

HOW WE CREATE

VALUE



**ADIDAS GROUP
FIRST QUARTER
REPORT
JANUARY — MARCH 2016**

ADIDAS GROUP FIRST QUARTER REPORT 2016

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01 FIRST QUARTER RESULTS AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change
Group ¹			
Net sales	4,769	4,083	16.8%
Gross profit	2,358	2,008	17.4%
Gross margin	49.4%	49.2%	0.3pp
Operating profit ²	490	363	35.2%
Operating margin ²	10.3%	8.9%	1.4pp
Western Europe			
Net sales	1,414	1,143	23.7%
Gross profit	651	550	18.5%
Gross margin	46.1%	48.1%	[2.0pp]
Segmental operating profit	313	280	12.1%
Segmental operating margin	22.2%	24.5%	[2.3pp]
North America			
Net sales	728	591	23.2%
Gross profit	274	215	27.4%
Gross margin	37.7%	36.4%	1.2pp
Segmental operating profit	19	[9]	326.2%
Segmental operating margin	2.7%	[1.5%]	4.1pp
Greater China			
Net sales	762	597	27.7%
Gross profit	436	334	30.7%
Gross margin	57.2%	55.9%	1.3pp
Segmental operating profit	298	218	36.4%
Segmental operating margin	39.1%	36.5%	2.5pp
Russia/CIS			
Net sales	138	162	[15.0%]
Gross profit	80	83	[4.4%]
Gross margin	57.7%	51.3%	6.4pp
Segmental operating profit	14	2	451.6%
Segmental operating margin	9.9%	1.5%	8.4pp
Latin America			
Net sales	394	423	[6.8%]
Gross profit	178	179	[0.7%]
Gross margin	45.2%	42.4%	2.8pp
Segmental operating profit	56	58	[3.9%]
Segmental operating margin	14.1%	13.7%	0.4pp
Japan			
Net sales	236	155	52.6%
Gross profit	116	73	58.3%
Gross margin	49.0%	47.3%	1.8pp
Segmental operating profit	50	24	111.0%
Segmental operating margin	21.2%	15.3%	5.9pp
MEAA (Middle East, Africa and other Asian markets)			
Net sales	701	635	10.3%
Gross profit	356	335	6.1%
Gross margin	50.7%	52.7%	[2.0pp]
Segmental operating profit	214	201	6.8%
Segmental operating margin	30.6%	31.6%	[1.0pp]
Other Businesses ¹			
Net sales	396	377	5.2%
Gross profit	146	141	3.6%
Gross margin	36.9%	37.5%	[0.5pp]
Segmental operating profit	[1]	[5]	85.4%
Segmental operating margin	[0.2%]	[1.4%]	1.2pp
Sales by Brand			
adidas	4,036	3,352	20.4%
Reebok	416	411	1.0%
TaylorMade-adidas Golf	275	280	[1.7%]
Reebok-CCM Hockey	38	39	[3.4%]

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.

02 FINANCIAL HIGHLIGHTS 2016 (IFRS)

	First quarter 2016	First quarter 2015	Change
Operating Highlights (€ in millions)			
Net sales ¹	4,769	4,083	16.8%
EBITDA ¹	590	451	30.8%
Operating profit ^{1, 3}	490	363	35.2%
Net income from continuing operations ³	350	255	37.6%
Net income attributable to shareholders ^{2, 3}	351	239	46.9%
Key Ratios (%)			
Gross margin ¹	49.4%	49.2%	0.3pp
Operating expenses in % of net sales ¹	40.3%	41.6%	(1.3pp)
Operating margin ^{1, 3}	10.3%	8.9%	1.4pp
Effective tax rate ^{1, 3}	29.5%	29.8%	(0.4pp)
Net income attributable to shareholders in % of net sales ^{2, 3}	7.4%	5.8%	1.5pp
Average operating working capital in % of net sales ^{1, 4}	20.2%	21.9%	(1.7pp)
Equity ratio	42.3%	46.7%	(4.4pp)
Net borrowings/EBITDA ^{1, 5}	0.5	0.4	–
Financial leverage	14.2%	8.6%	5.6pp
Return on equity ²	6.2%	3.5%	2.7pp
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	13,415	13,415	(0.0%)
Inventories	2,939	2,539	15.7%
Receivables and other current assets	3,397	3,712	(8.5%)
Working capital	2,205	3,138	(29.7%)
Net borrowings	809	542	49.2%
Shareholders' equity	5,679	6,271	(9.4%)
Capital expenditure	68	53	28.6%
Net cash used in operating activities ²	(266)	(260)	2.2%
Per Share of Common Stock (€)			
Basic earnings ^{2, 3}	1.75	1.17	49.8%
Diluted earnings ^{2, 3}	1.71	1.17	46.3%
Net cash used in operating activities ²	(1.27)	(1.27)	(0.3%)
Dividend	1.60 ⁶	1.50	6.7%
Share price at end of period	103.00	73.69	39.8%
Other (at end of period)			
Number of employees ¹	56,090	54,077	3.7%
Number of shares outstanding	200,197,417	203,186,309	(1.5%)
Average number of shares	200,197,417	204,164,758	(1.9%)

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.

⁴ Twelve-month trailing average.

⁵ EBITDA of last twelve months.

⁶ Subject to Annual General Meeting approval.

OPERATIONAL AND SPORTING HIGHLIGHTS

Q1 2016

JANUARY

11.01.

Leo Messi underlines his status in football with a record fifth Ballon d'Or. The award is the greatest acknowledgement of individual success in football.

15.01.

adidas and Stella McCartney announce the continuation of their long-term collaboration. The iconic designer will continue to create cutting-edge designs alongside adidas until 2020.

16.01.

Reebok launches Reebok Classic Leather, a shoe created in collaboration with US rapper and songwriter Kendrick Lamar. The shoe represents Kendrick's powerful vision of unity and sold out within 30 minutes.

18.01.

adidas Football releases the world's first high-performance laceless boot: ACE 16+ PURECONTROL. Only a short period of time after its launch, this disruptive football boot, which is worn by international football stars such as Mesut Özil and Ivan Rakitić, was sold out in almost every channel.



18.01.

The Supervisory Board of adidas AG resolves upon the successor for the long-standing adidas AG CEO Herbert Hainer. Effective August 1, 2016, Kasper Rorsted is appointed as ordinary member of the Executive Board and effective October 1, 2016 as CEO of adidas AG.

18.01.

Reebok is awarded the ISPO Communication Award 2016 in the multi-channel category for its 'Be More Human' campaign.

20.01.

The adidas Group is listed in fifth place among the Global 100 Most Sustainable Corporations in

the World (Global 100 Index) and is recognised as the industry leader at the World Economic Forum in Davos. It is the third consecutive year that the adidas Group is included in the top ten of the Global 100 Index.

25.01.

adidas Originals launches its Future campaign. With its unique point of view on creating the future by re-inventing the past, adidas Originals is inspiring a new generation not to follow but to challenge the status quo.

27.01.

Following the success of M1, TaylorMade-adidas Golf unveils its M2 drivers, fairways and Rescue clubs to complete the M family. Similar to M1, the M2 product line meets the challenge of delivering more performance to players of all skill levels with the utilisation of multi-material construction.



28.01.

adidas launches PureBOOST X, a running shoe created exclusively for women by women. PureBOOST X features a new floating arch, a stretch mesh upper and a lock-down lacing system that provide a personalised fit for every woman's foot.



30.01.

Playing in her first Grand Slam final, adidas sponsored Angelique Kerber wins the 2016 Australian Open in Melbourne.

FEBRUARY

04.02.

adidas continues its Sport 16 campaign with 'I'm here to create', a series of videos showing the personal creator stories of famous female athletes such as WNBA All-Star Candace Parker, tennis icon Caroline Wozniacki and fitness artist Nicole Winhoffer.

24.02.

adidas and Wanderlust, producer of the largest yoga lifestyle events in the world, announce a US-focused, multi-year partnership.

25.02.

Reebok launches ZPump Fusion 2.0, a running shoe that conforms to the shape of the athlete's foot to give a custom fit. The seamless compression sleeve upper and the tyre-inspired ZRated outsole provide comfort and control.

MARCH

16.03.

adidas Football announces a long-term partnership with Juventus Turin midfielder Paul Pogba, one of the world's most in-demand footballers. Continuing on his extraordinary journey from the streets to superstar status, Pogba has already won three Italian league titles and three domestic cup trophies.



17.03.

adidas Originals launches further colourways of its successful footwear franchise NMD. The franchise, for which consumers were queuing in front of stores, was sold out immediately, with more than 400,000 pairs sold within just one day.

23.03.

Together with YouTubers Amanda Steele and Marcus Butler, adidas neo presents its new sneaker innovation Cloudfoam. The Cloudfoam sneakers with a lightweight midsole and a thick sockliner provide a classic silhouette plus comfort.

LETTER FROM THE CEO



HERBERT HAINER
ADIDAS GROUP CEO

Dear Shareholders,

We flew off the starting blocks in 2016 and achieved stellar operational and financial results during the first quarter of the year:

- We posted record first quarter sales of € 4.8 billion. The organic growth of 22% reflects our highest quarterly growth rate in more than ten years.
- We recorded particularly strong growth at adidas, with revenues increasing a blistering 26%.
- Sales growth at Reebok also further accelerated. With a 6% top-line increase, Reebok now looks back on twelve consecutive quarters of growth.
- Despite severe headwinds from negative currency effects, the Group's gross margin increased 30 basis points to 49.4%, a clear testament to the desirability of our brands and products across the globe.
- In spite of a further increase in marketing investments, operating expense leverage in the quarter helped to drive net income from continuing operations up 38%.
- With an increase of 15% during the quarter, our share reached new heights and was once again the top performer in the DAX-30, while at the same time outperforming all major peers.

We are all extremely excited about the achievements of the first three months of the year. But what's even more important: there is much more behind this stellar financial performance than just successful product launches and inspiring marketing campaigns.

The momentum our brands are enjoying today is a direct consequence of our new consumer-obsessed mindset, which, after the implementation of 'Brand Leadership', is now not only fully reflected in our organisational structure but also leaves its mark on our results. This new operating model is directly spurring our current success as it allows us to develop holistic concepts – including product development, marketing and point-of-sale activation – that are helping us to be much more impactful vis-à-vis the consumer. With strong double-digit growth rates in all regions except Russia/CIS as well as in all key performance and lifestyle categories, the first quarter results are proof positive that with 'Brand Leadership' in full swing we are winning the hearts and minds of our consumers on a much broader scale and in a more sustainable manner than ever before.

One important goal of our strategic business plan 'Creating the New' is to better focus our efforts on those areas of our business where we can have the biggest impact in reaching our consumers and winning their brand loyalty. In this context, we made another important strategic decision recently that will allow us to sharpen our focus even more going forward. We have decided that in Western Europe we will offer our highly successful adidas neo products through key wholesale partners in future. While our own adidas neo stores have provided us with loads of insights and learnings, data shows that we are more successful in offering adidas neo products at key wholesale partners. As a result, we will close our 16 own adidas neo stores in Germany, the Czech Republic and Poland. We are convinced that this decision is the right one and will help us further accelerate our brand in Europe.

In light of the strong brand momentum at both adidas and Reebok, and to give credit to our strong first quarter performance, we have increased our top- and bottom-line outlook for 2016. We now expect sales to increase at a rate of around 15%. Following the improvements in our Group's gross margin in Q1, we are now confident we will be able to limit the gross margin decline to a maximum of 50 basis points compared to the prior year level. This, together with leverage on our operating expenses, will lead to an operating margin improvement of up to 50 basis points to a level between 6.6% and 7.0%. As a result of both an increased top-line outlook as well as improved expectations on operating margin, we now project net income from continuing operations to increase at a rate between 15% and 18% compared to the prior year level of € 720 million.

Our first quarter achievements and the improved outlook clearly show how our relentless focus on the consumer ultimately translates into outstanding financial results. Our accomplishments this year so far are a real testament to the strength of our brands. Our product and marketing initiatives are resonating extremely well with consumers across all regions. We are more focused and closer to the consumer than ever before, which gives us every confidence that our success in 2016 will be of a long-term nature.

Yours sincerely,



HERBERT HAINER
adidas Group CEO

OUR SHARE

ADIDAS AG STRONGLY OUTPERFORMS INTERNATIONAL EQUITY MARKETS

The volatile trend that characterised international stock markets over the previous quarters also continued throughout the first quarter of 2016. Most international indices ended the quarter below the 2015 year-end level. This negative development was mainly driven by declining oil prices, increasing pressure on the global banking sector as well as weakening economic indicators in Europe, the USA and, in particular, China. The DAX-30 closed the first quarter 7% below the 2015 year-end level. In contrast, the adidas AG share continued to clearly outperform international stock markets, driven by positive company news flow, including the CEO succession announcement, the release of better-than-expected full year 2015 results as well as the company's strong 2016 financial outlook. As a consequence, the adidas AG share closed the first quarter at € 103.00, up 15% compared to the end of December 2015, making it the top performer within the DAX-30.

DIVIDEND PROPOSAL OF € 1.60 PER SHARE

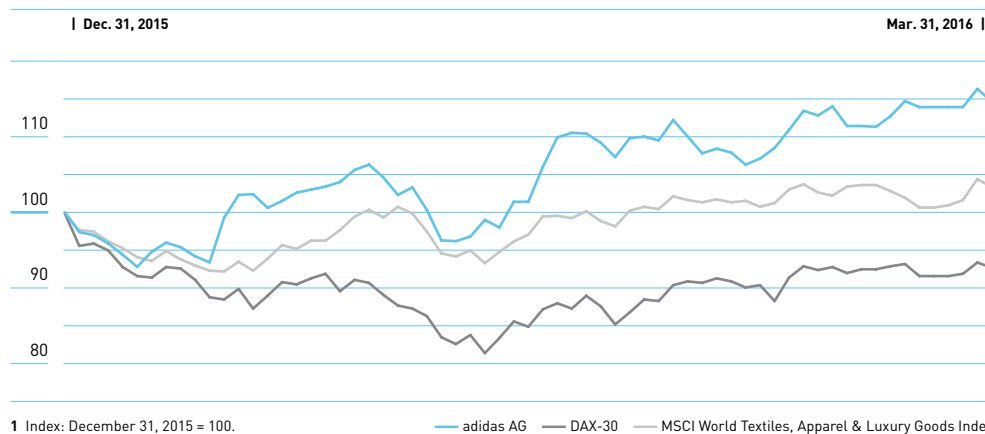
Given their confidence in the strength of the Group's financial position and long-term aspirations, the adidas AG Executive and Supervisory Boards recommend paying a dividend of € 1.60 per share for 2015. Subject to approval by our shareholders at the Annual General Meeting (AGM) on May 12, 2016, the total payout of € 320 million reflects a payout ratio of 47.9% of net income attributable to shareholders, excluding goodwill impairment losses, which is at the upper end of the Group's targeted payout ratio of between 30% and 50%.

03 HISTORICAL PERFORMANCE OF THE ADIDAS AG SHARE AND IMPORTANT INDICES AT MARCH 31, 2016 IN %

	YTD	1 year	3 years	5 years	10 years
adidas AG	15	40	27	132	152
DAX-30	(7)	(17)	28	42	67
MSCI World Textiles, Apparel & Luxury Goods	3	(2)	15	48	131

Source: Bloomberg.

04 SHARE PRICE DEVELOPMENT IN 2016¹



GROUP BUSINESS PERFORMANCE

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY GROWS IN THE FIRST QUARTER OF 2016

In the first quarter of 2016, the global economy continued to grow, albeit at a sluggish rate. The weaker than expected global recovery mainly reflects further declines in commodity prices, weak international trade and investment demand as well as volatile financial markets which resulted in a slowdown in economic growth in many economies. In combination with continued geopolitical tensions and political discord, these developments remained major sources of uncertainty and continued to weigh on economic activity. As a result, the performance in developing economies was particularly disappointing. Developed economies recorded modest growth, supported by lower oil prices, stronger domestic demand and improving labour market conditions. In addition, low inflationary pressures and accommodative monetary policies in the Eurozone contributed to this development. Nevertheless, despite improvements in economic activity, many developed markets continued to face significant challenges, such as indebtedness and low investment spending.

POSITIVE MOMENTUM IN THE GLOBAL SPORTING GOODS INDUSTRY CONTINUES

The global sporting goods industry continued to experience solid growth in the first quarter of 2016, supported by rising consumer spending in both developing and developed markets as well as the global trend towards higher sports participation. 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 showcased a robust performance at the beginning of 2016. In particular, basketball footwear and running footwear enjoyed strong momentum. While growth in basketball was driven by marquee fashion styles, running continued to see robust support from both fashion and performance silhouettes. In addition, the casual athletic category recorded strong improvements throughout the quarter as athleisure remained an important growth driver for the industry. On the athletic apparel side, sales experienced a modest decline due to weaker demand in both sportswear and activewear apparel, mainly resulting from unfavourable weather conditions.

05 QUARTERLY CONSUMER CONFIDENCE DEVELOPMENT¹ BY REGION

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
USA ²	101.4	99.8	102.6	96.3	96.2
Euro area ³	(3.6)	(5.5)	(7.0)	(5.7)	(9.7)
Japan ⁴	41.1	41.9	40.4	41.3	41.3
China ⁵	107.1	105.5	105.6	103.7	104.4
Russia ⁶	(32.0)	(23.0)	(24.0)	(26.0)	(30.0)
Brazil ⁷	100.0	96.2	96.3	96.3	97.6

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 DEVELOPMENT¹ €1 EQUALS

	Average rate 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Average rate 2016 ²
USD	1.1101	1.1189	1.1203	1.0887	1.1385	1.1030
GBP	0.7259	0.7114	0.7385	0.7340	0.7916	0.7701
JPY	134.42	137.01	134.69	131.07	127.90	127.25
RUB	67.682	62.126	74.205	79.347	76.971	82.609
CNY	6.9721	6.8405	7.1266	7.0696	7.3561	7.2128

¹ Spot rates at quarter-end.

² Average rate for the first quarter of 2016.

INCOME STATEMENT

FIRST QUARTER 2016 KEY TAKEAWAYS

The adidas Group started into 2016 with a very strong financial performance during the first quarter. Group revenues increased 22% on a currency-neutral basis, due to double-digit growth at adidas and mid-single-digit increases at Reebok. All market segments recorded currency-neutral sales increases, with double-digit growth across all regions except Russia/CIS. Despite significant pressure from negative currency effects, the Group's gross margin improved 0.3 percentage points to 49.4%, driven by a more favourable pricing and product mix. In light of the robust top-line development, the Group was able to generate strong operating leverage, with operating expenses as a percentage of sales down 1.3 percentage points to 40.3%. All of this resulted in a strong improvement in the Group's operating margin to a level of 10.3%. This represents an improvement of 1.4 percentage points versus the prior year level excluding last year's goodwill impairment losses. Consequently, net income from continuing operations, excluding goodwill impairment losses in the prior year, increased 38% to € 350 million. At € 1.71, diluted EPS from continuing and discontinued operations, excluding goodwill impairment losses in the prior year, grew 46% compared to the prior year.

ADIDAS GROUP RECORDS STELLAR FINANCIAL PERFORMANCE IN THE FIRST QUARTER OF 2016

In the first quarter of 2016, Group revenues increased 22% on a currency-neutral basis, driven by double-digit growth at adidas and mid-single-digit sales increases at Reebok. In euro terms, Group revenues grew 17% to € 4.769 billion. From a brand perspective, currency-neutral adidas revenues grew 26%, driven by significant double-digit sales increases in the training, football and running categories as well as at adidas Originals and adidas neo. Currency-neutral Reebok sales were up 6% versus the prior year, mainly as a result of strong double-digit sales increases in Classics. Revenues at TaylorMade-adidas Golf were down 1% on a currency-neutral basis, as growth at TaylorMade and adidas Golf was more than offset by sales declines at Ashworth and Adams. 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

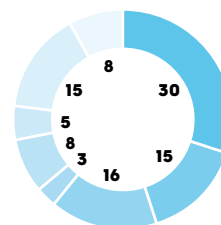
see Table 09

07 FIRST QUARTER NET SALES¹ € IN MILLIONS

2016	4,769
2015	4,083
2014	3,480

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

08 FIRST QUARTER NET SALES BY SEGMENTS



30% Western Europe
15% North America
16% Greater China
3% Russia/CIS
8% Latin America
5% Japan
15% MEAA
8% Other Businesses¹

Rounding differences may arise.

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

09 NET SALES BY SEGMENTS € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Western Europe	1,414	1,143	24%	25%
North America	728	591	23%	22%
Greater China	762	597	28%	30%
Russia/CIS	138	162	(15%)	2%
Latin America	394	423	(7%)	19%
Japan	236	155	53%	44%
MEAA	701	635	10%	17%
Other Businesses ¹	396	377	5%	6%
Total	4,769	4,083	17%	22%

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 double-digit sales growth at adidas. Reebok revenues increased at a low-single-digit rate. In euro terms, retail sales grew 15% to € 1.034 billion. From a store format perspective, sales from concept stores and factory outlets both grew at double-digit rates. While revenues from concession corners were below the prior year level, this decline reflects the reclassification of a number of concession corners to the wholesale channel during the second half of 2015. The Group ended the quarter with a total of 2,707 adidas and Reebok stores. Currency-neutral comparable store sales increased a strong 13% versus the prior year, with sales growth in all market segments. eCommerce revenues grew 47% on a currency-neutral basis.

see Table 11

The adidas Group's gross margin increased 0.3 percentage points to 49.4%, despite severe headwinds from negative currency effects as well as lower product margins at TaylorMade-adidas Golf. This development was mainly due to the positive effects from a more favourable pricing and product mix recorded during the first quarter.

see Diagram 13

Royalty and commission income for the adidas Group was down 10% to € 24 million. On a currency-neutral basis, royalty and commission income decreased 7%. Other operating income rose 15% to € 31 million, due to an increase in other revenues.

10 NET SALES BY PRODUCT CATEGORY¹ € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Footwear	2,569	2,087	23%	29%
Apparel	1,770	1,595	11%	15%
Hardware	430	400	8%	11%
Total	4,769	4,083	17%	22%

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	54	42	9	3
Closed	69	47	20	2
Opened (net)	(15)	(5)	(11)	1
March 31, 2016	2,707	1,693	861	153

12 FIRST QUARTER GROSS PROFIT¹ € IN MILLIONS

2016	2,358
2015	2,008
2014	1,712

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

13 FIRST QUARTER GROSS MARGIN¹ IN %

2016	49.4
2015	49.2
2014	49.2

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

14 FIRST QUARTER OTHER OPERATING EXPENSES¹ € IN MILLIONS

2016	1,924
2015	1,700
2014	1,478

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

15 FIRST QUARTER OTHER OPERATING EXPENSES¹ IN % OF NET SALES

2016	40.3
2015	41.6
2014	42.5

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

Other operating expenses were up 13% to € 1.924 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 1.3 percentage points to 40.3%. Expenditure for point-of-sale and marketing investments amounted to € 606 million, which represents an increase of 8% versus the prior year level. By brand, expenditure for point-of-sale and marketing investments at adidas rose 19% to € 501 million. Expenditure for point-of-sale and marketing investments at Reebok decreased 30% to € 56 million. As a percentage of sales, the Group's expenditure for point-of-sale and marketing investments declined 0.9 percentage points to 12.7%, reflecting the Group's strong top-line improvements as well as a different phasing of the Group's investments in 2016 compared to the prior year.

see Diagram 14

see Diagram 15

No goodwill impairment losses occurred during the first quarter 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 35% to € 490 million, representing an operating margin of 10.3%, up 1.4 percentage points versus the prior year. This development was due to the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales. Financial income increased 25% to € 19 million, mainly as a result of positive exchange rate effects. Financial expenses decreased 15% to € 13 million, due to a decline in interest expenses. As a result, net financial income increased to € 6 million from € 0 million in the prior year. The Group's tax rate was down 0.4 percentage points to 29.5%. The Group's net income from continuing operations was up 38% to € 350 million. The Group's net income attributable to shareholders, which in addition to net income from continuing operations includes the result from discontinued operations, grew 47% to € 351 million. Basic EPS from continuing and discontinued operations increased 50% to € 1.75. Diluted EPS from continuing and discontinued operations grew 46% to € 1.71.

see Diagram 16

see Diagram 17

see Diagram 18

see Diagram 19

Including the goodwill impairment losses in the prior year, operating profit grew 42% in the first quarter of 2016 to € 490 million, representing an operating margin of 10.3%, up 1.8 percentage points versus the prior year. The Group's tax rate decreased 1.9 percentage points to 29.5%. The Group's net income from continuing operations was up 48% to € 350 million and net income attributable to shareholders grew 59% to € 351 million. Basic EPS from continuing and discontinued operations increased 62% to € 1.75 and diluted EPS from continuing and discontinued operations was up 58% to € 1.71.

16 FIRST QUARTER OPERATING PROFIT¹ € IN MILLIONS

2016	490
2015 ²	363
2014	307

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

17 FIRST QUARTER OPERATING MARGIN¹ IN %

2016	10.3
2015 ²	8.9
2014	8.8

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

18 FIRST QUARTER NET INCOME ATTRIBUTABLE TO SHAREHOLDERS¹ € IN MILLIONS

2016	351
2015 ²	239
2014	204

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

19 FIRST QUARTER DILUTED EARNINGS PER SHARE¹ IN €

2016	1.71
2015 ²	1.17
2014	0.96

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 March 2016, total assets remained stable at € 13.415 billion compared to the prior year, as an increase in non-current assets was offset by a decline in current assets.

Total current assets decreased 3% to € 7.669 billion at the end of March 2016. Cash and cash equivalents decreased 3% to € 1.328 billion, as net cash generated from financing activities was more than offset by net cash used in operating and investing activities. In addition, currency effects had a negative impact on cash and cash equivalents in an amount of € 26 million. Group inventories increased 16% to € 2.939 billion. On a currency-neutral basis, inventories grew 25%, reflecting higher stock levels to support the Group's top-line momentum. The Group's accounts receivable increased 2% to € 2.517 billion. On a currency-neutral basis, receivables increased 11%. Other current financial assets decreased 61% to € 272 million. This development was driven by a decrease in the fair value of financial instruments. Other current assets increased 11% to € 531 million, mainly due to an increase in prepaid promotion contracts.

Total non-current assets grew 4% to € 5.746 billion at the end of March 2016. Fixed assets increased 4% to € 4.842 billion. Additions of € 785 million were primarily related to our own-retail activities, investments into the Group's logistics and IT infrastructure, the acquisition of Runtastic as well as the further development of the Group's headquarters in Herzogenaurach. Additions were partly offset by negative currency translation effects of € 204 million, depreciation and amortisation of € 366 million, goodwill impairment of € 16 million and disposals of € 25 million. Other non-current financial assets more than doubled to € 97 million. This development was driven by fixed and contingent promissory notes related to the divestiture of the Rockport business.

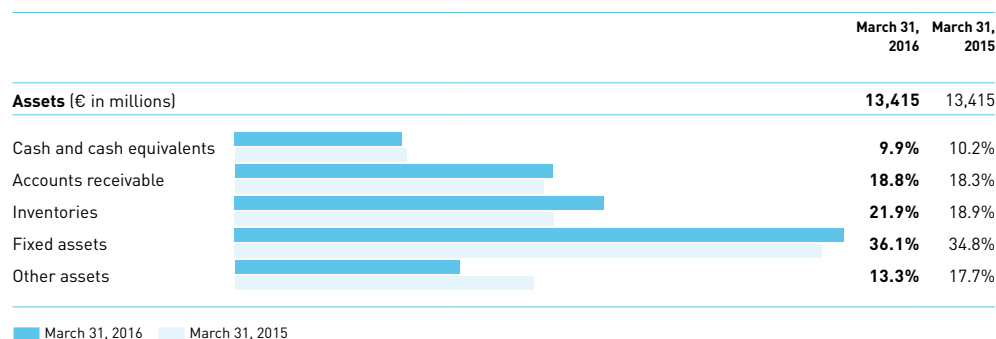
 see Diagram 20

LIABILITIES AND EQUITY

Total current liabilities increased 14% to € 5.464 billion at the end of March 2016. Accounts payable increased 7% to € 1.573 billion. On a currency-neutral basis, accounts payable grew 11%, reflecting the higher inventories compared to the prior year. Current accrued liabilities grew 21% to € 1.664 billion, mainly due to an increase in accruals for customer discounts, marketing expenditure and invoices not yet received, partly offset by positive currency translation effects of € 83 million. Other current liabilities were up 3% to € 396 million, mainly due to an increase in miscellaneous taxes payable.

Total non-current liabilities decreased 4% to € 2.288 billion at the end of March 2016. Long-term borrowings remained virtually unchanged at € 1.467 billion compared to the prior year. Other non-current financial liabilities more than doubled to € 32 million, mainly due to the earn-out components for Runtastic.

20 STRUCTURE OF STATEMENT OF FINANCIAL POSITION¹ IN % OF TOTAL ASSETS



Rounding differences may arise.

¹ For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 22.

Shareholders' equity decreased 9% to € 5.679 billion at the end of March 2016. The net income generated during the last twelve months was more than offset by negative currency translation effects of € 527 million, the repurchase of treasury shares in an amount of € 220 million, the dividend of € 303 million paid to shareholders for the 2014 financial year as well as a decrease in hedging reserves of € 309 million. The Group's equity ratio decreased to 42.3%.

see Diagram 21

OPERATING WORKING CAPITAL

Operating working capital increased 10% to € 3.883 billion at the end of March 2016. Average operating working capital as a percentage of sales from continuing operations decreased 1.7 percentage points to 20.2%, reflecting the strong top-line development during the last twelve months as well as the company's continued focus on tight working capital management.

see Diagram 23

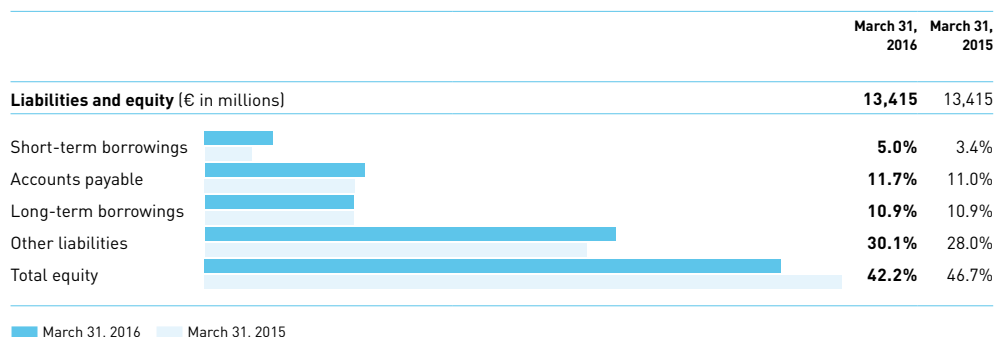
LIQUIDITY ANALYSIS

In the first quarter of 2016, net cash used in operating activities increased to € 266 million, driven by higher operating working capital requirements which more than offset an increase in income before taxes and a decrease in income taxes paid. Net cash used in investing activities decreased to € 54 million. The majority of investing activities in the first quarter 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 generated from financing activities totalled € 309 million, mainly due to the increase in proceeds from short-term borrowings. Exchange rate effects negatively impacted the Group's cash position by € 26 million. As a result of all these developments, cash and cash equivalents decreased by € 37 million to € 1.328 billion.

Net borrowings at March 31, 2016 amounted to € 809 million, representing an increase of € 267 million compared to the prior year. This development is mainly a result of the utilisation of cash for the purchase of fixed assets, the acquisition of Runtastic and the share buyback programme. The Group's ratio of net borrowings over EBITDA amounted to 0.5, which is below the Group's mid-term target corridor of below two times.

see Diagram 22

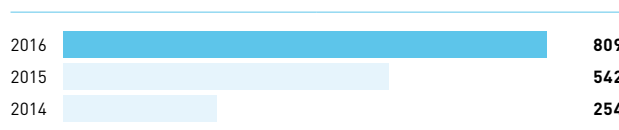
21 STRUCTURE OF STATEMENT OF FINANCIAL POSITION¹ IN % OF TOTAL ASSETS



Rounding differences may arise.

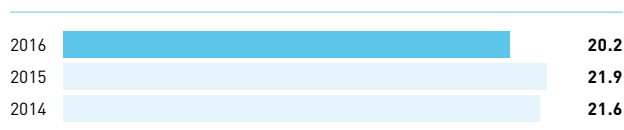
¹ For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 23.

22 NET BORROWINGS¹ € IN MILLIONS



¹ At March 31.

23 AVERAGE OPERATING WORKING CAPITAL^{1,2} IN % OF SALES



¹ At March 31.

² Figures reflect continuing operations as a result of the divestiture of the Rockport business.

BUSINESS PERFORMANCE BY SEGMENT

WESTERN EUROPE

Sales in Western Europe increased 25% on a currency-neutral basis, as a result of strong double-digit sales growth at both adidas and Reebok. In euro terms, sales grew 24% to € 1.414 billion. adidas revenues grew 26% on a currency-neutral basis, driven by strong double-digit sales growth in the football category as well as at adidas Originals and adidas neo. In addition, high-single-digit sales increases in the running category and mid-single-digit growth in the training category also contributed to this development. Reebok revenues increased 15% on a currency-neutral basis, mainly due to double-digit sales growth in Classics as well as mid-single-digit increases in the training and running categories. From a market perspective, the main contributors to the increase were the UK, Germany, Italy, France and Poland, where revenues grew at double-digit rates each.

 see Table 24

24 WESTERN EUROPE AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	1,414	1,143	24%	25%
adidas	1,294	1,038	25%	26%
Reebok	121	105	14%	15%
Gross profit	651	550	18%	–
Gross margin	46.1%	48.1%	(2.0pp)	–
Segmental operating profit	313	280	12%	–
Segmental operating margin	22.2%	24.5%	(2.3pp)	–

Rounding differences may arise.

Gross margin in Western Europe decreased 2.0 percentage points to 46.1%. The severe negative impact from unfavourable currency developments was, to a large degree, compensated by positive effects from a more favourable pricing and product mix as well as lower input costs. Operating expenses were up 25% to € 338 million. This development reflects a significant increase in expenditure for point-of-sale and marketing investments as well as higher sales expenditure. Operating expenses as a percentage of sales were up 0.3 percentage points to 23.9%. Operating margin declined 2.3 percentage points to 22.2%, as a result of the gross margin decrease as well as the negative effect of higher operating expenses as a percentage of sales.

 see Table 24

NORTH AMERICA

Sales in North America increased 22% on a currency-neutral basis, due to strong double-digit sales growth at adidas. In euro terms, sales grew 23% to € 728 million. adidas revenues increased 31% 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. In addition, high-single-digit sales increases in the football category as well as strong growth at adidas neo, where revenues more than doubled, also contributed to this development. Reebok revenues decreased 13% on a currency-neutral basis as mid-single-digit growth in Classics was more than offset by sales declines in the training category.

 see Table 25

25 NORTH AMERICA AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	728	591	23%	22%
adidas	621	470	32%	31%
Reebok	106	121	(12%)	(13%)
Gross profit	274	215	27%	–
Gross margin	37.7%	36.4%	1.2pp	–
Segmental operating profit	19	(9)	326%	–
Segmental operating margin	2.7%	(1.5%)	4.1pp	–

Rounding differences may arise.

Gross margin in North America increased 1.2 percentage points to 37.7%, as negative currency effects were more than offset by a more favourable product and channel mix as well as lower input costs. Operating expenses were up 15% to € 266 million, due to a significant increase in expenditure for point-of-sale investments as well as higher sales expenditure. Operating expenses as a percentage of sales decreased 2.7 percentage points to 36.6%. 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 4.1 percentage points to 2.7%.

 see Table 25

GREATER CHINA

Sales in Greater China increased 30% on a currency-neutral basis, as a result of strong double-digit sales increases at both adidas and Reebok. In euro terms, sales were up 28% to € 762 million. adidas revenues grew 30% 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 increased 22% on a currency-neutral basis, driven by double-digit sales growth in the running and training categories as well as in Classics.

 see Table 26

26 GREATER CHINA AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	762	597	28%	30%
adidas	746	583	28%	30%
Reebok	17	14	22%	22%
Gross profit	436	334	31%	–
Gross margin	57.2%	55.9%	1.3pp	–
Segmental operating profit	298	218	36%	–
Segmental operating margin	39.1%	36.5%	2.5pp	–

Rounding differences may arise.

Gross margin in Greater China increased 1.3 percentage points to 57.2%, reflecting lower input costs as well as a more favourable pricing, product and channel mix, partly offset by negative currency effects. Operating expenses were up 20% to € 138 million. This development reflects an increase in expenditure for point-of-sale and marketing investments as well as higher sales expenditure. Operating expenses as a percentage of sales decreased 1.2 percentage points to 18.1%. 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 increased 2.5 percentage points to 39.1%.

 see Table 26

RUSSIA/CIS

Sales in Russia/CIS increased 2% on a currency-neutral basis, as a result of mid-single-digit growth at Reebok and low-single-digit sales increases at adidas. In euro terms, sales decreased 15% to € 138 million. adidas revenues were up 1% on a currency-neutral basis, driven by double-digit sales increases in the running category. In addition, high-single-digit growth in the football category as well as at adidas Originals also contributed to this development. Reebok revenues increased 4% on a currency-neutral basis, as a result of double-digit sales increases in the training and running categories.

 see Table 27

27 RUSSIA/CIS AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	138	162	(15%)	2%
adidas	106	125	(16%)	1%
Reebok	32	37	(13%)	4%
Gross profit	80	83	(4%)	–
Gross margin	57.7%	51.3%	6.4pp	–
Segmental operating profit	14	2	452%	–
Segmental operating margin	9.9%	1.5%	8.4pp	–

Rounding differences may arise.

Gross margin in Russia/CIS increased 6.4 percentage points to 57.7%. Significant negative currency effects were more than compensated by a significantly more favourable pricing mix. Operating expenses were down 18% to € 66 million. This was mainly due to lower sales expenditure. Operating expenses as a percentage of sales decreased 2.0 percentage points to 47.8%. 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 by 8.4 percentage points to 9.9%.

 see Table 27

LATIN AMERICA

Sales in Latin America grew 19% on a currency-neutral basis, as a result of strong double-digit sales growth at adidas. In euro terms, sales were down 7% to € 394 million. adidas revenues increased 23% on a currency-neutral basis. This development was driven by double-digit sales growth in the football, training and running categories as well as at adidas Originals and adidas neo. Reebok revenues declined 8% on a currency-neutral basis, as double-digit growth in Classics was more than offset by sales declines in the running category. From a market perspective, the main contributors to the increase were Argentina, Mexico, Chile and Brazil, where revenues grew at double-digit rates each.

 see Table 28

28 LATIN AMERICA AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	394	423	[7%]	19%
adidas	350	361	[3%]	23%
Reebok	44	61	[28%]	[8%]
Gross profit	178	179	[1%]	–
Gross margin	45.2%	42.4%	2.8pp	–
Segmental operating profit	56	58	[4%]	–
Segmental operating margin	14.1%	13.7%	0.4pp	–

Rounding differences may arise.

Gross margin in Latin America grew 2.8 percentage points to 45.2%. This development was driven by a more favourable pricing, product and channel mix, partly offset by negative currency effects. Operating expenses remained broadly unchanged at € 122 million and, as a percentage of sales, were up 2.4 percentage points to 31.1%. Operating margin grew 0.4 percentage points to 14.1%, as a result of the gross margin increase.

 see Table 28

JAPAN

Sales in Japan increased 44% on a currency-neutral basis, due to strong double-digit sales growth at both adidas and Reebok. In euro terms, revenues increased 53% to € 236 million. adidas revenues grew 41% on a currency-neutral basis, driven by double-digit sales growth in the training, running and football categories as well as at adidas Originals and adidas neo. Reebok revenues were up 86% 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

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	236	155	53%	44%
adidas	212	143	49%	41%
Reebok	24	12	97%	86%
Gross profit	116	73	58%	–
Gross margin	49.0%	47.3%	1.8pp	–
Segmental operating profit	50	24	111%	–
Segmental operating margin	21.2%	15.3%	5.9pp	–

Rounding differences may arise.

Gross margin in Japan increased 1.8 percentage points to 49.0%, as a more favourable pricing and product mix was able to more than offset the significant impact from negative currency fluctuations. Operating expenses were up 31% to € 70 million, mainly due to higher sales expenditure. Operating expenses as a percentage of sales decreased 4.8 percentage points to 29.4%. 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 grew 5.9 percentage points to 21.2%.

 see Table 29

MEAA

Sales in MEAA (Middle East, Africa and other Asian markets) were up 17% on a currency-neutral basis, due to double-digit sales growth at both adidas and Reebok. In euro terms, sales grew 10% to € 701 million. adidas revenues grew 16% on a currency-neutral basis, due to double-digit sales growth in the training, running and football categories as well as at adidas Originals and adidas neo. Reebok revenues grew 24% on a currency-neutral basis, driven by double-digit sales growth in the training category as well as in Classics. In addition, a mid-single-digit increase in the running category contributed to this development. From a market perspective, the main contributors to the increase were high-single digit growth in South Korea as well as double-digit improvements in Australia, the United Arab Emirates and Turkey.

 see Table 30

30 MEAA AT A GLANCE € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	701	635	10%	17%
adidas	630	575	9%	16%
Reebok	71	60	18%	24%
Gross profit	356	335	6%	–
Gross margin	50.7%	52.7%	(2.0pp)	–
Segmental operating profit	214	201	7%	–
Segmental operating margin	30.6%	31.6%	(1.0pp)	–

Rounding differences may arise.

Gross margin in MEAA decreased 2.0 percentage points to 50.7%, as the positive effects from a more favourable pricing mix and lower input costs were more than offset by negative currency effects. Operating expenses were up 5% to € 142 million, primarily due to higher sales expenditure. As a percentage of sales, operating expenses declined 0.9 percentage points to 20.2%. Operating margin was down 1.0 percentage points to 30.6%, as the positive impact of lower operating expenses as a percentage of sales was more than offset by the gross margin decrease.

 see Table 30

OTHER BUSINESSES

Revenues in Other Businesses grew 6% on a currency-neutral basis. Double-digit sales increases in Other centrally managed businesses were partly offset by sales declines at TaylorMade-adidas Golf and Reebok-CCM Hockey. In euro terms, revenues in Other Businesses increased 5% to € 396 million. Revenues at TaylorMade-adidas Golf were down 1% on a currency-neutral basis, as growth at TaylorMade and adidas Golf was more than offset by sales declines at Ashworth and Adams. Currency-neutral Reebok-CCM Hockey sales were down 2%, as sales increases in key categories such as sticks and protective equipment were more than offset by declines in the licensed apparel and equipment business. Other centrally managed businesses revenues increased 35% on a currency-neutral basis, as a result of strong double-digit sales growth at most sub-brands, in particular Y-3.

 see Table 31

31 OTHER BUSINESSES AT A GLANCE ¹ € IN MILLIONS

	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Net sales	396	377	5%	6%
TaylorMade-adidas Golf	275	280	[2%]	[1%]
Reebok-CCM Hockey	38	39	[3%]	[2%]
Other centrally managed businesses	78	58	35%	35%
Gross profit	146	141	4%	–
Gross margin	36.9%	37.5%	(0.5pp)	–
Operating profit	(1)	(5)	85%	–
Operating margin	[0.2%]	[1.4%]	1.2pp	–

Rounding differences may arise.

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

Gross margin was down 0.5 percentage points to 36.9%, mainly due to lower product margins at TaylorMade-adidas Golf. Operating expenses remained stable at € 149 million. As a percentage of sales, operating expenses decreased 1.9 percentage points to 37.6%. In the first quarter of 2016, Other Businesses recorded an operating loss of € 1 million. This resulted in a negative operating margin of 0.2%, an improvement of 1.2 percentage points compared to the prior year, as the decline in gross margin was more than offset by the positive effect of lower operating expenses as a percentage of sales.

 see Table 31

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

NO SUBSEQUENT EVENTS

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

OUTLOOK¹

GLOBAL ECONOMY TO GROW IN 2016

Global GDP is projected to increase moderately by 3.2% in 2016. Nevertheless, concerns about future demand as a result of a slowdown of the Chinese economy as well as ongoing geopolitical uncertainties in several countries are projected to weigh on the global outlook. Economic activity in major developed economies is expected to accelerate this year, supported by accommodative monetary policies, lower oil and energy prices bolstering domestic demand as well as improvements in the labour markets. As a result, GDP expansion of 2.0% in developed economies is projected in 2016. While developing economies are forecasted to also remain a major contributor to global economic expansion in 2016, their growth rate is forecasted to rise only modestly compared to 2015. Developing economies are expected to benefit from the strengthened recovery in high-income markets as well as the stabilisation of commodity prices. However, downside risk is expected to persist throughout the year, resulting from reduced capital inflows and ongoing pressure on currencies.

SPORTING GOODS INDUSTRY EXPANSION TO CONTINUE IN 2016

In the absence of any major economic shocks, we expect the global sporting goods industry to grow 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 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 2016, the industry should benefit from major sporting events, such as the 2016 Olympic Games hosted by Brazil, the EURO 2016, held in France, as well as the Copa America, which will take place in the USA for the first time in history. In addition, the trend towards athleisure is set to continue, supporting the overall momentum in the sporting goods industry. Many sporting goods retailers will continue to move to a more omni-retail business model, with significant emphasis on mobile. E-commerce and investment in digital are anticipated to remain growth areas for the industry.

ADIDAS GROUP INCREASES OUTLOOK FOR THE 2016 FINANCIAL YEAR

In light of the strong brand momentum, which is reflected in the better than expected first quarter performance, the Group has increased its 2016 financial outlook. We now forecast adidas Group sales to increase at a rate of around 15% (previously: between 10% and 12%) 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 will provide a positive stimulus to Group sales. From a market perspective, the top-line development will be supported by double-digit growth in all regions except Russia/CIS.

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

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.

product margins at TaylorMade-adidas Golf compared to the prior year are also expected to help limit the overall gross margin compression. As a result, we expect to be able to limit the gross margin decline to a maximum of 50 basis points (previously: decline between 50 and 100 basis points) compared to the prior year level of 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 stronger than expected top-line growth, expenditure for point-of-sale and marketing investments as a percentage of sales is projected to be slightly below the prior year level of 13.9% (previously: around the prior year level). In addition, operating overhead expenditure as a percentage of sales is also forecasted to be below the prior year level (2015: 29.2%). In 2016, we expect the operating margin excluding goodwill impairment for the adidas Group to increase by up to 50 basis points to a level between 6.6% and 7.0% (previously: to remain at least stable) compared to the prior year level of 6.5%. The forecasted decline in gross margin will be more than offset by lower other operating expenses as a percentage of sales.

As a result of the increased top-line expectations and improved operating margin outlook, net income from continuing operations excluding goodwill impairment is now projected to increase at a rate between 15% and 18% (previously: between 10% and 12%) compared to the prior year level of € 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 of around 15%	to increase at a rate between 10% and 12%
Western Europe ²	double-digit rate increase	
North America ²	double-digit rate increase	
Greater China ²	double-digit rate increase	
Russia/CIS ²	around prior year level	
Latin America ²	double-digit rate increase	mid-to-high-single-digit rate increase
Japan ²	double-digit rate increase	high-single-digit rate increase
MEAA ²	double-digit rate increase	high-single-digit rate increase
Other Businesses	below prior year level	
TaylorMade-adidas Golf	below prior year level	
Reebok-CCM Hockey	mid-single-digit rate increase	
Gross margin	47.8% to 48.3%	47.3% to 47.8%
Other operating expenses as a percentage of sales	below prior year level	
Operating margin	6.6% to 7.0%	to remain at least stable versus prior year level
Net income from continuing operations	to increase at a rate between 15% and 18%	to increase at a rate between 10% and 12% to around € 800 million
Average operating working capital in % of sales	around prior year level	
Capital expenditure	around € 750 million	
Store base	net increase of around 100 stores	
Gross borrowings	moderate decline	

¹ Figures as published on March 3, 2016.

² Combined sales of adidas and Reebok.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	March 31, 2016	March 31, 2015	Change in %	December 31, 2015
Assets				
Cash and cash equivalents	1,328	1,373	[3.2]	1,365
Short-term financial assets	5	5	3.0	5
Accounts receivable	2,517	2,456	2.5	2,049
Other current financial assets	272	695	[60.8]	367
Inventories	2,939	2,539	15.7	3,113
Income tax receivables	76	84	[9.6]	97
Other current assets	531	477	11.4	489
Assets classified as held for sale	0	282	[100.0]	12
Total current assets	7,669	7,911	[3.1]	7,497
Property, plant and equipment	1,598	1,523	4.9	1,638
Goodwill	1,364	1,226	11.3	1,392
Trademarks	1,558	1,616	[3.6]	1,628
Other intangible assets	177	166	6.7	188
Long-term financial assets	145	138	5.1	140
Other non-current financial assets	97	47	107.1	99
Deferred tax assets	680	680	[0.0]	637
Other non-current assets	126	108	16.6	124
Total non-current assets	5,746	5,504	4.4	5,846
Total assets	13,415	13,415	[0.0]	13,343

Rounding differences may arise in percentages and totals.

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

	March 31, 2016	March 31, 2015	Change in %	December 31, 2015
Liabilities and equity				
Short-term borrowings	676	456	48.1	366
Accounts payable	1,573	1,475	6.7	2,024
Other current financial liabilities	235	223	5.7	143
Income taxes	446	340	31.2	359
Other current provisions	474	480	(1.3)	456
Current accrued liabilities	1,664	1,381	20.5	1,684
Other current liabilities	396	384	3.2	331
Liabilities classified as held for sale	0	35	(99.7)	0
Total current liabilities	5,464	4,773	14.5	5,364
Long-term borrowings	1,467	1,464	0.2	1,463
Other non-current financial liabilities	32	10	218.0	18
Pensions and similar obligations	274	294	(6.8)	273
Deferred tax liabilities	328	457	(28.2)	368
Other non-current provisions	53	39	36.6	50
Non-current accrued liabilities	92	71	30.9	120
Other non-current liabilities	43	44	(2.6)	40
Total non-current liabilities	2,288	2,377	(3.7)	2,332
Share capital	200	203	(1.5)	200
Reserves	254	1,088	(76.6)	592
Retained earnings	5,224	4,980	4.9	4,874
Shareholders' equity	5,679	6,271	(9.4)	5,666
Non-controlling interests	(16)	(6)	(154.8)	(18)
Total equity	5,663	6,265	(9.6)	5,648
Total liabilities and equity	13,415	13,415	(0.0)	13,343

Rounding differences may arise in percentages and totals.

CONSOLIDATED INCOME STATEMENT

ADIDAS AG CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS

	First quarter 2016	First quarter 2015	Change
Net sales	4,769	4,083	16.8%
Cost of sales	2,411	2,074	16.2%
Gross profit	2,358	2,008	17.4%
[% of net sales]	49.4%	49.2%	0.3pp
Royalty and commission income	24	27	(10.2%)
Other operating income	31	27	15.3%
Other operating expenses	1,924	1,700	13.1%
[% of net sales]	40.3%	41.6%	(1.3pp)
Goodwill impairment losses	-	18	(100.0%)
Operating profit	490	345	42.3%
[% of net sales]	10.3%	8.4%	1.8pp
Financial income	19	16	24.7%
Financial expenses	13	16	(14.8%)
Income before taxes	497	345	44.1%
[% of net sales]	10.4%	8.4%	2.0pp
Income taxes	146	108	35.3%
[% of income before taxes]	29.5%	31.4%	(1.9pp)
Net income from continuing operations	350	237	48.1%
[% of net sales]	7.3%	5.8%	1.6pp
Gains/(losses) from discontinued operations, net of tax	1	(14)	n.a.
Net income	351	223	57.8%
[% of net sales]	7.4%	5.5%	1.9pp
Net income attributable to shareholders	351	221	58.8%
[% of net sales]	7.4%	5.4%	1.9pp
Net income attributable to non-controlling interests	0	2	(76.6%)
Basic earnings per share from continuing operations (in €)	1.75	1.15	51.9%
Diluted earnings per share from continuing operations (in €)	1.71	1.15	48.5%
Basic earnings per share from continuing and discontinued operations (in €)	1.75	1.08	62.0%
Diluted earnings per share from continuing and discontinued operations (in €)	1.71	1.08	58.2%

Rounding differences may arise in percentages and totals.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	First quarter 2016	First quarter 2015
Net income after taxes	351	223
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	1	(2)
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	1	(2)
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met		
Net (loss)/gain on cash flow hedges, net of tax	(158)	35
Currency translation differences	(180)	473
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	(337)	508
Other comprehensive income	(336)	506
Total comprehensive income	15	728
Attributable to shareholders of adidas AG	13	728
Attributable to non-controlling interests	2	0

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			475	35	(2)		507	(1)	506
Net income						221	221	2	223
Total comprehensive income			475	35	(2)	221	728	0	728
Repurchase of treasury shares	(1)					(80)	(81)		(81)
Balance at March 31, 2015	203	777	218	211	(119)	4,980	6,271	(6)	6,265
Balance at December 31, 2015	200	777	(123)	59	(122)	4,874	5,666	(18)	5,648
Net income recognised directly in equity			(181)	(158)	1		(337)	1	(336)
Net income						351	351	0	351
Total comprehensive income			(181)	(158)	1	351	13	2	15
Balance at March 31, 2016	200	777	(304)	(98)	(121)	5,224	5,679	(16)	5,663

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

	First quarter 2016	First quarter 2015
Operating activities:		
Income before taxes	497	345
Adjustments for:		
Depreciation, amortisation and impairment losses	86	96
Reversals of impairment losses	(0)	(1)
Unrealised foreign exchange losses, net	7	14
Interest income	(6)	(5)
Interest expense	13	16
(Gains)/losses on sale of property, plant and equipment, net	(0)	2
Operating profit before working capital changes	597	466
Increase in receivables and other assets	(560)	(527)
Decrease in inventories	139	96
Decrease in accounts payable and other liabilities	(358)	(192)
Cash used in operations before interest and taxes	(181)	(157)
Interest paid	(9)	(11)
Income taxes paid	(76)	(89)
Net cash used in operating activities – continuing operations	(266)	(256)
Net cash used in operating activities – discontinued operations	(0)	(4)
Net cash used in operating activities	(266)	(260)
Investing activities:		
Purchase of trademarks and other intangible assets	(7)	(4)
Proceeds from sale of trademarks and other intangible assets	0	0
Purchase of property, plant and equipment	(60)	(49)
Proceeds from sale of assets held for sale	14	–
Proceeds from sale of property, plant and equipment	3	0
Acquisition of subsidiaries and other business units net of cash acquired	–	(7)
Purchase of short-term financial assets	(0)	(0)
Purchase of investments and other long-term assets	(8)	(11)
Interest received	6	5
Net cash used in investing activities – continuing operations	(54)	(66)
Net cash used in investing activities – discontinued operations	–	(1)
Net cash used in investing activities	(54)	(68)
Financing activities:		
Repayments of finance lease obligations	(1)	(1)
Repurchase of treasury shares	–	(81)
Proceeds from short-term borrowings	447	16
Repayments of short-term borrowings	(138)	–
Net cash generated from/(used in) financing activities	309	(66)
Effect of exchange rates on cash	(26)	83
Decrease of cash and cash equivalents	(37)	(310)
Cash and cash equivalents at beginning of the year	1,365	1,683
Cash and cash equivalents at the end of period	1,328	1,373

Rounding differences may arise in percentages and totals.

SELECTED EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT MARCH 31, 2016

1 GENERAL

The interim consolidated financial statements of adidas AG and its direct and indirect subsidiaries (collectively the 'Group') for the first three months ending March 31, 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 March 31, 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 three months ending March 31, 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 three months ending March 31, 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 March 31, 2016 mainly contains the fair value adjustment of the contingent consideration.

4 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.

5 SHAREHOLDERS' EQUITY

In the period from January 1, 2016 to March 31, 2016, the nominal capital of adidas AG ('the company') did not change. Consequently, on March 31, 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, as at March 31, 2016, held a total of 9,018,769 treasury shares, which were repurchased within the first and the second tranche of the share buyback programme in the years 2014 and 2015. The amount of shares corresponded to a notional amount of € 9,018,769 in the nominal capital and consequently 4.31% 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.

6 FINANCIAL INSTRUMENTS

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AS AT MARCH 31, 2016, ACCORDING TO CATEGORIES OF IAS 39 AND THEIR FAIR VALUE

€ in millions	Category according to IAS 39	Carrying amount Mar. 31, 2016	Measurement according to IAS 39			Measure-ment according to IAS 17	Fair value Mar. 31, 2016
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
Financial assets							
Cash and cash equivalents	n.a.	1,328	1,328				1,328
Short-term financial assets	FAHFT	5			5		5
Accounts receivable	LaR	2,517	2,517				2,517
Other current financial assets							
Derivatives being part of a hedge	n.a.	82		82			82
Derivatives not being part of a hedge	FAHFT	9			9		9
Other financial assets	LaR	182	182				182
Long-term financial assets							
Other equity investments	FAHFT	81			81		81
Available-for-sale financial assets	AfS	62	28	35			62
Loans	LaR	1	1				1
Other non-current financial assets							
Derivatives being part of a hedge	n.a.	3		3			3
Derivatives not being part of a hedge	FAHFT	8			8		8
Promissory notes	AfS	41		41			41
Other financial assets	LaR	46	46				46
Assets classified as held for sale	LaR	0	0				0
Financial liabilities							
Short-term borrowings							
Bank borrowings	FLAC	676	676				676
Private placements	FLAC	–	–				–
Eurobond	FLAC	–	–				–
Convertible bond	FLAC	–	–				–
Accounts payable	FLAC	1,573	1,573				1,573
Current accrued liabilities	FLAC	595	595				595
Other current financial liabilities							
Derivatives being part of a hedge	n.a.	143		143			143
Derivatives not being part of a hedge	FLHFT	38			38		38
Other financial liabilities	FLAC	52	52				52
Finance lease obligations	n.a.	3				3	3
Long-term borrowings							
Bank borrowings	FLAC	–	–				–
Private placements	FLAC	–	–				–
Eurobond	FLAC	981	981				1,032
Convertible bond	FLAC	485	485				666
Non-current accrued liabilities	FLAC	13	13				13
Other non-current financial liabilities							
Derivatives being part of a hedge	n.a.	5		5			5
Derivatives not being part of a hedge	FLHFT	10			10		10
Other financial liabilities	FLAC	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		103					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		–					
Thereof: Held for Trading (FAHFT)		103					
Loans and Receivables (LaR)		2,746					
Available-for-Sale Financial Assets (AfS)		104					
Financial Liabilities Measured at Amortised Cost (FLAC)		4,375					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHFT)		48					

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			Measure-ment 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
Other financial liabilities	FLAC	12	12				12
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 MARCH 31, 2016

€ in millions	Fair value Mar. 31, 2016	Level 1	Level 2	Level 3
Short-term financial assets	5		5	
Derivative financial instruments				
Derivatives being part of a hedge	84		84	
Derivatives not being part of a hedge	17		17	
Long-term financial assets	115		35	81
Promissory notes	41			41
Financial assets	263		141	122
Short-term borrowings	676		676	
Derivative financial instruments				
Derivatives being part of a hedge	148		148	
Derivatives not being part of a hedge	48		48	
Long-term borrowings	1,698	1,698		
Earn-out components	21			21
Financial liabilities	2,591	1,698	872	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 Mar. 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.	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	–	–	1	(2)	41
Earn-out components	The acquisition 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 acquisition 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.

7 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Other operating income mainly includes income from the release of accrued liabilities and other provisions as well as sundry income.

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 three months of 2016, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 85 million (2015: € 77 million).

8 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 dilutive potential shares arising from the convertible bond issuance in March 2012 in the calculation of diluted earnings per share for the first three months ending March 31, 2016 as the conversion right has a value at the balance sheet date. The average share price reached € 94.50 per share during the first three months of 2016 and thus exceeded the conversion price of € 82.00 per share.

EARNINGS PER SHARE

	First quarter 2016	First quarter 2015
Net income from continuing operations (€ in millions)	350	237
Net income attributable to non-controlling interests (€ in millions)	0	2
Net income from continuing operations attributable to shareholders (€ in millions)	350	235
Weighted average number of shares	200,197,417	204,153,362
Basic earnings per share from continuing operations (in €)	1.75	1.15
Net income from continuing operations attributable to shareholders (€ in millions)	350	235
Interest expense on convertible bond, net of taxes (€ in millions)	2	–
Net income from continuing operations used to determine diluted earnings per share from continuing operations (€ in millions)	352	235
Weighted average number of shares	200,197,417	204,153,362
Weighted assumed conversion of the convertible bond	6,097,243	–
Weighted average number of shares for diluted earnings per share from continuing operations	206,294,660	204,153,362
Diluted earnings per share from continuing operations (in €)	1.71	1.15
Net income attributable to shareholders (€ in millions)	351	221
Weighted average number of shares	200,197,417	204,153,362
Basic earnings per share from continuing and discontinued operations (in €)	1.75	1.08
Net income attributable to shareholders (€ in millions)	351	221
Interest expense on convertible bond, net of taxes (in € millions)	2	–
Net income used to determine diluted earnings per share from continuing and discontinued operations (€ in millions)	353	221
Weighted average number of shares	200,197,417	204,153,362
Weighted assumed conversion of the convertible bond	6,097,243	–
Weighted average number of shares for diluted earnings per share from continuing and discontinued operations	206,294,660	204,153,362
Diluted earnings per share from continuing and discontinued operations (in €)	1.71	1.08

9 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 IFRS 8 'Operating Segments', 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, Reebok-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 of 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.

Reebok-CCM Hockey designs, produces and distributes ice hockey equipment such as sticks, skates and protection gear. In addition, Reebok-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 only contain 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	1,414	1,143	313	280	1,474	1,171	59	50
North America	728	591	19	(9)	999	803	94	81
Greater China	762	597	298	218	430	370	119	157
Russia/CIS	138	162	14	2	200	215	10	21
Latin America	394	423	56	58	630	696	59	84
Japan	236	155	50	24	238	215	28	15
MEAA	701	635	214	201	686	637	64	58
Other Businesses	396	377	(0)	(5)	731	823	123	135
Total	4,769	4,083	964	769	5,388	4,928	557	600

¹ First quarter.

² At March 31.

Reconciliation

OPERATING PROFIT

€ in millions	First quarter 2016	First quarter 2015
Operating profit for reportable segments	965	774
Operating profit for Other Businesses	(0)	(5)
Segmental operating profit	964	769
HQ/Consolidation	(311)	(257)
Central expenditure for point-of-sale and marketing investments	(163)	(149)
Goodwill impairment losses	0	(18)
Operating profit	490	345
Financial income	19	16
Financial expenses	(13)	(16)
Income before taxes	497	345

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.

10 EVENTS AFTER THE BALANCE SHEET DATE

Between the end of the first three months of 2016 and the finalisation of these interim consolidated financial statements on May 2, 2016, there were no major Group-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, May 2, 2016

The Executive Board of adidas AG

EXECUTIVE AND SUPERVISORY BOARDS

EXECUTIVE BOARD

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

📄 www.adidas-group.com/executive-board



ROLAND AUSCHEL GLOBAL SALES



HERBERT HAINER CHIEF EXECUTIVE OFFICER



GLENN BENNETT GLOBAL OPERATIONS



ERIC LIEDTKE GLOBAL BRANDS



ROBIN J. STALKER CHIEF FINANCIAL OFFICER

SUPERVISORY BOARD

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

www.adidas-group.com/supervisory-board



IGOR LANDAU
CHAIRMAN



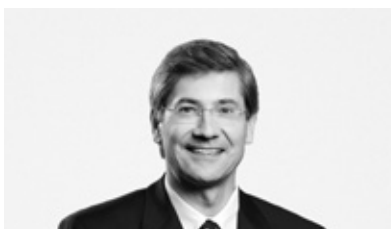
SABINE BAUER *
DEPUTY CHAIRWOMAN



WILLI SCHWERDTLE
DEPUTY CHAIRMAN



DIETER HAUENSTEIN *



DR. WOLFGANG JÄGER *



DR. STEFAN JENTZSCH



HERBERT KAUFFMANN



KATJA KRAUS



KATHRIN MENGES



ROLAND NOSKO *



HANS RUPRECHT *



HEIDI THALER-VEH *

* Employee representative.

FINANCIAL CALENDAR 2016

MAY
12

**ANNUAL GENERAL
MEETING**

Fuerth (Bavaria), Germany

Webcast

MAY
13

DIVIDEND PAYMENT

(subject to Annual General Meeting approval)

AUGUST
04

FIRST HALF 2016 RESULTS

Press release, conference call
and webcast

Publication of First Half 2016 Report

NOVEMBER
03

**NINE MONTHS 2016
RESULTS**

Press release, conference call
and webcast

Publication of Nine Months 2016 Report

PUBLISHING DETAILS & CONTACT



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