

**Second Quarter 2016 Results:**

**adidas Group delivers outstanding financial performance in Q2 2016**

**Major developments in Q2 2016**

- **Group sales increase 21% on a currency-neutral basis, driven by ongoing strong momentum at adidas (+25%) and Reebok (+7%)**
- **Top-line growth accelerates in Western Europe (+29%) and North America (+26%); Greater China (+30%) is fastest-growing region**
- **Gross margin grows 0.5pp to 48.8%**
- **Operating margin climbs 3.4pp to 9.4%**
- **Net income from continuing operations almost doubles to € 291 million**

**Improved outlook for FY 2016**

- **Currency-neutral Group sales to increase at a high-teens rate**
- **Gross margin to be at a level between 48.0% and 48.3%**
- **Operating margin to increase to a level of up to 7.5%**
- **Net income to improve to a level between € 975 million and € 1.0 billion**

**adidas Group currency-neutral sales increase 21% in the second quarter of 2016**

During the second quarter, the adidas Group continued to deliver an outstanding financial performance. Group revenues increased 21% on a currency-neutral basis, driven by strong momentum at both adidas and Reebok. In euro terms, Group revenues grew 13% to € 4.422 billion (2015: € 3.907 billion).

From a brand perspective, the **adidas** brand grew 25% on a currency-neutral basis, driven by double-digit sales increases in the key performance categories running, football and training as well as at adidas Originals and adidas neo. With the exception of Russia/CIS, where revenues grew at a mid-single-digit rate, adidas recorded double-digit growth in every geography. Revenues developed particularly strongly in the key regions North America, Greater China and Western Europe, where sales increased by 32%, 30% and 30%, respectively. **Reebok** revenues increased 7% during the quarter, with double-digit growth in Western Europe, Greater China, Russia/CIS and Japan. The development was supported by double-digit sales increases in Classics as well as mid-single-digit improvements in the training and running categories. Revenues at **TaylorMade-adidas Golf** grew 7%, driven by double-digit growth at TaylorMade.

“The stellar financial performance in the second quarter is proof positive that our strategy is paying off,” commented Herbert Hainer, adidas Group CEO. “We are putting the consumer at the heart of everything we do. We inspire them with unique experiences. We engage with them through marketing initiatives unheard of before. And we excite them with the most innovative and stylish products. As a result, the desirability of our brands and products is greater than ever before. This is fuelling the outstanding momentum we are enjoying across all regions and categories. And this will continue! It is the perfect platform to drive sustainable top- and bottom-line improvements for the years to come.”

### **Revenue growth in all market segments**

From a market segment perspective, combined currency-neutral sales of the adidas and Reebok brands grew in all segments in the second quarter of 2016, with double-digit growth rates in Western Europe, North America, Greater China, Japan and MEAA. Revenues in **Western Europe** increased 29% on a currency-neutral basis, driven by the UK, Germany, Italy, Poland, France and Spain, where revenues grew at double-digit rates each. Growth trends in **North America** and **Greater China** were equally strong, as reflected in currency-neutral sales increases of 26% and 30%, respectively. Revenues in **Russia/CIS** accelerated, up 7% on a currency-neutral basis. In **Latin America**, revenues grew 8% on a currency-neutral basis, reflecting double-digit sales increases in markets such as Mexico, Peru, Colombia and Uruguay. In **Japan**, sales were up 21% on a currency-neutral basis. Currency-neutral sales in **MEAA** grew 14%, driven by double-digit growth in South Korea, Turkey, Australia, South Africa and Thailand.

Revenues for **Other Businesses** grew 6% in the second quarter. Double-digit sales increases in Other centrally managed businesses as well as high-single-digit growth at TaylorMade-adidas Golf were only partly offset by sales declines at CCM Hockey.

### **Further gross margin improvement despite significant currency pressure**

In the second quarter of 2016, the Group’s gross margin increased 0.5 percentage points to 48.8% (2015: 48.3%). The severe headwinds from negative currency effects were more than offset by a more favourable pricing, product and channel mix as well as higher product margins at TaylorMade-adidas Golf.

### **Profitability climbs significantly**

During the second quarter, the Group's other operating expenses increased 12% to € 1.935 billion (2015: € 1.720 billion). The increase reflects higher expenditure for point-of-sale and marketing investments, as well as an increase in operating overhead costs as a result of higher sales expenditure. As a percentage of sales, however, other operating expenses decreased 0.3 percentage points to 43.8% (2015: 44.0%), reflecting the Group's strong top-line improvement. Other operating income grew significantly to € 159 million from € 33 million in the second quarter of 2015. This development mainly reflects two extraordinary gains in the second quarter related to the early termination of the Chelsea F.C. contract as well as the divestiture of the Mitchell & Ness business. While the early termination of the Chelsea F.C. contract lifted both other operating income and operating profit by a mid- to high-double-digit million euro amount, the divestiture of Mitchell & Ness did not have an impact on the Group's profitability in the second quarter since the proceeds – as previously announced – were re-invested to accelerate initiatives that are part of the company's 'Creating the New' strategic business plan. The Group's operating profit increased 77% to € 414 million compared to € 234 million in the second quarter of 2015. This translates into an operating margin of 9.4%, an increase of 3.4 percentage points compared to the prior year level of 6.0%. As a consequence, the Group's net income from continuing operations increased 99% to € 291 million (2015: € 146 million). The Group's net income attributable to shareholders, which in addition to net income from continuing operations includes the result from discontinued operations, also grew 99% to € 291 million from € 146 million in the second quarter of 2015. Basic EPS from continuing and discontinued operations doubled to € 1.45 (2015: € 0.73). Diluted EPS from continuing and discontinued operations grew 96% to € 1.42 (2015: € 0.73).

### **adidas Group with stellar financial performance in the first half of 2016**

In the first half of 2016, 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. In euro terms, sales increased 15% to € 9.191 billion (2015: € 7.990 billion). 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 the 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.

**Average operating working capital as a percentage of sales decreases significantly**

The Group's inventories increased 20% to € 3.514 billion (2015: € 2.927 billion). On a currency-neutral basis, inventories grew 24%, reflecting higher stock levels to support the Group's top-line momentum. 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. Operating working capital was up 15% to € 4.013 billion (2015: € 3.485 billion). Average operating working capital as a percentage of sales decreased 1.2pp to 20.4% (2015: 21.6%), reflecting the strong top-line development during the last twelve months as well as the company's continued focus on tight working capital management.

**Net borrowings increase to € 1.028 billion**

Net borrowings amounted to € 1.028 billion (2015: € 957 million), representing an increase of € 71 million. This development was 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.

**adidas Group increases guidance for the full year 2016**

In light of the strong brand momentum and the outstanding financial performance in the first half of 2016, the Group has increased its 2016 financial outlook. adidas Group sales are expected 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. 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.

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 now projected to be almost completely offset by the positive effects from a more favourable pricing, product and regional mix as well as further enhancements in the channel mix, which is driven by the continued expansion of the company's 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, the Group's gross margin is expected to be at a level between 48.0% and 48.3% compared to the prior year level of 48.3% (previously: decline of up to 50 basis points).

The Group's other operating expenses as a percentage of sales are expected to decrease compared to the prior year level (2015: 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%). The company now expects the operating margin for the adidas Group to increase to a level of up to 7.5% (previously: to increase to a level of around 7.0%) compared to the prior year level of 6.5%.

As a result of the increased top-line expectations and improved operating margin outlook, net income from continuing operations excluding goodwill impairment is now projected to increase at a rate between 35% and 39% (previously: to increase at a rate of around 25%) to a level between € 975 million and € 1.0 billion (2015: € 720 million).

Herbert Hainer stated: "I am proud to confirm that we are in great shape. 2016 will be a year of records for the adidas Group. But we will not stop there. In the years to come, we will continue to grow across all categories, channels and geographies and drive our profitability to new heights."

\*\*\*

**Contacts:**

**Media Relations**

Jan Runau  
Chief Corporate Communication Officer  
Tel.: +49 (0) 9132 84-3830

Katja Schreiber  
Senior Director Corporate Communication  
Tel.: +49 (0) 9132 84-3810

**Investor Relations**

Sebastian Steffen  
Vice President Investor Relations  
Tel.: +49 (0) 9132 84-4401

Christian Stoehr  
Director Investor Relations  
Tel.: +49 (0) 9132 84-4989

Jennifer Gaussmann  
Manager Investor Relations  
Tel.: +49 (0) 9132 84-74734

Please visit our corporate website: [www.adidas-Group.com](http://www.adidas-Group.com)

**adidas AG Consolidated Income Statement (IFRS)**

€ in millions	Second quarter 2016	Second quarter 2015	Change
Net sales	4,422	3,907	13.2 %
Cost of sales	2,263	2,018	12.1 %
<b>Gross profit</b>	<b>2,159</b>	<b>1,889</b>	<b>14.3 %</b>
<i>[% of net sales]</i>	48.8%	48.3%	0.5 pp
Royalty and commission income	31	31	(0.2%)
Other operating income	159	33	375.4 %
Other operating expenses	1,935	1,720	12.5 %
<i>[% of net sales]</i>	43.8%	44.0%	(0.3pp)
<b>Operating profit</b>	<b>414</b>	<b>234</b>	<b>77.4 %</b>
<i>[% of net sales]</i>	9.4%	6.0%	3.4 pp
Financial income	9	8	13.1 %
Financial expenses	14	17	(19.2%)
<b>Income before taxes</b>	<b>410</b>	<b>225</b>	<b>82.3 %</b>
<i>[% of net sales]</i>	9.3%	5.8%	3.5 pp
Income taxes	119	79	51.0 %
<i>[% of income before taxes]</i>	29.1%	35.1%	(6.0pp)
<b>Net income from continuing operations</b>	<b>291</b>	<b>146</b>	<b>99.2 %</b>
<i>[% of net sales]</i>	6.6%	3.7%	2.8 pp
Gains from discontinued operations, net of tax	0	1	(75.2%)
<b>Net income</b>	<b>291</b>	<b>147</b>	<b>97.6 %</b>
<i>[% of net sales]</i>	6.6%	3.8%	2.8 pp
<b>Net income attributable to shareholders</b>	<b>291</b>	<b>146</b>	<b>98.6 %</b>
<i>[% of net sales]</i>	6.6%	3.7%	2.8 pp
<b>Net income attributable to non-controlling interests</b>	<b>1</b>	<b>1</b>	<b>(47.7%)</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>1.45</b>	<b>0.72</b>	<b>101.7 %</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>1.42</b>	<b>0.72</b>	<b>97.3 %</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>1.45</b>	<b>0.73</b>	<b>100.0 %</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>1.42</b>	<b>0.73</b>	<b>95.7 %</b>

**Net Sales**

€ in millions	Second quarter 2016	Second quarter 2015	Change	Change (currency-neutral)
Western Europe	1,214	961	26.3 %	29.2 %
North America	788	643	22.6 %	25.6 %
Greater China	685	564	21.4 %	30.1 %
Russia/CIS	172	204	(15.9%)	7.2 %
Latin America	379	456	(17.0%)	7.9 %
Japan	236	178	32.4 %	20.9 %
MEAA	572	536	6.8 %	14.2 %
Other Businesses	377	365	3.3 %	6.1 %
adidas	3,705	3,180	16.5 %	24.6 %
Reebok	399	408	(2.1%)	6.9 %
TaylorMade-adidas Golf	248	239	3.7 %	7.0 %
CCM Hockey	64	80	(20.3%)	(17.7%)

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Income Statement (IFRS)

€ in millions	First half year 2016	First half year 2015	Change	First half year 2016 excl. goodwill impairment	First half year 2015 excl. goodwill impairment	Change
Net sales	9,191	7,990	15.0 %	9,191	7,990	15.0 %
Cost of sales	4,674	4,093	14.2 %	4,674	4,093	14.2 %
<b>Gross profit</b>	<b>4,517</b>	<b>3,897</b>	<b>15.9 %</b>	<b>4,517</b>	<b>3,897</b>	<b>15.9 %</b>
<i>(% of net sales)</i>	49.1%	48.8%	0.4 pp	49.1%	48.8%	0.4 pp
Royalty and commission income	55	58	(4.9%)	55	58	(4.9%)
Other operating income	191	61	213.6 %	191	61	213.6 %
Other operating expenses	3,858	3,420	12.8 %	3,858	3,420	12.8 %
<i>(% of net sales)</i>	42.0%	42.8%	(0.8pp)	42.0%	42.8%	(0.8pp)
Goodwill impairment losses	-	18	(100.0%)	-	-	n.a.
<b>Operating profit</b>	<b>905</b>	<b>578</b>	<b>56.5 %</b>	<b>905</b>	<b>596</b>	<b>51.8 %</b>
<i>(% of net sales)</i>	9.8%	7.2%	2.6 pp	9.8%	7.5%	2.4 pp
Financial income	29	24	21.0 %	29	24	21.0 %
Financial expenses	27	32	(16.9%)	27	32	(16.9%)
<b>Income before taxes</b>	<b>907</b>	<b>570</b>	<b>59.2 %</b>	<b>907</b>	<b>588</b>	<b>54.3 %</b>
<i>(% of net sales)</i>	9.9%	7.1%	2.7 pp	9.9%	7.4%	2.5 pp
Income taxes	266	187	41.9 %	266	187	41.9 %
<i>(% of income before taxes)</i>	29.3%	32.9%	(3.6pp)	29.3%	31.8%	(2.5pp)
<b>Net income from continuing operations</b>	<b>641</b>	<b>383</b>	<b>67.6 %</b>	<b>641</b>	<b>401</b>	<b>60.1 %</b>
<i>(% of net sales)</i>	7.0%	4.8%	2.2 pp	7.0%	5.0%	2.0 pp
Gains/(losses) from discontinued operations, net of tax	1	(13)	n.a.	1	(13)	n.a.
<b>Net income</b>	<b>642</b>	<b>370</b>	<b>73.4 %</b>	<b>642</b>	<b>388</b>	<b>65.6 %</b>
<i>(% of net sales)</i>	7.0%	4.6%	2.4 pp	7.0%	4.9%	2.1 pp
<b>Net income attributable to shareholders</b>	<b>641</b>	<b>367</b>	<b>74.7 %</b>	<b>641</b>	<b>385</b>	<b>66.5 %</b>
<i>(% of net sales)</i>	7.0%	4.6%	2.4 pp	7.0%	4.8%	2.2 pp
<b>Net income attributable to non-controlling interests</b>	<b>1</b>	<b>3</b>	<b>(65.8%)</b>	<b>1</b>	<b>3</b>	<b>(65.8%)</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>3.20</b>	<b>1.87</b>	<b>70.8 %</b>	<b>3.20</b>	<b>1.96</b>	<b>63.1 %</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>3.13</b>	<b>1.87</b>	<b>67.0 %</b>	<b>3.13</b>	<b>1.96</b>	<b>59.4 %</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>3.20</b>	<b>1.81</b>	<b>77.0 %</b>	<b>3.20</b>	<b>1.90</b>	<b>68.8 %</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>3.13</b>	<b>1.81</b>	<b>73.0 %</b>	<b>3.13</b>	<b>1.90</b>	<b>65.0 %</b>

Net Sales

€ in millions	First half year 2016	First half year 2015	Change	Change (currency neutral)
Western Europe	2,628	2,104	24.9 %	26.7 %
North America	1,515	1,234	22.9 %	23.7 %
Greater China	1,447	1,161	24.6 %	30.2 %
Russia/CIS	310	366	(15.5%)	4.7 %
Latin America	773	879	(12.1%)	13.2 %
Japan	472	333	41.8 %	31.6 %
MEAA	1,273	1,171	8.7 %	15.8 %
Other Businesses	774	742	4.2 %	5.8 %
adidas	7,741	6,533	18.5 %	25.1 %
Reebok	815	819	(0.5%)	6.7 %
TaylorMade-adidas Golf	523	519	0.8 %	2.4 %
CCM Hockey	102	120	(14.7%)	(12.5%)

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
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
<b>Total current assets</b>	<b>8,144</b>	<b>7,397</b>	<b>10.1</b>	<b>7,497</b>
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
<b>Total non-current assets</b>	<b>5,884</b>	<b>5,357</b>	<b>9.8</b>	<b>5,846</b>
<b>Total assets</b>	<b>14,029</b>	<b>12,754</b>	<b>10.0</b>	<b>13,343</b>
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
<b>Total current liabilities</b>	<b>5,942</b>	<b>4,887</b>	<b>21.6</b>	<b>5,364</b>
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
<b>Total non-current liabilities</b>	<b>2,312</b>	<b>2,330</b>	<b>(0.8)</b>	<b>2,332</b>
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)
<b>Total equity</b>	<b>5,775</b>	<b>5,537</b>	<b>4.3</b>	<b>5,648</b>
<b>Total liabilities and equity</b>	<b>14,029</b>	<b>12,754</b>	<b>10.0</b>	<b>13,343</b>
<b>Additional balance sheet information</b>				
Operating working capital	4,013	3,485	15.1	3,138
Working capital	2,202	2,510	(12.3)	2,133
Net total borrowings	1,028	957	7.5	460
Financial leverage	17.7%	17.2%	0.5 pp	8.1%

Rounding differences may arise in percentages and totals.