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First Quarter 2016 Results:

adidas Group with stellar financial performance in Q1 2016
FY 2016 guidance increased in light of strong brand momentum

Major developments in Q1 2016[1]

- **Group sales increase 22% on a currency-neutral basis**
- **Accelerating momentum at both adidas (+26%) and Reebok (+6%)**
- **Double-digit growth in all markets except Russia/CIS**
- **Gross margin grows 0.3pp to 49.4%, despite unfavourable currency effects**
- **Operating margin climbs 1.4pp to 10.3%**
- **Underlying net income grows 38% to € 350 million**

Improved outlook for FY 2016

- **Currency-neutral Group sales to increase at a rate of around 15%**
- **Gross margin to decline by only up to 50bps to a level between 47.8% and 48.3%**
- **Operating margin to increase to a level between 6.6% and 7.0%**
- **Net income to improve between 15% and 18%**

adidas Group currency-neutral sales increase 22% in the first quarter of 2016

The adidas Group recorded a very strong start into the year 2016. During the first quarter, Group revenues increased 22% on a currency-neutral basis, with accelerating momentum at both adidas and Reebok. In euro terms, Group revenues grew 17% to € 4.769 billion (2015: € 4.083), the highest quarterly revenue in the Group's history.

From a brand perspective, currency-neutral **adidas** revenues grew 26%, driven by double-digit sales increases in the training, football and running categories as well as at adidas Originals and adidas neo. While adidas recorded growth in every geography, brand momentum was particularly strong in key regions such as North America, Greater China and Western Europe, where revenues were up 31%, 30% and 26%, respectively. With currency-neutral **Reebok** sales increasing 6% versus the prior year,

[1] No goodwill impairment losses occurred during the first quarter of 2016. In the prior year period, the adidas Group recorded goodwill impairment losses in an amount of € 18 million, comprising impairment losses of € 15 million within the segment Latin America and € 3 million within the segment Russia/CIS. For the sake of clarity, all figures related to the 2015 financial year are excluding goodwill impairment losses.

the brand recorded its 12th consecutive quarter of growth. The brand's performance was supported by double-digit growth in Western Europe, Greater China, Latin America, Japan and MEEA. Revenues at **TaylorMade-adidas Golf** decreased 1% currency-neutral, as growth at the core brands TaylorMade and adidas Golf was more than offset by sales declines at Ashworth and Adams.

"We are off to a powerful start in 2016 with record first quarter results," commented Herbert Hainer, adidas Group CEO. "Strong double-digit growth in key markets and key categories underlines the broad-based momentum and the strong desirability of our brands and products around the globe. I am particularly pleased with our strong development in North America. This shows that our focus on this important market is paying off. Our strong Q1 performance is the ideal platform for strong and sustainable top- and bottom-line improvements – in 2016 and beyond."

Double-digit revenue growth in almost all market segments

From a market segment perspective, combined currency-neutral sales of the adidas and Reebok brands grew in all segments in the first quarter of 2016, with double-digit growth rates in Western Europe, North America, Greater China, Latin America, Japan and MEAA. Revenues in **Western Europe** increased 25% on a currency-neutral basis, driven by the UK, Germany, Italy, France and Poland, where revenues grew at double-digit rates each. Currency-neutral sales in **North America** and **Greater China** saw strong acceleration during the quarter, up 22% and 30%, respectively. Despite an ongoing challenging macroeconomic environment, **Russia/CIS** returned to growth with currency-neutral sales up 2%. In **Latin America**, revenues grew 19% on a currency-neutral basis, reflecting double-digit sales increases in markets such as Argentina, Mexico, Chile and Brazil. In **Japan**, sales were up 44% on a currency-neutral basis. Currency-neutral sales in **MEAA** grew 17%, driven by high-single-digit growth in South Korea as well as double-digit improvements in Australia, the United Arab Emirates and Turkey.

Revenues in **Other Businesses** were up 6% on a currency-neutral basis, as strong double-digit sales growth in Other centrally managed businesses was only partly offset by sales declines at TaylorMade-adidas Golf and Reebok-CCM Hockey.

Brand strength drives gross margin increase

The Group's gross margin increased 0.3 percentage points to 49.4% (2015: 49.2%). Positive effects from a more favourable pricing and product mix recorded during the first quarter were able to more than offset the severe headwinds from negative currency effects as well as lower product margins at TaylorMade-adidas Golf.

Operating margin up due to gross margin increase and operating leverage

During the first quarter, the adidas Group continued to invest strongly in marketing and point-of-sale-activation, up 8% year-over-year, with the overall objective to spur revenue growth and drive long-term brand desirability. This, together with higher operating overhead expenditure resulted in a 13% increase in the Group's operating expenses, amounting to € 1.924 billion (2015: € 1.700 billion) at quarter-end. As a percentage of sales, however, other operating expenses decreased 1.3 percentage points to 40.3%, reflecting the Group's strong top-line improvements as well as a different phasing of the Group's marketing investments in 2016 compared to the prior year. The Group's operating profit grew 35% to € 490 million from € 363 million in 2015, representing an operating margin of 10.3%, up 1.4 percentage points from the prior year level (2015: 8.9%). This development was due to the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales. Consequently, the Group's net income from continuing operations was up 38% to € 350 million (2015: € 255 million). The Group's net income attributable to shareholders, which in addition to net income from continuing operations includes the result from discontinued operations was up 47% to € 351 million (2015: € 239 million). Basic EPS from continuing and discontinued operations increased 50% to € 1.75 (2015: € 1.17) and diluted EPS from continuing and discontinued operations increased 46% to € 1.71 (2015: € 1.17).

Successful working capital management continues

Group inventories increased 16% to € 2.939 billion at the end of March 2016 versus € 2.539 billion in 2015. On a currency-neutral basis, inventories grew 25%, reflecting higher stock levels to support the Group's top-line momentum. The Group's accounts receivable were up 2% to € 2.517 billion at the end of March 2016 (2015: € 2.456 billion). On a currency-neutral basis, receivables increased 11%. Operating working capital rose 10% to € 3.883 billion at the end of March 2016 compared to € 3.520 billion in 2015. Average operating working capital as a percentage of sales from continuing operations decreased 1.7 percentage points to 20.2% (2015: 21.9%), 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 € 809 million

Net borrowings at March 31, 2016 amounted to € 809 million, compared to net borrowings of € 542 million in 2015, representing an increase of € 267 million. This development is mainly a result of the utilisation of cash for the purchase of fixed assets, the acquisition of Runtastic and the share buyback programme. The Group's ratio of net borrowings over EBITDA amounted to 0.5 at the end of March 2016, 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, which is reflected in the better than expected first quarter performance, the Group has increased its 2016 financial outlook. adidas Group sales are now expected to increase at a rate of around 15% (previously: between 10% and 12%) on a currency-neutral basis in 2016. The top-line expansion will be supported by double-digit growth in all regions except Russia/CIS.

In 2016, the projected increase in costs for the Group's Asian-dominated sourcing as a result of less favourable US dollar hedging rates and rising labour expenditures is expected to weigh on the adidas Group's gross margin. However, these negative effects are projected to be largely offset by the positive effects from a more favourable pricing, product and regional mix at both adidas and Reebok and further enhancements in the Group's channel mix, driven by the continued expansion of controlled space activities. Higher product margins at TaylorMade-adidas Golf are also expected to help limit the overall gross margin compression. As a result, the Group now expects to be able to limit the gross margin decline to a maximum of 50 basis points (previously: decline between 50 and 100 basis points) compared to the prior year level of 48.3%.

The Group's other operating expenses as a percentage of sales are expected to decrease compared to the prior year level of 43.1%. Due to the stronger than expected top-line growth, expenditure for point-of-sale and marketing investments as a percentage of sales is projected to be slightly below the prior year level of 13.9% (previously: around the prior year level). In addition, operating overhead expenditure as a percentage of sales is also forecasted to be below the prior year level (2015: 29.2%). The company now expects the operating margin for the adidas Group to increase by up to 50 basis points to a level between 6.6% and 7.0% (previously: to remain at least stable) compared to the prior year level of 6.5%. The forecasted decline in gross margin will be more than offset by lower other operating expenses as a percentage of sales.

As a result of the increased top-line expectations and improved operating margin outlook, net income from continuing operations excluding goodwill impairment is now projected to increase at a rate between 15% and 18% (previously: between 10% and 12%) compared to the prior year level of € 720 million.

Herbert Hainer stated: "This quarter's accomplishments show that we flew off the starting blocks in 2016. The outstanding performance was supported by the implementation of our strategic business plan 'Creating the New'. Based on this long-term strategy and our new operating model we are closer to the consumer than ever before. Our product and marketing initiatives are resonating extremely well with consumers across all regions and in performance and lifestyle categories alike. This gives us every confidence that 2016 will be a record year and will lay the foundation for the long-term success of the Group."

adidas Group to focus even more on athletic footwear and apparel

Earlier this morning, the company announced that it has concluded its analysis of the future options for the company's golf business. As a result, the Executive Board decided to enter into concrete negotiations with interested parties aimed at a divestiture of parts of the company's golf division. Going forward, the Group intends to focus its efforts in this market segment on further strengthening its position as a leading provider of innovative golf footwear and apparel through the adidas Golf brand. At the same time, the company will actively seek a buyer for the remainder of its golf business, which mainly consists of the TaylorMade brand, a market leader in golf equipment, as well as the Adams and Ashworth brands.

"TaylorMade is a very viable business. However, we decided that now is the time to focus even more on our core strength in the athletic footwear and apparel market," said Herbert Hainer. "With its leadership position in the industry and the turnaround plan gaining traction, which is clearly reflected in the top- and bottom-line improvements recorded in Q1 as well as recent market share gains, I am convinced that TaylorMade offers attractive growth opportunities in the future. At the same time, the planned divestiture will allow us to reduce complexity and focus our efforts on those areas of our business that offer the highest return and where we can have the biggest impact in reaching our consumers and winning their loyalty for the adidas and Reebok brands."

A final decision on the divestiture, including the detailed terms of a potential agreement, is subject to approval by the Supervisory Board.

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adidas AG Consolidated Income Statement (IFRS)

€ in millions	First quarter 2016	First quarter 2015	Change	First quarter 2016 excl. goodwill impairment	First quarter 2015 excl. goodwill impairment	Change
Net sales	4,769	4,083	*16.8 %*	4,769	4,083	*16.8 %*
Cost of sales	2,411	2,074	*16.2 %*	2,411	2,074	*16.2 %*
Gross profit	**2,358**	**2,008**	***17.4 %***	**2,358**	**2,008**	***17.4 %***
(% of net sales)	49.4%	49.2%	*0.3 pp*	49.4%	49.2%	*0.3 pp*
Royalty and commission income	24	27	*(10.2%)*	24	27	*(10.2%)*
Other operating income	31	27	*15.3 %*	31	27	*15.3 %*
Other operating expenses	1,924	1,700	*13.1 %*	1,924	1,700	*13.1 %*
(% of net sales)	40.3%	41.6%	*(1.3pp)*	40.3%	41.6%	*(1.3pp)*
Goodwill impairment losses	-	18	*(100.0%)*	-	-	-
Operating profit	**490**	**345**	***42.3 %***	**490**	**363**	***35.2 %***
(% of net sales)	10.3 %	8.4%	*1.8 pp*	10.3%	8.9%	*1.4 pp*
Financial income	19	16	*24.7 %*	19	16	*24.7 %*
Financial expenses	13	16	*(14.8%)*	13	16	*(14.8%)*
Income before taxes	**497**	**345**	***44.1 %***	**497**	**363**	***36.9 %***
(% of net sales)	10.4 %	8.4%	*2.0 pp*	10.4%	8.9%	*1.5 pp*
Income taxes	146	108	*35.3 %*	146	108	*35.3 %*
(% of income before taxes)	29.5 %	31.4%	*(1.9pp)*	29.5%	29.8%	*(0.4pp)*
Net income from continuing operations	**350**	**237**	*48.1 %*	**350**	**255**	*37.6 %*
(% of net sales)	7.3 %	5.8 %	*1.6 pp*	7.3%	6.2%	*1.1 pp*
Gains/(losses) from discontinued operations, net of tax	1	(14)	*n.a.*	1	(14)	*n.a.*
Net income	**351**	**223**	***57.8 %***	**351**	**241**	***46.0 %***
(% of net sales)	7.4 %	5.5 %	*1.9 pp*	7.4 %	5.9%	*1.5 pp*
Net income attributable to shareholders	**351**	**221**	***58.8 %***	**351**	**239**	***46.9 %***
(% of net sales)	7.4 %	5.4 %	*1.9 pp*	7.4 %	5.8%	*1.5 pp*
Net income attributable to non-controlling interests	**0**	**2**	***(76.6%)***	**0**	**2**	***(76.6%)***
Basic earnings per share from continuing operations (in €)	**1.75**	**1.15**	***51.9 %***	**1.75**	**1.24**	***41.1 %***
Diluted earnings per share from continuing operations (in €)	**1.71**	**1.15**	***48.5 %***	**1.71**	**1.24**	***37.9 %***
Basic earnings per share from continuing and discontinued operations (in €)	**1.75**	**1.08**	***62.0 %***	**1.75**	**1.17**	***49.8 %***
Diluted earnings per share from continuing and discontinued operations (in €)	**1.71**	**1.08**	***58.2 %***	**1.71**	**1.17**	***46.3 %***

Net Sales

€ in millions	First quarter 2016	First quarter 2015	Change	Change (currency-neutral)
Western Europe	1,414	1,143	*23.7 %*	*24.7 %*
North America	728	591	*23.2 %*	*21.6 %*
Greater China	762	597	*27.7 %*	*30.2 %*
Russia/CIS	138	162	*(15.0%)*	*1.8 %*
Latin America	394	423	*(6.8%)*	*18.7 %*
Japan	236	155	*52.6 %*	*44.4 %*
MEAA	701	635	*10.3 %*	*17.2 %*
Other Businesses	396	377	*5.2 %*	*5.5 %*
adidas	4,036	3,352	*20.4 %*	*25.5 %*
Reebok	416	411	*1.0 %*	*6.5 %*
TaylorMade-adidas Golf	275	280	*(1.7%)*	*(1.4%)*
Reebok-CCM Hockey	38	39	*(3.4%)*	*(2.0%)*

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions	March 31, 2016	March 31, 2015	Change in %	December 31, 2015
Cash and cash equivalents	1,328	1,373	(3.2)	1,365
Short-term financial assets	5	5	3.0	5
Accounts receivable	2,517	2,456	2.5	2,049
Other current financial assets	272	695	(60.8)	367
Inventories	2,939	2,539	15.7	3,113
Income tax receivables	76	84	(9.6)	97
Other current assets	531	477	11.4	489
Assets classified as held for sale	0	282	(100.0)	12
Total current assets	**7,669**	**7,911**	**(3.1)**	**7,497**
Property, plant and equipment	1,598	1,523	4.9	1,638
Goodwill	1,364	1,226	11.3	1,392
Trademarks	1,558	1,616	(3.6)	1,628
Other intangible assets	177	166	6.7	188
Long-term financial assets	145	138	5.1	140
Other non-current financial assets	97	47	107.1	99
Deferred tax assets	680	680	(0.0)	637
Other non-current assets	126	108	16.6	124
Total non-current assets	**5,746**	**5,504**	**4.4**	**5,846**
Total assets	**13,415**	**13,415**	**(0.0)**	**13,343**
Short-term borrowings	676	456	48.1	366
Accounts payable	1,573	1,475	6.7	2,024
Other current financial liabilities	235	223	5.7	143
Income taxes	446	340	31.2	359
Other current provisions	474	480	(1.3)	456
Current accrued liabilities	1,664	1,381	20.5	1,684
Other current liabilities	396	384	3.2	331
Liabilities classified as held for sale	0	35	(99.7)	0
Total current liabilities	**5,464**	**4,773**	**14.5**	**5,364**
Long-term borrowings	1,467	1,464	0.2	1,463
Other non-current financial liabilities	32	10	218.0	18
Pensions and similar obligations	274	294	(6.8)	273
Deferred tax liabilities	328	457	(28.2)	368
Other non-current provisions	53	39	36.6	50
Non-current accrued liabilities	92	71	30.9	120
Other non-current liabilities	43	44	(2.6)	40
Total non-current liabilities	**2,288**	**2,377**	**(3.7)**	**2,332**
Share capital	200	203	(1.5)	200
Reserves	254	1,088	(76.6)	592
Retained earnings	5,224	4,980	4.9	4,874
Shareholders' equity	5,679	6,271	(9.4)	5,666
Non-controlling interests	(16)	(6)	(154.8)	(18)
Total equity	**5,663**	**6,265**	**(9.6)**	**5,648**
Total liabilities and equity	**13,415**	**13,415**	**(0.0)**	**13,343**
Additional balance sheet information				
Operating working capital	3,883	3,520	10.3	3,138
Working capital	2,205	3,138	(29.7)	2,133
Net total borrowings	809	542	49.2	460
Financial leverage	14.2%	8.6%	5.6 pp	8.1%

Rounding differences may arise in percentages and totals.