adidas GROUP

# HOW WE CREATE VALUE


## ADIDAS GROUP NINE MONTHS REPORT

JANUARY — SEPTEMBER 2016

# ADIDAS GROUP NINE MONTHS REPORT 2016

## 01 NINE MONTHS RESULTS AT A GLANCE € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Third quarter 2016 | Third quarter 2015 | Change |
|---|---|---|---|---|---|---|
| **Group** [1] | | | | | | |
| Net sales | 14,604 | 12,748 | 14.6% | 5,413 | 4,758 | 13.8% |
| Gross profit | 7,091 | 6,202 | 14.3% | 2,574 | 2,304 | 11.7% |
| Gross margin | 48.6% | 48.6% | (0.1pp) | 47.6% | 48.4% | (0.9pp) |
| Operating profit [2] | 1,468 | 1,101 | 33.3% | 563 | 505 | 11.5% |
| Operating margin [2] | 10.0% | 8.6% | 1.4pp | 10.4% | 10.6% | (0.2pp) |
| **Western Europe** | | | | | | |
| Net sales | 4,185 | 3,508 | 19.3% | 1,557 | 1,404 | 10.9% |
| Gross profit | 1,861 | 1,671 | 11.4% | 676 | 667 | 1.3% |
| Gross margin | 44.5% | 47.6% | (3.1pp) | 43.4% | 47.5% | (4.1pp) |
| Segmental operating profit | 857 | 805 | 6.4% | 334 | 345 | (3.4%) |
| Segmental operating margin | 20.5% | 23.0% | (2.5pp) | 21.4% | 24.6% | (3.2pp) |
| **North America** | | | | | | |
| Net sales | 2,443 | 2,010 | 21.5% | 927 | 776 | 19.5% |
| Gross profit | 926 | 740 | 25.0% | 346 | 289 | 19.6% |
| Gross margin | 37.9% | 36.8% | 1.1pp | 37.3% | 37.3% | 0.1pp |
| Segmental operating profit | 165 | 63 | 163.9% | 71 | 55 | 31.1% |
| Segmental operating margin | 6.8% | 3.1% | 3.6pp | 7.7% | 7.0% | 0.7pp |
| **Greater China** | | | | | | |
| Net sales | 2,269 | 1,852 | 22.5% | 822 | 691 | 18.9% |
| Gross profit | 1,316 | 1,048 | 25.5% | 466 | 382 | 22.1% |
| Gross margin | 58.0% | 56.6% | 1.4pp | 56.8% | 55.3% | 1.5pp |
| Segmental operating profit | 837 | 649 | 28.8% | 284 | 225 | 26.1% |
| Segmental operating margin | 36.9% | 35.1% | 1.8pp | 34.6% | 32.6% | 2.0pp |
| **Russia/CIS** | | | | | | |
| Net sales | 505 | 562 | (10.2%) | 195 | 195 | (0.1%) |
| Gross profit | 291 | 311 | (6.5%) | 111 | 106 | 5.3% |
| Gross margin | 57.6% | 55.3% | 2.2pp | 57.0% | 54.1% | 2.9pp |
| Segmental operating profit | 78 | 55 | 41.8% | 33 | 22 | 47.8% |
| Segmental operating margin | 15.5% | 9.8% | 5.7pp | 16.7% | 11.3% | 5.4pp |
| **Latin America** | | | | | | |
| Net sales | 1,260 | 1,368 | (7.9%) | 487 | 489 | (0.4%) |
| Gross profit | 529 | 589 | (10.1%) | 195 | 215 | (9.2%) |
| Gross margin | 42.0% | 43.0% | (1.0pp) | 40.1% | 44.0% | (3.9pp) |
| Segmental operating profit | 167 | 188 | (11.4%) | 71 | 61 | 15.9% |
| Segmental operating margin | 13.2% | 13.7% | (0.5pp) | 14.6% | 12.6% | 2.0pp |
| **Japan** | | | | | | |
| Net sales | 736 | 518 | 42.0% | 264 | 186 | 42.4% |
| Gross profit | 364 | 249 | 46.2% | 128 | 90 | 42.2% |
| Gross margin | 49.4% | 48.0% | 1.4pp | 48.3% | 48.4% | (0.1pp) |
| Segmental operating profit | 157 | 90 | 74.6% | 56 | 37 | 54.2% |
| Segmental operating margin | 21.4% | 17.4% | 4.0pp | 21.3% | 19.7% | 1.6pp |
| **MEAA (Middle East, Africa and other Asian markets)** | | | | | | |
| Net sales | 2,067 | 1,845 | 12.0% | 794 | 674 | 17.8% |
| Gross profit | 1,035 | 950 | 8.8% | 396 | 345 | 14.8% |
| Gross margin | 50.1% | 51.5% | (1.5pp) | 49.9% | 51.2% | (1.3pp) |
| Segmental operating profit | 584 | 546 | 7.0% | 242 | 206 | 17.8% |
| Segmental operating margin | 28.3% | 29.6% | (1.3pp) | 30.5% | 30.5% | (0.0pp) |
| **Other Businesses** [1] | | | | | | |
| Net sales | 1,139 | 1,084 | 5.1% | 366 | 342 | 6.9% |
| Gross profit | 433 | 372 | 16.6% | 138 | 118 | 17.6% |
| Gross margin | 38.0% | 34.3% | 3.8pp | 37.8% | 34.4% | 3.4pp |
| Segmental operating profit | (12) | (68) | 82.9% | 8 | (23) | 135.2% |
| Segmental operating margin | (1.0%) | (6.3%) | 5.2pp | 2.2% | (6.7%) | 8.9pp |
| **Sales by Brand** | | | | | | |
| adidas | 12,381 | 10,540 | 17.5% | 4,640 | 4,007 | 15.8% |
| Reebok | 1,308 | 1,295 | 1.0% | 493 | 476 | 3.6% |
| TaylorMade-adidas Golf | 693 | 678 | 2.2% | 170 | 159 | 7.0% |
| CCM Hockey | 205 | 232 | (11.7%) | 103 | 112 | (8.5%) |

Rounding differences may arise.
**1** Figures reflect continuing operations as a result of the divestiture of the Rockport business.
**2** 2015 excluding goodwill impairment of € 18 million in the first quarter.

## 02 FINANCIAL HIGHLIGHTS 2016 (IFRS)

| | Nine months 2016 | Nine months 2015 | Change | Third quarter 2016 | Third quarter 2015 | Change |
|---|---|---|---|---|---|---|
| **Operating Highlights** (€ in millions) | | | | | | |
| Net sales [1] | 14,604 | 12,748 | 14.6% | 5,413 | 4,758 | 13.8% |
| EBITDA [1] | 1,754 | 1,360 | 29.0% | 655 | 589 | 11.1% |
| Operating profit [1, 3] | 1,468 | 1,101 | 33.3% | 563 | 505 | 11.5% |
| Net income from continuing operations [3] | 1,028 | 737 | 39.3% | 387 | 337 | 14.7% |
| Net income attributable to shareholders [2, 3] | 1,027 | 696 | 47.6% | 386 | 311 | 24.2% |
| **Key Ratios** (%) | | | | | | |
| Gross margin [1] | 48.6% | 48.6% | (0.1pp) | 47.6% | 48.4% | (0.9pp) |
| Operating expenses in % of net sales [1] | 40.5% | 41.3% | (0.8pp) | 38.0% | 38.8% | (0.8pp) |
| Operating margin [1, 3] | 10.0% | 8.6% | 1.4pp | 10.4% | 10.6% | (0.2pp) |
| Effective tax rate [1, 3] | 29.2% | 31.9% | (2.6pp) | 29.1% | 31.9% | (2.8pp) |
| Net income attributable to shareholders in % of net sales [2, 3] | 7.0% | 5.5% | 1.6pp | 7.1% | 6.5% | 0.6pp |
| Average operating working capital in % of net sales [1, 4] | 20.3% | 20.7% | (0.4pp) | | | |
| Equity ratio | 43.0% | 44.0% | (1.0pp) | | | |
| Net borrowings/EBITDA [1, 5] | 0.4 | 0.6 | | | | |
| Financial leverage | 12.6% | 15.8% | (3.2pp) | | | |
| Return on equity [2] | 16.8% | 11.9% | 4.9pp | | | |
| **Balance Sheet and Cash Flow Data** (€ in millions) | | | | | | |
| Total assets | 14,255 | 12,989 | 9.7% | | | |
| Inventories | 3,203 | 2,698 | 18.7% | | | |
| Receivables and other current assets | 3,844 | 3,541 | 8.6% | | | |
| Working capital | 2,048 | 2,393 | (14.4%) | | | |
| Net borrowings | 769 | 903 | (14.8%) | | | |
| Shareholders' equity | 6,126 | 5,716 | 7.2% | | | |
| Capital expenditure | 361 | 311 | 16.1% | 160 | 174 | (8.0%) |
| Net cash generated from operating activities [2] | 376 | 314 | 20.0% | | | |
| **Per Share of Common Stock** (€) | | | | | | |
| Basic earnings [2, 3] | 5.13 | 3.45 | 48.9% | 1.93 | 1.55 | 24.2% |
| Diluted earnings [2, 3] | 5.01 | 3.45 | 45.5% | 1.88 | 1.55 | 21.3% |
| Net cash generated from operating activities [2] | 1.88 | 1.50 | 21.1% | | | |
| Dividend | 1.60 | 1.50 | 6.7% | | | |
| Share price at end of period | 154.50 | 72.01 | 114.6% | | | |
| **Other** (at end of period) | | | | | | |
| Number of employees [1] | 57,619 | 53,823 | 7.1% | | | |
| Number of shares outstanding | 200,307,750 | 200,197,417 | 0.1% | | | |
| Average number of shares | 200,207,215 | 201,987,657 | (0.9%) | 200,226,599 | 200,197,417 | 0.0% |

**1** Figures reflect continuing operations as a result of the divestiture of the Rockport business.
**2** Includes continuing and discontinued operations.
**3** 2015 excluding goodwill impairment of € 18 million in the first quarter.
**4** Twelve-month trailing average.
**5** EBITDA of last twelve months.

# OPERATIONAL AND SPORTING HIGHLIGHTS Q3 2016

## JULY

**08.07.**
Reebok launches its new CrossFit training shoe Nano 6.0. It offers athletes strength and comfort to overcome every obstacle in the box and beyond.

**27.07.**
Reebok and Vogue fitness launch the first women's-only CrossFit facility in Abu Dhabi.

## AUGUST

**01.08.**
Kasper Rorsted joins the adidas Group as member of the Executive Board. Following a two-month induction period with Herbert Hainer, Kasper Rorsted will become CEO on October 1, 2016.

**08.08.**
adidas presents the Creator Studio, a digital platform giving football fans the chance to design the third jersey for some of the world's biggest football clubs such as FC Bayern or Manchester United. The kits with the most likes will be entered into a top 100 gallery per club.

**10.08.**
adidas announces the opening of SPEEDFACTORY in the Atlanta area in late 2017. This state-of-the-art facility will focus on running footwear and targets production of 50,000 pairs in 2017. In the mid term, adidas aims to produce one million pairs of shoes for running and other categories in its SPEEDFACTORY facilities.

**17.08.**
adidas Originals opens the doors to its new flagship store on Spring Street in New York City. The store celebrates the New York street culture and will serve as a hub for sneakerheads and streetwear enthusiasts.

**26.08.**
CCM launches the 'CCM Skills App'. The app allows users to train virtually alongside NHL Player Lance Pitlick, in a series of fun and challenging drills intended to help improve players' technique on the ice.

**31.08.**
adidas announces the launch of its adidas Athletics range, that is designed to deliver a fresh take on traditional pre- and post-match outwear. The first highlight product of this range is the adidas Z.N.E. Hoodie.

## SEPTEMBER

**01.09.**
adidas AG is announced as the newest member of the EURO STOXX 50 Index, Europe's leading blue-chip index. For adidas, this is a big milestone as the EURO STOXX 50 is a representation of the so-called 'supersector leaders' in the Eurozone.

**01.09.**
adidas and the United States Tennis Association announce a new partnership to support American tennis on multiple levels by impacting the future of American tennis through a number of initiatives and programmes.

**07.09.**
adidas launches the next chapter of Sport 16 with the campaign video 'Sport Needs Creators'. The video debuted on air with the start of the NFL season and is a call to athletes everywhere who think and act beyond the norm of sport.

**08.09.**
adidas is confirmed as a member in the Dow Jones Sustainability Indices (DJSI) World and Europe, the most recognised global sustainability benchmark. As one of few companies worldwide, the adidas Group has remained in this index for 17 consecutive years.

**10.09.**
adidas Originals and Alexander Wang confirm their partnership during New York Fashion Week. The Alexander Wang x adidas Originals collection consists of 84 pieces that celebrate the athleisure style in an unprecedented way.

**19.09.**
adidas and the Irish Football Association announce a four-year contract extension. adidas will continue to supply kit and training gear to Northern Ireland teams until at least 2020.

**20.09.**
At the adidas Runbase in Berlin, adidas launches the Futurecraft M.F.G. (Made for Germany), the first shoe created at the industry-changing adidas SPEEDFACTORY that is now available to consumers in limited quantities.

**28.09.**
adidas Originals x Pharrell Williams presents adidas Originals Hu, a collection of apparel and shoes that celebrates cultural diversity around the globe.

**30.09.**
After more than 15 years as adidas Group CEO, Herbert Hainer retires from office and hands over to his successor, Kasper Rorsted.

# OUR SHARE

## ADIDAS AG SHARE OUTPERFORMS POSITIVE EQUITY MARKET DEVELOPMENT AND REACHES NEW ALL-TIME HIGH DURING THE THIRD QUARTER

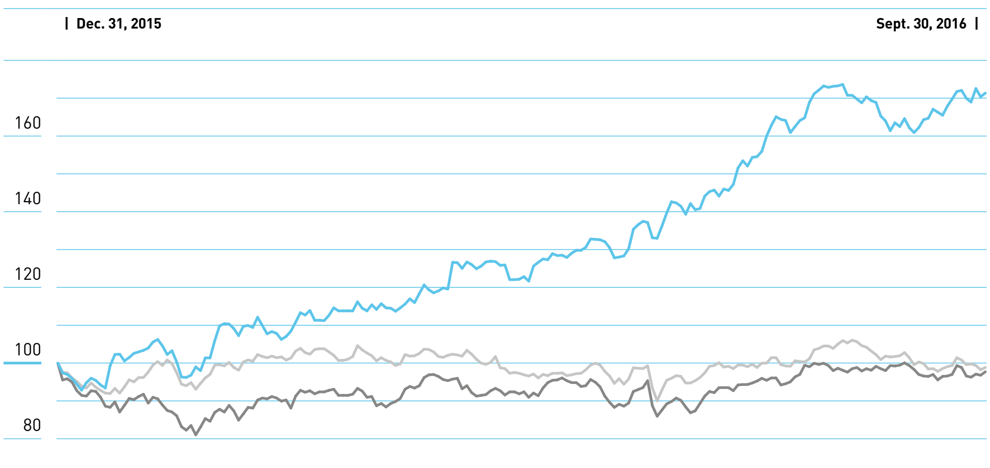
In the third quarter of 2016, equity markets recovered from the negative development in the previous quarters. Receding fears of a negative impact from the EU referendum in the UK as well as robust US labour market reports and improving economic data in China supported the turnaround. The DAX-30 increased 9% accordingly compared to the end of June 2016. Within this favourable environment, the adidas AG share continued its robust momentum and again outperformed international equity markets during the third quarter. The positive share price trend was supported by the company's third IR Tutorial Workshop held in mid-July as well as the release of strong second quarter results at the beginning of August, which had triggered another increase in the Group's full year guidance. All of this also helped to build further trust in the company's strategic business plan 'Creating the New' and the Group's ability to sustainably drive revenues and significantly increase margins. Consequently, the adidas AG share accelerated to a new all-time high of € 156.55 on August 19. With an increase of 20% compared to the end of June 2016, the adidas AG share strongly outperformed global equity markets and closed the third quarter at € 154.50.

03 **HISTORICAL PERFORMANCE OF THE ADIDAS AG SHARE AND IMPORTANT INDICES AT SEPTEMBER 30, 2016** IN %

| | YTD | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|
| adidas AG | 72 | 115 | 93 | 238 | 316 |
| DAX-30 | (2) | 9 | 22 | 91 | 75 |
| MSCI World Textiles, Apparel & Luxury Goods | (1) | (5) | (5) | 56 | 115 |

Source: Bloomberg.

04 **SHARE PRICE DEVELOPMENT IN 2016** [1]




1 Index: December 31, 2015 = 100.

# GROUP BUSINESS PERFORMANCE

## ECONOMIC AND SECTOR DEVELOPMENT

### GLOBAL ECONOMY WITH SLOW GROWTH IN THE THIRD QUARTER OF 2016[1]

In the third quarter of 2016, the global economy continued to grow, albeit at a slow rate. The weaker-than-expected global recovery reflects lacklustre investment spending, high indebtedness and weak global trade as well as volatile financial markets. These developments, in combination with heightened geopolitical tensions and political discord such as the unexpected UK vote in favour of leaving the European Union (Brexit), remained major sources of uncertainty and continued to weigh on economic activity. The performance in developing economies showed signs of improvement, mainly reflecting the stabilisation in the Chinese economy following policy support for growth, as well as the modest recovery in commodity prices. Developed economies grew at a softer pace, as several markets continued to face significant challenges, such as elevated debt levels, lacklustre investment activity and sluggish export growth. Nevertheless, stronger domestic demand and consumer spending as well as improving labour market conditions supported the overall economic activity. In addition, low inflationary pressure and accommodative monetary policies in the Eurozone contributed to this development.

1 Sources: IMF World Economic Outlook and HSBC Global Research.

### POSITIVE MOMENTUM IN THE GLOBAL SPORTING GOODS INDUSTRY CONTINUES

In the third quarter of 2016, the global sporting goods industry grew at robust rates, supported by rising consumer spending in both developing and developed markets, the ongoing global athleisure trend as well as higher sports participation around the world. The e-commerce channel continued to see rapid expansion, as retailers leveraged a wide variety of commercial opportunities across mobile technologies and social media. From a category perspective, athletic footwear sales remained strong during the third quarter of 2016. In particular, the casual athletic category continued to enjoy strong momentum throughout the quarter. In addition, running footwear recorded further improvements, driven by both fashion and performance silhouettes. Basketball footwear grew at a slower rate, with growth supported by both performance and lifestyle products. On the athletic apparel side, sales experienced a modest recovery during the quarter, benefiting from stronger demand in both sportswear and activewear apparel.

05 **QUARTERLY CONSUMER CONFIDENCE DEVELOPMENT[1]** BY REGION

| | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 |
|---|---|---|---|---|---|
| USA[2] | 102.6 | 96.3 | 96.1 | 97.4 | 104.1 |
| Euro area[3] | (7.0) | (5.7) | (9.7) | (7.2) | (8.2) |
| Japan[4] | 40.4 | 41.3 | 41.3 | 42.1 | 42.6 |
| China[5] | 105.6 | 103.7 | 100.0 | 102.9 | 105.6 |
| Russia[6] | (24.0) | (26.0) | (30.0) | (26.0) | (19.0) |
| Brazil[7] | 96.3 | 96.3 | 97.6 | 101.0 | 103.1 |

1 Quarter-end figures.
2 Source: Conference Board.
3 Source: European Commission.
4 Source: Economic and Social Research Institute, Government of Japan.
5 Source: China National Bureau of Statistics.
6 Source: Russia Federal Service of State Statistics.
7 Source: Brazil National Confederation of Industry.

06 **EXCHANGE RATE DEVELOPMENT[1]** € 1 EQUALS

| | Average rate 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | Average rate 2016[2] |
|---|---|---|---|---|---|---|
| USD | 1.1101 | 1.0887 | 1.1385 | 1.1102 | 1.1161 | 1.1162 |
| GBP | 0.7259 | 0.7340 | 0.7916 | 0.8265 | 0.8610 | 0.8020 |
| JPY | 134.42 | 131.07 | 127.90 | 114.05 | 113.09 | 121.25 |
| RUB | 67.682 | 79.347 | 76.971 | 71.339 | 70.491 | 76.374 |
| CNY | 6.9721 | 7.0696 | 7.3561 | 7.3620 | 7.4531 | 7.3439 |

1 Spot rates at quarter-end.
2 Average rate for the first nine months of 2016.

# INCOME STATEMENT

## FIRST NINE MONTHS 2016 KEY TAKEAWAYS

In the first nine months of 2016, the adidas Group delivered a stellar financial performance. Group revenues increased 20% on a currency-neutral basis, driven by strong double-digit growth at adidas and high-single-digit sales increases at Reebok. All market segments posted currency-neutral sales increases, with double-digit growth across all regions except Russia/CIS, where revenues grew at a mid-single-digit rate. At 48.6%, the Group's gross margin was slightly below the prior year level, as the severe headwinds from negative currency effects more than offset the strong positive effects from a more favourable pricing, product and channel mix. Capitalising on the strong top-line development, the Group was able to generate significant operating leverage, with other operating expenses as a percentage of sales down 0.8 percentage points to 40.5%. This development, in combination with an extraordinary gain related to the early termination of the Chelsea F.C. contract, resulted in a strong increase in the Group's operating margin. At 10.0%, the operating margin was up 1.4 percentage points versus the prior year level excluding last year's goodwill impairment losses. As a result, net income from continuing operations, excluding goodwill impairment losses in the prior year, increased 39% to € 1.028 billion. At € 5.01, diluted EPS from continuing and discontinued operations grew 46%, excluding goodwill impairment losses in the prior year.

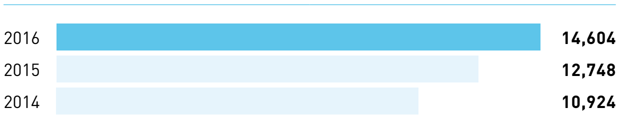
## ADIDAS GROUP WITH STRONG FINANCIAL PERFORMANCE IN THE FIRST NINE MONTHS OF 2016

In the first nine months of 2016, Group revenues increased 20% on a currency-neutral basis. In euro terms, Group revenues grew 15% to € 14.604 billion. From a brand perspective, currency-neutral adidas revenues grew 23%, driven by double-digit sales increases in the training, running and football categories as well as at adidas Originals and adidas neo. In addition, high-single-digit sales increases in the outdoor category also contributed to this development. Currency-neutral Reebok sales were up 7% versus the prior year, reflecting double-digit sales increases in Classics as well as mid-single-digit growth in the training and running categories. Revenues at TaylorMade-adidas Golf were up 3% on a currency-neutral basis, due to double-digit sales increases at TaylorMade as well as improvements at adidas Golf. From a market segment perspective, on a currency-neutral basis, the combined sales of the adidas and Reebok brands grew in all segments, with double-digit growth rates in Western Europe, North America, Greater China, Latin America, Japan and MEAA.

see Diagram 07

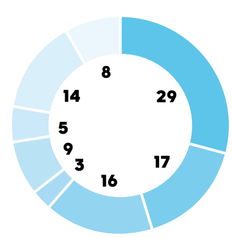
see Table 09

07 **NINE MONTHS NET SALES** [1]
€ IN MILLIONS




1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

08 **NINE MONTHS NET SALES BY SEGMENTS**
IN % OF NET SALES




**29%** Western Europe
**17%** North America
**16%** Greater China
**3%** Russia/CIS
**9%** Latin America
**5%** Japan
**14%** MEAA
**8%** Other Businesses [1]

Rounding differences may arise.
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

09 **NET SALES BY SEGMENT** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Western Europe | 4,185 | 3,508 | 19% | 22% |
| North America | 2,443 | 2,010 | 22% | 22% |
| Greater China | 2,269 | 1,852 | 22% | 28% |
| Russia/CIS | 505 | 562 | (10%) | 6% |
| Latin America | 1,260 | 1,368 | (8%) | 14% |
| Japan | 736 | 518 | 42% | 28% |
| MEAA | 2,067 | 1,845 | 12% | 17% |
| Other Businesses [1] | 1,139 | 1,084 | 5% | 6% |
| **Total** | **14,604** | **12,748** | **15%** | **20%** |

Rounding differences may arise.
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

Retail revenues were up 22% on a currency-neutral basis, mainly as a result of strong double-digit sales growth at adidas. Reebok revenues increased at a mid-single-digit rate. In euro terms, retail sales grew 16% to € 3.541 billion. From a store format perspective, sales from concept stores and factory outlets both grew at double-digit rates. As a result of the reclassification of a number of concession corners to the wholesale channel during the second half of 2015, revenues from concession corners were slightly below the prior year level. The Group ended the first nine months with a total of 2,751 adidas and Reebok stores. Currency-neutral comparable store sales increased 13% versus the prior year, with double-digit sales growth in all market segments except Russia/CIS, where comparable store sales increased at a high-single-digit rate. eCommerce revenues grew 51% on a currency-neutral basis.

see Table 11

The adidas Group's gross margin decreased 0.1 percentage points to 48.6%. This development was due to severe headwinds from negative currency effects, which more than offset the significant positive effects from a more favourable pricing, product and channel mix recorded during the first nine months of 2016.

see Diagram 13

Royalty and commission income for the adidas Group was down 5% to € 85 million. On a currency-neutral basis, royalty and commission income decreased 5%. Other operating income rose 177% to € 207 million. This development mainly reflects two extraordinary gains during the second quarter, which were related to the early termination of the Chelsea F.C. contract as well as the divestiture of the Mitchell & Ness business.

### 10 NET SALES BY PRODUCT CATEGORY [1] € IN MILLIONS

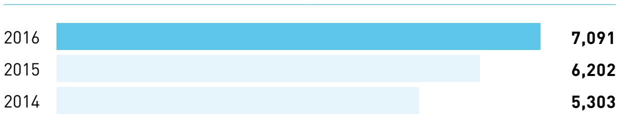
| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Footwear | 7,719 | 6,405 | 21% | 27% |
| Apparel | 5,568 | 5,111 | 9% | 13% |
| Hardware | 1,316 | 1,232 | 7% | 10% |
| **Total** | **14,604** | **12,748** | **15%** | **20%** |

Rounding differences may arise.
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

### 11 RETAIL NUMBER OF STORES DEVELOPMENT

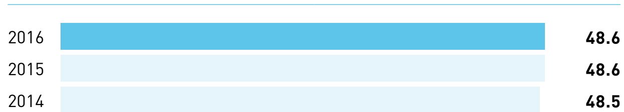
| | Total | Concept Stores | Factory Outlets | Concession Corners |
|---|---|---|---|---|
| **December 31, 2015** | **2,722** | **1,698** | **872** | **152** |
| Opened | 209 | 150 | 51 | 8 |
| Closed | 180 | 120 | 47 | 13 |
| Opened (net) | 29 | 30 | 4 | (5) |
| **September 30, 2016** | **2,751** | **1,728** | **876** | **147** |

### 12 NINE MONTHS GROSS PROFIT [1] € IN MILLIONS



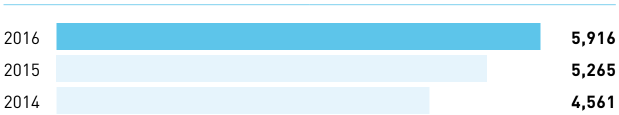

1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

### 13 NINE MONTHS GROSS MARGIN [1] IN %



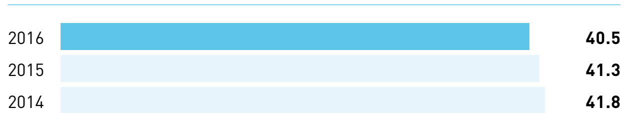

1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

### 14 NINE MONTHS OTHER OPERATING EXPENSES [1] € IN MILLIONS




1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

### 15 NINE MONTHS OTHER OPERATING EXPENSES [1] IN % OF NET SALES




1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

Other operating expenses were up 12% to € 5.916 billion, as a result of an increase in expenditure for point-of-sale and marketing investments as well as higher operating overhead expenditure. As a percentage of sales, other operating expenses decreased 0.8 percentage points to 40.5%. Expenditure for point-of-sale and marketing investments amounted to € 1.829 billion, which represents an increase of 7% versus the prior year level. As a percentage of sales, the Group's expenditure for point-of-sale and marketing investments declined 0.9 percentage points to 12.5%, reflecting the Group's strong top-line improvement. Operating overhead expenses grew 15% to € 4.088 billion and, as a percentage of sales, increased 0.1 percentage points to 28.0%. This development was primarily a result of an increase in costs related to central administration and sales expenditure, which also includes further investments to spur the company's 'Creating the New' strategic business plan.

see Diagram 14
see Diagram 15

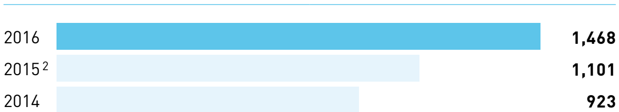
No goodwill impairment losses occurred during the first nine months of 2016. In the prior year period, the adidas Group recorded goodwill impairment losses in an amount of € 18 million, comprising impairment losses of € 15 million within the segment Latin America and € 3 million within the segment Russia/CIS.

Excluding the goodwill impairment losses in the prior year, operating profit grew 33% to € 1.468 billion, representing an operating margin of 10.0%, up 1.4 percentage points versus the prior year. This development was due to the strong top-line improvements, the positive effects from lower operating expenses as a percentage of sales as well as the extraordinary gain related to the early termination of the Chelsea F.C. contract. Financial income increased 10% to € 35 million, mainly as a result of an increase in interest income. Financial expenses remained stable at € 51 million. As a result, the Group recorded net financial expenses of € 16 million. At 29.2%, the Group's tax rate was 2.6 percentage points below the prior year level. The Group's net income from continuing operations was up 39% to € 1.028 billion. The Group's net income attributable to shareholders, which in addition to net income from continuing operations includes the result from discontinued operations, grew 48% to € 1.027 billion. The Group's total number of shares outstanding increased by 110,333 shares in the first nine months of 2016 to 200,307,750 as a result of share conversions in relation to the Group's outstanding convertible bond. Consequently, the average number of shares used in the calculation of basic earnings per share was 200,207,215. Basic EPS from continuing and discontinued operations increased 49% to € 5.13. Diluted EPS from continuing and discontinued operations grew 46% to € 5.01.

see Diagram 16
see Diagram 17
see Diagram 18
see Diagram 19

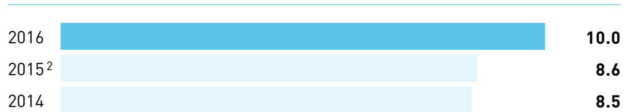
Including the goodwill impairment losses in the prior year, operating profit grew 36% in the first nine months of 2016 to € 1.468 billion, representing an operating margin increase of 1.6 percentage points versus the prior year to 10.0% in 2016. The Group's tax rate decreased 3.2 percentage points to 29.2%. The Group's net income from continuing operations was up 43% to € 1.028 billion and net income attributable to shareholders grew 52% to € 1.027 billion. Basic EPS from continuing and discontinued operations increased 53% to € 5.13 and diluted EPS from continuing and discontinued operations was up 49% to € 5.01.

16 **NINE MONTHS OPERATING PROFIT** [1] € IN MILLIONS



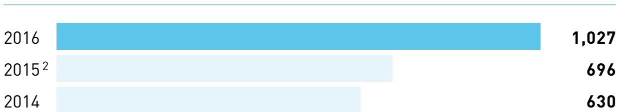

**1** Figures reflect continuing operations as a result of the divestiture of the Rockport business.
**2** Excluding goodwill impairment of € 18 million.

17 **NINE MONTHS OPERATING MARGIN** [1] IN %



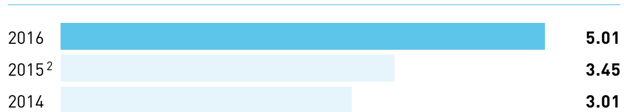

**1** Figures reflect continuing operations as a result of the divestiture of the Rockport business.
**2** Excluding goodwill impairment of € 18 million.

18 **NINE MONTHS NET INCOME ATTRIBUTABLE TO SHAREHOLDERS** [1] € IN MILLIONS




**1** Includes continuing and discontinued operations.
**2** Excluding goodwill impairment of € 18 million.

19 **NINE MONTHS DILUTED EARNINGS PER SHARE** [1] IN €




**1** Includes continuing and discontinued operations.
**2** Excluding goodwill impairment of € 18 million.

# STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

## ASSETS

At the end of September 2016, total assets were up 10% to € 14.255 billion compared to the prior year, as a result of an increase in both current assets as well as non-current assets.

Total current assets increased 14% to € 8.317 billion at the end of September 2016. Cash and cash equivalents were up 19% to € 1.264 billion, as net cash generated from operating activities was only partly offset by net cash used in investing and financing activities. Currency effects had a negative impact on cash and cash equivalents in an amount of € 157 million. Group inventories increased 19% to € 3.203 billion. On a currency-neutral basis, inventories grew 18%, reflecting higher stock levels to support the Group's top-line momentum. The Group's accounts receivable increased 9% to € 2.715 billion. On a currency-neutral basis, receivables were up 9%, reflecting the Group's top-line development during the third quarter. Other current financial assets increased 13% to € 481 million, reflecting an increase in other financial assets which was mainly related to the early termination of the Chelsea F.C. contract, partly offset by a decrease in the fair value of financial instruments. Other current assets were up 3% to € 547 million, driven by an increase in tax receivables other than income taxes as well as an increase in prepaid promotion contracts.

Total non-current assets grew 5% to € 5.938 billion at the end of September 2016. Fixed assets increased 4% to € 5.040 billion. Additions of € 603 million were primarily related to own-retail activities, investments into the Group's logistics and IT infrastructure as well as the further development of the Group's headquarters in Herzogenaurach. Currency translation effects of € 12 million also contributed to the increase in fixed assets. Additions and positive currency translation effects were partly offset by depreciation and amortisation of € 391 million, disposals of € 24 million, goodwill impairment of € 16 million and transfers to assets held for sale of € 6 million. Other non-current financial assets decreased 14% to € 88 million. This development was due to a decrease in fixed and contingent promissory notes related to the divestiture of the Rockport business, partly offset by an increase in the fair value of financial instruments and security deposits.

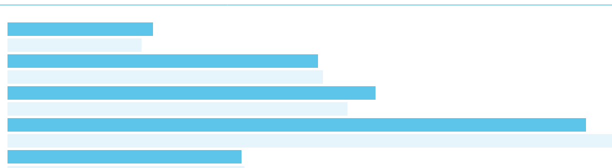
see Diagram 20

## LIABILITIES AND EQUITY

Total current liabilities increased 27% to € 6.269 billion at the end of September 2016. Short-term borrowings more than doubled to € 1.057 billion, reflecting the reclassification of the Group's convertible bond outstanding to short-term borrowings as well as an increase in bank loans, partly offset by a decrease in private placements. Accounts payable were up 14% to € 1.689 billion. On a currency-neutral basis, accounts payable grew 15%, as a result of the higher inventories compared to the prior year. Other current financial liabilities were up 52% to € 199 million, mainly due to an increase in the fair value of financial instruments. Other current provisions increased 13%, driven by an increase in operational provisions. Current accrued liabilities grew 19% to € 1.942 billion, mainly as a result of an increase in accruals for customer discounts, marketing expenditure and invoices not yet received, partly offset by positive currency translation effects of € 26 million. Other current liabilities were up 11% to € 386 million, mainly due to an increase in miscellaneous taxes payable.

20 **STRUCTURE OF STATEMENT OF FINANCIAL POSITION [1]** IN % OF TOTAL ASSETS

| | September 30, 2016 | September 30, 2015 |
|---|---|---|
| **Assets** (€ in millions) | **14,255** | 12,989 |
| Cash and cash equivalents | **8.9%** | 8.2% |
| Accounts receivable | **19.0%** | 19.3% |
| Inventories | **22.5%** | 20.8% |
| Fixed assets | **35.4%** | 37.3% |
| Other assets | **14.3%** | 14.5% |



September 30, 2016 September 30, 2015

Rounding differences may arise.
**1** For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 20.

Total non-current liabilities decreased 20% to € 1.877 billion at the end of September 2016. Long-term borrowings were down 33% to € 982 million compared to the prior year, reflecting the reclassification of the Group's convertible bond outstanding to short-term borrowings. Other non-current financial liabilities more than doubled to € 30 million, mainly due to the earn-out components for Runtastic.

Shareholders' equity increased 7% to € 6.126 billion at the end of September 2016. The net income generated during the last twelve months was partly offset by the dividend of € 320 million paid to shareholders for the 2015 financial year, a decrease in hedging reserves of € 122 million as well as negative currency translation effects of € 97 million. The Group's equity ratio decreased to 43.0%. see Diagram 21

## OPERATING WORKING CAPITAL

Operating working capital increased 14% to € 4.228 billion at the end of September 2016. Average operating working capital as a percentage of sales from continuing operations decreased 0.4 percentage points to 20.3%, reflecting the strong top-line development during the last twelve months as well as the company's continued focus on tight working capital management. see Diagram 22

## LIQUIDITY ANALYSIS

In the first nine months of 2016, net cash generated from operating activities increased to € 376 million, driven by an increase in income before taxes, which was partly offset by higher operating working capital requirements as well as an increase in income taxes paid. Net cash used in investing activities decreased to € 332 million. The majority of investing activities in the first nine months of 2016 related to spending for property, plant and equipment, such as investments in the furnishing and fitting of our own-retail stores and investments in IT systems. Net cash used in financing activities totalled € 116 million and was mainly related to the dividend paid to our shareholders, partly offset by net proceeds from short-term borrowings. Exchange rate effects negatively impacted the Group's cash position by € 29 million. As a result of all these developments, cash and cash equivalents decreased by € 101 million to € 1.264 billion.

Net borrowings at September 30, 2016 amounted to € 769 million, representing a decrease of € 134 million compared to the prior year. This development is mainly a result of an increase in cash generated from operating activities, partly offset by the utilisation of cash for the purchase of fixed assets and the dividend payment. The Group's ratio of net borrowings over EBITDA amounted to 0.4, which is within the Group's mid-term target corridor of below two times. see Diagram 23

### 21 STRUCTURE OF STATEMENT OF FINANCIAL POSITION [1] IN % OF TOTAL LIABILITIES AND EQUITY

| | September 30, 2016 | September 30, 2015 |
|---|---|---|
| **Liabilities and equity** (€ in millions) | **14,255** | 12,989 |
| Short-term borrowings | **7.4%** | 3.9% |
| Accounts payable | **11.8%** | 11.4% |
| Long-term borrowings | **6.9%** | 11.2% |
| Other liabilities | **31.0%** | 29.5% |
| Total equity | **42.9%** | 43.9% |

September 30, 2016  September 30, 2015

Rounding differences may arise.
**1** For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 21.

### 22 AVERAGE OPERATING WORKING CAPITAL [1, 2, 3] IN % OF SALES

| | |
|---|---|
| 2016 | **20.3** |
| 2015 | **20.7** |
| 2014 | **22.4** |

**1** At September 30.
**2** Figures reflect continuing operations as a result of the divestiture of the Rockport business.
**3** Twelve-month trailing average.

### 23 NET BORROWINGS [1] € IN MILLIONS

| | |
|---|---|
| 2016 | **769** |
| 2015 | **903** |
| 2014 | **543** |

**1** At September 30.

# BUSINESS PERFORMANCE BY SEGMENT

## WESTERN EUROPE

In the first nine months of 2016, sales in Western Europe increased 22% on a currency-neutral basis. In euro terms, sales in Western Europe grew 19% to € 4.185 billion. adidas revenues grew 22% on a currency-neutral basis, driven by double-digit sales growth in the football, running and outdoor categories as well as at adidas Originals and adidas neo. In addition, high-single-digit sales increases in the training category also contributed to this development. Reebok revenues in Western Europe increased 17% on a currency-neutral basis, mainly due to double-digit sales growth in the training category as well as in Classics. From a market perspective, the main contributors to the increase in the combined revenues of adidas and Reebok were the UK, Germany, Italy, France, Poland and Spain, where revenues grew at strong double-digit rates each.

see Table 24

24 **WESTERN EUROPE AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 4,185 | 3,508 | 19% | 22% |
| adidas | 3,865 | 3,230 | 20% | 22% |
| Reebok | 320 | 278 | 15% | 17% |
| Gross profit | 1,861 | 1,671 | 11% | – |
| Gross margin | 44.5% | 47.6% | (3.1pp) | – |
| Segmental operating profit | 857 | 805 | 6% | – |
| Segmental operating margin | 20.5% | 23.0% | (2.5pp) | – |

Rounding differences may arise.

Gross margin in Western Europe decreased 3.1 percentage points to 44.5%. The severe negative impact from unfavourable currency developments was only partly compensated by positive effects from a more favourable pricing and product mix as well as lower input costs. Operating expenses were up 16% to € 1.005 billion. This development mainly reflects an increase in expenditure for marketing investments as well as higher logistics costs. Operating expenses as a percentage of sales were down 0.7 percentage points to 24.0%. The operating margin declined 2.5 percentage points to 20.5%, as the positive effect of lower operating expenses as a percentage of sales was more than offset by the gross margin decrease.

see Table 24

## NORTH AMERICA

In the first nine months of 2016, sales in North America increased 22% on a currency-neutral basis. In euro terms, sales in North America grew 22% to € 2.443 billion. adidas revenues increased 29% on a currency-neutral basis, driven by double-digit sales growth in the running, training and US sports categories as well as at adidas Originals and adidas neo. Reebok revenues in North America decreased 5% on a currency-neutral basis as double-digit growth in the running category as well as mid-single-digit sales increases in Classics were more than offset by sales declines in the training category.

see Table 25

25 **NORTH AMERICA AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 2,443 | 2,010 | 22% | 22% |
| adidas | 2,082 | 1,629 | 28% | 29% |
| Reebok | 361 | 381 | (5%) | (5%) |
| Gross profit | 926 | 740 | 25% | – |
| Gross margin | 37.9% | 36.8% | 1.1pp | – |
| Segmental operating profit | 165 | 63 | 164% | – |
| Segmental operating margin | 6.8% | 3.1% | 3.6pp | – |

Rounding differences may arise.

Gross margin in North America increased 1.1 percentage points to 37.9% as negative currency effects were more than compensated by an improved product and pricing mix as well as lower input costs. Operating expenses were up 13% to € 803 million, reflecting higher sales expenditure which more than offset a decline in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales decreased 2.4 percentage points to 32.9%. As a result of the strong top-line development, the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales, the operating margin improved 3.6 percentage points to 6.8%.

see Table 25

## GREATER CHINA

In the first nine months of 2016, sales in Greater China grew 28% on a currency-neutral basis. In euro terms, sales in Greater China were up 22% to € 2.269 billion. adidas revenues grew 28% on a currency-neutral basis. This development was due to strong double-digit growth in the training, running and football categories as well as at adidas Originals and adidas neo. Reebok revenues in Greater China increased 25% on a currency-neutral basis, due to strong double-digit sales growth in the training and running categories as well as in Classics.

see Table 26

26 **GREATER CHINA AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 2,269 | 1,852 | 22% | 28% |
| adidas | 2,218 | 1,811 | 22% | 28% |
| Reebok | 51 | 42 | 22% | 25% |
| Gross profit | 1,316 | 1,048 | 25% | – |
| Gross margin | 58.0% | 56.6% | 1.4pp | – |
| Segmental operating profit | 837 | 649 | 29% | – |
| Segmental operating margin | 36.9% | 35.1% | 1.8pp | – |

Rounding differences may arise.

Gross margin in Greater China increased 1.4 percentage points to 58.0%, reflecting lower input costs as well as a more favourable pricing, channel and product mix, partly offset by negative currency effects. Operating expenses were up 20% to € 479 million. This development reflects a significant increase in sales expenditure as well as higher expenditure for point-of-sale investments. Operating expenses as a percentage of sales decreased 0.4 percentage points to 21.1%. As a result of the the strong revenue increase, the gross margin improvement as well as the positive effect of lower operating expenses as a percentage of sales, the operating margin improved 1.8 percentage points to 36.9%.

see Table 26

## RUSSIA/CIS

In the first nine months of 2016, sales in Russia/CIS increased 6% on a currency-neutral basis. In euro terms, sales in Russia/CIS decreased 10% to € 505 million. adidas revenues were up 4% on a currency-neutral basis, driven by double-digit sales increases in the running category as well as at adidas neo. In addition, high-single-digit growth in the football and outdoor categories also contributed to this development. Reebok revenues in Russia/CIS increased 13% on a currency-neutral basis, due to double-digit sales growth in the training and running categories as well as high-single-digit increases in Classics.

see Table 27

27 **RUSSIA/CIS AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 505 | 562 | (10%) | 6% |
| adidas | 386 | 437 | (12%) | 4% |
| Reebok | 119 | 124 | (5%) | 13% |
| Gross profit | 291 | 311 | (7%) | – |
| Gross margin | 57.6% | 55.3% | 2.2pp | – |
| Segmental operating profit | 78 | 55 | 42% | – |
| Segmental operating margin | 15.5% | 9.8% | 5.7pp | – |

Rounding differences may arise.

Gross margin in Russia/CIS increased 2.2 percentage points to 57.6%. This development was mainly due to a significantly better pricing mix which more than compensated severe negative currency effects. Operating expenses were down 17% to € 212 million. This development reflects lower expenditure for point-of-sale and marketing investments as well as a decline in sales expenditure. Operating expenses as a percentage of sales were down 3.4 percentage points to 42.1%. As a result of the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales, the operating margin improved 5.7 percentage points to 15.5%.

see Table 27

## LATIN AMERICA

Revenues in Latin America were up 14% on a currency-neutral basis. In euro terms, sales in Latin America were down 8% to € 1.260 billion. adidas revenues increased 17% on a currency-neutral basis. This development was driven by double-digit sales growth in the football, training, running and outdoor categories as well as at adidas Originals and adidas neo. Reebok revenues in Latin America decreased 3% on a currency-neutral basis, as double-digit growth in the training category as well as in Classics was more than offset by sales declines in the running category. From a market perspective, the combined revenues of adidas and Reebok grew in all major markets at double-digit rates with the exception of Brazil, where sales increased at a high-single-digit rate.

see Table 28

28 **LATIN AMERICA AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 1,260 | 1,368 | (8%) | 14% |
| adidas | 1,105 | 1,164 | (5%) | 17% |
| Reebok | 155 | 204 | (24%) | (3%) |
| Gross profit | 529 | 589 | (10%) | – |
| Gross margin | 42.0% | 43.0% | (1.0pp) | – |
| Segmental operating profit | 167 | 188 | (11%) | – |
| Segmental operating margin | 13.2% | 13.7% | (0.5pp) | – |

Rounding differences may arise.

Gross margin in Latin America decreased 1.0 percentage points to 42.0%, as the positive effects from a more favourable pricing, channel and product mix were more than offset by significant negative currency effects. Operating expenses were down 10% to € 363 million, reflecting lower expenditure for point-of-sale and marketing investments as well as a decline in sales expenditure. Operating expenses as a percentage of sales were down 0.5 percentage points to 28.8%. The operating margin declined 0.5 percentage points to 13.2%, as the positive effect of lower operating expenses as a percentage of sales was more than offset by the decline in gross margin.

see Table 28

## JAPAN

In the first nine months of 2016, sales in Japan increased 28% on a currency-neutral basis. In euro terms, revenues in Japan increased 42% to € 736 million. adidas revenues grew 26% on a currency-neutral basis, driven by double-digit sales growth in the training category as well as at adidas Originals and adidas neo. In addition, high-single-digit sales increases in the running and outdoor categories as well as mid-single-digit growth in the football category also contributed to this development. Reebok revenues in Japan were up 41% on a currency-neutral basis, supported by strong double-digit sales increases in the training and running categories as well as in Classics.

see Table 29

29 **JAPAN AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 736 | 518 | 42% | 28% |
| adidas | 660 | 470 | 40% | 26% |
| Reebok | 77 | 49 | 56% | 41% |
| Gross profit | 364 | 249 | 46% | – |
| Gross margin | 49.4% | 48.0% | 1.4pp | – |
| Segmental operating profit | 157 | 90 | 75% | – |
| Segmental operating margin | 21.4% | 17.4% | 4.0pp | – |

Rounding differences may arise.

Gross margin in Japan increased 1.4 percentage points to 49.4%, driven by a better pricing and product mix, which more than offset the significant impact from negative currency fluctuations. Operating expenses were up 29% to € 217 million, reflecting higher sales expenditure as well as an increase in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales decreased 2.9 percentage points to 29.5%. As a result of the strong top-line growth, the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales, the operating margin grew 4.0 percentage points to 21.4%.

see Table 29

## MEAA

In the first nine months of 2016, sales in MEAA were up 17% on a currency-neutral basis. In euro terms, sales in MEAA grew 12% to € 2.067 billion. adidas revenues increased 18% on a currency-neutral basis, due to double-digit sales growth in the training and running categories as well as at adidas Originals and adidas neo. In addition, mid-single-digit sales increases in the outdoor category also contributed to this development. Reebok revenues in MEAA were up 7% on a currency-neutral basis, driven by high-single-digit increases in the running and training categories. In addition, mid-single-digit sales growth in Classics also contributed to this development. From a market perspective, the increase in the combined revenues of adidas and Reebok was driven by double-digit growth in almost all of the region's markets.

see Table 30

30 **MEAA AT A GLANCE** € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 2,067 | 1,845 | 12% | 17% |
| adidas | 1,845 | 1,631 | 13% | 18% |
| Reebok | 222 | 214 | 4% | 7% |
| Gross profit | 1,035 | 950 | 9% | – |
| Gross margin | 50.1% | 51.5% | (1.5pp) | – |
| Segmental operating profit | 584 | 546 | 7% | – |
| Segmental operating margin | 28.3% | 29.6% | (1.3pp) | – |

Rounding differences may arise.

Gross margin in MEAA decreased 1.5 percentage points to 50.1%, as the positive effects from an improved pricing, product and channel mix as well as lower input costs were more than offset by significant negative currency effects. Operating expenses were up 11% to € 452 million, due to higher sales expenditure. As a percentage of sales, operating expenses declined 0.1 percentage points to 21.9%. The operating margin was down 1.3 percentage points to 28.3%, reflecting the gross margin decline.

see Table 30

## OTHER BUSINESSES

Revenues in Other Businesses grew 6% on a currency-neutral basis. In euro terms, revenues in Other Businesses grew 5% to € 1.139 billion. Revenues at TaylorMade-adidas Golf increased 3% on a currency-neutral basis, as growth at TaylorMade and adidas Golf was partly offset by sales declines at Ashworth and Adams Golf. Currency-neutral CCM Hockey sales were down 10%, as sales increases in key categories such as sticks and protective equipment were more than offset by declines in the licensed apparel business and the skates category. Other centrally managed businesses revenues increased 30% on a currency-neutral basis, mainly as a result of strong double-digit sales growth at Y-3.

see Table 31

31 **OTHER BUSINESSES AT A GLANCE** [1] € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Change (currency-neutral) |
|---|---|---|---|---|
| Net sales | 1,139 | 1,084 | 5% | 6% |
| TaylorMade-adidas Golf | 693 | 678 | 2% | 3% |
| CCM Hockey | 205 | 232 | (12%) | (10%) |
| Other centrally managed businesses | 224 | 171 | 31% | 30% |
| Gross profit | 433 | 372 | 17% | – |
| Gross margin | 38.0% | 34.3% | 3.8pp | – |
| Segmental operating profit | (12) | (68) | 83% | – |
| Segmental operating margin | (1.0%) | (6.3%) | 5.2pp | – |

Rounding differences may arise.
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

Gross margin was up 3.8 percentage points to 38.0%, driven by significantly higher product margins at TaylorMade-adidas Golf. Operating expenses grew 1% to € 452 million, as a result of higher sales expenditure. As a percentage of sales, operating expenses declined 1.5 percentage points to 39.6%. In the first nine months of 2016, Other Businesses recorded a negative operating margin of 1.0%, an improvement of 5.2 percentage points compared to the prior year.

see Table 31

# SUBSEQUENT EVENTS AND OUTLOOK

## SUBSEQUENT EVENTS

### KASPER RORSTED SUCCEEDS HERBERT HAINER AS CEO OF ADIDAS AG

Effective October 1, 2016, Kasper Rorsted was appointed as CEO of adidas AG, following his appointment as ordinary member of the Executive Board from August 1, 2016.

### NO OTHER SUBSEQUENT EVENTS

Since the end of the first nine months of 2016, there have been no other significant organisational, management, economic, socio-political, legal or financial changes which we expect to influence our business materially going forward.

## OUTLOOK [1]

### GLOBAL ECONOMY TO GROW MODERATELY IN 2016 [2, 3]

Global GDP is projected to increase moderately by 3.1% in 2016. This development is supported by continuous accommodative fiscal and monetary policies as well as low inflationary pressures. Nevertheless, subdued prospects for developed economies following the UK referendum vote, weaker-than-expected growth in the United States as well as ongoing geopolitical uncertainties in several countries and weak global trade is expected to weigh on the economic recovery. Developing economies are forecasted to remain a major contributor to the global economic expansion in 2016. At 4.2%, their growth rate, however, is projected to rise only modestly compared to the prior year. More specifically, developing economies are expected to benefit from the stabilisation of the Chinese economy and the mild recovery of commodity prices as well as from the lower interest rates in developed economies. However, downside risk is expected to persist throughout the year, resulting from reduced capital inflows and ongoing pressure on currencies as well as weak global trade. In developed economies, GDP is expected to grow 1.6% in 2016, supported by accommodative monetary policies, firm domestic demand and consumer spending as well as improvements in labour markets. Despite these improvements, political tensions as well as the economic uncertainties arising from the Brexit vote and the upcoming U.S. elections will continue to pose a threat to the economic outlook.

### SPORTING GOODS INDUSTRY EXPANSION TO CONTINUE IN 2016 [4]

In the absence of any major economic shocks, we expect the global sporting goods industry to grow firmly in 2016. Consumer spending on sporting goods in the developing economies is expected to grow faster than in the more developed markets. Strong wage growth and domestic consumption in many developing economies are predicted to propel the sporting goods industry throughout the year. In addition, rising sports participation in many markets, such as China, is projected to continue to boost sportswear demand. The sporting goods industry in developed economies is forecasted to improve moderately as wage increases will support private consumption and fuel the industry's growth. In addition, in 2016, the industry is benefiting from major sporting events, such as the 2016 Olympic Games hosted by Brazil, as well as the UEFA EURO 2016, held in France. Many sporting goods retailers will continue to move to a more omni-channel business model, with significant emphasis on mobile. E-commerce and investment in digital are anticipated to remain growth areas for the industry.

### ADIDAS GROUP CONFIRMS OUTLOOK FOR THE 2016 FINANCIAL YEAR

Against the background of the outstanding financial performance in the first nine months of 2016, management has confirmed the outlook for the full year, despite one-time costs in the second half of the year related to measures aimed at strengthening the Group's growth foundation.

We forecast adidas Group sales to increase at a rate in the high teens on a currency-neutral basis in 2016. Group sales development will be favourably impacted by rising consumer spending on sporting goods, supported by the ongoing robust athleisure trend as well as increased health awareness and sports participation in most geographical areas. In addition, this year's major sporting events are providing a positive stimulus to Group sales. From a market perspective, the top-line development will be supported

1 This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of the adidas Group. The outlook is based on estimates that we have made on the basis of all the information available to us at this point in time. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report of the adidas Group 2015 Annual Report (pp. 156–174), which are beyond the control of the adidas Group. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialise, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. The adidas Group does not assume any obligation to update any forward-looking statements made in this Management Report beyond statutory disclosure obligations.
2 IMF World Economic Outlook.
3 HSBC Global Research.
4 Deutsche Bank Market Research.

by double-digit growth in all regions except Russia/CIS, where sales are forecasted to grow at a mid-single-digit rate.

In 2016, the projected increase in costs for the Group's Asian-dominated sourcing as a result of less favourable US dollar hedging rates and rising labour expenditures is expected to weigh on the adidas Group's gross margin. However, these negative effects are projected to be largely offset by the positive effects from a more favourable pricing, product and regional mix at both adidas and Reebok and further enhancements in the Group's channel mix, driven by the continued expansion of our controlled space activities. Higher product margins at TaylorMade-adidas Golf compared to the prior year are also expected to positively impact the Group's gross margin development. As a result, we expect the gross margin to be at a level between 48.0% and 48.3% (2015: 48.3%).

The Group's other operating expenses as a percentage of sales are expected to decrease compared to the prior year level of 43.1%. Due to the strong top-line growth, expenditure for point-of-sale and marketing investments as a percentage of sales is projected to be below the prior year level of 13.9%. Operating overhead expenditure as a percentage of sales is now forecasted to be around the prior year level of 29.2% (previously: to be below the prior year level). This development mainly reflects further investments to spur the company's 'Creating the New' strategic business plan as well as costs associated with restructuring measures at Reebok initiated during the third quarter of 2016. In spite of these investments, we continue to expect the operating margin for the adidas Group excluding goodwill impairment to increase to a level of up to 7.5% compared to the prior year level of 6.5%.

As a result of the strong top-line development and the robust operating margin improvement, net income from continuing operations excluding goodwill impairment is projected to increase at a rate between 35% and 39% to a level between € 975 million and € 1.0 billion (2015: € 720 million).

## MANAGEMENT ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES

Management aggregates all risks reported by the business units and functions. Taking into account the occurrence likelihood and the potential financial impact of the risks explained in the 2015 Annual Report, as well as the current business outlook, adidas Group Management does not foresee any material jeopardy to the viability of the Group as a going concern. Management remains confident that the Group's earnings strength forms a solid basis for our future business development and provides the necessary resource to pursue the opportunities available to the Group. Compared to the assessment in the 2015 Annual Report, overall the Group's risk profile remains unchanged.

### 32 ADIDAS GROUP 2016 OUTLOOK

| **Currency-neutral sales development (in %):** | | Previous guidance [1] |
|---|---|---|
| adidas Group | to increase at a rate in the high teens | |
| Western Europe [2] | double-digit rate increase | |
| North America [2] | double-digit rate increase | |
| Greater China [2] | double-digit rate increase | |
| Russia/CIS [2] | mid-single-digit rate increase | |
| Latin America [2] | double-digit rate increase | |
| Japan [2] | double-digit rate increase | |
| MEAA [2] | double-digit rate increase | |
| Other Businesses | below prior year level | |
| TaylorMade-adidas Golf | below prior year level | |
| CCM Hockey | below prior year level | |
| Gross margin | 48.0% to 48.3% | |
| Other operating expenses in % of net sales | below prior year level | |
| Operating margin | to increase to a level of up to 7.5% | |
| Net income from continuing operations | to increase at a rate between 35% and 39% to a level between € 975 million and € 1.0 billion | |
| Average operating working capital in % of sales | below prior year level | around prior year level |
| Capital expenditure | around € 650 million | around € 750 million |
| Store base | net increase of around 50 stores | |
| Gross borrowings | moderate decline | |

**1** As published on August 4, 2016.
**2** Combined sales of adidas and Reebok.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ADIDAS AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) € IN MILLIONS

| | September 30, 2016 | September 30, 2015 | Change in % | December 31, 2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 1,264 | 1,060 | 19.2 | 1,365 |
| Short-term financial assets | 5 | 5 | 6.0 | 5 |
| Accounts receivable | 2,715 | 2,502 | 8.5 | 2,049 |
| Other current financial assets | 481 | 424 | 13.4 | 367 |
| Inventories | 3,203 | 2,698 | 18.7 | 3,113 |
| Income tax receivables | 102 | 84 | 21.0 | 97 |
| Other current assets | 547 | 531 | 3.0 | 489 |
| Assets classified as held for sale | 0 | 13 | (99.5) | 12 |
| **Total current assets** | **8,317** | **7,318** | **13.6** | **7,497** |
| | | | | |
| Property, plant and equipment | 1,715 | 1,561 | 9.8 | 1,638 |
| Goodwill | 1,376 | 1,379 | (0.3) | 1,392 |
| Trademarks | 1,589 | 1,595 | (0.4) | 1,628 |
| Other intangible assets | 173 | 179 | (3.2) | 188 |
| Long-term financial assets | 187 | 134 | 40.0 | 140 |
| Other non-current financial assets | 88 | 102 | (14.1) | 99 |
| Deferred tax assets | 695 | 595 | 16.7 | 637 |
| Other non-current assets | 116 | 125 | (7.4) | 124 |
| **Total non-current assets** | **5,938** | **5,671** | **4.7** | **5,846** |
| | | | | |
| **Total assets** | **14,255** | **12,989** | **9.7** | **13,343** |

Rounding differences may arise in percentages and totals.

## ADIDAS AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) € IN MILLIONS

| | September 30, 2016 | September 30, 2015 | Change in % | December 31, 2015 |
|---|---|---|---|---|
| **Liabilities and equity** | | | | |
| Short-term borrowings | 1,057 | 508 | 107.9 | 366 |
| Accounts payable | 1,689 | 1,476 | 14.4 | 2,024 |
| Other current financial liabilities | 199 | 130 | 52.4 | 143 |
| Income taxes | 465 | 365 | 27.5 | 359 |
| Other current provisions | 531 | 468 | 13.5 | 456 |
| Current accrued liabilities | 1,942 | 1,630 | 19.2 | 1,684 |
| Other current liabilities | 386 | 347 | 11.4 | 331 |
| Liabilities classified as held for sale | 0 | 0 | (4.6) | 0 |
| **Total current liabilities** | **6,269** | **4,925** | **27.3** | **5,364** |
| Long-term borrowings | 982 | 1,460 | (32.8) | 1,463 |
| Other non-current financial liabilities | 30 | 8 | 257.7 | 18 |
| Pensions and similar obligations | 334 | 294 | 13.6 | 273 |
| Deferred tax liabilities | 341 | 393 | (13.3) | 368 |
| Other non-current provisions | 44 | 44 | (0.7) | 50 |
| Non-current accrued liabilities | 101 | 103 | (2.0) | 120 |
| Other non-current liabilities | 45 | 53 | (15.1) | 40 |
| **Total non-current liabilities** | **1,877** | **2,356** | **(20.3)** | **2,332** |
| Share capital | 200 | 200 | 0.1 | 200 |
| Reserves | 336 | 599 | (43.8) | 592 |
| Retained earnings | 5,590 | 4,917 | 13.7 | 4,874 |
| **Shareholders' equity** | **6,126** | **5,716** | **7.2** | **5,666** |
| Non-controlling interests | (17) | (8) | (114.7) | (18) |
| **Total equity** | **6,109** | **5,708** | **7.0** | **5,648** |
| **Total liabilities and equity** | **14,255** | **12,989** | **9.7** | **13,343** |

Rounding differences may arise in percentages and totals.

# CONSOLIDATED INCOME STATEMENT

## ADIDAS AG CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS

| | Nine months 2016 | Nine months 2015 | Change | Third quarter 2016 | Third quarter 2015 | Change |
|---|---|---|---|---|---|---|
| Net sales | 14,604 | 12,748 | 14.6% | 5,413 | 4,758 | 13.8% |
| Cost of sales | 7,513 | 6,546 | 14.8% | 2,839 | 2,454 | 15.7% |
| **Gross profit** | **7,091** | **6,202** | **14.3%** | **2,574** | **2,304** | **11.7%** |
| (% of net sales) | 48.6% | 48.6% | (0.1pp) | 47.6% | 48.4% | (0.9pp) |
| Royalty and commission income | 85 | 90 | (5.0%) | 30 | 32 | (5.2%) |
| Other operating income | 207 | 75 | 177.2% | 17 | 14 | 19.7% |
| Other operating expenses | 5,916 | 5,265 | 12.4% | 2,058 | 1,845 | 11.5% |
| (% of net sales) | 40.5% | 41.3% | (0.8pp) | 38.0% | 38.8% | (0.8pp) |
| Goodwill impairment losses | – | 18 | (100.0%) | – | – | n.a. |
| **Operating profit** | **1,468** | **1,083** | **35.5%** | **563** | **505** | **11.5%** |
| (% of net sales) | 10.0% | 8.5% | 1.6pp | 10.4% | 10.6% | (0.2pp) |
| Financial income | 35 | 32 | 9.8% | 6 | 8 | (22.9%) |
| Financial expenses | 51 | 51 | 0.3% | 24 | 18 | 30.4% |
| **Income before taxes** | **1,452** | **1,064** | **36.4%** | **545** | **495** | **10.2%** |
| (% of net sales) | 9.9% | 8.3% | 1.6pp | 10.1% | 10.4% | (0.3pp) |
| Income taxes | 424 | 345 | 23.0% | 159 | 158 | 0.5% |
| (% of income before taxes) | 29.2% | 32.4% | (3.2pp) | 29.1% | 31.9% | (2.8pp) |
| **Net income from continuing operations** | **1,028** | **719** | **42.8%** | **387** | **337** | **14.7%** |
| (% of net sales) | 7.0% | 5.6% | 1.4pp | 7.1% | 7.1% | 0.1pp |
| Gains/(losses) from discontinued operations, net of tax | 2 | (36) | n.a. | 1 | (23) | n.a. |
| **Net income** | **1,029** | **683** | **50.6%** | **387** | **314** | **23.5%** |
| (% of net sales) | 7.0% | 5.4% | 1.7pp | 7.2% | 6.6% | 0.6pp |
| **Net income attributable to shareholders** | **1,027** | **678** | **51.5%** | **386** | **311** | **24.2%** |
| (% of net sales) | 7.0% | 5.3% | 1.7pp | 7.1% | 6.5% | 0.6pp |
| **Net income attributable to non-controlling interests** | **2** | **5** | **(64.1%)** | **1** | **3** | **(62.3%)** |
| Basic earnings per share from continuing operations (in €) | 5.12 | 3.54 | 44.9% | 1.93 | 1.67 | 15.3% |
| Diluted earnings per share from continuing operations (in €) | 5.01 | 3.54 | 41.6% | 1.88 | 1.67 | 12.6% |
| Basic earnings per share from continuing and discontinued operations (in €) | 5.13 | 3.36 | 52.9% | 1.93 | 1.55 | 24.2% |
| Diluted earnings per share from continuing and discontinued operations (in €) | 5.01 | 3.36 | 49.4% | 1.88 | 1.55 | 21.3% |

Rounding differences may arise in percentages and totals.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## ADIDAS AG CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) € IN MILLIONS

| | Nine months 2016 | Nine months 2015 |
|---|---|---|
| **Net income after taxes** | **1,029** | **683** |
| **Items of other comprehensive income that will not be reclassified subsequently to profit or loss** | | |
| Remeasurements of defined benefit plans (IAS 19), net of tax [1] | (39) | (2) |
| **Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss** | **(39)** | **(2)** |
| **Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met** | | |
| Net loss on cash flow hedges, net of tax | (100) | (95) |
| Reclassification of foreign currency differences on loss of significant influence | (0) | 5 |
| Currency translation differences | (116) | 110 |
| **Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met** | **(216)** | **19** |
| **Other comprehensive income** | **(255)** | **18** |
| **Total comprehensive income** | **775** | **701** |
| Attributable to shareholders of adidas AG | 772 | 696 |
| Attributable to non-controlling interests | 3 | 5 |

Rounding differences may arise in percentages and totals.
**1** Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## ADIDAS AG CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS) € IN MILLIONS

| | Share capital | Capital reserve | Cumulative currency translation differences | Hedging reserve | Other reserves [1] | Retained earnings | Shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2014** | **204** | **777** | **(257)** | **176** | **(117)** | **4,839** | **5,624** | **(7)** | **5,618** |
| Net income recognised directly in equity | | | 114 | (95) | (2) | | 18 | (0) | 18 |
| Net income | | | | | | 678 | 678 | 5 | 683 |
| **Total comprehensive income** | | | **114** | **(95)** | **(2)** | **678** | **696** | **5** | **701** |
| Repurchase of treasury shares | (4) | | | | | (297) | (301) | | (301) |
| Dividend payment | | | | | | (303) | (303) | (6) | (309) |
| **Balance at September 30, 2015** | **200** | **777** | **(142)** | **81** | **(118)** | **4,917** | **5,716** | **(8)** | **5,708** |
| **Balance at December 31, 2015** | **200** | **777** | **(123)** | **59** | **(122)** | **4,874** | **5,666** | **(18)** | **5,648** |
| Net income recognised directly in equity | | | (116) | (100) | (39) | | (255) | 1 | (255) |
| Net income | | | | | | 1,027 | 1,027 | 2 | 1,029 |
| **Total comprehensive income** | | | **(116)** | **(100)** | **(39)** | **1,027** | **772** | **3** | **775** |
| Re-issuance of treasury shares due to the conversion of convertible bonds | 0 | | | | | 9 | 9 | | 9 |
| Dividend payment | | | | | | (320) | (320) | (2) | (322) |
| **Balance at September 30, 2016** | **200** | **777** | **(239)** | **(41)** | **(161)** | **5,590** | **6,126** | **(17)** | **6,109** |

Rounding differences may arise in percentages and totals.
**1** Reserves for remeasurements of defined benefit plans (IAS 19), option plans and acquisition of shares from non-controlling interest shareholders.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## ADIDAS AG CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) € IN MILLIONS

| | Nine months 2016 | Nine months 2015 |
|---|---|---|
| **Operating activities:** | | |
| Income before taxes | 1,452 | 1,064 |
| **Adjustments for:** | | |
| Depreciation, amortisation and impairment losses | 277 | 263 |
| Reversals of impairment losses | (1) | (2) |
| Unrealised foreign exchange losses, net | 11 | 14 |
| Interest income | (15) | (13) |
| Interest expense | 46 | 49 |
| (Gains)/losses on sale of property, plant and equipment and intangible assets, net | (33) | 7 |
| **Operating profit before working capital changes** | **1,737** | **1,382** |
| Increase in receivables and other assets | (893) | (810) |
| Increase in inventories | (117) | (197) |
| Increase in accounts payable and other liabilities | 23 | 258 |
| **Cash generated from operations before interest and taxes** | **751** | **633** |
| Interest paid | (23) | (33) |
| Income taxes paid | (351) | (300) |
| **Net cash generated from operating activities – continuing operations** | **376** | **300** |
| Net cash (used in)/generated from operating activities – discontinued operations | (0) | 13 |
| **Net cash generated from operating activities** | **376** | **314** |
| **Investing activities:** | | |
| Purchase of trademarks and other intangible assets | (41) | (22) |
| Proceeds from sale of trademarks and other intangible assets | 0 | 0 |
| Purchase of property, plant and equipment | (320) | (289) |
| Proceeds from sale of property, plant and equipment | 4 | 3 |
| Proceeds from sale of assets held for sale | 14 | – |
| Proceeds from sale of a disposal group | 28 | – |
| Acquisition of subsidiaries and other business units net of cash acquired | – | (217) |
| Proceeds from disposal of discontinued operations net of cash disposed | – | 165 |
| Purchase of short-term financial assets | (0) | (0) |
| Purchase of investments and other long-term assets | (32) | (42) |
| Interest received | 15 | 13 |
| **Net cash used in investing activities – continuing operations** | **(332)** | **(388)** |
| Net cash used in investing activities – discontinued operations | – | (6) |
| **Net cash used in investing activities** | **(332)** | **(394)** |
| **Financing activities:** | | |
| Repayments of long-term borrowings | – | (10) |
| Repayments of finance lease obligations | (2) | (2) |
| Dividend paid to shareholders of adidas AG | (320) | (303) |
| Dividend paid to non-controlling interest shareholders | (2) | (6) |
| Repurchase of treasury shares | – | (301) |
| Proceeds from short-term borrowings | 346 | 181 |
| Repayments of short-term borrowings | (138) | (103) |
| **Net cash used in financing activities** | **(116)** | **(544)** |
| **Effect of exchange rates on cash** | **(29)** | **2** |
| Decrease of cash and cash equivalents | (101) | (622) |
| Cash and cash equivalents at beginning of the year | 1,365 | 1,683 |
| **Cash and cash equivalents at the end of period** | **1,264** | **1,060** |

Rounding differences may arise in percentages and totals.

# SELECTED EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT SEPTEMBER 30, 2016

## 1 GENERAL

The interim consolidated financial statements of adidas AG and its direct and indirect subsidiaries (collectively the 'Group') for the first nine months ending September 30, 2016 are prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The Group applied all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations of the IFRS Interpretations Committee effective as at September 30, 2016.

These interim consolidated financial statements have been prepared in compliance with International Accounting Standard IAS 34 'Interim Financial Reporting' and with German Accounting Standard GAS 16 'Interim Financial Reporting'. Accordingly, these interim consolidated financial statements do not include all of the information and notes required for consolidated financial statements at financial year-ends. Therefore, these interim consolidated financial statements should be read in conjunction with the 2015 annual consolidated financial statements. The accounting policies as well as principles and practices applied in the consolidated financial statements for the year ending December 31, 2015 also apply to the interim consolidated financial statements for the first nine months ending September 30, 2016.

An exemption to this principle is the application of new/revised standards and interpretations which are effective for financial years starting from January 1, 2016. The application of new/revised standards does not have any material impact on the Group's financial position, results of operations and cash flows.

The interim consolidated financial statements and the interim Group management report have not been audited in accordance with § 317 German Commercial Code (Handelsgesetzbuch – HGB) or reviewed by an auditor.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim consolidated financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

The results of operations for the first nine months ending September 30, 2016 are not necessarily indicative of results to be expected for the entire year.

The interim consolidated financial statements are presented in euros (€) and, unless otherwise stated, all values are presented in millions of euros (€ in millions). Due to rounding principles, numbers presented may not sum up exactly to totals provided.

## 2 SEASONALITY

The sales of the Group in certain product categories are seasonal and therefore revenues and attributable earnings may vary within the financial year. Sales and earnings tend to be strongest in the first and third quarters of the financial year because these coincide with the launch of the spring/summer and fall/winter collections, respectively. This is especially relevant for the adidas and Reebok brands, whose sales account for approximately 90% of the Group's net sales. However, shifts in the share of sales and attributable earnings of particular product categories, brands or the regional composition may occur throughout the year.

## 3 DISCONTINUED OPERATIONS

In July 2015, the adidas Group completed the sale of the Rockport operating segment. The net result of discontinued operations presented in the consolidated income statement at September 30, 2016 mainly contains the fair value adjustment of the contingent consideration.

## 4 DISPOSAL OF SUBSIDIARIES AS WELL AS ASSETS AND LIABILITIES

On June 30, 2016, the adidas Group formally completed the divestiture of its Mitchell & Ness business. The initial closing will be finalised within the next nine months through a subsequent second closing. Due to the loss of control of this business with the initial closing, the adidas Group no longer consolidates all remaining assets and liabilities of the Mitchell & Ness business which are legally not yet transferred.

## 5 ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

The sale of land of adidas AG was completed in January 2016 due to the fulfilment of outstanding conditions arising from a signed contract. Consequently, assets classified as held for sale at December 31, 2015 amounting to € 11 million are derecognised from the consolidated statement of financial position.

As of September 30, 2016, assets and liabilities from the Mitchell & Ness business which have not yet been legally transferred are no longer presented as a disposal group as a result of the loss of control of the Mitchell & Ness business SEE NOTE 4.

## 6 SHAREHOLDERS' EQUITY

During the period from January 1, 2016 to September 30, 2016, the nominal capital of adidas AG ('the company') remained unchanged. Consequently, on September 30, 2016, the nominal capital of adidas AG amounted to € 209,216,186, divided into 209,216,186 registered no-par-value shares ('registered shares').

Based on the authorisation to repurchase treasury shares granted to the Executive Board of adidas AG by the Annual General Meeting on May 8, 2014, the company holds treasury shares, which were repurchased within the first and the second tranche of the share buyback programme in the years 2014 and 2015 with the purpose of either cancelling the shares, thus reducing the nominal capital, or settling potential obligations arising from the company's € 500 million convertible bond due on June 14, 2019. As a result of conversion rights exercised, a total of 110,333 shares were delivered in the period from January 1, 2016 to September 30, 2016. On September 30, 2016, the company held a total of 8,908,436 treasury shares. The amount of shares corresponded to a notional amount of € 8,908,436 in the nominal capital and consequently 4.26% of the nominal capital. In accordance with § 71b German Stock Corporation Act (Aktiengesetz - AktG), the treasury shares held directly or indirectly do not confer any rights to the company.

## 7 FINANCIAL INSTRUMENTS

### CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AS AT SEPTEMBER 30, 2016, ACCORDING TO CATEGORIES OF IAS 39 AND THEIR FAIR VALUES

| € in millions | Category according to IAS 39 | Carrying amount Sep. 30, 2016 | Measurement according to IAS 39 | | | Measurement according to IAS 17 | Fair value Sep. 30, 2016 |
|---|---|---|---|---|---|---|---|
| | | | Amortised cost | Fair value recognised in equity | Fair value recognised in net income | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | n.a. | 1,264 | 1,264 | | | | 1,264 |
| Short-term financial assets | FAHfT | 5 | | | 5 | | 5 |
| Accounts receivable | LaR | 2,715 | 2,715 | | | | 2,715 |
| Other current financial assets | | | | | | | |
| Derivatives being part of a hedge | n.a. | 139 | | 139 | | | 139 |
| Derivatives not being part of a hedge | FAHfT | 17 | | | 17 | | 17 |
| Promissory notes | AfS | 15 | | | 15 | | 15 |
| Other financial assets | LaR | 311 | 311 | | | | 311 |
| Long-term financial assets | | | | | | | |
| Other equity investments | FAHfT | 81 | | | 81 | | 81 |
| Available-for-sale financial assets | AfS | 104 | 68 | 36 | | | 104 |
| Loans | LaR | 2 | 2 | | | | 2 |
| Other non-current financial assets | | | | | | | |
| Derivatives being part of a hedge | n.a. | 9 | | 9 | | | 9 |
| Derivatives not being part of a hedge | FAHfT | 18 | | | 18 | | 18 |
| Promissory notes | AfS | 28 | | | 28 | | 28 |
| Other financial assets | LaR | 33 | 33 | | | | 33 |
| Assets classified as held for sale | LaR | – | – | | | | – |
| **Financial liabilities** | | | | | | | |
| Short-term borrowings | | | | | | | |
| Bank borrowings | FLAC | 574 | 574 | | | | 574 |
| Private placements | FLAC | – | – | | | | – |
| Eurobond | FLAC | – | – | | | | – |
| Convertible bond | FLAC | 483 | 483 | | | | 929 |
| Accounts payable | FLAC | 1,689 | 1,689 | | | | 1,689 |
| Current accrued liabilities | FLAC | 628 | 628 | | | | 628 |
| Other current financial liabilities | | | | | | | |
| Derivatives being part of a hedge | n.a. | 138 | | 138 | | | 138 |
| Derivatives not being part of a hedge | FLHfT | 22 | | | 22 | | 22 |
| Earn-out components | n.a. | 2 | | | 2 | | 2 |
| Other financial liabilities | FLAC | 33 | 33 | | | | 33 |
| Finance lease obligations | n.a. | 3 | | | | 3 | 3 |
| Long-term borrowings | | | | | | | |
| Bank borrowings | FLAC | – | – | | | | – |
| Private placements | FLAC | – | – | | | | – |
| Eurobond | FLAC | 982 | 982 | | | | 1,062 |
| Convertible bond | FLAC | – | – | | | | – |
| Non-current accrued liabilities | FLAC | 10 | 10 | | | | 10 |
| Other non-current financial liabilities | | | | | | | |
| Derivatives being part of a hedge | n.a. | 3 | | 3 | | | 3 |
| Derivatives not being part of a hedge | FLHfT | 1 | | | 1 | | 1 |
| Earn-out components | n.a. | 19 | | | 19 | | 19 |
| Other financial liabilities | FLAC | 0 | 0 | | | | 0 |
| Finance lease obligations | n.a. | 6 | | | | 6 | 6 |
| Liabilities classified as held for sale | FLAC | – | – | | | | – |
| **Thereof: aggregated by category according to IAS 39** | | | | | | | |
| Financial assets at fair value through profit or loss | | 121 | | | | | |
| Thereof: designated as such upon initial recognition (Fair Value Option – FVO) | | – | | | | | |
| Thereof: Held for Trading (FAHfT) | | 121 | | | | | |
| Loans and Receivables (LaR) | | 3,060 | | | | | |
| Available-for-Sale Financial Assets (AfS) | | 148 | | | | | |
| Financial Liabilities Measured at Amortised Cost (FLAC) | | 4,399 | | | | | |
| Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT) | | 23 | | | | | |

## CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AS AT DECEMBER 31, 2015, ACCORDING TO CATEGORIES OF IAS 39 AND THEIR FAIR VALUES

| € in millions | Category according to IAS 39 | Carrying amount Dec. 31, 2015 | Measurement according to IAS 39 | | | Measurement according to IAS 17 | Fair value Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|
| | | | Amortised cost | Fair value recognised in equity | Fair value recognised in net income | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | n.a. | 1,365 | 1,365 | | | | 1,365 |
| Short-term financial assets | FAHfT | 5 | | | 5 | | 5 |
| Accounts receivable | LaR | 2,049 | 2,049 | | | | 2,049 |
| Other current financial assets | | | | | | | |
| Derivatives being part of a hedge | n.a. | 179 | | 179 | | | 179 |
| Derivatives not being part of a hedge | FAHfT | 28 | | | 28 | | 28 |
| Other financial assets | LaR | 160 | 160 | | | | 161 |
| Long-term financial assets | | | | | | | |
| Other equity investments | FAHfT | 81 | | | 81 | | 81 |
| Available-for-sale financial assets | AfS | 58 | 22 | 36 | | | 58 |
| Loans | LaR | 1 | 1 | | | | 1 |
| Other non-current financial assets | | | | | | | |
| Derivatives being part of a hedge | n.a. | 2 | | 2 | | | 2 |
| Derivatives not being part of a hedge | FAHfT | 20 | | | 20 | | 20 |
| Promissory notes | AfS | 42 | | 42 | | | 42 |
| Other financial assets | LaR | 36 | 36 | | | | 36 |
| Assets classified as held for sale | LaR | 0 | 0 | | | | 0 |
| **Financial liabilities** | | | | | | | |
| Short-term borrowings | | | | | | | |
| Bank borrowings | FLAC | 229 | 229 | | | | 229 |
| Private placements | FLAC | 138 | 138 | | | | 138 |
| Eurobond | FLAC | – | – | | | | – |
| Convertible bond | FLAC | – | – | | | | – |
| Accounts payable | FLAC | 2,024 | 2,024 | | | | 2,024 |
| Current accrued liabilities | FLAC | 596 | 596 | | | | 596 |
| Other current financial liabilities | | | | | | | |
| Derivatives being part of a hedge | n.a. | 36 | | 36 | | | 36 |
| Derivatives not being part of a hedge | FLHfT | 25 | | | 25 | | 25 |
| Other financial liabilities | FLAC | 79 | 79 | | | | 79 |
| Finance lease obligations | n.a. | 3 | | | | 3 | 3 |
| Long-term borrowings | | | | | | | |
| Bank borrowings | FLAC | – | – | | | | – |
| Private placements | FLAC | – | – | | | | – |
| Eurobond | FLAC | 981 | 981 | | | | 997 |
| Convertible bond | FLAC | 483 | 483 | | | | 629 |
| Non-current accrued liabilities | FLAC | 14 | 14 | | | | 14 |
| Other non-current financial liabilities | | | | | | | |
| Derivatives being part of a hedge | n.a. | – | | | | | – |
| Derivatives not being part of a hedge | FLHfT | 0 | | | 0 | | 0 |
| Finance lease obligations | n.a. | 6 | | | | 6 | 6 |
| Earn-out components | n.a. | 21 | | | 21 | | 21 |
| Liabilities classified as held for sale | FLAC | 0 | 0 | | | | 0 |
| **Thereof: aggregated by category according to IAS 39** | | | | | | | |
| Financial assets at fair value through profit or loss | | 133 | | | | | |
| Thereof: designated as such upon initial recognition (Fair Value Option - FVO) | | – | | | | | |
| Thereof: Held for Trading (FAHfT) | | 133 | | | | | |
| Loans and Receivables (LaR) | | 2,246 | | | | | |
| Available-for-Sale Financial Assets (AfS) | | 100 | | | | | |
| Financial Liabilities Measured at Amortised Cost (FLAC) | | 4,555 | | | | | |
| Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT) | | 26 | | | | | |

## FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS ACCORDING TO IFRS 13 AS AT SEPTEMBER 30, 2016

| € in millions | Fair value Sep. 30, 2016 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Short-term financial assets | 5 | | 5 | |
| Derivative financial instruments | | | | |
| Derivatives being part of a hedge | 148 | | 148 | |
| Derivatives not being part of a hedge | 35 | | 35 | |
| Long-term financial assets | 117 | | 36 | 81 |
| Promissory notes | 43 | | | 43 |
| **Financial assets** | **348** | | **224** | **124** |
| | | | | |
| Short-term borrowings | 1,503 | | 1,503 | |
| Derivative financial instruments | | | | |
| Derivatives being part of a hedge | 141 | | 141 | |
| Derivatives not being part of a hedge | 23 | | 23 | |
| Long-term borrowings | 1,062 | 1,062 | | |
| Earn-out components | 21 | | | 21 |
| **Financial liabilities** | **2,752** | **1,062** | **1,668** | **21** |

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS ACCORDING TO IFRS 13 AS AT DECEMBER 31, 2015

| € in millions | Fair value Dec. 31, 2015 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Short-term financial assets | 5 | | 5 | |
| Derivative financial instruments | | | | |
| Derivatives being part of a hedge | 181 | | 181 | |
| Derivatives not being part of a hedge | 47 | | 47 | |
| Long-term financial assets | 117 | | 36 | 81 |
| Promissory notes | 42 | | | 42 |
| **Financial assets** | **392** | | **269** | **123** |
| | | | | |
| Short-term borrowings | 366 | | 366 | |
| Derivative financial instruments | | | | |
| Derivatives being part of a hedge | 36 | | 36 | |
| Derivatives not being part of a hedge | 26 | | 26 | |
| Long-term borrowings | 1,626 | 1,626 | | |
| Earn-out components | 21 | | | 21 |
| **Financial liabilities** | **2,075** | **1,626** | **428** | **21** |

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### RECONCILIATION OF FAIR VALUE HIERARCHY LEVEL 3

| € in millions | | Fair value Jan. 1, 2016 | Additions | Disposals | Gains | Losses | Fair value Sep. 30, 2016 |
|---|---|---|---|---|---|---|---|
| Long-term financial assets | This category relates to an 8.33% investment in FC Bayern München AG of € 81 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments. These dividends are recognised in other financial income. | 81 | – | – | – | – | 81 |
| Promissory notes | On January 23, 2015, the adidas Group signed a definitive agreement to sell the Rockport operating segment which was divested on July 31, 2015. The transaction included contingent promissory notes. The discounted cash flow method is applied. | 42 | – | – | 2 | (1) | 43 |
| Earn-out components | The aquisition of Runtastic includes earn-out components which are measured based on the discounted cash flow method. The earn-out components are dependent on retention of the Runtastic management as well as on the achievement of certain performance measures over the first three years after the acquisition. | 21 | – | – | – | – | 21 |

### RECONCILIATION OF FAIR VALUE HIERARCHY LEVEL 3

| € in millions | | Fair value Jan. 1, 2015 | Additions | Disposals | Gains | Losses | Fair value Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|
| Long-term financial assets | This category relates to an 8.33% investment in FC Bayern München AG of € 81 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments. These dividends are recognised in other financial income. | 80 | – | – | 1 | – | 81 |
| Promissory notes | On January 23, 2015, the adidas Group signed a definitive agreement to sell the Rockport operating segment which was divested on July 31, 2015. The transaction included contingent promissory notes. The discounted cash flow method is applied. | – | 42 | – | – | – | 42 |
| Earn-out components | The aquisition of Runtastic includes earn-out components which are measured based on the discounted cash flow method. The earn-out components are dependent on retention of the Runtastic management as well as on the achievement of certain performance measures over the first three years after the acquisition. | – | 21 | – | – | – | 21 |

The valuation methods used in measuring Level 1, Level 2 and Level 3 fair values remain unchanged and can be found in the Notes to the 2015 consolidated financial statements.

## 8 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Other operating income mainly reflects two extraordinary gains which were realised during the second quarter of 2016 and relate to the early termination of the Chelsea F.C. contract as well as to the divestiture of the Mitchell & Ness business.

Other operating expenses include expenses for marketing, sales and research and development, as well as for logistics and central administration. In addition, they include impairment losses as well as depreciation on tangible assets and amortisation on intangible assets (except goodwill impairment losses), with the exception of depreciation and amortisation which is included in the cost of sales. In the first nine months of 2016, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 269 million (2015: € 239 million).

## 9 EARNINGS PER SHARE

Basic earnings per share from continuing operations are calculated by dividing the net income from continuing operations attributable to shareholders by the weighted average number of shares outstanding during the year, excluding ordinary shares purchased by the adidas Group and held as treasury shares.

Basic earnings per share from continuing and discontinued operations are calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding during the year, excluding ordinary shares purchased by the adidas Group and held as treasury shares.

It is necessary to include potential dilutive shares arising from the convertible bond issuance in March 2012 in the calculation of diluted earnings per share for the first nine months ending September 30, 2016 as the conversion right has a value at the balance sheet date. The average share price reached € 117.85 per share during the first nine months of 2016 and thus exceeded the conversion price of € 81.57 per share.

### EARNINGS PER SHARE FROM CONTINUING OPERATIONS

| | Nine months 2016 | Nine months 2015 |
|---|---|---|
| Net income from continuing operations (€ in millions) | 1,028 | 719 |
| Net income attributable to non-controlling interests (€ in millions) | 2 | 5 |
| **Net income from continuing operations attributable to shareholders (€ in millions)** | **1,026** | **714** |
| Weighted average number of shares | 200,207,215 | 201,987,657 |
| **Basic earnings per share from continuing operations (in €)** | **5.12** | **3.54** |
| | | |
| Net income from continuing operations attributable to shareholders (€ in millions) | 1,026 | 714 |
| Interest expense on convertible bond, net of taxes (€ in millions) | 7 | – |
| **Net income from continuing operations used to determine diluted earnings per share from continuing operations (€ in millions)** | **1,033** | **714** |
| Weighted average number of shares | 200,207,215 | 201,987,657 |
| Weighted assumed conversion of the convertible bond | 6,104,250 | – |
| **Weighted average number of shares for diluted earnings per share from continuing operations** | **206,311,466** | **201,987,657** |
| **Diluted earnings per share from continuing operations (in €)** | **5.01** | **3.54** |

### EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS

| | Nine months 2016 | Nine months 2015 |
|---|---|---|
| Net income attributable to shareholders (€ in millions) | 1,027 | 678 |
| Weighted average number of shares | 200,207,215 | 201,987,657 |
| **Basic earnings per share from continuing and discontinued operations (in €)** | **5.13** | **3.36** |
| | | |
| Net income attributable to shareholders (€ in millions) | 1,027 | 678 |
| Interest expense on convertible bond, net of taxes (€ in millions) | 7 | – |
| **Net income used to determine diluted earnings per share from continuing and discontinued operations (€ in millions)** | **1,035** | **678** |
| Weighted average number of shares | 200,207,215 | 201,987,657 |
| Weighted assumed conversion of the convertible bond | 6,104,250 | – |
| **Weighted average number of shares for diluted earnings per share from continuing and discontinued operations** | **206,311,466** | **201,987,657** |
| **Diluted earnings per share from continuing and discontinued operations (in €)** | **5.01** | **3.36** |

## 10 SEGMENTAL INFORMATION

The Group operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

Following the Group's internal management reporting by markets and in accordance with the definition of 'Operating Segments' under IFRS 8, 13 operating segments were identified: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea, Southeast Asia/Pacific, TaylorMade-adidas Golf, CCM Hockey, Runtastic and Other centrally managed businesses. The markets Middle East, South Korea and Southeast Asia/Pacific were aggregated to the segment MEAA ('Middle East, Africa and other Asian markets'). According to the criteria in IFRS 8 for reportable segments, the business segments Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan and MEAA are reported separately. The remaining operating segments are aggregated under Other Businesses due to their only subordinate materiality.

Each market comprises all wholesale, retail and e-commerce business activities relating to the distribution and sale of adidas and Reebok products to retail customers and end consumers.

The operating segment TaylorMade-adidas Golf comprises the brands TaylorMade, adidas Golf, Adams Golf and Ashworth.

CCM Hockey designs, produces and distributes ice hockey equipment such as sticks, skates and protection gear. In addition, CCM Hockey designs, produces and distributes apparel mainly under the brand names Reebok Hockey and CCM.

Runtastic operates in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data.

Other centrally managed businesses primarily includes the business activities of the labels Y-3 and Porsche Design Sport by adidas as well as the business activities of the brand Five Ten in the outdoor action sports sector. Furthermore, the segment also comprises the own-retail activities of the adidas neo label as well as International Clearance Management.

Certain centralised Group functions do not meet the definition of IFRS 8 for a reportable operating segment. This includes functions such as Global Brands and Global Sales (central brand and distribution management for the brands adidas and Reebok), central treasury and global sourcing as well as other headquarter departments. Income and expenses relating to these corporate functions are presented together with other non-allocable items and intersegment eliminations in the reconciliation of segmental operating profit.

There are no intersegment sales between the reportable segments.

The results of the operating segments are reported in the line item 'Segmental operating profit'. This is defined as gross profit minus other operating expenses (including expenditure for marketing investments) plus royalty and commission income and other operating income attributable to the segment or group of segments (operating profit).

Segmental assets include accounts receivable as well as inventories.

Segmental liabilities contain solely accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision maker.

### SEGMENTS

| € in millions | Net sales (non-Group) [1] | | Segmental operating profit [1] | | Segmental assets [2] | | Segmental liabilities [2] | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Western Europe | 4,185 | 3,508 | 857 | 805 | 1,587 | 1,327 | 65 | 64 |
| North America | 2,443 | 2,010 | 165 | 63 | 1,201 | 908 | 71 | 75 |
| Greater China | 2,269 | 1,852 | 837 | 649 | 448 | 379 | 148 | 136 |
| Russia/CIS | 505 | 562 | 78 | 55 | 232 | 194 | 9 | 12 |
| Latin America | 1,260 | 1,368 | 167 | 188 | 746 | 678 | 80 | 85 |
| Japan | 736 | 518 | 157 | 90 | 253 | 236 | 34 | 25 |
| MEAA | 2,067 | 1,845 | 584 | 546 | 816 | 656 | 87 | 71 |
| Other Businesses | 1,139 | 1,084 | (12) | (68) | 603 | 694 | 89 | 108 |
| **Total** | **14,604** | **12,748** | **2,833** | **2,328** | **5,885** | **5,072** | **584** | **577** |

1 Nine months.
2 At September 30.

#### Reconciliation

### OPERATING PROFIT

| € in millions | Nine months 2016 | Nine months 2015 |
|---|---|---|
| Operating profit for reportable segments | 2,844 | 2,396 |
| Operating profit for Other Businesses | (12) | (68) |
| **Segmental operating profit** | **2,833** | **2,328** |
| HQ/Consolidation | (837) | (777) |
| Central expenditure for point-of-sale and marketing investments | (528) | (449) |
| Goodwill impairment losses | 0 | (18) |
| **Operating profit** | **1,468** | **1,083** |
| Financial income | 35 | 32 |
| Financial expenses | (51) | (51) |
| **Income before taxes** | **1,452** | **1,064** |

Operating profit of centralised functions which do not represent a segment, such as Global Brands and Global Sales (central brand and distribution management for the brands adidas and Reebok), central treasury and global sourcing as well as other headquarter departments, is shown under HQ/Consolidation.

## 11 EVENTS AFTER THE BALANCE SHEET DATE

Effective October 1, 2016, Kasper Rorsted was appointed as CEO of adidas AG, following his appointment as ordinary member of the Executive Board from August 1, 2016.

Between the end of the first nine months of 2016 and the finalisation of these interim consolidated financial statements on October 31, 2016, a further 73,556 shares were delivered due to the exercise of conversion rights and thus for the purpose of meeting obligations arising from the company's convertible bond due on June 14, 2019. Consequently, on October 31, 2016, the company held a total of 8,834,880 treasury shares which had been repurchased in the first and second tranche of the share buyback programme in the years 2014 and 2015. This corresponded to a notional amount of € 8,834,880 in the nominal capital and consequently 4.22% of the nominal capital.

Additionally, during the third quarter, the adidas Group announced an employee stock purchase plan. Effective October 1, 2016, the adidas Group Stock Purchase Plan enables employees to purchase adidas AG shares with a discount. If the shares are held for a period of at least 12 months, employees will receive additional proportional matching shares.

Between the end of the first nine months of 2016 and the finalisation of these interim consolidated financial statements on October 31, 2016, there were no major Group-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, October 31, 2016

The Executive Board of adidas AG

# EXECUTIVE AND SUPERVISORY BOARDS

## EXECUTIVE BOARD

Biographical information on our Executive Board members as well as on their mandates is available at:

↘ **WWW.ADIDAS-GROUP.COM/EXECUTIVE-BOARD**

**KASPER RORSTED**[1]
CHIEF EXECUTIVE OFFICER

**ROLAND AUSCHEL**
GLOBAL SALES

**GLENN BENNETT**
GLOBAL OPERATIONS

**ERIC LIEDTKE**
GLOBAL BRANDS

**ROBIN J. STALKER**
CHIEF FINANCIAL OFFICER

**1** Member of Executive Board since August 1, 2016, Chief Executive Officer since October 1, 2016.
Chief Executive Officer and member of the Executive Board until September 30, 2016: **HERBERT HAINER**.

## SUPERVISORY BOARD

Biographical information on our Supervisory Board members as well as on their mandates is available at:

↘ **WWW.ADIDAS-GROUP.COM/SUPERVISORY-BOARD**

**IGOR LANDAU**
CHAIRMAN

**SABINE BAUER***
DEPUTY CHAIRWOMAN

**WILLI SCHWERDTLE**
DEPUTY CHAIRMAN

**IAN GALLIENNE**[1]
**DIETER HAUENSTEIN***
**DR. WOLFGANG JÄGER***
**DR. STEFAN JENTZSCH**
**HERBERT KAUFFMANN**
**KATJA KRAUS**
**KATHRIN MENGES**
**UDO MÜLLER***[2]

**ROLAND NOSKO***
**HANS RUPRECHT***
**NASSEF SAWIRIS**[1]
**HEIDI THALER-VEH***
**KURT WITTMANN***[2]

***** Employee representative.
**1** Since June 15, 2016.
**2** Since October 6, 2016.
Employee representative, court-appointed with effect from June 24, 2016 and until October 6, 2016: **ROSWITHA HERMANN** and **MICHAEL STORL**.

# FINANCIAL CALENDAR 2017

MARCH
08
**FULL YEAR 2016 RESULTS**
**Press conference in Herzogenaurach, Germany**
**Press release, conference call and webcast**
Publication of 2016 Annual Report

MARCH
14
**INVESTOR DAY**
**Press release, management presentations and webcast**

MAY
04
**FIRST QUARTER 2017 RESULTS**
**Press release, conference call and webcast**
Publication of First Quarter 2017 Report

MAY
11
**ANNUAL GENERAL MEETING**
**Fuerth (Bavaria), Germany**
Webcast

AUGUST
03
**FIRST HALF 2017 RESULTS**
**Press release, conference call and webcast**
Publication of First Half 2017 Report

NOVEMBER
09
**NINE MONTHS 2017 RESULTS**
**Press release, conference call and webcast**
Publication of Nine Months 2017 Report

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**To improve readability, registered trademarks are omitted in this Report.**

**Concept and Design**
**Strichpunkt**
**— Stuttgart/Berlin**