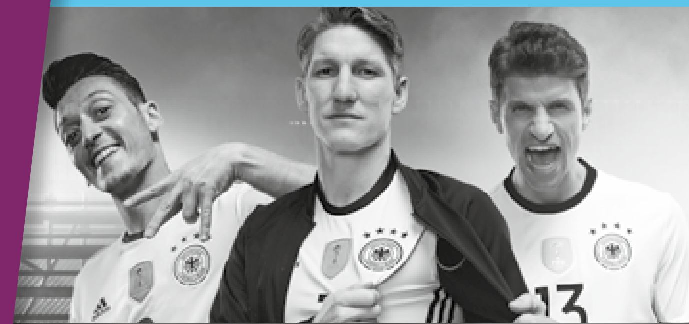
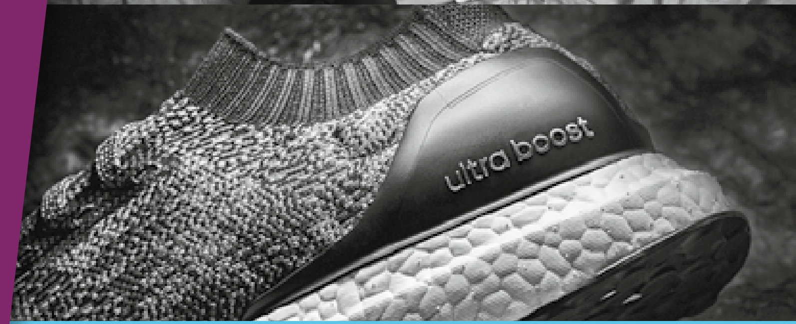
adidas GROUP

HOW WE CREATE VALUE





ADIDAS GROUP FIRST HALF YEAR REPORT

JANUARY — JUNE 2016

ADIDAS GROUP FIRST HALF YEAR REPORT 2016

01 FIRST HALF YEAR RESULTS AT A GLANCE € IN MILLIONS

	First half year 2016	First half year 2015	Change	Second Quarter 2016	Second Quarter 2015	Change
Group [1]						
Net sales	9,191	7,990	15.0%	4,422	3,907	13.2%
Gross profit	4,517	3,897	15.9%	2,159	1,889	14.3%
Gross margin	49.1%	48.8%	0.4pp	48.8%	48.3%	0.5pp
Operating profit [2]	905	596	51.8%	414	234	77.4%
Operating margin [2]	9.8%	7.5%	2.4pp	9.4%	6.0%	3.4pp
Western Europe						
Net sales	2,628	2,104	24.9%	1,214	961	26.3%
Gross profit	1,185	1,003	18.1%	534	454	17.7%
Gross margin	45.1%	47.7%	(2.6pp)	44.0%	47.2%	(3.2pp)
Segmental operating profit	523	460	13.7%	210	180	16.3%
Segmental operating margin	19.9%	21.9%	(2.0pp)	17.3%	18.8%	(1.5pp)
North America						
Net sales	1,515	1,234	22.9%	788	643	22.6%
Gross profit	580	451	28.5%	305	236	29.5%
Gross margin	38.2%	36.6%	1.7pp	38.8%	36.7%	2.1pp
Segmental operating profit	94	8	1,068.9%	74	17	347.6%
Segmental operating margin	6.2%	0.6%	5.5pp	9.4%	2.6%	6.8pp
Greater China						
Net sales	1,447	1,161	24.6%	685	564	21.4%
Gross profit	849	666	27.4%	413	333	24.2%
Gross margin	58.7%	57.4%	1.3pp	60.3%	59.0%	1.4pp
Segmental operating profit	552	424	30.3%	254	206	23.7%
Segmental operating margin	38.2%	36.5%	1.7pp	37.2%	36.5%	0.7pp
Russia/CIS						
Net sales	310	366	(15.5%)	172	204	(15.9%)
Gross profit	179	205	(12.6%)	100	122	(18.1%)
Gross margin	58.0%	56.0%	1.9pp	58.2%	59.8%	(1.6pp)
Segmental operating profit	46	33	37.9%	32	31	4.3%
Segmental operating margin	14.7%	9.0%	5.7pp	18.6%	15.0%	3.6pp
Latin America						
Net sales	773	879	(12.1%)	379	456	(17.0%)
Gross profit	334	374	(10.7%)	156	194	(19.9%)
Gross margin	43.2%	42.5%	0.7pp	41.1%	42.6%	(1.5pp)
Segmental operating profit	95	127	(24.7%)	40	69	(42.1%)
Segmental operating margin	12.3%	14.4%	(2.1pp)	10.5%	15.1%	(4.6pp)
Japan						
Net sales	472	333	41.8%	236	178	32.4%
Gross profit	236	159	48.5%	120	86	40.1%
Gross margin	50.0%	47.8%	2.3pp	51.0%	48.2%	2.8pp
Segmental operating profit	101	54	88.5%	51	30	70.6%
Segmental operating margin	21.4%	16.1%	5.3pp	21.6%	16.8%	4.8pp
MEAA (Middle East, Africa and other Asian markets)						
Net sales	1,273	1,171	8.7%	572	536	6.8%
Gross profit	638	605	5.5%	283	270	4.7%
Gross margin	50.2%	51.7%	(1.5pp)	49.4%	50.5%	(1.0pp)
Segmental operating profit	342	340	0.5%	127	139	(8.6%)
Segmental operating margin	26.8%	29.0%	(2.2pp)	22.2%	26.0%	(3.7pp)
Other Businesses [1]						
Net sales	774	742	4.2%	377	365	3.3%
Gross profit	295	254	16.1%	149	113	31.8%
Gross margin	38.1%	34.2%	3.9pp	39.4%	30.8%	8.5pp
Segmental operating profit	(20)	(45)	56.3%	(19)	(40)	52.5%
Segmental operating margin	(2.5%)	(6.1%)	3.5pp	(5.0%)	(10.9%)	5.9pp
Sales by Brand						
adidas	7,741	6,533	18.5%	3,705	3,180	16.5%
Reebok	815	819	(0.5%)	399	408	(2.1%)
TaylorMade-adidas Golf	523	519	0.8%	248	239	3.7%
CCM Hockey	102	120	(14.7%)	64	80	(20.3%)

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)

	First half year 2016	First half year 2015	Change	Second Quarter 2016	Second Quarter 2015	Change
Operating Highlights (€ in millions)						
Net sales [1]	9,191	7,990	15.0%	4,422	3,907	13.2%
EBITDA [1]	1,100	771	42.7%	510	320	59.5%
Operating profit [1, 3]	905	596	51.8%	414	234	77.4%
Net income from continuing operations [3]	641	401	60.1%	291	146	99.2%
Net income attributable to shareholders [2, 3]	641	385	66.5%	291	146	98.6%
Key Ratios (%)						
Gross margin [1]	49.1%	48.8%	0.4pp	48.8%	48.3%	0.5pp
Operating expenses in % of net sales [1]	42.0%	42.8%	(0.8pp)	43.8%	44.0%	(0.3pp)
Operating margin [1, 3]	9.8%	7.5%	2.4pp	9.4%	6.0%	3.4pp
Effective tax rate [1, 3]	29.3%	31.8%	(2.5pp)	29.1%	35.1%	(6.0pp)
Net income attributable to shareholders in % of net sales [2, 3]	7.0%	4.8%	2.2pp	6.6%	3.7%	2.8pp
Average operating working capital in % of net sales [1, 4]	20.4%	21.6%	(1.2pp)			
Equity ratio	41.3%	43.5%	(2.2pp)			
Net borrowings/EBITDA [1, 5]	0.6	0.6				
Financial leverage	17.7%	17.2%	0.5pp			
Return on equity [2]	11.1%	6.6%	4.5pp			
Balance Sheet and Cash Flow Data (€ in millions)						
Total assets	14,029	12,754	10.0%			
Inventories	3,514	2,927	20.1%			
Receivables and other current assets	3,461	3,236	7.0%			
Working capital	2,202	2,510	(12.3%)			
Net borrowings	1,028	957	7.5%			
Shareholders' equity	5,792	5,548	4.4%			
Capital expenditure	201	137	46.5%	133	85	57.6%
Net cash used in operating activities [2]	(75)	(31)	137.9%			
Per Share of Common Stock (€)						
Basic earnings [2, 3]	3.20	1.90	68.8%	1.45	0.73	100.0%
Diluted earnings [2, 3]	3.13	1.90	65.0%	1.42	0.73	95.7%
Net cash used in operating activities [2]	(0.37)	(0.15)	141.2%			
Dividend	1.60	1.50	6.7%			
Share price at end of period	128.45	68.65	87.1%			
Other (at end of period)						
Number of employees [1]	57,176	54,335	5.2%			
Number of shares outstanding	200,197,417	200,197,417	–			
Average number of shares	200,197,417	202,897,613	(1.3%)	200,197,417	201,644,392	(0.7%)

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 Q2 2016

APRIL

07.04.
adidas opens its first Brand Centre in Hong Kong. With a retail area of nearly 6,500 square feet, it is the largest sports brand speciality store in the city's Central district.

MAY

02.05.
Reebok launches '25,915 Days', a striking campaign reminding people that they have, on average, 25,915 days to live. With this campaign, Reebok repeats its fitness mantra and motivates fitness enthusiasts to live up to their fullest potential.

13.05.
adidas Originals launches its official Snapchat channel, taking an Open Source approach and allowing influencers to showcase and personify the brand.

20.05.
Shortly before the kick-off of the UEFA EURO 2016, adidas unveils the Mercury Pack, a cutting-edge range of boots inspired by the trophies that players around the world strive to win.

22.05.
For the second time, Sergio García wins the AT&T Byron Nelson in Irving/Texas, USA. García wins playing a full TaylorMade bag including an M2 driver, M1 fairway woods and PSi irons.

23.05.
Reebok launches 'Hunt Greatness', a campaign and platform inspired by American football star J. J. Watt that encourages people to pursue a better version of themselves, every day, through fitness.

26.05.
adidas Originals relaunches its iconic Gazelle. With this silhouette that was first introduced in the 1960s, adidas Originals continues defining a contemporary street look for the future.

JUNE

09.06.
adidas and Zalando, one of Europe's biggest online retailers, launch a new pilot to meet the needs of today's consumer faster than ever. Consumers in Berlin are able to place orders for adidas products on Zalando's app and get the delivery on the same day.

15.06.
In the USA, adidas launches AlphaBOUNCE, a running shoe that offers an adaptive fit and feel for runners and versatile athletes. Men's pairs were sold out within less than twelve hours.

16.06.
adidas announces that its football business is expected to reach new record sales of € 2.5 billion in 2016.

20.06.
adidas announces its contract extension with the German Football Association (DFB) until 2022.

21.06.
The NBA's most sought-after draft prospects Brandon Ingram, Jaylen Brown, Jamal Murray, Dragan Bender and Kris Dunn choose to join adidas Basketball.

23.06.
adidas introduces UltraBOOST Uncaged. The shoe was inspired by fans and combines the performance and innovation of the original UltraBOOST with the unique flair of the adidas brand's creative fan base.

23.06.
Reebok and three-time Defensive Player of the Year J. J. Watt announce the release of the JJ I, the ultimate training shoe which was developed in close collaboration with the American football star.

23.06.
Together with other partners, Reebok hosts the 2016 International Day of Yoga in India's biggest cities, reaching more than 25,000 participants.

27.06.
adidas establishes a new strategic partnership with Chinese real estate and sports business giant Wanda Group. In future, adidas will sponsor two of Wanda's IRONMAN events and will help to further develop football and basketball in China.

29.06.
adidas announces the cementing of its long-term relationship with creative pioneer Kanye West in the launch of adidas + KANYE WEST.

30.06.
As the second-youngest player ever, TaylorMade-adidas Golf staffer Rich Berberian wins the 49th PGA Professional Championship in Verona/ New York, USA.

LETTER FROM THE CEO

HERBERT HAINER
ADIDAS GROUP CEO

Dear Shareholders,

The first half of 2016 has clearly shown that our consumer-centric approach as part of 'Creating the New' is paying off. The stellar financial performance in the second quarter is proof positive that we are a true growth company that is winning in the marketplace across all categories, countries and channels.

Let's take a look at the highlights of the quarter:

- We achieved record second quarter sales of € 4.4 billion, up 21% in currency-neutral terms, representing our highest organic second quarter growth rate in more than a decade. This means that, excluding all the exchange rate developments, we have added more than € 750 million to our top line – in just one quarter!

- The adidas brand continued to experience unparalleled brand heat, as revenues increased a strong 25%, driven by key performance and lifestyle categories which all grew at double-digit rates. The development was particularly strong in key regions such as North America, Greater China and Western Europe, where sales increased by an impressive 32%, 30% and 30%, respectively.

- With a 7% top-line increase, sales growth at Reebok saw a further acceleration compared to the first quarter. The brand now looks back on thirteen consecutive quarters of growth, reflecting double-digit improvements outside of the US in every quarter. This shows how well consumers around the globe are responding to Reebok's new value proposition.

- Despite ongoing severe headwinds from negative currency effects, the Group's gross margin climbed 50 basis points to 48.8%, underlining the high desirability of our brands around the globe.

- The Group's operating margin improved a strong 3.4 percentage points to 9.4%, supported by the increase in gross margin, significant operating expense leverage as well as an extraordinary gain related to the early termination of the Chelsea F.C. contract.

- Net income from continuing operations almost doubled, reaching an all-time high of € 291 million during the second quarter.

What pleases me even more than the pure numbers is their composition. It is both our core performance categories – football, training and running – as well as our key lifestyle segments – adidas Originals and adidas neo – that continue to record strong double-digit growth rates across our focus markets, with only very few exceptions proving the rule. This underlines that we are focused on those business areas where we can have the biggest impact on the consumer and that offer the greatest opportunities for our Group. And with 'Brand Leadership', where we are putting the consumer at the heart of everything we do, now in full swing across the entire company, there is no doubt that we will continue to be laser-focused when it comes to how we will be tackling all of these major categories in the respective markets going forward. We will ensure that we inspire consumers with unique experiences. We will continue to engage with them through marketing initiatives unheard of before, and we are going to excite them – again and again – with the most innovative and stylish products. This will not only further elevate the desirability of our brands to new heights; it will also directly translate into faster and more sustainable top- and bottom-line growth.

As a result, 2016 will be a record year for the adidas Group. But we will not stop there. In the years to come, our consumer-obsessed mindset will help us to break into uncharted territory in terms of sales and profitability.

This very promising next part of our journey, however, will not be led by me. After more than 15 years at the helm of the adidas Group, today is the 63rd and final time I will be addressing my quarterly remarks to you as the CEO of this great company. A couple of days ago, Kasper Rorsted, who successfully led Henkel AG for the last eight years, strengthened our already outstanding Executive Board team before he will assume the role of CEO on October 1. Over the next two months, I will work closely with Kasper to ensure a smooth transition and I have no doubt that he will continue the success story of this company together with our excellent management team.

Before I come to an end, I would like to thank you, dear shareholders, for your trust in the adidas Group, that I was privileged to lead over the past 15 years. Thanks to your ongoing support, we were able to more than triple revenues during this period, quintuple the Group's net income and grow our market capitalisation by the factor 10. I have greatly enjoyed our time together and am very pleased to see that the Group is in such great shape. At the same time, I am convinced that the best for this company is yet to come!

Yours sincerely,

HERBERT HAINER
adidas Group CEO

OUR SHARE

ADIDAS AG SHARE ONCE AGAIN DEFIES NEGATIVE MARKET SENTIMENT AND SIGNIFICANTLY OUTPERFORMS GLOBAL EQUITY MARKETS

In the second quarter of 2016, equity markets suffered strong volatility, with most international indices ending the quarter below the March 2016 level. In particular, the outcome of the EU referendum in the UK in June was a major headwind. Furthermore, low commodity prices as well as repeatedly disappointing economic data in China put additional pressure on equity markets throughout the second quarter of 2016. Correspondingly, the DAX-30 declined 3% compared to the end of March 2016. In contrast, the adidas AG share once again managed to defy the negative equity market sentiment following the release of stellar first quarter results, the increased outlook for the full year 2016 as well as positive company-related newsflow. As a consequence, the adidas AG share significantly outperformed global equity markets and closed the second quarter at € 128.45, representing a strong increase of 25% compared to the end of March 2016.

DIVIDEND OF € 1.60 PER SHARE PAID

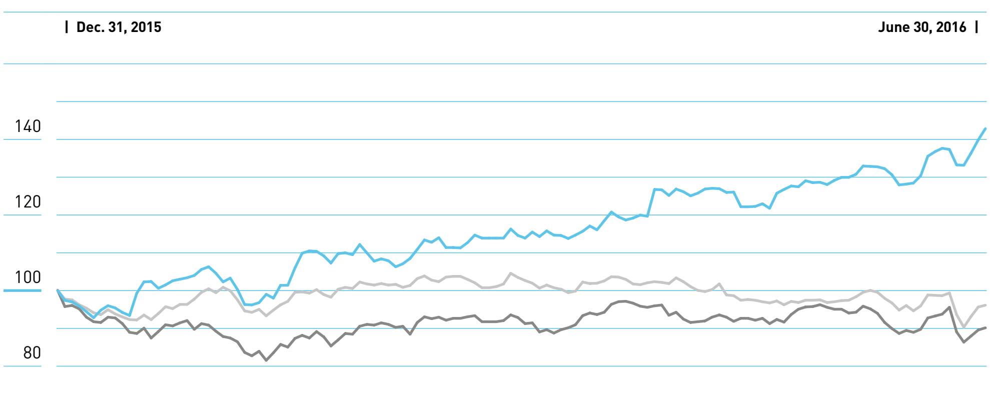
At the Annual General Meeting (AGM) on May 12, 2016, shareholders approved the adidas AG Executive and Supervisory Boards' recommendation to pay a dividend of € 1.60 per share for the 2015 financial year. The dividend was paid on May 13, 2016. This represents a dividend payout of € 320 million and a 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 JUNE 30, 2016** IN %

	YTD	1 year	3 years	5 years	10 years
adidas AG	43	87	54	135	244
DAX-30	(10)	(12)	22	31	70
MSCI World Textiles, Apparel & Luxury Goods	(4)	(8)	3	21	121

Source: Bloomberg.

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



1 Index: December 31, 2015 = 100.

GROUP BUSINESS PERFORMANCE

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY GROWS IN THE SECOND QUARTER OF 2016

In the second quarter of 2016, the global economy continued to grow, albeit at a lower rate than initially projected. The weaker than expected global recovery reflects persistently low commodity prices, lacklustre 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 heightened geopolitical tensions and political discord, these developments remained major sources of uncertainty and continued to weigh on economic activity. The performance in developing economies was somewhat disappointing, due to continued low commodity prices and weak global trade. Economic activity in developed economies strengthened modestly, supported by low oil and energy prices, stronger domestic demand as well as 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, low investment spending, sluggish export growth and increased policy uncertainty.

POSITIVE MOMENTUM IN THE SPORTING GOODS INDUSTRY IN THE SECOND QUARTER

The global sporting goods industry recorded solid growth in the second quarter of 2016, 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 showcased a strong performance during the second quarter of 2016. In particular, running footwear posted robust gains, driven by both fashion and performance silhouettes. Basketball footwear was somewhat softer and was negatively impacted by ongoing efforts by retailers to clear elevated inventory levels within the category. The football category benefited strongly from sales and activities related to the UEFA EURO 2016 and the Copa América. In addition, the casual athletic category recorded further improvements throughout the quarter. On the athletic apparel side, sales experienced a modest recovery during the quarter, driven by stronger demand in both sportswear and activewear apparel.

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

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
USA[2]	99.8	102.6	96.3	96.1	98.0
Euro area[3]	(5.5)	(7.0)	(5.7)	(9.7)	(7.3)
Japan[4]	41.9	40.4	41.3	41.3	42.1
China[5]	105.5	105.6	103.7	100.0	99.8
Russia[6]	(23.0)	(24.0)	(26.0)	(30.0)	(26.0)
Brazil[7]	96.2	96.3	96.3	97.6	101.0

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	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Average rate 2016[2]
USD	1.1101	1.1203	1.0887	1.1385	1.1102	1.1164
GBP	0.7259	0.7385	0.7340	0.7916	0.8265	0.7783
JPY	134.42	134.69	131.07	127.90	114.05	124.71
RUB	67.682	74.205	79.347	76.971	71.339	78.518
CNY	6.9721	7.1266	7.0696	7.3561	7.3620	7.2966

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

INCOME STATEMENT

FIRST HALF 2016 KEY TAKEAWAYS

In the first half of 2016, the adidas Group delivered an outstanding financial performance. Group revenues increased 21% on a currency-neutral basis, due to strong double-digit growth at adidas and mid-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. Despite significant pressure from negative currency effects, the Group's gross margin improved 0.4 percentage points to 49.1%, driven by a more favourable pricing and product 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 42.0%. These operating improvements 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 9.8%, the operating margin was up 2.4 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 60% to € 641 million. At € 3.13, diluted EPS from continuing and discontinued operations grew 65%, excluding goodwill impairment losses in the prior year.

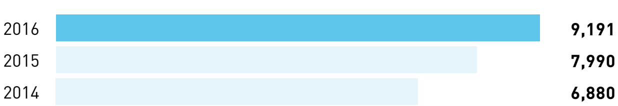
ADIDAS GROUP WITH STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS IN THE FIRST HALF OF 2016

In the first half of 2016, Group revenues increased 21% 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 15% to € 9.191 billion. From a brand perspective, currency-neutral adidas revenues grew 25%, driven by double-digit sales increases in the running, football and training categories as well as at adidas Originals and adidas neo. Currency-neutral Reebok sales were up 7% versus the prior year, reflecting strong double-digit sales increases in Classics as well as mid-single-digit growth in the training category and low-single-digit growth in the running category. Revenues at TaylorMade-adidas Golf were up 2% on a currency-neutral basis, driven by double-digit sales increases at TaylorMade as well as growth 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

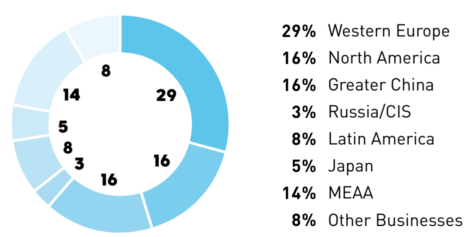
see Table 09

07 **FIRST HALF YEAR NET SALES [1]** € IN MILLIONS



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

08 **FIRST HALF YEAR NET SALES BY SEGMENTS**



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 half year 2016	First half year 2015	Change	Change (currency-neutral)
Western Europe	2,628	2,104	25%	27%
North America	1,515	1,234	23%	24%
Greater China	1,447	1,161	25%	30%
Russia/CIS	310	366	(16%)	5%
Latin America	773	879	(12%)	13%
Japan	472	333	42%	32%
MEAA	1,273	1,171	9%	16%
Other Businesses [1]	774	742	4%	6%
Total	**9,191**	**7,990**	**15%**	**21%**

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

Retail revenues were up 21% 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 13% to € 2.211 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 below the prior year level. The Group ended the first half with a total of 2,744 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 49% on a currency-neutral basis.

see Table 11

The adidas Group's gross margin increased 0.4 percentage points to 49.1%, despite severe headwinds from negative currency effects. This development reflects the positive effects from a more favourable pricing and product mix recorded during the first half of 2016.

see Diagram 13

Royalty and commission income for the adidas Group was down 5% to € 55 million. On a currency-neutral basis, royalty and commission income decreased 4%. Other operating income rose 214% to € 191 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

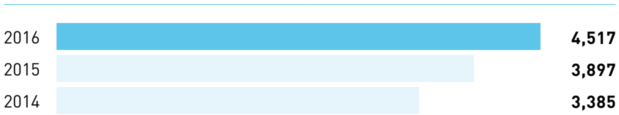
	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Footwear	4,860	4,049	20%	27%
Apparel	3,444	3,125	10%	16%
Hardware	887	815	9%	13%
Total	**9,191**	**7,990**	**15%**	**21%**

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

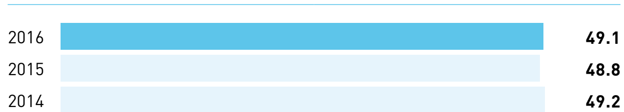
	Total	Concept Stores	Factory Outlets	Concession Corners
December 31, 2015	**2,722**	**1,698**	**872**	**152**
Opened	137	99	31	7
Closed	115	77	31	7
Opened (net)	22	22	–	–
June 30, 2016	**2,744**	**1,720**	**872**	**152**

12 FIRST HALF YEAR GROSS PROFIT [1] € IN MILLIONS



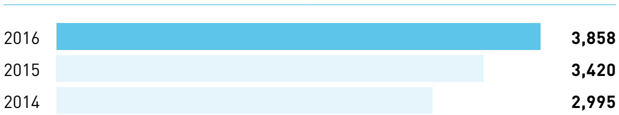
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

13 FIRST HALF YEAR GROSS MARGIN [1] IN %



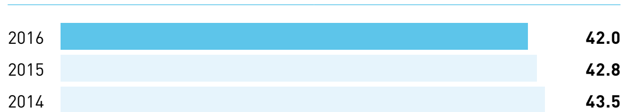
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.

14 FIRST HALF YEAR OTHER OPERATING EXPENSES [1] € IN MILLIONS



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

15 FIRST HALF YEAR 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 13% to € 3.858 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 42.0%. Expenditure for point-of-sale and marketing investments amounted to € 1.187 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 12.9%, reflecting the Group's strong top-line improvement.

see Diagram 14
see Diagram 15

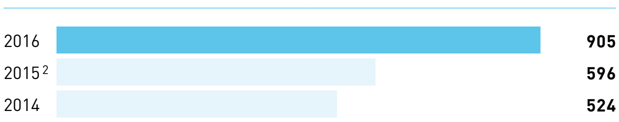
No goodwill impairment losses occurred during the first half of 2016. In the prior year period, the adidas Group recorded goodwill impairment losses in an amount of € 18 million, comprising impairment losses of € 15 million within the segment Latin America and € 3 million within the segment Russia/CIS.

Excluding the goodwill impairment losses in the prior year, operating profit grew 52% to € 905 million, representing an operating margin of 9.8%, up 2.4 percentage points versus the prior year. This development was due to the gross margin increase, the positive effect of 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 21% to € 29 million, mainly as a result of positive exchange rate effects. Financial expenses decreased 17% to € 27 million, due to a decline in interest expenses. As a result, the Group recorded net financial income of € 2 million compared to net financial expenses of € 9 million in the prior year. At 29.3%, the Group's tax rate was 2.5 percentage points below the prior year level. The Group's net income from continuing operations was up 60% to € 641 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 67% to € 641 million. Basic EPS from continuing and discontinued operations increased 69% to € 3.20. Diluted EPS from continuing and discontinued operations grew 65% to € 3.13.

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

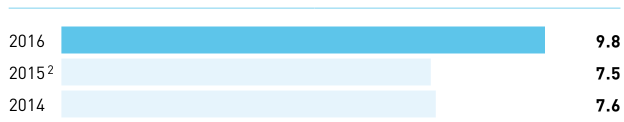
Including the goodwill impairment losses in the prior year, operating profit grew 57% in the first half of 2016 to € 905 million, representing an operating margin increase of 2.6 percentage points versus the prior year to 9.8% in 2016. The Group's tax rate decreased 3.6 percentage points to 29.3%. The Group's net income from continuing operations was up 68% to € 641 million and net income attributable to shareholders grew 75% to € 641 million. Basic EPS from continuing and discontinued operations increased 77% to € 3.20 and diluted EPS from continuing and discontinued operations was up 73% to € 3.13.

16 **FIRST HALF YEAR OPERATING PROFIT**[1] € IN MILLIONS



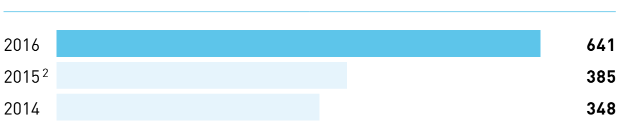
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.
2 Excluding goodwill impairment of € 18 million.

17 **FIRST HALF YEAR OPERATING MARGIN**[1] IN %



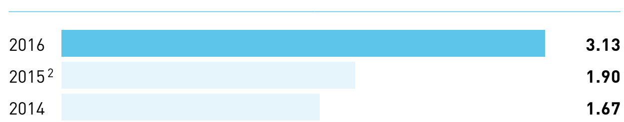
1 Figures reflect continuing operations as a result of the divestiture of the Rockport business.
2 Excluding goodwill impairment of € 18 million.

18 **FIRST HALF YEAR NET INCOME ATTRIBUTABLE TO SHAREHOLDERS**[1] € IN MILLIONS



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

19 **FIRST HALF YEAR 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 June 2016, total assets were up 10% to € 14.029 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 10% to € 8.144 billion at the end of June 2016. Cash and cash equivalents were up 18% to € 1.135 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 € 186 million. Group inventories increased 20% to € 3.514 billion. On a currency-neutral basis, inventories grew 24%, reflecting higher stock levels to support the Group's top-line momentum. The Group's accounts receivable increased 4% to € 2.356 billion. On a currency-neutral basis, receivables were up 8%, reflecting the Group's strong growth during the second quarter. Other current financial assets increased 11% to € 398 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 16% to € 611 million, driven by an increase in tax receivables other than income taxes as well as an increase in prepaid promotion contracts. Assets classified as held for sale were down 89% to € 29 million, mainly reflecting the completion of the divestiture of the Rockport business.

Total non-current assets grew 10% to € 5.884 billion at the end of June 2016. Fixed assets increased 9% to € 4.964 billion. Additions of € 843 million were primarily related to 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. These additions were partly offset by negative currency translation effects of € 9 million, depreciation and amortisation of € 374 million, goodwill impairment of € 16 million, disposals of € 25 million and transfers to assets held for sale of € 6 million. Other non-current financial assets more than doubled to € 111 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 22% to € 5.942 billion at the end of June 2016. Accounts payable were up 8% to € 1.857 billion. On a currency-neutral basis, accounts payable grew 10%, reflecting higher inventories compared to the prior year. Other current financial liabilities were up 79% to € 262 million, mainly due to an increase in the fair value of financial instruments. Current accrued liabilities grew 23% to € 1.803 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 € 48 million. Other current liabilities were up 30% to € 405 million, mainly due to an increase in miscellaneous taxes payable.

Total non-current liabilities decreased 1% to € 2.312 billion at the end of June 2016. Long-term borrowings were up 1% to € 1.470 billion compared to the prior year. Other non-current financial liabilities more than doubled to € 20 million, mainly due to the earn-out components for Runtastic.

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

	June 30, 2016	June 30, 2015
Assets (€ in millions)	**14,029**	12,754
Cash and cash equivalents	**8.1%**	7.5%
Accounts receivable	**16.8%**	17.8%
Inventories	**25.0%**	22.9%
Fixed assets	**35.4%**	35.7%
Other assets	**14.7%**	16.0%

June 30, 2016 June 30, 2015

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

Shareholders' equity increased 4% to € 5.792 billion at the end of June 2016. The net income generated during the last twelve months was partly offset by negative currency translation effects of € 271 million, the dividend of € 320 million paid to shareholders for the 2015 financial year as well as a decrease in hedging reserves of € 77 million. The Group's equity ratio decreased to 41.3%.

see Diagram 21

OPERATING WORKING CAPITAL

Operating working capital increased 15% to € 4.013 billion at the end of June 2016. Average operating working capital as a percentage of sales from continuing operations decreased 1.2 percentage points to 20.4%, 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 half of 2016, net cash used in operating activities increased to € 75 million, driven by higher operating working capital requirements as well as an increase in income taxes paid which more than offset an increase in income before taxes. Net cash used in investing activities remained stable at € 146 million. The majority of investing activities in the first half 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 € 9 million and was mainly related to the net proceeds from short-term borrowings, which were largely offset by the dividend paid to our shareholders. Exchange rate effects negatively impacted the Group's cash position by € 19 million. As a result of all these developments, cash and cash equivalents increased by € 230 million to € 1.135 billion.

Net borrowings at June 30, 2016 amounted to € 1.028 billion, representing an increase of € 71 million compared to the prior year. This development is mainly a result of the utilisation of cash for the purchase of fixed assets and the acquisition of Runtastic. The Group's ratio of net borrowings over EBITDA amounted to 0.6, which is below 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 ASSETS

	June 30, 2016	June 30, 2015
Liabilities and equity (€ in millions)	**14,029**	12,754
Short-term borrowings	**5.0%**	3.6%
Accounts payable	**13.2%**	13.4%
Long-term borrowings	**10.5%**	11.4%
Other liabilities	**30.0%**	28.0%
Total equity	**41.2%**	43.4%

June 30, 2016 June 30, 2015

Rounding differences may arise.
1 For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 24.

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

2016	**20.4**
2015	**21.6**
2014	**22.0**

1 At June 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	**1,028**
2015	**957**
2014	**454**

1 At June 30.

BUSINESS PERFORMANCE BY SEGMENT

WESTERN EUROPE

In the first half of 2016, sales in Western Europe increased 27% on a currency-neutral basis, as a result of strong double-digit sales growth at both adidas and Reebok. In euro terms, sales in Western Europe grew 25% to € 2.628 billion. adidas revenues grew 27% 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 18% on a currency-neutral basis, mainly due to double-digit sales growth in the training category and in Classics as well as mid-single-digit increases in the running category. 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 Sweden, where revenues grew at strong double-digit rates each.

see Table 24

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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	2,628	2,104	25%	27%
adidas	2,427	1,931	26%	27%
Reebok	201	173	17%	18%
Gross profit	1,185	1,003	18%	–
Gross margin	45.1%	47.7%	(2.6pp)	–
Segmental operating profit	523	460	14%	–
Segmental operating margin	19.9%	21.9%	(2.0pp)	–

Rounding differences may arise.

Gross margin in Western Europe decreased 2.6 percentage points to 45.1%. 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 22% to € 662 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 down 0.6 percentage points to 25.2%. Operating margin declined 2.0 percentage points to 19.9%, 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 half of 2016, sales in North America increased 24% on a currency-neutral basis, due to strong double-digit sales growth at adidas. In euro terms, sales in North America grew 23% to € 1.515 billion. adidas revenues increased 32% 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. In addition, high-single-digit sales increases in the football category as well as mid-single-digit growth in the basketball category also contributed to this development. Reebok revenues in North America decreased 8% on a currency-neutral basis as mid-single-digit growth in Classics was more than offset by sales declines in the training and running categories.

see Table 25

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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	1,515	1,234	23%	24%
adidas	1,294	990	31%	32%
Reebok	221	243	(9%)	(8%)
Gross profit	580	451	28%	–
Gross margin	38.2%	36.6%	1.7pp	–
Segmental operating profit	94	8	1,069%	–
Segmental operating margin	6.2%	0.6%	5.5pp	–

Rounding differences may arise.

Gross margin in North America increased 1.7 percentage points to 38.2% as negative currency effects were more than compensated by a more favourable product, pricing and channel mix as well as lower input costs. Operating expenses were up 11% to € 513 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 3.6 percentage points to 33.9%. 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 5.5 percentage points to 6.2%.

see Table 25

GREATER CHINA

In the first half of 2016, sales in Greater China grew 30% on a currency-neutral basis, as a result of strong double-digit sales increases at both adidas and Reebok. In euro terms, sales in Greater China were up 25% to € 1.447 billion. 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 in Greater China increased 29% on a currency-neutral basis, driven by 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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	1,447	1,161	25%	30%
adidas	1,415	1,136	25%	30%
Reebok	32	25	26%	29%
Gross profit	849	666	27%	–
Gross margin	58.7%	57.4%	1.3pp	–
Segmental operating profit	552	424	30%	–
Segmental operating margin	38.2%	36.5%	1.7pp	–

Rounding differences may arise.

Gross margin in Greater China increased 1.3 percentage points to 58.7%, reflecting lower input costs as well as a more favourable product and channel mix, partly offset by negative currency effects. Operating expenses were up 23% to € 297 million. This development reflects a significant increase in expenditure for point-of-sale investments as well as higher sales expenditure. Operating expenses as a percentage of sales decreased 0.4 percentage points to 20.5%. 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 1.7 percentage points to 38.2%.

see Table 26

RUSSIA/CIS

In the first half of 2016, sales in Russia/CIS increased 5% on a currency-neutral basis, as a result of mid-single-digit sales increases at adidas and high-single-digit growth at Reebok. In euro terms, sales in Russia/CIS decreased 16% to € 310 million. adidas revenues were up 4% on a currency-neutral basis, driven by double-digit sales increases in the running and outdoor categories as well as at adidas neo. In addition, high-single-digit growth in the football category as well as at adidas Originals also contributed to this development. Reebok revenues in Russia/CIS increased 9% on a currency-neutral basis, mainly due to double-digit sales growth in the training and running categories.

see Table 27

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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	310	366	(16%)	5%
adidas	238	284	(16%)	4%
Reebok	72	82	(12%)	9%
Gross profit	179	205	(13%)	–
Gross margin	58.0%	56.0%	1.9pp	–
Segmental operating profit	46	33	38%	–
Segmental operating margin	14.7%	9.0%	5.7pp	–

Rounding differences may arise.

Gross margin in Russia/CIS increased 1.9 percentage points to 58.0%. This development was mainly due to a significantly more favourable pricing mix which more than compensated severe negative currency effects. Operating expenses were down 22% to € 134 million. This development reflects significantly lower sales expenditure as well as a decrease in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales were down 3.7 percentage points to 43.3%. 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 14.7%.

see Table 27

LATIN AMERICA

Revenues in Latin America were up 13% on a currency-neutral basis, as a result of double-digit sales growth at adidas. In euro terms, sales in Latin America were down 12% to € 773 million. adidas revenues increased 17% 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. In addition, high-single-digit growth in the outdoor and basketball categories also contributed to this development. Reebok revenues in Latin America decreased 7% on a currency-neutral basis, as double-digit growth in the training category 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.

see Table 28

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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	773	879	(12%)	13%
adidas	680	749	(9%)	17%
Reebok	93	130	(29%)	(7%)
Gross profit	334	374	(11%)	–
Gross margin	43.2%	42.5%	0.7pp	–
Segmental operating profit	95	127	(25%)	–
Segmental operating margin	12.3%	14.4%	(2.1pp)	–

Rounding differences may arise.

Gross margin in Latin America grew 0.7 percentage points to 43.2%. The severe negative impact from unfavourable currency developments was more than compensated by a more favourable pricing, channel and product mix. Operating expenses were down 4% to € 238 million, reflecting lower sales expenditure as well as a decrease in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales were up 2.7 percentage points to 30.8%. Operating margin declined 2.1 percentage points to 12.3%, as the positive effect from the gross margin increase was more than offset by higher operating expenses as a percentage of sales.

see Table 28

JAPAN

In the first half of 2016, sales in Japan increased 32% on a currency-neutral basis, due to strong double-digit sales growth at both adidas and Reebok. In euro terms, revenues in Japan increased 42% to € 472 million. adidas revenues grew 28% on a currency-neutral basis, driven by double-digit sales growth in the running category 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 Japan were up 75% 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 half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	472	333	42%	32%
adidas	421	306	38%	28%
Reebok	51	27	88%	75%
Gross profit	236	159	48%	–
Gross margin	50.0%	47.8%	2.3pp	–
Segmental operating profit	101	54	89%	–
Segmental operating margin	21.4%	16.1%	5.3pp	–

Rounding differences may arise.

Gross margin in Japan increased 2.3 percentage points to 50.0%, as a more favourable product and pricing mix more than offset the significant impact from negative currency fluctuations. Operating expenses were up 27% to € 142 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 3.5 percentage points to 30.1%. 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 grew 5.3 percentage points to 21.4%.

see Table 29

MEAA

In the first half of 2016, sales in MEAA were up 16% on a currency-neutral basis, driven by double-digit sales growth at adidas. In euro terms, sales in MEAA grew 9% to € 1.273 billion. adidas revenues increased 17% on a currency-neutral basis, due to double-digit sales growth in the running and football 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 MEAA were up 9% on a currency-neutral basis, driven by double-digit sales growth in Classics. In addition, high-single-digit sales increases in the running category as well as mid-single-digit growth in the training category 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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	1,273	1,171	9%	16%
adidas	1,132	1,035	9%	17%
Reebok	141	136	4%	9%
Gross profit	638	605	5%	–
Gross margin	50.2%	51.7%	(1.5pp)	–
Segmental operating profit	342	340	1%	–
Segmental operating margin	26.8%	29.0%	(2.2pp)	–

Rounding differences may arise.

Gross margin in MEAA decreased 1.5 percentage points to 50.2%, as the positive effects from a more favourable pricing and product mix as well as lower input costs were more than offset by significant negative currency effects. Operating expenses were up 12% to € 298 million, primarily due to higher sales expenditure. As a percentage of sales, operating expenses grew 0.7 percentage points to 23.4%. Operating margin was down 2.2 percentage points to 26.8%, reflecting the gross margin decline as well as the negative impact of higher operating expenses as a percentage of sales.

see Table 30

OTHER BUSINESSES

Revenues in Other Businesses grew 6% on a currency-neutral basis. Strong double-digit sales growth in Other centrally managed businesses as well as low-single-digit sales increases at TaylorMade-adidas Golf were only partly offset by sales declines at CCM Hockey. In euro terms, revenues in Other Businesses grew 4% to € 774 million. Revenues at TaylorMade-adidas Golf increased 2% on a currency-neutral basis, as growth at TaylorMade and adidas Golf was partly offset by sales declines at Ashworth and Adams. Currency-neutral CCM Hockey sales were down 12%, 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 33% 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

	First half year 2016	First half year 2015	Change	Change (currency-neutral)
Net sales	774	742	4%	6%
TaylorMade-adidas Golf	523	519	1%	2%
CCM Hockey	102	120	(15%)	(12%)
Other centrally managed businesses	138	104	33%	33%
Gross profit	295	254	16%	–
Gross margin	38.1%	34.2%	3.9pp	–
Segmental operating profit	(20)	(45)	56%	–
Segmental operating margin	(2.5%)	(6.1%)	3.5pp	–

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

Gross margin was up 3.9 percentage points to 38.1%, driven by significantly higher product margins at both TaylorMade-adidas Golf and CCM Hockey. Operating expenses grew 5% to € 319 million, as a result of higher sales expenditure. As a percentage of sales, operating expenses increased 0.3 percentage points to 41.2%. In the first half of 2016, Other Businesses recorded a negative operating margin of 2.5%, an improvement of 3.5 percentage points compared to the prior year.

see Table 31

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

NO SUBSEQUENT EVENTS

Since the end of the first half 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.

OUTLOOK [1]

GLOBAL ECONOMY TO GROW IN 2016

Global GDP is projected to increase moderately by 2.4% in 2016. This development is supported by the economic recovery in major developed economies, a gradual tightening of financing conditions and low inflationary pressures. Nevertheless, concerns about future demand as a result of the expected slowdown of the Chinese economy as well as ongoing geopolitical uncertainties in several countries, amongst others the UK following the outcome of the EU referendum, are projected to weigh on the global outlook. Developing economies are forecasted to remain a major contributor to the global economic expansion in 2016. At 3.5%, their growth rate, however, is projected to rise only modestly compared to 2015. More specifically, developing economies are expected to benefit from the economic 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 as well as weak global trade. In developed economies, GDP is expected to grow 1.7% in 2016, supported by accommodative monetary policies, lower oil and energy prices bolstering domestic demand as well as improvements in the labour markets.

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 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 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-retail business model, with significant emphasis on mobile. E-commerce and investment in digital are anticipated to remain major 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 outstanding financial performance in the first half of 2016, the Group has increased its 2016 financial outlook. We now forecast adidas Group sales to increase at a rate in the high teens (previously: to increase at a rate of around 15%) 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 by double-digit growth in all regions except Russia/CIS, where sales are now forecasted to grow at a mid-single-digit rate (previously: around the prior year level).

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

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.

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% (previously: decline of up to 50 basis points) compared to 48.3% in the prior year.

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 below the prior year level of 13.9%. 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 to a level of up to 7.5% (previously: to increase to a level around 7.0%) compared to the prior year level of 6.5%. Lower other operating expenses as a percentage of sales, reflecting strong top-line growth, will be the primary driver of the operating margin improvement.

As a result of the increased top-line expectations as well as the improved gross and operating margin outlook, net income from continuing operations excluding goodwill impairment is now projected to increase at a rate between 35% and 39% (previously: to increase by around 25%) 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	to increase at a rate of around 15%
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	around prior year level
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	mid-single-digit rate increase
Gross margin	48.0% to 48.3%	decline of up to 50 basis points
Other operating expenses in % of net sales	below prior year level	
Operating margin	to increase to a level of up to 7.5%	to increase to a level of around 7,0% [3]
Net income from continuing operations	to increase at a rate between 35% and 39% to a level between € 975 million and € 1.0 billion	to increase by around 25% to a level of around € 900 million [3]
Average operating working capital in % of sales	around prior year level	
Capital expenditure	around € 750 million	
Store base	net increase of around 50 stores	net increase of around 100 stores
Gross borrowings	moderate decline	

1 As published on May 4, 2016.
2 Combined sales of adidas and Reebok.
3 As published on May 11, 2016.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Herzogenaurach, July 29, 2016

HERBERT HAINER
CEO

ROLAND AUSCHEL	**GLENN BENNETT**	**ERIC LIEDTKE**	**ROBIN J. STALKER**
Global Sales	**Global Operations**	**Global Brands**	**CFO**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	June 30, 2016	June 30, 2015	Change in %	December 31, 2015
Assets				
Cash and cash equivalents	1,135	959	18.3	1,365
Short-term financial assets	5	5	7.3	5
Accounts receivable	2,356	2,271	3.8	2,049
Other current financial assets	398	358	11.1	367
Inventories	3,514	2,927	20.1	3,113
Income tax receivables	96	81	18.7	97
Other current assets	611	526	16.3	489
Assets classified as held for sale	29	270	(89.4)	12
Total current assets	**8,144**	**7,397**	**10.1**	**7,497**
Property, plant and equipment	1,661	1,504	10.5	1,638
Goodwill	1,379	1,201	14.8	1,392
Trademarks	1,597	1,554	2.8	1,628
Other intangible assets	172	157	9.1	188
Long-term financial assets	155	136	13.6	140
Other non-current financial assets	111	35	212.5	99
Deferred tax assets	700	658	6.4	637
Other non-current assets	110	111	(1.2)	124
Total non-current assets	**5,884**	**5,357**	**9.8**	**5,846**
Total assets	**14,029**	**12,754**	**10.0**	**13,343**

Rounding differences may arise in percentages and totals.

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

	June 30, 2016	June 30, 2015	Change in %	December 31, 2015
Liabilities and equity				
Short-term borrowings	698	462	51.0	366
Accounts payable	1,857	1,712	8.4	2,024
Other current financial liabilities	262	147	78.9	143
Income taxes	443	308	43.9	359
Other current provisions	466	428	9.0	456
Current accrued liabilities	1,803	1,468	22.9	1,684
Other current liabilities	405	311	30.2	331
Liabilities classified as held for sale	6	51	(87.7)	0
Total current liabilities	**5,942**	**4,887**	**21.6**	**5,364**
Long-term borrowings	1,470	1,458	0.8	1,463
Other non-current financial liabilities	20	9	134.6	18
Pensions and similar obligations	276	293	(5.6)	273
Deferred tax liabilities	352	396	(11.2)	368
Other non-current provisions	55	39	41.8	50
Non-current accrued liabilities	96	92	4.6	120
Other non-current liabilities	42	42	(1.7)	40
Total non-current liabilities	**2,312**	**2,330**	**(0.8)**	**2,332**
Share capital	200	200	–	200
Reserves	397	742	(46.5)	592
Retained earnings	5,195	4,607	12.8	4,874
Shareholders' equity	**5,792**	**5,548**	**4.4**	**5,666**
Non-controlling interests	(17)	(11)	(54.3)	(18)
Total equity	**5,775**	**5,537**	**4.3**	**5,648**
Total liabilities and equity	**14,029**	**12,754**	**10.0**	**13,343**

Rounding differences may arise in percentages and totals.

CONSOLIDATED INCOME STATEMENT

ADIDAS AG CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS

	First half year 2016	First half year 2015	Change	Second quarter 2016	Second quarter 2015	Change
Net sales	9,191	7,990	15.0%	4,422	3,907	13.2%
Cost of sales	4,674	4,093	14.2%	2,263	2,018	12.1%
Gross profit	**4,517**	**3,897**	**15.9%**	**2,159**	**1,889**	**14.3%**
(% of net sales)	49.1%	48.8%	0.4pp	48.8%	48.3%	0.5pp
Royalty and commission income	55	58	(4.9%)	31	31	(0.2%)
Other operating income	191	61	213.6%	159	33	375.4%
Other operating expenses	3,858	3,420	12.8%	1,935	1,720	12.5%
(% of net sales)	42.0%	42.8%	(0.8pp)	43.8%	44.0%	(0.3pp)
Goodwill impairment losses	–	18	(100.0%)	–	–	n.a.
Operating profit	**905**	**578**	**56.5%**	**414**	**234**	**77.4%**
(% of net sales)	9.8%	7.2%	2.6pp	9.4%	6.0%	3.4pp
Financial income	29	24	21.0%	9	8	13.1%
Financial expenses	27	32	(16.9%)	14	17	(19.2%)
Income before taxes	**907**	**570**	**59.2%**	**410**	**225**	**82.3%**
(% of net sales)	9.9%	7.1%	2.7pp	9.3%	5.8%	3.5pp
Income taxes	266	187	41.9%	119	79	51.0%
(% of income before taxes)	29.3%	32.9%	(3.6pp)	29.1%	35.1%	(6.0pp)
Net income from continuing operations	**641**	**383**	**67.6%**	**291**	**146**	**99.2%**
(% of net sales)	7.0%	4.8%	2.2pp	6.6%	3.7%	2.8pp
Gains/(losses) from discontinued operations, net of tax	1	(13)	n.a.	0	1	(75.2%)
Net income	**642**	**370**	**73.6%**	**291**	**147**	**97.6%**
(% of net sales)	7.0%	4.6%	2.4pp	6.6%	3.8%	2.8pp
Net income attributable to shareholders	**641**	**367**	**74.7%**	**291**	**146**	**98.6%**
(% of net sales)	7.0%	4.6%	2.4pp	6.6%	3.7%	2.8pp
Net income attributable to non-controlling interests	**1**	**3**	**(65.8%)**	**1**	**1**	**(47.7%)**
Basic earnings per share from continuing operations (in €)	3.20	1.87	70.8%	1.45	0.72	101.7%
Diluted earnings per share from continuing operations (in €)	3.13	1.87	67.0%	1.42	0.72	97.3%
Basic earnings per share from continuing and discontinued operations (in €)	3.20	1.81	77.0%	1.45	0.73	100.0%
Diluted earnings per share from continuing and discontinued operations (in €)	3.13	1.81	73.0%	1.42	0.73	95.7%

Rounding differences may arise in percentages and totals.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	First half year 2016	First half year 2015
Net income after taxes	**642**	**370**
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]	2	(2)
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**2**	**(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	(114)	(154)
Currency translation differences	(81)	317
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	**(195)**	**162**
Other comprehensive income	**(193)**	**160**
Total comprehensive income	**449**	**530**
Attributable to shareholders of adidas AG	446	528
Attributable to non-controlling interests	2	2

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			317	(154)	(2)		161	(1)	160
Net income						367	367	3	370
Total comprehensive income			**317**	**(154)**	**(2)**	**367**	**528**	**2**	**530**
Repurchase of treasury shares	(4)					(297)	(301)		(301)
Dividend payment						(303)	(303)	(6)	(309)
Balance at June 30, 2015	**200**	**777**	**60**	**22**	**(119)**	**4,607**	**5,548**	**(11)**	**5,537**
Balance at December 31, 2015	**200**	**777**	**(123)**	**59**	**(122)**	**4,874**	**5,666**	**(18)**	**5,648**
Net income recognised directly in equity			(83)	(114)	2		(195)	1	(193)
Net income						641	641	1	642
Total comprehensive income			**(83)**	**(114)**	**2**	**641**	**446**	**2**	**449**
Dividend payment						**(320)**	**(320)**	**(2)**	**(322)**
Balance at June 30, 2016	**200**	**777**	**(206)**	**(54)**	**(121)**	**5,195**	**5,792**	**(17)**	**5,775**

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 half year 2016	First half year 2015
Operating activities:		
Income before taxes	907	570
Adjustments for:		
Depreciation, amortisation and impairment losses	176	179
Reversals of impairment losses	(0)	(1)
Unrealised foreign exchange losses, net	29	56
Interest income	(9)	(9)
Interest expense	27	32
(Gains)/losses on sale of property, plant and equipment and intangible assets, net	(39)	4
Operating profit before working capital changes	**1,090**	**831**
Increase in receivables and other assets	(509)	(440)
Increase in inventories	(416)	(344)
(Decrease)/increase in accounts payable and other liabilities	(13)	123
Cash generated in operations before interest and taxes	**152**	**170**
Interest paid	(16)	(18)
Income taxes paid	(210)	(200)
Net cash used in operating activities – continuing operations	**(74)**	**(48)**
Net cash (used in)/generated from operating activities – discontinued operations	(0)	17
Net cash used in operating activities	**(75)**	**(31)**
Investing activities:		
Purchase of trademarks and other intangible assets	(23)	(12)
Proceeds from sale of trademarks and other intangible assets	0	0
Purchase of property, plant and equipment	(178)	(126)
Proceeds from sale of property, plant and equipment	4	1
Proceeds from sale of assets held for sale	14	–
Proceeds from sale of a disposal group	32	–
Acquisition of subsidiaries and other business units net of cash acquired	–	(7)
(Purchase of)/proceeds from short-term financial assets	(0)	0
Purchase of investments and other long-term assets	(3)	(7)
Interest received	9	9
Net cash used in investing activities – continuing operations	**(146)**	**(141)**
Net cash used in investing activities – discontinued operations	–	(4)
Net cash used in investing activities	**(146)**	**(145)**
Financing activities:		
Repayments of long-term borrowings	–	(9)
Repayments of finance lease obligations	(1)	(1)
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	470	32
Repayments of short-term borrowings	(138)	–
Net cash generated from/(used in) financing activities	**9**	**(588)**
Effect of exchange rates on cash	**(19)**	**41**
Decrease of cash and cash equivalents	(230)	(724)
Cash and cash equivalents at beginning of the year	1,365	1,683
Cash and cash equivalents at the end of period	**1,135**	**959**

Rounding differences may arise in percentages and totals.

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

1 GENERAL

The interim consolidated financial statements of adidas AG and its direct and indirect subsidiaries (collectively the 'Group') for the first half year ending June 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 June 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 half year ending June 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 half year ending June 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 June 30, 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.

On June 30, 2016, the adidas Group formally completed the divestiture of its Mitchell & Ness business. The achieved initial closing represents the first step to carve out the business from the adidas Group, which is expected to be concluded within the next twelve months through a subsequent second closing. The remaining assets and liabilities of the Mitchell & Ness business which are legally not yet transferred are presented as a disposal group.

At June 30, 2016 this includes the following major classes of assets and liabilities:

CLASSES OF ASSETS AND LIABILITIES

€ in millions	June 30, 2016
Accounts receivable	9
Inventories	13
Other current assets	1
Total current assets	**23**
Property, plant and equipment	0
Other intangible assets	6
Total non-current assets	**6**
Total assets	**29**
Accounts payable	4
Other current provisions	0
Other current liabilities	1
Total current liabilities	**5**
Other non-current provisions	1
Total non-current liabilities	**1**
Total liabilities	**6**

5 SHAREHOLDERS' EQUITY

In the period from January 1, 2016 to June 30, 2016, the nominal capital of adidas AG ('the company') did not change. Consequently, on June 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, as at June 30, 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 JUNE 30, 2016, ACCORDING TO CATEGORIES OF IAS 39 AND THEIR FAIR VALUE

€ in millions	Category according to IAS 39	Carrying amount June 30, 2016	Measurement according to IAS 39			Measurement according to IAS 17	Fair value June 30, 2016
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
Financial assets							
Cash and cash equivalents	n.a.	1,135	1,135				1,135
Short-term financial assets	FAHfT	5			5		5
Accounts receivable	LaR	2,356	2,356				2,356
Other current financial assets							
Derivatives being part of a hedge	n.a.	135		135			135
Derivatives not being part of a hedge	FAHfT	17			17		17
Other financial assets	LaR	246	246				246
Long-term financial assets							
Other equity investments	FAHfT	81			81		81
Available-for-sale financial assets	AfS	72	35	36			72
Loans	LaR	2	2				2
Other non-current financial assets							
Derivatives being part of a hedge	n.a.	7		7			7
Derivatives not being part of a hedge	FAHfT	8			8		8
Promissory notes	AfS	43			43		43
Other financial assets	LaR	53	53				53
Assets classified as held for sale	LaR	10	10				10
Financial liabilities							
Short-term borrowings							
Bank borrowings	FLAC	698	698				698
Private placements	FLAC	–	–				–
Eurobond	FLAC	–	–				–
Convertible bond	FLAC	–	–				–
Accounts payable	FLAC	1,857	1,857				1,857
Current accrued liabilities	FLAC	621	621				621
Other current financial liabilities							
Derivatives being part of a hedge	n.a.	155		155			155
Derivatives not being part of a hedge	FLHfT	42			42		42
Other financial liabilities	FLAC	62	62				62
Finance lease obligations	n.a.	3				3	3
Long-term borrowings							
Bank borrowings	FLAC	–	–				–
Private placements	FLAC	–	–				–
Eurobond	FLAC	981	981				1,047
Convertible bond	FLAC	488	488				796
Non-current accrued liabilities	FLAC	10	10				10
Other non-current financial liabilities							
Derivatives being part of a hedge	n.a.	2		2			2
Derivatives not being part of a hedge	FLHfT	1			1		1
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	5	5				5
Thereof: aggregated by category according to IAS 39							
Financial assets at fair value through profit or loss		111					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		–					
Thereof: Held for Trading (FAHfT)		111					
Loans and Receivables (LaR)		2,666					
Available-for-Sale Financial Assets (AfS)		115					
Financial Liabilities Measured at Amortised Cost (FLAC)		4,723					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHfT)		43					

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
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 JUNE 30, 2016

€ in millions	Fair value June 30, 2016	Level 1	Level 2	Level 3
Short-term financial assets	5		5	
Derivative financial instruments				
Derivatives being part of a hedge	142		142	
Derivatives not being part of a hedge	25		25	
Long-term financial assets	117		36	81
Promissory notes	43			43
Financial assets	**332**		**208**	**124**
Short-term borrowings	698		698	
Derivative financial instruments				
Derivatives being part of a hedge	157		157	
Derivatives not being part of a hedge	43		43	
Long-term borrowings	1,843	1,843		
Earn-out components	21			21
Financial liabilities	**2,763**	**1,843**	**898**	**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 June 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.

7 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 half of 2016, depreciation and amortisation expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 174 million (2015: € 158 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 half year ending June 30, 2016 as the conversion right has a value at the balance sheet date. The average share price reached € 103.84 per share during the first half of 2016 and thus exceeded the conversion price of € 81.57 per share.

EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	First half year 2016	First half year 2015
Net income from continuing operations (€ in millions)	641	383
Net income attributable to non-controlling interests (€ in millions)	1	3
Net income from continuing operations attributable to shareholders (€ in millions)	**640**	**380**
Weighted average number of shares	200,197,417	202,897,613
Basic earnings per share from continuing operations (in €)	**3.20**	**1.87**
Net income from continuing operations attributable to shareholders (€ in millions)	640	380
Interest expense on convertible bond, net of taxes (€ in millions)	5	–
Net income from continuing operations used to determine diluted earnings per share from continuing operations (€ in millions)	**645**	**380**
Weighted average number of shares	200,197,417	202,897,613
Weighted assumed conversion of the convertible bond	6,129,671	–
Weighted average number of shares for diluted earnings per share from continuing operations	**206,327,088**	**202,897,613**
Diluted earnings per share from continuing operations (in €)	**3.13**	**1.87**

EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS

	First half year 2016	First half year 2015
Net income attributable to shareholders (€ in millions)	641	367
Weighted average number of shares	200,197,417	202,897,613
Basic earnings per share from continuing and discontinued operations (in €)	**3.20**	**1.81**
Net income attributable to shareholders (€ in millions)	641	367
Interest expense on convertible bond, net of taxes (€ in millions)	5	–
Net income used to determine diluted earnings per share from continuing and discontinued operations (€ in millions)	**646**	**367**
Weighted average number of shares	200,197,417	202,897,613
Weighted assumed conversion of the convertible bond	6,129,671	–
Weighted average number of shares for diluted earnings per share from continuing and discontinued operations	**206,327,088**	**202,897,613**
Diluted earnings per share from continuing and discontinued operations (in €)	**3.13**	**1.81**

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, 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.

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 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	2,628	2,104	523	460	1,721	1,385	80	101
North America	1,515	1,234	94	8	1,178	914	101	76
Greater China	1,447	1,161	552	424	355	310	108	90
Russia/CIS	309	366	46	33	243	235	8	13
Latin America	773	879	95	127	682	709	57	90
Japan	472	333	101	54	206	185	21	30
MEAA	1,273	1,171	342	340	751	633	83	50
Other Businesses	774	742	(20)	(45)	688	754	100	98
Total	**9,191**	**7,990**	**1,733**	**1,400**	**5,822**	**5,124**	**558**	**548**

1 First half year.
2 At June 30.

Reconciliation

OPERATING PROFIT

€ in millions	First half year 2016	First half year 2015
Operating profit for reportable segments	1,753	1,445
Operating profit for Other Businesses	(20)	(45)
Segmental operating profit	**1,733**	**1,400**
HQ/Consolidation	(488)	(512)
Central expenditure for point-of-sale and marketing investments	(340)	(292)
Goodwill impairment losses	–	(18)
Operating profit	**905**	**578**
Financial income	29	24
Financial expenses	(27)	(32)
Income before taxes	**907**	**570**

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 half of 2016 and the finalisation of these interim consolidated financial statements on July 29, 2016, there were no major Group-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, July 29, 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**

HERBERT HAINER
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

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 their mandates is available at:
↘ **WWW.ADIDAS-GROUP.COM/SUPERVISORY-BOARD**

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CHAIRMAN

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ROLAND NOSKO*
HANS RUPRECHT*
NASSEF SAWIRIS***
MICHAEL STORL**
HEIDI THALER-VEH*

* Employee representative.
** Employee representative, court-appointed with effect from June 24, 2016.
*** Since June 15, 2016.

FINANCIAL CALENDAR 2016/2017

NOVEMBER 03

NINE MONTHS 2016 RESULTS

Press release, conference call and webcast

Publication of Nine Months 2016 Report

MARCH 08

FULL YEAR 2016 RESULTS

Press conference in Herzogenaurach, Germany

Press release, conference call and webcast

Publication of 2016 Annual Report

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

MAY 12

DIVIDEND PAYMENT

(subject to Annual General Meeting approval)

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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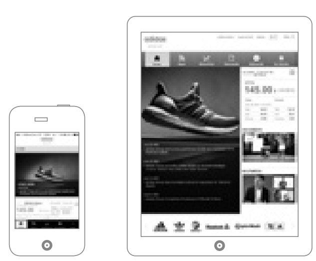

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