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Third Quarter 2016 Results:

adidas Group delivers strong financial performance in Q3 2016

Major developments in Q3 2016

- **Group sales increase 17% on a currency-neutral basis**
- **Ongoing momentum at adidas (+20%) and Reebok (+7%)**
- **Double-digit growth in all markets except Russia/CIS**
- **Gross margin down 0.9pp to 47.6% as a result of increased FX headwind**
- **Operating profit improves 11% to € 563 million**
- **Net income from continuing operations grows 15% to € 387 million**

Management confirms 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 17% in the third quarter of 2016

During the third quarter, the adidas Group delivered a strong financial performance against the background of tougher comparisons following the accelerating business development in last year's third quarter as well as intensified pressure from negative currency effects. Group revenues increased 17% on a currency-neutral basis, driven by strong momentum at both adidas and Reebok. In euro terms, Group revenues grew 14% to € 5.413 billion (2015: € 4.758 billion).

In particular, the **adidas** brand continued its strong momentum with revenues up 20% on a currency-neutral basis, fuelled by double-digit sales increases in Sport Performance, at adidas Originals as well as at 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. **Reebok** was able to maintain its robust revenue expansion as revenues grew 7% during the quarter, with sales growth across all regions. This development was supported by double-digit sales increases in the running category as well as in Classics. **TaylorMade-adidas Golf** revenues increased 6%

currency-neutral, driven by strong double-digit growth in the metalwoods and putters categories.

"I am extremely happy to be the CEO of a company that is doing so well," commented Kasper Rorsted, adidas Group CEO. "The great momentum across all major markets shows the strength of our strategy 'Creating the New' because it is driving significant improvements in the desirability of our brands across the globe."

Revenue growth in all market segments

From a market segment perspective, combined currency-neutral sales of the adidas and Reebok brands grew at double-digit rates in all segments except Russia/CIS, where revenues increased at a high-single-digit rate. Revenues in **Western Europe** increased 15% on a currency-neutral basis, driven by the UK, Germany, France, Italy, Spain and Poland, where revenues grew at double-digit rates each. Growth trends in **North America** and **Greater China** remained strong, as reflected in currency-neutral sales increases of 20% and 25%, respectively. Revenues in **Russia/CIS** continued to grow at robust rates, up 7% on a currency-neutral basis. In **Latin America**, revenues grew 16% on a currency-neutral basis, reflecting double-digit sales increases in Argentina, Peru and Colombia as well as high-single-digit growth in Mexico and Chile. In **Japan**, sales were up 21% on a currency-neutral basis. Currency-neutral sales in **MEAA** grew 19%, driven by double-digit growth in South Korea, Australia, the United Arab Emirates, South Africa, India and Thailand.

Revenues for **Other Businesses** grew 7% in the third quarter. Double-digit sales increases in Other centrally managed businesses as well as mid-single-digit growth at TaylorMade-adidas Golf were only partly offset by sales declines at CCM Hockey, reflecting the overall challenging market conditions in the US hockey market.

Gross margin negatively impacted by severe headwinds from unfavourable FX effects

In the third quarter of 2016, the Group's gross margin decreased 0.9 percentage points to 47.6% (2015: 48.4%). The increased headwinds from negative currency movements more than offset the unchanged positive effects from a more favourable pricing, product and channel mix as well as higher product margins at TaylorMade-adidas Golf.

Other operating expenses increase as a result of additional investments to strengthen the Group's growth foundation

During the third quarter, the Group's other operating expenses increased 12% to € 2.058 billion (2015: € 1.845 billion). The increase was due to higher expenditure for point-of-sale and marketing investments as well as an increase in operating overhead costs. The latter mainly reflects further investments to spur the company's 'Creating the New' strategic business plan as well as costs associated with restructuring measures at Reebok initiated during the third quarter of 2016. As a percentage of sales, however, other operating expenses decreased 0.8 percentage points to 38.0% (2015: 38.8%), reflecting the Group's strong top-line improvement.

Operating profit improves 11% to € 563 million

The Group's operating profit increased 11% to € 563 million compared to € 505 million in the third quarter of 2015. This translates into an operating margin of 10.4%, a decrease of 0.2 percentage points compared to the prior year level of 10.6%. As a consequence, the Group's net income from continuing operations increased 15% to € 387 million (2015: € 337 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 24% to € 386 million from € 311 million in the third quarter of 2015. Basic EPS from continuing and discontinued operations increased 24% to € 1.93 (2015: € 1.55). Diluted EPS from continuing and discontinued operations grew 21% to € 1.88 (2015: € 1.55).

adidas Group with outstanding financial performance in the first nine months of 2016

In the first nine months of 2016, Group revenues increased 20% on a currency-neutral basis, driven by strong double-digit growth at adidas and high-single-digit sales increases at Reebok. In euro terms, Group revenues grew 15% to € 14.604 billion (2015: € 12.748 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. At 48.6%, the Group's gross margin decreased 0.1 percentage points versus the prior year level, as the positive effects from a more favourable pricing, product and channel mix almost entirely compensated for the severe headwinds from negative currency effects. Capitalising on the strong top-line development, the Group was able to generate significant operating leverage, with other operating expenses as a percentage of sales down 0.8 percentage points to 40.5%. This development, in combination with 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 10.0%, the operating margin was up 1.4 percentage points versus the prior year level excluding last year's goodwill impairment losses. As a result, net income from continuing operations, excluding goodwill impairment losses in the prior year, increased 39% to € 1.028 billion. At € 5.01, diluted EPS from continuing and discontinued operations grew 46%, excluding goodwill impairment losses in the prior year.

Average operating working capital as a percentage of sales decreases significantly

The Group's inventories increased 19% to € 3.203 billion (2015: € 2.698 billion). On a currency-neutral basis, inventories grew 18%, reflecting higher stock levels to support the Group's top-line momentum. Accounts receivable increased 9% to € 2.715 billion (2015: € 2.502 billion). On a currency-neutral basis, receivables were also up 9%, reflecting the Group's strong growth during the third quarter. Operating working capital was up 14% to € 4.228 billion (2015: € 3.724 billion). Average operating working capital as a percentage of sales decreased 0.4 percentage points to 20.3% (2015: 20.7%), 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 decrease to € 769 million

Net borrowings amounted to € 769 million (2015: € 903 million), representing a decrease of € 134 million. This development is mainly a result of an increase in cash generated from operating activities, partly offset by the utilisation of cash for the purchase of fixed assets and the dividend payment. The Group's ratio of net borrowings over EBITDA amounted to 0.4, which is within the Group's mid-term target corridor of below two times.

adidas Group confirms 2016 outlook

Against the background of the outstanding financial performance in the first nine months of 2016, management has confirmed the outlook for the full year despite one-time costs in the second half of the year related to measures aimed at strengthening the Group's growth foundation. The company expects revenues to increase at a rate in the high teens 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 forecasted to grow at a mid-single-digit rate.

In 2016, 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%. While the Group's gross margin will be negatively impacted by severe headwinds from negative currency effects, these negative effects are 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.

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 strong top-line growth, expenditure for point-of-sale and marketing investments as a percentage of sales is projected to be below the prior year level of 13.9%. Operating overhead expenditure as a percentage of sales is now forecasted to be around the prior year level of 29.2% (previously: to be below the prior year level). This development mainly reflects further investments to spur the company's 'Creating the New' strategic business plan as well as one-time costs during the second half in a total magnitude of around € 30 million associated with restructuring measures at Reebok. In spite of these one-off expenses, which are expected to impact the Group's operating profit in the fourth quarter in an amount of around € 20 million, the company continues to project the operating margin for the adidas Group to increase to a level of up to 7.5% in 2016 compared to the prior year level of 6.5%.

As a result of the strong top-line development and the robust operating margin expansion, net income from continuing operations excluding goodwill impairment is expected to increase at a rate between 35% and 39% to a level between € 975 million and € 1.0 billion compared to the prior year level of € 720 million.

Kasper Rorsted stated: "2016 will be a record year for the adidas Group with truly exceptional results. Going forward, it is our job to make this fantastic company even better. We will ensure that the adidas Group remains a growth company that delivers sustainable top- and bottom-line improvements in the years to come as outlined in our long-term strategic business plan 'Creating the New'."

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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

adidas AG Consolidated Income Statement (IFRS)

€ in millions	Third quarter 2016	Third quarter 2015	Change
Net sales	5,413	4,758	13.8 %
Cost of sales	2,839	2,454	15.7 %
Gross profit	**2,574**	**2,304**	**11.7 %**
(% of net sales)	47.6%	48.4%	(0.9pp)
Royalty and commission income	30	32	(5.2%)
Other operating income	17	14	19.7 %
Other operating expenses	2,058	1,845	11.5 %
(% of net sales)	38.0%	38.8%	(0.8pp)
Operating profit	**563**	**505**	**11.5 %**
(% of net sales)	10.4%	10.6%	(0.2pp)
Financial income	6	8	(22.9%)
Financial expenses	24	18	30.4 %
Income before taxes	**545**	**495**	**10.2 %**
(% of net sales)	10.1%	10.4%	(0.3pp)
Income taxes	159	158	0.5 %
(% of income before taxes)	29.1%	31.9%	(2.8pp)
Net income from continuing operations	**387**	**337**	14.7 %
(% of net sales)	7.1%	7.1%	0.1 pp
Gains/(losses) from discontinued operations, net of tax	1	(23)	n.a.
Net income	**387**	**314**	**23.5 %**
(% of net sales)	7.2%	6.6%	0.6 pp
Net income attributable to shareholders	**386**	**311**	**24.2 %**
(% of net sales)	7.1%	6.5%	0.6 pp
Net income attributable to non-controlling interests	**1**	**3**	**(62.3%)**
Basic earnings per share from continuing operations (in €)	**1.93**	**1.67**	**15.3 %**
Diluted earnings per share from continuing operations (in €)	**1.88**	**1.67**	**12.6 %**
Basic earnings per share from continuing and discontinued operations (in €)	**1.93**	**1.55**	**24.2 %**
Diluted earnings per share from continuing and discontinued operations (in €)	**1.88**	**1.55**	**21.3 %**

Net Sales

€ in millions	Third quarter 2016	Third quarter 2015	Change	Change (currency-neutral)
Western Europe	1,557	1,404	10.9 %	14.5 %
North America	927	776	19.5 %	20.2 %
Greater China	822	691	18.9 %	25.3 %
Russia/CIS	195	195	(0.1%)	7.4 %
Latin America	487	489	(0.4%)	15.8 %
Japan	264	186	42.4 %	21.1 %
MEAA	794	674	17.8 %	19.1 %
Other Businesses	366	342	6.9 %	6.8 %
adidas	4,640	4,007	15.8 %	19.5 %
Reebok	493	476	3.6 %	7.2 %
TaylorMade-adidas Golf	170	159	7.0 %	6.0 %
CCM Hockey	103	112	(8.5%)	(7.3%)

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Income Statement (IFRS)

€ in millions	Nine months 2016	Nine months 2015	Change	Nine months 2016 excl. goodwill impairment	Nine months 2015 excl. goodwill impairment	Change
Net sales	14,604	12,748	14.6 %	14,604	12,748	14.6 %
Cost of sales	7,513	6,546	14.8 %	7,513	6,546	14.8 %
Gross profit	**7,091**	**6,202**	**14.3 %**	**7,091**	**6,202**	**14.3 %**
(% of net sales)	48.6%	48.6%	(0.1pp)	48.6%	48.6%	(0.1pp)
Royalty and commission income	85	90	(5.0%)	85	90	(5.0%)
Other operating income	207	75	177.2 %	207	75	177.2 %
Other operating expenses	5,916	5,265	12.4 %	5,916	5,265	12.4 %
(% of net sales)	40.5%	41.3%	(0.8pp)	40.5%	41.3%	(0.8pp)
Goodwill impairment losses	-	18	(100.0%)	-	-	-
Operating profit	**1,468**	**1,083**	**35.5 %**	**1,468**	**1,101**	**33.3 %**
(% of net sales)	10.0 %	8.5%	1.6 pp	10.0%	8.6%	1.4 pp
Financial income	35	32	9.8 %	35	32	9.8 %
Financial expenses	51	51	0.3 %	51	51	0.3 %
Income before taxes	**1,452**	**1,064**	**36.4 %**	**1,452**	**1,082**	**34.1 %**
(% of net sales)	9.9 %	8.3%	1.6 pp	9.9%	8.5%	1.5 pp
Income taxes	424	345	23.0 %	424	345	23.0 %
(% of income before taxes)	29.2 %	32.4%	(3.2pp)	29.2%	31.9%	(2.6pp)
Net income from continuing operations	**1,028**	**719**	42.8 %	**1,028**	**737**	39.3 %
(% of net sales)	7.0 %	5.6 %	1.4 pp	7.0%	5.8%	1.3 pp
Gains/(losses) from discontinued operations, net of tax	2	(36)	n.a.	2	(36)	n.a.
Net income	**1,029**	**683**	**50.6 %**	**1,029**	**701**	**46.8 %**
(% of net sales)	7.0 %	5.4 %	1.7 pp	7.0 %	5.5%	1.5 pp
Net income attributable to shareholders	**1,027**	**678**	**51.5 %**	**1,027**	**696**	**47.6 %**
(% of net sales)	7.0 %	5.3 %	1.7 pp	7.0 %	5.5%	1.6 pp
Net income attributable to non-controlling interests	**2**	**5**	**(64.1%)**	**2**	**5**	**(64.1%)**
Basic earnings per share from continuing operations (in €)	**5.12**	**3.54**	**44.9 %**	**5.12**	**3.62**	**41.4 %**
Diluted earnings per share from continuing operations (in €)	**5.01**	**3.54**	**41.6 %**	**5.01**	**3.62**	**38.1 %**
Basic earnings per share from continuing and discontinued operations (in €)	**5.13**	**3.36**	**52.9 %**	**5.13**	**3.45**	**48.9 %**
Diluted earnings per share from continuing and discontinued operations (in €)	**5.01**	**3.36**	**49.4 %**	**5.01**	**3.45**	**45.5 %**

Net Sales

€ in millions	Nine months 2016	Nine months 2015	Change	Change (currency-neutral)
Western Europe	4,185	3,508	19.3 %	21.9 %
North America	2,443	2,010	21.5 %	22.3 %
Greater China	2,269	1,852	22.5 %	28.3 %
Russia/CIS	505	562	(10.2%)	5.7 %
Latin America	1,260	1,368	(7.9%)	14.2 %
Japan	736	518	42.0 %	27.6 %
MEAA	2,067	1,845	12.0 %	17.1 %
Other Businesses	1,139	1,084	5.1 %	6.1 %
adidas	12,381	10,540	17.5 %	23.0 %
Reebok	1,308	1,295	1.0 %	6.9 %
TaylorMade-adidas Golf	693	678	2.2 %	3.2 %
CCM Hockey	205	232	(11.7%)	(10.0%)

Rounding differences may arise in percentages and totals.

adidas AG Consolidated Statement of Financial Position (IFRS)

€ in millions	September 30, 2016	September 30, 2015	Change in %	December 31, 2015
Cash and cash equivalents	1,264	1,060	19.2	1,365
Short-term financial assets	5	5	6.0	5
Accounts receivable	2,715	2,502	8.5	2,049
Other current financial assets	481	424	13.4	367
Inventories	3,203	2,698	18.7	3,113
Income tax receivables	102	84	21.0	97
Other current assets	547	531	3.0	489
Assets classified as held for sale	0	13	(99.5)	12
Total current assets	**8,317**	**7,318**	**13.6**	**7,497**
Property, plant and equipment	1,715	1,561	9.8	1,638
Goodwill	1,376	1,379	(0.3)	1,392
Trademarks	1,589	1,595	(0.4)	1,628
Other intangible assets	173	179	(3.2)	188
Long-term financial assets	187	134	40.0	140
Other non-current financial assets	88	102	(14.1)	99
Deferred tax assets	695	595	16.7	637
Other non-current assets	116	125	(7.4)	124
Total non-current assets	**5,938**	**5,671**	**4.7**	**5,846**
Total assets	**14,255**	**12,989**	**9.7**	**13,343**
Short-term borrowings	1,057	508	107.9	366
Accounts payable	1,689	1,476	14.4	2,024
Other current financial liabilities	199	130	52.4	143
Income taxes	465	365	27.5	359
Other current provisions	531	468	13.5	456
Current accrued liabilities	1,942	1,630	19.2	1,684
Other current liabilities	386	347	11.4	331
Liabilities classified as held for sale	0	0	(4.6)	0
Total current liabilities	**6,269**	**4,925**	**27.3**	**5,364**
Long-term borrowings	982	1,460	(32.8)	1,463
Other non-current financial liabilities	30	8	257.7	18
Pensions and similar obligations	334	294	13.6	273
Deferred tax liabilities	341	393	(13.3)	368
Other non-current provisions	44	44	(0.7)	50
Non-current accrued liabilities	101	103	(2.0)	120
Other non-current liabilities	45	53	(15.1)	40
Total non-current liabilities	**1,877**	**2,356**	**(20.3)**	**2,332**
Share capital	200	200	0.1	200
Reserves	336	599	(43.8)	592
Retained earnings	5,590	4,917	13.7	4,874
Shareholders' equity	6,126	5,716	7.2	5,666
Non-controlling interests	(17)	(8)	(114.7)	(18)
Total equity	**6,109**	**5,708**	**7.0**	**5,648**
Total liabilities and equity	**14,255**	**12,989**	**9.7**	**13,343**
Additional balance sheet information				
Operating working capital	4,228	3,724	13.6	3,138
Working capital	2,048	2,393	(14.4)	2,133
Net total borrowings	769	903	(14.8)	460
Financial leverage	12.6%	15.8%	(3.2 pp)	8.1%

Rounding differences may arise in percentages and totals.