal, beating our own very high expectations and creating unbelievable hype across key destination doors and online channels. We witnessed consumers going crazy trying to get their hands on a pair, building record queues and crashing websites. Sell-through rates have been unbelievable, with more than 400,000 pairs sold on one day only!

This unparalleled success is even more impressive keeping in mind that there is no major asset involved. This really speaks for the power of the brand. In addition, there are two other factors behind the NMD 'madness': On the one hand, it is of course the unique look and feel as NMD is technically a running shoe realised as a lifestyle sneaker. Its midsole is elevated with adidas BOOST technology, while the upper utilises the integrity of adidas Primeknit. This offers highest comfort, combined with cutting-edge design. On the other hand, the success of NMD also goes back to a number of special activations, including launch events and campaigns that took place in key cities around the world.

This, ladies and gentlemen, is the best example of how big franchises are born and what it takes to create unparalleled hype in the industry.

Moving over to Reebok, where the positive trends from the prior year continued during the first three months of 2016. With a 6% sales increase in the first quarter, Reebok not only saw a further acceleration in top-line growth, the brand now also looks back on twelve consecutive quarters of growth.

Of particular note is once again the fact that Reebok achieved double-digit sales increases in key markets such as Western Europe, Greater China, Japan and MEAA. In addition, from a category perspective, Reebok saw sales increases in two of its key categories: Training and Classics.

Another valid proof point showing that Reebok is making further strides in improving its brand desirability is the fact that the gross margin improved by 40 basis points during the first quarter, mainly due to a more favourable regional mix.

One market where the brand is still facing major challenges is North America, where we started to streamline Reebok's distribution footprint during the course of 2015 by reducing the number of factory outlets. In 2016, we will continue to pursue that path, as we are convinced this is a painful yet necessary move for a more profitable future. We will also ensure we further increase the brand's retail visibility by growing the number of shop-in-shop solutions with key retailers, while at the same time opening up to 20 showrooms in 2016 to introduce the new Reebok to consumers across key locations in the US.
Bringing back Reebok to a successful and profitable growth path in its home market is the brand's most relevant goal going forward and we will not stop working towards that goal until it is achieved.

Another important goal of our strategic plan until 2020 is to better focus our efforts on those areas of our business where we can have the biggest impact in reaching our consumers and winning their brand loyalty. In this context, we made some important strategic decisions recently that will allow us to sharpen our focus even more going forward.

The first strategic decision is related to adidas neo, which once again showed a tremendous performance during the first quarter, with revenues up 60%.

As you know, over the last five years, we have grown adidas neo from a small start-up into a successful vertical business model with sales reaching 1 billion euro in 2015. We are all very proud of where we've taken adidas neo and what we have achieved so far.

Part of this journey was to develop our own vertical retail format. In these stores, we have been testing new ways of engaging with our target audience, connecting our brand with young consumers and gaining relevance among this audience. At the same time, we successfully developed speed capabilities for the Group and used our own adidas neo stores as pilots for many of these programmes.

And while our own adidas neo stores will remain an important part of our distribution in most parts of the world, data shows that in other parts we are more successful when exclusively offering adidas neo products at key wholesale partners. As a result, we have decided that in Western Europe we will offer our highly successful adidas neo products through key wholesale partners in the future. As a result, we will close our 16 own adidas neo stores in Germany, the Czech Republic and Poland.

And while we are convinced that this decision is the right one and will help us further accelerate our brand, the vast majority of the neo store fleet – we are operating some 2,000 neo shops in China alone – will NOT be impacted by this decision.

In addition, this morning we made an important decision on our future approach to golf. After recently having concluded our extensive strategic review, we have now decided that going forward we will focus our efforts in golf on further strengthening our position as a leading provider of innovative golf footwear and apparel through the adidas Golf brand. Our intention therefore is to actively seek a buyer for the hard goods part of our golf business, more precisely TaylorMade and Adams, as well as the leisure lifestyle offering of the Ashworth brand.

During this process we will of course ensure that TaylorMade's exclusive positioning and strong brand name in the industry will be reflected at any given point in time. TaylorMade continues to be the clear number one driver brand in the industry and the most played brand on Tour. The most recent product launches such as the M1 and the M2 have once again proven TaylorMade's unrivalled leadership when it comes to innovation. And with Jason Day, TaylorMade also has the current number one player in the world playing its products.

And looking at the performance during the first quarter, while our total golf business was down 1%, it is important to highlight that this decline had nothing to do with TaylorMade. The decline was solely related to lower revenues from the Adams and Ashworth brands.

TaylorMade, in contrast, managed to return to growth, up 6% versus the prior year, driven by sales increases in the brand's most important categories – metalwoods and irons. In addition, sales at adidas Golf also increased driven by high-single-digit growth in footwear, underlining the viability of this part of our business.

We should also not forget that we have made major progress with our restructuring plan announced last year. Hence, the organisation around TaylorMade will definitely be a much more nimble and profitable one going forward.

I am convinced that with its leadership position in the industry and the turnaround plan gaining traction, which is clearly reflected in the top-line improvements recorded in Q1 as well as recent market share gains, TaylorMade offers attractive growth opportunities in the future. However, we decided that now is the time to focus even more on our core strength in the athletic footwear and apparel market. The planned divestiture will allow us to reduce complexity and focus our efforts on those areas of our business that offer the highest return.

So as you can see, ladies and gentlemen, in addition to the huge operational progress we made during the first three months, we also made further progress when it comes to strategic decisions that will positively impact our Group in the long term.

With this, let me now hand over to Robin, who will guide you through the financials of the first quarter before I conclude our conference call by looking into our nearer future and what to expect from it.

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

In the next few minutes, I will provide you with a more detailed overview of our financial performance during the first three months of 2016. In this quarter it was an exceptionally big challenge to decide what markets, channels and categories we should focus upon, as we have seen strong growth across the board.

So let's start with a bird's-eye view on our market segments before we dive deeper into just a selected few.

As you can see, we were able to build on the strong momentum we experienced in the fourth quarter of 2015, with sales growth accelerating in nearly all of our market segments. As you can see, all of our market segments recorded strong double-digit increases during the first quarter, with the exception of Russia/CIS. 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.

Starting with Western Europe, where we succeeded in sustaining our strong momentum from the last quarter. In Q1 2016, we were able to grow sales by 25%, driven by a 26% increase at adidas and 15% growth at Reebok.

At brand adidas, we saw excellent growth in the football category, which gives us every reason to be confident that we will be able to continue taking market share from our competitors, supported by our strong presence at the UEFA EURO. From a market perspective, the strong growth in Western Europe was driven by double-digit revenue increases in all major countries, led by the UK, Germany, Italy and France.

Additionally, our own-retail business showed significant growth during the first quarter. Sales growth of 25% was driven by strong comp store sales increases, up a tremendous 17% in the respective period.

Looking at the segment's profitability, it was already largely anticipated that the strengthening of the US dollar will have a highly negative impact on gross margins. However, through pricing initiatives and positive product mix effects, we were able to largely mitigate these negative effects and to limit the decline to 2.0 percentage points, resulting in a gross margin of 46.1% for the quarter. This also impacted Western Europe's operating profit, which increased at a disproportionate rate of 12% to 313 million euro, resulting in a decline of 2.3 percentage points in operating margin to 22.2%.

Let's turn to North America, where sales accelerated strongly in the first quarter. Revenues increased 22%, driven by even more distinct growth at brand adidas of 31%. And, ladies and gentlemen, we are proud to note that this growth was driven by our lifestyle AND performance business. The latter is a clear sign that our grassroots activation is paying off, with the US consumer starting to acknowledge us as an authentic sports performance brand. This becomes even more visible when you look at the categories. Our US Sports business increased more than 50% in the first quarter. But also key categories such as training and running recorded double-digit growth within the quarter. The latter was supported by the increasing popularity of our UltraBOOST franchise. In total, Sport Performance sales in the US grew 20% in Q1.

At Reebok, we are still on track with streamlining the business and rebuilding brand reputation in North America. Hence, Reebok sales in Q1 declined 13%, in line with our expectations.

Although you might expect that the activation of the US consumer comes at a high price, I can tell you that we were actually able to turn around operating performance from a loss of 9 million euro in the previous year, to a profit of 19 million euro in the first quarter of 2016. This translates into an operating margin increase of 4.1 percentage points to 2.7%, supported by an increase in gross margin of 1.2 percentage points and further operating leverage.

Let's move over to Greater China, where we managed to further accelerate our already strong growth momentum from the previous year. Sales increased a strong 30% during the quarter as a result of double-digit sales growth at adidas and Reebok, where revenues grew 30% and 22%, respectively. Our first quarter performance marks the eighth consecutive quarter of double-digit growth in the region, although we were facing quite difficult comparisons from the previous year, where sales were already up 21%.

It is particularly pleasing that also in Greater China our performance business at brand adidas is witnessing accelerating momentum, thereby showcasing China's growing interest in sport. In the first quarter, the brand not only recorded double-digit growth in the training and running categories but achieved tremendous double-digit growth in the football category, in line with the Government's ambitious objectives to develop football in China.

Likewise, Reebok, as a core fitness brand, profited strongly from the ongoing trend towards a healthier lifestyle in China. The brand was able to grow all major categories at double-digit rates.

The strong top-line momentum further accelerated on the way down to the bottom line. Not only were we able to further improve our gross margin by 1.3 percentage points to 57.2%, we also generated strong leverage in operating expenses, which only increased by 20% in the first quarter. As a result, operating profit in Greater China was up 36% and almost reached the 300 million euro mark, whilst operating margin increased 2.5 percentage points, ending the quarter at an impressive level of 39.1%.
This, ladies and gentlemen, demonstrates that China's sports market is still very much in its infancy and we believe there is still plenty of room for growth.

Let's finish our journey through our market segments with a look at Latin America. In total, sales accelerated in the first quarter, growing by 19%. The increase was mainly due to strong double-digit growth at brand adidas, which is successfully withstanding macroeconomic challenges within the segment's countries. Reebok sales declined during the course of the quarter.

From a country perspective, Argentina, Mexico and Chile remained the major growth drivers of the segment, but Brazil also made a strong recovery and recorded impressive double-digit growth ahead of the Olympic Games. Therefore, we have every confidence that this market segment will remain a major growth driver throughout 2016 and also in the years to come.

Gross margin in Latin America also showed a pleasing trend in Q1, increasing 2.8 percentage points to 45.2%. This development was not only driven by a more favourable pricing mix but also by an improved product and channel mix. The segment ended the first quarter with an operating profit of 56 million euro, or an operating margin of 14.1%, up 40 basis points versus the prior year.

Turning away from our markets to our last outstanding operating segment, Other Businesses, where sales increased 6% in the first quarter. This development was driven by strong double-digit revenue growth at Other centrally managed businesses. TaylorMade-adidas Golf and Reebok-CCM Hockey recorded a decrease of 1% and 2%, respectively. The decline at TaylorMade-adidas Golf was solely related to the Ashworth and Adams brands, as Herbert has already mentioned.

Gross margin in Other Businesses was down 0.5 percentage points to 36.9%, mainly due to lower product margins at TaylorMade-adidas Golf. Given stable operating expenses, the segment recorded operating expense leverage, which ultimately resulted in an operating loss of 1 million euro, following a loss of 5 million euro in the previous year.

Turning now to our Group's performance and the major operating P&L items.

Let's start with the Group's gross margin, which increased 0.3 percentage points to 49.4% despite severe currency headwinds, which wiped out almost 400 basis points of gross margin. These headwinds, however, were more than compensated by a significantly more favourable pricing and product mix the Group experienced during the quarter. This, ladies and gentlemen, is a clear sign of the desirability of our brands and underpins our ability to implement price increases based on our relentless focus on bringing innovative and exciting products to the market.

By brand, the adidas gross margin remained at a strong level of 47.4%, down 20 basis points, while Reebok's gross margin increased to 38.0%.

Other operating expenses grew at a distinctly slower rate than Group revenues, up 13% to 1.9 billion euro. This translates into operating expenses as a percentage of sales of 40.3%, 1.3 percentage points below the prior year level, mainly as a result of operating leverage on both expenditure for point-of-sale and marketing investments as well as operating overhead expenditure. Additionally, different phasing of the Group's expenditure for marketing investments, in particular with regard to the UEFA EURO and the Rio Olympic Games in Q2 and Q3, also supported the positive trend in the first quarter.

Now, adding together the positive effects from a higher gross margin as well as operating leverage, the Group's operating margin increased a strong 1.4 percentage points to 10.3%. In absolute terms, the Group's operating profit increased 35% to 490 million euro.

Let's continue with a brief look at the P&L's non-operating items: In the first quarter of 2016, we recorded net financial income of 6 million euro, compared to 0 million euro in the prior year. This development was due to positive exchange rate effects as well as a decline in interest expenses.

The Group's tax rate returned to a normalised rate of 29.5% in the first quarter of the year. Compared to the previous year, the tax rate decreased 0.4 percentage points.

Accordingly, net income from continuing operations increased 38% to 350 million euro. This translates into diluted earnings per share from continuing operations of 1 euro 71 cents, up 38% compared to the prior year.

Moving over to the retail part of our business, which reveals a trend just as pleasing as our overall Group performance, with revenues up 22%. Comparable store sales increased a strong 13% during the first quarter, with double-digit growth across all regions except Russia/CIS. By brand, adidas comp store sales grew 15%, while Reebok comp store sales were up 3%. Looking at our online business, eCommerce once again showed a particularly strong development during the quarter, with sales up 47% year-over-year.

Gross margin in our retail business increased an impressive 3.3 percentage points to 61.2%, while operating margin showed an even stronger improvement, driven by additional leverage on operating overheads. In the first quarter, operating margin was up 5.5 percentage points to 19.6%.

Moving over to the balance sheet, where operating working capital as a percentage of sales decreased 1.7 percentage points to 20.2%. The improvement mainly reflects the strong top-line development during the last twelve months as well as our continued focus on tight working capital management.

We ended the first quarter of 2016 with net borrowings of 809 million euro, an increase of 267 million euro versus last year as a result of the utilisation of cash for the purchase of fixed assets, the acquisition of Runtastic and the share buyback programme. However, put into perspective with our EBITDA development, the ratio remained virtually unchanged, amounting to 0.5 times.

Finally, our equity ratio remains at a strong level of 42.3% at the end of the first quarter compared to 46.7% in the prior year.

So, ladies and gentlemen, to wrap up the financial part for today and to conclude on our very successful start into 2016, our first quarter achievements clearly show how our relentless focus on the consumer ultimately translates into outstanding financial results. Our accomplishments this year so far are a real testament to the strength of our brands. Our product and marketing initiatives are resonating extremely well with consumers across all regions. We are more focused and closer to the consumer than ever before, which gives us every confidence in the Group's momentum going forward.

With this, let me now hand back to Herbert who will share with you our outlook for the remainder of the year.

Herbert Hainer
Thank you, Robin.

Okay, ladies and gentlemen, let me now give you a quick overview of what you can expect from us in the second quarter, adding to what we already talked about at the beginning of March, when we published our full year results.

Let me start with football – for sure one of the most exciting categories in 2016, with two major football events just around the corner: the UEFA EURO 2016 and the Copa America. Both events will be perfect platforms for the adidas brand to activate core assets, key franchises and tailored messages. This will lift the engagement with our football consumer as we move through the year.

Starting with the Copa America, we have a strong and unique partnership portfolio around South America's most successful federations, including Argentina, Mexico and Colombia. Through football superstars such as Leo Messi, Luis Suarez and James Rodriguez, there is no doubt our brand will enjoy unparalleled visibility during the event, which gives us huge opportunities not only in South America, but also in North America, where the tournament will be hosted for the first time in history.

As the Official Sponsor of the UEFA EURO 2016 as well as partner of nine high-calibre teams including World Champion Germany and reigning Champion Spain, we are excitingly looking forward to the start of the tournament on June 10. And I promise you – we are more than prepared for it!

In addition, during the summer, we will also see exciting and innovative product launches in our football category, supported by exclusive pre-sales in our direct-to-consumer channels as well as through selected e-tailers. This will include a new version of our successful 'ACE' and 'X' franchises, inspired by the trophies that players around the world strive to win in order to write their names into the history books.

And, we have everything in place to engage in a close manner with the football communities in key cities. Through our various newsrooms, we will ensure we are in a constant dialogue with our target audience. All of this not only gives us the confidence that adidas will once again be the clear winner of this sports summer, it also reinforces our bullish view that the current strong momentum in football will last way beyond the second quarter.

Let me now turn to running, where our rapid growth path will remain highly visible during the second quarter as our focus on key running footwear franchises continues to gain traction. We will continuously build on our existing key franchises, UltraBOOST and PureBOOST, with new silhouettes coming up soon.

UltraBOOST is and will continue to be the hottest running shoe – not only, but also, in the all-important US market. Here, a couple of weeks ago, after the launch of new colourways, we sold over 5,000 pairs within ONE hour on adidas.com. And the next edition of UltraBOOST is almost there: In June, we will be launching UltraBOOST Uncaged, the next edition of this successful franchise family. It will help our running business to further strengthen our positioning in 'Energy Running', as it will provide our consumers the next level of lightweight, smooth and energetic running.

Talking about the US running market, let me remind you that the commercially relevant price point is actually at much lower price tags, and that this part of the running market still represents a huge opportunity for our brand. To further hit the sweetspot of the running market, our Bounce franchise plays a central role and we will continue to focus on Bounce to further increase its high profile and make it the next success story.

In this context, we are very much looking forward to the next chapter: Alphabounce. Hitting the market at price points of 100 US dollars, the Alphabounce has already received phenomenal feedback from our most important retailers in North America. As a result, we are confident that we can drive considerable volumes in the months to come.

Moving over to Originals, where we will build upon the outstanding hype and momentum we have created around the Trefoil over the last couple of months. As we have told you several times, our focus has been and will continue to be on creating constant newness in our existing key footwear franchises – Superstar, Stan Smith, ZX Flux, Tubular and NMD – and on carefully managing their life-cycles. So you can definitely expect new and exciting trend and colour updates within all of our five footwear franchises in Q2, including the Stan Smith Roland Garros Pack, the ZX Flux Racer ASYM Primeknit and Tubular Nova Emerald. At the same time, we will further broaden the overall horizon of franchises – just like our Originals team has done in a fantastic way with NMD. And all of this will of course be supported by exciting product launches resulting from key collaborations with Kanye West, Nigo, Palace and White Mountaineering.

In addition, our Future campaign, which was launched earlier this year, will see new chapters coming up in Q2, thereby continuing the dialogue with influential streetwear hounds.

Last but certainly not least, we will create additional hype with adidas Originals' first full-length skateboarding film called 'Away Days'. Filmed over the course of three years and featuring some of the biggest talents in skateboarding, the film is the first of its kind and will enjoy a world premiere tour through our key cities starting on May 29.

All in all, ladies and gentlemen, there is no doubt: adidas Originals is as hot as never before and we are well positioned and prepared to elevate our lifestyle business to new heights in 2016.

This is also true for adidas neo, where the second quarter has started with a real blockbuster launch, when neo introduced its newest footwear technology – Cloudfoam – a lifestyle footwear comfort concept. This innovative development features soft, lightweight cushioning, thereby providing ultimate support and immediate comfort for the consumer.

The launch of Cloudfoam was supported by a big social media-led campaign. Fronted by YouTube sensations Amanda Steele and Marcus Butler, the campaign encourages consumers to 'step in' to the things they love the most, posting pictures of the things they are most passionate about on Instagram using #cloudfoam. First sell-out data from our own-retail stores is extremely promising and confirms our bullish view on neo's newest footwear concept.

To conclude, at Reebok, we will continue to drive the brand's fitness credo throughout 2016, underlining Reebok's positioning as THE global fitness brand. In this context, last week Reebok successfully launched its new and striking global fitness campaign called '25,915 Days', reminding people that they have, on average, 25,915 days in life to push their limits, overcome every obstacle, and to honour the body they have been given. The campaign is a continuation of Reebok's award-winning 'Be More Human' marketing platform and is unconditionally targeted at the FitGen consumer.

2016 will also see an ongoing strong focus on local grassroots events and activations, such as the Reebok CrossFit Games in the U.S., taking place throughout May and July. Around the event, Reebok will officially launch an updated version of the well-proven CrossFit Nano training shoe, which makes us confident that Reebok's important training business will experience ongoing robust demand in 2016.

And in Classics, the strong momentum from the first quarter is set to continue. At the beginning of Q2, Reebok unveiled Question Mid 'Misunderstood', the latest footwear release in the 20th Anniversary of the Reebok Question Mid celebration, honouring the great Allen Iverson. The 'Misunderstood' takes inspiration from newspaper headlines and other notable quotes about Allen, both positive and negative, in a black and white colourway. Available at 130 US dollars at selected retailers, the shoe will for sure create additional hype around Reebok's strong lifestyle business.

So, as you can see, ladies and gentlemen, Q2 will be another great quarter for the adidas Group. Fuelled by a number of exciting product launches, inspiring activation campaigns and global sports events, we have every confidence that the strong momentum the Group witnessed during the first quarter will continue over the next months.

In light of the strong brand momentum at both adidas and Reebok, and to give credit to our strong first quarter performance, we have increased our top- and bottom-line outlook for 2016. We now expect sales to increase at a rate of around 15%, driven by double-digit growth in all our markets except Russia/CIS, where we still expect revenues to be around the prior year level.

Following the improvements in our Group's gross margin in Q1, which is a direct reflection of the strength of our brands across regions and categories, we now expect 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 already on the gross margin level. As a result, we are now confident we will be able to limit the gross margin decline to a maximum of 50 basis points compared to the prior year level of 48.3%. This, together with leverage on our operating expenses, will lead to an operating margin improvement of up to 50 basis points to a level between 6.6% and 7.0%.

As a result of both an increased top-line outlook as well as improved expectations on operating margin, we now project net income from continuing operations to increase at a rate between 15% and 18% compared to the prior year level of 720 million euro.

Herbert Hainer
With this, ladies and gentlemen, Robin and I are now happy to take your questions.

Sebastian Steffen
Thanks very much Herbert and Robin.
So, ladies and gentlemen, that completes our conference call for today.
Our next reporting date will be August 4.

However, at this stage I would like to invite all of you to the next in the series of our IR Tutorial Workshops, which will take place on July 18 at our headquarters in Herzogenaurach. On that day, we will once again provide further insights into 'Creating the New'. This time we will look deeper into our three strategic initiatives: 'Speed', 'Cities' and 'Open Source' and we would be delighted if you could join us either on-site or via the webcast, which will be available on our Group website.

If you have any questions, be it on our releases today or on the Workshop, please 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.