

HOW

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VALUE

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# TARGETS – RESULTS – OUTLOOK

## TARGETS 2015 <sup>1,2</sup>

## RESULTS 2015 <sup>2,3</sup>

## OUTLOOK 2016

<p><b>CURRENCY-NEUTRAL SALES DEVELOPMENT:</b> adidas Group</p> <p><b>INCREASE AT A MID-SINGLE-DIGIT RATE</b></p>	<p><b>CURRENCY-NEUTRAL SALES DEVELOPMENT:</b> adidas Group</p> <p><b>INCREASE OF 10%</b></p> <p>Group sales of <b>€ 16.915 BILLION</b></p>	<p><b>CURRENCY-NEUTRAL SALES DEVELOPMENT:</b> adidas Group</p> <p><b>INCREASE AT A RATE BETWEEN 10% AND 12%</b></p>
<p>Gross margin <b>47.5% – 48.5%</b></p>	<p>Gross margin <b>48.3%</b></p>	<p>Gross margin <b>47.3% – 47.8%</b></p>
<p>Operating margin <b>6.5% – 7.0%</b></p>	<p>Operating margin <b>6.5%</b></p>	<p>Operating margin <b>AT LEAST STABLE</b> versus prior year level</p>
<p>Average operating working capital (in % of net sales) <b>MODERATE DECLINE</b></p>	<p>Average operating working capital (in % of net sales) decreases 1.9pp to <b>20.5%</b></p>	<p>Average operating working capital (in % of net sales) <b>AROUND PRIOR YEAR LEVEL</b></p>
<p>Capital expenditure <b>AROUND € 600 MILLION</b></p>	<p>Capital expenditure <b>€ 513 MILLION</b></p>	<p>Capital expenditure <b>AROUND € 750 MILLION</b></p>
<p>Gross borrowings <b>MODERATE DECLINE</b></p>	<p>Gross borrowings decrease 2% to <b>€ 1.830 BILLION</b></p>	<p>Gross borrowings <b>MODERATE DECLINE</b></p>
<p>Net borrowings/EBITDA ratio <b>TO BE MAINTAINED BELOW 2</b></p>	<p>Net borrowings/EBITDA ratio <b>0.3</b></p>	<p>Net borrowings/EBITDA ratio <b>TO BE MAINTAINED BELOW 2</b></p>
<p>Net income from continuing operations <b>INCREASE AT A RATE OF 7% TO 10%</b></p>	<p>Net income from continuing operations <b>INCREASES 12%</b> to € 720 million</p>	<p>Net income from continuing operations <b>INCREASE AT A RATE BETWEEN 10% AND 12%</b> to around € 800 million</p>
<p>Shareholder value <b>INCREASE</b></p>	<p>adidas AG share price <b>INCREASES 56%</b></p> <p>Dividend per share <b>€ 1.60 <sup>4</sup></b></p> <p>Share buyback in an amount of <b>€ 300 MILLION</b></p>	<p>Shareholder value <b>FURTHER INCREASE</b></p>

<sup>1</sup> As published on March 5, 2015. The outlook was updated over the course of the year.

<sup>2</sup> Figures reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>3</sup> Excluding goodwill impairment of € 34 million.

<sup>4</sup> Subject to Annual General Meeting approval.

# FINANCIAL HIGHLIGHTS 2015

## FINANCIAL HIGHLIGHTS 2015 (IFRS)

	2015	2014	Change
<b>Operating Highlights</b> (€ in millions)			
Net sales <sup>1</sup>	16,915	14,534	16.4%
EBITDA <sup>1</sup>	1,475	1,283	15.0%
Operating profit <sup>1, 3, 4</sup>	1,094	961	13.8%
Net income from continuing operations <sup>1, 3, 4</sup>	720	642	12.2%
Net income attributable to shareholders <sup>2, 3, 4</sup>	668	568	17.6%
<b>Key Ratios</b> (%)			
Gross margin <sup>1</sup>	48.3%	47.6%	0.6pp
Operating expenses in % of net sales <sup>1</sup>	43.1%	42.7%	0.4pp
Operating margin <sup>1, 3, 4</sup>	6.5%	6.6%	(0.1pp)
Effective tax rate <sup>1, 3, 4</sup>	32.9%	29.7%	3.2pp
Net income attributable to shareholders in % of net sales <sup>2, 3, 4</sup>	4.0%	3.9%	0.0pp
Average operating working capital in % of net sales <sup>1</sup>	20.5%	22.4%	(1.9pp)
Equity ratio	42.5%	45.3%	(2.8pp)
Net borrowings/EBITDA <sup>1</sup>	0.3	0.1	n.a.
Financial leverage	8.1%	3.3%	4.8pp
Return on equity <sup>2</sup>	11.2%	8.7%	2.5pp
<b>Balance Sheet and Cash Flow Data</b> (€ in millions)			
Total assets	13,343	12,417	7.5%
Inventories	3,113	2,526	23.2%
Receivables and other current assets	3,003	2,861	4.9%
Working capital	2,133	2,970	(28.2%)
Net borrowings	460	185	148.9%
Shareholders' equity	5,666	5,624	0.7%
Capital expenditure	513	554	(7.4%)
Net cash generated from operating activities <sup>2</sup>	1,090	701	55.5%
<b>Per Share of Common Stock</b> (€)			
Basic earnings <sup>2, 3, 4</sup>	3.32	2.72	21.9%
Diluted earnings <sup>2, 3, 4</sup>	3.32	2.72	21.9%
Net cash generated from operating activities <sup>2</sup>	5.41	3.36	61.1%
Dividend	1.60 <sup>5</sup>	1.50	6.7%
Share price at year-end	89.91	57.62	56.0%
<b>Other</b> (at year-end)			
Number of employees <sup>1</sup>	55,555	53,731	3.4%
Number of shares outstanding	200,197,417	204,327,044	(2.0%)
Average number of shares	201,536,418	208,776,457	(3.5%)

<sup>1</sup> Figures reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> Includes continuing and discontinued operations.

<sup>3</sup> 2015 excluding goodwill impairment of € 34 million.

<sup>4</sup> 2014 excluding goodwill impairment of € 78 million.

<sup>5</sup> Subject to Annual General Meeting approval.

# OUR BRANDS



ADIDAS IS A TRULY GLOBAL BRAND WITH GERMAN ROOTS.



adidas Sport Performance

The guiding principle of adidas Sport Performance is helping athletes to make a difference. In their game, in their world and in their life. The main focus is on key categories, such as football, running, basketball and training.



adidas Originals

&



adidas Sport Style

adidas Originals is the authentic, iconic sportswear label for the street. adidas Sport Style includes the labels adidas NEO, Y-3 and Porsche Design Sport by adidas.



runtastic

Runtastic offers a wide variety of products and services that provide a comprehensive ecosystem for tracking and managing health and fitness data. No matter which fitness activity you prefer, Runtastic helps to motivate and link like-minded people. Together we are better and the Runtastic community is the perfect platform for anyone and everyone to reach their full potential.



Five Ten

Five Ten, the 'Brand of the Brave', is a leader in performance, high-friction footwear. From downhill mountain bike racing to rock climbing, from wingsuit flying to kayaking, Five Ten makes footwear for the world's most dangerous sports.



Reebok is an American-inspired global brand with the clear objective to become the leading fitness brand in the world. Reebok believes that fitness is a way of life. And Reebok's version of fitness – Tough Fitness – can prepare all who are willing to join in for the unknown obstacles of life.



Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and apparel, with two of the world's most recognised ice hockey brand names: Reebok Hockey and CCM.

**adidas**  
GROUP



TaylorMade

TaylorMade leads the golf industry in metalwood sales and is the number one driver brand on the world's six major professional golf tours. The brand is recognised globally for its capacity to develop innovative and performance-enhancing technologies for drivers, fairway woods, hybrids, irons, putters and balls.



adidas Golf

adidas Golf develops high-performance golf footwear and apparel for active, serious, athletic-minded golfers seeking products to elevate their game.



Adams Golf

Adams Golf designs and produces easy-to-hit equipment that makes playing the game more enjoyable for golfers of all skill levels.



Ashworth

Ashworth is an authentic golf apparel and footwear brand with powerful name recognition among true, authentic golfers, offering products that move effortlessly from the golf course to the clubhouse and beyond.

FOR MORE INFORMATION  
ON OUR BRANDS:  
[WWW.ADIDAS-GROUP.COM](http://WWW.ADIDAS-GROUP.COM)

# HOW

# 2

**CREATING SOMETHING NEW STARTS WITH DEFINING WHERE YOU WANT TO GO, WHAT YOU WANT TO ACHIEVE. IT STARTS WITH WHY YOU DO WHAT YOU DO AND WITH AN IDEA, A VISION YOU EMBODY FOR SOMETHING BETTER, AN OBSESSION YOU HAVE.**

# 1

**AND FOR US, IT ALL STARTS WITH SPORT. SPORT IS OUR VERY PURPOSE. THROUGH SPORT WE HAVE THE POWER TO CHANGE LIVES. WE ARE OBSESSED WITH INSPIRING PEOPLE TO HARNESS THE POWER OF SPORT IN THEIR LIVES. WE ARE COMMITTED TO HELPING ATHLETES MAKE A DIFFERENCE.**

**FOR US, IT ALSO STARTS WITH THE ASPIRATION TO BE THE BEST. WE WANT TO BE THE BEST SPORTS COMPANY IN THE WORLD. THIS IS WHAT WE ARE HERE FOR. THIS IS WHAT WE WANT TO ACCOMPLISH. WE WANT TO WIN. WE MAKE THE RULES. WE ARE THE CREATORS. AND: WE ARE CREATING THE NEW.**



# VALUE

# WE CREATE

# ADIDAS GROUP ANNUAL REPORT 2015

<b>1</b>	<b>TO OUR SHAREHOLDERS</b>	
	Operational and Sporting Highlights	6
	Letter from the CEO	10
	Executive Board	16
	Supervisory Board	18
	Supervisory Board Report	20
	Corporate Governance Report including the Declaration on Corporate Governance	28
	Compensation Report	36
	Our Share	46
<b>2</b>	<b>GROUP MANAGEMENT REPORT – OUR GROUP</b>	
	Group Strategy	54
	• adidas Strategy	61
	• Reebok Strategy	67
	• TaylorMade-adidas Golf Strategy	69
	• Reebok-CCM Hockey Strategy	72
	Global Operations	74
	Research and Development	80
	Our People	87
	Sustainability	94
<b>3</b>	<b>GROUP MANAGEMENT REPORT – FINANCIAL REVIEW</b>	
	Internal Group Management System	102
	Group Business Performance	107
	• Economic and Sector Development	107
	• Income Statement	111
	• Statement of Financial Position and Statement of Cash Flows	119
	• Treasury	124
	• Financial Statements and Management Report of adidas AG	130
	• Disclosures pursuant to § 315 Section 4 and § 289 Section 4 of the German Commercial Code	134
	Business Performance by Segment	138
	• Western Europe	139
	• North America	140
	• Greater China	141
	• Russia/CIS	142
	• Latin America	143
	• Japan	144
	• MEAA (Middle East, Africa and other Asian markets)	145
	• Other Businesses	146

	<b>Subsequent Events and Outlook</b>	<b>148</b>
	• Subsequent Events	148
	• Outlook	148
	<b>Risk and Opportunity Report</b>	<b>156</b>
	• Illustration of Material Risks	162
	• Illustration of Opportunities	173
	<b>Management Assessment of Performance, Risks and Opportunities, and Outlook</b>	<b>175</b>
<b>4</b>	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
	<b>Responsibility Statement</b>	<b>180</b>
	<b>Auditor's Report</b>	<b>181</b>
	<b>Consolidated Statement of Financial Position</b>	<b>182</b>
	<b>Consolidated Income Statement</b>	<b>184</b>
	<b>Consolidated Statement of Comprehensive Income</b>	<b>185</b>
	<b>Consolidated Statement of Changes in Equity</b>	<b>186</b>
	<b>Consolidated Statement of Cash Flows</b>	<b>188</b>
	<b>Notes</b>	<b>189</b>
	• Notes to the Consolidated Statement of Financial Position	203
	• Notes to the Consolidated Income Statement	235
	• Additional Information	240
	<b>Statement of Movements of Intangible and Tangible Assets</b>	<b>248</b>
	<b>Shareholdings</b>	<b>250</b>
<b>5</b>	<b>ADDITIONAL INFORMATION</b>	
	<b>Ten-Year Overview</b>	<b>256</b>
	<b>Glossary</b>	<b>260</b>
	<b>Declaration of Support</b>	<b>263</b>
	<b>Financial Calendar</b>	<b>264</b>

**Group Management Report:**

This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

## PUBLICATIONS FOR THE 2015 FINANCIAL YEAR



MAGAZINE  
**HOW WE CREATE THE NEW**

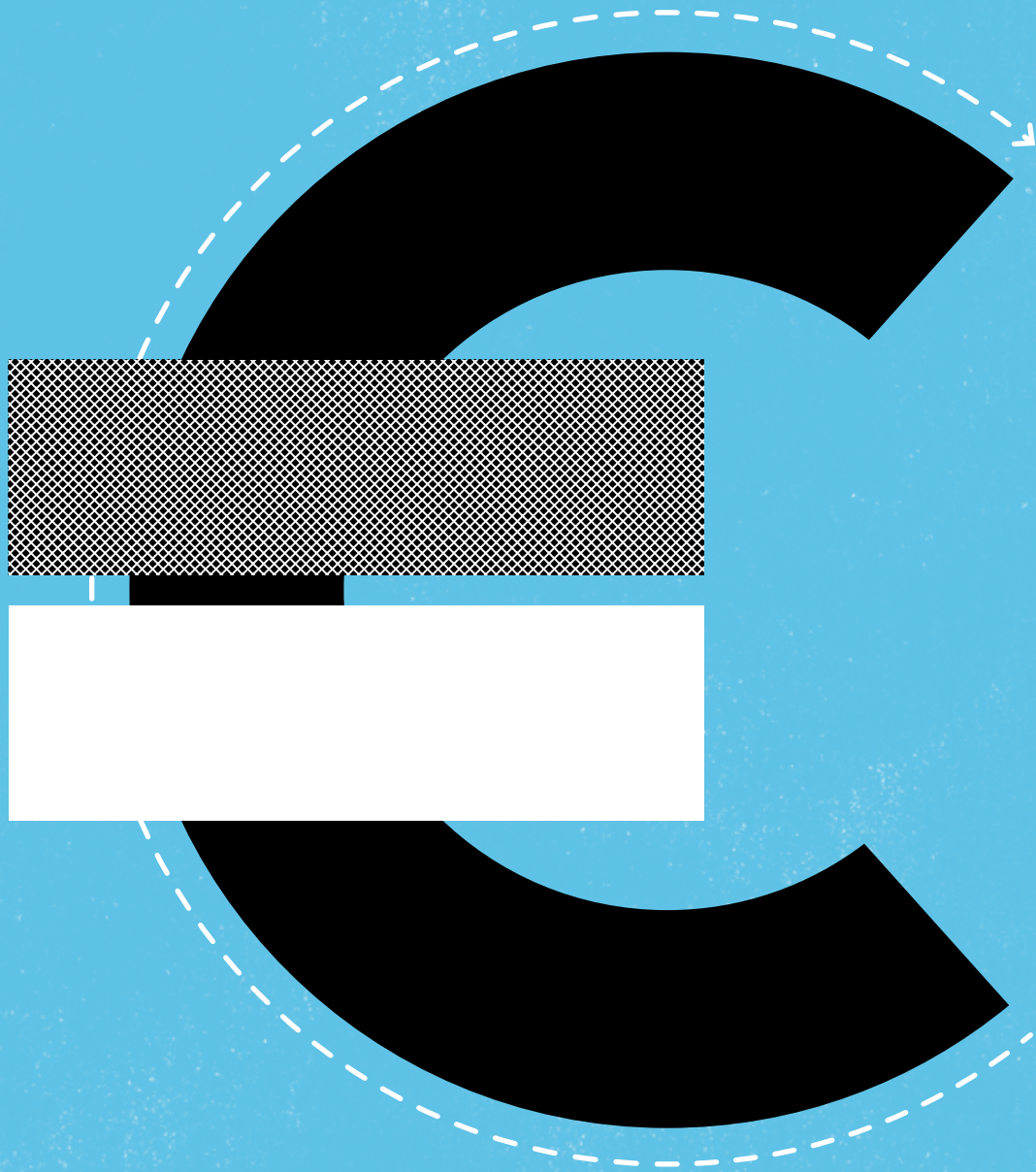


ANNUAL REPORT  
**HOW WE CREATE VALUE**



SUSTAINABILITY REPORT  
**HOW WE CREATE RESPONSIBLY**  
(available from mid-April onwards)

Printed versions of our Annual Report with condensed consolidated financial statements (excluding the Group's notes) can be ordered online at [www.adidas-group.com/en/investors/financial-reports](http://www.adidas-group.com/en/investors/financial-reports).





# TO **7** OUR

Operational and Sporting Highlights	6
Letter from the CEO	10
Executive Board	16
Supervisory Board	18
Supervisory Board Report	20
Corporate Governance Report including the Declaration on Corporate Governance	28
Compensation Report	36
Our Share	46

# SHARE – HOLD – ERS

# OPERATIONAL AND SPORTING HIGHLIGHTS

## Q1 2015

### JANUARY

19.01.

adidas Football presents its #ThereWillBeHaters campaign, focused around a provocative video featuring global football stars such as Luis Suárez, Gareth Bale, James Rodríguez and Karim Benzema. Within four weeks after its release the video is watched more than 16 million times on YouTube.



22.01.

adidas unveils its latest running revolution: UltraBOOST. In New York City, a team of elite athletes around Yohan Blake, David Villa and Sammy Watkins pledge their allegiance to this running shoe while hundreds of witnesses from around the world are on site.



22.01.

The adidas Group ranks third in the 'Global 100 Index' and is thus recognised as one of the 100 Most Sustainable Corporations in the World, as best European company and as clear leader in its industry. This ranking by Corporate Knights is one of the most extensive data-driven corporate sustainability assessments in existence.

28.01.

Reebok releases its new brand campaign 'Be More Human' with a 60-second TV spot around the Super Bowl. The campaign is a rally cry to live up to the athlete's full potential.



### FEBRUARY

12.02.

adidas Originals and Kanye West stage the global launch event for the Yeezy Season 1 and the Yeezy Boost. This worldwide simulcast event taking place in New York City is streamed to 42 theatres across the globe.



13.02.

adidas releases its new campaign, Sport 15. The campaign, which is a long-term investment in the brand's obsession with sport, aims to inspire and motivate young athletes to always be the best they can be at any sport or at any level.



24.02.

adidas announces that in 2014 it sourced more than 30% of all its processed cotton as Better Cotton. With this, the Group exceeds its originally set goal of 25%. This is the highest volume in sustainable cotton used in the history of adidas.

25.02.

TaylorMade launches the new R15 driver. The driver provides a front track technology to expand sweet spot and decrease spin. The R15 is the only driver of its kind to earn the maximum number of points in Golf Digest's 2015 Hot List.



### MARCH

04.03.

Reebok presents to the world's media the ZPump Fusion, a game-changing running shoe that uniquely conforms to any foot and provides runners with a locked-in custom fit.

26.03.

The adidas Group introduces its new strategic business plan 'Creating the New' at the Investor Day 2015 in Herzogenaurach, Germany. By bringing brand desirability to new heights, the Group aims to increase its top line at a high-single-digit rate and improve net income by around 15% on average per year.

27.03.

adidas Originals releases Supercolor, created in collaboration with Pharrell Williams. The iconic Superstar silhouette is transformed via a spectrum of 50 different colourways available from the launch day onwards.



# OPERATIONAL AND SPORTING HIGHLIGHTS

## Q2 2015

### APRIL

15.04.

Reebok teams up with international supermodel Miranda Kerr for the Skyscape March in Tokyo. The Skyscape is Reebok's key franchise in walking footwear, taking comfort and style to a new level.



24.04.

CCM releases the Ribcor skate line featuring Reebok's legendary Pump technology. Providing skaters with a re-engineered shape, Ribcor features a more customised fit and maximum heel lock.



28.04.

FC Bayern Munich and adidas extend their successful long-term partnership until 2030.

### MAY

20.05.

In celebration of the ten-year anniversary of the collaboration with Stella McCartney, the designer visits the first adidas by Stella McCartney women's concept store in Seoul to meet with consumers as well as fitness and health influencers.



25.05.

adidas revolutionises its football footwear offer by introducing X and Ace. The boots represent two distinct types of players: the game changers and the play makers – the ones who cause chaos and the ones who control the game.



### JUNE

18.06.

adidas Originals and Kanye West present the second sneaker developed in their close collaboration: Yeezy Boost 350. The shoe is designed to be simple and comfortable, featuring an entirely knitted upper.



25.06.

Reebok takes home two awards at the 2015 Cannes Lions International Festival of Creativity for the creation of the 'Be More Human' digital experience.

30.06.

adidas and Parley for the Oceans present the first shoe developed in their collaboration at a UN Climate Change event in New York City. The shoe's upper is entirely made of yarns reclaimed and recycled from ocean waste.



30.06.

Reebok and the UFC unveil the first UFCFightKit in New York City. The launch marks a cornerstone moment for both the sport of UFC and the Reebok brand.



# OPERATIONAL AND SPORTING HIGHLIGHTS

## Q3 2015

### JULY

13.07.

Reebok and CrossFit celebrate five years of partnership with the launch of the Reebok CrossFit Nano 5.0, developed in association with the CrossFit community.



### AUGUST

01.08.

adidas reunites with Manchester United and reveals the new home jersey for the 2015/16 season. The jerseys are well received and within the first five days deliver sales that were forecasted for a month.



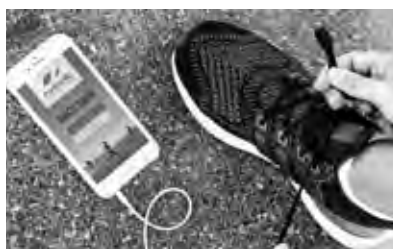
03.08.

The adidas Group opens a new office building, PITCH, at the World of Sports in Herzogenaurach. The building will be used to test the Group's workplace of the future with creative meeting rooms, latest technology and innovative recreation zones.



05.08.

The adidas Group announces the acquisition of Runtastic, a leading fitness app provider. With more than 140 million downloads and over 80 million registered users, Runtastic has an industry-leading position.



13.08.

adidas announces its partnership with shooting guard James Harden of the Houston Rockets, one of the NBA's most successful scorers and most recognisable players.

17.08.

TaylorMade sponsored Jason Day wins the 2015 PGA Championship in Whistling Straits/Wisconsin, USA. This victory helps him to temporarily take the number one spot in the official world golf ranking after also winning further tournaments.



### SEPTEMBER

09.09.

TaylorMade launches M1, the brand's longest driver and most fittable product line. M1 offers the golfer TaylorMade's first-ever 'unmetalwood' line of drivers, fairways and rescue clubs that enable more ball speed, forgiveness and distance.



10.09.

adidas announces a multi-year partnership with quarterback Aaron Rodgers of the Green Bay Packers. The two-time winner of the MVP award debuts adidas cleats in the new season and will also collaborate on future product development.



10.09.

For the 16th consecutive time, adidas AG is selected to join the Dow Jones Sustainability Indices (DJSI). Within the 'Textiles, Apparel & Luxury Goods' industry, the adidas Group is rated best in class in the category Innovation Management and achieves high scores in further categories.

10.09.

The adidas Group Annual Report 2014 is ranked second among all DAX-30 companies in the 'Best Annual Report' ranking which focuses on the quality of content and transparency in reporting. Furthermore, 'Make a Difference' wins the Red Dot award that honours the quality of communication design and aesthetics.

15.09.

The National Hockey League (NHL) and adidas announce a seven-year partnership starting with the 2017/18 season. Shortly afterwards, adidas announces a multi-year partnership with NHL All-Star Sidney Crosby.



24.09.

adidas introduces Sport Infinity, a research project funded by the European Commission which focuses on sporting goods that can be fully recycled. Worn sportswear will be broken down to be remoulded again in a waste-free, adhesive-free process.

# OPERATIONAL AND SPORTING HIGHLIGHTS

## Q4 2015

### OCTOBER

#### 07.10.

adidas unveils the future of performance footwear with Futurecraft 3D, a unique 3D-printed running shoe midsole. The 3D concept is part of the 'Futurecraft series' and drives innovation across all elements of production.



#### 19.10.

Continuing its passionate commitment to the growth and support of mixed martial arts around the world, Reebok announces its latest partnership with undefeated UFC Middleweight Champion Chris Weidman.

#### 31.10.

adidas celebrates the New Zealand All Blacks who become the first team to win back-to-back Rugby World Cups and also to win the competition three times as they triumph over Australia.



### NOVEMBER

#### 02.11.

adidas introduces its Laceless football boot. With Laceless, players will be able to experience a new level of fit and pure touch.

#### 05.11.

adidas unveils Futurecraft Leather, a revolutionary combination of a high-tech manufacturing process and traditional material to create a completely seamless upper that enables flex, support and comfort in one single piece of material.

#### 12.11.

Only two days after the launch of the new home kit of the German national football team for the UEFA EURO 2016, adidas reveals the Official Match Ball of the group stages: Beau Jeu. The ball is introduced by Zinedine Zidane inside the world's first digital football stadium entitled FUTURE ARENA, visualising a 360° digital football stadium with 50,000 fans inside.



#### 23.11.

TaylorMade launches Kalea, a women's exclusive set of clubs that is designed to deliver meaningful performance to the female player.

#### 26.11.

CCM introduces its new hockey performance lab in Montreal, Canada. The lab will contribute to game-changing products with the technology that has the power to advance the performance of hockey and that of the player.



### DECEMBER

#### 02.12.

adidas opens a further chapter of its Sport 15 campaign with the film 'Creators never follow'. The film stars James Harden who encourages all athletes to define their own path.



#### 03.12.

Reebok Instagram reaches 500,000 followers. The brand has achieved more than 3.8 million engagements on the account.

#### 07.12.

The adidas Group achieves its target of € 2 billion in net sales in Greater China. In addition, adidas is the leading women's sports brand and the number one sport style and sport casual brand in Greater China.

#### 08.12.

adidas and Parley for the Oceans unveil a new footwear innovation which transforms deep-sea plastic waste into a 3D-printed midsole. The shoe also has an upper made from ocean plastic.



#### 09.12.

adidas Originals launches NMD, its latest footwear franchise, at an event in New York City. The NMD is technically a running shoe, realised as a lifestyle sneaker that represents in its design past adidas styles of the Micropacer, the Rising Star and the Boston Super.



#### 09.12.

adidas reveals the future of production with its pilot Speedfactory in Germany. With the use of automated manufacturing production, Speedfactory creates high-performance sporting goods faster than ever before and close to the consumer.

#### 11.12.

adidas Golf announces the release of the new Tour 360 Boost, the next generation in the popular Tour 360 franchise.

#### 19.12.

adidas Originals concludes the year with the release of two more shoes that originate out of the partnership with Kanye West: Yeezy Boost 350 tan and Yeezy Boost 750 black.

1  
**TO OUR SHAREHOLDERS**

Letter from the CEO



**HERBERT HAINER** ADIDAS GROUP CEO

**LETTER  
FROM  
THE CEO**

*Dear Shareholders,*

2015 was a very successful year for the adidas Group. We reached all of our major financial goals and even exceeded our initial top- and bottom-line targets. This was made possible because we reacted like true champions after the severe challenges we had been facing in 2014. We used our form crisis as an opportunity, analysed our weaknesses, realigned our business, rolled up our sleeves and took up the fight for gold. As a result, our 2015 performance is a picture-perfect example of a successful comeback in sport. As a Group, today we are stronger and in better shape than ever before:

- In 2015, Group sales increased 10% on a currency-neutral basis. In euro terms, revenues were up 16% or € 2.4 billion to a new record of € 16.9 billion.
- Our core brand adidas, by far our largest business, drove the Group's top-line expansion, growing 12% currency-neutral and reaching sales of € 13.9 billion in 2015, the highest level ever, with momentum accelerating towards the end of the year. This was particularly visible in Western Europe and North America, where revenues grew 31% and 12%, respectively, during the fourth quarter.
- Reebok reported a 6% sales increase for the full year and now has eleven consecutive quarters of growth under its belt.
- Our underlying net income grew 12% to € 720 million, despite delivering on our promise to significantly step up marketing investments to spur revenue growth and drive long-term brand desire.
- With an increase of 56%, our share was not only the top performer in the DAX-30 in 2015, but also outperformed all major peers and reached a new all-time high towards the end of the year.

These financials provide clear evidence for the major progress the Group has made over the past 15 months. But our success goes way beyond financial figures.

With our strategic business plan 'Creating the New', we have developed a new game plan aimed at accelerating our growth trajectory until 2020 by significantly increasing brand desirability. And while officially this plan only kicked in at the beginning of 2016, Creating the New has already set free a lot of positive energy within our Group during the past year. This is the result of a completely new mindset – brands first – which we are living internally and which is also reflected in the reorganisation of roles and responsibilities within our sales and marketing organisations. Following the implementation of 'Brand Leadership', today our Global Brands organisation has a centralised role when it comes to key decision-making relating to the appearance of our brands and products around the globe. With this approach, we ensure that our product offering enjoys a high level of commonality worldwide, while at the same time we guarantee that major initiatives such as product launches and communication activities are managed centrally before they are executed locally by the markets. I have absolutely no doubt that this new consumer-obsessed mindset and organisational structure spurred our success in 2015 as it helped us to be much more impactful vis-à-vis the consumer in many areas of our business.

In this regard, we also started to redefine the future of production by building our pilot Speedfactory in Germany. Using automated manufacturing to bring production to where the consumer is, Speedfactories will make high-performance sporting goods available faster than ever before. The first concept shoes for running footwear are currently being made and I am proud that the adidas Group is at the forefront of this trend, as it will enable us to be closer to the consumer than any other brand.

Another prime example of our consumer-obsessed mindset is our football category: 2015 saw a full reset of our football footwear business with the launch of Ace and X. These new football silos successfully replaced our iconic franchises f50, Predator, 11Pro and Nitrocharge. Focusing on the specific needs of two different types of football consumers was a bold decision that came with some risk. But it proved to be right, as evidenced by the double-digit increase in football footwear revenues last year. In addition, we saw a strong presence of our new cleats in the world's top five football leagues, with almost 40% of players wearing 3-Stripes. All of this drove significant market share gains during the course of the year, particularly in Western Europe. This alone is great news. But even more importantly, it also confirms that Creating the New helps us win in this tough battlefield.

In 2015, we also made a bold statement in another major performance category, running, where we launched UltraBOOST, which delivers unrivalled energy return, superior support and adaptive comfort to consumers. As we were so convinced of the performance attributes of this shoe, we called UltraBOOST 'the greatest running shoe ever' even before it hit the market at the beginning of 2015. Now, a year after its official launch, there is no better description for UltraBOOST than just that. Both the feedback we get from consumers as well as the sell-through rates we achieve leave no doubt that UltraBOOST was the 'Best Sneaker of 2015', as awarded by both running and lifestyle magazines several times throughout the year.

Speaking about the fusion of lifestyle and sport: The tremendous success of our Originals business lies in our unique ability to recreate iconic sports moments and bring them to the street. This is exactly what made our iconic footwear franchises Stan Smith and Superstar driving forces of sneaker culture in 2015. In addition, our newly introduced NMD, a fusion of well-proven adidas DNA with breakthrough technology from today, has once again demonstrated the trendsetting capabilities and influence adidas Originals has on the streets. And not to forget the unprecedented demand around Yeezy Boost 350, which received the prestigious Footwear News 'Shoe of the Year' award. It is product launches like these that helped adidas Originals to become the world's most relevant and best sneaker brand and deliver strong double-digit growth in every quarter of 2015.

2015 saw the complete reset of our Women's business. As a result, we are now more focused on the female athlete than ever before. We are excited about our collaboration with former lululemon CEO Christine Day, who has been acting as a strategic adviser to our Women's business for almost a year now. As an expert in building an athletic brand for women, Christine has been instrumental in sharpening our game plan, asking the right questions and helping us develop this important part of our business in the right way. As a result, we have made significant changes to our global product and marketing approach to enable us to create products and consumer experiences that address the very needs of women. As part of these efforts, adidas recently launched its first-ever women's-only running shoe, PureBOOST X. In addition, our new Sport 16 campaign, 'I'm Here to Create', is told exclusively through the lens of some of the world's finest female athletes, including tennis icon Caroline Wozniacki, supermodel Karlie Kloss as well as a large number of local influencers such as US rock climbing star Sasha DiGiulian and inspirational yogi Adriene Mishler.



North America is another area where the adidas brand made major progress last year by moving closer to the consumer. One of our main priorities in 2015 was to gain credibility in those categories that are important to authenticate our brand towards the US athlete. And indeed, through grassroots events at the high school and college level, much higher visibility in all of the major US sports and highly engaging marketing campaigns, we have become much more relevant for the US consumer in only a short period of time. In American football, for example, our partnership with Denver Broncos' Von Miller, the most valuable player in Super Bowl 50, put the 3-Stripes right into the spotlight during the world's biggest single sports event. In baseball, the number of players wearing our products has more than doubled within less than twelve months and now includes standouts such as the 2015 Rookies of the Year Kris Bryant and Carlos Correa. And in basketball, we have teamed up with James Harden, one of the most iconic players in the game, who has already created a lot of buzz for us as he took centre stage in the last episode of our Sport 15 campaign in December. And let's of course not forget our unrivalled presence in the lifestyle area, where the Yeezy Boost in collaboration with Kanye West is enjoying unparalleled popularity. The sneaker's iterations, of which seven have been released so far, have not only sold out instantly but also played a major role in propelling adidas to the most popular sneaker brand on Instagram in 2015.

The major progress hasn't gone unnoticed by the country's most important retailers. They have become much more supportive of our products over the past twelve months, which is reflected in a significant increase in shelf space in their stores. In combination with the continued roll-out of our own-retail stores, this has also elevated the brand experience at the point of sale remarkably. So without a doubt, we have delivered on our US promise across all the different dimensions. 18 months ago, we declared the US as the most important priority for us as a management team. And it makes me proud to see the momentum the adidas brand has gained in this all-important market.

Turning to Reebok's performance in more detail, the brand now looks back on eleven consecutive quarters of growth, which is proof positive of the successful repositioning of the brand and its rededication towards fitness. To celebrate this achievement and to illustrate Reebok's mission to change how people perceive and experience fitness, the brand launched its new, fully integrated marketing campaign, 'Be More Human', at the beginning of 2015. The campaign underlines that, through a strong focus on innovation, Reebok is today leading the way in new fitness movements and further strengthening its overall fitness positioning across the globe, underlined by double-digit growth in nearly all markets in 2015. At the same time, the brand continues to face challenges in its home market. To reset the brand in North America and deliver sustainable and profitable business growth going forward, we have started to streamline Reebok's distribution footprint in this all-important market by reducing the number of factory outlets. We will continue to pursue that path in 2016. At the same time, we will introduce new concepts to better identify and connect with our target consumer.

2015 has also seen two important portfolio decisions. On the one hand, we completed the divestiture of Rockport, which allows us to focus our resources even more on our core competency – sport – and on the highest-potential opportunities for our Group. On the other hand, we have strengthened our digital activities with the acquisition of Runtastic. Their cutting-edge digital capabilities are enabling us to create unexpected sports experiences that will resonate with our consumers and clearly stand out in a crowded and constantly changing landscape.

Another important strategic decision will be made shortly. Following a decade of strong and profitable growth, TaylorMade-adidas Golf experienced two very difficult years in 2014 and 2015, caused by a number of structural, commercial and operational issues. As a result, halfway through last year we started analysing future options for our golf business. This strategic review is expected to be concluded by the end of the first quarter of 2016. At the same time, we also initiated a major restructuring programme, with the main objective to create a more nimble and profitable organisation. In the meantime, we have seen very good response to our latest product launches. In its inaugural week, on both the PGA Tour and European Tour, TaylorMade's M1 driver has become the number one played model. In addition, a multitude of players made an immediate switch based on the impressive results they saw in testing – a true testament to the unrivalled performance of M1 in its maiden week on tour. But the M1 was not only successful with our tour staff. Due to the strong early demand and quick sell-through at retail, our launch quantities for the M1 were sold out quickly after its launch and much faster than we had anticipated. But unlike in the past, we have decided not to push further volumes into the market, in order to keep the product fresh and demand high for the next drop in the first quarter of 2016.

Summing it all up: We are in great shape and well prepared to fully compensate the cost pressure that we and the entire industry will be facing in 2016 as a result of a surge in input costs due to labour cost increases in our supply chain as well as the strong appreciation of the US dollar against most major currencies. But make no mistake, the measures we have implemented to counterbalance this year's macroeconomic headwinds are not oriented towards the short term as we will definitely not sacrifice the long-term development of the Group and the desirability of our brands for short-term margin optimisation. In fact, the opposite is true. All of the initiatives aiming to support our margin development in 2016 will sustainably increase our operating efficiency and significantly strengthen our foundation for profitable growth in the future. At the same time, in line with our firm belief that the desirability of our brands and products will be the decisive factor to significantly increase revenues and profits over time, we will further increase our brand-building investments this year.

I have no doubt that 2016 will be another important and successful stage in our race to become the best sports company in the world and achieve the Group's long-term financial ambition. Our brands are benefiting from the ever-increasing relevance of sport in the lives of people around the globe. Our products are in high demand with consumers in every part of the world. Our order books are full across all major performance and lifestyle categories. And our brands are set to shine at this year's major sporting events. This gives us every confidence that we will again grow the top and bottom line at a double-digit rate this year and continue to create significant value for you.

*Yours sincerely,*



**HERBERT HAINER**

adidas Group CEO

# EXECUTIVE BOARD



**OUR EXECUTIVE BOARD IS COMPRISED OF FIVE MEMBERS. EACH BOARD MEMBER IS RESPONSIBLE FOR AT LEAST ONE MAJOR FUNCTION WITHIN THE GROUP.**

**1 HERBERT HAINER** CHIEF EXECUTIVE OFFICER

Herbert Hainer was born in Dingolfing, Germany, in 1954. Following his business studies, he spent eight years with Procter & Gamble in various sales and marketing positions. Herbert Hainer joined adidas Germany in 1987 and has held numerous management positions within the Group, including Managing Director Germany and Senior Vice President for Sales and Logistics in Europe, Africa and the Middle East. Herbert Hainer joined the Executive Board in 1997 and became CEO of adidas AG in 2001. He is married, has two daughters and lives in Herzogenaurach, Germany.

Herbert Hainer is also:

- Deputy Chairman of the Supervisory Board, FC Bayern München AG, Munich, Germany
- Member of the Supervisory Board, Allianz Deutschland AG, Munich, Germany
- Member of the Supervisory Board, Deutsche Lufthansa AG, Cologne, Germany

**2 ROLAND AUSCHEL** GLOBAL SALES

Roland Auschel was born in Bad Waldsee, Germany, in 1963. After obtaining his Bachelor's degree in European business studies in Germany and the UK as well as an MBA in the United States, he joined the adidas team as a Strategic Planner in 1989. During his career with the adidas Group, he has held many senior management positions, including Business Unit Manager, Key Account Manager Europe and Head of Region Europe, Middle East and Africa. In 2009, he became Chief Sales Officer Multichannel Markets. In 2013, Roland Auschel was appointed to the Executive Board where he assumed responsibility for Global Sales. He is married, has two children and lives in Erlangen, Germany.

**3 GLENN BENNETT** GLOBAL OPERATIONS

Glenn Bennett was born in New Hampshire, USA, in 1963. With a degree in computer science, he began his professional career with Reebok International Ltd. in 1983, where he worked in various operations and product functions, of which the latest was Director of Footwear Development. In 1993, Glenn Bennett joined adidas AG and began working as the Head of Footwear Development. He was subsequently promoted to Senior Vice President of Footwear Operations and, in 1997, appointed to the Executive Board where his responsibilities were expanded to include Footwear, Apparel and Accessories & Gear Development, Global Sourcing, Supply Chain Management and, most recently, IT. Glenn Bennett is married, has one daughter and lives in Boston/Massachusetts, USA.

**4 ERIC LIEDTKE** GLOBAL BRANDS

Eric Liedtke was born in Dayton/Ohio, USA, in 1966. After obtaining his Bachelor's degree in journalism, he started his career at DMB&B Advertising in the USA. He joined the adidas Group in 1994 as Global Line Manager for Cross Training in Portland/Oregon. During his career with adidas, Eric Liedtke has held various senior management positions at adidas America, including Director of Footwear Marketing and Vice President Brand Marketing. In 2006, he moved to the adidas Group headquarters in Germany. In 2011, he became Senior Vice President adidas Sport Performance, responsible for all adidas sports categories globally. He was appointed to the Executive Board in 2014, where he assumed responsibility for Global Brands. Eric Liedtke has two daughters and lives in Nuremberg, Germany.

Eric Liedtke is also:

- Member of the Steering Committee of Parley for the Oceans

**5 ROBIN J. STALKER** CHIEF FINANCIAL OFFICER

Robin J. Stalker was born in Palmerston North, New Zealand, in 1958. In 1982, following his degree in business studies, he began his professional career and qualified as a Chartered Accountant. He worked for Arthur Young in New Zealand and London and subsequently held financial and controlling positions in the entertainment industry, including United International Pictures and Warner Bros. International, and also worked as an independent consultant. Robin J. Stalker joined adidas AG in 1996. Since February 2000, he has been Chief Financial Officer of adidas AG and was appointed to the Executive Board, responsible for Finance, in 2001. In 2005, he assumed additional responsibility as Labour Director. Robin J. Stalker is married and lives near Herzogenaurach, Germany.

Robin J. Stalker is also:

- Member of the Supervisory Board, Schaeffler AG, Herzogenaurach, Germany



FOR MORE INFORMATION ON THE  
ADIDAS GROUP'S EXECUTIVE BOARD:  
[WWW.ADIDAS-GROUP.COM/  
EXECUTIVE-BOARD](http://WWW.ADIDAS-GROUP.COM/EXECUTIVE-BOARD)

# SUPERVISORY BOARD



**IGOR LANDAU**  
CHAIRMAN

residing in Lugano, Switzerland  
Pensioner, Member of the Board of Directors,  
Sanofi-Aventis S.A., Paris, France

- Member of the Board of Directors,  
Sanofi-Aventis S.A., Paris, France



**SABINE BAUER \***  
DEPUTY CHAIRWOMAN

residing in Erlangen, Germany  
Full-time member of the Works Council  
Herzogenaurach, adidas AG  
Chairwoman of the Central Works Council,  
adidas AG  
Chairwoman of the European Works Council,  
adidas AG



**WILLI SCHWERDTLE**  
DEPUTY CHAIRMAN

residing in Munich, Germany  
Independent Management Consultant as well as  
Partner, WP Force Solutions GmbH, Bad Homburg  
v. d. Höhe, Germany

- Member of the Supervisory Board, Eckes AG,  
Nieder-Olm, Germany
- Chairman of the Supervisory Board,  
Windeln.de AG, Munich, Germany<sup>1</sup>



**DIETER HAUENSTEIN \***

residing in Herzogenaurach, Germany  
Full-time member of the Works Council  
Herzogenaurach, adidas AG



**DR. WOLFGANG JÄGER \***

residing in Bochum, Germany  
Managing Director in charge of Public Relations  
and Scholarships, Hans-Böckler-Stiftung,  
Düsseldorf, Germany



**DR. STEFAN JENTZSCH**

residing in London, Great Britain  
Corporate Finance Consultant/Partner, Perella  
Weinberg Partners UK LLP, London, Great Britain

- Member of the Supervisory Board, Sky  
Deutschland AG, Unterföhring, Germany<sup>2</sup>
- Deputy Chairman of the Supervisory Board,  
AIL Leasing München AG, Grünwald, Germany



**HERBERT KAUFFMANN**

residing in Stuttgart, Germany  
Independent Management Consultant, Stuttgart,  
Germany

- Chairman of the Supervisory Board,  
Unicon universal identity control GmbH,  
Munich, Germany<sup>3</sup>
- Member of the Supervisory Board, DEUTZ AG,  
Cologne, Germany



**KATJA KRAUS**

residing in Hamburg, Germany  
Managing Partner, Jung von Matt/sports GmbH,  
Hamburg, Germany



**KATHRIN MENGES**

residing in Neuss, Germany  
Executive Vice President Human Resources and  
Infrastructure Services, Henkel AG & Co. KGaA,  
Düsseldorf, Germany  
Mandates within the Henkel Group

- Member of the Supervisory Board, Henkel  
Central Eastern Europe GmbH, Vienna, Austria
- Member of the Supervisory Board, Henkel  
Nederland B.V., Nieuwegein, The Netherlands
- Member of the Board of Directors,  
Henkel Norden AB, Stockholm, Sweden
- Member of the Board of Directors,  
Henkel Norden Oy, Vantaa, Finland



**ROLAND NOSKO \***

residing in Wolnzach, Germany  
Trade Union Official, IG BCE, Headquarter  
Nuremberg, Nuremberg, Germany

- Deputy Chairman of the Supervisory Board,  
CeramTec GmbH, Plochingen, Germany



**HANS RUPRECHT \***

residing in Herzogenaurach, Germany  
Vice President Customer Service Central Europe  
West, adidas AG



**HEIDI THALER-VEH \***

residing in Uffenheim, Germany  
Member of the Central Works Council, adidas AG

## STANDING COMMITTEES

**Steering Committee** — Igor Landau (Chairman), Sabine Bauer\*, Willi Schwerdtle

**General Committee** — Igor Landau (Chairman), Sabine Bauer\*, Roland Nosko\*, Willi Schwerdtle

**Audit Committee** — Herbert Kauffmann (Chairman), Dr. Wolfgang Jäger\*, Dr. Stefan Jentzsch, Hans Ruprecht\*

**Finance and Investment Committee** — Igor Landau (Chairman), Sabine Bauer\*, Dr. Wolfgang Jäger\*, Herbert Kauffmann

**Nomination Committee** — Igor Landau (Chairman), Kathrin Menges, Willi Schwerdtle

**Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG)** — Igor Landau, Sabine Bauer\*,  
Willi Schwerdtle, Heidi Thaler-Veh\*

\* Employee representative.  
1 Since April 21, 2015.  
2 Until September 18, 2015.  
3 Until January 12, 2016.

# SUPERVISORY BOARD REPORT



**IGOR LANDAU**  
CHAIRMAN OF THE SUPERVISORY BOARD



## **DEAR SHAREHOLDERS,**

We look back on 2015 as a very successful financial year. Thanks to strong brands and partnerships in the world of sport, as well as first-class innovations, the adidas Group was able to achieve strong sales and earnings growth. Despite the continuing weakness of the golf market worldwide and the resulting unsatisfactory business development of TaylorMade-adidas Golf, on a Group level the sales and earnings targets set at the beginning of the year were exceeded. The strong momentum currently experienced by adidas and Reebok around the globe has contributed significantly towards this. In addition to some initial visible successes



in North America, this primarily reflects double-digit growth rates in Western Europe, Greater China and numerous other emerging markets in which the Group is superbly positioned. Additionally, in the past year, the company introduced its new strategic business plan 'Creating the New' for the period until 2020. Through a substantial increase in the brands' desirability, the Group aims to significantly improve sales and earnings over the next five years. And in the short term as well, in light of upcoming product launches and the presence of our brands at numerous high-profile sports events, our Group is extremely well positioned to continue growing profitably this year.

### **SUPERVISION AND ADVICE IN DIALOGUE WITH THE EXECUTIVE BOARD**

In the year under review, we again performed all our tasks laid down by law, the Articles of Association and the Rules of Procedure carefully and conscientiously. We regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof.

The Executive Board involved us directly in all of the Group's fundamental decisions. After in-depth consultation and examination of the detailed information submitted to us by the Executive Board, we approved individual transactions where required by law.

The Executive Board informed us extensively and in a timely manner through written and oral reports at our Supervisory Board meetings. This information covered all relevant aspects of the Group's business strategy, business planning, including finance, investment and personnel planning, the course of business and the Group's financial position and profitability. We were also kept up to date on matters relating to the risk situation, risk management and compliance as well as all major decisions and business transactions.

The Executive Board always explained immediately and in a detailed manner any deviations in business performance from the established plans, and the Supervisory Board as a whole discussed these matters in depth.

The Executive Board regularly provided us with comprehensive reports for the preparation of our meetings. We thus always had the opportunity to critically analyse the Executive Board's reports and resolution proposals within the committees and within the Supervisory Board as a whole and to put forward suggestions before resolving upon the Executive Board's proposals after in-depth examination and consultation. In the periods between our meetings, the Executive Board also provided us with extensive, timely monthly reports on the current business situation.

In the year under review, we held five regular meetings of the entire Supervisory Board as well as one extraordinary meeting by way of a conference call. Apart from two of these meetings which one Supervisory Board member and one meeting which two Supervisory Board members were prevented from attending due to other business appointments which could not be postponed, all members of the Supervisory Board attended the meetings. The average attendance rate at meetings of the entire Supervisory Board was therefore just under 93%. All the committee meetings, with the exception of one Audit Committee meeting at which one member was absent, were fully attended. The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), attended all regular meetings of the Supervisory Board, insofar as no Executive Board matters were dealt with. KPMG also attended all meetings of the Audit Committee. The employee representatives held separate meetings to prepare and discuss agenda items for all meetings of the entire Supervisory Board.

In the periods between meetings, the Supervisory Board Chairman and the Audit Committee Chairman maintained regular contact with the Chief Executive Officer and the Chief Financial Officer, conferring on matters such as corporate strategy, business development and planning, the risk situation and risk management as well as compliance. In addition, the Executive Board immediately informed the Supervisory Board Chairman about any significant events of fundamental importance for the management and for evaluating the situation and development of the company.

## **TOPICS FOR THE ENTIRE SUPERVISORY BOARD**

Our consultations and examinations focused on the following topics:

### **SITUATION AND BUSINESS DEVELOPMENT**

The development of sales and earnings, the employment situation as well as the financial position of the Group and the business development of the Group's individual business areas and markets were presented to us in detail by the Executive Board following the close of the respective quarter and were discussed regularly. Further ongoing topics for discussion were the possible impact of global economic developments as well as the development of our individual brands and markets.

In February 2015, the Executive Board presented us with details of the new strategic business plan Creating the New for the period until 2020, established on the three key strategic pillars of Speed, Cities and Open Source. At our meeting in March, we reviewed and dealt intensively with the KPMG-certified 2014 annual financial statements and consolidated financial statements, including the combined management report for adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. At this meeting as well as the meeting in May, we dealt in detail with the subject of retail profitability.

At the meetings held in August and November, the Executive Board provided us with comprehensive information on the continuing weakness of the golf market worldwide and the resulting unsatisfactory business development for TaylorMade-adidas Golf in the 2015 financial year. The Executive Board provided us at both these meetings with an extensive outlook on the expected sales development of the golf business and informed us regarding the restructuring measures already undertaken. Following intensive discussions, we then approved the same. In November, the Executive Board reported on the major changes to the business model resulting from the Speed pillar of the 2020 strategic business plan. Furthermore, the Executive Board reported extensively on the measures the company had since taken to redress the allegations of, in some cases, adverse working conditions under the temporary work agencies used by the company at the Central Distribution Centre (CDC) in Rieste, Germany.

### **TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL**

In accordance with statutory regulations and the Rules of Procedure of the Supervisory Board, certain transactions and measures require a formal resolution or the prior approval of the Supervisory Board.

The topic of our February meeting was, after thorough discussion, the resolution on the 2015 Budget and Investment Plan presented by the Executive Board. In March, we resolved upon the resolutions to be proposed to the 2015 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2014 financial year as well as the proposal to approve the compensation system for the members of the Executive Board.

At the meetings in March and November, the Executive Board reported on the investment into the extension of office buildings at the World of Sports on the Herzogenaurach campus, which we approved in November after in-depth consultation and discussion. At our meeting in May, we discussed the strategic and financial advantages of acquiring the hitherto rented, strategically important distribution centre in Chekhov, Russia, which we approved in the interest of optimising profitability. At the August meeting, we discussed in detail the Executive Board's planned acquisition of all shares in runtastic GmbH, Austria, which, with its comprehensive app portfolio, enables the company to further expand its digital marketing. We then approved the acquisition at a purchase price of € 220 million.

## **COMPOSITION OF THE EXECUTIVE BOARD**

At our meeting in May, we dealt extensively with the new law on the equal representation of women and men in leadership positions and discussed in detail the target figure for the future representation of women on the Executive Board of the company. Although primarily professional expertise, skills and experience as well as personality will remain decisive for the Supervisory Board in selecting a member to the Executive Board, at our meeting in August we resolved upon the target of appointing at least one woman as member of the Executive Board of adidas AG by June 30, 2017 at the latest.

At our November meeting, after in-depth consultation we resolved to renew Roland Auschel's mandate as member of the Executive Board and to extend his Executive Board service contract. With this personnel decision, we acknowledged his performance and ensured continuity on the Executive Board.

At our meeting in January 2016, we extensively discussed the resolution proposal prepared by the General Committee on the appointment of a successor for the long-standing Chief Executive Officer Herbert Hainer. Following in-depth consultation, we resolved to appoint Kasper Rorsted as full member of the Executive Board with effect from August 1, 2016 and as Chief Executive Officer with effect from October 1, 2016. As Kasper Rorsted is already available to assume his new position from this summer, Herbert Hainer agreed to relinquish his Executive Board mandate effective September 30, 2016.

## **EXECUTIVE BOARD COMPENSATION**

All matters regarding Executive Board compensation were prepared comprehensively by the General Committee, as provided for in the Rules of Procedure of the Supervisory Board, and then submitted to the Supervisory Board as a whole for resolution. Each year at our February meeting of the entire Supervisory Board, the main subject is Executive Board compensation. At this meeting, following an in-depth review of the performance of the Executive Board members and the achievement of targets set for the Long Term Incentive Plan 2012/2014 ('LTIP 2012/2014') and for the 2014 Performance Bonus Plan respectively, we resolved upon the bonuses to be granted to the Executive Board members based on these plans. At this meeting, we discussed in detail the introduction of a cap for any potential severance payment upon premature termination of Executive Board tenure and then resolved to limit any such compensatory payment to a maximum of twice the (contractually defined) overall annual compensation, however not to exceed payment claims for the remaining period of the service contract. Regarding the minor benefits granted to Executive Board members, we also introduced a cap of 5% of the sum of the annual fixed salary plus the (potential) Performance Bonus. At our meeting in March, we discussed in detail the targets and key criteria for the new Long Term Incentive Plan LTIP 2015/2017 that is measured over a three-year period and the 2015 Performance Bonus Plan as well as the individual bonus target amounts, and then resolved upon them for each Executive Board member.

In line with the German Corporate Governance Code (hereinafter referred to as the 'Code'), in the year under review we commissioned an external, independent compensation expert to review the Executive Board compensation system and the individual compensation of the Executive Board members. The review found that the compensation structure is oriented towards sustainable development of the company and that it meets statutory requirements as well as those of the Code. It furthermore found that the target compensation of the Executive Board members is considered appropriate as defined by the German Stock Corporation Act (Aktiengesetz – AktG) and the Code, but also that a comparison with other companies reveals above all a need to address the pensions granted to the Executive Board members. Also regarding the fixed annual compensation of some individual members of the Executive Board, the review showed that there is room for a moderate increase in order to ensure competitive compensation. At the meetings of the General Committee and of the Supervisory Board as a whole in October and November, the members of the Supervisory Board considered in detail the results of the review and agreed with the assessment of the compensation expert. The Supervisory Board therefore resolved upon the necessary adjustments to the annual fixed salary with effect from the 2016 financial year as well as upon a change in the structure of the pensions granted.

At our meeting in February 2016, we considered in depth the performance of each Executive Board member in the year under review and then resolved upon the 2015 Performance Bonuses to be granted to them.

Detailed information concerning Executive Board compensation can be found in the Compensation Report.

**+ SEE COMPENSATION REPORT, P. 36**

## **CORPORATE GOVERNANCE**

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the regulations of the Code. At the meeting in February, we discussed in depth the introduction of a severance payment cap and the inclusion of corresponding provisions in all new or extended Executive Board service contracts in the future. At the same meeting, we furthermore decided to also include a cap on other minor benefits in all new or extended Executive Board service contracts in the future, thus implementing a further recommendation of the Code. As Supervisory Board elections had taken place in May 2014, at the February meeting we also discussed again and updated the objectives the Supervisory Board had set for its composition in the 2013 calendar year. Additionally, we included inter alia the objective that a woman must be represented on the Nomination Committee.

At our meeting in August, we discussed the amendments made to the Code by the Government Commission on the German Corporate Governance Code on May 5, 2015 concerning the professionalisation of the Supervisory Board. We furthermore resolved on the implementation of an efficiency examination by means of a questionnaire and involving an external consultant.

At our November meeting, we resolved upon an intra-year amendment to the Declaration of Compliance from February 12, 2015. The amendment was necessary in light of our resolution to convert the hitherto defined benefit pension plans into defined contribution pension plans for the Executive Board members who were first appointed on or after October 1, 2013.

At our meeting in February 2016, we discussed in depth the contents of the Declaration of Compliance which must be issued each year. By way of circular resolution, we resolved upon the Declaration on February 15, 2016, which we then made permanently available to our shareholders on our website. [WWW.ADIDAS-GROUP.COM/S/](http://WWW.ADIDAS-GROUP.COM/S/)

## **CORPORATE-GOVERNANCE**

In the year under review, no conflicts of interest arose with regard to the Executive Board members. With the exception of the following matter, there were also no conflicts of interest within the Supervisory Board.

In the first quarter of 2015, following extensive discussions at its meetings, the Supervisory Board gave its approval to one project-specific consulting contract and two project-specific, fixed-term service contracts with two companies in which in each case one Supervisory Board member has an interest. In order to avoid conflicts of interest, the two Supervisory Board members concerned participated neither in the respective discussions nor in the resolutions. The consulting contract was terminated by the company with effect from June 30, 2015. As the fixed-term service contracts expired at the end of the year under review, in December 2015 and under exclusion of the Supervisory Board member concerned, by way of circular resolution we approved the conclusion of a new framework contract starting in January 2016.

Further information on corporate governance at the adidas Group can be found in the Corporate Governance Report including the Declaration on Corporate Governance. **+ SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 28**

## EFFICIENT COMMITTEE WORK

In order to perform our tasks in an efficient manner, in addition to the six Supervisory Board standing committees [+ SEE SUPERVISORY BOARD, P. 18](#), we also established the project-related ad hoc committee 'Relay', which we dissolved at the November meeting of the Supervisory Board upon completion of the project. The committees prepare resolutions of the Supervisory Board as well as topics for Supervisory Board meetings. Within the legally permissible framework and in appropriate cases, we have furthermore delegated the Supervisory Board's authority to pass certain resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. The committee chairpersons inform the Supervisory Board about the content and results of the committee meetings at the subsequent meeting of the entire Supervisory Board.

- The **Steering Committee** did not meet in the year under review.
- The **General Committee** held eight meetings in the 2015 financial year. One additional meeting, dealing with topics of the year under review, took place in February 2016.

The main focus of the meetings of the General Committee was the preparation of the resolutions of the Supervisory Board as a whole, detailed individually above. For the resolution of the Supervisory Board on the variable compensation components, the General Committee dealt comprehensively with the performance of the Executive Board members in the 2014 and 2015 financial years, and furthermore prepared proposals for the new performance criteria and individual target bonuses for the variable compensation components applicable as of the 2015 financial year, such as the LTIP 2015/2017 and the 2015 Performance Bonus Plan. The committee furthermore prepared the resolution of the Supervisory Board on reviewing the appropriateness of Executive Board compensation and on setting a target figure for the future representation of women on the Executive Board. Based on detailed analyses and sector comparisons conducted by an external compensation consultant, the General Committee prepared a resolution proposal for restructuring the Executive Board pension scheme. Starting in February, in consultation with a high-profile external executive search firm, the General Committee dealt intensively with the search for a suitable successor for the long-standing Chief Executive Officer Herbert Hainer. Based on a requirements profile developed by the Supervisory Board, the General Committee met with several selected candidates in person and convinced itself of their qualifications and suitability before, following in-depth discussions at its meeting in November, preparing a resolution proposal for the Supervisory Board.

- The **Audit Committee** held five meetings in the year under review. One additional meeting, dealing with topics of the year under review, took place in February 2016. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

In addition to the supervision of the accounting process, the committee's work focused on the comprehensive review of the first quarter report, the first half year report and the report on the first nine months together with the Chief Financial Officer and the auditor before the respective dates of publication, also the preliminary examination of the annual financial statements and the consolidated financial statements for 2014, including the combined management report of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports with the auditor, the committee decided to recommend that the Supervisory Board approve the 2014 annual financial statements and consolidated financial statements. In addition, after obtaining the auditor's declaration of independence, the Audit Committee prepared the Supervisory Board's proposal to the Annual General Meeting concerning the selection of the auditor of the annual financial statements and the consolidated financial statements for 2015. Following extensive discussion by the committee, the priority topics for the audit of the 2015 annual financial statements and consolidated financial statements were determined and the audit assignment was granted together with the corresponding audit fee.

As in previous years, the meeting in September focused on examining the efficiency of the internal audit system, the internal control system and the risk and compliance management system. In the context of this examination, the committee members reviewed in depth the main risk factors for the Group, the applied control methods and reporting systems and the efficiency thereof with the aid of written and oral reports. In the course of the following comprehensive discussions, inter alia with the auditor, the committee members assured themselves of the effectiveness of the systems and discussed possibilities for improvement. Furthermore, the 2015 audit report and the draft of the 2016 audit plan of Internal Audit were discussed in detail. Additionally, the committee resolved upon the implementation of an efficiency examination of its activities, the results of which were presented to the committee at its meeting in November.

The reporting of the Chief Compliance Officer was a topic at every meeting of the Audit Committee. At the September meeting, he reported extensively on the independent audit conducted at the Central Distribution Centre in Rieste in order to bring clarity regarding accusations of, in some cases, adverse working conditions, and about the countermeasures to be taken.

- The **Finance and Investment Committee** held six meetings in the year under review, two of which were held by way of a conference call.

At the meetings in the first quarter, the committee extensively discussed the commencement of a second tranche of a share buyback programme based on the authorisation granted by the Annual General Meeting in May 2014, and approved the proposal of the Executive Board to repurchase up to a maximum of six million shares in the period between March 6 and July 3, 2015 at an overall purchase price of up to € 300 million. At the August meeting, the committee discussed in detail the potential acquisition of runtastic GmbH, Austria, and recommended that the Supervisory Board approve the acquisition at an overall purchase price of € 220 million. Following extensive discussions, at the November and December meetings the committee members granted approval for certain capital increases for Group subsidiaries.

- The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), had no reason to convene in 2015.

- The **Nomination Committee** did not meet in the year under review.

- The **'Relay' Committee**, which was established for the sale of the Rockport brand, did not meet in the year under review.

## **EXAMINATION OF THE 2015 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

KPMG audited the 2015 consolidated financial statements prepared by the Executive Board in accordance with § 315a German Commercial Code (Handelsgesetzbuch – HGB) in compliance with IFRS and issued an unqualified opinion thereon. The auditor also approved without qualification the 2015 annual financial statements of adidas AG, prepared in accordance with HGB requirements, and the combined Management Report for adidas AG and the Group. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner. We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on February 26, 2016 and at the Supervisory Board's March 2, 2016 financial statements meeting, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported the material results of the audit with a focus on the priority topics of the year under review as agreed with the Audit Committee and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. We also discussed in depth with the Executive Board the proposal concerning the appropriation of retained earnings, which provides for a dividend of € 1.60 per dividend-entitled share and adopted the proposal under consideration of the Group's financial situation and future prospects as well as the expectations of our shareholders. Based on our own examinations of the annual and consolidated financial statements, we came to the conclusion that there are no objections to be raised. At our financial statements meeting, therefore, following the recommendation of the Audit Committee, we approved the audit results and the financial statements prepared by the Executive Board. The annual financial statements of adidas AG were thus approved.

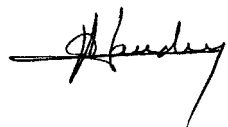
## **CHANGES ON THE SUPERVISORY BOARD**

In the 2015 financial year, there were no changes on the Supervisory Board.

## **EXPRESSION OF THANKS**

On behalf of the Supervisory Board, I wish to thank the Executive Board and all adidas Group employees around the world for their tremendous personal dedication and their ongoing commitment, and I also thank the employee representatives for their good collaboration.

For the Supervisory Board



**IGOR LANDAU**

Chairman of the Supervisory Board

March 2016

# CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE<sup>1</sup>

Corporate governance stands for responsible and transparent management and corporate control oriented towards a sustainable increase in value. We are convinced that good corporate governance is an essential foundation for sustainable corporate success and enhances the confidence placed in our Group by our shareholders, business partners, employees and the financial markets. The following report includes the Corporate Governance Report and the Declaration on Corporate Governance issued by the Executive Board and Supervisory Board.

## DUAL BOARD SYSTEM

As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is, inter alia, subject to the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and supervision of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated both in terms of members and of competencies. In the interest of the company, however, both Boards cooperate closely.

## COMPOSITION AND WORKING METHODS OF THE EXECUTIVE BOARD

The composition of our Executive Board, which consists of five members, reflects the international character of our Group. No member of the Executive Board has accepted more than a total of three supervisory board mandates in non-Group listed companies or in supervisory bodies of non-Group companies with similar requirements. The Executive Board is responsible for independently managing the company, determining the Group's strategic orientation, agreeing this with the Supervisory Board and ensuring its implementation. Further, it defines business targets, company policy and the organisation of the Group. Additionally, the Executive Board ensures appropriate risk management and risk controlling as well as compliance with statutory regulations and internal guidelines. It is bound to the company's interest and obligated to strive for a sustainable increase in company value.

+ see Executive Board, p. 16

Irrespective of the Executive Board's overall responsibility, its members are individually responsible for managing their respective business areas in accordance with the Executive Board's Business Allocation Plan. There are no Executive Board committees. The CEO is responsible in particular for leading the entire Executive Board as well as for guiding business development, including the coordination of the business segments, brands and markets. The members of the Executive Board keep each other informed on all significant developments in their business areas and align on all cross-functional measures. Further details on collaboration within the Executive Board are governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

At the Supervisory Board meetings, the Executive Board reports in writing and orally on the agenda items and resolution proposals and answers all questions from the individual Supervisory Board members. The CEO and the CFO maintain regular contact and consult with the Chairman of the Supervisory Board and the Audit Committee Chairman on key aspects of strategy, planning and business development as well as on questions of risk management and compliance within the Group.

<sup>1</sup> The Corporate Governance Report including the Declaration on Corporate Governance is an unaudited section of the Group Management Report.



## COMPOSITION AND WORKING METHODS OF THE SUPERVISORY BOARD

Our Supervisory Board consists of an equal number of shareholder representatives and employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG). The shareholder representatives are elected by the shareholders at the Annual General Meeting, and the employee representatives by the employees. The last periodic election took place in 2014. The term of office of the current members of the Supervisory Board expires at the end of the 2019 Annual General Meeting.

In accordance with the recommendations of the German Corporate Governance Code (hereinafter the 'Code'), the Supervisory Board resolved upon the following objectives for its composition at its meeting on February 11, 2015:

- The composition of the Supervisory Board including members with international background shall be maintained to the current extent. Diversity in terms of expertise and experience on the grounds of origin, education or professional activity shall continue to be taken into account in the future.
- The number of women on the Supervisory Board, namely four, shall be maintained. Furthermore, one woman shall be a member of the Nomination Committee.
- As in the past, all members of the Supervisory Board shall be independent. This presupposes that all employee representatives also in principle meet the independence criteria as defined by the Code. Substantial, not merely temporary conflicts of interest shall be avoided.
- The members of the Supervisory Board shall dispose of sufficient time for performing their mandate.
- The age limit of, in general, 72 years at the time of election shall be taken into account.

The Supervisory Board, however, cannot influence the selection of candidates for employee representatives on the Supervisory Board.

In the new version dated May 5, 2015, the Code contains an additional recommendation on specifying a regular limit of length of membership for Supervisory Board members. However, at its meeting on February 10, 2016, the Supervisory Board resolved not to follow this recommendation, as a general limit would not take into consideration specific factors which might justify an extended length of membership of individual Supervisory Board members in the interest of the company and from the point of view of those entitled to elect members to the Supervisory Board.

The members of the Supervisory Board have the knowledge, skills and professional expertise required to properly perform their tasks. As they have extensive knowledge of various professional fields, and in some cases also many years of international experience, they bring a broad spectrum of expertise to the performance of their Supervisory Board function. The number of female Supervisory Board members currently amounts to four. Assuming all of the employee representatives also in principle meet the independence criteria for Supervisory Board members as defined by the Code, in the Supervisory Board's assessment, all of its members are independent. The members of our Supervisory Board do not exercise directorships or similar positions or advisory tasks for key competitors of the company. Further, they do not have business or personal relations with adidas AG, its Executive Board and Supervisory Board or a controlling shareholder which may cause a substantial and not merely temporary conflict of interest. The age limit of, in general, 72 years at the time of election was taken into account in the selection process. The composition of the Supervisory Board consequently fully complies with the set objectives resolved on February 11, 2015.

The personal qualification of the Supervisory Board members also remains the basis for every Supervisory Board function. Therefore, other important criteria will also be considered when nominating candidates for election. Personality, integrity and sufficient diversity in terms of expert and industry knowledge as well as particular experience, e.g. in the fields of accounting or annual auditing, will continue to be taken into account as at present. These are important preconditions for the Supervisory Board to work together productively and to competently supervise and advise the Executive Board. The best interests of the company will continue to play a decisive role when nominating candidates for election.

### FURTHER INFORMATION ON CORPORATE GOVERNANCE


More information on topics covered in this report can be found on our website

 [WWW.ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](http://WWW.ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE)

including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board Committees (composition and tasks)
- CVs of Executive Board members and Supervisory Board members

 see Supervisory Board, p. 18

 [www.adidas-group.com/s/supervisory-board](http://www.adidas-group.com/s/supervisory-board)

The Supervisory Board supervises and advises the Executive Board in questions relating to Group management. The Executive Board regularly, expeditiously and comprehensively reports on business development and planning as well as on the risk situation including compliance and coordinates the strategy of the company and its implementation with the Supervisory Board. The Supervisory Board examines and approves the annual financial statements of adidas AG and the adidas Group, taking into consideration the auditor's reports, and resolves upon the proposal of the Executive Board on the appropriation of retained earnings. Additionally, it resolves upon the resolution proposals to be presented to the Annual General Meeting. Certain business transactions and measures of the Executive Board with fundamental significance are subject to prior approval by the entire Supervisory Board or by a Supervisory Board committee.

The Supervisory Board is also responsible for the appointment and dismissal of members of the Executive Board. When appointing members of the Executive Board, the Supervisory Board pays attention to the best possible composition of the Executive Board. Inter alia, experience, industry knowledge as well as personal and expert qualifications play an important role in this regard.

The Supervisory Board further determines the Executive Board compensation system, examines it regularly and decides on the individual overall compensation of each Executive Board member. To this end, the relation between Executive Board compensation and that of senior management and employees overall is taken into account, also in terms of its development over time. Further information on Executive Board compensation is compiled in the Compensation Report.

+ see Compensation Report, p. 36

In order to increase the efficiency of its work and to deal with complex topics, the Supervisory Board has formed six permanent expert committees from within its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. These committees are the Steering Committee, the General Committee, the Audit Committee, the Finance and Investment Committee, the Mediation Committee in accordance with § 27 section 3 MitbestG and the Nomination Committee. The chairmen of the committees report to the entire Supervisory Board on the results of the committee work on a regular basis. The composition of the committees can be found in our overview of the Supervisory Board. Further information on the committees' tasks is available on our website.

+ see Supervisory Board, p. 18

➔ [www.adidas-group.com/s/supervisory-board-committees](http://www.adidas-group.com/s/supervisory-board-committees)

Apart from the tasks and responsibilities, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the individual requirements expected of the members and the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The Supervisory Board Report provides information on the activities of the Supervisory Board and its committees in the year under review.

+ see Supervisory Board Report, p. 20

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and, in doing so, are supported by adidas AG. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature.

Every two years, the Supervisory Board and the Audit Committee examine the efficiency of their work by means of questionnaires and individual interviews. As a result, suggestions for even better cooperation can be made. The last efficiency examinations were conducted in 2015. The analysis of the questionnaires was carried out by an external consultant. At the meetings of the Supervisory Board and Audit Committee in November 2015, the results of the efficiency examinations were presented and discussed. No major efficiency deficits were identified for either body.

## **COMMITMENT ON THE PROMOTION OF THE EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS**

When filling management positions in the company, the Executive Board takes diversity into consideration and especially aims for an appropriate consideration of women. By the end of 2017, it is planned to increase the number of women in management positions to 32% worldwide. The Supervisory Board is also convinced that an increase in the number of women in leadership positions in the adidas Group is necessary to ensure that, in the future, an increased number of female candidates are available for Executive Board positions. The Supervisory Board thus supports the diversity and inclusion initiatives of the Group, particularly concerning the promotion of women in leadership positions.

+ see Our People, p. 87

Pursuant to the German 'Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector', which came into force on May 1, 2015, the executive boards and supervisory boards of certain companies in Germany are required for the first time to set objectives for the percentage of female representation on the supervisory board, the executive board and the two management levels below the executive board, and to specify a deadline for implementing the individual percentage of female representation. The companies had to set their objectives including the implementation deadlines by September 30, 2015. Under the law, the first implementation deadlines for the objectives had to be no later than June 30, 2017. For the percentage of female representation on the supervisory boards of publicly listed and co-determined companies such as adidas AG, the law stipulates that a mandatory minimum representation of 30% women and 30% men when filling Supervisory Board positions has to be observed from January 1, 2016. Since the 2014 Annual General Meeting, the female representation on our Supervisory Board amounts to 30%.

On August 5, 2015, the Supervisory Board of adidas AG resolved to appoint a woman to the Executive Board of adidas AG by June 30, 2017 at the latest.

On July 2, 2015, the Executive Board of adidas AG resolved to increase the female representation on the first management level below the Executive Board in Germany to 18% by June 30, 2017. The female representation on the second management level below the Executive Board is to be increased to 30% within the same implementation period.

## **AVOIDING CONFLICTS OF INTEREST**

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without any delay. Substantial transactions between the company and members of the Executive Board or persons in a close relation with them require Supervisory Board approval. Contracts between the company and members of the Supervisory Board also require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, neither the members of the Executive Board nor the members of the Supervisory Board faced conflicts of interest, with the exception of the matter outlined in the Supervisory Board Report.

+ see Supervisory Board Report, p. 20

## **SHARE OWNERSHIP OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD**

At the end of the 2015 financial year, the individual ownership of shares in the company or related financial instruments held by members of the Executive Board and the Supervisory Board was below 1% of the shares issued by adidas AG. The same applies for the total number of shares held by all members of the Executive Board and the Supervisory Board.

In 2015, no directors' dealings pursuant to § 15a German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) were reported to the company. A detailed overview of directors' dealings reported to adidas AG since 2008 is published on our website.

➔ [www.adidas-group.com/s/directors-dealings](http://www.adidas-group.com/s/directors-dealings)

## **Declaration by the Executive Board and Supervisory Board of adidas AG pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG) on the German Corporate Governance Code**

The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG on February 12, 2015 and made an intra-year change on November 4, 2015. For the period from the publication of the last complete Declaration of Compliance up to June 12, 2015, the following Declaration refers to the German Corporate Governance Code (hereinafter referred to as the “Code”) as amended on June 24, 2014. For the period as of June 13, 2015, the following Declaration refers to the recommendations of the Code as amended on May 5, 2015, which was published in the Federal Gazette on June 12, 2015.

The Executive Board and Supervisory Board of adidas AG declare that the recommendations of the ‘Government Commission on the German Corporate Governance Code’ have been and are met with the following deviations:

### **Capping overall compensation and variable compensation components (section 4.2.3 subsection 2 sentence 6)**

Since the issuance of the last Declaration of Compliance, we have followed the recommendations of the Code for one Executive Board service contract that has been newly concluded and for one Executive Board service contract that has been extended with effect from January 1, 2016. Thus, all Executive Board service contracts are now compliant with the recommendations of the Code.

### **Agreeing severance payment caps when concluding Executive Board service contracts (section 4.2.3 subsection 4)**

Since the issuance of the last Declaration of Compliance, a severance payment cap in accordance with the recommendations of the Code was agreed for one Executive Board service contract that has been newly concluded and for one Executive Board service contract that has been extended with effect from January 1, 2016. Thus, all Executive Board service contracts are now compliant with the recommendations of the Code.

### **Definition of the target level of provision (section 4.2.3 subsection 3)**

For Executive Board members of adidas AG initially appointed on or after October 1, 2013 and for Executive Board members to be appointed in future, the hitherto defined benefit pension plans were converted to defined contribution pension plans with retroactive effect from January 1, 2015. Due to their structure, the defined contribution pension plans do not aim to reach a defined target level of provision. In the view of the Supervisory Board, the new pension plan arrangement leads to a higher degree of control and future planning capability with regard to the company’s expenses for pension plans. The pension plans of the Executive Board members initially appointed on or before September 30, 2013 will remain defined benefit pension plans. Thus, the deviation declared above does not apply to the entire Executive Board of adidas AG.

### **Specification of a regular limit of length of membership for Supervisory Board members (section 5.4.1 subsection 2 sentence 1)**

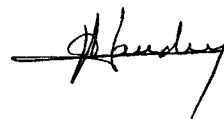
In accordance with section 5.4.1 subsection 2 sentence 1 of the Code, the Supervisory Board has specified concrete objectives for its composition. However, it has not specified a regular limit of length of membership for Supervisory Board members. The Supervisory Board is of the opinion that a general limit would not take into consideration specific factors which might justify an extended length of membership of individual Supervisory Board members in the interest of the company and from the point of view of those entitled to elect members to the Supervisory Board.

Herzogenaurach, February 15, 2016

For the Executive Board

  
HERBERT HAINER  
Chief Executive Officer

For the Supervisory Board

  
IGOR LANDAU  
Chairman of the Supervisory Board

The aforementioned Declaration of Compliance dated February 15, 2016 has been published under and can be downloaded at [WWW.ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](http://WWW.ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE).

## SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE FULFILLED

In addition to the recommendations, the Code contains a number of suggestions for good and responsible corporate governance, compliance with which is not required to be disclosed separately by law. The adidas Group is fully compliant with all suggestions of the Code.

## RELEVANT MANAGEMENT PRACTICES

Performance, passion, integrity and diversity are the core values of our Group.

They are actively lived by our Executive Board members, Supervisory Board members and our employees and have been incorporated into our Code of Conduct which we completely revised in 2014. Our business activities are oriented towards the legal systems in the various countries and markets in which we operate. This implies a high level of social and environmental responsibility.

**Compliance with working and social standards:** The development of company guidelines with regard to social minimum standards, work safety as well as health and environmental protection and the monitoring thereof at the production facilities of the adidas Group and its business partners is an integral component of our corporate policy. Our Group has a separate Code of Conduct for the supply chain, the so-called 'Workplace Standards'. We report on our sustainability programme in this Annual Report, publish a detailed sustainability report annually and provide information on our progress throughout the year on our website.

➤ [www.adidas-group.com/s/standards-and-policies](http://www.adidas-group.com/s/standards-and-policies)

⊕ see Sustainability, p. 94

**Environmental responsibility:** For long-term, successful management of the adidas Group, sustainable actions that embrace, in particular, social and environmental responsibility towards present and future generations are essential. Our Social & Environmental Affairs department, with its worldwide team, has for many years been responsible for monitoring the rights of employees in the supply chain as well as for product safety management and the coordination of the environmental strategy.

In our chemical management, we have been running leadership programmes that address this topic within our area of direct influence for years now. Further, we have set clear targets on emission reduction and we proactively address the impacts of climate change through a number of initiatives in our own operations, in our supply chain and through various partnerships. At the invitation of the UN Climate Change Secretariat, the Group joined the 'UN Climate Neutral Now' initiative. As a champion of the initiative, we have committed, inter alia, to estimate and reduce our emissions and to offset at least part of the remaining unavoidable emissions with UN-certified offsets.

⊕ see Sustainability, p. 94

➤ [www.adidas-group.com/s/climate-change](http://www.adidas-group.com/s/climate-change)

**Social commitment:** The adidas Group cooperates with charity organisations in order to improve the quality of life for people by means of sport. Moreover, we support international humanitarian aid efforts, e.g. in the wake of natural disasters, and we are committed through various projects worldwide to education, science and humanitarian initiatives. Our employees also have a wide range of possibilities to participate in social programmes. Through the adidas Fund, for example, they can become involved in charitable causes around the world. Our website provides information on the various projects.

➤ [www.adidas-group.com/s/employee-volunteering](http://www.adidas-group.com/s/employee-volunteering)

In 2015, we focused in particular on refugee aid, through the extensive donation of money and products to refugee camps and through aid and integration programmes at our own locations. Following our 'three-pillar model', we are committed to humanitarian aid, we collaborate closely with public authorities and external partners as well as volunteers, and we also develop possibilities for work integration. Overall, we contributed an amount exceeding half a million euros for refugee aid from various activities in 2015.

**COMPLIANCE AND RISK MANAGEMENT WITHIN THE ADIDAS GROUP**

Our compliance management system is organisationally linked with the risk and opportunity management system of the Group. As part of our global Fair Play concept, the compliance management system establishes the organisational framework for Group-wide awareness of our internal rules and guidelines and for the legally compliant conduct of our business. It underscores our strong commitment to ethical and fair behaviour in our own organisation and also sets the parameters for how we deal with others. In our competitive environment, continuous development of our compliance management system is of major importance. In 2015, for example, we introduced a special web-based anti-bribery and corruption training programme for our employees worldwide. Moreover, we improved internal reporting and the Compliance responsibilities. In addition, we refined our evaluation methods for risks and opportunities and increased our focus on long-term risks and opportunities. The risk and opportunity management system ensures risk-aware, opportunity-oriented and informed actions in a dynamic business environment in order to guarantee the competitiveness and sustainable success of the adidas Group.

⊕ see Risk and Opportunity Report, p. 156

**➤ FURTHER INFORMATION ON THE PRINCIPLES OF OUR MANAGEMENT**

More information on topics covered in this report can be found on our website at ➤ [WWW.ADIDAS-GROUP.COM](http://WWW.ADIDAS-GROUP.COM) including:

- Code of Conduct
- Sustainability
- Social commitment
- Risk and opportunity management and compliance
- Information and documents on the Annual General Meeting
- Directors' dealings
- Accounting and annual audit

## TRANSPARENCY AND PROTECTION OF SHAREHOLDERS' INTERESTS

It is our goal to inform all institutional investors, private shareholders, financial analysts, business partners, employees and the interested public about the company's situation, at the same time and to an equal extent, through regular, transparent and up-to-date communication. We publish all essential information, such as press releases, ad hoc announcements and voting rights notifications as well as all presentations from analyst conferences, all financial reports and the financial calendar on our website. With our comprehensive Investor Relations activities, we maintain close and continuous contact with our shareholders.

 [www.adidas-group.com/investors](http://www.adidas-group.com/investors)


 see Our Share, p. 46

In addition, we also provide all documents and information on our Annual General Meeting on our website. The shareholders of adidas AG exercise their shareholders' rights at the Annual General Meeting. Each share grants one vote. Our shareholders are involved in all fundamental decisions at the Annual General Meeting through their participation rights. It is our intention to support our shareholders in exercising their voting rights at the Annual General Meeting.

Therefore, at our next Annual General Meeting, taking place on May 12, 2016 in Fuerth (Bavaria), we will again provide our shareholders with the best possible service. Shareholders have the possibility, inter alia, to electronically register for the Annual General Meeting through our shareholder portal or to participate in voting by granting powers of representation and voting instructions online to the proxies appointed by the company. Further, all shareholders can follow the Annual General Meeting in full length live on the company's website.

## ACCOUNTING AND ANNUAL AUDIT

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the Stock Corporation Act. The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

 see Auditor's Report, p. 181

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the 2015 annual financial statements and annual consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence.

# COMPENSATION REPORT<sup>1</sup>

The Compensation Report outlines the principles of the compensation system and the level of Executive Board and Supervisory Board compensation in accordance with the legal requirements and the recommendations of the German Corporate Governance Code (the 'Code') as amended on May 5, 2015. For the adidas Group, transparent and comprehensible reporting on the compensation of the Executive Board and Supervisory Board is an essential element of good corporate governance.

## COMPENSATION SYSTEM FOR THE EXECUTIVE BOARD

Following preparation by the Supervisory Board's General Committee, the compensation system for our Executive Board and the total compensation of each member of the Executive Board is determined and regularly reviewed by the entire Supervisory Board. The compensation and personnel topics dealt with by the Supervisory Board and General Committee for the year under review are described in the Supervisory Board Report.

+ see Supervisory Board Report, p. 20

The compensation system is geared towards creating an incentive for successful, sustainably value-oriented corporate development and management. In determining the Executive Board members' compensation particularly in terms of its appropriateness, such factors as the size and global orientation, the economic situation, the success and outlook of the company are taken into consideration, as well as the common level of the compensation in comparison with peer companies and with the compensation structure applicable for other areas of the company. To this end, the relation between the Executive Board compensation and that of senior management and employees overall is taken into account, also in terms of its development over time. In addition, the tasks and contribution of each Executive Board member to the company's success, their individual performance as well as the overall performance of the Executive Board are considered when determining the compensation of the Executive Board. It aims to appropriately remunerate exceptional performance, while diminishing variable compensation when targets are not met. Thus, in the Supervisory Board's opinion, an appropriate level of compensation can be ensured.

The compensation system for the members of the Executive Board which has been applicable since the 2015 financial year was adopted by a clear majority at the Annual General Meeting on May 7, 2015.

## COMPONENTS OF THE EXECUTIVE BOARD COMPENSATION

The total compensation of the Executive Board members – in the case of 100% target achievement – is made up of around one-third fixed compensation and two-thirds variable, i.e. performance-related compensation components:

- The fixed compensation consists of the annual fixed salary, which is based on the tasks and responsibilities of the individual Executive Board member. It is paid in twelve equal monthly instalments and generally remains unchanged during the term of the service contract.
- The variable, performance-related compensation consists of the following two components:
  - the Performance Bonus measured over a one-year period and
  - the LTIP Bonus, which is based on the Long-Term Incentive Plan 2015/2017 (LTIP 2015/2017) measured over a three-year period, as a compensation component with long-term incentive effect.

<sup>1</sup> This Compensation Report is a component of the Group Management Report and is also part of the Corporate Governance Report including the Declaration on Corporate Governance.



The variable compensation components are designed in such a way that the incentive to achieve the decisive long-term targets set by the LTIP is significantly higher than the incentive to achieve the targets decisive for being granted the Performance Bonus. Corresponding contractual regulations ensure that this weighting will also be maintained in the future. More than 50% of the variable target compensation component is based upon multi-year performance criteria.

The variable components are structured as follows:

- The Performance Bonus serves as compensation for the Executive Board's performance in the past financial year in line with the short-term development of the company. It is determined by the Supervisory Board in a two-stage process:
  - At the beginning of the financial year, the Supervisory Board establishes the differently weighted performance criteria with their respective clear targets, and determines the individual amount of the Performance Bonus target amount for each member of the Executive Board, based on a target achievement of 100% (Bonus target amount).
  - At the end of the financial year, the Supervisory Board examines the precise target achievement of each Executive Board member and determines the amount of Performance Bonus to be paid, depending on the degree of actual target achievement. The bonus is payable following approval of the consolidated financial statements of the past financial year.

As criteria for the 2015 Performance Bonus the Supervisory Board established the following business-related criteria (performance criteria):

- increase in net income from continuing operations,
- increase in net contribution at TaylorMade-adidas Golf (global),
- increase in net sales of the adidas brand in the USA (currency-neutral),
- increase in market share of football boots in Western Europe,
- increase in volume in the area of Boost Running (global).

In calculating the amount of the Performance Bonus, the degree of target achievement determined for each individual performance criterion is weighted according to the percentage value of the respective performance criterion. The sum of the weighted degrees of target achievement of the performance criteria is then multiplied by the individual Bonus target amount for each Executive Board member. The Performance Bonus to be granted to the individual Executive Board members is capped at a maximum of 150% of the individual Bonus target amount. If an Executive Board member takes or leaves office during a financial year, the Performance Bonus is calculated on a pro rata basis after the end of the financial year. In certain cases defined in the Terms & Conditions of the Performance Bonus, entitlement to the payout of a Performance Bonus is generally forfeited, unless the Supervisory Board determines otherwise at its equitable discretion.

- The LTIP Bonus serves – in line with sustainability-oriented corporate planning – as compensation for the long-term performance of the Executive Board based on the Long-Term Incentive Plan 2015/2017 (LTIP 2015/2017) measured over a three-year period. It is determined by the Supervisory Board in a two-stage process:
  - In determining the LTIP 2015/2017 at the beginning of the 2015 financial year, the Supervisory Board defined the performance criteria, linked to clear targets and oriented towards the sustainable growth of the company, and also defined the individual amount of the LTIP Bonus target amount for each Executive Board member, based on a target achievement of 100% (LTIP target amount).
  - At the end of the 2017 financial year, the Supervisory Board will examine the precise target achievement of each Executive Board member and determine the amount of LTIP Bonus to be paid, depending on the degree of actual target achievement. Payout will be effected after the 2017 consolidated financial statements are approved.

For the LTIP 2015/2017, the Supervisory Board determined the following performance criteria for the three-year period:

- achievement of a defined net income from continuing operations,
- increase in the US market share measured/assessed by the increase in market shares of adidas footwear and an improvement of the brand's popularity,
- increase in the adidas AG share price over three years and relative outperformance of the adidas AG share compared to the DAX-30 price index,
- increase in profitability of the retail segment,
- improvement of sustainability measured/assessed by the improvement of employee satisfaction and an increase in the percentage of female representation in management positions within the Group.

In calculating the amount of the LTIP Bonus, the degree of target achievement determined for each individual performance criterion is weighted according to the percentage value of the respective performance criterion. The development of the individual performance criteria over the three-year period from 2015 to 2017 is decisive for the assessment of target achievement. The sum of the weighted degrees of target achievement of the performance criteria is multiplied by the individual LTIP target amount for each Executive Board member.

For the ultimate evaluation of the Executive Board's performance, qualitative criteria determined by the Supervisory Board when establishing the LTIP 2015/2017, such as the further development of company health management as well as occupational health and safety, are also taken into account. The LTIP Bonus is capped at a maximum of 150% of the individual LTIP target amount. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the LTIP Bonus. If an Executive Board member takes or leaves office during the term of the LTIP 2015/2017 (Performance Period), the LTIP Bonus is generally calculated on a pro rata basis. In certain cases defined in the Terms & Conditions of the LTIP 2015/2017, entitlement to the payout of an LTIP Bonus is generally forfeited, unless the Supervisory Board determines otherwise at its equitable discretion.

#### **OTHER BENEFITS AND ADDITIONAL COMMITMENTS**

The Executive Board members are granted other minor benefits which are individually taxed in accordance with applicable law. These benefits are generally capped at 5% of the overall compensation comprising the annual fixed salary and a (possible) Performance Bonus and primarily consist of paying for or providing the monetary value of the provision of a company car, the costs for group accident insurance as well as contributions to standard insurance schemes<sup>2</sup>. In addition, in the case of extraordinary performance on the part of an Executive Board member that is not related to the performance criteria decisive for granting the Performance Bonus or LTIP Bonus, the Supervisory Board may, at its dutiful discretion, decide on the granting of and on the potential amount of a special bonus. Such special bonus is limited to 100% of the annual fixed salary for the calendar year for which the special bonus is granted. The Executive Board members do not receive any additional compensation for mandates within the adidas Group. The Executive Board members have not received any loans or advance payments from adidas AG.

#### **PENSION COMMITMENTS**

All active members of the Executive Board have individual contractual defined benefit pension plans which are calculated based on the length of appointment to the Executive Board as a percentage of contractually agreed pensionable income.

Executive Board members who have been appointed since October 1, 2013, or will be appointed in the future will be granted defined contribution pension plans with effect from January 1, 2015. The defined benefit pension plans granted to Roland Auschel and Eric Liedtke as of their appointments were converted to defined contribution pension plans with effect from January 1, 2015.

<sup>2</sup> Agreement on a cap for other benefits in Roland Auschel's Executive Board service contract only effective as of January 1, 2016.

### Defined benefit pension plans

The amount of pensionable income currently equals the individual fixed annual salary indicated in the table 'Benefits granted'. Starting from a base amount totalling 10%<sup>3</sup> of the respective pensionable income at the time of appointment, a module of two percentage points<sup>4</sup> of the pensionable income is formed for each full year of tenure as an Executive Board member.

The Supervisory Board has, as its targeted level of provision regarding pension commitments for members of the Executive Board, determined a pension entitlement amounting to a maximum of 40%<sup>5</sup> of an Executive Board member's pensionable income. Following the Executive Board member's departure from the company, benefit payments are made on a monthly basis

- as a retirement pension upon reaching the age of 65; or
- as a disability pension in the event of occupational or general disability for medical reasons, for no longer than up to the point a retirement pension is paid, amounting to the pension entitlement reached at the point the respective pension became payable;
- as survivors' benefits upon the death of an Executive Board member, providing the spouse or partner with 50% of the pension entitlements up to this point and, if applicable, 15% of the pension entitlements up to this point for each dependent half-orphan or 30% for each dependent orphan. Taken together, survivors' benefits may not exceed the deceased Executive Board member's total pension entitlement. If survivors' entitlements exceed the pension entitlement, benefits for dependent children are reduced proportionately.

In the event that an Executive Board member leaves the company prior to reaching retirement age, the non-forfeiture of the pension entitlement will be in line with legal provisions. The pension entitlement is not, as legally envisaged, reduced pro rata temporis, i.e. it amounts to at least the base amount of the pension commitment made to the Executive Board member, plus the pension modules accumulated annually during the term of office.

Following commencement of the pension-triggering event, ongoing pensions are adjusted in line with the development of state pensions.

### Defined contribution pension plans

The defined contribution pension plans, each in the form of a direct commitment, basically have the same structure as the existing 'adidas Management Pension Plan' for managers.

An amount (currently) equalling 50% of the individual annual fixed salary is credited by the company to the virtual pension account of the individual Executive Board member each year. The pension assets yield a fixed interest of 3% p.a., however for no longer than until the pension benefits initially become due. Entitlement to the pension benefits becomes vested immediately. The pension benefits comprise pensions to be received upon reaching the age of 65, or, on application, early retirement pensions to be received upon reaching the age of 62, as well as invalidity and survivors' benefits.

On occurrence of the pension-triggering event, the pension benefits generally correspond to the balance of the pension account including accumulated interest on that date. In case of invalidity or death prior to reaching the age of 62, for the minimum coverage, the Executive Board member's pension account will be credited with the outstanding pension benefits for the time until the Executive Board member would have reached the age of 62, but no longer than for 120 months (without interest accrual). The pension benefits due upon death of the Executive Board member are payable to the widow, the widower or the registered civil partner and the orphans as joint creditors.

<sup>3</sup> Deviating provision for Glenn Bennett: Instead of his initial appointment date (effective March 6, 1997), January 1, 2000 is used for the calculation of his pension entitlements with a base amount of 20% of pensionable income; initial appointment of Herbert Hainer: effective March 6, 1997; initial appointment of Robin J. Stalker: effective January 30, 2001; initial appointment of Roland Auschel: effective October 1, 2013; initial appointment of Eric Liedtke: effective March 6, 2014.

<sup>4</sup> Increase of the annual pension components of Glenn Bennett and Robin J. Stalker to three percentage points of the pensionable income effective March 6, 2015.

<sup>5</sup> Increase of the targeted provision level of Glenn Bennett and Robin J. Stalker to a pension entitlement of a maximum of 50% of the individual pensionable income effective March 6, 2015.

At the Executive Board member's choice, the payout of all pension benefits is made either as a one-time payment or in up to ten equal annual instalments. If no choice is made by the Executive Board member, the pension benefits are paid out in three equal annual instalments.

In case of a payout in three or ten annual instalments, the still outstanding instalments of the benefit phase bear the maximum interest rate of the first due date of the pension benefits for the calculation of the actuarial reserve according to the German Actuarial Reserve Ordinance (DeckRV) for life insurance companies.

As part of the conversion of the defined benefit pension plans of Roland Auschel and Eric Liedtke to defined contribution pension plans, the benefit entitlements earned up until the conversion date (December 31, 2014) were credited to the new defined contribution pension plans as a starting balance.

Insolvency insurance for the pension commitments granted to the Executive Board members as of October 1, 2013 is ensured by the integration of the pension plans in the existing trust model, the Contractual Trust Arrangement (CTA).

Herbert Hainer, Roland Auschel, Eric Liedtke and Robin J. Stalker, who belonged to the group of senior executives of adidas AG prior to their Executive Board appointments, will at the time of their retirement receive additional payments from the 'adidas Management Pension Plan'. Until their appointment as Executive Board members, adidas AG had contributed pension components for Herbert Hainer, Roland Auschel, Eric Liedtke and Robin J. Stalker under these supplementary provisions which were introduced for all senior executives of the company in 1989.

If an Executive Board member dies during his term of office, his spouse or partner receives or, alternatively, any dependent children receive, in addition to pension benefits, the pro rata annual fixed salary for the month of death and the following three months, but no longer than until the agreed end date of the service contract.

## 01 PENSION COMMITMENTS IN 2015 FINANCIAL YEAR IN €

Executive Board members incumbent as at December 31, 2015	Service cost		Accumulated pension obligation for the pension commitments excluding deferred compensation	
	FY 2014	FY 2015	FY 2014	FY 2015
Herbert Hainer (CEO)	330,836	428,648	12,543,634	11,983,870
Roland Auschel	390,536	361,000	411,198	738,627
Glenn Bennett <sup>1</sup>	756,632	251,162	5,324,430	5,778,313
Eric Liedtke	315,951	336,000	334,503	724,482
Robin J. Stalker <sup>1</sup>	907,791	379,868	5,144,110	5,051,190
<b>Total</b>	<b>2,701,746</b>	<b>1,756,678</b>	<b>23,757,875</b>	<b>24,276,482</b>

<sup>1</sup> Based on the amendment of the Pension Agreement effective March 6, 2015, the service cost in the 2014 financial year comprised the 2014 service cost and the 2014 past service cost.

## COMMITMENTS TO EXECUTIVE BOARD MEMBERS UPON PREMATURE TERMINATION OF TENURE

Executive Board service contracts are usually agreed with a contractual term of three years. This term will be shortened accordingly if the Executive Board member reaches the age of 65 prior to expiration.

In case of premature termination of tenure in the absence of good cause, the Executive Board service contracts cap potential compensatory payments at a maximum of twice the overall annual compensation, not exceeding payment claims for the remaining period of the service contract (Severance Payment Cap)<sup>6</sup>. In this context, the overall annual compensation means the Executive Board member's overall compensation paid for the last full financial year prior to departure from the Executive Board. In calculating the overall compensation, a multi-year compensation component and the service costs will only be taken into consideration with the proportion attributable to the last full financial year prior to departure. When

<sup>6</sup> Agreement on a Severance Payment Cap in Roland Auschel's Executive Board service contract only effective as of January 1, 2016.

determining the overall compensation, a possible follow-up bonus<sup>7</sup> is not included, but the expected overall compensation for the current financial year is considered, taking into account the outlined provisions.

If the service contract is terminated due to a change of control, a possible severance payment is limited to 150% of the Severance Payment Cap.

### **COMMITMENTS TO EXECUTIVE BOARD MEMBERS UPON REGULAR TERMINATION OF TENURE**

Unless otherwise agreed, upon regular termination of the service contract, i.e. in case of non-renewal of the service contract or termination upon reaching the age of 65, the departing Executive Board member is entitled to receive not only his annual fixed salary on a pro rata basis up to the date on which he leaves office, but also a potential pro-rated Performance Bonus and a pro-rated LTIP Bonus as well as, under certain circumstances, a follow-up bonus<sup>7</sup>. It is payable in two tranches, 12 and 24 months following the end of the contract. There is no entitlement to a follow-up bonus if the service contract expires after release from service with continued compensation or if it is terminated for good cause.

### **OVERALL COMPENSATION FOR 2015 IN ACCORDANCE WITH THE CODE**

Based on the Supervisory Board's determination outlined above, the overall compensation of the Executive Board for the 2015 financial year amounts to € 9.171 million (2014: € 17.071 million<sup>8</sup>). The overall compensation for the 2014 financial year lies above the overall compensation for the year under review, as the LTIP Bonus resulting from the LTIP 2012/2014 measured over a three-year period was granted in the 2014 financial year. Furthermore, in the 2015 financial year, the service costs of the company for the pension commitments of Glenn Bennett and Robin J. Stalker were significantly lower than in the 2014 financial year as, in the 2014 financial year, the service costs were increased by the past service costs resulting from the increase<sup>9</sup> of the targeted provision level.

The recommendation of the Code to individually disclose the compensation components for each Executive Board member and to use the sample tables attached to the Code is implemented in the following.

### **BENEFITS GRANTED IN ACCORDANCE WITH THE CODE**

In the following table, the benefits granted for the 2014 and 2015 financial years are disclosed including other benefits and service costs, and also including the maximum and minimum achievable compensation.

In accordance with the requirements of the Code, the Performance Bonus is disclosed with the amount granted in case of 100% target achievement. Pursuant to the recommendations of the Code, the LTIP Bonus resulting from the LTIP 2012/2014 and LTIP 2015/2017, each measured over a three-year period, is indicated with the pro rata temporis target amount of an 'average probability scenario' at the time of granting, whereby adidas AG takes the 100% target amount as the basis.

<sup>7</sup> This bonus amounts to 75% for Roland Auschel, Glenn Bennett and Eric Liedtke, 100% for Robin J. Stalker and 125% for Herbert Hainer and is based on the Performance Bonus granted to the respective Executive Board member for the last full financial year.

<sup>8</sup> The overall compensation for 2014 does not include the follow-up bonus of Erich Stamminger in the amount of € 603,387, granted at the time of his departure.

<sup>9</sup> Increase of the annual pension components of Glenn Bennett and Robin J. Stalker to three percentage points of the pensionable income effective March 6, 2015.

02 BENEFITS GRANTED IN €

	Herbert Hainer CEO				Roland Auschel Executive Board member, Global Sales			
	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed compensation	1,500,000	1,582,258	1,582,258	1,582,258	550,000	550,000	550,000	550,000
Other benefits	28,304	28,199	28,199	28,199	16,237	17,742	17,742	17,742
<b>Total</b>	<b>1,528,304</b>	<b>1,610,457</b>	<b>1,610,457</b>	<b>1,610,457</b>	<b>566,237</b>	<b>567,742</b>	<b>567,742</b>	<b>567,742</b>
One-year variable compensation <sup>3</sup>	1,273,080	1,311,270	0	1,966,905	400,000	412,000	0	618,000
<b>Multi-year variable compensation</b>	<b>1,540,000</b>	<b>1,694,000</b>	<b>0</b>	<b>2,541,000</b>	<b>550,000</b>	<b>616,667</b>	<b>0</b>	<b>925,000</b>
LTIP 2012/2014 <sup>4</sup>	1,540,000	n.a.	n.a.	n.a.	550,000	n.a.	n.a.	n.a.
LTIP 2015/2017	n.a.	1,694,000	0	2,541,000	n.a.	616,667	0	925,000
<b>Total</b>	<b>4,341,384</b>	<b>4,615,727</b>	<b>1,610,457</b>	<b>6,118,362</b>	<b>1,516,237</b>	<b>1,596,408</b>	<b>567,742</b>	<b>2,110,742</b>
Service cost <sup>5, 6</sup>	330,836	428,648	428,648	428,648	390,536	361,000	361,000	361,000
<b>Overall compensation</b>	<b>4,672,220</b>	<b>5,044,375</b>	<b>2,039,105</b>	<b>6,547,010</b>	<b>1,906,773</b>	<b>1,957,408</b>	<b>928,742</b>	<b>2,471,742</b>

	Glenn Bennett Executive Board member, Global Operations				Eric Liedtke Executive Board member, Global Brands Since March 6, 2014			
	2014 <sup>1</sup>	2015 <sup>2</sup>	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed compensation	546,029	680,560	680,560	680,560	409,946	516,667	516,667	516,667
Other benefits	19,730	30,993	30,993	30,993	10,213	15,656	15,656	15,656
<b>Total</b>	<b>565,759</b>	<b>711,553</b>	<b>711,553</b>	<b>711,553</b>	<b>420,159</b>	<b>532,322</b>	<b>532,322</b>	<b>532,322</b>
One-year variable compensation <sup>3</sup>	370,292	662,132	0	993,199	333,333	412,000	0	618,000
<b>Multi-year variable compensation</b>	<b>839,726</b>	<b>901,101</b>	<b>0</b>	<b>1,351,651</b>	<b>437,500</b>	<b>616,667</b>	<b>0</b>	<b>925,000</b>
LTIP 2012/2014 <sup>4</sup>	839,726	n.a.	n.a.	n.a.	437,500	n.a.	n.a.	n.a.
LTIP 2015/2017	n.a.	901,101	0	1,351,651	n.a.	616,667	0	925,000
<b>Total</b>	<b>1,775,777</b>	<b>2,274,786</b>	<b>711,553</b>	<b>3,056,402</b>	<b>1,190,992</b>	<b>1,560,989</b>	<b>532,322</b>	<b>2,075,322</b>
Service cost <sup>5, 6</sup>	756,632	251,162	251,162	251,162	315,951	336,000	336,000	336,000
<b>Overall compensation</b>	<b>2,532,409</b>	<b>2,525,948</b>	<b>962,715</b>	<b>3,307,564</b>	<b>1,506,943</b>	<b>1,896,989</b>	<b>868,322</b>	<b>2,411,322</b>

	Robin J. Stalker Chief Financial Officer				Erich Stamminger Executive Board member, Global Brands Until March 6, 2014			
	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed compensation	605,000	654,603	654,603	654,603	192,500	n.a.	n.a.	n.a.
Other benefits	18,617	19,817	19,817	19,817	8,382	n.a.	n.a.	n.a.
<b>Total</b>	<b>623,617</b>	<b>674,421</b>	<b>674,421</b>	<b>674,421</b>	<b>200,882</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
One-year variable compensation <sup>3</sup>	402,730	520,000	0	780,000	0	n.a.	n.a.	n.a.
<b>Multi-year variable compensation</b>	<b>770,000</b>	<b>741,800</b>	<b>0</b>	<b>1,112,700</b>	<b>0</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
LTIP 2012/2014 <sup>4</sup>	770,000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
LTIP 2015/2017	n.a.	741,800	0	1,112,700	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>1,796,347</b>	<b>1,936,221</b>	<b>674,421</b>	<b>2,567,121</b>	<b>200,882</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
Service cost <sup>5, 6</sup>	907,791	379,868	379,868	379,868	751,066	n.a.	n.a.	n.a.
<b>Overall compensation</b>	<b>2,704,138</b>	<b>2,316,089</b>	<b>1,054,289</b>	<b>2,946,989</b>	<b>951,948</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

1 Exchange rate 1.3296 \$/€ (annual average rate 2014).

2 Exchange rate 1.11005 \$/€ (annual average rate 2015).

3 No Performance Bonus granted to Erich Stamminger for 2014 due to his resignation effective March 6, 2014. Contractually agreed Performance Bonus target amount 2014 for Eric Liedtke effective March 6, 2014 due to his appointment during the year.

4 Contractually agreed LTIP Bonus target amount 2012/2014 due to the appointment of Roland Auschel (effective October 1, 2013) and Eric Liedtke (effective March 6, 2014) during the plan term. Contractually agreed LTIP Bonus target amount 2012/2014 due to the resignation of Erich Stamminger (effective March 6, 2014) during the plan term.

5 Based on the amendment of the Pension Agreements of Glenn Bennett and Robin J. Stalker effective March 6, 2015, the service cost in the 2014 financial year comprised the 2014 service cost and the 2014 past service cost.

6 The service cost for Erich Stamminger also comprises the contractually agreed follow-up bonus in the amount of € 603,387 granted at the time of his departure in March 2014, as the follow-up bonus is a commitment for other pension benefits made in advance for the case of departure.

## ALLOCATION IN ACCORDANCE WITH THE CODE

Pursuant to the recommendations of the Code, the fixed compensation, other benefits and the service costs as well as the Performance Bonus are to be disclosed as an allocation for the financial year in which the compensation was granted. As stipulated by the Code, the LTIP Bonus resulting from the LTIP 2012/2014 measured over a three-year period is disclosed in the year in which the plan ends, i.e. in the 2014 financial year. Consequently, a possible LTIP Bonus resulting from the LTIP 2015/2017 will not be disclosed in the 2015 financial year (also not on a pro rata basis), and is not expected to be disclosed until the 2017 financial year.

### 03 ALLOCATION IN €

	Herbert Hainer CEO		Roland Auschel Executive Board member, Global Sales		Glenn Bennett Executive Board member, Global Operations	
	2014	2015	2014	2015	2014 <sup>1</sup>	2015 <sup>2</sup>
Fixed compensation	1,500,000	1,582,258	550,000	550,000	546,029	680,560
Other benefits	28,304	28,199	16,237	17,742	19,730	30,993
<b>Total</b>	<b>1,528,304</b>	<b>1,610,457</b>	<b>566,237</b>	<b>567,742</b>	<b>565,759</b>	<b>711,553</b>
One-year variable compensation <sup>3</sup>	700,194	1,311,270	220,000	412,000	203,660	662,132
<b>Multi-year variable compensation</b>	<b>3,234,000</b>	<b>n.a.</b>	<b>481,250</b>	<b>n.a.</b>	<b>1,763,425</b>	<b>n.a.</b>
LTIP 2012/2014 <sup>4</sup>	3,234,000	n.a.	481,250	n.a.	1,763,425	n.a.
LTIP 2015/2017	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total<sup>5</sup></b>	<b>5,462,498</b>	<b>2,921,727</b>	<b>1,267,487</b>	<b>979,742</b>	<b>2,532,844</b>	<b>1,373,685</b>
Service cost <sup>6,7</sup>	330,836	428,648	390,536	361,000	756,632	251,162
<b>Overall compensation</b>	<b>5,793,334</b>	<b>3,350,375</b>	<b>1,658,023</b>	<b>1,340,742</b>	<b>3,289,476</b>	<b>1,624,847</b>

	Eric Liedtke Executive Board member, Global Brands Since March 6, 2014		Robin J. Stalker Chief Financial Officer		Erich Stamminger Executive Board member, Global Brands Until March 6, 2014	
	2014	2015	2014	2015	2014	2015
Fixed compensation	409,946	516,667	605,000	654,603	192,500	n.a.
Other benefits	10,213	15,656	18,617	19,817	8,382	n.a.
<b>Total</b>	<b>420,159</b>	<b>532,322</b>	<b>623,617</b>	<b>674,421</b>	<b>200,882</b>	<b>n.a.</b>
One-year variable compensation <sup>3</sup>	183,333	412,000	221,502	520,000	0	n.a.
<b>Multi-year variable compensation</b>	<b>306,250</b>	<b>n.a.</b>	<b>1,617,000</b>	<b>n.a.</b>	<b>1,386,000</b>	<b>n.a.</b>
LTIP 2012/2014 <sup>4</sup>	306,250	n.a.	1,617,000	n.a.	1,386,000	n.a.
LTIP 2015/2017	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total<sup>5</sup></b>	<b>909,742</b>	<b>944,322</b>	<b>2,462,119</b>	<b>1,194,421</b>	<b>1,586,882</b>	<b>n.a.</b>
Service cost <sup>6,7</sup>	315,951	336,000	907,791	379,868	751,066	n.a.
<b>Overall compensation</b>	<b>1,225,693</b>	<b>1,280,322</b>	<b>3,369,910</b>	<b>1,574,289</b>	<b>2,337,948</b>	<b>n.a.</b>

<sup>1</sup> Exchange rate 1.3296 \$/€ (annual average rate 2014).

<sup>2</sup> Exchange rate 1.11005 \$/€ (annual average rate 2015).

<sup>3</sup> No Performance Bonus 2014 granted to Erich Stamminger due to his resignation effective March 6, 2014. Pro rata temporis Performance Bonus 2014 for Eric Liedtke effective March 6, 2014 due to his appointment during the year.

<sup>4</sup> Pro rata temporis LTIP Bonus 2012/2014 due to the appointment of Roland Auschel (effective October 1, 2013) and Eric Liedtke (effective March 6, 2014) during the plan term. Pro rata temporis LTIP Bonus 2012/2014 due to the resignation of Erich Stamminger (effective March 6, 2014) during the plan term.

<sup>5</sup> For the 2015 financial year, as well as for the previous year, the compensation components outlined above also represent the overall compensations to be disclosed individually in accordance with commercial law.

<sup>6</sup> Based on the amendment of the Pension Agreements of Glenn Bennett and Robin J. Stalker effective March 6, 2015, the service cost in the 2014 financial year comprised the 2014 service cost and the 2014 past service cost.

<sup>7</sup> The service cost for Erich Stamminger also comprises the contractually agreed follow-up bonus in the amount of € 603,387 granted at the time of his departure in March 2014, as the follow-up bonus is a commitment for other pension benefits made in advance for the case of departure.

## **OVERALL PAYMENTS TO FORMER MEMBERS OF THE EXECUTIVE BOARD AND THEIR SURVIVING DEPENDANTS**

In 2015, the overall payments to former Executive Board members or to their surviving dependants amounted to € 3.524 million (2014: € 4.062 million<sup>10</sup>). As at December 31, 2015, the provisions for pension entitlements of this group of persons totalled € 42.730 million (2014: € 45.900 million). The decrease is mainly attributable to an increase of the underlying interest rate from 2.1% to 2.5%.

There are further pension commitments towards three former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 12.644 million (2014: € 13.576 million) arise for adidas AG, for which no accruals were established due to financing through the pension fund and pension trust fund. This decrease is also attributable to an increase of the underlying interest rate.

The dynamisation of the pensions paid to former Executive Board members is effected in accordance with statutory regulations or regulations under collective agreements, unless a surplus from the pension fund is used for an increase in pension benefits after pension payments have already begun.

## **REVIEW OF EXECUTIVE BOARD COMPENSATION**

In 2015, the Supervisory Board had the Executive Board compensation system reviewed with regard to appropriateness by an independent external compensation expert. In doing so, the individual overall target annual income of the Executive Board members was examined in detail. The review found that the compensation meets the requirements of the German Stock Corporation Act and the Code. As the review revealed a need for action regarding the pensions granted to the Executive Board members compared to the pensions granted to executive board members of other companies in order to ensure competitive compensation, the Supervisory Board resolved, with effect from January 1, 2015, the changeover from defined benefit pension plans to defined contribution pension plans for all Executive Board members appointed on or after October 1, 2013.

## **COMPENSATION OF THE SUPERVISORY BOARD**

The compensation of the Supervisory Board members is regulated by § 18 of the company's Articles of Association and is linked to the size of the company and to the responsibility and scope of activities of the Supervisory Board members. After the end of the respective financial year, the members receive a fixed compensation amount for their function as well as compensation for the chairmanship of or membership in committees, in accordance with the Code. For meetings requiring personal attendance, an attendance fee amounting to € 750 is granted. Additional variable compensation is not granted to the Supervisory Board members. Supervisory Board members who have not been members of the Supervisory Board for the entire financial year receive a pro-rated amount of compensation.

For the 2015 financial year, each individual member of the Supervisory Board received €50,000 as fixed annual compensation; three times this amount was paid to the Chairman of the Supervisory Board and twice this amount was paid to each Deputy Chairperson. Members of the General Committee and of the Finance and Investment Committee received additional compensation of € 25,000 and members of the Audit Committee received additional compensation of € 50,000. In addition to their fixed compensation, the Chairmen of the General Committee and of the Finance and Investment Committee received a compensation amount of € 50,000 each, and the Chairman of the Audit Committee received compensation of € 75,000. The compensation paid for a committee chairmanship also covers the membership in such committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee and committees which are established ad hoc do not receive additional compensation. If a Supervisory Board member is in more than one committee, the member only receives compensation for his/her task in the committee with the highest compensation. The Supervisory Board members are reimbursed for all expenses incurred in connection with their mandates as well as for the VAT payable on their compensation, insofar as they charge for it separately.

<sup>10</sup> The overall payments for 2014 include the follow-up bonus of Erich Stamminger in the amount of € 603,387, granted at the time of his departure.



The total compensation paid to our Supervisory Board in the 2015 financial year amounted to € 1.15 million (2014: € 0.92 million). In addition, attendance fees totalling € 72,750 were paid. The increase in the total compensation for the 2015 financial year compared to the 2014 financial year is attributable to the resolution of the Annual General Meeting on May 8, 2014, on the increase of the fixed annual compensation from € 40,000 to € 50,000 as well as on the introduction of an attendance fee amounting to € 750 for each meeting requiring personal attendance with effect from the 2015 financial year.

#### **OTHER BENEFITS AND ADDITIONAL COMMITMENTS**

The Supervisory Board members have not received any loans or advance payments from adidas AG.

#### **04 COMPENSATION OF THE SUPERVISORY BOARD MEMBERS IN €**

	2015 Fixed compensation	2015 Attendance fees	2014
<b>Supervisory Board members incumbent as at December 31, 2015</b>			
Igor Landau (Chairman of the Supervisory Board, Chairman of the General Committee)	200,000	8,250	160,000
Sabine Bauer (Deputy Chairwoman of the Supervisory Board, Member of the General Committee)	125,000	8,250	100,000
Willi Schwerdtle (Deputy Chairman of the Supervisory Board, Member of the General Committee)	125,000	7,500	100,000
Dieter Hauenstein	50,000	3,750	40,000
Dr. Wolfgang Jäger (Member of the Audit Committee)	100,000	7,500	80,000
Dr. Stefan Jentzsch (Member of the Audit Committee)	100,000	6,000	80,000
Herbert Kauffmann (Chairman of the Audit Committee)	125,000	7,500	100,000
Katja Kraus <sup>1</sup>	50,000	3,750	25,973
Kathrin Menges <sup>1</sup>	50,000	2,250	25,973
Roland Nosko (Member of the General Committee)	75,000	7,500	60,000
Hans Ruprecht (Member of the Audit Committee)	100,000	7,500	80,000
Heidi Thaler-Veh	50,000	3,000	40,000
<b>Supervisory Board members incumbent until the end of the Annual General Meeting on May 8, 2014</b>			
Alexander Popov <sup>2</sup>	n.a.	n.a.	14,027
Christian Tourres <sup>2</sup>	n.a.	n.a.	14,027
<b>Total</b>	<b>1,150,000</b>	<b>72,750</b>	<b>920,000</b>

<sup>1</sup> First-time Supervisory Board member since the end of the Annual General Meeting held on May 8, 2014.

<sup>2</sup> Supervisory Board member until the end of the Annual General Meeting held on May 8, 2014.

# OUR SHARE

In 2015, international stock market performance was mixed, characterised by highly volatile movements. While the DAX-30 increased by 10%, the MSCI World Textiles, Apparel & Luxury Goods Index declined 3%. Following an underperformance versus the overall market in 2014, the adidas AG share regained significant momentum in 2015. The positive share price development was supported by the introduction of the adidas Group's new strategic business plan 'Creating the New' as well as strong operational momentum during the year. As a result, the adidas AG share reached a new all-time high during the course of the year and ended 2015 as the top performer of the DAX-30 with an increase of 56%. As a result of the stellar operational performance in 2015 as well as Management's confidence in the strength of the Group's financial position and long-term growth aspirations, we intend to propose a dividend per share of € 1.60 at our 2016 Annual General Meeting.

## INTERNATIONAL STOCK MARKETS HIGHLY VOLATILE IN 2015

International stock markets were characterised by high volatility throughout 2015. Improving economic data in the euro area and the USA provided significant support for equity markets around the world. The bigger- and earlier-than-expected quantitative easing programme of the ECB launched at the beginning of the year as well as the weakening euro provided positive stimulus to European equity markets in particular. The DAX-30 benefited from these developments, resulting in a new all-time high of 12,375 in April. However, the Greek debt crisis and weakening economic data in China, fears of a weakening economy in emerging markets as well as falling commodity prices characterised international stock markets during the remainder of 2015. In addition, high uncertainties regarding the Federal Reserve's policy on key interest rates weighed on investor sentiment and led to an overall volatile trading environment before the decision for a first increase was eventually made in December. Accordingly, while the DAX-30 increased 10%, the Dow Jones remained flat in 2015. The MSCI World Textiles, Apparel & Luxury Goods Index declined 3% during the period.

 see Table 01

## ADIDAS AG SHARE PRICE REACHES NEW ALL-TIME HIGH

Following an underperformance versus the overall market in 2014, the adidas AG share started to regain momentum at the beginning of 2015. This was mainly due to the announcement of the divestiture of the Rockport business as well as the preliminary results release for the 2014 financial year at the end of January. Following the publication of the adidas Group's full year 2014 financial results on March 5, the adidas AG share increased more than 3%, driven by a robust outlook for 2015 as well as Management's proposal to keep the dividend stable at € 1.50 per share. At an Investor Day event on March 26, the adidas Group introduced its new strategic business plan 'Creating the New', resulting in further share price increases reflecting broad agreement amongst analysts and investors that the new strategy identified the key challenges and opportunities for the Group.

## 01 HISTORICAL PERFORMANCE OF THE ADIDAS AG SHARE AND IMPORTANT INDICES AT YEAR-END 2015 IN %

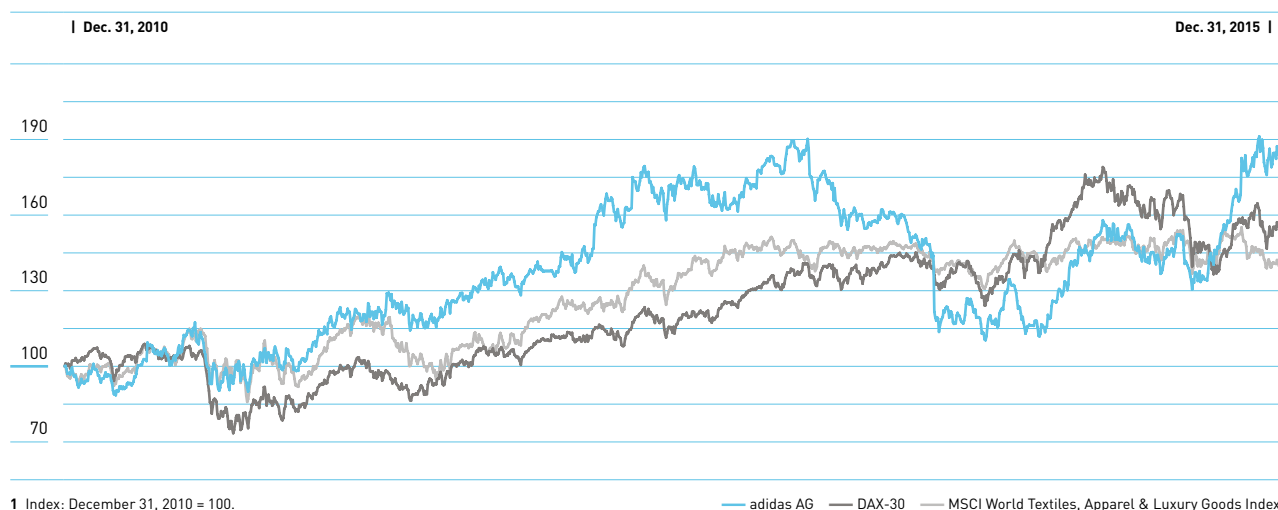
	1 year	3 years	5 years	10 years	Since IPO <sup>1</sup>
adidas AG	56	34	84	125	830
DAX-30	10	41	55	99	389
MSCI World Textiles, Apparel & Luxury Goods	(3)	16	40	139	380

<sup>1</sup> November 17, 1995.

Source: Bloomberg.

## ADIDAS AG SHARE AT A GLANCE

### 02 FIVE-YEAR SHARE PRICE DEVELOPMENT<sup>1</sup>



### 03 THE ADIDAS AG SHARE

		2015	2014	Important indices
Number of shares outstanding <sup>1</sup>	shares	200,197,417	204,327,044	<ul style="list-style-type: none"> <li>• DAX-30</li> <li>• MSCI World Textiles, Apparel &amp; Luxury Goods</li> <li>• Deutsche Börse Prime Consumer</li> <li>• Dow Jones Sustainability Indices (World and Europe)</li> <li>• ECPI Ethical Equity Indices (Euro and EMU)</li> <li>• Ethibel Sustainability Indices (Global and Europe)</li> <li>• Euronext Vigeo (Eurozone 120, Europe 120)</li> <li>• FTSE4Good Index Series</li> <li>• MSCI Global Sustainability Indexes</li> <li>• MSCI SRI Indexes</li> <li>• STOXX Global ESG Leaders</li> </ul>
Basic earnings per share	€	3.32 <sup>2</sup>	2.72 <sup>3</sup>	
Cash generated from operating activities per share	€	5.41	3.36	
Year-end price	€	89.91	57.62	
Year high	€	93.41	92.92	
Year low	€	54.61	53.89	
Market capitalisation <sup>4</sup>	€ in million	18,000	11,773	
Dividend per share	€	1.60 <sup>5</sup>	1.50	
Dividend payout <sup>4</sup>	€ in million	320	306	
Dividend payout ratio <sup>4</sup>	%	47.9 <sup>2</sup>	53.9 <sup>3</sup>	
Dividend yield	%	1.8	2.6	
Shareholders' equity per share <sup>4</sup>	€	28.30	27.53	
Price-earnings ratio at year-end	%	27.1 <sup>2</sup>	21.2 <sup>3</sup>	
Average trading volume per trading day <sup>6</sup>	shares	1,199,167	1,356,914	

<sup>1</sup> All shares carry full dividend rights.

<sup>2</sup> Excluding goodwill impairment of € 34 million.

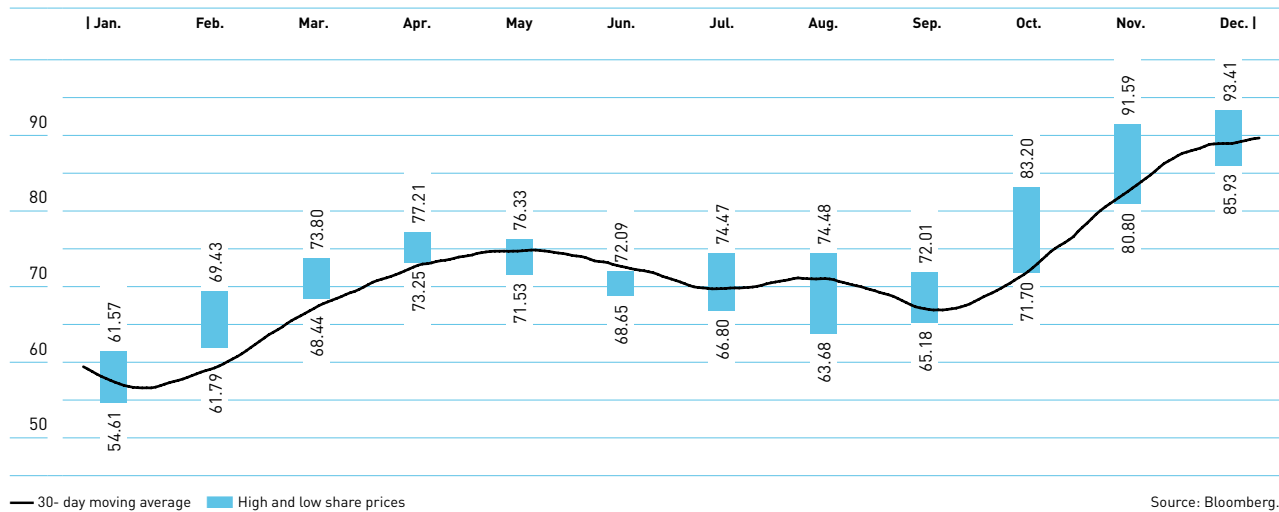
<sup>3</sup> Excluding goodwill impairment of € 78 million.

<sup>4</sup> Based on number of shares outstanding at year-end.

<sup>5</sup> Subject to Annual General Meeting approval.

<sup>6</sup> Based on number of shares traded on all German stock exchanges.

04 2015 ADIDAS AG HIGH AND LOW SHARE PRICES PER MONTH<sup>1</sup> IN €



<sup>1</sup> Based on daily Xetra closing prices.

In addition, the financial objectives outlined during the day were positively perceived by the financial community and were above market expectations.

At the beginning of the second quarter, the adidas AG share continued its positive trend, supported by subsequent management roadshow activities. On May 5, the adidas Group released strong first quarter results which were above market expectations. However, the overall negative market sentiment resulting from ongoing concerns with regard to a Greek default weighed on both the adidas AG share and international equity markets during the day and for the remainder of the second quarter. On June 24, the adidas Group held its first IR Tutorial Workshop. While the event was very well received by market participants, the adidas AG share was not able to escape the overall negative market sentiment.

At the beginning of the third quarter of 2015, extensive roadshow activities as well as positive analyst commentary prior to the adidas Group's first half results release provided positive stimulus to the share price in July. While the publication of the adidas Group's first half results was positively perceived by market participants, the adidas AG share came under pressure from mid-August onwards, reflecting the overall challenging market environment caused by weakening economic data from China. During the first half of September, the adidas AG share stabilised and traded sideways, supported by positive company-specific as well as sector-related newsflow. On November 5, following the publication of a very strong set of third quarter results, together with increased guidance for the 2015 financial year and a better-than-expected initial outlook for 2016, the adidas AG share rose 9% during the day. Subsequent management roadshows and positive analyst feedback provided further momentum to the share price, resulting in a new all-time high of € 93.41 on December 2. The remaining weeks of December were characterised by macroeconomic uncertainties as well as profit taking by some investors. As a result, the adidas AG share closed 2015 at € 89.91, representing a 56% increase over the year and making the adidas AG share the top performer of the DAX-30. This implies a market capitalisation of € 18.0 billion at the end of 2015 versus € 11.8 billion at the end of 2014.

see Table 03

### **AVERAGE DAILY TRADING VOLUME DECREASES SLIGHTLY**

During 2015, the average daily trading volume of the adidas AG share on all German stock exchanges (excluding bank trades) declined slightly to 1.2 million shares (2014: 1.4 million). The average daily trading volume of the adidas AG share on alternative trading systems, such as CHI-X, Turquoise and BATS Europe, increased slightly to 1.0 million shares per trading day (2014: 0.9 million). Share trading on OTC markets such as BOAT and EuroNext OTC remained stable at 0.5 million shares per trading day (2014: 0.5 million).

 see Table 03

### **LEVEL 1 ADR PERFORMS IN LINE WITH COMMON STOCK**

Our Level 1 ADR closed 2015 at US \$ 48.51, representing an increase of 41% versus the prior year level (2014: US \$ 34.51). The less pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the appreciation of the US dollar versus the euro at the end of 2015 compared to year-end 2014. The number of Level 1 ADRs outstanding increased to 8.6 million at year-end 2015 compared to 5.9 million at the end of 2014. The average daily trading volume increased to 92,100 ADRs in 2015 (2014: 80,800). Further information on our ADR Programme can be found on our [website](http://www.adidas-group.com/adr).

 [www.adidas-group.com/adr](http://www.adidas-group.com/adr)

### **ADIDAS AG SHARE MEMBER OF IMPORTANT INDICES**

The adidas AG share is included in a variety of high-quality indices around the world, most importantly the DAX-30 and the MSCI World Textiles, Apparel & Luxury Goods Index, which comprises our Group's major competitors. At December 31, 2015, our weighting in the DAX-30, which is calculated on the basis of free float market capitalisation and twelve-month share turnover, increased to 2.15% (2014: 1.47%). Our higher weighting compared to the prior year was mainly due to the increase in market capitalisation of adidas AG, which more than offset the decrease in share turnover. Within the DAX-30, we ranked 17 on market capitalisation (2014: 21) and 16 on turnover (2014: 15) at year-end 2015. Additionally, in recognition of our social and environmental efforts, adidas AG is listed in several key sustainability indices.

 see Table 03

### **CONVERTIBLE BOND CLOSES THE YEAR AT € 125.82**

In March 2012, adidas AG successfully issued a convertible bond, due on June 14, 2019, for an aggregate nominal amount of € 500 million. The bonds are not callable by the issuer or puttable by the bondholders until June 2017. The bonds are convertible into up to 6.1 million new or existing adidas AG shares. Proceeds from the offering have allowed the Group to further optimise its debt structure. The bonds were priced with a 0.25% annual coupon and a conversion premium of 40% above the reference price of € 59.61, resulting in an initial conversion price of € 83.46 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted to € 82.00 per share. This adjustment became effective on May 8, 2015. The convertible bond closed the year at € 125.82, above the prior year level of € 108.95.

 see Note 18, p. 212

### **DIVIDEND PROPOSAL OF € 1.60 PER SHARE**

As a result of the stellar operational performance in 2015, the Group's strong financial position as well as Management's confidence in our long-term growth aspirations, the adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 1.60 per share to shareholders at the Annual General Meeting (AGM) on May 12, 2016. This represents an increase of 7% compared to the prior year dividend (2014: € 1.50), which was kept stable despite a decline in net income attributable to shareholders in 2014. Subject to the meeting's approval, the dividend will be paid on May 13, 2016. The total payout of € 320 million (2014: € 306 million) reflects a payout ratio of 47.9% of net income attributable to shareholders, excluding goodwill impairment losses. The payout ratio for 2015 is at the upper end of the increased target range of between 30% and 50% of net income attributable to shareholders as defined in our dividend policy. In the prior year, Management had decided to keep the dividend stable despite a significant decline in net income, resulting in a payout ratio of 53.9%.

 see Table 03

## SHAREHOLDER RETURN PROGRAMME CONTINUED

On October 1, 2014, adidas AG announced a multi-year shareholder return programme of up to € 1.5 billion in total to be completed by December 31, 2017. The shareholder return programme is being executed primarily by buying back shares via the stock exchange under the authorisation given by the Annual General Meeting on May 8, 2014, for the period through to May 7, 2019. The authorisation covers the repurchase of up to 10% of the company's share capital on the stock exchange, subject to advantageous market conditions.

On March 5, 2015, adidas AG announced the commencement of the second tranche of the share buyback programme with an aggregate acquisition cost of up to € 300 million (excluding incidental purchasing costs). Within the second tranche up to and including June 15, 2015, adidas AG bought back 4,129,627 shares. This corresponds to a notional amount of € 4,129,627 in the nominal capital and consequently 1.97% of the company's nominal capital. The average purchase price per share for this second tranche was € 72.65. The total number of shares bought back by adidas AG within the framework of the shareholder return programme amounted to 9,018,769 shares as of December 31, 2015. This corresponds to a notional amount of € 9,018,769 in the nominal capital and consequently 4.31% of the company's nominal capital. As of year-end 2015, the adidas AG had successfully completed 40% of its multi-year shareholder return programme.

## STRONG INTERNATIONAL INVESTOR BASE

Based on our share register, we estimate that adidas AG currently has slightly more than 70,000 shareholders. In our latest ownership analysis conducted in February 2016, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 87% of shares outstanding. Private investors and undisclosed holdings account for 8%. Current members of the adidas Group Executive and Supervisory Boards hold less than 1% in total. Lastly, as a result of shares purchased so far as part of our share buyback programme, adidas AG currently holds 4% of the company's shares as treasury shares.

 see Diagram 05

In terms of geographical distribution, the North American market currently accounts for 33% of institutional shareholdings, followed by the UK with 26%. Identified German institutional investors hold 9% of shares outstanding. Switzerland and France account for 6% and 5%, respectively. 21% of institutional shareholders were identified in other regions of the world.

 see Diagram 06

## VOTING RIGHTS NOTIFICATIONS PUBLISHED

All voting rights notifications received in 2015 and thereafter in accordance with §§ 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) can be viewed on our [corporate website](#). Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report.

 [www.adidas-group.com/voting\\_rights\\_notifications](http://www.adidas-group.com/voting_rights_notifications)

 see Note 26, p. 220

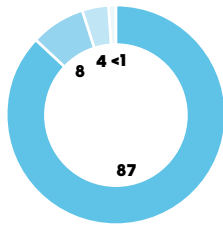
## DIRECTORS' DEALINGS REPORTED ON CORPORATE WEBSITE

The purchase or sale of adidas AG shares (ISIN DE000A1EWWW0) or related financial instruments, as defined by § 15a WpHG, conducted by members of our Executive or Supervisory Boards, by key executives or by any person in close relationship with these persons, is reported on our website. In 2015, adidas AG received no notifications pursuant to § 15a WpHG.

## ADIDAS AG SHARE RECEIVES STRONG ANALYST SUPPORT

The adidas Group and the adidas AG share continued to receive strong analyst support in 2015. Around 35 analysts from investment banks and brokerage firms regularly published research reports on our Group. The vast majority of analysts are confident about the medium- and long-term potential of the Group. This is reflected in the recommendation split for our share as at December 31, 2015. 38% of analysts recommended investors to 'buy' our share (2014: 24%). 48% advised to 'hold' our share (2014: 57%) and 14% of the analysts recommended to 'sell' our share (2014: 19%).

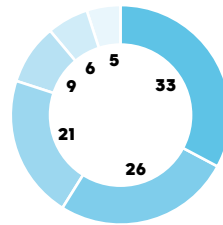
05 SHAREHOLDER STRUCTURE<sup>1</sup>



- 87% Institutional investors
- 8% Private investors and undisclosed holdings
- 4% Treasury shares
- <1% Members of the adidas Group Executive and Supervisory Boards

<sup>1</sup> As of February 2016.

06 SHAREHOLDER STRUCTURE BY REGION<sup>1</sup>



- 33% North America
- 26% United Kingdom
- 21% Rest of the world
- 9% Germany
- 6% Switzerland
- 5% France

<sup>1</sup> As of February 2016.

**SUCCESSFUL INVESTOR RELATIONS ACTIVITIES**

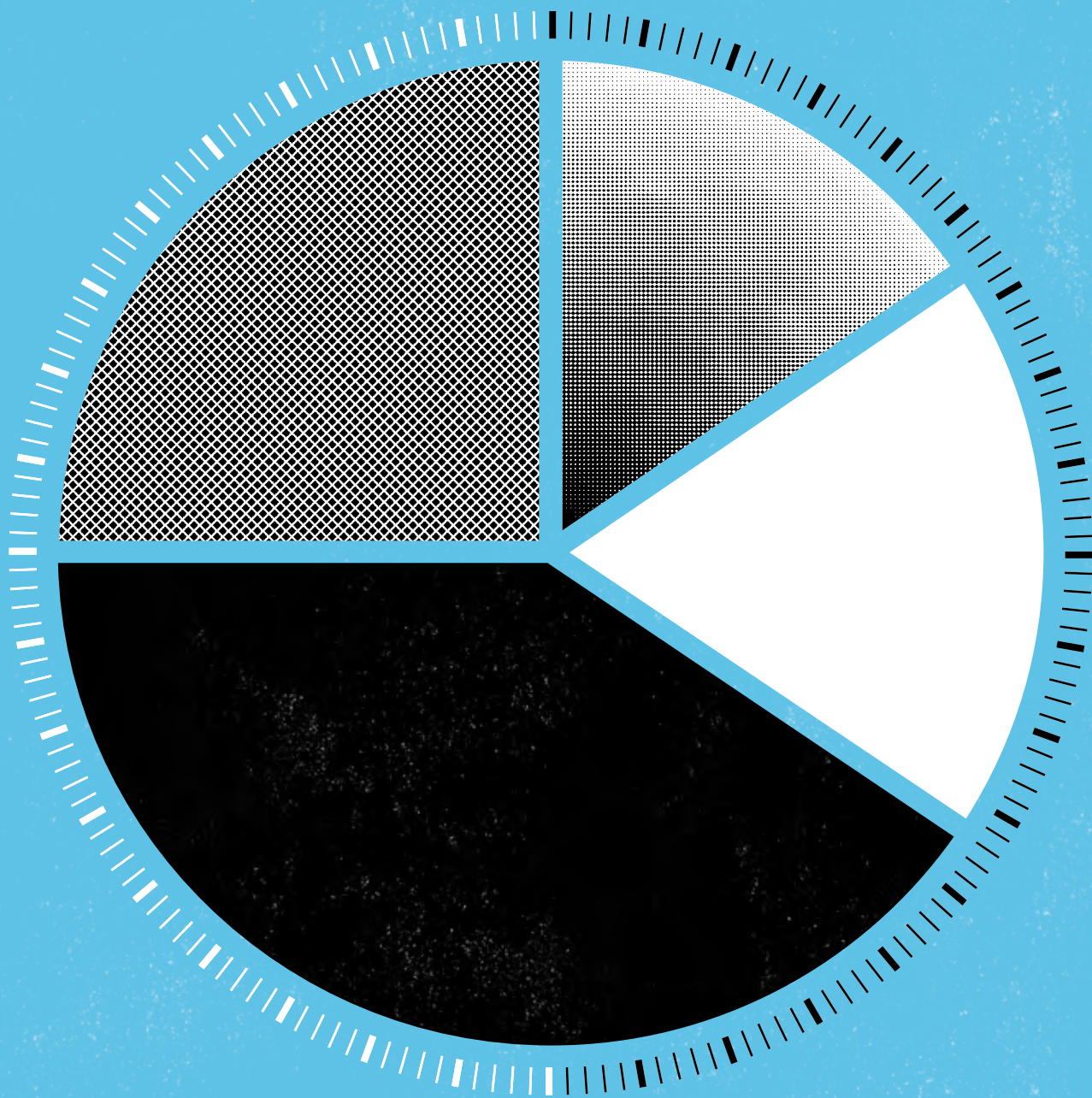
adidas AG strives to maintain close contact to institutional and private shareholders as well as analysts. In 2015, Management and the Investor Relations team further intensified communication with financial market participants. In total, we spent 44 days on roadshows (2014: 29) and also spent 19 days presenting at 13 national and international conferences (2014: 17 days at 12 national and international conferences). In order to present the adidas Group's new strategic business plan 'Creating the New', an Investor Day was hosted from March 25 to 26 at the Group's headquarters in Herzogenaurach, Germany. More than 75 investors and other financial market representatives attended the event in person. In addition, 2015 saw the launch of the adidas Group's 'Investor Relations Tutorial Workshops'. The purpose of these half-day events is to provide further insights into key strategic areas as well as topics with high relevance due to specific circumstances. In 2015, the adidas Group hosted two of these workshops in Herzogenaurach, each with more than 100 investors and analysts attending the event either on site or online.

For the second time in three years, the adidas Group was awarded a Red Dot Communication Design Award for its Annual Report. Out of over 7,000 submissions, the Red Dot jury chose the best entries of the year for communication design. In addition, the adidas Group ranked second among all DAX-30 companies in the 'Best Annual Report' ranking of German business magazine 'Bilanz', which focuses on the quality of content and transparency in reporting amongst German corporations.

**EXTENSIVE FINANCIAL INFORMATION AVAILABLE ONLINE**

We offer extensive information around our share as well as the adidas Group's strategy and financial results on our [corporate website](http://www.adidas-group.com/investors). Our event calendar lists all conferences and roadshows we attend and provides all presentations for download. In addition to live webcasts of all major events such as the Annual General Meeting, Investor Days and our IR Tutorial Workshops, we also offer webcasts of our quarterly conference calls.

[www.adidas-group.com/investors](http://www.adidas-group.com/investors)







# OUR

<b>Group Strategy</b>	<b>54</b>
• adidas Strategy	61
• Reebok Strategy	67
• TaylorMade-adidas Golf Strategy	69
• Reebok-CCM Hockey Strategy	72
<b>Global Operations</b>	<b>74</b>
<b>Research and Development</b>	<b>80</b>
<b>Our People</b>	<b>87</b>
<b>Sustainability</b>	<b>94</b>

# GROUP

## **Group Management Report**

This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

# GROUP STRATEGY

The adidas Group strives to inspire and enable people to harness the power of sport in their lives. Sport is our very purpose. Inspired by our heritage, we know that a profound understanding of the consumer and their journey in sport is essential to achieving this goal. To anticipate and respond to their needs, we continuously strive to create a culture of innovation and creativity. Through our portfolio of authentic sports brands, we harness this culture and push the boundaries of products, services and processes to drive brand desire. This, in turn, will drive value creation for our company and our shareholders.

## OUR PURPOSE: SPORT HAS THE POWER TO CHANGE LIVES

We are convinced that sport is and will remain central to every culture and every society. It is core to health for an increasing number of people around the world. The importance of sport, however, goes far beyond that: We fully believe that sport has the power to change lives. Sport is therefore our very purpose. Everything we do is rooted in sport. And we also translate our competence in sport into streetwear and fashion because sport is also an attitude and a lifestyle.

We fill our purpose with life through the following strategic pillars reflecting our values rooted in sport:

- **Portfolio of authentic sports brands:** Our brands are driven to create and innovate through a common passion for sport and a sporting lifestyle. At the same time, each brand has a unique identity and focus on its core competencies. This approach allows us to develop and create products, experiences and services tailored to the individual needs and desires of a broad spectrum of consumers, increasing our leverage in the marketplace.
- **Developing a team grounded in our heritage in sport:** Our culture is continuously shaped by influences from the past and the present as well as our future aspirations. We foster a corporate culture of performance, passion, integrity and diversity by creating a work environment that stimulates innovation, team spirit and achievement based on strong leadership and employee engagement.
- **Investments focused on highest-potential markets and channels:** As a Group, we target strong market positions in all markets in which we compete. However, we have prioritised our investments based on those markets which offer the best medium- to long-term growth and profitability opportunities. In this respect, we place considerable emphasis on expanding our activities in the emerging markets, particularly in Greater China and Latin America, as well as building our market share in the USA and Western Europe.
- **Creating a flexible supply chain:** Speed and agility are key to outpacing the competition, providing a constant flow of new and relevant products for our consumers and high service levels for our customers. We are committed to meeting the full range of consumer needs by providing game-changing technical innovations for sport, creating and driving trends in streetwear through our sports-inspired lifestyle products, while ensuring constant product availability in the correct size and colour to the highest quality standards.
- **Innovation:** We will continue to challenge the boundaries of functionality, performance and design by leveraging our extensive R&D expertise within the Group and also by defining Open Source as a key strategic choice. In addition, enhancing services for customers and consumers alike as well as implementing improved internal processes are other areas where our organisation strives to innovate.
- **Focusing on sustainability:** We are committed to further striking the balance between shareholder interests and the needs and concerns of multiple other stakeholders, including our employees, the people making our products and the environment. On our website we provide detailed information on the steps we take to have a sustainable positive impact on society and the planet.

+ see Our People, p. 87

+ see Global Operations, p. 74

+ see Research and Development, p. 80

+ see Sustainability, p. 94

➔ [www.adidas-group.com](http://www.adidas-group.com)

- **Creating long-term shareholder value:** Creating long-term value for our shareholders through strong and consistent operating cash flow generation drives our overall decision-making process. Therefore, we are focused on rigorously managing those factors under our control, making strategic choices that will drive sustainable revenue and earnings growth and, ultimately, operating cash flow. We are committed to increasing returns to shareholders with above-industry-average share price performance and dividends.

+ see Internal Group Management System, p. 102

### TRENDS SHAPING OUR INDUSTRY: DIGITALISATION, URBANISATION AND INDIVIDUALISATION

We need to be at the forefront of change as we adapt to new consumer demands, innovations in technology and the overall dynamics in the expanding sporting goods industry. The three main megatrends our Group is anticipating are:

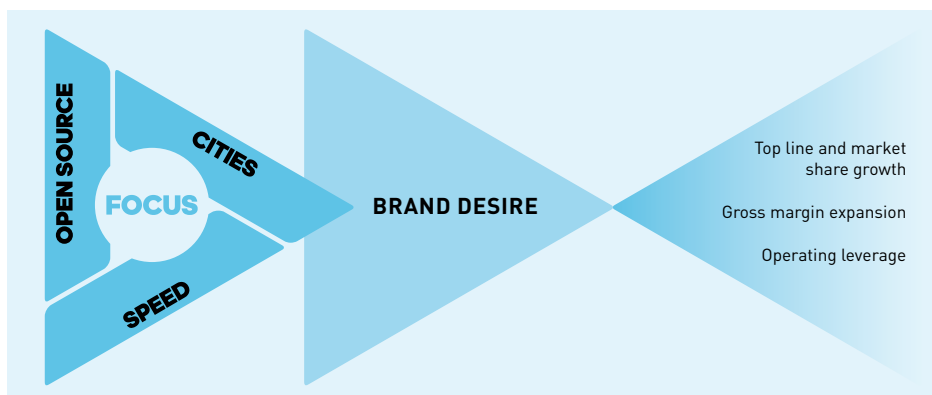
- **Digitalisation:** We are convinced that everything that can be digitalised is being digitalised. There is an array of digital technologies that is involved in the creation of value: smartphones, data analytics, cloud infrastructure, etc. Digital services also offer completely new possibilities to connect and interact with our consumers.
- **Urbanisation:** We believe that the appeal and power of brands will be determined by their success in ever-expanding key cities. Since 1990, the number of megacities with more than 10 million inhabitants has tripled. These are the 'halo' locations, where the perception of brands will be shaped. From there, they will spread to the rest of the world.
- **Individualisation:** Consumers' relation to brand is increasingly based on their individual experiences with a brand, a campaign or a product. This trend is growing in terms of importance and we are determined to cater for this trend with our brands.

Against the background of these three trends, in March 2015, we presented our new strategic business plan until the year 2020 named 'Creating the New'.

### CREATING THE NEW PUTS BRAND DESIRE CENTRE STAGE

At the epicentre of Creating the New is our ambition to further accelerate growth by significantly increasing brand desirability. Creating the New therefore focuses on our brands as they connect and engage us with our consumers. Our new strategic business plan is built around three strategic choices that will support us in intensifying our focus on our consumers and will drive brand desirability in the years to come: Speed, Cities and Open Source.

#### 01 OUR STRATEGY FOR CREATING THE NEW



## FINANCIAL AMBITION UNTIL 2020

Our three strategic choices will be step-changers with regard to brand desirability and brand advocacy which, in turn, will enable us:

- **To accelerate our top-line growth:** We aim to increase currency-neutral Group revenues annually by a high-single-digit rate on average. This performance will be driven by high-single-digit currency-neutral growth rates per year on average at both the adidas and Reebok brand.
- **To win significant market share across key categories and markets:** We have defined key categories within our core brands that will spur our growth. From a market perspective, we have defined clear roles for each of our markets, depending on macroeconomic trends, the competitive environment and our brand strength in the respective markets.
- **To improve our profitability sustainably:** We plan to substantially improve the profitability of the Group, growing the bottom line by an average of around 15% per year, significantly faster than our targeted top-line growth.
- **To deliver on our commitment to increase shareholder returns:** Creating the New includes a strong commitment to generating increasing returns for our shareholders. Given our firm confidence in the strength of the Group's financial position and future growth ambitions, we increased our targeted dividend payout ratio to a range between 30% and 50%. We will also increase the returns to our shareholders through our shareholder return programme. In total, we plan to return up to € 1.5 billion by the end of 2017.

+ see Our Share, p. 46

## INTRODUCING OUR STRATEGIC CHOICES TO DRIVE BRAND DESIRE

### Speed

Driving brand desirability begins with putting our consumers at the heart of everything we do and serving them in the best possible way. This involves ensuring that consumers always find fresh and new products where and when they want them. This, in turn, means to us being able to anticipate what consumers want and react accordingly in a timely manner. Speed is therefore a very critical and powerful lever for our Group and we have set ourselves the goal to become the first true fast sports company by 2020.

+ see Global Operations, p. 74

+ see Glossary, p. 260

Being fast will give us decisive competitive advantages. These include:

- Faster delivery of products, based on shorter lead times.
- Increased opportunities to react to short-term and in-season trends.
- Increased full-price share of sales, while at the same time reducing markdowns.
- Eliminating the risk of over-/under-stock building by supplying products in short periods of time.

We have built the foundation for our Speed ambitions with adidas neo, in which a big proportion of the product range to date already runs on so-called 'Speed programmes'. In four categories – Running, Football, Training and Originals – we have started to adapt the learnings from neo and to build Speed capabilities for a defined share of their business.

We will use our industry-leading experience to re-shape our entire business model end-to-end, from range planning to product creation, sourcing, supply chain, go-to-market and sales. We base our Speed ambitions on three global and centralised initiatives that are deployed consistently across our markets and channels:

- **Planned responsiveness:** Based on sell-through data, which we receive and analyse at the beginning of the season, we re-order products and deliver them within the season to fulfil higher consumer demand than initially forecasted.
- **Never out of stock:** We standardise and strengthen our existing 'never-out-of-stock' business proposition by setting a global, permanent offer with longer life cycles and continuous reproduction and replenishment. This will ensure our most iconic and desired products are permanently available to our consumers.
- **In-season creation:** We plan ranges to be created later in the season in order to create or capture the latest trends of the industry driving brand desire to new heights.

The combination of these three initiatives will transform our current set-up to a new speed-enabled end-to-end business model, with the goal of winning the consumers with constantly fresh and desirable products.

+ see Research and Development, p. 80

Besides focusing on Speed in our current supply chain and production process, we also look into new, disruptive business models and technologies to make us faster. A prime example in this area is our Speedfactory project: using automated manufacturing to bring production to where the consumer is.

+ see Global Operations, p. 74

**Our 2020 targets for Speed:** Today, almost 15% of our sales are generated on Speed programmes. As of 2016, we plan to start moving that business under our new end-to-end business model. It is our ambition to increase the share of speed-enabled products to 50% of our net sales by 2020. Our initiatives will put us in the position to provide consumers with appealing and up-to-date products. As a consequence, our full-price share of sales is forecasted to improve by 20 percentage points by 2020.

### Cities

Major metropolitan centres are playing an increasingly influential role in shaping global trends and consumers' perception, perspectives and decisions across a number of topics. Given this megatrend of urbanisation and the continued influence of cities, the adidas Group has defined Cities as one of its strategic choices.

Creating the New will therefore focus on six global cities: London, Los Angeles, New York, Paris, Shanghai and Tokyo. These six cities were chosen based on the size of their population, their landscape of sport, their level of economic and commercial activity and their concentration of global media, among others. Across the six cities, the adidas Group will disproportionately invest in marketing, retail experiences, leadership focus and the development of local teams with the singular goal of maximising consumers' experiences with our brands. We will constantly evaluate our activities and, if necessary, expand our focus of Cities beyond the initial six.

It is our goal to create an integrated brand and business ecosystem designed to touch and enable all phases of the consumer journey. This includes:

- **Product:** Leading innovation and design, executed through global product launches and campaigns.
- **Retail experiences:** Holistic development of the omni-channel approach across the various consumer touchpoints.
- **Activation:** Activation of sports marketing assets and consumer communities.

We are refining our focus on consumers in key cities by engaging more deeply with them in communities where they live, places where they work, fields, courts and streets where they play and doors where they shop. And we further intend to create more synergies between our commercial and activation efforts and give our consumers tangible reasons to seek our brands, while offering them premium brand experiences in doors and destinations. This also includes aligning our initiatives with similar efforts of our key account partners.

**Our 2020 targets for Cities:** In 2015, we set the foundation for this strategic choice. We focused on creating visions and plans for each city, enabling them via new organisations and investment in systems and processes. At the same time, we started to execute on the strategy with first results of these efforts becoming visible across several key performance indicators. Going forward, we will continue to converge all of our major global initiatives in our key cities, including the other strategic choices Speed and Open Source. It is our goal to achieve a leading position within these cities by 2020 and we will track our impact via improvement in our city-specific Net Promoter Score and market share.

+ see Internal Group Management System, p. 102

### Open Source

Open Source is a new mindset with regard to collaboration, inviting athletes, consumers and partners to become part of the adidas Group. We aim to open our doors to creative thinkers and creators, who influence the future of sport and culture through a collaborative approach and mindset. Defining Open Source as a strategic priority means that we intend to:

- Provide access for externals to tools and resources we use to create (e.g. materials, factories, data, experts, athletes, social platforms, business models).
- Acquire creative capital, as new insights, skills, competencies and specialised knowledge sometimes requires extensive resources to build. Collaborating allows us to get external know-how without the expensive overhead investment.
- Strengthen the consumer's perception of our brands as innovative leaders in sport. We therefore intend to give our consumers access to the progress of our projects and creation processes.

We have defined three strategic initiatives for Open Source:

- **Creative collaborations:** Creative collaborations are targeted to increase our creative capital through new tools, new environments and new perspectives from outside creative thinkers. This will be brought to life through initiatives such as our design studios, so-called 'Creator Farms', e.g. in New York City, where we will open doors in 2016 to fuel innovation in sports in a constant way, outside our own seasonal product creation calendars.
- **Athlete collaborations:** The strategic initiatives of athlete collaborations aim to build communities of athletes that help shape the future of their sport with us, such as our digital space projects, which will allow experiencing the stories of our brands and becoming part of our sport influencer community (e.g. newsrooms).
- **Partner collaborations:** The strategic initiatives in the area of partner collaborations intend to open up our knowledge of sport to collaborate with the best partners in other fields and exchange core competencies to create unique value for our brands. The consumer touchpoints in this field include sport, entertainment experience, manufacturing and sustainability as well as sport health and monitoring. Our partnership with Parley for the Oceans serves as a prime example.

**Our 2020 targets for Open Source:** With Open Source, our 2020 goal is to embed external creative capital in our processes to extend our possibilities in creating the future of sport. In the initial phase of Open Source until 2017, we have identified two key targets. The first is to drive brand heat and advocacy by inviting consumers to become part of our creative culture. By the end of 2017, our goal is that 30% of shared content on our brands through social media and other channels is user-generated content. Our second target is to grow the number of users in our digital ecosystem to over 250 million. This will ensure we are at the pulse of the consumer journey at key moments and touchpoints in their lives. By using the insights we will generate from these sources, we will craft better products and services for our consumers, driving increases in Net Promoter Score and market share.

## **OUR SALES AND DISTRIBUTION STRATEGY: FOCUS ON OMNI-CHANNEL**

Our Global Sales function drives the commercial performance of the adidas Group by converting brand desire into profitable and sustainable business growth. It is our ambition to deliver the best branded shopping experience across all consumer touchpoints. In 2015, we advanced our Global Sales strategy and identified three strategic levers to establish our organisation as the omni-channel leader in the sporting goods industry:

### **1. Leveraging scale of our point-of-sale (POS) network**

With more than 2,700 own-retail stores, more than 11,000 mono-branded franchise stores, over 116,000 wholesale doors and nearly 50 own eCommerce sites, we have an unrivalled network of consumer touchpoints within our industry. This empowers us to deliver a premium consumer experience through the seamless integration across all channels.

We have launched four business models which enable us to be 'omni-present' for the consumer, capturing the full sales potential by minimising occasions when consumer demand is not met:

- 'Inventory Check' which allows online shoppers to view in-store product availability.
- 'Click & Collect' which allows consumers to reserve items for pick-up in a local store.
- 'Ship from Store' which allows us to service consumers faster than before by turning our stores into mini-distribution centres.
- 'Endless Aisle' which provides in-store visitors with access to our full range of products through our eCommerce platform.

By the end of 2016, we aim to have largely implemented these capabilities in our own-retail operations in Western Europe, North America, Latin America and Russia/CIS. As of 2017, we will integrate selected wholesale partners to create a truly seamless consumer experience.

### **2. Driving productivity across our sales platform**

We are committed to further improving productivity across our sales platform. Our approach is multi-faceted:

- **Premium presentation:** We will continue to further evolve brand experience through the development of premium store concepts such as HomeCourt and Neighbourhood for the adidas brand as well as FitHub for the Reebok brand. Our own-retail environments are designed with scalability in mind to create efficiencies and ease of implementation across channels. We will create consistency in the presentation of our brands by working closely with our franchise partners and through active management of branded spaces in key wholesale doors and cities.
- **Consumer service excellence:** In 2015, we re-energised our in-store consumer experience with the successful launch of our 'Connect-Engage-Inspire' service model. It represents a cultural shift in how we interact with and service our consumers and has already proven commercially rewarding through higher conversion rates and increased average selling prices.
- **Personalised interaction:** Our commitment to deliver a premium shopping experience is reflected online through our digital brand flagship stores, adidas.com and reebok.com. eCommerce is a powerful tool for our brands to engage with consumers and, in the future, we will craft a more personalised experience with the support of our CRM initiative.
- **Insight-driven decision-making:** We are investing to further develop our analytical capabilities and technical infrastructure to become faster and more insight-driven in decision-making. Leveraging data such as cross-channel product sell-through and consumer purchasing behaviours delivers actionable insights in areas such as assortment planning and product life cycle management.

### 3. Shaping our own destiny

Our goal is to deliver a premium experience through the seamless integration across all of our channels. The omni-channel capabilities will be fundamental to our success, but the key contributor to our commercial performance will be controlled space. Whenever we control the way our brands are presented at the point of sale, the impact is significant. We have the power to do so in own retail (including eCommerce), franchise and in wholesale managed space. By 2020, we aim to generate more than 60% of our revenues through controlled space.

We have ambitious retail expansion plans for full-price concept stores, while simultaneously reducing the number of retail formats we operate worldwide. This will ensure consistency in the way consumers see our brands, and will also allow us to open, close and operate stores at a lower cost. We will amplify our success in own retail by translating key learnings to franchise stores, and expand franchising as a business model into new geographies. eCommerce will continue to be the fastest-growing channel that we operate, with revenues expected to increase to a level of € 2 billion by 2020. In absolute terms, however, wholesale will remain our largest channel, driven by a keen focus on prioritised global key accounts. Strategic partnerships will enable us to deliver a premium consumer experience in a multi-branded environment, through the power of managed space.

#### ROLE OF OUR GLOBAL MARKETS

Our Global Sales strategy is crafted by a centralised Sales Strategy & Excellence team, which supports the execution and drives operational excellence across our nine global markets. The markets are responsible for converting brand desire into profitable and sustainable growth, through the successful implementation of our omni-channel strategy. Clear roles have been defined for each of our markets.

**Extend:** In markets where we are currently the top player, we plan to leverage and extend our market leadership. These are Russia/CIS, Japan and South Korea.

**Lead:** In markets where we are a strong competitor but not number one yet, we aim for market leadership. These are Western Europe, Greater China as well as Emerging Markets.

**Grow:** In markets where we have identified extensive growth opportunities, we aim for dramatic market share gains. These are: North America, Latin America and Southeast Asia/Pacific.

We see significant growth opportunities for our brands across the globe and we will win by capturing the hearts of consumers with every interaction.



## ADIDAS STRATEGY

### MISSION: TO BE THE BEST SPORTS BRAND IN THE WORLD

adidas has a long history and the strongest connection with sport. Its mission is to be the best sports brand in the world. This is anchored in the brand's belief – through sport we have the power to change lives. adidas' broad and diverse sports portfolio, from major global sports such as football and running, to regional heartbeat sports such as American football and rugby, has enabled adidas to transcend cultures and become one of the most recognised and iconic global brands.

Driven by a relentless pursuit of innovation in sports product design, development and manufacturing as well as decades of accumulating sports science expertise, adidas is creating a unique and comprehensive sports offering. Spanning footwear, apparel, equipment and services, adidas caters for all, from the elite professional athletes and teams to any individual who wants to make sport part of their lives.

With this powerful platform, adidas is in a very strong position for growth.

### CONSUMER OBSESSION: CREATING FOR THE CREATORS

The consumer is at the heart of everything adidas does. By constantly developing desirable products and inspiring brand experiences, adidas strives to build a strong image, trust and loyalty with consumers. Over the past two years, adidas undertook significant changes to its organisational structure as well as its consumer strategy and management incentive system, to take its culture of consumer obsession to the next level.

- Organisational structure:** In 2015, the adidas brand organisation completed a major reorganisation of roles and responsibilities under the Brand Leadership programme. The aim of this programme is to provide an organisational structure which enables a 'consumer-obsessed' culture that can act with speed, agility and empowerment. This has been achieved by adapting the ownership of decision-making from a horizontal functional model to a vertical consumer model, where the business owner, for example Running, now has clear decision-making authority across all functional marketing disciplines. In addition, our Global Brands organisation has a centralised, global role for key decisions relating to the appearance of our brands and products around the world. With this approach, we ensure that our product offering in the markets enjoys a high level of commonality, while at the same time we ensure that major initiatives such as product launch and communication activities are managed centrally before they are executed locally by the markets.
- Creator archetype:** Based on the rapid evolution of sport and sports culture, with Creating the New, adidas evolved its consumer segmentation strategy to better account for market realities. The new consumer grid comprises six key quadrants, which are not mutually exclusive. Within this grid, the key is to win the most influential consumers, which we call the creator archetype. The creator focus is at the top of the grid, on male and female athletes as well as the streetwear hounds. True to the brand's values, these influential consumers define themselves as a work in progress – are all doers, first to adopt, creating their own content and are focused on what's next and what's new. A large portion of creators live, play and create in the world's most influential and aspirational cities, a key reason for the Group's Key Cities strategic choice. In 2016, adidas will accelerate global and local marketing initiatives to amplify the brand's creator positioning in the marketplace, with a specific focus on women's.

- **NPS introduced as key KPI:** To drive its consumer-obsessed ambition in a measurable and objective manner, for the first time in 2015, adidas included a key KPI of its brand advocacy programme, the Net Promoter Score (NPS), in its employee incentive system. Investing in and rolling out a global NPS ecosystem, top down and bottom up, is one of the key change pillars of Creating the New for driving better execution at a consumer level across the brand's touchpoints.

+ see Internal Group Management System, p. 102

### FOOTWEAR FRANCHISES: BUILDING THE BRAND FROM THE FEET UP

We are convinced that footwear has the highest influence on brand perception and, more importantly, on innovation, on creativity and on design confidence. Footwear is also the best driver of Net Promoter Score, which in turn correlates directly into purchase intent and potential to grow market share. Therefore, until 2020, adidas is placing a higher emphasis in terms of investment and resources into footwear. In addition, adidas also has a clear strategy to reduce the number of footwear models, putting a stronger focus on a few key franchises that can really make a difference for the brand.

Footwear franchises are defined as long-term concepts that adidas commits to for a multi-year period. The goal of franchises is not only to shape sport, but also to influence culture. They are built to create trends, not follow. They are targeted directly at the creator through iconic features, stories and function, and have the potential to be iterated and expanded over time. The mix of franchises is expected to be representative of the brand's annual category priorities, and their life cycles will be carefully managed, to ensure longevity and make sure they are not overheated.

In addition, franchises will be prioritised throughout the value chain, highly leveraging and benefiting from the Group's strategic choices of Speed, Cities and Open Source. By 2017, adidas expects its top franchises to represent at least a 30% share of the footwear business. In 2016, key adidas franchises will include a blend of past icons such as the Stan Smith and Superstar as well as future icons such as the UltraBOOST, PureBOOST X, Ace and NMD.

#### 02 ADIDAS SPORT PERFORMANCE PUREBOOST X RUNNING SHOE



#### 03 ADIDAS SPORT PERFORMANCE X AND ACE FOOTBALL BOOTS



**WOMEN'S: ADDING A NEW DIMENSION TO DRIVE GROWTH**

Winning the female consumer is an imperative for the adidas brand and offers tremendous growth potential. Women are active in all sports and dominate social media. Given the magnitude of the business opportunity, in 2015, adidas built a cross-functional strategy for women's. This was established to have a holistic view of women, to set direction for creative, ranging, merchandising and marketing and to steer cross-category planning.

adidas will relentlessly focus on five products: the bra, the tee, the tank, the tights and the running shoe. These are the five products the brand will innovate against, with the aim to create the best the industry has ever known in these five items. In addition to function, adidas will also bring style and design to the offering through collaborations with top designers such as Stella McCartney. adidas also plans to bring all of its women's activities together into a women's boutique, both digitally and physically, with the first tests and iterations commencing in 2016.

**MARKETING INVESTMENTS: MEAN MORE BY DOING LESS**

adidas is focused on creating inspirational and innovative marketing capabilities that drive consumer advocacy and build brand equity. The brand spends around half of its marketing investments on partnership assets, with the remainder on brand marketing activities such as digital, advertising, point-of-sale and grassroots activations. With its new strategy, adidas intends to decrease the ratio of marketing investments spent on promotion partnerships by around five percentage points by 2020. In addition, adidas will consolidate and focus resources to have the biggest effect on the creator and brand franchises. This will be achieved by focusing on four priorities:

- **Reason to believe:** By harnessing the brand's creator positioning, the emotion of sport and the power of sport to change lives, adidas will communicate a reason to believe in the brand, letting the world know what distinguishes adidas as a brand.
- **Reason to buy:** The second priority is to harmonise and deliver globally consistent communication around the brand's key footwear franchises. By investing more money against fewer items, adidas will strive to elevate its key franchises to iconic status, giving the consumer clear and compelling reasons to buy the product.

04 **ADIDAS ORIGINALS**  
YEEZY BOOST 350 SHOE05 **ADIDAS ORIGINALS**  
NMD SHOE

- **Locker room:** The locker room is where loyalty is built and earned. adidas defines the locker room as those places where athletes are fully immersed in their sport with peers and friends. It's the football cage, the run base or the street court. Until 2020, adidas will therefore significantly step up its grass-roots and local activation efforts, led by initiatives in key cities.
- **Communities:** Digital leadership will play a critical role in driving the Group's 2020 strategy, and adidas has the ambitious goal to grow its social community to over 250 million by 2017. To increase speed, bring greater consistency and drive higher levels of brand activation online, adidas has established eight digital newsrooms around the globe. This allows the brand to coordinate its online presence 24 hours a day as well as leverage and magnify key brand initiatives throughout the year. In addition, adidas will also invest in app-based digital sports platforms organically and through partnering, to further increase its community presence. The Group's acquisition of Runtastic in 2015 brought adidas access to over 80 million users.

In terms of partnership assets, while reducing the ratio of marketing spend and number of partnerships, adidas will nonetheless continue to bring its products to the biggest stages in the world through:

- **Events:** such as the FIFA World Cup, the UEFA EURO, the UEFA Champions League, the NHL and the Boston Marathon.
- **High-profile teams:** such as the national federations of Germany, Spain, Argentina, Russia, Mexico, Colombia, Belgium and Japan, as well as top clubs such as Manchester United, Real Madrid, AC Milan, FC Bayern Munich, Juventus, Flamengo and Chelsea in football, the New Zealand All Blacks and France in rugby, and American universities such as Miami, Arizona State and UCLA.
- **High-profile individuals:** such as football stars Lionel Messi, Gareth Bale, Mesut Özil and James Rodríguez, basketball stars James Harden, Derrick Rose and Damian Lillard, marathon record holder Dennis Kimetto, American football players Aaron Rodgers and Von Miller, and tennis stars Caroline Wozniacki and Angelique Kerber.

In addition, adidas also has a number of strategic partnerships and collaborations with top designers and design studios, such as with Yohji Yamamoto, Stella McCartney, Raf Simons and Rick Owens. The brand also has similar relationships with many of the most creative personalities from across the entertainment industry, including Kanye West, Pharrell Williams and Rita Ora.

#### 06 ADIDAS SPORT 16 - 'I'M HERE TO CREATE' BRAND CAMPAIGN



#### 07 ADIDAS SPORT 15 - 'CREATORS NEVER FOLLOW' BRAND CAMPAIGN



**ROLE OF CATEGORIES**

adidas has assigned each category a role and ambition until 2020, allowing the brand to exploit short- and medium-term potential, while at the same time incubating and further developing long-term opportunities for the brand. There are four overarching roles: Lead, Grow, Amplify and Authenticate.

**Lead**

- To lead in the sporting goods industry, we believe it is a must to lead in the world's most popular sport, football. As such, adidas aspires to be the number one football brand in every market by 2020. This will be driven by focusing on winning the football creator in key cities as well as increasing investment in the brand's football footwear franchises on and off the field of play. In 2015, adidas began a full reset of its football footwear business with the launch of the Ace and X franchises.
- adidas also strives for leadership in every market in Originals. Not only is adidas the original sports brand, it also was the first brand to bring sport to the street. Brand credibility and heritage is an important prerequisite to win the discerning streetwear hound consumer. These consumers are looking for substance and craft and are inspired by stories and design. Growth in this category will be driven by iconic products from the brand's past such as the Stan Smith and Superstar as well as pioneering new contemporary silhouettes inspired by elements from the past and the future, such as Tubular and NMD.

**Grow**

- The running category is adidas' biggest growth opportunity across all genders and price points. The brand's goal is to double sales in the category by 2020. Many innovations in the sports industry start in running. With groundbreaking innovation in materials such as Boost and pioneering new manufacturing processes being driven through Speedfactory, the timing is perfect for adidas to strike in this category. To spur growth, amongst other things, adidas Running will significantly refine and evolve its franchise strategy for the male and female athlete, increase its investment in running communities and grassroots activations such as the Boston Runbase, as well as play a central role in driving the future of digital in sport in cooperation with Runtastic.
- The second category where adidas is focused on driving significant market share gains is with adidas neo. adidas neo targets a younger, more price-conscious consumer, particularly in the emerging markets: the young fashionable teen. To ensure success, the adidas neo formula employs a 'fast fashion' business model. This means quick reaction to emerging trends through shorter lead times and excellence in retail execution.

+ see Research and Development, p. 80

### Amplify

- The training category is adidas' largest category and is also the apparel engine of the brand. Led by cutting-edge innovation in fabrics and materials, adidas is aiming to significantly increase its apparel footprint under two pillars – Training, which provides products for training as a vertical sport as well as for specific sports, and Athletics, which is geared to capturing the sports mindset of every athlete off the pitch. As a result of the high visibility of its products in all markets, this category plays a central role in amplifying the brand message and DNA.

### Authenticate

- To be the best sports brand in the world, adidas needs to be true to sports on a local level. As such, adidas will continue to offer a wide range of sports and sports activities such as outdoor, American football, rugby, tennis, baseball, handball, volleyball, swimming, cycling and boxing. To maximise impact and resources, in key markets and cities, adidas will prioritise those sports that are most significant in terms of local culture, participation and national pride. At the same time, adidas will use online channels and third-party distributors to ensure that consumers of any sport the brand serves can access its best-in-class products, thus maximising growth and providing avenues for future expansion.

## 08 ROLE OF CATEGORIES



## REEBOK STRATEGY

### BECOMING THE BEST FITNESS BRAND IN THE WORLD

Reebok is an American-inspired global brand with a deep fitness heritage and the mission to design and create the best gear and experiences for the sport of fitness and for fitness athletes around the globe. Reebok strives to inspire people everywhere to be their absolute best – physically, mentally and socially. The past years have been characterised by a transformation from traditional sports to fitness in order to position Reebok as the best fitness brand in the world, including a clear focus on a new target consumer, new key categories and new partnerships.

Reebok is focused on creating inspirational marketing capabilities that build brand equity and consumer advocacy and can be easily leveraged to create simple and powerful brand messages. A key tenet of its marketing and communication strategy is that movement is essential for humans to live a full life. This is not only the brand's guiding principle, but also the essence of Reebok's global marketing campaign 'Be More Human', launched in 2015, a new and fully integrated marketing campaign, continuing the brand's mission to change how people perceive and experience fitness. 'Be More Human' emphasises the merits of Tough Fitness and how it benefits humans in their everyday lives, living up to their full potential as they meet and tackle different fitness challenges. Through the campaign, Reebok celebrates everyday people who have reconnected to a rugged physicality that allows them to live much bigger, fuller and less self-focused lives. For these individuals, fitness isn't just a physical activity – it's something that enhances their entire life.

Reebok strives to lead fitness through a more social and more intense version of fitness, described as 'Tough Fitness'. Tough Fitness is a mindset that transcends any traditional workout regimen. It is an attitude that goes beyond the physical to incorporate social and mental well-being. The 'Fit Generation' is at the epicentre of this fitness movement, and therefore Reebok's target consumer group. These consumers, equally men and women, live a fitness lifestyle and for them fitness is not just something they do, it is who they are. They are young, uninhibited, optimistic, brave and tribal, and they work out several times a week, doing a wide range of activities.

Adding to its core mission, Reebok Classics leverages the brand's fitness heritage and celebrates how the brand's past shapes what it is and what it will become. Reebok Classics represents the roots of the brand in the sports lifestyle market, with unique products that blend lifestyle and fitness and appeal to the Fit Generation. Understanding the multi-facets of fitness, from running to yoga, Reebok applies a category-specific approach. The key categories, addressing this diversity, are: Training, Studio (including Yoga, Dance and other Studio activities), Combat Training, Running, Walking and Classics. For each of these categories and including the distinct activities, Reebok provides specialised products, which allow Reebok to meet and engage with consumers, regardless of how they choose to stay fit.

#### 09 REEBOK LES MILLS COOPERATION



#### 10 REEBOK ZPUMP FUSION RUNNING SHOE



Reebok has made women a key component of its strategy, with a fundamentally different approach to the female consumer relative to other brands in the industry. Instead of viewing women as a separate business and approaching women with a distinct campaign or messaging, Reebok is putting women at the heart of everything the brand does – be it in terms of product launches, content strategy, marketing activation or distribution.

Through a strong focus on innovation, Reebok is leading the way in new fitness movements and further strengthening its overall fitness positioning. The innovation and R&D priorities are mainly on providing functional products in footwear and apparel that cater to evolving and new fitness activities. Areas of focus include specific products to meet the performance demands of Fit Generation consumers. Reebok is also investing in material development to support body temperature control, fit and durability. This is illustrated by recent product launches such as the Nano series of CrossFit footwear, which has become the 'official shoe of fitness', the Cardio Ultra, designed specifically for Studio Fitness, and the All Terrain Series, the first shoe made specifically for obstacle course racing.

+ see Research and Development, p. 80

### **FORGING ALLIANCES WITH KEY PARTNERSHIPS AND ASSETS**

To strengthen Reebok's credibility and validate the brand within 'Tough Fitness', Reebok has entered into a series of groundbreaking partnerships with some of the fastest-growing and most innovative organisations in the fitness world such as CrossFit, UFC, Spartan Race and Les Mills. Reebok also partners with a number of highly influential athletes such as Kendrick Lamar and Ronda Rousey who share the brand's values.

In 2010, Reebok entered into a long-term partnership with CrossFit, one of the fastest-growing fitness movements in the world. Reebok is the official supplier of CrossFit footwear, apparel and accessories, title sponsor of the CrossFit Games and has opened co-branded Reebok CrossFit boxes around the world. While in 2010, there were approximately 2,000 CrossFit boxes globally, today there are more than 13,000 CrossFit boxes worldwide.

In 2013, Reebok forged a partnership with Spartan Race, the world's leading obstacle race provider. Like CrossFit, Spartan Race enables people to come together to experience fitness with a community of like-minded individuals. Equally in 2013, Reebok announced two new partnerships to support its newly launched Studio category. The first was Les Mills, one of the largest providers of in-gym studio programming in the world with classes such as BodyCombat, BodyAttack, Sh'Bam, CXWorx and others. Les Mills classes are among the most popular fitness classes in the world, with a total of 16,000 licensed studios in 80 countries around the globe offering Les Mills. In addition, Reebok started partnering with world-renowned yoga instructor Tara Stiles. Inspired by Tara's rebellious approach to yoga, this partnership ensures that Reebok's yoga collection combines expertise and insight with the brand's rich fitness heritage.

In 2014, to support its newly launched Combat Training business, Reebok entered into a long-term partnership with UFC, making Reebok the exclusive outfitter and apparel provider for the world's leading mixed martial arts organisation. The Reebok/UFC apparel line includes exclusive 'Fight Week' gear, featuring the 'Fight Kit' for all UFC fighters and their respective teams and is being developed in conjunction with UFC and its athletes. Additionally, Reebok is building UFC fan gear apparel and headwear, UFC training gear, and specific products for The Ultimate Fighter TV Series.



## TAYLORMADE-ADIDAS GOLF STRATEGY

TaylorMade-adidas Golf's mission is to be the world's leading golf company. The company's priorities for long-term profitable growth include:

- A multi-brand strategy with some of golf's most respected brands, in particular TaylorMade and adidas Golf.
- Focus on design and technologically advanced products.
- Validation of products by tour professionals competing on the world's major professional golf tours.
- A clear focus on marketing innovation and excellence in execution.
- Creation and execution of new retail initiatives, as well as improving global distribution.

### LEVERAGING BRAND STRENGTH

TaylorMade-adidas Golf is focused on a multi-brand strategy with two primary brands and two secondary brands under one roof:

- TaylorMade is the market leader in the metalwood category and among the leaders in irons, wedges, putters, golf balls and accessories.
- adidas Golf creates innovative products targeted at athletic, competitive-minded golfers seeking a performance edge in every piece of equipment they choose.
- Adams adapts tour-proven technology to meet the needs of golfers seeking equipment that makes the game easier to play.
- Ashworth focuses on classically rooted products that deliver style, comfort and natural performance to the golfer.

### FOCUS ON DESIGN AND TECHNOLOGICALLY ADVANCED PRODUCTS

One of TaylorMade-adidas Golf's core objectives is to create the best performance golf products in the marketplace. This involves a clear and unrelenting commitment to innovation and technology. TaylorMade-adidas Golf strives to extend its strong industry positioning by introducing the most innovative designs and technologically advanced products to the market.

- **TaylorMade:** TaylorMade's focus is to strengthen its position as the number one metalwood (drivers, fairway woods and hybrids) brand and ascend to the top market position in irons, wedges, putters, balls and accessories. In 2015, TaylorMade re-invented the metalwood category with its M1 product line that quickly became the number one played driver in its first week on both the PGA and European Tour, as well as the number one selling driver at retail in its first month on sale.

#### 11 TAYLORMADE-ADIDAS GOLF 2015 PGA TOUR WINNER JASON DAY



#### 12 TAYLORMADE MID DRIVER



- **adidas Golf:** A key component of adidas Golf's strategy is creating innovative products that are targeted to an athletic, competitive-minded golfer who is seeking a performance edge in every piece of footwear and apparel. In 2015, adidas Golf launched the new Tour 360, incorporating the latest footwear technologies such as Boost and BOA. In addition, adidas Golf introduced the first fully asymmetrical golf shoe, providing improved stability, grip and performance during all phases of the swing.
- **Adams:** Adams' key strategy for growth is to adapt tour-proven technology to meet the needs of golfers seeking equipment that makes the game easier to play and thus a better experience. Adams Golf has been positioned to drive the recreational golfer market.
- **Ashworth:** Ashworth focuses on re-establishing the brand's reputation as an authentic golf brand dedicated to bringing modern style to the golf course.

### **TOUR VALIDATION CRITICAL TO SHOWCASING EQUIPMENT AT THE HIGHEST LEVEL**

Golfers of all levels are influenced by the equipment that the world's best professional players play with and wear. Therefore, TaylorMade-adidas Golf ensures a strong presence on the world's major professional golf tours, as this is imperative for increasing brand exposure and consumer traction. The strength of the TaylorMade-adidas Golf Tour Staff is best reflected in the quality of its top athletes, which include global stars such as 2015 PGA Champion Jason Day, US Open winners Justin Rose and Martin Kaymer, as well as Dustin Johnson, Sergio García and PGA Tour 2015 Rookie of the Year Daniel Berger. In addition, TaylorMade remains the number one driver brand on the world's six major tours – the PGA Tour, European Tour, Japan Tour, Champions Tour, Web.com Tour and LPGA Tour. The visibility and credibility that TaylorMade enjoys from the widespread use of its equipment is instrumental to brand and product awareness.

### **MARKETING INNOVATION AND EXCELLENCE IN EXECUTION**

Innovative and effective marketing is critical to TaylorMade-adidas Golf's success. Great effort is put into creating compelling messages spread through a variety of channels. This includes television, print, digital, social media, experiential events and activations at professional tournaments.

### **EFFECTIVE RETAIL STRATEGY LEVERAGES KEY ACCOUNTS AND ASSETS**

TaylorMade-adidas Golf aims to create compelling point-of-sale communications and displays designed to clearly educate the consumer on product benefits and advantages. There is a strong focus with key retail partners to ensure a consistent and excellent retail experience for the consumer. Core channels include green grass retailers, off-course golf specialty retailers and sporting goods retail formats with golf-specific departments. In addition, TaylorMade-adidas Golf also maintains a close relationship with over 4,000 green grass staff professionals worldwide, who act as brand ambassadors in their respective golf shops. To elevate the off-price golf shopping experience, in 2015, TaylorMade-adidas Golf opened its first nine branded outlet stores in the USA, with plans to open additional locations going forward. The product assortment of these branded outlet stores consists largely of closeouts and previous seasons' products while offering the most complete range of golf products at substantial value to the consumer.

### **TAYLORMADE-ADIDAS GOLF ACTIVELY TACKLES THE CHALLENGES IN THE GOLF MARKET**

Following a decade of strong and profitable growth, TaylorMade-adidas Golf experienced two very difficult years in 2014 and 2015, caused by a number of structural, commercial and operational issues, which resulted in sharp declines in net sales and profitability.

As a consequence, TaylorMade-adidas Golf initiated a major restructuring programme in June 2015, with the main objective to significantly improve TaylorMade-adidas Golf's profitability, while at the same time delivering upon its mission to be the innovative leader in golf. The restructuring programme includes a set of main levers with first initiatives already implemented during the second half of 2015:

#### **Pricing and trade terms**

- As the market leader in metalwoods, TaylorMade-adidas Golf will put a high emphasis on maximising list prices for future product launches, while at the same time extending product life cycles.
- Management will further optimise trade terms with its retail partners through a focus on full-price sell-through. Promotions will be very closely linked to the individual customer performance.

#### **Product cost and supply chain**

- TaylorMade-adidas Golf aims to reduce supply chain and product expenses, primarily by improving operating efficiency and productivity in assembly as well as by reducing spend on inbound air freight.
- In addition, Management aims to further reduce the overall article complexity by focusing on products that are resonating well with their target consumer and that deliver upon TaylorMade-adidas Golf's ambition to lead innovation in the golf industry.

#### **Marketing activities**

- In light of Management's efforts to shift to longer product launch cycles, TaylorMade-adidas Golf will further reduce the number of new product introductions, thus limiting the overall marketing activities.
- Furthermore, TaylorMade-adidas Golf will re-prioritise its global marketing spend by significantly reducing investments in non-priority markets.

#### **Operating overhead costs**

- TaylorMade-adidas Golf aims to generate substantial operating overhead savings. In order to create a leaner, faster and more efficient organisation, during the course of 2015, TaylorMade-adidas Golf moved to a lead-market strategy. With a focus on the biggest golf markets – USA, Japan, South Korea and the UK – the company was able to restructure and significantly reduce its global workforce.
- Further initiatives aimed at reducing the cost base are the consolidation of warehouses around the globe, the optimisation of shipping policies with retail partners as well as the creation of shared service centres.

In addition to the restructuring programme, the adidas Group has engaged with an investment bank for the purpose of analysing future options for the company's golf business, in particular the Adams and Ashworth brands. This strategic review of the company's golf business is expected to be concluded by the end of the first quarter of 2016.

#### 13 **TAYLORMADE** KALEA DRIVER



#### 14 **ADIDAS GOLF** TOUR 360 GOLF SHOE



## REEBOK-CCM HOCKEY STRATEGY

Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and related apparel. It equips more professional NHL hockey players than any other company and is also the official outfitter of high-profile leagues such as the NHL. Reebok-CCM Hockey's strategy is to increase market share by leveraging its performance positioning and dedication to innovate for the leading athletes in the sport.

### FOCUS ON HIGH-END PERFORMANCE

Reebok-CCM Hockey's primary goal is to lead in the high-end performance segment of the ice hockey market. In this context, CCM is positioned across all key categories including skates, sticks, helmets and protective equipment, with a clear focus on performance, while Reebok Hockey is mainly focused on the licensed apparel business. Strategic priorities for Reebok-CCM Hockey include:

- Focus on innovative and technologically advanced products.
- Professional player validation.
- Focus on key categories to drive growth.
- Defined pricing strategy which reflects the brands' positioning.

### PRODUCT INNOVATION KEY TO BRAND POSITIONING

The key priority for Reebok-CCM Hockey is to design and market innovative and technologically advanced products that give players the opportunity to perform at their highest levels on the ice. With an emphasis on continued product innovation, products incorporate proprietary and patented technological advances. 2015 has seen a number of key product launches that are described in more detail below.

### PROFESSIONAL PLAYERS TO DRIVE BRAND CREDIBILITY

Reebok-CCM Hockey recognises that consumer engagement is heavily influenced by exposure generated at the professional level. Product usage by some of the best players in the game validates Reebok-CCM Hockey's product performance credentials. As a consequence, Reebok-CCM Hockey ensures high visibility among professional ice hockey leagues worldwide:

- Reebok-CCM Hockey has partnerships with the most important leagues in the industry. It is the exclusive licensee of jerseys for the National Hockey League (NHL), the American Hockey League (AHL), the Canadian Hockey League (CHL) as well as eight European National and 60 Elite League teams. Reebok-CCM Hockey is also the official equipment supplier of the United States Hockey League (USHL), the East Coast Hockey League (ECHL) and numerous National Collegiate Athletic Association (NCAA) Division 1 institutions.
- Reebok-CCM Hockey has formed endorsement partnerships with many of the best athletes in the world. CCM's roster of players includes players such as Sidney Crosby, John Tavares, Marc-André Fleury, Corey Crawford, Patrice Bergeron, Pavel Datsyuk, Matt Duchene, Nathan MacKinnon and Connor McDavid, number one pick in the 2015 NHL draft.

+ see Glossary, p. 260

#### 15 CCM PARTNERSHIP WITH SIDNEY CROSBY



#### 16 CCM JETSPEED SKATES



## KEY STRATEGIC CATEGORIES TO DRIVE GROWTH

Reebok-CCM Hockey intends to accomplish growth through a continuous focus on product launches in key categories: skates, sticks, goalie gear, protective/helmets and licensed apparel.

**Skates:** The focus in the skates category is to drive market share increases through products addressing critical performance aspects such as fit, weight and durability. In 2015, CCM launched the new Ribcor 50K skate, currently being worn by Sidney Crosby as well as many other pro players. Further, 2015 saw the launch of the new CCM JetSpeed skate with a redesigned fit, featuring RocketFrame technology which offers a closer fit and tighter heel lock to help generate maximum speed on the ice.

**Sticks:** To drive future growth in the sticks category, Reebok-CCM Hockey focuses on developing new technologies that incorporate enhanced power, feel, flexibility and weight. In 2015, CCM launched three sticks in the second half of the year, all focused on innovation and technology to help players achieve their best performance on the ice: the Ultra Tacks stick, the RBZ Speedburner – developed in collaboration with TaylorMade – and the CCM Ribcor Reckoner stick.

**Goalie:** In 2015, Reebok Hockey transitioned its Premier goal line over to CCM. With the introduction of the CCM Premier line, CCM further strengthened its positioning in the goalie sector. The brand now offers two unique goalie lines for two distinct types of goaltenders, the CCM EFlex series and the CCM Premier series.

**Protective:** In 2015, CCM launched the new Ultra Tacks protective line, which features the addition of D30 smart foam in certain areas to help offer more comprehensive protection.

**Licensed apparel:** Reebok-CCM Hockey strives to further leverage its league partnerships and exclusive uniform status to drive growth. In addition to official uniforms, Reebok-CCM Hockey will take advantage of its status as the official NHL locker room performance apparel supplier and its exclusive rights related to the NHL Players' Association (NHLPA) for name and numbered apparel and headwear.

## PRICING STRATEGY MIRRORS PRODUCT POSITIONING

Reebok-CCM Hockey's pricing strategy is consistent with its high-performance positioning in the sport. Through a commitment to product innovation, Reebok-CCM Hockey's pricing strategy is to focus on the premium price segments but also to have a strong presence in all key price tiers.

### 17 CCM ULTRA TACKS STICKS



### 18 CCM ULTRA TACKS PROTECTIVE EQUIPMENT



# GLOBAL OPERATIONS

**Global Operations manages the development, production planning, sourcing and distribution of the majority of our products. The function strives to increase efficiency throughout the Group's supply chain and ensures the highest standards in product quality, availability and delivery for our customers as well as our own-retail and eCommerce activities at competitive costs. Additionally included under the banner of Global Operations, Global IT manages all digital platforms for the adidas Group's business solutions. It enhances the core systems to be future-proof, builds an open digital platform to connect to consumers and internal employees, and drives continuous change and innovation.**

## **CLEARLY DEFINED PRIORITIES FOR GLOBAL OPERATIONS**

The strategy of Global Operations is an extension of the overall adidas Group strategy – thus the consumer is at the centre of everything. The function strengthens brand desirability by providing the right product to consumers – in the right quality, size, colour and style, in the right place, at the right time, across the entire range of the Group's channels and brands. Additionally, Global Operations builds capabilities that further improve supply chain efficiencies, while mitigating costs, thereby ensuring a continuously competitive supply chain.


Global Operations delivers upon its mission to create the best product, provide the best service and enable the best experience for our consumers.

- Creating the best product by focusing on innovative materials and construction capabilities as well as new ways of manufacturing.
- Providing the best service by enabling product availability as the consumer chooses through the Group's omni-channel approach to supply chain agility.
- Enabling the best experience by creating tools that engage consumers through interactive mobile platforms, in-store technology and the ability to co-create.

Within the adidas Group's new strategic business plan 'Creating the New', Global Operations focuses on delivering against three strategic priorities driven by several initiatives:

- Become the first fast sports company.
- Create a seamless consumer experience.
- Transform the way we create and manufacture.

By delivering on these priorities, Global Operations leverages efficiencies across infrastructure and processes to ensure that the Group's digital ecosystem and supply chain remain a competitive advantage in making us the partner of choice for our consumers and customers. This continues to be underlined by our strong 'On-Time In-Full' (OTIF) metric, a non-financial KPI for our Group, measuring the adidas Group's delivery performance towards our customers and our own-retail stores. In 2015, the adidas Group delivered 81% of its adidas and Reebok products 'on time' and 'in full' (2014: 81%). For 2016, Global Operations strives to maintain OTIF at a very strong level of around 80%. OTIF was measured for around 65% of net sales of all adidas and Reebok products in 2015. It is also planned to further roll out OTIF to those markets that are currently not in scope, thereby increasing the overall share of adidas and Reebok products measured against 'on time' and 'in full'.

 see Internal Group Management System, p. 102

## BECOME THE FIRST FAST SPORTS COMPANY

'Speed' is a strategic priority for both the adidas Group and Global Operations alike. Our ambition is to be the first fast sports company in the sporting goods industry. We will leverage market and sell-through data in new ways, respond quickly to deliver concepts that are fresh and desirable and made available when and where they are wanted across our wholesale, retail and eCommerce channels. Bringing products to market faster allows our customers and direct-to-consumer channel to place orders closer to the actual time of sale, facilitating buying decisions that are based on better market knowledge. Consequently, the adidas Group will move away from predominantly developing product ranges in advance of seasonal merchandising calendars and towards creation and production capabilities that respond to consumer demands with an in-season development and rapid replenishment manufacturing. Fresher and more desirable products will increase the Group's full-price share of sales and reduce the risk of overbuying. By 2020, the Group target is to achieve 50% of net sales through 'Speed', increasing the full-price share of sales by 20 percentage points.

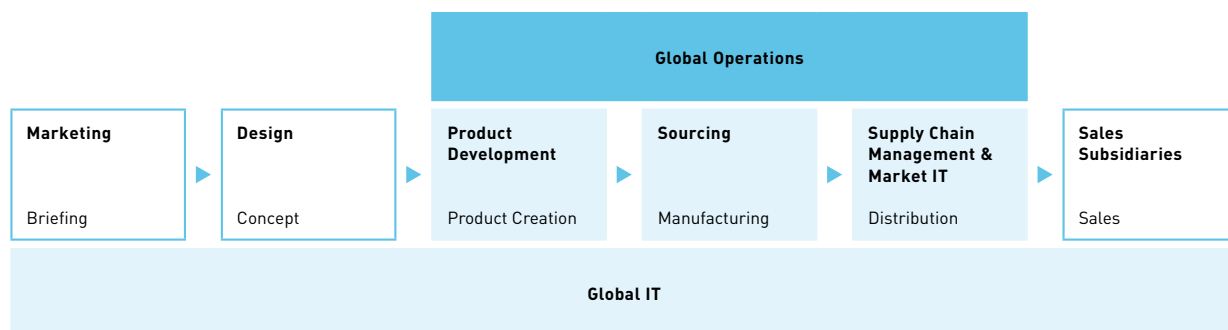
+ see Group Strategy, p. 54

Global Operations is scaling the fast replenishment capabilities of best-selling seasonal articles, creating more articles within season based on sales data and ensuring constant availability of long life cycle products. To adjust product supply flows to the changing demands of markets, the function is building a more integrated and agile planning environment with flexibility for deploying products to markets. In 2015, Global Operations continued to expand its efforts to 'enable later ordering' and further reduced production lead times. The function succeeded in providing 60-day production lead times on 76% of apparel volumes in the spring/summer '16 season. The majority of footwear volumes are already on 60 days or less production lead times.

The Group is leveraging its strengths in sourcing and partnering with industrial and academic experts to develop fully automated manufacturing solutions that can react quickly to consumer trends. In this context, Speedfactory is one way we are moving production closer to key markets while developing high-quality performance products faster than ever before. Powered by intelligent robotic, process and material technologies, Speedfactory allows us to personalise products, supporting the growing demands for individualisation, in a socially and environmentally responsible way. As well as providing fast reaction times to consumer needs, we envision a Speedfactory network which will enhance the consumer experience, enabling them to co-create in an interactive production process.

+ see Research and Development, p. 80

## 01 GLOBAL OPERATIONS IN GO-TO-MARKET PROCESS



## CREATE A SEAMLESS CONSUMER EXPERIENCE

Global Operations has a strong track record for establishing state-of-the-art infrastructure, processes and systems that are required to support the Group's growth ambition. It has been successfully consolidating and improving legacy structures, thereby reducing complexity and cost for the adidas Group. The function is focused on innovative distribution and IT capabilities, with the goal of providing the best service by enabling product availability as the consumer chooses through the Group's omni-channel approach to supply chain agility.

By creating higher commonality across the Group's various channels, Global Operations ensures higher flexibility at each consumer touchpoint. This, in turn, enables a broader range of products to be available at the point of sale, including online orders able to be picked up in our own-retail stores or shipped from a store and own-retail stores able to sell inventory available in other own-retail stores. Through the inclusion of the Group's IT organisation, Global Operations is prioritising being 'insights driven'. Data generated during product creation, marketing processes and at consumer interactions is being linked to create actionable insights which the Group makes use of to react more quickly to changing consumer needs.

In 2015, Global Operations focused on further optimising processes in distribution centres. In this regard, the new distribution centre in Tianjin, China, which officially opened in 2015, was a particular achievement. Also, 2015 saw the go-live of a new distribution centre in Brantford, Canada. The Russian distribution centre in Chekhov sustained operations while increasing its speed of service with 180 own-retail stores benefiting from next-day product replenishment.

Global Operations is developing further IT capabilities to build platforms that support key initiatives which drive brand desire such as personalised footwear tools. With the close collaboration of Global IT and the Group brands, efforts are focused on delivering fresh and exciting consumer services with a 'mobile first' approach, allowing consumers to connect to the brand at every touchpoint – from own-retail stores to e-commerce to social networks.

## TRANSFORM THE WAY WE CREATE AND MANUFACTURE

Global Operations is driving innovation in new materials, new product constructions and new ways of manufacturing that deliver consumer value and enable competitive advantage. With the consolidation of product features and investments in tools that more directly connect design and factory production, Global Operations is changing traditional models of development to deliver freshness, speed and efficiency.

Through 'Digital Creation', Global Operations, in cooperation with Design and IT, has already improved the creation process from idea to market. With 3D software tools, we look at product the way the consumer sees it and enable product iterations earlier and more rapidly without increasing the need for physical samples. In 2015, all business units adopted these tools as the programme expanded across footwear and apparel. In the context of 3D printing, Global Operations is supporting a cross-functional initiative called Futurecraft, which places open-source collaboration and craftsmanship at the heart of design to drive innovation across all areas of production.

 see Research and Development, p. 80




Transitioning to a set pre-season selection of standard product features and driving consistent executions across categories for core products has been underway for several seasons in apparel. In 2015, Global Operations fully embedded the modular approach as a 'way of working' that maintains a consistent brand footprint, captures cost savings in factory efficiencies and expands product modules on faster production lead times. The methodology and approach is planned to be expanded to footwear. It will be utilised for in-season creation styles and will see the incorporation of digital tools that increase the connection to direct factory production.

Furthermore, the Group is investing in the next generation of materials by focusing on knitted footwear and direct-to-textile digital printing. In addition, we are developing footwear manufacturing process innovations. Working cross-functionally, the Group intends to reduce dependency on manual labour and to deliver compelling product concepts with integration into key footwear and apparel franchises.

### **MAJORITY OF PRODUCTION THROUGH INDEPENDENT SUPPLIERS**

To minimise production costs, we outsource almost 100% of production to independent third-party suppliers, primarily located in Asia. While we provide them with detailed specifications for production and delivery, these suppliers possess excellent expertise in cost-efficient, high-volume production of footwear, apparel and hardware. The latest list of our suppliers can be found on our [website](#). The adidas Group also operates a limited number of own production and assembly sites in the USA (4), Canada (3) and Germany (1). In order to ensure the high quality that consumers expect from our products, we enforce strict control and inspection procedures at our suppliers and in our own factories. In addition, we promote adherence to social and environmental standards throughout our supply chain.

 [www.adidas-group.com/sustainability](http://www.adidas-group.com/sustainability)

 see Sustainability, p. 94

Global Operations manages product development, sourcing and distribution for adidas and Reebok as well as for adidas Golf and Ashworth. Due to the specific sourcing requirements in their respective fields of business, TaylorMade, Reebok-CCM Hockey, Adams Golf and the Sports Licensed Division are not serviced through Global Operations, but instead utilise their own purchasing organisations. In order to quickly seize short-term opportunities in their local market or react to trade regulations, Group subsidiaries may also source from selected local suppliers outside the realm of Global Operations. Local purchases, however, account only for a minor portion of the Group's total sourcing volume.

**WORKING WITH 320 INDEPENDENT MANUFACTURING PARTNERS**

In 2015, Global Operations worked with 320 independent manufacturing partners (2014: 340). Of our independent manufacturing partners, 79% were located in Asia (2014: 83%), 12% in Europe (2014: 7%) and 9% in the Americas (2014: 9%).

see Diagram 02

**VIETNAM SHARE OF FOOTWEAR PRODUCTION INCREASES**

96% of our total 2015 footwear volume for adidas, Reebok and adidas Golf was produced in Asia (2014: 96%). Production in Europe and the Americas combined accounted for 4% of the sourcing volume (2014: 4%). Vietnam represents our largest sourcing country with 41% of the total volume (2014: 39%), followed by Indonesia with 24% (2014: 23%) and China with 23% (2014: 27%). In 2015, our footwear suppliers produced approximately 301 million pairs of shoes (2014: 258 million pairs). Our largest footwear factory produced approximately 11% of the footwear sourcing volume (2014: 11%).

see Diagram 03

see Diagram 04

**CHINA REMAINS LARGEST SOURCE COUNTRY FOR APPAREL**

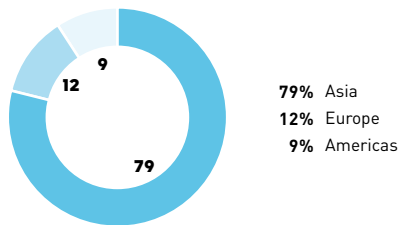
In 2015, we sourced 93% of the total apparel volume for adidas, Reebok, adidas Golf and Ashworth from Asia (2014: 93%). Europe and the Americas represented 3% of the volume each (2014: 5% and 2%, respectively). 1% of the volume was sourced in Africa (2014: 0%). China is the largest source country, representing 29% of the produced volume (2014: 31%), followed by Cambodia with 19% (2014: 16%) and Vietnam with 16% (2014: 13%). In total, our suppliers produced approximately 364 million units of apparel in 2015 (2014: 309 million units). The largest apparel factory produced approximately 11% of this apparel volume in 2015 (2014: 11%).

see Diagram 05

see Diagram 06

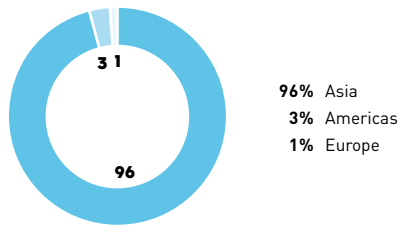
In addition, Reebok-CCM Hockey sourced around 3 million units of apparel in 2015. The majority of this volume was also produced in Asia, while small portions were sourced from the Americas (particularly Canada) and Europe.

02 **SUPPLIERS BY REGION<sup>1</sup>**



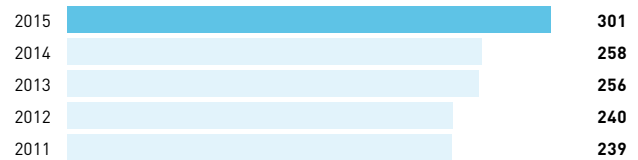
<sup>1</sup> Figures include adidas, Reebok, adidas Golf and Ashworth, but exclude local sourcing partners, sourcing agents, subcontractors, second-tier suppliers and licensee factories.

03 **FOOTWEAR PRODUCTION BY REGION<sup>1</sup>**



<sup>1</sup> Figures include adidas, Reebok and adidas Golf.

04 **FOOTWEAR PRODUCTION<sup>1</sup> IN MILLION PAIRS**



<sup>1</sup> Figures include adidas, Reebok and adidas Golf.

The Sports Licensed Division sourced approximately 24 million units of apparel and 11 million units of headwear (2014: 20 million and 12 million, respectively). The majority of purchased apparel products were sourced as unfinished goods from Latin America (79%) and Asia (21%) (2014: 71% and 29%, respectively), and were subsequently finished in our own facilities in the USA. The vast majority of headwear sourced was finished products manufactured in Asia (more than 99%).

**CHINA SHARE OF HARDWARE PRODUCTION DECLINES**

In 2015, 76% of adidas and Reebok branded hardware products, such as balls and bags, was produced in Asia (2014: 78%). European countries accounted for 20% (2014: 22%), while the Americas represented 3% of the total volume (2014: 0%). China remained our largest source country, accounting for 35% of the sourced volume (2014: 38%), followed by Turkey and Pakistan with 19% and 15%, respectively (2014: 20% and 13%, respectively). The total hardware sourcing volume was approximately 113 million units (2014: 99 million units), with the largest factory accounting for 11% of production.

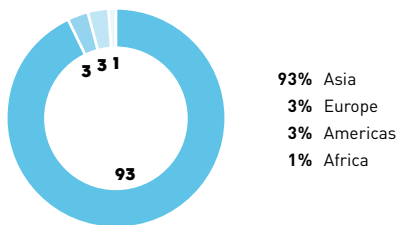
see Diagram 07

see Diagram 08

TaylorMade sourced more than 99% of their hardware volumes from Asia (2014: 99%). The vast majority of golf club components were manufactured by suppliers in Asia (China, Vietnam and Taiwan) and assembled in Asia, the USA and Europe.

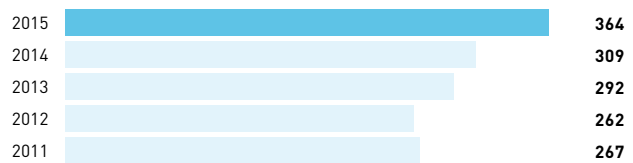
Reebok-CCM Hockey sourced 88% of their hardware volumes from Asia (2014: 87%). In addition, Reebok-CCM Hockey sourced a portion of hardware products in the Americas.

**05 APPAREL PRODUCTION BY REGION<sup>1</sup>**



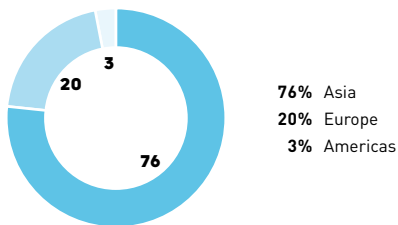
<sup>1</sup> Figures include adidas, Reebok and adidas Golf.

**06 APPAREL PRODUCTION<sup>1,2</sup> IN MILLION UNITS**



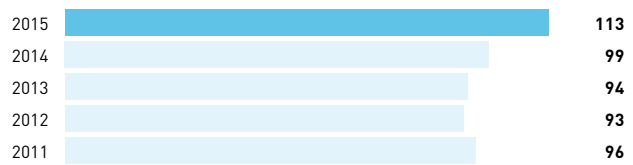
<sup>1</sup> Figures include adidas, Reebok, adidas Golf and Ashworth.  
<sup>2</sup> 2011 – 2013 restated due to a reclassification of certain apparel accessories from apparel to hardware.

**07 HARDWARE PRODUCTION BY REGION<sup>1</sup>**



<sup>1</sup> Figures include adidas, Reebok and adidas Golf.

**08 HARDWARE PRODUCTION<sup>1,2</sup> IN MILLION UNITS**



<sup>1</sup> Figures include adidas, Reebok, adidas Golf and Ashworth.  
<sup>2</sup> 2011 – 2013 restated due to a reclassification of certain apparel accessories from apparel to hardware.

# RESEARCH AND DEVELOPMENT

Creating innovative products to meet the needs of professional and everyday athletes and consumers is a prerequisite to strengthening our market position in the sporting goods industry and a premise to being the best sporting goods company in the world. In a rapidly changing world, our culture and passion for innovation and consistent investment in research and development (R&D) is essential to the development of new product concepts, processes, production methods and digital applications that are beneficial to our business objectives and our long-term sustainability ambitions. True to the vision of creative collaboration, our R&D approach is also based on an Open Source perspective, clearly visible in our numerous collaborations with athletes and consumers, universities, industry-leading companies as well as national and international governments.

## R&D AN INTEGRAL PART OF THE PRODUCT AND USER EXPERIENCE CREATION PROCESS

R&D within the adidas Group follows a decentralised approach. In line with their strategic and long-term visions and distinctive positioning, each brand runs its own R&D activities. However, fundamental research as well as expertise and competencies in sustainable product creation are shared across the Group.

For the adidas brand, R&D is closely integrated with the sourcing, design and product marketing functions. At the beginning of the product creation process, marketing defines a development priority, which, in recent years, has increasingly included sustainability targets. This is derived on a case-by-case basis from a combination of consumer research and feedback, competition analysis and own product testing.

Based on this, employees in our so-called FUTURE teams analyse new materials, production processes and scientific research to increase the exchange and scope of idea generation. Their scope also extends to areas such as consumer insights and social media. This helps promote a holistic and innovation-focused culture which gives deeper consumer insights, while also fuelling creativity and synergies across the organisation. To identify innovative materials as well as integrate sustainability, cost and production process aspects into the development phase, the FUTURE teams are in close contact with our sourcing and material teams within product development who, in turn, work closely with our suppliers.

In addition to its internal R&D efforts, the adidas Group engages in long-term and exclusive partnerships with well-established third parties. True to the vision of creative collaboration, our R&D activities are based on an Open Source approach, unveiled in our numerous collaborations with athletes, universities, industry-leading companies and national and international governments. We are the first sports brand that invites athletes, consumers, partners and customers to be part of our brands and we are already working with some of the world's most creative and innovative people and organisations.

+ see Group Strategy, p. 54

Once conceptualised, new product technologies are engineered using state-of-the-art systems. Extensive virtual prototype testing and engineering loops are carried out on every technology. Once a new product technology is deemed viable, it is produced as a physical sample. These samples are then comprehensively tested by a broad range of users, including top athletes. Only when these comprehensive tests have been successful are the technologies handed over to product marketing, which commercialises the technology to a final product.

To capitalise on our R&D achievements, we enforce the Group's trademarks and patents by monitoring the marketplace for infringements and taking action to prevent them. Likewise, we have comprehensive processes, and undertake significant research, to avoid infringement of third-party intellectual property rights. As we use a wide range of different technologies in our products, we are not dependent upon any single technology, or any patent rights related to any single technology.

+ see Risk and Opportunity Report, p. 156

## FIVE PILLARS OF INNOVATION

Our Group remains committed to maintaining a full and innovative product pipeline, bringing new groundbreaking technologies and evolutions of concepts and ideas to life each year. This way, we want to ensure product leadership across all brands and categories and further drive consumer desire.

Within the framework of our new strategic business plan 'Creating the New' we identified five strategic pillars within our R&D principles, which enable us to develop the best product for our athletes, while at the same time drive game-changing innovations in the field of manufacturing, digital and sustainability. Consequently, our ambition to be the best sporting goods company in the world will evolve around our five pillars of innovation in close cooperation with our consumers and business partners to build, refine and evolve the 'New'.

- **Athlete innovation**

Our clear focus is to produce the best and most innovative products for the athlete to enable them to perform at their very best. To achieve this, we work closely together with athletes as well as numerous universities and industry-leading companies, to better understand the needs of our target consumer.

In recent years, the adidas Group has introduced groundbreaking athlete innovations as an outcome of this approach. These include, amongst others:

**Boost:** Launched in cooperation with BASF, Boost is an industry-first cushioning technology designed to deliver maximum energy return, responsiveness and comfort to athletes. The energy return is provided by energy capsules in the midsole of the shoe, which store and release energy. In addition, Boost foam is three times more temperature-resistant than standard EVA material.

**ClimaChill:** As a revolution in active cooling technology, the ClimaChill apparel range incorporates an innovative fabric using titanium and 3D aluminium cooling spheres, which are strategically located to correspond with the warmest area of the body, cooling skin down upon contact.

**ClimaHeat:** The ClimaHeat range has been engineered for athletes who require power insulation for training in cold weather. The hollow-fibre fabrics are engineered with yarns that are built to have a hollow core, allowing higher amounts of warm air to be trapped, which ensures greater insulation without adding additional weight. The fibres also provide advanced moisture control by wicking sweat away from the body and transporting it to the outer surface of the fabric.

- **Manufacturing innovation**

To simplify manufacturing, enable product innovation and bring the production of apparel and footwear closer to the consumer, the adidas Group's R&D activities are focused on new manufacturing technology. Our goal is to combine state-of-the-art information technology with new manufacturing processes and innovative products. For this reason, we commit ourselves to long-term cooperation with industry-leading companies and organisations to take a leading role in manufacturing innovation.

Ongoing efforts and projects in this field include:

**Speedfactory:** Speedfactory combines the design and development of sporting goods with an automated, decentralised and flexible manufacturing process. It includes intelligent robotic technology that not only offers outstanding performance quality but also presents a unique design to the shoes. High-performance sporting goods can be created faster than ever before by using automated manufacturing to bring production to where the consumer is. Beyond that, Speedfactory will have a significant positive impact on the environment by cutting down on shipping emissions, whilst drastically reducing the use of adhesives. The first limited quantity of concept shoes comprising running footwear will be revealed in the first half of 2016, with high-volume production for consumers set to launch in the near future.

**Futurecraft:** The Futurecraft series is a forward-looking initiative that places Open Source collaboration and craftsmanship at the heart of design to drive innovation across all elements of production. In 2015, two groundbreaking design innovations were unveiled: the future of footwear with Futurecraft 3D and the Futurecraft Leather. Futurecraft 3D is a unique 3D-printed running shoe midsole which can be tailored to the cushioning needs of an individual's foot. Futurecraft Leather is a revolutionary combination of a high-tech manufacturing process and traditional material to create a completely seamless upper that enables flex, support and comfort in one single piece of material.

- **Digital and experience innovation**

The adidas brand was the first in the industry to comprehensively bring data analytics to the athlete. With decades of continuous investment in sports science, sensor technology, wearables and digital communication platforms, adidas has already taken a leading role in terms of changing the sporting goods industry through technology. With increasing speed of urban digitalisation, this field will remain one of our core areas. To enhance our digital capabilities, in 2015 the adidas Group acquired Runtastic, one of the leading global players in the health and fitness app market.


Major recent innovations in the digital landscape include:

**miCoach Train and Run:** One of the most comprehensive health and fitness apps available, miCoach Train and Run brings cardio and strength as well as flex guidance and tracking to mobile handsets. Workouts are built in reps and circuits and designed by Team Exos, the world's leader in sports science and athlete training.

**Runtastic Results:** Runtastic Results is a 12-week, customised training plan based on bodyweight training combined with a health and nutrition guide. Personalised training plans are based on the individual fitness levels of the user and can be extended by individual workouts. All workouts are supported by step-by-step instructions on how to complete the individual exercises. To further assist the user in his or her goal, the app also provides week-by-week tips on healthy eating, sleep and more in order to maximise results.

- **Sustainability innovation**

Our commitment to manage our business in a responsible way has long been one of the Group's principles. To stay at the forefront of sustainable innovation, the adidas Group is pursuing a proactive approach to establish internationally recognised best practices and to achieve scalable improvements.

 see Sustainability, p. 94

The following initiatives highlight our efforts:

**Sport Infinity:** Sport Infinity is a research project led by adidas and funded by the European Commission, which brings together a variety of industry and academic experts, and combines broken-down sports products with excess materials from other industries. The new material will make every sports fan a product designer, as a pair of boots can be restyled as often as the wearer wants while promoting the responsible use of resources.

**Parley for the Oceans:** In 2015, the adidas Group partnered up with Parley for the Oceans, a thought leader in ocean conservation and eco innovation that creates awareness to end the destruction of the oceans. Among other projects, this collaboration will accelerate the creation of innovative products and the integration of materials made from ocean plastic waste into products. The adidas Group has already taken immediate concrete steps in this direction, such as the creation of the world's first shoe made of yarns and filaments reclaimed and recycled from ocean waste, followed by the presentation of a 3D-printed ocean plastic shoe midsole.

- **Female athlete innovation**

As our women's business is an integral part of 'Creating the New', we want to have a holistic view on the female athlete. To achieve this, it is necessary to look at her as an integrated part of our business but from a separate and unique angle. It is therefore important to address our female athlete across all four aforementioned pillars but separately.

**PureBOOST X:** adidas has teamed up with female athletes from around the world to create the PureBOOST X, a running shoe made for women. While most running shoes are adaptations of male shoes, the PureBOOST X was designed with only the female athlete in mind, resulting in a 'high performance meets high fashion' running shoe for women. The PureBOOST X is a product of innovation and style to meet the demands of today's female athlete.

**Stella McCartney cooperation:** Launched in 2005, adidas by Stella McCartney was the first functional sports performance range for women designed by a luxury fashion designer. Offering a combination of technical performance and style, the range includes apparel, footwear and accessories. Following on from the success of the adidas by Stella McCartney collections, and designed to target a younger female audience, the first adidas StellaSport collection was launched in January 2015. The range combines sport and style with bold branding, colours and prints designed for the age group.

### SUCCESSFUL COMMERCIALISATION OF INNOVATIONS

We believe developing industry-leading technologies and user experiences is only one aspect of being an innovation leader. Equally important is the successful commercialisation of those technological innovations. The awards we attained in 2015 confirm our continuous efforts to become the technology leader in the sporting goods industry.

 see Table 01

As in prior years, the majority of adidas Group sales were generated with products newly introduced in the course of 2015. New products tend to have a higher gross margin compared to products which have been in the market for more than one season. As a result, newly launched products contributed over-proportionately to the Group's net income in 2015. We expect this development to continue in 2016 as we will present a wide range of new, innovative products.

 see Subsequent Events and Outlook, p. 148

### 01 2015 MAJOR AWARDS

Brand	Business Unit/Category	Product/Campaign	Award
adidas	Football	Battlepack shoe collection	SpinAward 2015 – Silver, Design
adidas	Football	#ThereWillBeHaters campaign	Cannes Cyber Lion 2015 – Bronze, Integrated Multi-Platform Campaign
adidas	Football	#ThereWillBeHaters campaign	APG Creative Strategy Award – Silver
adidas	Originals	Originals Yeezy Boost 350 shoe	Highsnobiety Crown 2015 – #1 Best Sneaker
adidas	Originals	Originals Yeezy Boost 750 shoe	Highsnobiety Crown 2015 – #3 Best Sneaker
adidas	Originals	Originals Yeezy Boost shoe	Footwear News Achievement Award 2015 – Shoe of the Year
adidas	Running	UltraBOOST running shoe	complex.com – The Best Sneakers of 2015
adidas	Running	adizero Boston running shoe	Runner's World (US) – Best Update 2015
adidas	Running	Response TR running shoe	Trail Running Magazine (UK) – Editor's Choice 2015
adidas	Running	UltraBOOST triple white running shoe	Highsnobiety Crown 2015 – #2 Best Sneaker
adidas	Outdoor	terrex Agravic Down outdoor jacket	Outdoor Industry Award – Gold
adidas	Outdoor	terrex Agravic trailrunning shoe	Outdoor Industry Award – Winner
adidas	Outdoor	terrex Skyclimb outdoor top	Pertex Polartec APEX award
Reebok	Training	CrossFit Nano 5.0 training shoe	Men's Fitness – Best CrossFit shoe
Reebok	Reebok	Be More Human campaign	ISPO Award Communication – Gold
Reebok	Running	All Terrain Super 2.0 running shoe	Mudrunguide.com, Obstacle Course Racing Industry – Best New Product
Reebok	Running	Reebok One Guide 3.0 running shoe	Women's Running Magazine – Sole Mate Award
TaylorMade	Golf	R15 driver	Golf Digest Hot List 2015

## SUCCESSFUL PRODUCT LAUNCHES ACROSS ALL MAJOR ADIDAS CATEGORIES

In 2015, adidas sales were again driven by the latest product offerings, with products launched during the course of the year accounting for 81% of brand sales (2014: 78%). Only 3% of sales were generated with products introduced three or more years ago (2014: 2%).

The adidas brand introduced numerous major product innovations in 2015. These included:

- **Ace and X:** In 2015, adidas launched two new ranges of football boots which call for only two types of players in the game: those that cause chaos and those that control everything. The new football silos Ace and X successfully replaced the iconic franchises f50, Predator, 11Pro and Nitrocharge.
- **UltraBOOST:** In February, adidas unveiled the UltraBOOST. This innovative running shoe brings outstanding comfort and energy to runners thanks to the full-length Boost midsole, made of 3,000 energy capsules. The UltraBOOST contains 20% more Boost than initial Boost models and uses adidas Primeknit to allow the natural expansion of any foot shape. This leads to improved comfort and support, minimising the risk of chafing and blistering.

### 02 MAJOR PRODUCT LAUNCHES IN 2015

Product	Brand
X and Ace football boots	adidas
Messi 15 football boot	adidas
Manchester United club kit	adidas
Juventus Turin home and away kit	adidas
UEFA EURO 2016 DFB home jersey	adidas
UltraBOOST running shoe	adidas
Springblade problade running shoe	adidas
adizero Primeknit Boost running shoe	adidas
D Lillard basketball shoe	adidas
D Rose 6 basketball shoe	adidas
adidas x Marvel Avengers training collection	adidas
Terrex Boost outdoor shoe	adidas
Originals Superstar shoe	adidas
Originals ZX Flux shoe	adidas
Originals Tubular shoe	adidas
Originals Stan Smith shoe	adidas
Originals Yeezy 350 Boost	adidas
adidas Originals NMD shoe	adidas
adidas Originals x Rita Ora collection	adidas
adidas Originals x Pharrell Williams collections (Supercolor and Supershell)	adidas
adidas Originals x Kanye West Yeezy Season 1 apparel collection	adidas
adidas neo Selena Gomez collections	adidas
ZPump Fusion TR running shoe	Reebok
Nano 5.0 training shoe	Reebok
Skyscape walking shoe	Reebok
Reebok Classics x Kendrick Lamar Ventilator shoe	Reebok
M1 driver line	TaylorMade
R15 driver	TaylorMade
Aeroburner metalwoods	TaylorMade
adidas adipower Boost golf footwear	adidas Golf
Blue and red hybrids	Adams
R-Series stick	Reebok Hockey
Ribcor skate	CCM
RBZ SpeedBurner stick	CCM



- **Terrex Boost Outdoor:** The combination of Terrex and Boost has proved to be successful, with extremely positive signals from the market. In particular, the new terrex Agravic trail running shoe won the Outdoor Industry Award 2015. This shoe features a Continental rubber outsole for excellent grip on dry and wet surfaces and the innovative Boost cushioning.
- **NMD:** With the launch of NMD, adidas Originals introduced a product inspired by the past but looking forward to the future. This new shoe is a mix of iconic adidas Originals concepts and breakthrough technology of today, such as Boost and Primeknit. NMD was created thanks to the inspiration given by the archives of successful adidas styles of the past, such as the Micropacer, the Rising Star and the Boston Super.

### REEBOK INTRODUCES NEW TECHNOLOGY PLATFORMS

In 2015, Reebok's latest products continued to generate the majority of Reebok's sales, with 73% of footwear sales coming from products launched in 2015 (2014: 73%). Only 14% of footwear product sales relate to products introduced three or more years ago (2014: 15%).

In 2015, Reebok presented several key product introductions. Some of the highlights included:

- **CrossFit Nano 5.0 training:** In 2015, Reebok celebrated its five-year partnership with CrossFit with the launch of the CrossFit Nano 5.0. This ultimate training shoe was developed by Reebok in association with the CrossFit community and saw the introduction of Kevlar as one of the materials used, to guarantee protection and durability even for the toughest workout of the day.
- **ZPump Fusion:** Through ZPump Fusion, Reebok revolutionised its iconic Pump technology into a state-of-the-art running shoe. This new footwear concept includes an air-filled cage, inflatable through the Pump button that surrounds and moulds to any foot, providing a locked-in custom fit as never before.
- **UFC fight kit:** In June 2015, Reebok together with the UFC, the world's premier mixed martial arts organisation, launched the first UFC fight kit. This gear was built and designed specifically for mixed martial arts athletes. It features innovations that support strength, speed and flexibility, while allowing each athlete to prominently display their names and country.

### INNOVATION AN IMPORTANT FACTOR FOR TAYLORMADE-ADIDAS GOLF

At TaylorMade-adidas Golf, current products (i.e. products launched in the last 18 months, which is the typical product life cycle in golf) represented 80% of total hardware sales in 2015 (2014: 66%). Products that had been brought to market three or more years ago accounted for 7% of sales in 2015 (2014: 7%).

Despite ongoing challenges in the golf industry, TaylorMade-adidas Golf retained its status as the world's leading golf company in 2015, with market leadership in key categories such as metalwoods. However, in light of the restructuring programme the company is currently undergoing, Management decided to shift to longer product launch cycles and reduce the overall number of new product introductions compared to previous years.

Among the highlight product launches in 2015 were:

- **M1:** In 2015, TaylorMade unveiled the first 'unmetalwood' family in its history. With M1, TaylorMade created a line of drivers, fairways and rescue clubs, designed to improve golfers' performance in ball speed, forgiveness and distance. Furthermore, these new clubs guarantee a new level of performance to players of all skill thanks to their multi-material construction.
- **R15 driver:** TaylorMade enriched its technologically advanced R-Series in 2015 with the launch of the R15 driver. This new driver is longer, more forgiving and more adjustable. In addition, the R15 features other R-Series technological pillars such as Inverted Cone Technology, Adjustable Lofts and Moveable Weights.
- **Asym Energy Boost:** The Asym Energy Boost from adidas Golf is the first fully asymmetrical golf shoe. The uniquely built left and right shoes guide weight transfer, stability and power through the swing and include the revolutionary Boost cushioning and advanced technologies to support athletes on the golf course.

### REEBOK-CCM HOCKEY INNOVATES IN STICKS AND SKATES

At Reebok-CCM Hockey, products launched in 2015 accounted for 59% of global sales (2014: 60%). Only 13% of sales were generated with products introduced three or more years ago (2014: 16%).

Reebok-CCM Hockey product launches in 2015 included:

- **RBZ Speedburner stick:** As the latest addition to the RBZ stick franchise, the RBZ Speedburner was launched in 2015, based on collaboration between CCM and TaylorMade. In addition to CCM's proven Speed Pocket technology, the stick features the new Power Hosel construction, which increases shot power through better loading and energy transfer.
- **Ribcor skate:** With the launch of the Ribcor 50K Pump Skate, CCM released an innovative product which integrates Reebok's pump technology in CCM's traditional Ribcor skate line. The brand strongly promoted the new product on digital and social media platforms, meeting with very positive response from the ice hockey world.

### R&D EXPENSES INCREASE 10%

R&D expenses include expenses for personnel and administration, but exclude other costs, for example those associated with the design aspect of the product creation process. In 2015, as in prior years, all R&D costs were expensed as incurred. adidas Group R&D expenses increased 10% to € 139 million from € 126 million in the prior year.

As our R&D departments comprise experienced and multi-skilled people from different areas of technical expertise and from diverse cultural backgrounds, personnel expenses represent the largest portion of R&D expenses, accounting for almost 75% of total R&D expenditure. The number of people employed in the Group's R&D activities at December 31, 2015, was 993, compared to 985 employees in the prior year. This represents 2% of total Group employees.

In 2015, R&D expenses represented 1.9% of other operating expenses (2014: 2.0%). R&D expenses as a percentage of sales remained relatively stable at 0.8% (2014: 0.9%).

 see Table 03

### 03 KEY R&D METRICS<sup>1,2</sup>

	2015	2014	2013	2012	2011
R&D expenses (€ in millions)	139	126	124	128	115
R&D expenses (in % of net sales)	0.8	0.9	0.9	0.9	0.9
R&D expenses (in % of other operating expenses)	1.9	2.0	2.0	2.1	2.1
R&D employees	993	985	992	1,035	1,029

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> 2011 restated according to IAS 8.

# OUR PEOPLE

At the adidas Group, we believe that our people are the key to the company's success. Their performance, well-being and knowledge have a significant impact on brand desire, consumer satisfaction, speed-to-market and our financial performance. The adidas Group has therefore developed a dedicated 'People Strategy', which is supported and filled with life by the entire workforce and all functions. We focus our efforts on four fundamental people topics: the attraction and retention of the right talents, role model leadership, diversity and inclusion, as well as the creation of a culture that is consistent with our Group purpose.

## PEOPLE STRATEGY ENABLES A CULTURE FOR DELIVERING 'CREATING THE NEW'

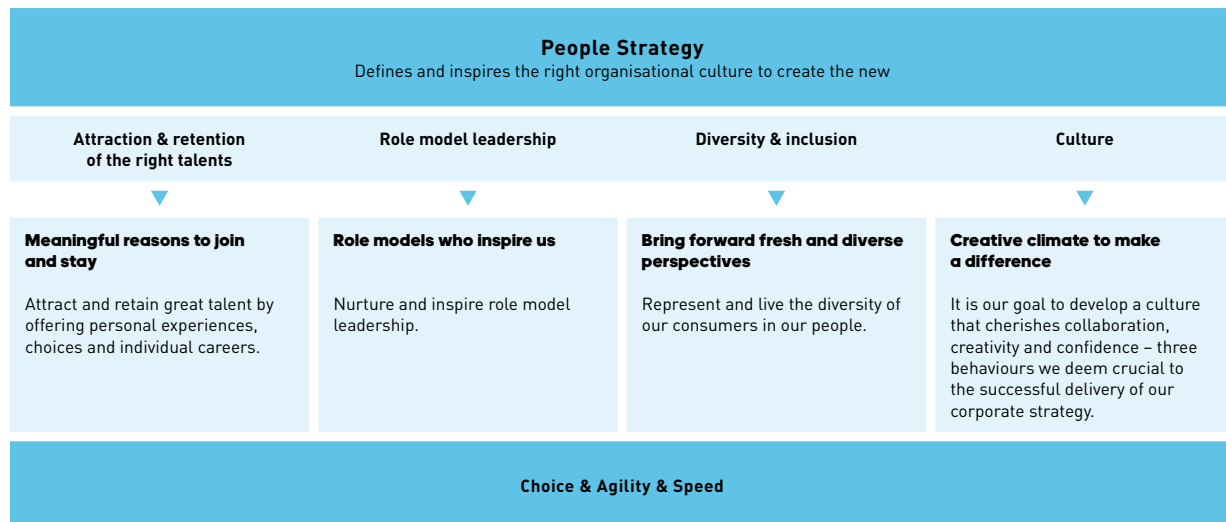
March 2015 marked the launch of the Group's new People Strategy as an integral part of 'Creating the New'. It is a testament to thinking that our Group's 2020 strategy can only be executed if we speak to our people on all levels and win both their hearts and minds.

The People Strategy was developed by a cross-functional group of employees from different levels and locations. The extensive research this group conducted included the exploration of the personal meaning of work, global human resources megatrends that our company will be facing and their impact on people, organisations and innovation as well as the digital and physical workplace of the future.

The People Strategy consists of four pillars that define the culture we want to establish in order to successfully support the Group's strategy:

 see Diagram 01

### 01 THE FOUR PILLARS OF OUR PEOPLE STRATEGY



The four pillars serve as a basis for creating the right culture and environment for our people. They also serve as a tool for prioritisation and for sense-checking our HR actions and initiatives.

**ACCOMPANYING OUR PEOPLE IN MOMENTS THAT MATTER AND LAYING THE FOUNDATIONS FOR HR EXCELLENCE**

Our new People Strategy is implemented through a portfolio of projects which will directly deliver into each of the four pillars. Two criteria were applied to the selection and definition of projects that define the focus and priorities for 2016 and beyond:

- **Firstly**, projects must add value to the most significant moments that matter in the lives and careers of our people. With moments that matter, we describe significant stages and turning points our employees experience throughout their career with the adidas Group. For example, we want to facilitate and positively influence onboarding and next steps in career planning.
- **Secondly**, projects must make the new HR organisation more efficient and effective.

More detailed information on the individual projects is provided in the info box.

+ see info box, p. 90

**MEASURING THE SUCCESS OF OUR HR INITIATIVES: EMPLOYEE ENGAGEMENT AND EMPLOYER RANKINGS**

Our HR function will measure the success and the effectiveness of the company's efforts with regard to its people initiatives through a set of chosen KPIs. We will use two leading people KPIs: employee engagement as an internal measure and employer rankings as an external measure.





**Employee engagement:** The adidas Group carries out employee engagement surveys in order to measure the engagement and motivation of our employees. The results of these surveys are a non-financial KPI for our Group. The outcome of our first two global engagement surveys, conducted in 2010 and 2013, were stable at a rate comparable to the average engagement level of our survey provider's client database. In 2013, improvements were achieved in specific scores relating to performance management as well as learning and development opportunities. The existing engagement survey approach is currently being re-designed, given that both employees and business leaders are demanding a more pragmatic and frequent approach that caters to the speed of change we are facing as an organisation. The new survey approach is planned for the first quarter of 2017.

+ see Internal Group Management System, p. 102

**Employer rankings:** Our 'employer of choice' status continues to garner worldwide recognition and enables us to attract, retain and engage industry-leading talent to sustain the company's success and growth. In 2015, adidas Group locations around the world leveraged our employer brand attributes for attraction, retention and engagement strategies. This work contributed to several Top 10 rankings worldwide and has also enabled us to recruit some of the industry's top talent.

see Diagram 02

02 **AWARDS**

 <p>The World's Most Attractive Employers/Universum</p>	 <p>Best Employer 2016/Glassdoor Germany</p>	 <p>Employer Branding Quick Check/YouGov Germany</p>	 <p>Female Recruiting Award/women&amp;work fair</p>
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## **FOCUS ON PERFORMANCE: OUR PERFORMANCE MANAGEMENT**

To further drive high performance within the adidas Group, we use a performance management approach called 'The Score'. It brings target setting, employee development and performance appraisal under one common process. The Score also brings focus, simplicity and alignment to the setting of team goals and individual targets. Each employee is evaluated and receives feedback at least twice a year.

The adidas Group remuneration system is based on this performance management approach. As part of this system, we are committed to rewarding our employees with compensation and benefit programmes that are competitive in the marketplace. Remuneration throughout the Group comprises fixed and variable monetary compensation, non-monetary rewards as well as other intangible benefits. The cornerstone of our rewards programme is our Global Salary Management System, which is used as a basis for establishing and evaluating the value of employees' positions and salaries in a market-driven and performance-oriented way. The various variable compensation components we offer our employees include:

**Bonus programme:** In order to allow our employees to participate in the Group's success, and to reward them for their target achievement, we have a global bonus programme. It provides an incentive influenced by both corporate performance (actual financial results measured against Group and market targets) as well as individual performance (measured in the performance management approach, The Score).

**Profit participation programme:** For employees at our Group headquarters and our other locations in Germany who do not participate in the bonus programme, we have a profit participation programme called the 'Champions Bonus'.

**Long-term incentive programmes:** In order to ensure sustainable financial success, retain our top leadership and promote continuous commitment, the adidas Group offers a Long-Term Incentive Plan (LTIP) for leaders and Executive Board members. Other benefits include our 401(k) retirement plans in the USA and the adidas Group pension plan for our employees in Germany.

Our Group subsidiaries also grant a variety of benefits to employees, depending upon locally defined practices and country-specific regulations and norms.

## **OUR TALENT AND SUCCESSION MANAGEMENT**

**Trainee programme:** The Functional Trainee Programme (FTP) is an 18-month programme providing graduates with an international background and excellent educational credentials the opportunity to start a functional career within the adidas Group. The programme comprises six three-month assignments in various departments. At least one of these assignments takes place abroad. At year-end 2015, we employed 27 participants in our global FTP (2014: 41).

**Apprenticeships and internships:** Our development programmes are complemented by apprenticeship and internship programmes. The adidas Group apprenticeship offers young people who want to join our Group directly out of school the opportunity to gain business experience in a two- to three-year rotation programme. The programme includes vocational training in retail, industrial management and IT, as well as integrated study programmes. At the end of 2015, we employed 63 apprentices in Germany (2014: 60) and 40 integrated study programme students (2014: 52). Our global internship programme offers students three to six months of work experience within the adidas Group. In 2015, we employed 553 interns in Germany (2014: 524).

**Succession management:** The adidas Group succession management approach aims to ensure stability and certainty in business continuity. We achieve this through a globally consistent succession plan which covers successors for director level positions and above. We conduct regular reviews to ensure individual development plans are in place to prepare successors for their potential next steps.

## PROJECTS WHICH DRIVE OUR PEOPLE STRATEGY

### ONBOARDING

The goal is to support employees in transitioning to new jobs and locations by developing a central global onboarding experience that facilitates the new start and fuels passion for our company.

### PLANNING THE NEXT CAREER STEPS

As our employees look for new career opportunities within our organisation, we want to be present for them to jointly review options and discuss and assess individual choices and paths. An example of this approach in action is the Talent Carousel, a global programme introduced in 2015 that offers cross-functional and cross-cultural career experiences to prepare future leaders for Senior Management positions globally. Through this programme, 20 participants from across the company were placed in a new role in a different location to their current position for two years.

Learnings and participant feedback of the Talent Carousel will be used to conceptualise new development and learning programmes. The initiative also provides an important platform for us to pilot innovative people approaches before they are introduced to the larger organisation.

### HEALTH AND WELL-BEING

We are planning to introduce education and upskilling measures for leaders and employees on health and work-life balance topics as well as self-assessment and support tools. In addition, we are aiming to shift to a more global Health Management strategy.

For this project, we will leverage our wide range of company sports programme offers and facilities at our major sites. Our employees in Herzogenaurach, Portland and Canton as well as at other subsidiaries already have access to a company gym and numerous other sports facilities.

We also made a crucial step towards offering our employees a greater level of choice and self-determination in their everyday working life when we opened the Pitch building in Herzogenaurach in August 2015. Here, we are piloting the adidas Group's future workplace concept. Employees are no longer assigned to dedicated workplaces. Instead, they practise activity-based working, which means that they can choose from a multitude of spaces and rooms depending on the task they need to accomplish. We frequently collect anonymous feedback and occupancy data – both qualitatively and quantitatively – and apply the learnings to prepare the global roll-out of the future workplace concept within our Group. Our aim is to complement and solidify the philosophy of our workplace concept in the Pitch building with a mobile working policy in 2016.

### NEW HR OPERATING MODEL TO SUPPORT STRATEGY EXECUTION

The launch of 'Creating the New' and the People Strategy called for a re-design of the existing Human Resources organisational structure to a set-up that best supports strategy execution. Implementation of the new set-up started in 2015. It improves collaboration for our Group business functions and enables clear accountabilities as well as faster and more effective support for the organisation.

In 2016, our HR team will be trained in additional skills for the new set-up, such as organisational development, change management, creating high-performance teams and German labour law.

### STRATEGIC WORKFORCE PLANNING

We are aiming to give our HR planning a more strategic focus to allow fact-based decisions related to hiring, training and site expansions.

### ONLINE PLATFORMS TO DRIVE EMPLOYEE COLLABORATION AND LEARNING

We believe that a robust and state-of-the-art internal communication platform is essential for driving employee engagement and fostering learning as well as open collaboration within our organisation. We use an enterprise collaboration platform called 'a-LIVE', which encourages employees to share knowledge, collaborate and discuss current topics. In addition, we have established an 'Ask the Management' platform on our intranet, enabling employees to openly address questions to our senior leaders. Via a-LIVE we also offer all employees access to the adidas Group 'Learning Campus': a state-of-the-art learning platform that provides opportunities for both e-learning and knowledge sharing. Employees are able to access content 24/7 in a virtual environment.

### DEDICATED PROGRAMME TO SUPPORT WORK-LIFE INTEGRATION

We aim to harmonise the commercial interests of the adidas Group with the professional, private and family needs of our employees. Our Work-Life Integration Programme includes flexible work time and place, people development and leadership competence related to work-life integration, as well as family-oriented services. In addition to providing flexible working arrangements, teleworking, sabbaticals and parent/child offices, we have child-care facilities at our company premises in Canton, USA, and a day-care centre at our headquarters in Herzogenaurach, Germany.

### EMBRACING DIVERSITY AND INCLUSION

We believe it is crucial for the success of our Group to have a very diverse workforce and individuals with different ideas, strengths, interests and cultural backgrounds. We see a great benefit in the diversity of our employees as this helps us to better fulfil the wishes and multi-faceted demands of our consumers around the world. All our employees are appreciated – regardless of gender, nationality, ethnic origin, religion, world view, disability, age, sexual orientation or identity.

At our Group's global headquarters in Herzogenaurach, we have employees from more than 80 nations. As part of our global diversity approach we proactively pursue a portfolio of internal and external activities as well as memberships:

- Our active membership in 'Charta der Vielfalt' ('Diversity Charter'), Prout at Work and the non-profit organisation 'Catalyst' allows us to promote communication and the sharing of best practices and insights.
- We have regular events highlighting diversity as a key topic, such as our global Diversity Day.
- We provide diversity training to our employees.
- Within our Group, for example, we support the 500-member strong 'Women's Networking' group in Herzogenaurach. Additionally, we continue our support of the international [LGBT community](#), which is also driven by our employees at our major Group locations.
- We have been participating in diversity career fairs in Germany, such as the 'Women & Work' conference in Bonn and 'Sticks & Stones' in Berlin. In Bonn, we were awarded the 'Female Recruiting Award' for the fifth time in 2015.
- The adidas Group is listed in the [genderdax](#) and was a sponsor of the Mixed Leadership Conference in 2015, 2013 and 2012.
- We regularly take part in benchmark studies in order to review our activities in the fields of diversity and inclusion.

⊕ see Glossary, p. 260

⊕ see Glossary, p. 260

## MIXED LEADERSHIP TEAMS AND PROMOTING WOMEN

To successfully implement 'Creating the New' and build the right culture, employees of both genders must have equal opportunities to succeed and contribute in our organisation.

Already in 2011, the adidas Group proactively set itself the goal of increasing the number of women in leadership positions in the coming years. Specifically, the percentage share of women in management positions is targeted to be increased globally from 29% today to 32% by 2017.

Irrespective of that, German law states that, from January 1, 2016, at least 30% of Supervisory Board representatives of publicly listed companies such as adidas AG shall be women. Since the 2014 Annual General Meeting, the female representation on our Supervisory Board amounts to 30%. In addition, as of September 30, 2015, the Supervisory Board was required to set targets with regard to the quota of women on the Executive Board, and the Executive Board was required to set targets with regard to the quota of women on the two levels below the Executive Board. We have therefore defined such targets for adidas AG in addition to our global mixed leadership goals.

As a result, the Supervisory Board and Executive Board of adidas AG have set the following specific targets to be achieved by June 30, 2017:

- The Supervisory Board will appoint one woman to the adidas AG Executive Board.
- The percentage share of women at Board -1 level will be increased from 11% (as at July 2, 2015) to 18%.
- The percentage share of women at Board -2 level will be increased from 26% (as at July 2, 2015) to 30%.

A prerequisite for increasing the number of women at the highest levels of management is the general promotion of women within the adidas Group worldwide at all levels of management. In 2016, our initiatives will focus on developing a concrete strategy to promote the gender balance.

[www.adidas-group.com/en/sustainability/employees/diversity-and-inclusion](http://www.adidas-group.com/en/sustainability/employees/diversity-and-inclusion)

## 04 KEY EMPLOYEE STATISTICS<sup>1</sup>

	2015	2014
Total number of employees <sup>2</sup>	55,555	53,731
Total employees (in %)		
Male	50%	50%
Female	50%	50%
Management positions (in %)		
Male	71%	72%
Female	29%	28%
Management positions (in %) within adidas AG <sup>3</sup>		
Male	76%	80%
Female	24%	20%
Average age of employees (in years)	30	30
Average length of service (in years)	4	5

<sup>1</sup> At year-end. Figures reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> Number of employees on a headcount basis.

<sup>3</sup> Calculated in accordance with German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector in Germany.

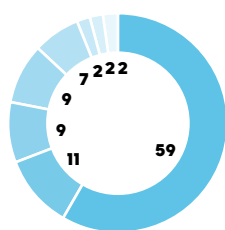


**GLOBAL EMPLOYEE BASE FURTHER INCREASES**

On December 31, 2015, the Group had 55,555 employees, which represents an increase of 3% versus 53,731 in the previous year. New hirings related to the Group's global marketing and sales organisation aimed at further strengthening key growth areas and categories were the main driver of this development. On a full-time equivalent basis, our Group had 47,435 employees on December 31, 2015 (2014: 45,917). Personnel expenses increased to € 2.184 billion in 2015 (2014: € 1.842 billion), representing 13% of Group sales (2014: 13%). An overview of the development of our employee base in the past ten years can be found in our ten-year overview.

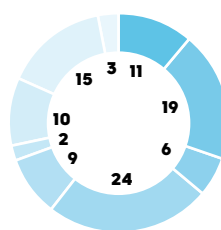
see Table 07  
see Note 32, p. 236

see Ten-Year Overview, p. 256

**05 EMPLOYEES BY FUNCTION<sup>1</sup>**

59% Own retail  
11% Logistics  
9% Central functions & administration  
9% Marketing  
7% Sales  
2% Production  
2% IT  
2% Research & development

Rounding differences may arise.  
<sup>1</sup> At year-end.

**06 EMPLOYEES BY REGION<sup>1</sup>**

11% Western Europe  
19% North America  
6% Greater China  
24% Russia/CIS  
9% Latin America  
2% Japan  
10% MEAA  
15% Group functions  
3% Other Businesses

<sup>1</sup> At year-end.

**07 NUMBER OF EMPLOYEES BY FUNCTION<sup>1</sup>**

	Employees <sup>2</sup>		Full-time equivalents <sup>3</sup>	
	2015	2014	2015	2014
Own retail	32,543	31,803	25,651	25,135
Sales	3,868	3,936	3,763	3,815
Logistics	6,132	6,009	5,598	5,545
Marketing	4,737	3,990	4,580	3,841
Central functions and administration	4,774	4,536	4,508	4,282
Production	1,351	1,360	1,286	1,287
Research & development	993	985	927	924
IT	1,157	1,112	1,123	1,088
<b>Total</b>	<b>55,555</b>	<b>53,731</b>	<b>47,435</b>	<b>45,917</b>

<sup>1</sup> At year-end. Figures reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> Number of employees on a headcount basis.

<sup>3</sup> Number of employees on a full-time equivalent basis.

# SUSTAINABILITY

The adidas Group is responsible for developing and implementing sustainable business practices that adhere to our operational needs as well as our social and environmental obligations. We therefore continuously engage with various stakeholders with the goal of enhancing the sustainability performance of the Group.

## SUSTAINABILITY STRATEGY FOUNDED ON FOUR PILLARS

The adidas Group's sustainability strategy addresses those issues we have identified as most material for our business model. It is built on achievements and learnings from previous years, while taking into account the current societal landscape and future global trends. Our approach is organised according to our 'four pillars of sustainability' and guides us in further integrating sustainability into our business, finding more innovative ways to make our products while continue minimising our environmental footprint and improving the lives of factory workers, their employees and people in the communities in which the Group operates. We believe that our sustainability programme enables us to improve our good reputation and hence our shareholder value.

➔ [www.adidas-group.com/s/managing-sustainability-general-approach](http://www.adidas-group.com/s/managing-sustainability-general-approach)

## FAIR WORKING CONDITIONS THROUGH CAREFUL SELECTION OF NEW SUPPLIERS AND STRICT PROCESSES FOR EXISTING SUPPLIERS

As our supply chain is large, multi-tiered and varied, we have a systematic approach to managing the relationships with our suppliers. Our goal is to help them in establishing management systems with internationally recognised standards such as ISO 14001 for environmental management or OHSAS 18000 for health and safety management systems. We believe that good management systems help factories improve their day-to-day operations, support the process of self-governance and continuously enhance their social and environmental performance.

**Strict rules:** It was our concern for the well-being and working conditions for workers in our suppliers' factories that led us to establish our 'Workplace Standards', the supply chain code of conduct. They are a contractual obligation under the manufacturing agreements the adidas Group signs with its main business partners and cover workers' health and safety and provisions to ensure environmentally sound factory operations. These standards follow International Labour Organization (ILO) and United Nations conventions relating to human rights and employment practices, as well as the model code of conduct of the World Federation of the Sporting Goods Industry (WFSGI).

➔ [www.adidas-group.com/s/standards-and-policies](http://www.adidas-group.com/s/standards-and-policies)

**Selection of new suppliers:** In close cooperation with Global Operations and other sourcing entities, all potential new suppliers are assessed by the adidas Group's Social & Environmental Affairs (SEA) team, and orders with a new supplier can only be placed if SEA approval has been granted.

⊕ see Global Operations, p. 74

**Visiting and rating our factories:** To enforce compliance with our standards, the SEA team regularly conducts social compliance and environmental audits, using in-house technical staff as well as external third party monitors. By means of an innovative compliance rating system (C rating) we assess the performance of our suppliers. These ratings are a non-financial KPI for our Group.

⊕ see Internal Group Management System, p. 102

## MATERIALITY ANALYSIS

More information about our materiality analysis can be found on our website.

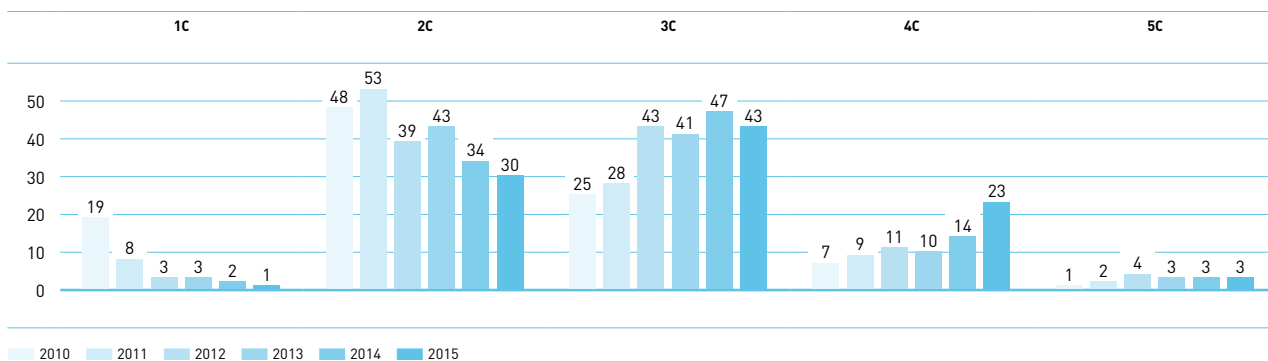
➔ [WWW.ADIDAS-GROUP.COM/S/MATERIALITY-ANALYSIS](http://WWW.ADIDAS-GROUP.COM/S/MATERIALITY-ANALYSIS)

- Factory visits:** During 2015, we conducted 1,255 factory visits (2014: 1,320 visits) comprising different types of audits (including chemical management audits), trainings and meetings with factory management as well as employees at various levels in our supply chain. In addition to our own monitoring activities, we value independent and unannounced assessment by third parties to demonstrate the credibility of and provide verified information about our programme to stakeholders. As a member of the Fair Labor Association (FLA), the adidas Group is subject to external assessment by independent monitors, participation in the FLA third-party complaint system and public reporting. Since joining the organisation in 1999, the monitoring programme of the adidas Group has been accredited twice by the FLA. During this period, more than 300 independent assessments have been conducted at adidas Group suppliers.
- Compliance rating:** According to the results of factory inspections, suppliers are assessed with a score between 1C and 5C, with 5C being the best rating. The rating results are shared with our Sourcing teams which then decide whether and to which extent we continue the business relationship with a specific supplier. In 2015, we saw a further decline in the number of low-performing suppliers (1C and 2C) and at the same time a notable increase of suppliers qualifying for self-governance (factories that have reached 4C or 5C status). More supplier factories qualifying for self-governance status means that factories have proven to operate effective human resources, health and safety as well as environmental management systems by themselves. As a result, we were able to reduce the number of factory visits in 2015 compared to the prior year. Overall, 68% (2014: 64%) of our direct suppliers have received a 3C (good) or better rating.

## 01 COMPLIANCE RATINGS

Grade	KPI score band	Performance description
1C	0% – 29%	There are numerous severe non-compliance issues and no compliance management and compliance practices in place. The factory has been given notice that business will be terminated unless there is immediate improvement.
2C	30% – 59%	There are some non-compliance issues and no compliance management systems. However, there are some effective compliance practices being delivered.
3C	60% – 79%	There are minor non-compliance issues. The factory has compliance management systems and some effective compliance practices in place.
4C	80% – 89%	Generally, there are no non-compliance issues. The factory has compliance management systems in place, and most of the components are effective.
5C	90% – 100%	There are no non-compliance issues and all of the factory's management systems and practices are well delivered and effective.

## 02 DEVELOPMENT BY COMPLIANCE RATINGS<sup>1</sup> IN %




<sup>1</sup> The table presents the C-KPI percentage of direct suppliers. Please note that in 2012 we moved to a KPI reporting methodology that only considers the latest KPI score of each supplier, instead of taking the average of all previous KPI scores into account.

**Training our suppliers:** The results from our compliance rating also enable us to precisely determine training needs at our suppliers' factories. The adidas Group has initiated a system of multi-level and cross-functional training sessions together with its global supplier network. In 2015, the SEA team conducted 120 training sessions and workshops (2014: 131). We offered more group trainings, i.e. training sessions for more than one supplier instead of individual training sessions. That way, we have been able to achieve higher efficiencies and provide opportunities for cross-learning and best-practice sharing among suppliers.

**Warning-letter system to enforce compliance:** Where a manufacturing supplier is performing poorly in terms of Workplace Standards compliance, we work closely with them to find solutions. However, when we find ongoing and serious instances of non-compliance as well as a lack of commitment from factory management to address the issues, we send out a formal warning letter including a notification to factory management that their business relationship with the adidas Group is in jeopardy. Overall, three warning letters result in a termination. In 2015, we terminated our business relationship with three suppliers for compliance reasons (2014: 13 terminations).

Further information about our supply chain management can be found on [our website](#).

 [www.adidas-group.com/s/supply-chain-approach](http://www.adidas-group.com/s/supply-chain-approach)

### SUPPORTING COMMUNITIES WITH DEDICATED APPROACH

For many years, the adidas Group has been actively supporting communities through various programmes such as the ongoing support from the adidas brand through its corporate volunteering programmes managed by the adidas Fund, Reebok's track record in supporting human rights groups or TaylorMade-adidas Golf's long-standing programme supporting charities.

All our programmes are built on three complementary pillars – community involvement, employee engagement and corporate giving – determined by local cultural, economic and social factors. Programmes on Group level are supplementary programmes led by our SEA team. They include activities at Group headquarters, projects in suppliers' countries and relief operations.

In 2015, we targeted considerable volumes of our financial and product donations to people affected by the refugee crisis and worked in close collaboration with our long-term partners Wings of Help (Luftfahrt ohne Grenzen) and SOS Children's Villages as well as various other local organisations. In addition, we initiated an ad hoc relief fund to support people after the Nepal earthquake. Further information can be found on [our website](#).


 [www.adidas-group.com/s/community-engagement](http://www.adidas-group.com/s/community-engagement)

### FINDING BETTER WAYS TO MAKE OUR PRODUCTS

One key goal of our sustainability strategy is to reduce the overall environmental impact of materials used in our products. We aim to find materials that reduce waste or have less of an impact throughout their whole life cycle and are constantly searching for new and innovative ways in our product creation.

**1) Committed to drive innovation:** The adidas Group collaborates with organisations and industry partners to accelerate innovation in its sustainable product manufacturing.

- **Parley for the Oceans:** In 2015, the adidas Group partnered up with Parley for the Oceans, an organisation engaging in ocean conservation and eco innovation that creates awareness to end the destruction of the oceans. Among other projects, this collaboration will drive the creation of innovative products and the integration of materials made from ocean plastic waste into products. The adidas Group has already taken immediate concrete steps in this direction such as the creation of the world's first shoe made of yarns and filaments reclaimed and recycled from ocean waste, followed by the presentation of a 3D-printed ocean plastic shoe midsole. Additionally, the adidas Group has committed to phase out the use of plastic bags in its own-retail stores and, together with its partner COTY, ended the use of plastic microbeads across all its body care products as of December 31, 2015. Further information can be found on [our website](#).

 [www.adidas-group.com/s/parley-for-the-oceans](http://www.adidas-group.com/s/parley-for-the-oceans)

- **Sport Infinity:** Also in 2015, the adidas Group announced 'Sport Infinity', a research project led by adidas and funded by the European Commission, bringing together a variety of industry and academic experts. The aim of the project is to develop a material that can be endlessly recycled using a waste-free, adhesive-free process. As a result, sporting goods could be constantly recycled. Sport Infinity is the next step in the Group's commitment to innovation and adds to our goal of closing the sustainability loop. Further information can be found on our [website](#).

➤ [www.adidas-group.com/s/sport-infinity](http://www.adidas-group.com/s/sport-infinity)

**2) Going mainstream with Better Cotton and recycled polyester:** Environmentally preferred materials have replaced conventional materials in many of our footwear and apparel products. With the increased use of more sustainable materials such as Better Cotton and recycled polyester we are constantly reducing our impact on the environment.

- **Better Cotton:** The adidas Group is committed to increasing the sourcing volumes of cotton from the [Better Cotton Initiative \(BCI\)](#) over the next years. The BCI aims to reduce the use of pesticides, but also promotes efficient water use, crop rotation and fair working conditions. In 2015, we exceeded our target of 40% by sourcing 43% of all our cotton as Better Cotton, which is a great step towards our 2018 target to source 100% of cotton in our products as sustainable cotton. 'Sustainable cotton' in this sense means Better Cotton, certified organic cotton or any other form of sustainably produced cotton that is currently available or might be in future.
- **Recycled polyester:** Using recycled polyester has many benefits over virgin polyester. It helps us reduce our dependency on petroleum, allows us to discharge less waste and keeps polyester from ending up in landfills. While virgin polyester is made from petroleum, recycled polyester is made from recycled waste, such as plastic bottles and used clothing, which is processed and spun into fibres. We are using recycled PES in more and more of our apparel and footwear.

➤ [www.bettercotton.org](http://www.bettercotton.org)

**3) Rigorous control for safe products:** We have specified clear standards for the use of restricted substances that follow the strictest local regulations and best-practice standards for consumer care and safety. The [Restricted Substances Policy](#) for product materials prohibits, for example, the use of chemicals considered harmful or toxic, the sourcing or processing of raw materials from any endangered or threatened species, as defined by the International Union for Conservation of Nature and Natural Resources (IUCN) in its red list and also prohibits using leathers, hides or skins from animals that have been inhumanely treated, whether these animals are wild or farmed. They are mandatory for all business partners and are updated regularly based on findings in our ongoing dialogue with scientific organisations. Both our own quality assurance laboratories and external testing institutes are used to constantly monitor material samples to ensure supplier compliance with these requirements. Materials that do not meet our standards and specifications are rejected.

➤ [www.adidas-group.com/s/product-safety](http://www.adidas-group.com/s/product-safety)

## IMPROVING OUR ENVIRONMENTAL FOOTPRINT AT OUR SITES

As part of our Green Company programme we set ourselves ambitious targets for 2015 that resulted in continuous improvements in the environmental impacts of our own operations. These clear and measurable Group-wide targets helped us to improve considerably in the areas of energy, water and paper consumption, carbon emissions and reduction of household waste. Results will be available in our annual [Green Company Performance Analysis 2015](#).

➤ [www.adidas-group.com/s/reporting-performance-data](http://www.adidas-group.com/s/reporting-performance-data)

During 2015, we developed the second generation of our [Green Company programme](#), including targets to be achieved by 2020. These new targets build on our seven years of achievements and also demonstrate our continued focus on industry leadership in environmental stewardship. Some highlights include science-based targets for carbon reduction and context-based water reduction targets. In addition, we expanded the scope of the Green Company programme to our own stores globally.

➤ [www.adidas-group.com/s/green-company](http://www.adidas-group.com/s/green-company)

## DRIVING ENVIRONMENTAL IMPROVEMENTS AT OUR SUPPLIERS' FACTORIES

In our supply chain, activities focus on helping suppliers establish sound environmental management systems at their manufacturing plants to best reduce their negative environmental impacts. We have guidelines and training programmes in place for our suppliers, using the environmental performance of our own production sites as best-practice examples.

**Certification of factories:** The majority of our footwear sourcing volume is produced in factories which are OHSAS 18000 and/or ISO 14001 certified. The remaining part of our footwear sourcing volume is produced in factories that have management systems in place but have not yet been certified. All footwear factories are regularly assessed against the adidas Group's standards on environment and workplace health and safety.

**Advanced chemical management programme:** Chemical management and innovation is a key component of our Sustainability Strategy. It is about identifying better ways to create products while also reducing the environmental footprint of the company's operations. Our programme comprises the four elements product safety, environmental audits, chemical input and disclosure/transparency.


- **Product safety:** Since pioneering the Restricted Substances Policy in 1998, which is updated annually, the company continues to develop policies which ban or restrict chemicals in our products.
- **Environmental audits:** A series of [guidelines for suppliers](#) with comprehensive and detailed standards on handling, storage and disposal of chemicals as well as standards for waste water treatment and effluents are the basis for the factory inspections and assessments conducted by our SEA team and external auditors. In 2015, the company conducted 138 environmental audits (including chemical management audits) at its suppliers' factories (2014: 143).
- **Chemical input:** In addition to the established use of the bluesign technologies bluefinder which guides our suppliers in choosing the right chemicals, we successfully phased out the use of long-chain PFCs in 2014.
- **Disclosure/transparency:** As part of our approach in enhancing disclosure practices and transparency within our supply chain, the adidas Group has actively promoted reputable platforms such as the Institute of Public and Environmental Affairs (IPE) China Water Pollution Map and China Air Pollution Map and achieved the disclosure of 50% of all 'wet processes' across its global supply chain at the end of 2015.

## ENGAGING WITH A VARIETY OF STAKEHOLDERS GLOBALLY

At the adidas Group, we openly engage with numerous stakeholders, involving them in key social and environmental decisions that shape day-to-day operations. Through active participation in, for example, the Better Cotton Initiative (BCI), the Sustainable Apparel Coalition (SAC), the Leather Working Group (LWG) and the AFIRM Working Group, we work closely with leading companies from a variety of sectors to develop sustainable business approaches and to debate social and environmental topics on a global level. This is also supported by our membership in organisations such as the World Federation of the Sporting Goods Industry (WFSGI), the Fair Factories Clearinghouse (FFC) and the Fair Labor Association (FLA). In addition, we build awareness, capacity and knowledge of laws and rights among factory management and workers by partnering with leading providers such as the EHS Academy in China and the ILO's Better Work programme.

A key element of our transparent communication is the disclosure of our global supplier factory list on [our website](#). First published in 2007 and updated twice a year, it is complemented with factories that manufactured products for major sport events such as the FIFA World Cup or Olympic Games.

 [www.adidas-group.com/s/environmental-guidelines](http://www.adidas-group.com/s/environmental-guidelines)

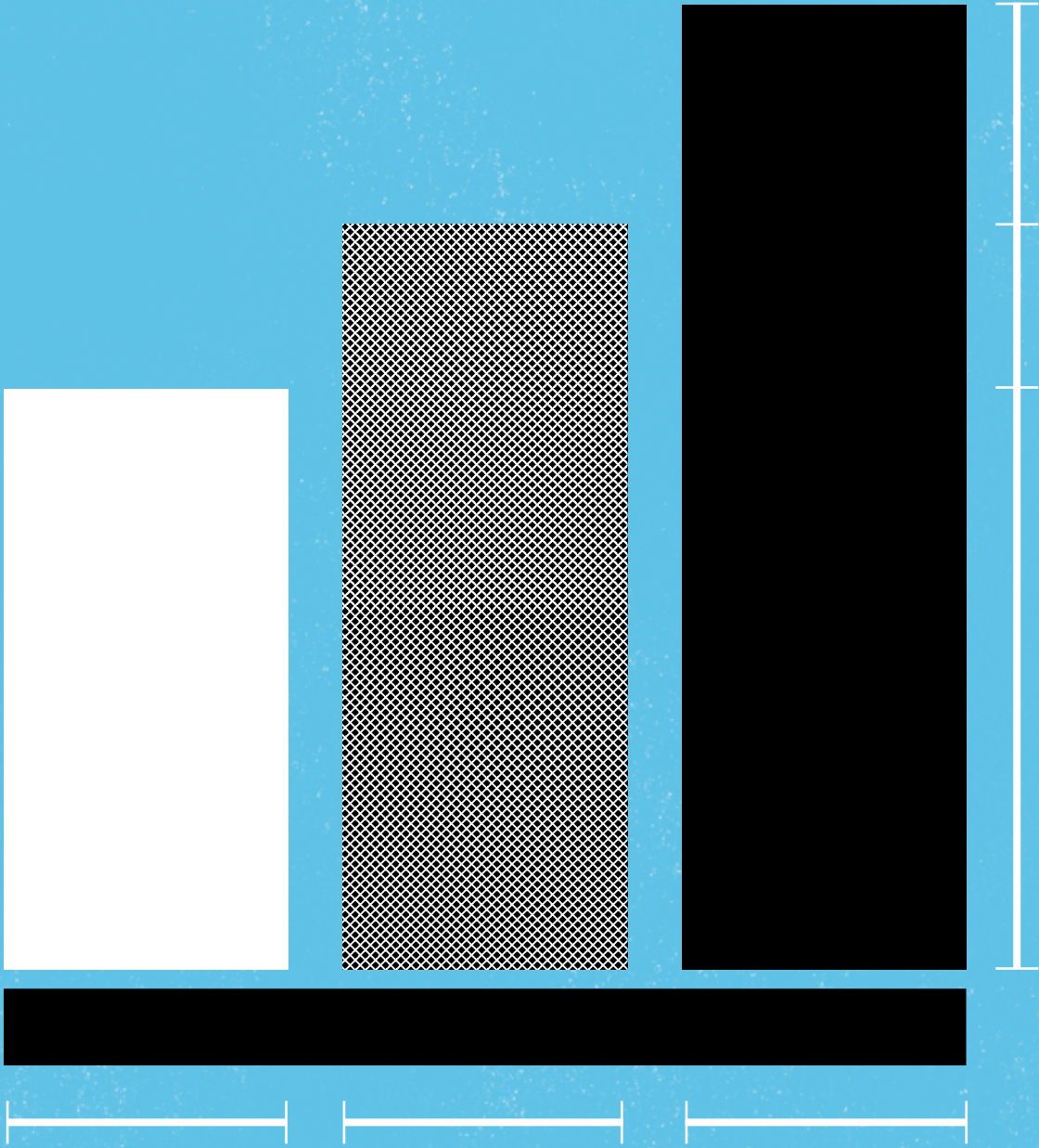
 [www.adidas-group.com/s/supply-chain-structure](http://www.adidas-group.com/s/supply-chain-structure)

## EXTERNAL RECOGNITION FOR OUR SUSTAINABILITY EFFORTS

We have continuously received positive recognition from international institutions, rating agencies, NGOs and socially responsible investment analysts for our sustainability programme. In 2015, adidas AG was again represented in a variety of high-profile sustainability indices. For the 16th consecutive time, adidas AG was selected to join the Dow Jones Sustainability Indices (DJSI), the world's first global sustainability index family tracking the performance of the leading sustainability-driven companies worldwide. In the sector 'Textiles, Apparel & Luxury Goods', adidas AG scored industry-best ratings in the category Innovation Management and received far above-average scores in Supply Chain Management, Stakeholder Engagement, Environmental Management System, and Talent Attraction and Retention. An overview of all sustainability indices in which adidas AG is included can be found in the info box below. Furthermore, in 2015, the adidas Group was ranked third among the Global 100 Most Sustainable Corporations in the World (Global 100 Index), recognised as best European company and as leader in its industry. The company has also received recognition for outstanding environmental performance of its supply chain in China, ranking first in the textile industry in the annual CITI (Corporate Information Transparency Index) evaluation. The ranking was developed jointly by the Institute of Public & Environmental Affairs (IPE) and the Natural Resources Defense Council (NRDC) and identifies the top 100 brands to carry out environmental management towards their supply chains in China.

### ADIDAS AG IN SUSTAINABILITY INDICES

- Dow Jones Sustainability Indices (World and Europe)
- ECPI Ethical Equity Indices (Euro and EMU)
- Ethibel Sustainability Indices (Global and Europe)
- Euronext Vigeo (Eurozone 120, Europe 120)
- FTSE4Good Index Series
- MSCI Global Sustainability Indexes
- MSCI SRI Indexes
- STOXX Global ESG Leaders





# FINAN— CIAL

<b>Internal Group Management System</b>	<b>102</b>
<b>Group Business Performance</b>	<b>107</b>
• Economic and Sector Development	107
• Income Statement	111
• Statement of Financial Position and Statement of Cash Flows	119
• Treasury	124
• Financial Statements and Management Report of adidas AG	130
• Disclosures pursuant to § 315 Section 4 and § 289 Section 4 of the German Commercial Code	134
<b>Business Performance by Segment</b>	<b>138</b>
• Western Europe	139
• North America	140
• Greater China	141
• Russia/CIS	142
• Latin America	143
• Japan	144
• MEAA (Middle East, Africa and other Asian markets)	145
• Other Businesses	146
<b>Subsequent Events and Outlook</b>	<b>148</b>
• Subsequent Events	148
• Outlook	148
<b>Risk and Opportunity Report</b>	<b>156</b>
• Illustration of Material Risks	162
• Illustration of Opportunities	173
<b>Management Assessment of Performance, Risks and Opportunities, and Outlook</b>	<b>175</b>

# REVIEW

## **Group Management Report**

This report contains the Group Management Report of the adidas Group, comprising adidas AG and its consolidated subsidiaries, and the Management Report of adidas AG.

# INTERNAL GROUP MANAGEMENT SYSTEM

The adidas Group's principal financial goal for increasing shareholder value is maximising operating cash flow. We strive to achieve this goal by continually improving our top- and bottom-line performance while at the same time optimising the use of invested capital. Our Group's planning and controlling system is therefore designed to provide a variety of tools to assess our current performance and to align future strategic and investment decisions to best utilise commercial and organisational opportunities.

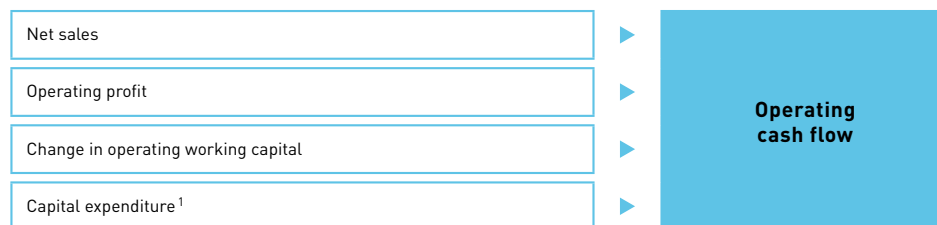
## OPERATING CASH FLOW AS INTERNAL GROUP MANAGEMENT FOCUS

We believe operating cash flow is the most important driver to increase shareholder value. To support this, Group Management focuses on four major financial Key Performance Indicators (KPIs). Increasing net sales and operating profit are the main contributors to improve operating cash flow. In addition, strict management of operating working capital and value-enhancing capital expenditure are beneficial for operating cash flow development. As a result, in order to maximise operating cash flow generation across our organisation, management of our operating segments have responsibility for improving net sales and operating profit as well as optimising operating working capital and capital expenditure. In addition, in order to keep senior management focused on long-term performance improvements, we have KPIs in place, which measure the development of the business units over a multi-year period.

 see Glossary, p. 260

 see Diagram 01

### 01 FINANCIAL KPIS OF THE ADIDAS GROUP



<sup>1</sup> Less depreciation and amortisation.

### **OPERATING MARGIN AS IMPORTANT MEASURE OF OPERATIONAL PROGRESS**

Operating margin (defined as operating profit as a percentage of net sales) is our Group's key focus measure to drive and improve our operational performance. It highlights the quality of our top line and operational efficiency. The primary drivers central to enhancing operating margin are as follows:

**Sales and gross margin development:** Management focuses on identifying and exploiting growth opportunities that not only provide for future top-line improvements, but also have potential to increase gross margin. Major levers for enhancing our Group's sales and gross margin include:

- Minimising clearance activities, while at the same time increasing full-price share of sales.
- Optimising our product mix.
- Improving the quality of distribution, with a particular focus on controlled space.
- Realising supply chain efficiency initiatives.

+ see Glossary, p. 260

**Operating expense control:** Management puts high emphasis on tightly controlling operating expenses to leverage the Group's sales growth through to the bottom line. This requires a particular focus on ensuring flexibility in the Group's cost base. Expenditure for marketing investments is one of our largest operating expenses and at the same time one of the most important mechanisms for driving brand desirability and top-line growth sustainably. Therefore, we are committed to improving the utilisation of our marketing expenditure. This includes concentrating our communication efforts on key global brand initiatives and focusing our promotion spend on well-selected partnerships with top events, leagues, clubs, athletes and artists.

+ see Glossary, p. 260

We also aim to increase operational efficiency by tightly managing operating overhead expenses. In this respect, we regularly review our operational structure – streamlining business processes, eliminating redundancies and leveraging the scale of our organisation. These measures may also be supplemented by short-term initiatives such as temporarily curtailing operational investments, for example staff hiring.

+ see Glossary, p. 260

Furthermore, we carefully analyse the different mix effects which impact the Group's profit ratios, as our business performance differs significantly across geographical markets, business models and sales channels. The strategic implications and decisions taken in this respect are a key element of our strategic planning efforts, ensuring clarity and focus of the organisation to balance and broaden the Group's future earnings stream and to sustainably increase the Group's operating margin.

### **TIGHT OPERATING WORKING CAPITAL MANAGEMENT**

Due to a comparatively low level of fixed assets required in our business, the efficiency of the Group's balance sheet depends to a large degree on our operating working capital management. In this context, our key metric is average operating working capital as a percentage of net sales. Monitoring the development of this metric facilitates the measurement of our progress in improving the efficiency of our business cycle.

We strive to proactively manage our inventory levels to meet market demand and ensure fast replenishment. Inventory ageing is controlled carefully to reduce inventory obsolescence and to minimise clearance activities. As a result, inventory days lasting is an important metric as it measures the average number of days goods remain in inventory before being sold, highlighting the efficiency of capital locked up in products. To optimise capital tied up in accounts receivable, we strive to improve collection efforts in order to reduce the Days of Sales Outstanding (DSO) and improve the ageing of accounts receivable. Likewise, we strive to optimise payment terms with our suppliers to best manage our accounts payable.

### **CAPITAL EXPENDITURE TARGETED TO MAXIMISE FUTURE RETURNS**

Improving the effectiveness of the Group's capital expenditure is another lever to maximise our operating cash flow. We control capital expenditure with a top-down, bottom-up approach. In a first step, Group Management defines focus areas and an overall investment budget based on investment requests from various functions within the organisation. Our operating segments then align their initiatives within the scope of assigned priorities and available budget. We evaluate potential return on planned investments utilising the net present value method. Risk is accounted for, adding a risk premium to the cost of capital and thus reducing our estimated future earnings streams where appropriate. By means of scenario planning, the sensitivity of investment returns is tested against changes in initial assumptions. For large investment projects, timelines and deviations versus budget are monitored on a monthly basis throughout the course of the project.

The final step of optimising return on investments is our selective post-mortem reviews, where larger projects in particular are evaluated and learnings are documented to be available for future capital expenditure decisions.

### **NON-FINANCIAL KEY PERFORMANCE INDICATORS**

In addition to the Group's major financial KPIs to assess the performance and operational success of the adidas Group, as outlined above, we have identified a set of non-financial KPIs that help us track our progress in areas that are critical for our long-term success but are, however, not directly reflected in the Group's financial statements. These non-financial KPIs are assessed on a regular basis and managed by the respective Group functions. Non-financial KPIs include market share and Net Promoter Score, our customer delivery performance (On-Time In-Full), our employee engagement and a set of KPIs in the area of our sustainability performance.

In the context of our strategic business plan 'Creating the New', we aim to further widen our holistic performance management approach beyond financials. As a consequence, 2016 will see the first initiatives towards 'Integrated Performance Management', which will be the engine to providing more transparency to all parts of our business for even better decision-making and further enhancing true value creation.

## **02 KEY FINANCIAL METRICS**

$$\text{Gross margin} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

$$\text{Operating margin} = \frac{\text{Operating profit}}{\text{Net sales}} \times 100$$

$$\text{Average operating working capital} = \frac{\text{Sum of operating working capital at quarter-end}}{4}$$

$$\text{Operating working capital in \% of net sales} = \frac{\text{Average operating working capital}}{\text{Net sales}} \times 100$$

$$\text{Capital expenditure}^1 = \text{Additions of property, plant and equipment plus intangible assets}$$

$$\text{Net cash/net borrowings} = \begin{aligned} & \text{Cash and cash equivalents} \\ & + \text{short-term financial assets} \\ & - \text{short-term borrowings} \\ & - \text{long-term borrowings} \end{aligned}$$

<sup>1</sup> Excluding acquisitions and finance leases.

**Market share and Net Promoter Score (NPS):** Maintaining and enhancing brand image and reputation through the creation of strong brand identities is crucial for sustaining and driving revenue and profit growth. It is also an important credential as we extend our brands into new categories and regions. Therefore, mainly on a market and category level, we invest in primary qualitative and quantitative research such as trend scouting, consumer surveys and market share data to determine brand and category strength. Measures that are regularly tracked include market shares, brand awareness, likeability and purchase intent. In addition, within the framework of 'Creating the New', we implemented a Net Promoter Score (NPS) which strengthens our capabilities to more carefully review brand perception. These efforts are driven by our global market research and consumer insight teams and monitored on a regular basis. The results are also reflected in the variable compensation for Executive Board members and the majority of our employees.

+ see Management Assessment of Performance, Risks and Opportunities, and Outlook, p. 148

**Backlogs and sell-through data:** To manage demand planning and anticipate our future performance, backlogs comprising orders received up to nine months in advance of the actual sale are monitored closely. However, due to the growing share of own retail in our business mix as well as fluctuating order patterns among our customers, order books at the Group level are less indicative of anticipated revenues for the adidas Group compared to the past. Therefore, qualitative feedback from our retail partners on the sell-through success of our collections at the point of sale as well as data received from our own-retail activities is becoming increasingly important.

+ see Glossary, p. 260

**On-Time In-Full (OTIF):** OTIF measures the adidas Group's delivery performance towards customers and our own-retail stores. Managed by our Global Operations function, OTIF assesses to what degree customers received what they ordered and if they received it on time. It helps our Group to investigate improvement potential in the area of order book management and logistics processes. It therefore also helps us to improve our delivery performance, which is a major aspect when it comes to customer satisfaction. The OTIF assessment covers both the adidas and Reebok brands in most of our key markets.

+ see Global Operations, p. 74

**Employee engagement:** To measure the level of engagement and motivation of our employees, the adidas Group carries out employee engagement surveys. These surveys aim to provide key insights into how well as an employer we are doing in engaging our employees. They thus enable us to develop the right focus and future people strategies across our organisation. Against the background of organisational changes within the Group, the existing engagement survey approach is currently being re-designed with regard to the survey's scope and frequency. The new survey approach is planned for 2017.

+ see Our People, p. 87

**Sustainability performance:** We have a strong commitment to enhance the social and environmental performance of our Group. By doing so, we firmly believe we will not only improve the Group's overall reputation, but also increase our economic value. We have therefore implemented a comprehensive sustainability programme under which we regularly review our performance. We closely monitor our sustainability targets and have set ourselves clear milestones. A major focus lies on monitoring and rating our factories with regard to compliance with our Workplace Standards and rating the effectiveness of compliance systems. A rating tool helps us evaluate six fundamental elements of social compliance. We have a strong track record in sustainability reporting, with our Sustainability Progress Report being an integral part of this. All our social and environmental publications, which include more details and additional data, are provided on our corporate website.

+ see Sustainability, p. 94

+ see Sustainability, p. 94

www.adidas-group.com/en/sustainability/reporting-policies-and-data/sustainability-reports

**STRUCTURED PERFORMANCE MEASUREMENT SYSTEM**

We have developed an extensive performance measurement system, which utilises a variety of tools to measure the performance of the adidas Group. The Group's key performance indicators as well as other important financial metrics are monitored and compared against initial targets as well as rolling forecasts on a monthly basis. When negative deviations exist between actual and target numbers, we perform a detailed analysis to identify and address the cause. If necessary, action plans are implemented to optimise the development of the Group's operating performance. To assess current sales and profitability development, Management continuously analyses the performance of our operating segments. We also benchmark the Group's financial results with those of our major competitors on a regular basis.

 see Glossary, p. 260

Taking into account year-to-date performance as well as opportunities and risks, the Group's full year financial performance is forecasted four times a year. In this respect, also backlogs, sell-through data, feedback from customers and own-retail stores are assessed as available. Finally, as a further early indicator for future performance, the results of any relevant recent market and consumer research are assessed as available.

**ENHANCED INTEGRATED BUSINESS PLANNING AND MANAGEMENT APPROACH**

In order to further optimise profitability and working capital efficiency as well as operating cash flow development, we continue to drive the Group-wide Integrated Business Planning initiative (IBP). This initiative focuses on developing and forming an enhanced forecasting approach by aligning processes and timelines of major business functions such as marketing, sales and operations at a market and global level. The centre-point of this approach is to improve the reliability of future business planning, leading to a new efficiency level of order book building and conversion. This, in turn, is expected to lead to improving full-margin business.

The whole process is set up in a rhythm and timeframe to facilitate full cross-functional alignment and forecasting clarity in advance of important business decision processes – in particular those related to product pricing, range building, material purchasing or production capacity fixing. To create a seamless flow between achieving our strategic objectives and implementing operational plans, we follow a rolling two-year time horizon. This ensures more focus on the mid-term perspective, while at the same time highlighting relevant information around short-term business events and volatilities. All target-setting is fully embedded into the integrated planning process and communicated in advance of all relevant business milestones.

# GROUP BUSINESS PERFORMANCE

In 2015, the adidas Group delivered a stellar financial performance. Currency-neutral Group sales increased 10%, driven by strong growth at both adidas and Reebok. In euro terms, Group revenues grew 16% to € 16.915 billion from € 14.534 billion in 2014. The Group's gross margin increased 0.6 percentage points to 48.3% (2014: 47.6%), driven by the positive effects from a more favourable pricing, channel and category mix. In 2015, the adidas Group incurred goodwill impairment losses of € 34 million (2014: € 78 million). These one-off expenses were non-cash in nature and did not affect the adidas Group's liquidity. Other operating expenses as a percentage of sales grew 0.4pp to 43.1%, as a result of the planned increase in expenditure for point-of-sale and marketing investments, reflecting the Group's efforts to strengthen brand desirability. Excluding goodwill impairment losses, the Group's operating profit increased 14% to € 1.094 billion compared to € 961 million in 2014, representing an operating margin of 6.5%, down 0.1 percentage points compared to the prior year (2014: 6.6%). The Group's net income from continuing operations excluding goodwill impairment losses was up 12% to € 720 million (2014: € 642 million). In 2015, the adidas Group incurred losses from discontinued operations of € 46 million (2014: losses of € 68 million). Net income attributable to shareholders from continuing and discontinued operations excluding goodwill impairment losses was up 18% to € 668 million (2014: € 568 million). Basic and diluted earnings per share (EPS) from continuing and discontinued operations excluding goodwill impairment losses increased 22% to € 3.32 from € 2.72 in 2014.

## ECONOMIC AND SECTOR DEVELOPMENT

### GLOBAL ECONOMY EXPANDS 2.4% IN 2015

In 2015, the global economy grew at a lower rate than initially projected, with global gross domestic product (GDP) strengthening 2.4%. While developed economies showed signs of economic recovery, fuelled by stronger domestic demand as well as improving labour markets and credit conditions, developing economies recorded disappointing results, due to subdued global trade, low commodity prices, rising borrowing costs and uncertainties regarding monetary and fiscal policies.

GDP in Western Europe grew 1.7% in 2015, supported by lower energy prices, a weakening of the euro, robust export growth and the increasingly accommodative monetary policy followed by the ECB. Most of the region's economies were characterised by low inflationary pressures and rising domestic demand, with Spain and the UK in particular recording healthy GDP growth. Despite an improvement in consumer confidence levels, high unemployment levels in certain markets, subdued wage growth and public debt dynamics still resulted in lacklustre GDP increases in many of the region's countries.

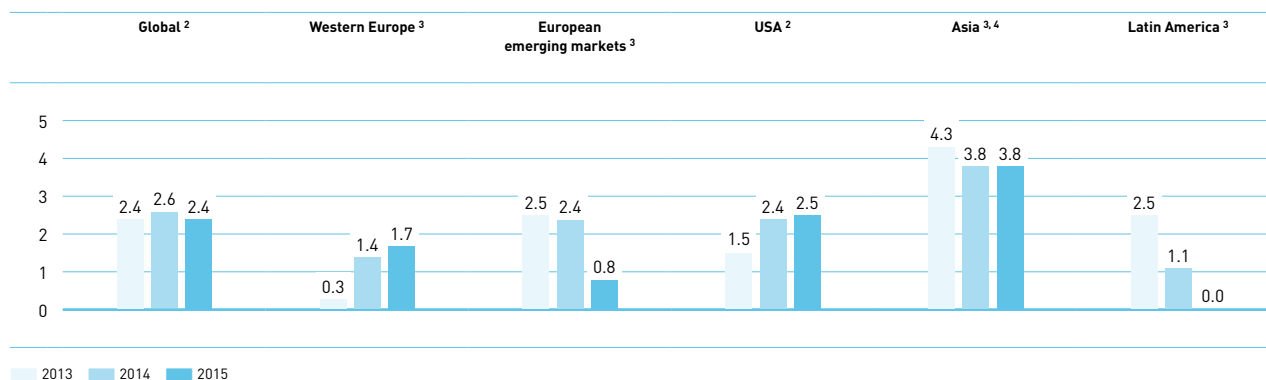
European emerging markets recorded GDP growth of 0.8% in 2015, reflecting a slowdown from previous years. The expansion was driven by modest export activity as well as wage growth resulting in firm consumer spending. The deceleration from previous years was mainly the result of ongoing political unrest in Russia and Ukraine as well as high inflationary pressures in these countries, which resulted in lower consumer and investment spending. Russia's economy was particularly negatively impacted by sanctions and high inflationary pressures, which together with low oil prices and the continuing weakness of the rouble put additional pressure on consumer sentiment and the overall state of the economy.

The US economy grew modestly in 2015, expanding 2.5%, driven by low inflationary pressures, improving labour and housing market conditions as well as low oil prices that bolstered consumer spending. However, lacklustre global growth, low energy prices and the continuing strength of the US dollar put pressure on the industrial sector and export growth. The US Federal Reserve's decision to increase interest rates for the first time in nearly a decade in December reflects the improvements in the US economy and, in particular, the labour market.

Asia remained the fastest-growing region with 3.8% GDP growth, although economic expansion slowed compared to previous years. In China, growth slowed to 6.9%, due to lower industrial production, less activity in the manufacturing sector as well as soft export growth and inhibited investment. Japan's economy saw a slight recovery with 0.6% growth, driven by an accommodative monetary policy, increases in real disposable income, export growth as well as rising consumer and business sentiment. India's economy expanded by 7.3% in 2015, as low inflationary pressures and lower commodity prices fuelled consumer spending.

In Latin America, GDP remained stable versus the prior year with divergences across the region's major countries. Argentina's economy recorded positive GDP growth, driven by improvements in the labour market as well as increased government spending. In Brazil, low investment activity, weak consumer confidence, political instability, unfavourable debt dynamics and rising unemployment drove further economic contraction and deepened the country's recession. Other regional economies such as Mexico, Colombia and Chile posted healthy GDP increases in 2015, with increasing private consumer spending, wage growth and stronger domestic demand fuelling expansion.

## 01 REGIONAL GDP DEVELOPMENT<sup>1</sup> IN %



- <sup>1</sup> Real, percentage change versus prior year; 2013 and 2014 figures restated compared to prior year.  
<sup>2</sup> Source: World Bank.  
<sup>3</sup> Source: HSBC.  
<sup>4</sup> Includes Japan and Area Pacific.



## MOMENTUM IN THE SPORTING GOODS INDUSTRY CONTINUES

In 2015, the global sporting goods industry grew, supported by rising consumer spending in both emerging and developed markets. The e-commerce channel continued to see rapid expansion, as retailers leveraged opportunities across mobile technologies and social media. From a category perspective, athletic footwear showcased a robust performance in 2015. While casual and retro running as well as hiking posted strong gains throughout the year, technical running and marquee performance basketball slowed somewhat. On the athletic apparel side, sales were negatively impacted by unfavourable weather conditions. In addition, hardware sales remained challenged as participation levels in team sports continued to decline. On the fashion side, athleisure remained an important growth driver for the industry.

In Western Europe, improvements in consumer sentiment supported growth of the sector. In European emerging markets, a contraction in disposable income driven by high inflationary pressures and the continuing weakness of the rouble negatively impacted consumer sentiment and spending and detracted from the sporting goods sector's expansion, especially in Russia.

### 02 QUARTERLY UNEMPLOYMENT RATE BY REGION<sup>1</sup> IN % OF TOTAL ACTIVE POPULATION

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
USA <sup>2</sup>	5.7	5.5	5.4	5.1	5.0
Euro area <sup>3</sup>	11.4	11.2	11.0	10.7	10.4
Japan <sup>4</sup>	3.4	3.4	3.4	3.4	3.3
China <sup>5</sup>	4.1	4.1	4.0	4.1	5.1
Russia <sup>6</sup>	5.3	5.9	5.4	5.2	5.8
Brazil <sup>7</sup>	4.3	6.2	6.9	7.6	6.9

- 1 Quarter-end figures.  
2 Source: US Bureau of Labor Statistics.  
3 Source: Eurostat.  
4 Source: Japan Ministry of Internal Affairs and Communications.  
5 Source: China National Bureau of Statistics.  
6 Source: Russia Federal Service of State Statistics.  
7 Source: Brazil Institute of Geography and Statistics.

### 03 QUARTERLY DEVELOPMENT OF CONSUMER PRICE INDEX<sup>1</sup> BY REGION

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
USA <sup>2</sup>	0.8	(0.1)	0.1	0.0	0.7
Euro area <sup>3</sup>	(0.2)	(0.1)	0.2	(0.1)	0.2
Japan <sup>4</sup>	2.4	2.3	0.4	0.0	0.2
China <sup>5</sup>	1.5	1.4	1.4	1.6	1.6
Russia <sup>6</sup>	11.4	16.9	15.3	15.7	12.9
Brazil <sup>7</sup>	6.4	8.1	8.9	9.5	10.7

- 1 Quarter-end figures.  
2 Source: US Bureau of Labor Statistics.  
3 Source: Eurostat.  
4 Source: Japan Ministry of Internal Affairs and Communications.  
5 Source: China National Bureau of Statistics.  
6 Source: Russia Federal Service of State Statistics.  
7 Source: Brazil Institute of Geography and Statistics.

### 04 QUARTERLY CONSUMER CONFIDENCE DEVELOPMENT<sup>1</sup> BY REGION

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
USA <sup>2</sup>	93.1	101.4	99.8	102.6	96.3
Euro area <sup>3</sup>	(10.9)	(3.6)	(5.5)	(7.0)	(5.7)
Japan <sup>4</sup>	37.5	41.1	41.9	40.4	41.3
China <sup>5</sup>	105.8	107.1	105.5	105.6	103.7
Russia <sup>6</sup>	(18.0)	(32.0)	(23.0)	(24.0)	(26.0)
Brazil <sup>7</sup>	109.2	100.0	96.2	96.3	96.3

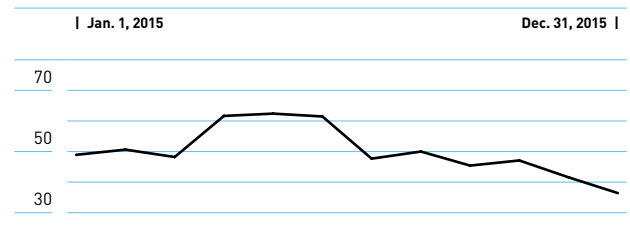
- 1 Quarter-end figures.  
2 Source: Conference Board.  
3 Source: European Commission.  
4 Source: Economic and Social Research Institute, Government of Japan.  
5 Source: China National Bureau of Statistics.  
6 Source: Russia Federal Service of State Statistics.  
7 Source: Brazil National Confederation of Industry.

#### 05 EXCHANGE RATE DEVELOPMENT<sup>1</sup> € 1/EQUALS

	Average rate 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Average rate 2015
USD	1.3296	1.0759	1.1189	1.1203	1.0887	1.1101
GBP	0.8066	0.7273	0.7114	0.7385	0.7340	0.7259
JPY	140.44	128.95	137.01	134.69	131.07	134.42
RUB	50.737	62.902	62.126	74.205	79.347	67.682
CNY	8.1919	6.6084	6.8405	7.1266	7.0696	6.9721

<sup>1</sup> Spot rates at quarter-end.

#### 06 2015 OIL PRICE DEVELOPMENT<sup>1</sup> IN US \$ PER BARREL



<sup>1</sup> West Texas Intermediate Cushing crude oil.

Source: Bloomberg.

In North America, the sporting goods industry posted a robust performance, benefiting from rising real disposable income and low inflationary pressure within the region. From a category perspective, casual athletic footwear continued to be in strong demand, fuelled by sales growth both in classics and in lifestyle silhouettes, outperforming other categories. While basketball footwear posted modest growth driven by lifestyle basketball, running footwear sales benefited mainly from fashion styles. In addition, sales in sports apparel saw a modest decline and were negatively impacted by unfavourable weather conditions. Although further signs of a slow recovery in the golf market appeared during the second half of 2015 due to unseasonably warm weather and new product introductions, structural changes continued to persist.

In Asia, low inflationary pressures and wage growth bolstered disposable income and consumer spending, promoting the expansion of the sporting goods industry. This trend was particularly evident in China, supporting healthy industry growth, especially in the lower-tier cities. Sporting goods sales in Japan saw improvements as the year developed, driven by stronger consumer spending and domestic demand. In India, the size of the sector continued to expand at a strong pace.

The sporting goods industry in Latin America grew only slightly in 2015, as low unemployment levels and wage increases were partially offset by high inflationary pressures and subdued consumer spending. In particular Brazil, a market which benefited the most in the prior year from the 2014 FIFA World Cup, was negatively impacted by these developments.

## INCOME STATEMENT

### FOCUS ON CONTINUING OPERATIONS

Due to the divestiture of the Rockport business segment on July 31, 2015, income and expenses of the Rockport business segment are reported as discontinued operations at the end of December 2015. All figures related to the 2014 and 2015 financial years in this report refer to the Group's continuing operations unless otherwise stated.

### ADIDAS GROUP CURRENCY-NEUTRAL SALES INCREASE 10% IN 2015

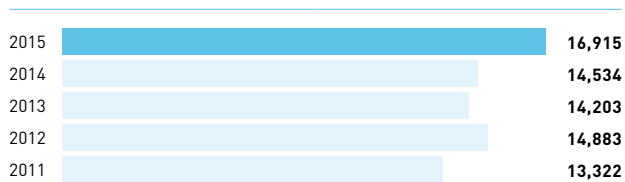
In 2015, Group revenues increased 10% on a currency-neutral basis, driven by double-digit growth at adidas and mid-single-digit increases at Reebok. Currency translation effects had a positive impact on sales in euro terms. Group revenues grew 16% to € 16.915 billion in 2015 from € 14.534 billion in 2014.

see Diagram 07

### GROUP SALES INCREASE DRIVEN BY STRONG GROWTH AT ADIDAS AND REEBOK

In 2015, currency-neutral adidas revenues grew 12%, driven by double-digit sales increases at adidas Originals and adidas neo. Mid-single-digit growth in the training, running and football categories also contributed to the increase. Currency-neutral Reebok sales were up 6% versus the prior year, mainly as a result of double-digit sales increases in the training and studio categories as well as high-single-digit growth in the running category and in Classics. Revenues at TaylorMade-adidas Golf decreased 13% currency-neutral, due to sales declines in most categories, in particular metalwoods and irons.

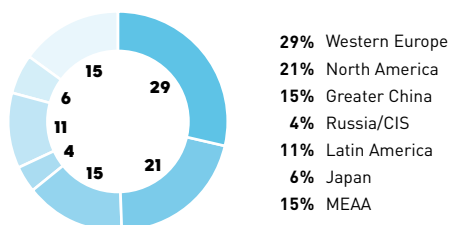
#### 07 NET SALES<sup>1,2</sup> € IN MILLIONS



1 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

2 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

#### 08 NET SALES BY REGION<sup>1</sup>



1 Figures reflect all operating activities of the adidas Group's operating segments, including Other Businesses.

### GROUP SALES UP IN FOOTWEAR AND APPAREL

In 2015, currency-neutral footwear sales grew 19%, mainly due to double-digit increases in the football category as well as at adidas Originals and adidas neo. In addition, mid-single-digit growth in running contributed to this development. Apparel revenues grew 5% on a currency-neutral basis. This development was supported by double-digit growth at adidas Originals and adidas neo as well as high-single-digit growth in the running category and mid-single-digit growth in the training category. Currency-neutral hardware sales were down 8% compared to the prior year, as a result of declines at TaylorMade-adidas Golf.

see Table 09

### CURRENCY-NEUTRAL SALES GROW IN MOST MARKET SEGMENTS

In 2015, on a currency-neutral basis the combined sales of the adidas and Reebok brands grew in most market segments. Revenues in Western Europe increased 17% on a currency-neutral basis, driven by double-digit sales growth in the UK, Italy, France and Spain. Currency-neutral sales in North America increased 5%. Revenues in Greater China grew 18% on a currency-neutral basis, while currency-neutral sales in Russia/CIS declined 11%. In Latin America, revenues grew 12% on a currency-neutral basis, driven by double-digit growth in Argentina, Mexico, Chile, Peru and Colombia. In Japan, sales remained stable on a currency-neutral basis. Revenues in MEAA grew 14% on a currency-neutral basis, driven by double-digit growth in South Korea, the United Arab Emirates, Turkey, Israel and Australia.

Revenues in Other Businesses were down 3% on a currency-neutral basis. High-single-digit sales increases at Reebok-CCM Hockey and double-digit sales increases in Other centrally managed businesses were more than offset by sales declines at TaylorMade-adidas Golf.

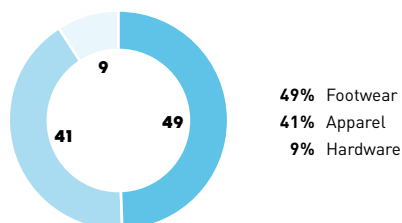
With the exception of Russia/CIS and Latin America, currency translation effects had a positive impact on segmental sales in euro terms.

#### 09 NET SALES BY PRODUCT CATEGORY € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Footwear	8,360	6,658	26%	19%
Apparel	6,970	6,279	11%	5%
Hardware	1,585	1,597	(1%)	(8%)
<b>Total<sup>1</sup></b>	<b>16,915</b>	<b>14,534</b>	<b>16%</b>	<b>10%</b>

<sup>1</sup> Rounding differences may arise in totals.

#### 10 NET SALES BY PRODUCT CATEGORY



### GROUP SALES DEVELOPMENT SUPPORTED BY DOUBLE-DIGIT GROWTH IN RETAIL

In 2015, retail revenues increased 11% on a currency-neutral basis, mainly as a result of double-digit sales growth at adidas. Reebok revenues increased at a low-single-digit rate. Concept stores and factory outlets both grew at a high-single-digit rate versus the prior year. While concession corners were below the prior year level, this decline reflects the reclassification of a number of concession corners to the wholesale channel. eCommerce grew 42% on a currency-neutral basis. Currency translation effects had a minor negative impact on retail revenues in euro terms. Sales grew 10% to € 4.221 billion from € 3.842 billion in the prior year. Currency-neutral comparable store sales increased 3% versus the prior year, due to sales growth in all markets, except Russia/CIS.

At December 31, 2015, the adidas Group, as part of the adidas and Reebok own-retail activities, operated 2,722 stores compared to the prior year-end level of 2,913. This mainly reflects the planned store closures in Russia/CIS as well as the reclassification of a number of concession corners to the wholesale channel. Of the total number of stores, 1,484 were adidas and 366 were Reebok branded (December 31, 2014: 1,616 adidas stores, 446 Reebok stores). In addition, the adidas Group operated 872 multi-branded adidas and Reebok factory outlets (December 31, 2014: 851). During 2015, the Group opened 284 new stores, 321 stores were closed, 154 were reclassified and 113 stores were re-modelled.

see Table 11

#### 11 RETAIL NUMBER OF STORES DEVELOPMENT

	Total	Concept stores	Factory outlets	Concession corners
<b>December 31, 2014</b>	<b>2,913</b>	<b>1,746</b>	<b>851</b>	<b>316</b>
Opened	284	182	92	10
Closed	321	230	71	20
<b>Opened (net)</b>	<b>(37)</b>	<b>(48)</b>	<b>21</b>	<b>(10)</b>
Reclassified	(154)	-	-	(154)
<b>December 31, 2015</b>	<b>2,722</b>	<b>1,698</b>	<b>872</b>	<b>152</b>

#### 12 RETAIL NUMBER OF STORES BY STORE FORMAT

	2015	2014
Concept stores	1,698	1,746
Factory outlets	872	851
Concession corners	152	316
<b>Total</b>	<b>2,722</b>	<b>2,913</b>

2014 2015

### **COST OF SALES INCREASES**

Cost of sales is defined as the amount we pay to third parties for expenses associated with producing and delivering our products. In addition, own-production expenses are also included in the Group's cost of sales. However, these expenses represent only a very small portion of total cost of sales. In 2015, cost of sales was € 8.748 billion, representing an increase of 15% compared to € 7.610 billion in 2014. This development was due to the growth of our business as well as increases in input costs as a result of higher labour costs.

### **GROUP GROSS MARGIN INCREASES 0.6 PERCENTAGE POINTS**

In 2015, gross profit for the adidas Group increased 18% to € 8.168 billion versus € 6.924 billion in the prior year. Gross margin of the adidas Group increased 0.6 percentage points to 48.3% (2014: 47.6%), driven by a more favourable pricing, channel and product mix at adidas and Reebok, which more than offset negative currency effects, higher input costs as well as lower product margins at TaylorMade-adidas Golf.

see Diagram 13  
see Diagram 14

### **ROYALTY AND COMMISSION INCOME INCREASES**

Royalty and commission income for the adidas Group was up 16% to € 119 million in 2015 compared to € 102 million in the prior year. On a currency-neutral basis, royalty and commission income increased 2%.

### **OTHER OPERATING INCOME DECREASES**

Other operating income includes items such as gains from the disposal of fixed assets and releases of accruals and provisions as well as insurance compensation. In 2015, other operating income decreased 30% to € 96 million (2014: € 138 million), due to a decline in the release of other operational and non-operational provisions.

### **OTHER OPERATING EXPENSES AS A PERCENTAGE OF SALES UP 0.4 PERCENTAGE POINTS**

Other operating expenses, including depreciation and amortisation, consist of expenditure for point-of-sale and marketing investments as well as operating overhead costs. In 2015, other operating expenses increased 18% to € 7.289 billion (2014: € 6.203 billion), reflecting 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 increased 0.4 percentage points to 43.1% (2014: 42.7%).

see Diagram 15  
see Note 31, p. 235  
see Diagram 16

#### **13 GROSS PROFIT<sup>1,2</sup> € IN MILLIONS**

2015	8,168
2014	6,924
2013	7,001
2012	7,103
2011	6,329

1 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.  
2 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

#### **14 GROSS MARGIN<sup>1,2</sup> IN %**

2015	48.3
2014	47.6
2013	49.3
2012	47.7
2011	47.5

1 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.  
2 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

#### **15 OTHER OPERATING EXPENSES<sup>1,2</sup> € IN MILLIONS**

2015	7,289
2014	6,203
2013	6,013
2012	6,150
2011	5,567

1 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.  
2 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

#### **16 OTHER OPERATING EXPENSES<sup>1,2</sup> IN % OF NET SALES**

2015	43.1
2014	42.7
2013	42.3
2012	41.3
2011	41.8

1 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.  
2 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### EXPENDITURE FOR POINT-OF-SALE AND MARKETING INVESTMENTS AS A PERCENTAGE OF SALES INCREASES 0.6 PERCENTAGE POINTS

Expenditure for point-of-sale and marketing investments relates to the Group's initiatives to strengthen the desirability of our brands and products. While expenditure for point-of-sale investments consists of expenses to support the Group's sell-through development at the point of sale, expenditure for marketing investments consists of items such as expenses for promotion partnerships, advertising, public relations and other communication activities. In absolute terms, expenditure for point-of-sale and marketing investments increased 22% to € 2.348 billion in 2015 from € 1.923 billion in the prior year. This development mainly reflects the Group's planned efforts to further strengthen brand desirability, by stepping up expenditure for point-of-sale and marketing investments. By brand, adidas expenditure for point-of-sale and marketing investments increased 24% to € 1.897 billion compared to € 1.533 billion in the prior year. Expenditure for point-of-sale and marketing investments for Reebok grew 22% to € 267 million at year-end (2014: € 220 million). As a percentage of sales, the Group's expenditure for point-of-sale and marketing investments increased by 0.6 percentage points to 13.9% (2014: 13.2%).

+ see Glossary, p. 260  
+ see Glossary, p. 260

see Diagram 18

### OPERATING OVERHEAD EXPENSES AS A PERCENTAGE OF SALES DECREASE 0.2 PERCENTAGE POINTS

Group operating overheads include overhead costs related to marketing, logistics, sales and R&D as well as central administration. In absolute terms, operating overhead expenses grew 15% to € 4.941 billion in 2015 versus € 4.280 billion in 2014. This was primarily a result of an increase in costs related to logistics, sales expenditure and central administration. As a percentage of sales, however, operating overhead expenses decreased 0.2 percentage points to 29.2% (2014: 29.4%).

#### 17 OTHER OPERATING EXPENSES BY AREA € IN MILLIONS

	2015	2014
Point-of-sale investments	462	375
Marketing investments	1,886	1,548
Marketing overhead	554	427
Sales force	2,040	1,915
Logistics	859	763
Research & development	139	126
Central administration	1,350	1,050
<b>Total</b>	<b>7,289</b>	<b>6,203</b>

2014 2015

#### 18 POINT-OF-SALE AND MARKETING INVESTMENTS<sup>1,2</sup> IN % OF NET SALES

	Total		
2015	2.7	11.2	13.9
2014	2.6	10.6	13.2
2013	2.4	10.2	12.6
2012	2.0	10.1	12.1
2011	2.5	10.2	12.7

Point-of-sale investments Marketing investments

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.  
<sup>2</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### NUMBER OF GROUP EMPLOYEES UP 3%

At the end of 2015, the Group employed 55,555 people. This represents an increase of 3% versus the prior year level of 53,731. New hirings related to the Group's global marketing and sales organisation aimed at further strengthening key growth areas and categories were the main driver of this development. On a full-time equivalent basis, the number of employees increased 3% to 47,435 at the end of 2015 (2014: 45,917).

+ see Our People, p. 87

### EBITDA INCREASES 15%

The Group's earnings before interest, taxes, depreciation and amortisation as well as impairment losses/reversal of impairment losses on property, plant and equipment and intangible assets (EBITDA) increased 15% to € 1.475 billion in 2015 (2014: € 1.283 billion). Depreciation and amortisation expense for tangible and intangible assets (excluding impairment losses/reversal of impairment losses) was up 10% to € 338 million in 2015 (2014: € 309 million). This development is mainly due to an increase in property, plant and equipment. In accordance with IFRS, intangible assets with indefinite useful lives (goodwill and trademarks) are tested annually and additionally when there are indications of potential impairment. In this connection, impairment of intangible assets with unlimited useful lives was incurred in 2015.

+ see Diagram 19

### GOODWILL IMPAIRMENT IN AN AMOUNT OF € 34 MILLION

The financial year 2015 was impacted by non-operational goodwill impairment losses totalling € 34 million (2014: € 78 million), mainly related to the company's Russia/CIS and Latin America cash-generating units. The impairment losses in both years were non-cash in nature and do not affect the adidas Group's liquidity.

+ see Note 13, p. 207

#### 19 EBITDA<sup>1,2</sup> € IN MILLIONS

2015	1,475
2014	1,283
2013	1,496
2012	1,445
2011	1,199

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.



## OPERATING MARGIN EXCLUDING GOODWILL IMPAIRMENT DECREASES

### 0.1 PERCENTAGE POINTS TO 6.5%

Group operating profit increased 20% to € 1.059 billion in 2015 versus € 883 million in 2014. The operating margin of the adidas Group increased 0.2 percentage points to 6.3% (2014: 6.1%). Excluding the goodwill impairment losses, operating profit grew 14% to € 1.094 billion from € 961 million in 2014, representing an operating margin of 6.5%, down 0.1 percentage points from the prior year level (2014: 6.6%). This development was due to higher other operating expenses as a percentage of sales, which more than offset the increase in the gross margin.

see Diagram 20

see Diagram 21

## NET FINANCIAL EXPENSES DECREASE STRONGLY

Financial income increased to € 46 million in 2015 from € 19 million in the prior year, mainly as a result of positive exchange rate effects. Financial expenses remained virtually unchanged at € 67 million in 2015 (2014: € 67 million). An increase in interest expenses compared to the prior year period was offset by the non-recurrence of negative exchange rate effects. As a result, net financial expenses decreased 57% to € 21 million from € 48 million in 2014.

see Note 33, p. 236

see Diagram 22

## INCOME BEFORE TAXES EXCLUDING GOODWILL IMPAIRMENT UP 18%

Income before taxes (IBT) for the adidas Group increased 24% to € 1.039 billion from € 835 million in 2014. IBT as a percentage of sales increased 0.4 percentage points to 6.1% in 2015 (2014: 5.7%). Excluding the goodwill impairment losses, IBT was up 18% to € 1.073 billion from € 913 million in 2014 and, as a percentage of sales, increased 0.1 percentage points to 6.3% compared to the prior year level (2014: 6.3%).

see Diagram 23

### 20 OPERATING PROFIT<sup>1,2,3,4,5,6</sup> € IN MILLIONS

2015	1,094
2014	961
2013	1,233
2012	1,185
2011	953

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> 2015 excluding goodwill impairment of € 34 million.

<sup>3</sup> 2014 excluding goodwill impairment of € 78 million.

<sup>4</sup> 2013 excluding goodwill impairment of € 52 million.

<sup>5</sup> 2012 excluding goodwill impairment of € 265 million.

<sup>6</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### 21 OPERATING MARGIN<sup>1,2,3,4,5,6</sup> IN %

2015	6.5
2014	6.6
2013	8.7
2012	8.0
2011	7.2

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> 2015 excluding goodwill impairment of € 34 million.

<sup>3</sup> 2014 excluding goodwill impairment of € 78 million.

<sup>4</sup> 2013 excluding goodwill impairment of € 52 million.

<sup>5</sup> 2012 excluding goodwill impairment of € 265 million.

<sup>6</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### 22 NET FINANCIAL EXPENSES<sup>1</sup> € IN MILLIONS

2015	21
2014	48
2013	68
2012	69
2011	84

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### 23 INCOME BEFORE TAXES<sup>1,2,3,4,5,6</sup> € IN MILLIONS

2015	1,073
2014	913
2013	1,165
2012	1,116
2011	869

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> 2015 excluding goodwill impairment of € 34 million.

<sup>3</sup> 2014 excluding goodwill impairment of € 78 million.

<sup>4</sup> 2013 excluding goodwill impairment of € 52 million.

<sup>5</sup> 2012 excluding goodwill impairment of € 265 million.

<sup>6</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### NET INCOME FROM CONTINUING OPERATIONS EXCLUDING GOODWILL IMPAIRMENT INCREASES 12%

The Group's net income from continuing operations increased 22% to € 686 million in 2015 from € 564 million in 2014. Excluding the goodwill impairment losses, net income from continuing operations was up 12% to € 720 million (2014: € 642 million). The Group's tax rate increased 1.5 percentage points to 34.0% in 2015 (2014: 32.5%). Excluding the goodwill impairment losses, the effective tax rate grew 3.2 percentage points to 32.9% from 29.7% in 2014, mainly due to the non-recognition of deferred tax assets.

see Note 34, p. 237

### LOSSES FROM DISCONTINUED OPERATIONS TOTAL € 46 MILLION

In 2015, the Group incurred losses from discontinued operations of € 46 million, net of tax, related to the Rockport operating segment (2014: losses of € 68 million). Losses from discontinued operations in 2015 were mainly due to the loss from the sale, net of tax, in the amount of € 32 million and the loss from Rockport's operating activities of € 13 million.

see Note 03, p. 200

### NET INCOME ATTRIBUTABLE TO SHAREHOLDERS EXCLUDING GOODWILL IMPAIRMENT INCREASES 18%

The Group's net income attributable to shareholders, which in addition to net income from continuing operations includes the losses from discontinued operations, grew 29% to € 634 million in 2015 from € 490 million in 2014. Excluding the goodwill impairment losses, net income attributable to shareholders was up 18% to € 668 million (2014: € 568 million).

see Diagram 24

### BASIC AND DILUTED EPS FROM CONTINUING AND DISCONTINUED OPERATIONS EXCLUDING GOODWILL IMPAIRMENT UP 22%

Basic and diluted EPS from continuing and discontinued operations increased 34% to € 3.15 in 2015 (2014: € 2.35). Excluding the goodwill impairment losses, basic and diluted EPS from continuing and discontinued operations increased 22% to € 3.32 from € 2.72 in 2014. The weighted average number of shares used in the calculation was 201,536,418 (2014: 208,776,457).

see Diagram 25

see Note 35, p. 239

#### 24 NET INCOME ATTRIBUTABLE TO SHAREHOLDERS<sup>1,2,3,4,5,6</sup> € IN MILLIONS

2015	668
2014	568
2013	839
2012	791
2011	613

- 1 Includes continuing and discontinued operations.  
2 2015 excluding goodwill impairment of € 34 million.  
3 2014 excluding goodwill impairment of € 78 million.  
4 2013 excluding goodwill impairment of € 52 million.  
5 2012 excluding goodwill impairment of € 265 million.  
6 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

#### 25 DILUTED EARNINGS PER SHARE<sup>1,2,3,4,5,6</sup> IN €

2015	3.32
2014	2.72
2013	4.01
2012	3.78
2011	2.93

- 1 Includes continuing and discontinued operations.  
2 2015 excluding goodwill impairment of € 34 million.  
3 2014 excluding goodwill impairment of € 78 million.  
4 2013 excluding goodwill impairment of € 52 million.  
5 2012 excluding goodwill impairment of € 265 million.  
6 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

## STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

### ACCOUNTING POLICY

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. In 2015, new standards and interpretations and amendments to existing standards and interpretations were applicable. The changes mainly require additional disclosures in the Group's financial statements.

+ see Note 01, p. 190

### ROCKPORT DIVESTITURE

As of July 31, 2015, the Rockport operating segment was divested. As a result, all relevant assets and liabilities were derecognised from the consolidated statement of financial position as of this date. Already at December 31, 2014, all assets and liabilities of the Rockport operating segment were presented as assets and liabilities classified as held for sale due to the existence of a concrete plan to sell this operating segment.

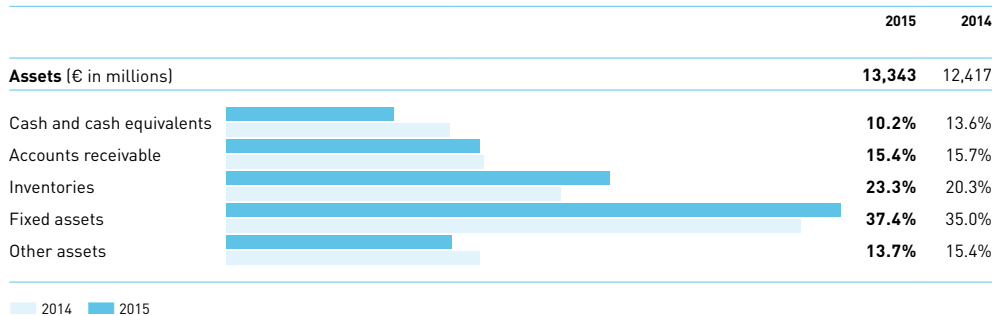
+ see Note 11, p. 205

### ASSETS

At the end of December 2015, total assets increased 7% to € 13.343 billion versus € 12.417 billion in the prior year, mainly as a result of an increase in non-current assets. The share of current assets within total assets decreased to 56%, while the share of non-current assets increased to 44% at the end of December 2015. This compares to 59% and 41%, respectively, at the end of December 2014.

see Diagram 28

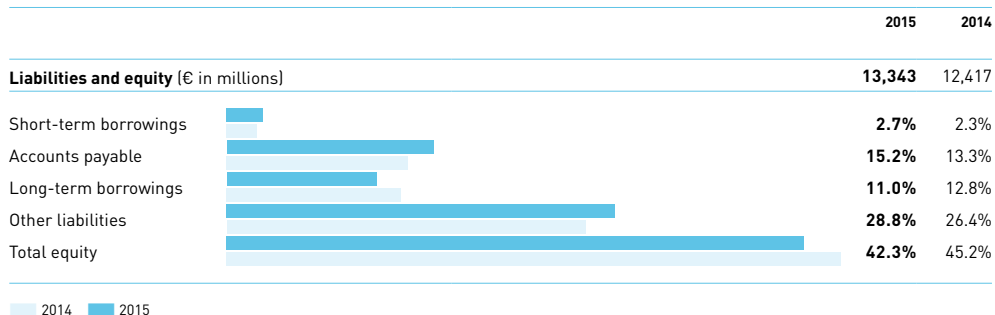
#### 26 STRUCTURE OF STATEMENT OF FINANCIAL POSITION<sup>1</sup> IN % OF TOTAL ASSETS



Rounding differences may arise in percentages and totals.

<sup>1</sup> For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 182.

#### 27 STRUCTURE OF STATEMENT OF FINANCIAL POSITION<sup>1</sup> IN % OF TOTAL LIABILITIES AND EQUITY



Rounding differences may arise in percentages and totals.

<sup>1</sup> For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 182.

Total current assets increased 2% to € 7.497 billion at the end of December 2015 compared to € 7.347 billion in 2014. Cash and cash equivalents decreased 19% to € 1.365 billion at the end of December 2015 from € 1.683 billion in the prior year, as net cash generated from operating activities was more than offset by net cash used in investing and financing activities. In addition, currency effects had a negative impact on cash and cash equivalents in an amount of € 126 million. Group inventories increased 23% to € 3.113 billion at the end of December versus € 2.526 billion in 2014. On a currency-neutral basis, inventories grew 25%, reflecting higher stock levels to support the Group's top-line momentum. The Group's accounts receivable increased 5% to € 2.049 billion at the end of December 2015 (2014: € 1.946 billion). On a currency-neutral basis, accounts receivable increased 3%. Other current financial assets decreased 8% to € 367 million at the end of December 2015 from € 398 million in 2014. This development was driven by a decrease in the fair value of financial instruments. Other current assets increased 15% to € 489 million at the end of December 2015 (2014: € 425 million), mainly due to an increase in tax receivables other than income taxes.

+ see Note 09, p. 205

+ see Diagram 29

+ see Note 07, p. 204

+ see Diagram 30

+ see Note 08, p. 204

+ see Note 10, p. 205

Total non-current assets grew 15% to € 5.846 billion at the end of December 2015 from € 5.070 billion in 2014. Fixed assets increased 15% to € 4.986 billion at the end of December 2015 versus € 4.346 billion in 2014. Fixed assets include property, plant and equipment, goodwill, trademarks and other intangible assets as well as long-term financial assets. Additions of € 775 million were primarily related to our own-retail activities, investments into the Group's logistics and IT infrastructure, the acquisition of Runtastic as well as the further development of the Group's headquarters in Herzogenaurach. Currency translation effects of € 279 million also contributed to the increase in fixed assets. Additions and positive currency translation effects were partly offset by depreciation and amortisation of € 358 million, goodwill impairment of € 34 million and disposals of € 22 million. At the end of December 2015, other non-current financial assets grew to € 99 million from € 42 million at the end of 2014. This development was driven by fixed and contingent promissory notes related to the divestiture of the Rockport business.

+ see Note 16, p. 211

## 28 TOTAL ASSETS<sup>1</sup> € IN MILLIONS

2015	13,343
2014	12,417
2013	11,599
2012	11,651
2011	11,237

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

## 29 INVENTORIES<sup>1</sup> € IN MILLIONS

2015	3,113
2014	2,526
2013	2,634
2012	2,486
2011	2,502

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

## 30 ACCOUNTS RECEIVABLE<sup>1</sup> € IN MILLIONS

2015	2,049
2014	1,946
2013	1,809
2012	1,688
2011	1,595

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

## 31 ACCOUNTS PAYABLE<sup>1</sup> € IN MILLIONS

2015	2,024
2014	1,652
2013	1,825
2012	1,790
2011	1,887

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

## LIABILITIES AND EQUITY

Total current liabilities increased 23% to € 5.364 billion at the end of December 2015 from € 4.378 billion in 2014. Accounts payable increased 23% to € 2.024 billion at the end of December 2015 versus € 1.652 billion in 2014. On a currency-neutral basis, accounts payable grew 22%, reflecting the growth in inventories compared to the prior year. At the end of December 2015, other current financial liabilities grew 56% to € 143 million from € 91 million in 2014, driven by purchase price obligations for non-controlling interests. Short-term borrowings increased 27% to € 366 million at the end of December 2015 (2014: € 288 million). This development was mainly due to a reclassification of private placements from long-term borrowings to short-term borrowings. Other current provisions were down 3% to € 456 million at the end of December 2015 versus € 470 million in 2014, mainly as a result of a decrease in provisions for marketing expenditure which was partly offset by negative currency effects of € 12 million. Current accrued liabilities grew 35% to € 1.684 billion at the end of December 2015 from € 1.249 billion in 2014, mainly due to an increase in accruals for customer discounts, invoices not yet received, marketing expenditure and personnel. Currency translation effects of € 39 million also contributed to the increase in current accrued liabilities. Other current liabilities were up 15% to € 331 million at the end of December 2015 from € 287 million in 2014, mainly due to an increase in customers with credit balances as well as payables due to personnel.

 see Diagram 31

 see Note 19, p. 213

 see Note 21, p. 214

 see Note 22, p. 215

Total non-current liabilities decreased 4% to € 2.332 billion at the end of December 2015 from € 2.422 billion in the prior year. Long-term borrowings decreased 8% to € 1.463 billion at the end of December 2015 from € 1.584 billion in the prior year. This development was mainly due to the reclassification of private placements from long-term borrowings to short-term borrowings. Other non-current provisions grew 30% to € 50 million at the end of December 2015 versus € 38 million in 2014. This primarily related to an increase in other operational provisions. Non-current accrued liabilities grew 48% to € 120 million at the end of December 2015 from € 81 million in 2014, mainly due to an increase in accruals for personnel. Other non-current liabilities increased 17% to € 40 million at the end of December 2015 from € 35 million in 2014. Other non-current financial liabilities more than doubled to € 18 million at the end of December 2015 from € 9 million in 2014, mainly due to the earn-out components for Runtastic.

 see Note 18, p. 212

 see Note 25, p. 220

Shareholders' equity increased 1% to € 5.666 billion at the end of December 2015 versus € 5.624 billion in 2014. The net income generated during the last twelve months as well as positive currency translation effects of € 134 million were partly offset by the repurchase of treasury shares in an amount of € 301 million, the dividend of € 303 million paid to shareholders for the 2014 financial year as well as a decrease in hedging reserves of € 117 million. The Group's equity ratio at the end of December 2015 decreased to 42.5% compared to 45.3% in the prior year.

 see Diagram 32

 see Note 26, p. 220

## OPERATING WORKING CAPITAL

Operating working capital increased 11% to € 3.138 billion at the end of December 2015 compared to € 2.821 billion in 2014. Average operating working capital as a percentage of sales decreased 1.9 percentage points to 20.5% (2014: 22.4%), reflecting the strong revenue growth in 2015 as well as the company's continued focus on tight working capital management.

 see Glossary, p. 260

 see Diagram 33

### 32 SHAREHOLDERS' EQUITY<sup>1</sup>

€ IN MILLIONS

2015	5,666
2014	5,624
2013	5,489
2012	5,304
2011	5,137

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

### 33 AVERAGE OPERATING WORKING CAPITAL<sup>1,2</sup>

IN % OF NET SALES

2015	20.5%
2014	22.4%
2013	21.3%
2012	20.0%
2011	20.4%

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>2</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

## INVESTMENT ANALYSIS

Capital expenditure is defined as the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions). Group capital expenditure decreased 7% to € 513 million in 2015 (2014: € 554 million). Capital expenditure in property, plant and equipment amounted to € 464 million and was thus below the prior year level of € 504 million. The Group invested € 49 million in intangible assets, representing a 2% decrease compared to the prior year (2014: € 50 million). Depreciation and amortisation excluding impairment losses/reversal of impairment losses of tangible and intangible assets increased 10% to € 338 million in 2015 (2014: € 309 million).

The majority of the Group's capital expenditure was related to the Group's controlled space initiatives. Investments in new or remodelled own-retail and franchise stores as well as in shop-in-shop presentations of our brands and products in our customers' stores accounted for 45% of total capital expenditure (2014: 36%). Expenditure for logistics and IT represented 21% and 11%, respectively (2014: 33% and 9%, respectively). In addition, expenditure for administration represented 6% (2014: 7%), while 16% of total capital expenditure was recorded for other initiatives (2014: 14%). From a regional perspective, the majority of the Group's capital expenditure was recorded at the Group's headquarters in Herzogenaurach, Germany, accounting for 45% (2014: 55%). In addition, capital expenditure in Greater China accounted for 15% (2014: 10%) of the Group's capital expenditure, followed by Western Europe with 12% (2014: 6%), MEAA with 7% (2014: 6%), North America and Latin America with 6% each (2014: 6% and 6%, respectively), Russia/CIS with 3% (2014: 5%) and Japan with 2% (2014: 1%). Expenditure for Other Businesses accounted for 4% of total capital expenditure (2014: 4%).

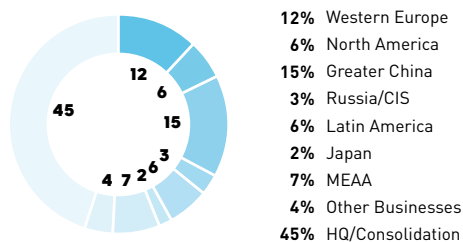
see Diagram 35

see Diagram 34

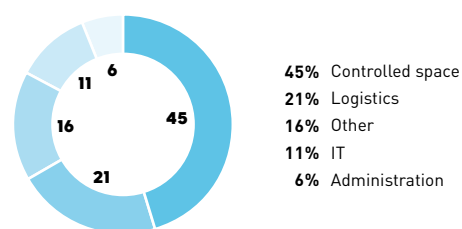
## LIQUIDITY ANALYSIS

In 2015, net cash generated from operating activities increased to € 1.090 billion (2014: € 701 million). Net cash generated from continuing operating activities increased to € 1.086 billion (2014: € 694 million), driven by a significant increase in income before taxes, partly offset by an increase in income taxes paid. Net cash used in investing activities increased to € 591 million (2014: € 537 million). Net cash used in continuing investing activities increased to € 584 million (2014: € 531 million), mainly as a result of the

### 34 CAPITAL EXPENDITURE BY REGION



### 35 CAPITAL EXPENDITURE BY TYPE



### 36 NET BORROWINGS/EBITDA<sup>1</sup> € IN MILLIONS

2015	0.3
2014	0.1
2013	(0.2)
2012	(0.3)
2011	(0.1)

<sup>1</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

acquisition of Runtastic, partly offset by proceeds from the divestiture of the Rockport business and lower purchases of property, plant and equipment. The majority of investing activities in 2015 related to spending for property, plant and equipment, such as investments in the furnishing and fitting of our own-retail stores, investments in the Group's logistics infrastructure and IT systems. Net cash used in financing activities totalled € 691 million (2014: € 118 million), mainly related to the dividend paid to shareholders of € 303 million as well as the repurchase of treasury shares in the amount of € 301 million. Exchange rate effects negatively impacted the Group's cash position by € 126 million in 2015 (2014: positive impact of € 50 million). As a result of all these developments, cash and cash equivalents decreased by € 318 million to € 1.365 billion at the end of December 2015 compared to € 1.683 billion at the end of December 2014. Net borrowings at December 31, 2015 amounted to € 460 million, compared to net borrowings of € 185 million in 2014, representing an increase of € 275 million. This development is mainly a result of the utilisation of cash for the share buyback programme in an amount of € 301 million. The Group's ratio of net borrowings over EBITDA amounted to 0.3 at the end of December 2015 (2014: 0.1).

see Diagram 37

see Treasury, p. 124  
see Glossary, p. 260

see Diagram 36

see Internal Group Management System, p. 102

Operating cash flow, as described in the Internal Group Management System, increased 17% to € 620 million in 2015 from € 530 million in 2014, mainly due to a higher operating profit.

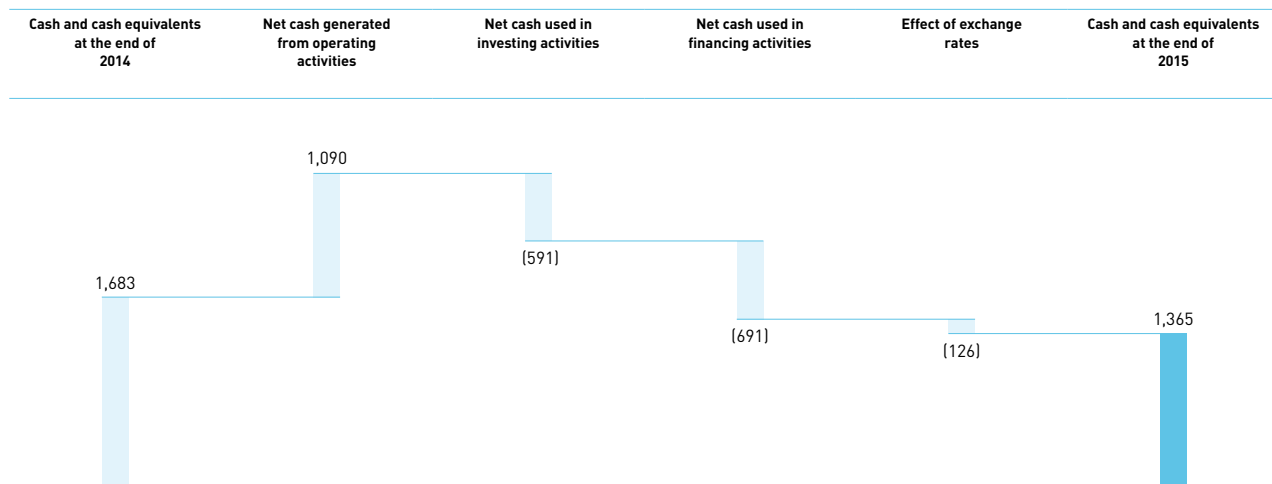
### OFF-BALANCE SHEET ITEMS

The Group's most significant off-balance sheet items are commitments for promotion and advertising as well as operating leases, which are related to own-retail stores, offices, warehouses and equipment. The Group has entered into various operating leases as opposed to property acquisitions in order to reduce exposure to property value fluctuations. Minimum future lease payments for operating leases were € 2.199 billion at December 31, 2015, compared to € 1.711 billion at the end of December 2014, representing an increase of 29%. At the end of December 2015, financial commitments for promotion and advertising increased 11% to € 5.779 billion in 2015 (2014: € 5.193 billion).

see Note 28, p. 226

see Note 38, p. 245

### 37 CHANGE IN CASH AND CASH EQUIVALENTS € IN MILLIONS



## TREASURY

### GROUP FINANCING POLICY

In order to be able to meet the Group's payment commitments at all times, the major goal of our financing policy is to ensure sufficient liquidity reserves, while at the same time minimising the Group's financial expenses. The operating activities of our Group segments and the resulting cash inflows represent the Group's main source of liquidity. Liquidity is planned on a rolling monthly basis under a multi-year financial and liquidity plan. This comprises all consolidated Group companies. Our in-house bank concept takes advantage of any surplus funds of individual Group companies to cover the financial requirements of others, thus reducing external financing needs and optimising our net interest expenses. By settling intercompany transactions via intercompany financial accounts, we are able to reduce external bank account transactions and thus bank charges. Effective management of our currency exposure and interest rate risks are additional goals and responsibilities of our Group Treasury department.

### TREASURY SYSTEM AND RESPONSIBILITIES

Our Group's Treasury Policy governs all treasury-related issues, including banking policy and approval of bank relationships, financing arrangements and liquidity/asset management, currency and interest risk management as well as the management of intercompany cash flows. Responsibilities are arranged in a three-tiered approach:

- The Treasury Committee consists of members of the Executive Board and other senior executives who decide on the Group's Treasury Policy and provide strategic guidance for managing treasury-related topics. Major changes to our Treasury Policy are subject to the prior approval of the Treasury Committee.
- The Group Treasury department is responsible for specific centralised treasury transactions and for the global implementation of our Group's Treasury Policy.
- On a subsidiary level, where applicable and economically reasonable, local managing directors and financial controllers are responsible for managing treasury matters in their respective subsidiaries. Controlling functions on a Group level ensure that the transactions of the individual business units are in compliance with the Group's Treasury Policy.

### CENTRALISED TREASURY FUNCTION

In accordance with our Group's Treasury Policy, all worldwide credit lines are directly or indirectly managed by the Group Treasury department. Portions of those lines are allocated to the Group's subsidiaries and backed by adidas AG guarantees. As a result of this centralised liquidity management, the Group is well positioned to allocate resources efficiently throughout the organisation. The Group's debt is generally unsecured and may include standard financial covenants, which are reviewed on a quarterly basis. We maintain good relations with numerous partner banks, thereby avoiding a high dependency on any single financial institution. Banking partners of the Group and our subsidiaries are required to have at least a BBB+ long-term investment grade rating by Standard & Poor's or an equivalent rating by another leading rating agency. Only in exceptional cases are Group companies authorised to work with banks with a lower rating. To ensure optimal allocation of the Group's liquid financial resources, subsidiaries transfer excess cash to the Group's headquarters in all instances where it is legally and economically feasible. In this regard, the standardisation and consolidation of the Group's global cash management and payment processes, including automated domestic and cross-border cash pools, is a key priority for Group Treasury.

+ see Risk and Opportunity Report, p. 156

+ see Glossary, p. 260



### GROUP FINANCIAL FLEXIBILITY

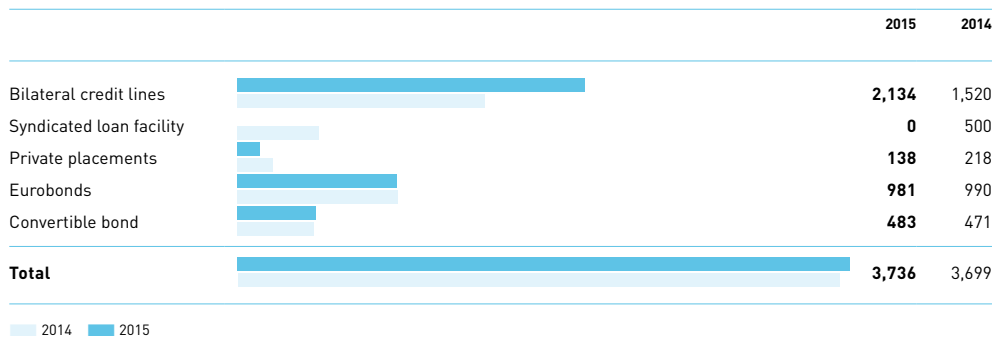
The adidas Group's financial flexibility is ensured by the availability of unutilised credit facilities of € 1.906 billion at the end of 2015 (2014: € 1.846 billion), consisting of committed and uncommitted bilateral credit lines at different banks with a remaining time to maturity of up to five years. In addition, the Group has a multi-currency commercial paper programme in the amount of € 2.0 billion available. We monitor the ongoing need for available credit lines based on the current level of debt as well as future financing requirements.

### EUROBONDS WITH AN OVERALL VOLUME OF € 1 BILLION OUTSTANDING

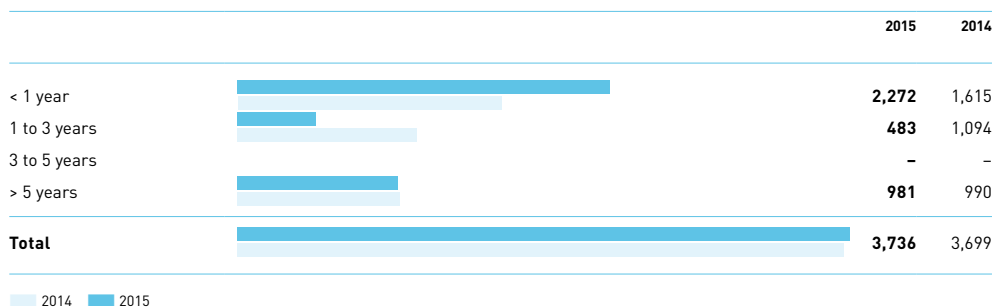
In 2014, the adidas Group issued two Eurobonds with an overall volume of € 1.0 billion, thereby taking the opportunity of a low interest rate environment in the Eurobond market to further strengthen the Group's financing mix while increasing the overall duration. The seven-year Eurobond of € 600 million matures on October 8, 2021 and has a coupon of 1.25%. The twelve-year Eurobond of € 400 million matures on October 8, 2026 and has a coupon of 2.25%.

+ see Note 18, p. 212

#### 38 TOTAL CREDIT FACILITIES € IN MILLIONS



#### 39 REMAINING TIME TO MATURITY OF AVAILABLE FACILITIES € IN MILLIONS



### BILATERAL CREDIT LINES ABOVE PRIOR YEAR LEVEL

At the end of 2015, committed and uncommitted bilateral credit lines grew 40% to € 2.134 billion compared to € 1.520 billion in the prior year, thus more than offsetting the termination of the syndicated loan facility of € 500 million on June 1, 2015. Committed and uncommitted credit lines represent approximately 47% and 53% of total short-term bilateral credit lines, respectively (2014: 15% and 85%, respectively).

see Diagram 40

### STANDARD FINANCIAL COVENANTS

In the case of our committed credit facilities, we have entered into various covenants. These covenants may include limits on the disposal of fixed assets, the amount of debt secured by liens, cross default provisions and change of control. In addition, certain financial arrangements contain equity ratio covenants, minimum equity covenants as well as net loss covenants. If we failed to meet any covenant and were unable to obtain a waiver from a majority of partner banks, borrowings would become due and payable immediately. As at December 31, 2015, we were in full compliance with all of our covenants, with ample coverage above all stipulated minimum requirements. As a result of our cash flow expectations, we are fully confident we will continue to be compliant with these covenants going forward. We believe that cash generated from operating activities, together with access to external sources of funds, will be sufficient to meet our future operating and capital needs.

see Subsequent Events and Outlook, p. 148

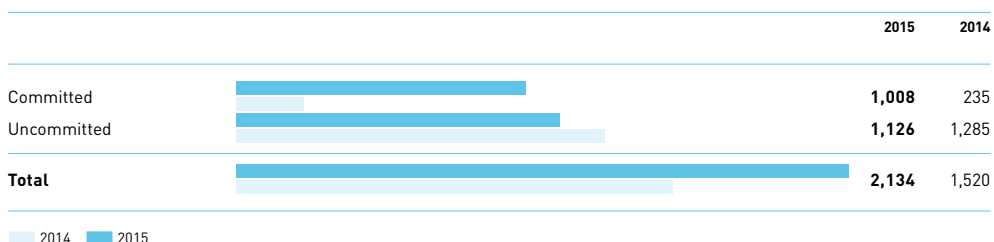
### GROSS BORROWINGS DECREASE

Gross borrowings decreased 2% to € 1.830 billion at the end of 2015 from € 1.873 billion in the prior year. This development was mainly due to the repayment of a US private placement of US \$ 115 million, partly offset by an increase in short-term borrowings. Bank borrowings amounted to € 229 million compared to € 194 million in the prior year. At the end of 2015, no commercial paper was outstanding (2014: € 20 million). Private placements decreased 37% to € 138 million in 2015 (2014: € 218 million). Convertible bonds outstanding increased 2% to € 483 million from € 471 million in the prior year, as a result of accruing the debt component. At issuance in 2012, the convertible bond was split – after deducting the issuance costs – into the equity component amounting to € 55 million and the debt component amounting to € 441 million. The debt component is accrued to its nominal value amounting to € 500 million until 2017 by use of the effective interest method. The total amount of bonds outstanding at the end of 2015 was € 1.463 billion (2014: € 1.461 billion).

see Diagram 42

see Table 43

#### 40 BILATERAL CREDIT LINES € IN MILLIONS



### EURO DOMINATES CURRENCY MIX

The vast majority of our Group's gross borrowings are denominated in euros and US dollars. At the end of 2015, gross borrowings denominated in euros accounted for 80% of total gross borrowings (2014: 80%). The share of gross borrowings held in US dollars increased to 15% (2014: 12%).

see Diagram 41

### STABLE DEBT MATURITY PROFILE

Over the course of 2015, the Group's financing maturity profile remained stable. In 2016, assuming unchanged maturities, debt instruments of € 366 million will mature. This compares to € 288 million which matured during the course of 2015.

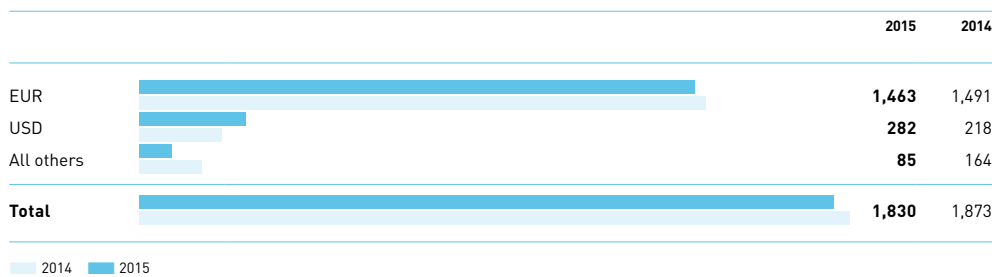
see Diagram 42

### NET DEBT POSITION OF € 460 MILLION

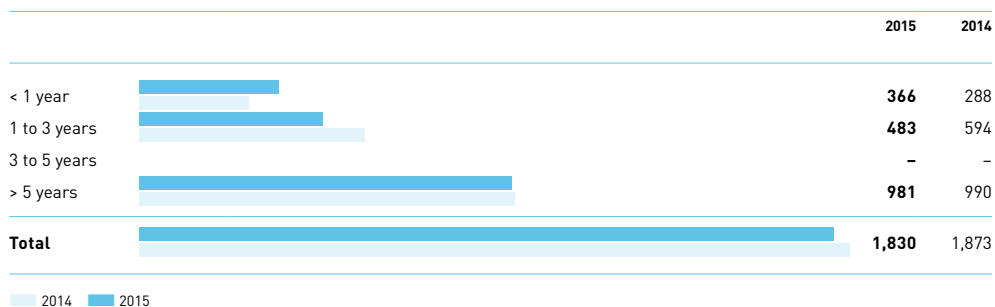
The Group ended the year with a net debt position of € 460 million, compared to a net debt position of € 185 million at the end of the prior year, representing an increase of € 275 million. During 2015, we utilised cash for the second tranche of our share buyback programme in an amount of € 301 million, which contributed to the higher net debt position.

see Diagram 45

#### 41 CURRENCY SPLIT OF GROSS BORROWINGS € IN MILLIONS



#### 42 REMAINING TIME TO MATURITY OF GROSS BORROWINGS € IN MILLIONS



#### 43 FINANCING STRUCTURE<sup>1</sup> € IN MILLIONS

	2015	2014
<b>Cash and short-term financial assets</b>	<b>1,370</b>	<b>1,688</b>
Bank borrowings	229	174
Commercial paper	0	20
Private placements	138	218
Eurobonds	981	990
Convertible bond	483	471
<b>Gross total borrowings</b>	<b>1,830</b>	<b>1,873</b>
<b>Net borrowings</b>	<b>460</b>	<b>185</b>

<sup>1</sup> Rounding differences may arise in totals.

#### 44 ISSUED BONDS AT A GLANCE IN MILLIONS

	Volume	Coupon	Maturity
US private placement	USD 150	fixed	2016
Convertible bond	EUR 500	fixed	2019
Eurobond	EUR 600	fixed	2021
Eurobond	EUR 400	fixed	2026

#### 45 NET CASH/(NET BORROWINGS) € IN MILLIONS

2015	(460)
2014	(185)
2013	295
2012	448
2011	90

#### 46 FINANCIAL LEVERAGE IN %

2015	8.1
2014	3.3
2013	(5.4)
2012	(8.5)
2011	(1.7)

**INTEREST RATE DECREASES**

The weighted average interest rate on the Group's gross borrowings decreased to 2.4% in 2015 (2014: 3.1%). This development is mainly due to the repayment of a US private placement of US \$ 115 million, which carried a higher coupon, as well as lower interest rates on short-term financing. The latter was mainly related to euro-denominated commercial paper which was issued in the course of 2015 to meet seasonal funding needs. Fixed-rate financing represented 87% of the Group's total gross borrowings at the end of 2015 (2014: 90%). Variable-rate financing accounted for 13% of total gross borrowings at the end of the year (2014: 10%).

 see Diagram 47
**47 INTEREST RATE DEVELOPMENT<sup>1</sup> IN %**


2015	2.4
2014	3.1
2013	3.8
2012	4.4
2011	4.9

<sup>1</sup> Weighted average interest rate of gross borrowings.

**EFFECTIVE CURRENCY MANAGEMENT A KEY PRIORITY**

As a globally operating company, the adidas Group is exposed to currency risks. Therefore, effective currency management is a key focus of Group Treasury, with the aim of reducing the impact of currency fluctuations on non-euro-denominated net future cash flows. In this regard, hedging US dollars is a central part of our programme. This is a direct result of the Group's Asian-dominated sourcing, which is largely denominated in US dollars. In 2015, Group Treasury managed a net deficit of around US \$ 6.2 billion related to operational activities (2014: US \$ 5.6 billion). Thereof, around US \$ 3.6 billion was against the euro (2014: US \$ 2.8 billion). As governed by the Group's Treasury Policy, we have established a hedging system on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. As a result, we have almost completed our anticipated hedging needs for 2016 as of year-end 2015 and have already started hedging our exposure for 2017. In 2016, we expect a negative effect from less favourable conversion rates, mainly as a result of the strengthening of the US dollar. The use or combination of different hedging instruments, such as forward exchange contracts, currency options and swaps, protects us against unfavourable currency movements. The use of currency options allows the Group to benefit from future favourable exchange rate developments.

 see Global Operations, p. 74

 see Risk and Opportunity Report, p. 156

## FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF ADIDAS AG

adidas AG is the parent company of the adidas Group. It includes operating business functions, primarily for the German market, as well as corporate headquarter functions such as Marketing, Group Treasury, Taxes, Legal and Finance. It also administers the shareholdings of the company.

### OPERATING ACTIVITIES AND CAPITAL STRUCTURE OF ADIDAS AG

The majority of the operating business of adidas AG consists of the sale of merchandise to retailers and own-retail activities.

In addition to its own trading activities, the results of adidas AG are also influenced by its holding function for the adidas Group. This is reflected primarily in currency effects, transfer of costs for services provided, interest result and income from investments in affiliated companies.

The opportunities and risks as well as the future development of adidas AG largely reflect those of the adidas Group.

The asset and capital structure of adidas AG is also impacted by its holding and financing function for the Group. For example, 56% of total assets in 2015 related to financial assets, which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 27% of total assets and 44% of total liabilities and equity as at December 31, 2015.

### PREPARATION OF ACCOUNTS

Unlike the consolidated financial statements of the adidas Group, which are in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union as at December 31, 2015, the following financial statements of adidas AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch – HGB).

### INCOME STATEMENT

#### 48 STATEMENT OF INCOME IN ACCORDANCE WITH HGB (CONDENSED)<sup>1</sup> € IN MILLIONS

	2015	2014
Net sales	2,416	2,142
<b>Total output</b>	<b>2,416</b>	<b>2,142</b>
Other operating income	1,478	647
Cost of materials	(663)	(600)
Personnel expenses	(488)	(398)
Depreciation and amortisation	(96)	(91)
Other operating expenses	(2,324)	(1,581)
<b>Operating profit</b>	<b>323</b>	<b>119</b>
Financial result	394	128
Taxes	(78)	(71)
<b>Net income</b>	<b>639</b>	<b>176</b>
Retained earnings brought forward	4	110
Withdrawals from other revenue reserves	0	21
<b>Retained earnings</b>	<b>643</b>	<b>307</b>

<sup>1</sup> Rounding differences may arise in totals.

+ see Subsequent Events and Outlook, p. 148  
+ see Risk and Opportunity Report, p. 156

#### 49 ADIDAS AG NET SALES<sup>1</sup> € IN MILLIONS

	2015	2014
Royalty and commission income	1,371	1,177
adidas Germany	821	798
Foreign subsidiaries	139	96
Y-3	63	51
Other revenues	22	20
<b>Total</b>	<b>2,416</b>	<b>2,142</b>

<sup>1</sup> Rounding differences may arise in totals.

#### NET SALES INCREASE 13%

Sales of adidas AG comprise external revenues from adidas and Reebok products generated by adidas Germany, external revenues from Y-3 products as well as Group-internal revenues from foreign subsidiaries. Reported revenues also include royalty and commission income, mainly from affiliated companies, and other revenues. In 2015, adidas AG net sales grew 13% to € 2.416 billion (2014: € 2.142 billion). This growth is mainly due to an increase in royalty income from affiliated companies.

 see Table 49

#### OTHER OPERATING INCOME GROWS STRONGLY

In 2015, other operating income of adidas AG more than doubled to € 1.478 billion (2014: € 647 million). This was primarily due to an increase in income from currency conversion.

#### OTHER OPERATING EXPENSES UP 47%

Other operating expenses of adidas AG increased 47% to € 2.324 billion in 2015 (2014: € 1.581 billion). This increase was primarily attributable to higher losses from currency conversion. In addition, cost transfers within the Group, advertising and promotional expenditure as well as legal and consultancy expenses also increased.

 see Table 48

#### DEPRECIATION AND AMORTISATION INCREASES 5%

Depreciation and amortisation for adidas AG rose 5% to € 96 million in 2015 (2014: € 91 million), mainly as a result of the depreciation and amortisation of office buildings.

#### OPERATING PROFIT INCREASES STRONGLY VERSUS PRIOR YEAR

In 2015, operating profit increased 171% to € 323 million (2014: € 119 million). This was mainly due to higher net sales and improved other operating income.

 see Table 48

### FINANCIAL RESULT IMPROVES SIGNIFICANTLY

The financial result of adidas AG improved to € 394 million in 2015 from € 128 million in 2014. This increase was due to higher income from investments in affiliated companies in an amount of € 436 million (2014: € 170 million).

Net interest expense of adidas AG rose 28% to € 56 million in 2015 (2014: € 44 million). This development was mainly attributable to higher interest expenses from long-term liabilities towards third parties.

### NET INCOME INCREASES STRONGLY

Income from ordinary activities improved 190% to € 716 million in 2015 from € 247 million in 2014. This was mainly due to the improved operating profit and higher financial result. Net income, after taxes of € 78 million, amounted to € 639 million in 2015 and was thus significantly above the prior year level (2014: € 176 million).

 see Table 48

### BALANCE SHEET

#### 50 BALANCE SHEET IN ACCORDANCE WITH HGB (CONDENSED)<sup>1</sup> € IN MILLIONS

	Dec. 31, 2015	Dec. 31, 2014
<b>Assets</b>		
Intangible assets	118	129
Property, plant and equipment	449	419
Financial assets	4,216	3,503
<b>Fixed assets</b>	<b>4,783</b>	<b>4,051</b>
Inventories	48	38
Receivables and other assets	2,157	2,312
Cash and cash equivalents, securities	447	934
<b>Current assets</b>	<b>2,652</b>	<b>3,284</b>
Prepaid expenses	82	80
<b>Total assets</b>	<b>7,517</b>	<b>7,415</b>
<b>Equity and liabilities</b>		
Shareholders' equity	2,087	2,051
Provisions	445	390
Liabilities and other items	4,985	4,974
<b>Total equity and liabilities</b>	<b>7,517</b>	<b>7,415</b>

<sup>1</sup> Rounding differences may arise in totals.



### **TOTAL ASSETS UP 1%**

At the end of December 2015, total assets grew 1% to € 7.517 billion versus € 7.415 billion in the prior year. The increase in financial assets was largely offset by the decrease in current assets.

 see Table 50

### **SHAREHOLDERS' EQUITY 2% ABOVE PRIOR YEAR**

Shareholders' equity increased 2% to € 2.087 billion at the end of December 2015 compared to € 2.051 billion in the prior year. This increase was due to higher retained earnings which more than offset the negative effect resulting from the buyback of treasury shares. The equity ratio remained stable at 28% (2014: 28%).

### **PROVISIONS INCREASE 14%**

Provisions were up 14% to € 445 million at the end of 2015 from € 390 million in 2014. The increase primarily resulted from higher pension provisions.

### **LIABILITIES AND OTHER ITEMS REMAIN STABLE**

At the end of December 2015, liabilities and other items remained virtually unchanged at € 4.985 billion versus the prior year (2014: € 4.974 billion).

 see Table 50

### **CASH INFLOW FROM OPERATING ACTIVITIES REFLECTS NET INCOME**

adidas AG generated a positive cash flow from operating activities of € 1.076 billion (2014: € 61 million). The change versus the prior year was mainly a result of higher net income and lower receivables from affiliated companies. Net cash outflow from investment activities increased to € 830 million (2014: € 221 million). This increase was largely attributable to capital expenditure for financial assets in an amount of € 781 million. Financing activities resulted in a net cash outflow of € 733 million (2014: cash inflow of € 359 million). The net cash outflow from financing activities mainly relates to the dividend payment in an amount of € 303 million and the buyback of treasury shares in an amount of € 300 million. As a result of all these developments, cash and cash equivalents of adidas AG decreased to € 447 million at the end of December 2015 compared to € 934 million at the end of December 2014.

adidas AG has bilateral credit lines of € 1.7 billion. In addition, the company has a multi-currency commercial paper programme in an amount of € 2.0 billion.

adidas AG is able to meet its financial commitments at all times.

## DISCLOSURES PURSUANT TO § 315 SECTION 4 AND § 289 SECTION 4 OF THE GERMAN COMMERCIAL CODE

### COMPOSITION OF SUBSCRIBED CAPITAL

The nominal capital of adidas AG amounts to € 209,216,186 (as at December 31, 2015) and is divided into the same number of registered no-par-value shares with a pro-rata amount in the nominal capital of € 1 each ('shares'). Pursuant to § 4 section 9 of the Articles of Association, shareholders' claims to the issuance of individual share certificates are, in principle, excluded. Each share grants one vote at the Annual General Meeting. All shares carry the same rights and obligations. As at December 31, 2015, adidas AG holds 9,018,769 treasury shares, which however do not confer any rights to the company in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG).

+ see Note 26, p. 220

In the USA, we have issued American Depositary Receipts (ADRs). ADRs are deposit certificates of non-US shares that are traded instead of the original shares on US stock exchanges. Two ADRs equal one share.

+ see Our Share, p. 46

### RESTRICTIONS ON VOTING RIGHTS OR TRANSFER OF SHARES

We are not aware of any contractual agreements with adidas AG or other agreements restricting voting rights or the transfer of shares. Based on the Code of Conduct in conjunction with an internal guideline of adidas AG, however, particular lock-up periods do exist for members of the Executive Board with regard to the purchase and sale of adidas AG shares. These lock-up periods are connected with the publication of quarterly and full year results. Such lock-up periods also exist for employees who have access to yet unpublished financial results.

In addition, restrictions of voting rights may exist pursuant, inter alia, to § 136 AktG or for treasury shares pursuant to § 71b AktG as well as due to capital market regulations, in particular pursuant to §§ 21 et seq. German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

### SHAREHOLDINGS IN SHARE CAPITAL EXCEEDING 10% OF VOTING RIGHTS

We have not been notified of, and are not aware of, any direct or indirect shareholdings in the share capital of adidas AG exceeding 10% of the voting rights.

### SHARES WITH SPECIAL RIGHTS

There are no shares bearing special rights. In particular, there are no shares with rights conferring powers of control.

### VOTING RIGHT CONTROL IF EMPLOYEES HAVE A SHARE IN THE CAPITAL

Like all other shareholders, employees who hold adidas AG shares exercise their control rights directly in accordance with statutory provisions and the Articles of Association.

### EXECUTIVE BOARD APPOINTMENT AND DISMISSAL

Pursuant to § 6 of the Articles of Association and § 84 AktG, the Supervisory Board is responsible for determining the exact number of members of the Executive Board, for their appointment and dismissal as well as for the appointment of the Chief Executive Officer (CEO). The adidas AG Executive Board, which, as a basic principle, comprises at least two members, currently consists of the CEO as well as four further members. Executive Board members may be appointed for a maximum period of five years. Such appointments may be renewed and the terms of office may be extended, provided that no term exceeds five years.

+ see Executive Board, p. 16

The Supervisory Board may revoke the appointment of an individual as member of the Executive Board or CEO for good cause, such as gross negligence of duties or a vote of no confidence by the Annual General Meeting.

As adidas AG is subject to the regulations of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), the appointment of Executive Board members and also their dismissal requires a majority of at least two thirds of the Supervisory Board members (§ 31 MitbestG). If such a majority is not established in the first vote by the Supervisory Board, the Mediation Committee has to present a proposal which, however, does not exclude other proposals. The appointment or dismissal is then made in a second vote with a simple majority of the votes cast by the Supervisory Board members. Should the required majority not be established in this case either, a third vote, again requiring a simple majority, must be held in which, however, the Chairman of the Supervisory Board has two votes.

Furthermore, the competent court shall, in urgent cases, make the necessary appointment upon application by any party involved, if the Executive Board does not have the required number of members (§ 85 section 1 AktG).

### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Pursuant to § 179 section 1 sentence 1 AktG, the Articles of Association of adidas AG can, in principle, only be amended by a resolution passed by the Annual General Meeting. Pursuant to § 21 section 3 of the Articles of Association in conjunction with § 179 section 2 sentence 2 AktG, the Annual General Meeting of adidas AG principally resolves upon amendments to the Articles of Association with a simple majority of the votes cast and with a simple majority of the nominal capital represented when passing the resolution. If mandatory legal provisions stipulate a larger majority of voting rights or capital, this is applicable. When it comes to amendments solely relating to the wording, the Supervisory Board is, however, authorised to make these modifications in accordance with § 179 section 1 sentence 2 AktG in conjunction with § 10 section 1 of the Articles of Association.

### **AUTHORISATIONS OF THE EXECUTIVE BOARD**

The authorisations of the Executive Board are regulated by §§ 76 et seq. AktG in conjunction with §§ 7 and 8 of the Articles of Association. The Executive Board is responsible, in particular, for managing the company and represents the company judicially and extra-judicially.

### **AUTHORISATION OF THE EXECUTIVE BOARD TO ISSUE SHARES**

The authorisation of the Executive Board to issue shares is regulated by § 4 of the Articles of Association and by statutory provisions:

#### **Authorised Capital**

- Until June 2, 2018, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind once or several times by no more than € 25,000,000 altogether (Authorised Capital 2015).
- Until June 30, 2018, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether (Authorised Capital 2013/I).
- Until June 30, 2018, the Executive Board is authorised to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 20,000,000 altogether (Authorised Capital 2013/III).

Subject to Supervisory Board approval, shareholders' subscription rights may be excluded in certain cases for each of the above-mentioned authorisations.

 see Note 26, p. 220

#### **Contingent Capital**

- The nominal capital of the company is conditionally increased by up to € 36,000,000 (Contingent Capital 2010). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued up to May 5, 2015 based on the resolution of the Annual General Meeting on May 6, 2010 subscription or conversion rights relating to no more than a total of 36,000,000 shares in compliance with the corresponding conditions of the bonds.

On March 14, 2012, following the approval of the Supervisory Board, the Executive Board resolved to make partial use of the authorisation granted by the Annual General Meeting on May 6, 2010 and issued a convertible bond, excluding shareholders' subscription rights, on March 21, 2012. However, the shares will only be issued insofar as bondholders make use of their conversion rights. The total number of shares to be issued to bondholders in case of full conversion currently amounts to up to 6,097,243 shares.

Moreover, the authorisation to issue bonds with warrants and/or convertible bonds granted on May 6, 2010 was cancelled by resolution of the Annual General Meeting on May 8, 2014.

- Furthermore, the nominal capital of the company is conditionally increased by up to € 12,500,000 (Contingent Capital 2014). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued based on the resolution of the Annual General Meeting on May 8, 2014 subscription or conversion rights relating to no more than a total of 12,500,000 shares in compliance with the corresponding conditions of the bonds. Based on the authorisation granted by the Annual General Meeting on May 8, 2014, the Executive Board is authorised, subject to Supervisory Board approval, to issue bonds with warrants and/or convertible bonds in an aggregate nominal value of up to € 1 billion with or without a limited term, against contributions in cash once or several times until May 7, 2019, and to guarantee bonds issued by subordinated Group companies. The Executive Board is also authorised, subject to Supervisory Board approval, to exclude shareholders' subscription rights for fractional amounts and to exclude shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of previously issued bonds are entitled. Furthermore, the Executive Board is authorised, subject to Supervisory Board approval, to also exclude shareholders' subscription rights if the issue price of the bonds is not significantly below the hypothetical market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. The issuance of new shares or the use of treasury shares must be taken into account when calculating the limit of 10% in certain other specific cases.

The Executive Board has so far not utilised the authorisation to issue bonds with warrants and/or convertible bonds granted by the Annual General Meeting on May 8, 2014.

#### **AUTHORISATION OF THE EXECUTIVE BOARD TO REPURCHASE SHARES**

The authorisations of the Executive Board to repurchase adidas AG shares arise from §§ 71 et seq. AktG and, as at the balance sheet date, from the authorisation granted by the Annual General Meeting on May 8, 2014.

- Until May 7, 2019, the Executive Board is authorised to repurchase adidas AG shares of up to an amount totalling 10% of the nominal capital at the date of the resolution (or, as the case may be, a lower amount of nominal capital at the date of utilisation of the authorisation) for any lawful purpose and within the legal framework. The authorisation may be used by the company but also by its subordinated Group companies or by third parties on account of the company or its subordinated Group companies or third parties assigned by the company or one of its subordinated Group companies.

The repurchase will be carried out via the stock exchange, through a public invitation to submit sale offers, through a public repurchase offer, or through granting tender rights to shareholders. Furthermore, the authorisation sets out the lowest and highest nominal value that may be granted in each case.

The purposes for which adidas AG shares repurchased based on this authorisation may be used are set out in the resolution on Item 8 of the Agenda for the Annual General Meeting held on May 8, 2014. The shares may in particular be used as follows:

- They may be sold via the stock exchange, through a public share purchase offer made to all shareholders or sold otherwise against cash (limited to 10% of the nominal capital taking into account certain offsets) at a price not significantly below the stock market price of shares with the same features.
- They may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies, participations in companies or other economic assets or within the scope of company mergers.

- They may be offered and sold as consideration for the acquisition of industrial property rights or intangible property rights or for the acquisition of licences relating to such rights, also through subordinated Group companies.
- They may be used for purposes of meeting the subscription or conversion rights or obligations or the company's right to delivery of shares arising from bonds with warrants and/or convertible bonds issued by the company or its subordinated Group companies.
- They may be cancelled without the cancellation, or the execution thereof, requiring an additional resolution of the Annual General Meeting.

Furthermore, the shares may be assigned to members of the Executive Board as compensation by way of a stock bonus subject to the provision that resale by the Executive Board members shall only be permitted following a retention period of at least three years from the date of assignment. Responsibility in this case lies with the Supervisory Board.

In case of utilisation of shares for the above-mentioned purposes, except for the cancellation of shares, shareholders' subscription rights are excluded.

The Supervisory Board may determine that transactions based on this authorisation may only be carried out subject to the approval of the Supervisory Board or one of its committees.

In the year under review, the Executive Board partly utilised the authorisation to repurchase treasury shares. In the period from March 6, 2015 up to and including June 15, 2015, adidas AG bought back 4,129,627 shares via the stock exchange.

 see Note 26, p. 220

- In the scope of the authorisation resolved by the Annual General Meeting on May 8, 2014, the Executive Board is furthermore authorised to conduct the share buyback also by using equity derivatives which are arranged with a credit institution or financial services institution in close conformity with market conditions. adidas AG may acquire call options issued for physical delivery and/or sell put options or use a combination of call and put options or other equity derivatives if the option conditions ensure that these shares are only delivered if they were purchased in compliance with the equality principle. All share purchases using the aforementioned equity derivatives are limited to a maximum value of 5% of the nominal capital existing at the date on which the resolution was adopted by the Annual General Meeting (or, as the case may be, a lower amount of nominal capital at the date of utilisation of the authorisation). The term of the options may not exceed 18 months and must furthermore be chosen in such a way that the shares are acquired upon the exercise of the options no later than May 7, 2019. The authorisation furthermore sets out the lowest and highest nominal value that may be granted in each case.

For excluding subscription rights as well as for the use and cancellation of shares purchased using equity derivatives, the general provisions adopted by the Annual General Meeting (set out above) are applicable accordingly.

#### **CHANGE OF CONTROL/COMPENSATION AGREEMENTS**

Material agreements entered into by adidas AG containing a change-of-control clause relate to financing agreements. In the case of a change of control, these agreements, in accordance with common practice, entitle the creditor to termination and early calling-in of any outstanding amounts.

No compensation agreements exist between adidas AG and members of the Executive Board or employees relating to the event of a takeover bid.

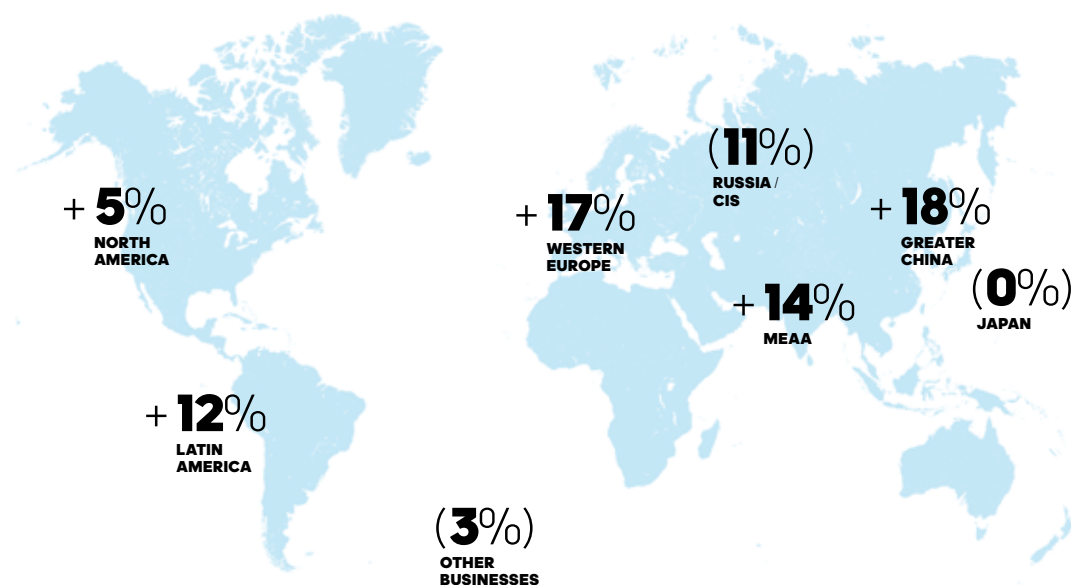
# BUSINESS PERFORMANCE BY SEGMENT

The adidas Group has divided its operating activities into the following operating segments: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea, Southeast Asia/Pacific, TaylorMade-adidas Golf, Reebok-CCM Hockey, Runtastic and Other centrally managed businesses. While the business segments Western Europe, North America, Greater China, Russia/CIS, Latin America and Japan are reported separately, the markets Middle East, South Korea and Southeast Asia/Pacific are combined to the segment MEAA ('Middle East, Africa and other Asian markets'). Each market comprises all business activities in the wholesale and retail distribution channels of the adidas and Reebok brands. The segmental results of TaylorMade-adidas Golf, Reebok-CCM Hockey, Runtastic and Other centrally managed businesses, including brands such as Y-3 and Five Ten, are aggregated under Other Businesses. Segmental operating expenses primarily relate to expenditure for point-of-sale and marketing investments as well as expenditure for sales force, logistics and administration.

## 01 NET SALES BY SEGMENT € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Western Europe	4,539	3,793	20%	17%
North America	2,753	2,217	24%	5%
Greater China	2,469	1,786	38%	18%
Russia/CIS	739	1,098	(33%)	(11%)
Latin America	1,783	1,612	11%	12%
Japan	776	744	4%	(0%)
MEAA	2,388	1,925	24%	14%
Other Businesses	1,467	1,358	8%	(3%)
<b>Total<sup>1</sup></b>	<b>16,915</b>	<b>14,534</b>	<b>16%</b>	<b>10%</b>

<sup>1</sup> Rounding differences may arise in totals.



## WESTERN EUROPE

### REVENUES IN WESTERN EUROPE UP 17%

In 2015, sales in Western Europe increased 17% on a currency-neutral basis, due to double-digit sales growth at both adidas and Reebok. From a market perspective, the main contributors to the increase were the UK, Italy, France and Spain, where revenues grew at double-digit rates each. Currency translation effects positively impacted revenues in euro terms. Sales in Western Europe grew 20% to € 4.539 billion from € 3.793 billion in 2014.

 see Table 02

adidas revenues in Western Europe grew 18% on a currency-neutral basis in 2015. This development was driven by double-digit sales growth in the football category as well as at adidas Originals and adidas neo. In addition, growth in the running and outdoor categories also contributed to the sales increase. Currency translation effects had a positive impact on revenues in euro terms. adidas sales in Western Europe increased 20% to € 4.193 billion (2014: € 3.485 billion).

Reebok revenues in Western Europe were up 11% on a currency-neutral basis in 2015. This increase was mainly due to double-digit sales growth in the training and studio categories. In addition, high-single-digit growth in the running category and mid-single-digit increases in Classics also contributed to the development. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales in Western Europe were up 12% to € 347 million from € 308 million in the prior year.

### SIGNIFICANTLY IMPROVED OPERATING MARGIN IN WESTERN EUROPE

Gross margin in Western Europe increased 2.1 percentage points to 47.5% in 2015 from 45.4% in 2014. This development was driven by positive currency effects as well as a more favourable product and channel mix, partly offset by higher input costs and a less favourable pricing mix. Gross profit in Western Europe increased 25% to € 2.157 billion versus € 1.722 billion in 2014.

 see Table 02

Operating expenses were up 18% to € 1.248 billion versus € 1.055 billion in 2014. This development reflects an increase in expenditure for point-of-sale and marketing investments as well as higher sales expenditure. Operating expenses as a percentage of sales decreased 0.3 percentage points to 27.5% (2014: 27.8%).

Operating margin improved 2.5 percentage points to 20.0% (2014: 17.6%), as a result of the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales. Operating profit in Western Europe increased 36% to € 909 million versus € 666 million in the prior year.

 see Table 02

## 02 WESTERN EUROPE AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	4,539	3,793	20%	17%
adidas	4,193	3,485	20%	18%
Reebok	347	308	12%	11%
Gross profit	2,157	1,722	25%	-
Gross margin	47.5%	45.4%	2.1 pp	-
Segmental operating profit	909	666	36%	-
Segmental operating margin	20.0%	17.6%	2.5 pp	-

<sup>1</sup> Rounding differences may arise in totals.

## NORTH AMERICA

### SALES INCREASE 5% IN NORTH AMERICA

In 2015, sales in North America increased 5% on a currency-neutral basis, as a result of high-single-digit growth at adidas. Currency translation effects positively impacted revenues in euro terms. Sales in North America grew 24% to € 2.753 billion from € 2.217 billion in 2014.

 see Table 03

adidas revenues in North America grew 9% on a currency-neutral basis in 2015, reflecting double-digit sales growth at adidas Originals and adidas neo as well as increases in the football and training categories. Currency translation effects had a positive impact on revenues in euro terms. adidas sales in North America increased 28% to € 2.231 billion (2014: € 1.739 billion).

Reebok revenues in North America decreased 7% on a currency-neutral basis in 2015, as sales growth in the training and studio categories was more than offset by declines in the running and walking categories as well as in Classics. This development also reflects the brand's continued efforts to further streamline Reebok's factory outlet business in North America. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales in North America were up 9% to € 523 million from € 477 million in the prior year.

### GROSS MARGIN IN NORTH AMERICA IMPROVES BY 1.1 PERCENTAGE POINTS

Gross margin in North America increased 1.1 percentage points to 36.6% in 2015 from 35.5% in 2014. This development was mainly due to the positive effects from a more favourable channel, product and pricing mix, partly offset by higher input costs as well as negative currency effects. Gross profit in North America increased 28% to € 1.008 billion versus € 787 million in 2014.

 see Table 03

Operating expenses were up 39% to € 977 million versus € 702 million in 2014. This reflects the planned significant increase in expenditure for point-of-sale and marketing investments as well as sales expenditure to support the company's growth in the region. As a result, operating expenses as a percentage of sales increased 3.8 percentage points to 35.5% (2014: 31.7%).

Operating margin decreased 2.9 percentage points to 2.5% (2014: 5.4%), as the positive effect from the gross margin increase was more than offset by higher operating expenses as a percentage of sales. Operating profit in North America decreased 42% to € 69 million (2014: € 120 million).

 see Table 03

### 03 NORTH AMERICA AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	2,753	2,217	24%	5%
adidas	2,231	1,739	28%	9%
Reebok	523	477	9%	(7%)
Gross profit	1,008	787	28%	-
Gross margin	36.6%	35.5%	1.1pp	-
Segmental operating profit	69	120	(42%)	-
Segmental operating margin	2.5%	5.4%	(2.9pp)	-

<sup>1</sup> Rounding differences may arise in totals.



## GREATER CHINA

### REVENUES IN GREATER CHINA GROW 18%

In 2015, sales in Greater China increased 18% on a currency-neutral basis, as a result of double-digit sales growth at both adidas and Reebok. Currency translation effects positively impacted revenues in euro terms. Sales in Greater China grew 38% to € 2.469 billion from € 1.786 billion in 2014.

 see Table 04

adidas revenues in Greater China grew 17% on a currency-neutral basis in 2015. The increase was mainly due to double-digit sales growth in the training and running categories as well as at adidas Originals and adidas neo. Currency translation effects had a positive impact on revenues in euro terms. adidas sales in Greater China increased 37% to € 2.411 billion (2014: € 1.759 billion).

Reebok revenues in Greater China increased 83% on a currency-neutral basis in 2015, driven by significant sales increases in the walking category and in Classics, where revenues more than doubled, as well as strong double-digit sales growth in running. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales in Greater China more than doubled to € 58 million from € 27 million in the prior year.

### GREATER CHINA OPERATING MARGIN INCREASES TO 35.1%

Gross margin in Greater China increased 0.1 percentage points to 57.1% in 2015 (2014: 57.1%). This development was driven by a more favourable pricing, channel and product mix, partly offset by higher input costs as well as negative currency effects. Gross profit in Greater China increased 38% to € 1.411 billion versus € 1.019 billion in 2014.

 see Table 04

Operating expenses were up 36% to € 545 million versus € 402 million in 2014. This was due to an increase in expenditure for point-of-sale and marketing investments as well as higher sales expenditure. Operating expenses as a percentage of sales decreased 0.4 percentage points to 22.1% (2014: 22.5%).

Operating margin increased 0.5 percentage points to 35.1% (2014: 34.6%), as a result of the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales. Operating profit in Greater China increased 40% to € 866 million versus € 617 million in the prior year.

 see Table 04

#### 04 GREATER CHINA AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	2,469	1,786	38%	18%
adidas	2,411	1,759	37%	17%
Reebok	58	27	115%	83%
Gross profit	1,411	1,019	38%	-
Gross margin	57.1%	57.1%	0.1 pp	-
Segmental operating profit	866	617	40%	-
Segmental operating margin	35.1%	34.6%	0.5 pp	-

<sup>1</sup> Rounding differences may arise in totals.

## RUSSIA/CIS

### RUSSIA/CIS REVENUES DECLINE

In 2015, sales in Russia/CIS decreased 11% on a currency-neutral basis, mainly due to sales declines at adidas. Currency translation effects negatively impacted revenues in euro terms. Revenues in Russia/CIS declined 33% to € 739 million from € 1.098 billion in 2014.

 see Table 05

adidas revenues decreased 13% on a currency-neutral basis in Russia/CIS in 2015. This development was due to sales declines in most categories. Currency translation effects had a negative impact on revenues in euro terms. adidas sales in Russia/CIS declined 35% to € 570 million (2014: € 872 million).

Reebok revenues in Russia/CIS decreased 1% on a currency-neutral basis in 2015. Sales growth in the training and studio categories was more than offset by sales declines in the walking category. Currency translation effects had a negative impact on revenues in euro terms. Reebok sales in Russia/CIS were down 25% to € 170 million from € 226 million in the prior year.

### OPERATING EXPENSES IN RUSSIA/CIS REDUCED BY 30%

Gross margin in Russia/CIS decreased 2.6 percentage points to 56.0% in 2015 from 58.6% in 2014. The positive impact from a significantly more favourable pricing mix was more than offset by negative currency effects as well as higher input costs. Gross profit in Russia/CIS decreased 36% to € 414 million versus € 644 million in 2014.

 see Table 05

Operating expenses were down 30% to € 329 million versus € 471 million in 2014. This was due to significantly lower sales expenditure, reflecting the reduction in the number of stores. Operating expenses as a percentage of sales increased 1.6 percentage points to 44.6% (2014: 42.9%).

Operating margin decreased 4.3 percentage points to 11.4% (2014: 15.7%), due to the gross margin decline as well as the negative effect of higher operating expenses as a percentage of sales. Operating profit in Russia/CIS decreased 51% to € 85 million versus € 173 million in the prior year.

 see Table 05

## 05 RUSSIA/CIS AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	739	1,098	(33%)	(11%)
adidas	570	872	(35%)	(13%)
Reebok	170	226	(25%)	(1%)
Gross profit	414	644	(36%)	-
Gross margin	56.0%	58.6%	(2.6pp)	-
Segmental operating profit	85	173	(51%)	-
Segmental operating margin	11.4%	15.7%	(4.3pp)	-

<sup>1</sup> Rounding differences may arise in totals.

## LATIN AMERICA

### DOUBLE-DIGIT SALES GROWTH AT ADIDAS AND REEBOK IN LATIN AMERICA

In 2015, sales in Latin America increased 12% on a currency-neutral basis, as a result of double-digit sales growth at both adidas and Reebok. From a market perspective, the top-line development was driven by double-digit sales growth in Argentina, Mexico, Chile, Peru and Colombia. Currency translation effects negatively impacted revenues in euro terms. Sales in Latin America grew 11% to € 1.783 billion from € 1.612 billion in 2014.

 see Table 06

adidas revenues grew 11% on a currency-neutral basis in Latin America in 2015. This increase was supported by double-digit sales increases in the training, basketball and outdoor categories as well as at adidas Originals and adidas neo. In addition, mid-single-digit sales growth in the running category contributed to this development. Currency translation effects had a negative impact on revenues in euro terms. adidas sales in Latin America increased 9% to € 1.516 billion (2014: € 1.389 billion).

Reebok revenues in Latin America increased 16% on a currency-neutral basis in 2015, driven by double-digit sales growth in the running, training and walking categories. In addition, mid-single-digit sales growth in Classics also contributed to this development. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales in Latin America were up 19% to € 266 million from € 223 million in the prior year.

### PROFITABILITY IN LATIN AMERICA INCREASES SIGNIFICANTLY

Gross margin in Latin America increased 2.2 percentage points to 42.4% in 2015 from 40.2% in 2014. This development was driven by a more favourable pricing and channel mix, partly offset by negative currency effects as well as higher input costs. Gross profit in Latin America increased 17% to € 756 million versus € 648 million in 2014.

 see Table 06

Operating expenses were up 16% to € 521 million versus € 450 million in 2014. This was primarily due to higher sales expenditure as well as an increase in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales increased 1.3 percentage points to 29.2% (2014: 27.9%).

Operating margin increased 0.8 percentage points to 13.2% (2014: 12.3%), due to the increase in gross margin, partly offset by the negative effect of higher operating expenses as a percentage of sales. Operating profit in Latin America increased 18% to € 235 million versus € 199 million in the prior year.

 see Table 06

#### 06 LATIN AMERICA AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	1,783	1,612	11%	12%
adidas	1,516	1,389	9%	11%
Reebok	266	223	19%	16%
Gross profit	756	648	17%	–
Gross margin	42.4%	40.2%	2.2pp	–
Segmental operating profit	235	199	18%	–
Segmental operating margin	13.2%	12.3%	0.8pp	–

<sup>1</sup> Rounding differences may arise in totals.

## JAPAN

### STABLE REVENUE DEVELOPMENT IN JAPAN

In 2015, sales in Japan remained stable on a currency-neutral basis. Currency translation effects positively impacted revenues in euro terms. Sales in Japan grew 4% to € 776 million from € 744 million in 2014.

 see Table 07

adidas revenues remained stable on a currency-neutral basis in Japan in 2015. Double-digit growth at adidas Originals as well as high-single-digit increases in the running category were offset by declines in the training and football categories, the latter being mainly due to the non-recurrence of sales related to the 2014 FIFA World Cup. Currency translation effects had a positive impact on revenues in euro terms. adidas sales in Japan increased 4% to € 696 million (2014: € 667 million).

Reebok revenues in Japan decreased 1% on a currency-neutral basis in 2015. Strong sales growth in the running category, where revenues more than doubled, as well as in Classics was more than offset by sales declines in the walking category. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales in Japan were up 3% to € 80 million from € 77 million in the prior year.

### OPERATING MARGIN IN JAPAN IMPROVES 2.8 PERCENTAGE POINTS

Gross margin in Japan increased 3.7 percentage points to 47.1% in 2015 from 43.4% in 2014. The increase was driven by a more favourable channel and pricing mix, partly offset by negative currency effects, higher input costs as well as a less favourable product mix. Gross profit in Japan increased 13% to € 365 million versus € 323 million in 2014.

 see Table 07

Operating expenses were up 7% to € 231 million versus € 217 million in 2014, as a result of higher sales expenditure as well as an increase in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales increased 0.7 percentage points to 29.8% (2014: 29.1%).

Operating margin improved 2.8 percentage points to 19.0% (2014: 16.2%) as a result of the gross margin increase, partly offset by the negative effect of higher operating expenses as a percentage of sales. Operating profit in Japan increased 22% to € 147 million versus € 121 million in the prior year.

 see Table 07

#### 07 JAPAN AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	776	744	4%	(0%)
adidas	696	667	4%	(0%)
Reebok	80	77	3%	(1%)
Gross profit	365	323	13%	-
Gross margin	47.1%	43.4%	3.7pp	-
Segmental operating profit	147	121	22%	-
Segmental operating margin	19.0%	16.2%	2.8pp	-

<sup>1</sup> Rounding differences may arise in totals.

## MEAA (MIDDLE EAST, AFRICA AND OTHER ASIAN MARKETS)

### SALES IN MEAA INCREASE 14%

In 2015, sales in MEAA increased 14% on a currency-neutral basis, as a result of double-digit sales growth at both adidas and Reebok. From a market perspective, the main contributors to the increase were South Korea, the United Arab Emirates, Turkey, Israel and Australia, where revenues grew at double-digit rates each. Currency translation effects positively impacted revenues in euro terms. Sales in MEAA grew 24% to € 2.388 billion from € 1.925 billion in 2014.

 see Table 08

adidas revenues in MEAA grew 13% on a currency-neutral basis in 2015. This development was mainly due to double-digit sales increases in the training and running categories as well as at adidas Originals. Currency translation effects had a positive impact on revenues in euro terms. adidas sales in MEAA increased 23% to € 2.091 billion (2014: € 1.693 billion).

Reebok revenues in MEAA increased 15% on a currency-neutral basis in 2015, driven by double-digit sales growth in the training, running and studio categories as well as in Classics. Currency translation effects had a positive impact on revenues in euro terms. Reebok sales in MEAA were up 28% to € 298 million from € 232 million in the prior year.

### OPERATING PROFIT IN MEAA UP 20%

Gross margin in MEAA decreased 0.2 percentage points to 51.4% in 2015 from 51.7% in 2014. The positive impact from a more favourable pricing, product and channel mix was more than offset by negative currency effects and higher input costs. Gross profit in MEAA increased 23% to € 1.228 billion versus € 995 million in 2014.

 see Table 08

Operating expenses were up 28% to € 565 million versus € 442 million in 2014. This was due to higher sales expenditure as well as an increase in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales increased 0.7 percentage points to 23.7% (2014: 22.9%).

Operating margin decreased 1.0 percentage points to 27.8% (2014: 28.8%), due to the gross margin decline as well as the negative effect from higher operating expenses as a percentage of sales. Operating profit in MEAA increased 20% to € 664 million versus € 555 million in the prior year.

 see Table 08

#### 08 MEAA AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	2,388	1,925	24%	14%
adidas	2,091	1,693	23%	13%
Reebok	298	232	28%	15%
Gross profit	1,228	995	23%	–
Gross margin	51.4%	51.7%	(0.2pp)	–
Segmental operating profit	664	555	20%	–
Segmental operating margin	27.8%	28.8%	(1.0pp)	–

<sup>1</sup> Rounding differences may arise in totals.

## OTHER BUSINESSES

### SALES IN OTHER BUSINESSES DECREASE 3%

In 2015, revenues of Other Businesses were down 3% on a currency-neutral basis, as high-single-digit sales increases at Reebok-CCM Hockey as well as double-digit growth in Other centrally managed businesses were more than offset by sales declines at TaylorMade-adidas Golf. Currency translation effects positively impacted revenues in euro terms. Sales of Other Businesses increased 8% to € 1.467 billion (2014: € 1.358 billion).

 see Table 09

TaylorMade-adidas Golf revenues declined 13% on a currency-neutral basis in 2015. This development was due to sales decreases in most categories, in particular metalwoods and irons. Currency translation effects positively impacted TaylorMade-adidas Golf sales in euro terms. Revenues decreased 1% to € 902 million from € 913 million in the prior year.

Currency-neutral Reebok-CCM Hockey sales were up 8%. This increase was mainly due to strong sales growth in key categories such as skates and protective equipment. In addition, double-digit increases in apparel contributed to this development. Currency translation effects positively impacted sales in euro terms. Reebok-CCM Hockey revenues increased 18% to € 317 million in 2015 from € 269 million in 2014.

Other centrally managed businesses revenues increased 35% on a currency-neutral basis, mainly as a result of double-digit sales growth at Y-3 and Five Ten. Currency translation effects had a positive impact on sales in euro terms. Revenues in Other centrally managed businesses increased 38% to € 242 million in 2015 (2014: € 175 million).

### OTHER BUSINESSES DEVELOPMENT BY REGION

In 2015, currency-neutral sales for Other Businesses were mixed amongst the Group's regions. Revenues in Western Europe were up 17% on a currency-neutral basis, driven by strong double-digit sales increases at both Reebok-CCM Hockey and in Other centrally managed businesses, which more than offset double-digit sales declines at TaylorMade-adidas Golf. Sales in North America were down 11% on a currency-neutral basis as sales increases at both Reebok-CCM Hockey and in Other centrally managed businesses were more than offset by double-digit sales declines at TaylorMade-adidas Golf. In Greater China, revenues decreased 25% on a currency-neutral basis, due to double-digit sales decreases at TaylorMade-adidas Golf. Revenues in Russia/CIS were down 58% on a currency-neutral basis as a result of double-digit sales declines at both TaylorMade-adidas Golf and Reebok-CCM Hockey. In Latin America, revenues were up 14% on a currency-neutral basis, driven by double-digit sales increases at TaylorMade-adidas Golf. Sales in Japan increased 1% on a currency-neutral basis, as strong double-digit growth in Other centrally managed businesses was partly offset by sales decreases at TaylorMade-adidas Golf. Currency-neutral sales in MEAA were up 7%, due to high-single-digit sales increases at TaylorMade-adidas Golf, which more than offset sales decreases in Other centrally managed businesses. With the exception of Russia/CIS, currency translation effects had a positive impact on regional sales in euro terms.

 see Table 10

### GROSS MARGIN DECLINES 0.8 PERCENTAGE POINTS

Gross margin in Other Businesses decreased 0.8 percentage points to 33.9% (2014: 34.7%), due to gross margin declines at both TaylorMade-adidas Golf and Reebok-CCM Hockey. Gross profit was up 6% to € 497 million in 2015 versus € 471 million in 2014.

 see Table 09

Operating expenses increased 11% to € 596 million from € 536 million in 2014, as a result of higher sales expenditure as well as an increase in expenditure for point-of-sale and marketing investments. Operating expenses as a percentage of sales increased 1.2 percentage points to 40.6% (2014: 39.5%).

In 2015, Other Businesses recorded an operating loss of € 89 million (2014: operating loss of € 57 million). This resulted in a negative operating margin of 6.1% compared to a negative operating margin of 4.2% in 2014. This development was a result of the gross margin decline as well as the negative effect of higher operating expenses as a percentage of sales.

 see Table 09

### 09 OTHER BUSINESSES AT A GLANCE € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Net sales <sup>1</sup>	1,467	1,358	8%	[3%]
TaylorMade-adidas Golf	902	913	[1%]	[13%]
Reebok-CCM Hockey	317	269	18%	8%
Other centrally managed businesses	242	175	38%	35%
Gross profit	497	471	6%	–
Gross margin	33.9%	34.7%	(0.8pp)	–
Operating profit	[89]	[57]	[56%]	–
Operating margin	(6.1%)	(4.2%)	(1.9pp)	–

<sup>1</sup> Rounding differences may arise in totals.

### 10 OTHER BUSINESSES NET SALES BY REGION € IN MILLIONS

	2015	2014	Change	Change (currency-neutral)
Western Europe	383	315	21%	17%
North America	783	755	4%	[11%]
Greater China	22	25	[12%]	[25%]
Russia/CIS	3	11	[68%]	[58%]
Latin America	11	10	16%	14%
Japan	156	148	6%	1%
MEAA	109	94	16%	7%
<b>Total <sup>1</sup></b>	<b>1,467</b>	<b>1,358</b>	<b>8%</b>	<b>[3%]</b>

<sup>1</sup> Rounding differences may arise in totals.

# SUBSEQUENT EVENTS AND OUTLOOK

In 2016, despite ongoing uncertainties regarding the economic outlook in the emerging economies, in particular China, we expect the global economy and consumer spending to grow, providing a positive backdrop for the continued growth and expansion of the sporting goods industry. Through our extensive pipeline of new and innovative products, increased brand-building activities and the positive effects from major sporting events, including the UEFA EURO 2016, we project significant top- and bottom-line improvements in our Group's financial results in 2016. We forecast adidas Group sales to increase at a rate between 10% and 12% on a currency-neutral basis, driven by the strong momentum at both adidas and Reebok, with growth expected across nearly all market segments. While less favourable hedging rates and higher input costs are projected to weigh on the Group's gross margin development in 2016, these negative effects will be largely compensated by the positive effects from price increases as well as improvements in the channel, regional and product mix. As a result, Group gross margin is forecasted to be at a level between 47.3% and 47.8%. Nevertheless, Group operating margin excluding goodwill impairment is expected to be at least stable compared to the prior year level of 6.5%, due to lower other operating expenses as a percentage of sales. As a result, we project net income from continuing operations excluding goodwill impairment to increase at a rate between 10% and 12% to a level of around € 800 million.

## SUBSEQUENT EVENTS


### KASPER RORSTED TO SUCCEED HERBERT HAINER AS CEO OF ADIDAS AG

On January 18, 2016, the Supervisory Board of adidas AG resolved upon the successor for the long-standing adidas AG CEO Herbert Hainer. Effective August 1, 2016, Kasper Rorsted is appointed as ordinary member of the Executive Board and effective October 1, 2016 as CEO of adidas AG. Herbert Hainer will relinquish his Executive Board mandate effective September 30, 2016.

## OUTLOOK

### FORWARD-LOOKING STATEMENTS

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 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.

 see Risk and Opportunity Report, p. 156



**GLOBAL ECONOMY TO GROW IN 2016<sup>1</sup>**

Global GDP is projected to grow moderately by 2.9% in 2016. At 2.1%, developed economies are expected to grow faster than last year, supported by robust domestic demand and ongoing accommodative monetary policies. GDP in developing countries is forecasted to rise 4.8% in 2016, benefiting from the strengthened recovery in high-income markets as well as the expected stabilisation of commodity prices.

In Western Europe, the region's recovery is expected to continue, supported by lower energy and oil prices fuelling domestic demand. In addition, further accommodative monetary easing by the ECB is predicted to support economic activity, gradually lifting inflation from current low levels. Moreover, low interest rates are expected to spur private consumption and further support household borrowing. However, slow wage growth as well as high unemployment rates and public debt in a number of countries across the region are expected to slow down the region's recovery. As a result, the region's GDP is expected to expand at a rate of 1.4%. In Germany, the economy is projected to grow 1.5% in 2016, with buoyant domestic and private consumer demand as well as robust labour markets and increased government spending prevailing as the major drivers of growth.

European emerging markets are expected to grow at a moderate rate of 1.2% in 2016, as persistent geopolitical tensions and uncertainties will weigh on investment and consumer spending. In addition, adverse currency movements, high inflationary pressures and weak oil prices will negatively impact domestic demand. In particular, Russia's economy is forecasted to contract 0.8% this year, as sluggish business sentiment, weak domestic demand and a tight fiscal policy will continue to weigh on the country's economy.

In the USA, despite higher inflationary pressures, consumer spending and domestic demand are projected to remain the major source of growth, supported by low unemployment rates as well as declining energy and oil prices. However, the strong US dollar will continue to weigh on exports. The Federal Reserve is expected to continue to gradually lift interest rates. As a result, the US economy is forecasted to grow at 2.2% in 2016.

Asia's GDP is projected to increase 5.1% in 2016. With the exception of Japan, growth is expected to remain relatively high during the year, supported by healthy industrial activity, weak oil prices, declining inflationary pressures and significant wage increases, which should bolster consumer spending. While concerns regarding a slowdown in the Chinese economy grew throughout the past year, the nation's GDP is still forecasted to expand by 6.7% in 2016, fuelled by accommodative fiscal and monetary policies, low oil prices as well as robust private consumption. However, export growth is forecasted to weaken, weighing on industrial production and investment growth. Japan is predicted to show signs of economic recovery and grow 1.2%, supported by private consumption, low inflationary pressures, wage and export growth as well as accommodative monetary policies. In India, GDP is expected to expand by 7.8%, fuelled by strong private domestic demand, strengthened investment, low commodity prices and growing consumer and government spending.

In Latin America, GDP is expected to increase 0.4% in 2016. Growth in several countries is forecasted to compensate for Brazil's deepened recession, where political instability, muted consumer confidence, high inflationary pressures and rising unemployment are expected to weigh on domestic demand and to dampen the country's economic activity. In contrast, Mexico and Colombia are projected to record GDP growth in 2016, due to improving domestic demand and export growth. In Argentina, higher inflation as well as sluggish export growth are forecasted to slow down the country's economic activity.

<sup>1</sup> Sources: World Bank, HSBC Global Research, Namura Global Market Research, Morgan Stanley Global Economics.

**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 at a mid-single-digit rate in 2016. In particular, the industry is projected to benefit from major sporting events, such as the UEFA EURO 2016 as well as the Rio 2016 Olympic Games. Consumer spending on sporting goods in the emerging economies is expected to grow faster than in the more developed markets. Private consumption, supported by wage increases in many developed economies, is forecasted to improve moderately in 2016, promoting the modest industry expansion in those markets. However, wage growth in the emerging economies is predicted to continue to add significant costs to the industry, especially where the industry sources and manufactures sporting goods. Many sporting goods retailers will continue to move to a more omni-retail business model with significant emphasis on mobile. E-commerce and investment in digital are anticipated to remain growth areas for the industry.

In Western Europe, lower energy and oil prices should positively impact domestic demand and consumer spending in the sporting goods industry. The region's industry, and in particular the football category, is expected to gain momentum due to the UEFA EURO 2016, which is hosted by France. In the European emerging markets, high inflationary pressures together with low oil prices and the geopolitical tensions in Russia and Ukraine provide additional potential risk of depressing sentiment and economic activity, which is expected to negatively impact private consumption and growth in the sporting goods industry.

In the USA, industry growth rates are expected to be ahead of the economy's overall growth. E-commerce channels are forecasted to remain strong and move even further towards the mobile environment. The trend towards social fitness is set to continue, with class-based fitness activities and other shared experiences gaining significant traction. Casual and retro silhouettes are projected to remain strong across a variety of categories, including running. The US golf market is expected to remain challenging and will most likely continue to face structural challenges.

In Greater China, declining inflationary pressures, strong wage growth and domestic consumption are predicted to propel the sporting goods industry in 2016. In addition, rising sports participation, strongly supported by the Chinese government, is projected to continue to boost sportswear demand. In Japan, the government's stimulus programmes are forecasted to positively impact consumer sentiment and spending, despite subdued wage growth. Most of the other Asian markets, especially India, are projected to see robust sporting goods sales growth in 2016.

In Latin America, the sporting goods industry is forecasted to grow modestly in 2016, mainly benefiting from the Olympic Games, which are being hosted by Brazil. However, headwinds from high inflation, weakness in labour market conditions as well as low commodity prices are expected to have negative implications for consumer spending in the region's largest economies, e.g. Brazil and Argentina, which will slow down the industry's overall growth.

**ADIDAS GROUP CURRENCY-NEUTRAL SALES TO INCREASE  
AT A RATE BETWEEN 10% AND 12% IN 2016**

We expect adidas Group sales to increase at a rate between 10% and 12% on a currency-neutral basis in 2016. Despite ongoing uncertainties regarding the economic outlook in the emerging economies, Group sales development will be favourably impacted by rising consumer spending on sporting goods, supported by the ongoing robust athleisure trend as well as increased health awareness and sports participation in most geographical areas. In addition, this year's major sporting events will provide a positive stimulus to Group sales. As Official Sponsor of the UEFA EURO 2016 in France, the adidas brand will benefit from additional sales in the football category. Furthermore, the Rio 2016 Olympic Games will provide an excellent platform for the adidas brand to increase its overall presence across the region, and also to present its performance credentials to consumers globally. At Reebok, we project the brand to continue its growth path in 2016, leveraging its strong positioning in 'Tough Fitness' and addressing the most relevant fitness movements in the sporting goods industry. The sales development at TaylorMade-adidas Golf is expected to be impacted by continued structural challenges in the industry and, as part of the restructuring programme initiated during the course of 2015, the resizing of our golf business.

 see Glossary, p. 260

**01 ADIDAS GROUP 2016 OUTLOOK**

<b>Currency-neutral sales development (in %):</b>	
adidas Group	to increase at a rate between 10% and 12%
Western Europe <sup>1</sup>	double-digit rate increase
North America <sup>1</sup>	double-digit rate increase
Greater China <sup>1</sup>	double-digit rate increase
Russia/CIS <sup>1</sup>	around prior year level
Latin America <sup>1</sup>	mid- to high-single-digit rate increase
Japan <sup>1</sup>	high-single-digit rate increase
MEAA <sup>1</sup>	high-single-digit rate increase
Other Businesses	below prior year level
TaylorMade-adidas Golf	below prior year level
Reebok-CCM Hockey	mid-single-digit rate increase
Gross margin	47.3% to 47.8%
Other operating expenses in % of net sales	below prior year level
Operating margin	to remain at least stable versus prior year level
Net income from continuing operations	to increase at a rate between 10% and 12% to around € 800 million
Average operating working capital in % of net sales	around prior year level
Capital expenditure	around € 750 million
Store base	net increase of around 100 stores
Gross borrowings	moderate decline


<sup>1</sup> Combined sales of adidas and Reebok.

### **CURRENCY-NEUTRAL COMBINED SALES OF ADIDAS AND REEBOK EXPECTED TO INCREASE IN MOST MARKET SEGMENTS**

In 2016, we expect currency-neutral combined revenues of adidas and Reebok to increase in all our market segments except Russia/CIS. In Western Europe, gradual macroeconomic improvements, the UEFA EURO 2016 and the ongoing strong brand momentum at adidas and Reebok will positively impact sales development in this region. As a result, we forecast currency-neutral combined sales of adidas and Reebok in Western Europe to grow at a double-digit rate, with both brands contributing to the strong sales increase. In North America, currency-neutral combined sales of adidas and Reebok are also projected to grow at a double-digit rate. At the adidas brand, further improvements to our distribution network, the introduction of highly innovative and fashionable products as well as engaging marketing initiatives will strengthen our ties with consumers and customers alike and help us to accelerate growth in this market. Currency-neutral Reebok sales are forecasted to return to growth in 2016, following the successful streamlining of the brand's factory outlet business in the prior year period. In Greater China, increasing health awareness as well as growing sports participation are projected to provide positive stimulus to the overall sales development. In addition, 2016 will see a further expansion of our distribution footprint in the region. As a result, we expect the strong momentum to continue in 2016, with currency-neutral combined sales of adidas and Reebok forecasted to continue to grow at a double-digit rate. In Russia/CIS, we expect currency-neutral combined sales of adidas and Reebok to stabilise. Revenues of both brands are projected to remain around the prior year level. Consumer confidence and consumer spending remain depressed and will continue to weigh on the overall sales development in this region. In Latin America, despite the challenging macroeconomic conditions in some of the region's major economies, in particular Brazil, the overall sales development is projected to be positively impacted by the strong positioning of the adidas and Reebok brands as well as the Rio 2016 Olympic Games. As a result, we expect currency-neutral combined sales of adidas and Reebok to increase at a mid- to high-single-digit rate, with both adidas and Reebok contributing to this development. In Japan, the government's stimulus programmes are expected to drive improvements in consumer sentiment and private spending, thereby lifting the growth prospects in the country. As we will leverage our market-leading position, currency-neutral combined sales of adidas and Reebok are projected to grow at a high-single-digit rate, with both adidas and Reebok contributing to the increase. Lastly, in MEAA, we expect currency-neutral combined sales of adidas and Reebok to grow at a high-single-digit rate, driven by the ongoing robust brand momentum of both adidas and Reebok across most of the region's major markets, in particular South Korea and the United Arab Emirates.

### **CURRENCY-NEUTRAL SALES OF OTHER BUSINESSES TO BE BELOW THE PRIOR YEAR LEVEL**

In 2016, currency-neutral revenues of Other Businesses are expected to be below the prior year level, as currency-neutral revenues at TaylorMade-adidas Golf are forecasted to decline in 2016. Ongoing structural challenges in golf are expected to continue to weigh on the overall golf market, thus negatively impacting TaylorMade-adidas Golf's sales development. In addition, TaylorMade-adidas Golf will further execute on its restructuring programme, initiated during the course of 2015, aiming at resizing its business going forward. As part of this programme, the company will shift to longer product launch cycles, thereby reducing the number of product launches while at the same time focusing on full-price sell-through. Currency-neutral sales at Reebok-CCM Hockey are projected to grow at a mid-single-digit rate, supported by new product introductions in key categories such as skates and sticks.

 see TaylorMade-adidas Golf Strategy, p. 69

**CURRENCY-NEUTRAL RETAIL REVENUES TO INCREASE  
AT A DOUBLE-DIGIT RATE**

adidas Group currency-neutral retail sales are projected to grow at a double-digit rate in 2016. This development will be driven by significant increases in eCommerce, the further expansion of the Group's own-retail activities as well as comparable store sales growth. We plan to open around 250 new stores in 2016, depending on the availability of desired locations. As approximately 150 stores will be closed over the course of the year, the Group expects a net increase of its store base of around 100 adidas and Reebok stores. Around 250 stores will be remodelled.

**GROUP GROSS MARGIN EXPECTED TO BE IN A RANGE BETWEEN 47.3% AND 47.8%**

In 2016, the adidas Group gross margin is forecasted to be in a range between 47.3% and 47.8% and thus between 50 and 100 basis points below the prior year level (2015: 48.3%). The decline reflects 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. However, these negative effects are projected to be largely offset by the positive effects from a more favourable pricing, product and regional mix at both adidas and Reebok and further enhancements in the Group's channel mix, driven by the continued expansion of our controlled space activities. Higher product margins at TaylorMade-adidas Golf are also expected to help limit the overall gross margin compression.

**GROUP OTHER OPERATING EXPENSES TO DECREASE AS A PERCENTAGE OF SALES**

In 2016, the Group's other operating expenses as a percentage of sales are expected to decrease compared to the prior year level of 43.1%. Expenditure for point-of-sale and marketing investments as a percentage of sales is projected to be around the prior year level (2015: 13.9%). Given the strong momentum at adidas and Reebok, we will continue to invest over-proportionately in both brands to further drive brand desirability and generate sustainable market share gains as well as strong top- and bottom-line growth. In addition, expenditure for marketing investments will be focused around major sporting events such as the UEFA EURO 2016 to leverage the strong visibility of the adidas brand during the event as well as on innovative product launches and engaging grassroots events. In addition, we will support Reebok's growth strategy in key fitness categories, leveraging partnership assets such as CrossFit, Spartan Race and the UFC, while at the same time strengthening Reebok's controlled space initiatives. Operating overhead expenditure as a percentage of sales is forecasted to be below the prior year level (2015: 29.2%). Higher administrative and personnel expenses in the Group's sales and marketing organisation, aimed at supporting the successful execution of 'Creating the New', will be offset by significant leverage in other areas.

**OPERATING MARGIN EXCLUDING GOODWILL IMPAIRMENT  
TO REMAIN AT LEAST STABLE COMPARED TO THE PRIOR YEAR LEVEL**

In 2016, we expect the operating margin excluding goodwill impairment for the adidas Group to remain at least stable compared to the prior year level of 6.5%. Lower other operating expenses as a percentage of sales are forecasted to at least offset the decline in gross margin.

**NET INCOME FROM CONTINUING OPERATIONS EXCLUDING GOODWILL  
IMPAIRMENT TO INCREASE AT A RATE BETWEEN 10% AND 12%**

Net income from continuing operations excluding goodwill impairment is projected to increase at a rate between 10% and 12% to a level of around € 800 million compared to net income from continuing operations excluding goodwill impairment losses of € 720 million in 2015. Net financial expenses are forecasted to increase in 2016, as a result of the non-recurrence of positive exchange rate effects. The Group's tax rate is projected to be at a level of around 30% and thus below the prior year level (2015: tax rate excluding goodwill impairment losses of 32.9%).

**AVERAGE OPERATING WORKING CAPITAL AS A PERCENTAGE OF SALES TO REMAIN STABLE**

In 2016, average operating working capital as a percentage of sales is projected to remain around the prior year level (2015: 20.5%).

**CAPITAL EXPENDITURE OF AROUND € 750 MILLION**

In 2016, capital expenditure is expected to increase to a level of around € 750 million (2015: € 513 million). Investments will mainly focus on adidas and Reebok controlled space initiatives. These investments will account for the vast majority of total capital expenditure in 2016. Other areas of investment include the Group's logistics infrastructure as well as the further development of the adidas Group headquarters in Herzogenaurach. All investments within the adidas Group in 2016 are expected to be fully financed through cash generated from operating activities.

**EXCESS CASH TO BE USED TO SUPPORT GROWTH INITIATIVES**

In 2016, we expect continued positive cash flow from operating activities. Cash will be used to finance working capital needs, investment activities, dividend payments as well as the Group's shareholder return programme. We intend to largely use excess cash to invest in our growth activities, in particular the continued expansion and improvement of our controlled space initiatives as well as the further development of the Group's headquarters. In 2016, gross borrowings of € 366 million mature. In order to ensure long-term flexibility, we aim to maintain a ratio of net borrowings over EBITDA of less than two times as measured at year-end (2015: 0.3).

**EFFICIENT LIQUIDITY MANAGEMENT IN PLACE FOR 2016 AND BEYOND**

Efficient liquidity management remains a priority for the adidas Group in 2016. We focus on continuously anticipating the operating cash flows of our operating segments, as this represents the main source of liquidity within the Group. Liquidity is planned on a rolling monthly basis under a multi-year financial and liquidity plan. Long-term liquidity is ensured by continued positive operating cash flows and sufficient financial flexibility through unused credit facilities.

 see Treasury, p. 124

**MANAGEMENT TO PROPOSE DIVIDEND OF € 1.60**

As a result of the stellar operational performance in 2015, the Group's strong financial position as well as Management's confidence in our long-term growth aspirations, the adidas AG Executive and Supervisory Boards will recommend paying an increased dividend of € 1.60 to shareholders at the Annual General Meeting (AGM) on May 12, 2016 (2014: € 1.50). Subject to shareholder approval, the dividend will be paid on May 13, 2016. Based on the number of shares outstanding at the end of 2015, the total payout of € 320 million (2014: € 306 million) reflects a payout ratio of 47.9% of net income attributable to shareholders, excluding goodwill impairment losses. The payout ratio for 2015 is at the upper end of the increased target range of between 30% and 50% of net income attributable to shareholders as defined in our dividend policy. In the prior year, Management had decided to keep the dividend stable despite a significant decline in net income, resulting in a payout ratio of 53.9%.

## 02 MAJOR 2016 PRODUCT LAUNCHES

Product	Brand
Ace 16+ Pure Control and X15.1 football boots	adidas
Messi football boot	adidas
Ace 16+ Primeknit and X15.1 football boots for women	adidas
Football apparel club kits of Bayern München, Manchester United, Real Madrid, Juventus Turin, AC Milan and Chelsea	adidas
PureBOOST X running shoe for women	adidas
UltraBOOST uncaged running shoe	adidas
adizero Adios running shoe	adidas
Alpha Bounce running shoe	adidas
Originals Tubular shoe	adidas
Originals Yeezy Boost 350 black shoe	adidas
Originals ZX Flux Modern shoe	adidas
Originals NMD shoe	adidas
Cloudfoam footwear	adidas
Studio apparel collection for girls	adidas
Terrex x-king outdoor shoe	adidas
Terrex skyclimb alpha outdoor jacket	adidas
ZPump Fusion 2.0 running shoe	Reebok
Nano 6.0 training shoe	Reebok
Combat training apparel	Reebok
Urban yoga apparel	Reebok
FuryLite shoe	Reebok
M2 drivers, fairway woods and hybrids	TaylorMade
OS putters	TaylorMade
Tour 360 Boost golf shoe	adidas Golf
CCM Super Tacks skate	CCM
CCM FitLite 3DS helmet	CCM
CCM RBZ revolution stick	CCM

# RISK AND OPPORTUNITY REPORT

The adidas Group consciously takes certain risks and continuously explores and develops opportunities in order to remain competitive and ensure sustainable success. Our risk and opportunity management principles and system provide the framework for our Group to conduct business in a well-controlled environment.

## RISK AND OPPORTUNITY MANAGEMENT PRINCIPLES

We define risk as the potential occurrence of an external or internal event (or series of events) that may negatively impact our ability to achieve the Group's business objectives or financial goals. Opportunity is defined as the potential occurrence of an external or internal event (or series of events) that can positively impact the Group's ability to achieve its business objectives or financial goals. We have summarised risks in four main categories: Strategic, Operational, Legal & Compliance and Financial. Opportunities are classified in two main categories: Strategic & Operational and Financial.

## RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The adidas AG Executive Board has the overall responsibility to operate an effective risk and opportunity management system that ensures comprehensive and consistent management of all material risks and opportunities. The Group Risk Management department coordinates the execution and further development of the adidas Group's risk and opportunity management system and is the owner of the centrally managed risk and opportunity management process on behalf of the adidas AG Executive Board. The adidas AG Supervisory Board has the responsibility to monitor the effectiveness of the Group's risk management system. These duties are undertaken by the Supervisory Board's Audit Committee. In addition, the Group Internal Audit department includes an assessment of the effectiveness of risk management processes and compliance with the Group Risk Management Policy as part of its regular auditing activities with selected adidas Group subsidiaries or functions each year.

 see Diagram 01

To facilitate effective risk and opportunity management, we implemented an integrated risk and opportunity management system, which is based on the integrated frameworks for enterprise risk management and internal controls developed and published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Additionally, it has been adapted to more appropriately reflect the structure as well as company and management culture of the adidas Group. This system focuses on the identification, evaluation, handling, monitoring and reporting of risks and opportunities. The key objective of the risk and opportunity management system is to support business success and protect the company as a going concern through an opportunity-focused but risk-aware decision-making framework. Our Group Risk Management Policy, which is available on our intranet, outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements and communication timelines within our Group.

Risk and opportunity management is a Group-wide activity which utilises critical day-to-day management insight from both global and local business units and functions.



Our risk and opportunity management process contains the following components:

- **Risk and opportunity identification:** The adidas Group continuously monitors the macroeconomic environment and developments in the sporting goods industry, as well as internal processes, to identify risks and opportunities as early as possible. Our Group-wide network of Risk Owners (i.e. all direct reports to the adidas AG Executive Board, including the Managing Directors of all our markets) ensures effective identification of risks and opportunities. The Group Risk Management department has defined a catalogue of potential risk areas (Risk Universe) to assist Risk Owners in identifying and categorising risks and opportunities.

The Risk Owners use various instruments in the risk and opportunity identification process, such as primary qualitative and quantitative research including trend scouting and consumer surveys as well as feedback from our business partners and controlled space network. These efforts are supported by global market research and competitor analysis. Through this process, we seek to identify the markets, categories, consumer target groups and product styles which show most potential for future growth at a local and global level. Equally, our analysis focuses on those areas that are at risk of saturation or exposed to increased competition or changing consumer tastes. However, our risk and opportunity identification process is not only limited to external risk factors or opportunities; it also includes an internal perspective that considers processes, projects, human resources and compliance aspects.

- **Risk and opportunity evaluation:** We evaluate identified risks and opportunities individually according to a systematic evaluation methodology, which allows adequate prioritisation as well as allocation of resources. Risk and opportunity evaluation is also part of the Risk Owners' responsibility. The Group Risk Management department supports and guides the Risk Owners in the evaluation process.

According to our methodology, risks and opportunities are evaluated by looking at two dimensions: the potential impact and the likelihood that this impact materialises. Based on this evaluation, we classify risks and opportunities into five categories: marginal, minor, moderate, significant and major.

#### 01 ADIDAS GROUP RISK AND OPPORTUNITY MANAGEMENT SYSTEM





In assessing the potential effect from opportunities, each opportunity is appraised with respect to viability, commerciality and potential risks. This approach is applied to longer-term strategic prospects but also to shorter-term tactical and opportunistic initiatives at the Group level as well as at the market and brand level. In contrast to the risk evaluation, only the net perspective exists for assessing opportunities.

- **Risk and opportunity handling:** Risks and opportunities are treated in accordance with the Group's risk and opportunity management principles as described in the Group Risk Management Policy. Risk Owners are in charge of developing and implementing appropriate risk-mitigating action and exploiting opportunities within their area of responsibility. In addition, the Risk Owners need to determine a general risk-handling strategy for the identified risks, which is either risk avoidance, risk reduction with the objective to minimise impact and/or likelihood, risk transfer to a third party or risk acceptance. The decision on the implementation of the respective risk-handling strategy also takes into account the costs in relation to the effectiveness of any planned mitigating action if applicable. The Group Risk Management department works closely with the Risk Owners to monitor the continuous progress of planned mitigating action and assess the viability of already implemented mitigating action.
- **Risk and opportunity monitoring and reporting:** Our integrated risk and opportunity management system aims to increase the transparency of Group risks and opportunities. As both risks and opportunities are subject to constant change, Risk Owners not only monitor developments but also the adequacy and effectiveness of the current risk handling strategy on an ongoing basis.

Regular risk reporting consists of a two-step reporting stream supported and facilitated by a globally used Group-wide IT solution. Firstly, on a quarterly basis, Risk Owners are required to report to Group Risk Management risks with a possible gross impact rating of at least moderate or a net impact rating of at least minor, both regardless of the likelihood of materialising. Risk Owners are also required to report all opportunities with an impact rating of at least minor. Secondly, Group Risk Management aggregates the reported risks and opportunities and, also on a quarterly basis, provides a consolidated Group-wide report based on the Risk Owners' input, which specifically highlights substantial individual risks and opportunities as well as, on an aggregated level, key areas of risk and opportunity.

Material changes in previously reported risks and/or newly identified risks with a potential net impact of at least moderate, and any issues identified which due to their material nature require immediate reporting to the Executive Board, are also reported outside the regular quarterly reporting stream on an ad hoc basis.

### **COMPLIANCE MANAGEMENT SYSTEM (ADIDAS GROUP FAIR PLAY COMPLIANCE FRAMEWORK)**

At the adidas Group, we consider compliance with the law as well as with external and internal regulations to be imperative. Every employee is required to act ethically and in compliance with the law as well as with external and internal regulations while executing the Group's business. Violations must be avoided under all circumstances. As a company with worldwide operations and more than 55,000 employees, however, the Group accepts that it will never be possible to exclude compliance violations with absolute certainty.

The adidas Group Fair Play Compliance Framework and our risk and opportunity management system are closely aligned and both are overseen by the Group's Chief Compliance Officer who reports directly to the Group's Chief Executive Officer. We see compliance as all-encompassing, spanning all business functions throughout the entire value chain, from supply chain through to the end consumer. As a result, the identification, analysis and evaluation of potential compliance risks are essential for our risk and opportunity management process. The Group Risk Management department works closely with the Risk Owners and responsible Compliance Officers to conduct a systematic assessment of key compliance risks on a quarterly basis. In addition, the Group Compliance department regularly conducts detailed compliance risk assessments within selected Group entities.

The Group's compliance management system is based on the OECD Principles of Corporate Governance. It refers to the OECD Guidelines for Multinational Enterprises and is designed to:

- Support the achievement of qualitative and sustainable growth through good corporate governance practice.
- Reduce and mitigate the risk of financial losses or damage caused by non-compliant conduct.
- Protect and further enhance the value and reputation of the Group and its brands through compliant conduct.
- Preserve diversity by fighting harassment and discrimination.

Our Fair Play Code of Conduct, which is applicable globally and for all business areas, stipulates guidelines for behaviour in everyday work and is available both on our website and on our intranet. The Code of Conduct is the cornerstone of our compliance management programme which is founded on three pillars: prevention, detection and response.

Prevention includes, for example, policies such as the Group's Code of Conduct, the Group's anti-bribery and corruption policy or the Group's privacy policy, training of employees or targeted compliance-related communication by management or the Group Compliance department. In 2015, approximately 13,000 employees participated in our web-based Code of Conduct training, while around 14,000 employees completed our web-based anti-bribery and corruption training.

To ensure timely detection of potential infringements of statutory regulations or internal guidelines, we have implemented whistleblowing procedures which allow employees to either report concerns over wrongdoing/potential compliance violations internally (e.g. directly to their supervisor, to the Chief Compliance Officer or other Compliance Officers, the relevant HR manager or the Works Council) or externally via an independent, confidential reporting hotline or email service. The hotline (named 'Fair Play hotline') is available at all times and can be called free of charge in over 60 countries worldwide. In case of reported or suspected compliance violations, the Chief Compliance Officer or the Group Compliance department undertake the required investigations.

Appropriate and timely response to compliance violations is essential. Therefore, we have established a global network of local Compliance Officers reporting directly to the Chief Compliance Officer of the Group as contact persons to whom complaints and information concerning compliance violations can be reported. We track, monitor and report potential incidents of non-compliance worldwide using a web-based reporting solution which can be accessed by all Compliance Officers across the Group, our internal investigators and the external operator of our Fair Play hotline. The Group Compliance department manages this web-based reporting solution. In 2015, we recorded around 300 potential compliance violations. Appropriate sanction mechanisms (ranging from warnings through to termination of employment) are used to react promptly to compliance violations. Insights gained from the investigation of past violations are used to continuously improve the compliance management system.

The Chief Compliance Officer regularly reports to the Executive Board on the further development of the compliance programme and on major compliance cases, which are also reported to the Audit Committee. Further, he reports to the Audit Committee at one of its meetings at least once a year concerning the contents and the further development of the compliance programme.

**DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE CONSOLIDATED FINANCIAL REPORTING PROCESS PURSUANT TO § 315 SECTION 2 NO. 5 GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH - HGB)**

The internal control and risk management system relating to the consolidated financial reporting process of the adidas Group represents a process embedded within the Group-wide corporate governance system. It aims to provide reasonable assurance regarding the reliability of the Group's external financial reporting by ensuring Group-wide compliance with statutory accounting regulations, in particular the International Financial Reporting Standards (IFRS) and internal consolidated financial reporting policies (Group Finance Manual). We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling,

Taxes, Treasury, Planning, Reporting and Legal, focusing on the identification, assessment, treatment, monitoring and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process. In a first step, the internal control and risk management system serves to identify and assess as well as to limit and control risks identified in the consolidated financial reporting process which might result in our consolidated financial statements not being in conformity with internal and external regulations.

Internal Control over Financial Reporting (ICoFR) serves to provide reasonable assurance regarding the reliability of reporting and compliance with applicable laws and regulations despite identified financial reporting risks. To monitor the effectiveness of ICoFR, the Group Policies & Internal Controls department and the Group Internal Audit department regularly review accounting-related processes. Additionally, as part of the year-end audit, the external auditor selects and examines internal controls, including IT controls, to assess their effectiveness. The Audit Committee of the adidas AG Supervisory Board also monitors the effectiveness of ICoFR. However, due to limitations of ICoFR, even with appropriate and functional systems absolute certainty about the effectiveness of ICoFR cannot be guaranteed.

All Group companies are required to comply with the consolidated financial reporting policies (Group Finance Manual), which are available to all employees involved in the financial reporting process through the Group-wide intranet. We update the Group Finance Manual on a regular basis, dependent on regulatory changes and internal developments. Changes to the Group Finance Manual are promptly communicated to all Group companies. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the Group. We aim to ensure compliance with the Group Finance Manual through continuous adherence to the four-eyes principle in accounting-related processes. In addition, each quarter, the local manager responsible for the accounting process within the respective Group company and the respective local Managing Director confirm adherence to the Group Finance Manual and to IFRS in a signed representation letter to Group Accounting.

The accounting for Group companies is conducted either locally or by an adidas Group Shared Service Centre. Most of the IT ERP systems used are based on a Group-wide standardised SAP system. Some Group companies use Navision-based ERP software. As part of an initiative aimed at harmonising our system infrastructure (One ERP), we will also introduce an SAP-based ERP system within these Group companies in the medium term. Following approval by the Finance Director of the respective Group company, the local financial statements are transferred to a central consolidation system based on SAP SEM-BCS. At Group level, the regularity and reliability of the financial statements prepared by Group companies are reviewed by Group Accounting and Controlling. These measures include automated validations in the system as well as the creation of reports and analyses to ensure data integrity and adherence to the reporting logic. In addition, differences between current year and prior year financial data as well as budget figures are analysed on a market level. If necessary, the Group seeks the opinion of independent experts to review business transactions that occur infrequently and on a non-routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP SEM-BCS. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both manually and system-based, using automatically created consolidation logs. Any inadequacies are remedied manually by systematically processing the individual errors as well as differences and are reported back to the Group companies. After finalisation of all consolidation steps, all items in the consolidated income statement and in the consolidated statement of financial position are analysed with respect to trends and variances. Unless already otherwise clarified, the Group companies are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorisation concepts, approval concepts and access restrictions. Access authorisations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimised through central control and monitoring of virtually all IT systems, centralised management of change processes and regular data backups.

## ILLUSTRATION OF MATERIAL RISKS

This report includes an explanation of what we perceive as material risks to the achievement of the Group's objectives in 2016. As we adjusted the definition of materiality compared to 2015, material risks are now all net risks classified as significant or major. Besides these material risks, we also report macroeconomic, sociopolitical and regulatory risks as well as credit risks, interest rate risks, and financing and liquidity risks. The corporate risks overview table shows the assessment of all risks described below.

 see Table 03

### 03 CORPORATE RISKS OVERVIEW

	Potential impact	Change (2014 rating)	Likelihood	Change (2014 rating)
<b>Strategic Risks</b>				
Risks related to organisational structure and change	Major	↑ (Significant)	Possible	↓ (Likely)
Risks related to distribution strategy	Significant		Likely	
Competition risks	Significant		Possible	↓ (Likely)
Risks related to media and stakeholder activities	Significant		Possible	↓ (Likely)
Macroeconomic, sociopolitical and regulatory risks	Major		Unlikely	↓ (Possible)
<b>Operational Risks</b>				
Personnel risks	Major		Possible	
Business partner risks	Significant	↓ (Major)	Possible	
IT risks	Significant	↓ (Major)	Possible	↑ (Unlikely)
Inventory risks	Significant		Possible	↓ (Likely)
<b>Legal &amp; Compliance Risks</b>				
Risks related to customs and tax regulations	Significant	↓ (Major)	Likely	↑ (Unlikely)
<b>Financial Risks</b>				
Currency risks	Major		Likely	
Risks related to impairment of goodwill/other intangible assets	Major		Likely	↑ (Possible)
Credit risks	Major		Unlikely	
Interest rate risks	Minor		Likely	
Financing and liquidity risks	Marginal	↓ (Minor)	Likely	↑ (Unlikely)

## **STRATEGIC RISKS**

### **Risks related to organisational structure and change**

Operating in a dynamic and fast-moving competitive environment, the Group needs to cope with constantly changing requirements in respect of the workforce (e.g. regarding adaptability, learning, skillsets, mobility, diversity) and workplace (e.g. regarding flexibility and space management). Therefore, organisational flexibility and the ability to adapt quickly to new competitive circumstances are critical to remain successful. A complex organisational structure and unclear roles and responsibilities across the Group can lead to delayed or sub-optimal decision-making, inefficient and ineffective processes and, consequently, higher costs. Improper planning and execution of reorganisation and transformation initiatives may reduce employee engagement, cause business disruption and result in higher costs. A high frequency in organisational changes could cause fatigue among the workforce and lead to reduced efficiency and productivity. Inadequate change management could lead to non-acceptance of changes by the workforce, lower employee engagement and inefficiencies. The HR function plays a key role in driving effective change management.

We mitigate these risks through continuous, open and transparent communication with our employees. Our Executive Board members as well as the senior management team across the Group hold regular 'town hall' meetings to update employees on organisational changes and openly explain the reasons for change. To adequately manage change and to ensure clarity about roles and responsibilities throughout the organisation, we also utilise internal and external experts in project management, change management and communication, who actively educate and engage the workforce to embrace and support new organisational structures and processes. To increase flexibility and adaptability of the workforce and workplace and thereby reduce risks related to organisational change, we have kicked off the implementation of various mitigating measures such as strategic workforce planning, tailored on-the-job learning programmes and development plans for our employees, as well as the future workplace concept, which was introduced as part of a pilot programme at the Group's headquarters in Herzogenaurach, Germany, in 2015.

 see Our People, p. 87

### **Risks related to distribution strategy**

The inability to appropriately influence in which channels the Group's products are sold constitutes a continuous risk. Grey market activity or parallel imports could negatively affect our own sales performance and the image of our Group brands. Furthermore, changes to segmentation and channel strategies could lead to inadequate utilisation of our multiple distribution channels as well as strong retaliation from our customers. An unbalanced portfolio of own-retail stores (e.g. overexposure to certain markets or store formats) or inappropriate store locations may result in worse-than-expected sales development and lower profitability.

To mitigate these risks, the Group has developed and implemented clearly defined distribution policies and procedures to avoid over-distribution of products in a particular channel and limit the exposure to grey markets. We continuously monitor our own-retail store portfolio, which helps us identify imbalances and quickly take appropriate action such as store closure or remodelling. New store openings are managed according to a standardised Group-wide business plan model, taking into account our many years of own-retail experience and best practices from around the world. In addition, we conduct specific trainings for our sales force to appropriately manage product distribution and ensure that the right product is sold at the right point of sale to the right consumer at an adequate price.

### **Competition risks**

Strategic alliances amongst competitors and/or retailers, the increase of retailers' own private label businesses and intense competition for consumers and promotion partnerships from well-established industry peers and new market entrants (e.g. new brands, vertical retailers) pose a substantial risk to the adidas Group. This could lead to harmful competitive behaviour, such as price wars in the marketplace or bidding wars for promotion partnerships. Sustained pricing pressure in the Group's key markets could threaten the Group's financial performance and the competitiveness of our brands. Aggressive competitive practices could also drive increases in marketing costs and market share losses, thus hurting the Group's profitability and market position. World leaders in digital technologies could threaten the Group's success in markets for wearables or sport and fitness apps.

To mitigate competition risks, we continuously monitor and analyse competitive and market information in order to be able to anticipate unfavourable changes in the competitive environment rather than reacting to such changes. This enables us to proactively adjust our marketing and sales activities when needed. Continuous investment in research and development ensures we remain innovative and create a point of difference from competitors. We also pursue a strategy of entering into long-term agreements with key promotion partners such as FC Bayern Munich or Lionel Messi, as well as adding new partners to refresh and diversify our portfolio, e.g. Manchester United or James Harden. In addition, our product and communication initiatives are designed to increase brand desire, drive market share growth and strengthen our brands' market position.

+ see Research and Development, p. 80

#### **Risks related to media and stakeholder activities**

The adidas Group faces considerable risk if we are unable to uphold high levels of consumer awareness, affiliation and purchase intent for our brands. Adverse or inaccurate media coverage on our products or business practices as well as negative social media discussion may significantly harm the Group's reputation and brand image, lead to public misperception of the Group's business performance and eventually result in a sales slowdown. Similarly, certain activities on the part of key stakeholders (e.g. non-governmental organisations, governmental institutions) could cause reputational damage, distract top management and disrupt business activities.

To mitigate these risks, we pursue proactive, open communication and engagement with key stakeholders (e.g. consumers, media, non-governmental organisations, the financial community) on a continuous basis. In addition, we have established clear crisis communication processes to ensure a quick and effective response to adverse developments. We have also strengthened social media capabilities across the Group and created various digital newsrooms worldwide that enable continuous monitoring of social media content related to the Group's products and activities and allow early management of potentially damaging social media discussion. On a case-by-case basis, we seek external advice from experts in communication and stakeholder management.

#### **Macroeconomic, sociopolitical and regulatory risks**

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns and sociopolitical factors such as military conflicts, changes of government, civil unrest, nationalisation or expropriation, in particular in regions where the Group is highly represented, therefore pose a significant risk to the Group's business activities and top- and bottom-line performance. In addition, substantial changes in the regulatory environment (e.g. trade restrictions, tax legislation, economic and political sanctions, etc.) could lead to potential sales shortfalls or cost increases.

To mitigate these macroeconomic, sociopolitical and regulatory risks, the Group strives to balance sales across key global regions and also between developed and emerging markets. We also continuously monitor the macroeconomic, political and regulatory landscape in all our key markets to anticipate potential problem areas, so that we are able to quickly adjust our business activities accordingly upon any change in conditions. Potential adjustments may be a reallocation of investments to alternative, more attractive markets, changes in product prices, closure of own-retail stores, more conservative product purchasing, tight working capital management and an increased focus on cost control. In addition, by building on our leading position within the sporting goods industry, we actively engage in supporting policymakers and regulators to liberalise global trade, curtail trade barriers and proactively adapt to significant changes in the regulatory environment.



## **OPERATIONAL RISKS**

### **Personnel risks**

Achieving the adidas Group's strategic and financial objectives is highly dependent on our employees and their talents. In that respect, strong leadership and a performance-enhancing culture are critical to our Group's success. Therefore, inconsistent or ineffective leadership as well as the failure to instil and maintain a performance-oriented culture and ensure strong employee engagement amongst our workforce could also substantially impede our ability to achieve our goals. In addition, global competition for highly qualified personnel remains fierce. As a result, the loss of key personnel in strategic positions and the inability to identify, recruit and retain sufficient highly qualified and skilled people who best meet the specific needs of our Group pose substantial risks to our Group's business performance. Unattractive or non-competitive management and employee remuneration may exacerbate these risks. In addition, a lack of sufficient training measures and inadequate documentation of critical know-how might dilute or lead to a loss of key capabilities.

Our People Strategy is designed to reduce these risks by creating the corporate culture and work environment needed to be successful. We continuously invest in improving employer branding activities to be the 'employer of choice' in our industry and as a result attract and retain the right talent. We have also established a global recruiting organisation to enhance our internal and external recruiting services and capabilities. In addition, we strengthen employee retention by providing employees development and career opportunities (e.g. via our Talent Carousel programme) and we focus on promoting from within the organisation rather than recruiting externally. Attractive reward and incentive schemes are designed to further support long-term employee commitment.

 see Our People, p. 87

### **Business partner risks**

The adidas Group interacts and enters into partnerships with various third parties such as promotion partners, retail partners or suppliers. As a result, the Group is exposed to a multitude of business partner risks.

Injuries to individual athletes or poor on-field performance on the part of sponsored teams or athletes could reduce their consumer appeal and eventually result in lower sales and attractiveness of our brands. Failure to cement and maintain strong relationships with retailers could have substantial negative effects on our wholesale activities and thus the Group's business performance. Losing important customers in key markets due to sub-par relationship management would result in significant sales shortfalls. In a few individual markets, we work with distributors or strategic partners whose approach might differ from our own distribution practices and standards, which could also negatively impact the adidas Group's business performance. Similarly, failure to maintain strong relationships with suppliers or service providers could negatively impact the Group's sales and profitability. Risks may also arise from a dependence on particular suppliers, customers or service providers. Over-reliance on a supplier for a substantial portion of the Group's product volume, or over-dependence on a particular customer, increases the Group's vulnerability to delivery and sales shortfalls and could lead to significant margin pressure. Business partner default or other disruptive events such as strikes may negatively affect the Group's business activities and result in additional costs and liabilities as well as lower sales for the Group. Unethical business practices or improper behaviour on the part of business partners could have a negative spill-over effect on the Group's reputation, lead to higher costs or liabilities and disrupt business activities.

To mitigate business partner risks, the Group has implemented various measures. For example, we generally include clauses in contractual agreements with athletes, clubs, federations or other promotion partners that allow us to suspend or even terminate our partnership in case of improper or unethical conduct. In addition, we work with a broad portfolio of promotion partners, including individual athletes, club teams, federations or associations in numerous sports to reduce the dependence on the success and popularity of a few individual partners. To ensure strong relationships with retailers, the Group is committed to delivering outstanding customer service and providing our retail partners with the support and tools to establish and maintain a mutually successful business relationship. Customer relationship management is not only a key activity for our sales force but also of highest importance to our Group's top executives and second-line management. We also utilise a broad distribution strategy which includes further expanding our controlled space activities to reduce the risk of over-reliance on particular key customers. Specifically, no single customer accounted for more than 10% of Group sales in 2015. To reduce the risk of business interruption in the supply chain, we work with suppliers who demonstrate reliability, quality and innovation. Furthermore, in order to minimise any potential negative consequences such as a violation of our Workplace Standards by our suppliers, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain. In addition, we have selectively bought insurance coverage for the risk of business interruptions caused by physical damage to suppliers' premises. To reduce dependency on any particular supplier, the Group follows a strategy of diversification. In this context, the Group works with a broad network of suppliers and, for the vast majority of its products, does not have a single-sourcing model.

+ see Sustainability, p. 94

+ see Glossary, p. 260

#### **IT risks**

Theft or leakage of confidential and sensitive information or data (e.g. product data, employee data, consumer data) could lead to reputational damage, penalties and higher costs. Data leakage could trigger in-depth forensic investigation resulting in temporary unavailability of key systems and business interruption. Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support and financial reporting, are all dependent on IT systems. A significant systems outage or application failure could therefore result in considerable disruptions to our business. Virus or malware attacks could also lead to systems disruption and may result in the loss of business-critical and/or confidential information.

To mitigate these risks, our IT organisation proactively engages in system preventive maintenance, service continuity planning and adherence to applicable IT policies. Data security is managed by restricting user access based on job description and adhering to data protection regulations. We conduct security reviews of key systems and applications on a regular basis and have established monitoring and alert systems to detect and properly tackle IT security incidents. Additional security measures such as anti-virus software and firewalls are designed to further protect our systems and critical information. We perform multiple backups at alternating data centre locations for the Group's core Enterprise Resource Planning system (ERP) on a daily basis. In addition, for the ERP system, our contingency solution allows us to quickly switch to a remote site if necessary – without any loss of data. System security, controls and reliability are regularly reviewed and tested by the Group's Internal Audit department.

#### **Inventory risks**

As we place initial production orders up to nine months in advance of delivery, the adidas Group is exposed to inventory risks relating to misjudging consumer demand at the time of production planning. Overestimating demand could result in inappropriate capacity utilisation at our suppliers' factories, lead to over-production and cause excess inventory for the Group as well as in the marketplace. This can have negative implications for our financial performance, including product returns, inventory obsolescence and higher levels of clearance activity as well as reduced liquidity due to higher operating working capital requirements.

Similarly, underestimating demand can lead to product shortfalls at the point of sale. In this situation, the Group faces the risk of missed sales opportunities and/or customer and consumer disappointment, which could lead to a reduction in brand loyalty and hurt our reputation as an On-Time In-Full supplier. In addition, the Group faces potential profitability impacts from additional costs such as airfreight in efforts to speed up replenishment.

In order to mitigate these risks, we actively manage inventory levels, for example by continuous monitoring of stock levels as well as centralising stock holding and clearance activities. We also continuously strive to improve our forecasting and material planning processes. Our integrated business planning process ensures alignment of demand and supply planning on a monthly basis and thus facilitates inventory and order book management. In addition, our Global Operations function is continuously improving the agility and flexibility of our planning environment in order to shorten order-to-delivery times and ensure availability of products while trying to avoid excess inventories.

+ see Internal Group Management System, p. 102

+ see Global Operations, p. 74

## **LEGAL & COMPLIANCE RISKS**

### **Risks related to customs and tax regulations**

Numerous laws and regulations regarding customs and taxes affect the adidas Group's business practices worldwide. Non-compliance with regulations concerning product imports (including calculation of customs values), intercompany transactions or income taxes could lead to substantial financial penalties and additional costs as well as negative media coverage and therefore reputational damage, for example in case of understatements or underpayments of corporate income taxes or customs duties.

To proactively manage such risks, we constantly seek expert advice from specialised law or tax advisory firms. We closely monitor changes in legislation in order to properly adopt regulatory requirements regarding customs and taxes. In addition, our internal legal, customs or tax departments advise our operational management teams to ensure appropriate and compliant business practices. Furthermore, we work closely with customs authorities and governments worldwide to make sure we adhere to customs and import regulations and obtain the required clearance of products to fulfil sales demand. In order to reduce the financial risk, we also create provisions in our financial statements in accordance with the relevant accounting regulations to account for potential disputes with customs or tax authorities.

## **FINANCIAL RISKS**

### **Currency risks**

Currency risks for the adidas Group are a direct result of multi-currency cash flows within the Group. Furthermore, translation impacts from the conversion of non-euro-denominated results into our Group's functional currency, the euro, might lead to a material negative impact on our Group's financial performance. The biggest single driver behind this risk results from the mismatch of the currencies required for sourcing our products versus the denominations of our sales. The vast majority of our sourcing expenses are in US dollars, while sales are denominated in other currencies to a large extent – most notably the euro. Our main exposures are presented in the table. The exposure from firm commitments and forecasted transactions was calculated on a one-year basis.

 see Table 04

In line with IFRS 7 requirements, we have calculated the impact on net income and shareholders' equity based on changes in our most important currency exchange rates. The calculated impacts mainly result from changes in the fair value of our hedging instruments. The analysis does not include effects that arise from the translation of our foreign entities' financial statements into the Group's reporting currency, the euro. The sensitivity analysis is based on the net balance sheet exposure, including intercompany balances from monetary assets and liabilities denominated in foreign currencies. Moreover, all outstanding currency derivatives were re-evaluated using hypothetical foreign exchange rates to determine the effects on net income and equity. The analysis was performed on the same basis for both 2014 and 2015.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2015 would have led to a € 7 million increase in net income. The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 225 million. A 10% weaker euro at December 31, 2015 would have led to a € 9 million decrease in net income. Shareholders' equity would have increased by € 238 million. The impacts of fluctuations of the US dollar against the Russian rouble and of the euro against the British pound and the Japanese yen on net income and shareholders' equity are also included in accordance with IFRS requirements.

 see Table 05

However, many other financial and operational variables that could potentially reduce the effect of currency fluctuations are excluded from the analysis. For instance:

- Interest rates, commodity prices and all other exchange rates are assumed constant.
- Exchange rates are assumed at a year-end value instead of the more relevant sales-weighted average figure, which we utilise internally to better reflect both the seasonality of our business and intra-year currency fluctuations.
- The underlying forecasted cash flow exposure (which the hedge instrument mainly relates to) is not required to be revalued in this analysis.
- Operational issues, such as potential discounts to key accounts, which have high transparency regarding the impacts of currency on our sourcing activities (due to their own private label sourcing efforts), are also excluded from this presentation.

Utilising a centralised currency risk management system, our Group hedges currency needs for projected sourcing requirements on a rolling basis up to 24 months in advance. In rare instances, hedges are contracted beyond the 24-month horizon. Our goal is to have the vast majority of our hedging volume secured six months prior to the start of a given season. The Group also largely hedges balance sheet risks. Due to our strong global position, we are able to partly minimise currency risk by utilising natural hedges.

 see Treasury, p. 124

Our gross US dollar cash flow exposure after natural hedges calculated for 2016 was roughly € 6.3 billion at year-end 2015, which we hedged using forward exchange contracts, currency options and currency swaps. Our Group's Treasury Policy allows us to utilise hedging instruments, such as currency options or option combinations, which provide protection from negative exchange rate fluctuations while – at the same time – retaining the potential to benefit from future favourable exchange rate developments in the financial markets.

 see Table 04

As 2016 hedging has almost been completed, it is clear that the EUR/USD conversion rate will be less favourable compared to 2015. Volume forecast variances and currency volatility in emerging markets (in particular Argentina and Russia), where currencies depreciated rapidly in 2015 and at the beginning of 2016, will expose the adidas Group to substantial currency effects in 2016.

 see Subsequent Events and Outlook, p. 148

04 **EXPOSURE TO FOREIGN EXCHANGE RISK<sup>1</sup>** BASED ON NOTIONAL AMOUNTS, € IN MILLIONS

	USD	RUB	GBP	JPY
<b>As at December 31, 2015</b>				
Exposure from firm commitments and forecasted transactions	(5,849)	299	834	483
Balance sheet exposure including intercompany exposure	(429)	10	(47)	7
<b>Total gross exposure</b>	<b>(6,278)</b>	<b>309</b>	<b>787</b>	<b>490</b>
Hedged with other cash flows	110			
Hedged with currency options			(59)	
Hedged with forward contracts	4,135	(47)	(549)	(414)
<b>Net exposure</b>	<b>(2,033)</b>	<b>262</b>	<b>179</b>	<b>76</b>
<b>As at December 31, 2014</b>				
Exposure from firm commitments and forecasted transactions	(4,890)	318	521	372
Balance sheet exposure including intercompany exposure	(393)	13	13	5
<b>Total gross exposure</b>	<b>(5,283)</b>	<b>331</b>	<b>534</b>	<b>377</b>
Hedged with other cash flows	99			
Hedged with currency options	278			
Hedged with forward contracts	3,128	(14)	(355)	(345)
<b>Net exposure</b>	<b>(1,778)</b>	<b>317</b>	<b>179</b>	<b>32</b>

<sup>1</sup> Rounding difference may arise in totals.

05 **SENSITIVITY ANALYSIS OF FOREIGN EXCHANGE RATE CHANGES** € IN MILLIONS

	USD	RUB	GBP	JPY
<b>As at December 31, 2015</b>				
	<b>EUR +10%</b>	<b>USD +10%</b>	<b>EUR +10%</b>	<b>EUR +10%</b>
Equity	(225)	-	61	40
Net income	7	4	4	(1)
	<b>EUR - 10%</b>	<b>USD - 10%</b>	<b>EUR - 10%</b>	<b>EUR - 10%</b>
Equity	238	-	(61)	(41)
Net income	(9)	(4)	(5)	1
<b>As at December 31, 2014</b>				
	<b>EUR +10%</b>	<b>USD +10%</b>	<b>EUR +10%</b>	<b>EUR +10%</b>
Equity	(188)	-	29	27
Net income	7	4	(1)	0
	<b>EUR - 10%</b>	<b>USD - 10%</b>	<b>EUR - 10%</b>	<b>EUR - 10%</b>
Equity	233	-	(35)	(33)
Net income	(8)	(4)	1	0

**Risks related to impairment of goodwill/other intangible assets**

As a result of various acquisitions in the past, our balance sheet carries book values of approximately € 1.4 billion in goodwill and € 1.8 billion in other intangible assets (including trademarks). Deterioration in the business performance, and particularly in future business prospects, as well as significant exchange rate fluctuations could require corrections of these book values by incurring impairment charges. In addition, increases in market interest rates could trigger increases in discount rates used in our impairment test for goodwill and require impairment charges. An impairment charge would be a purely accounting, non-cash effect impacting the Group's operating result.

+ see Notes 13 and 14, p. 207 and p. 210

### **Credit risks**

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. The adidas Group is exposed to credit risks from its operating activities and from certain financing activities. Credit risks arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets, short-term bank deposits and derivative financial instruments. Without taking into account any collateral, the carrying amount of financial assets and accounts receivable represents the maximum exposure to credit risk.

 see Note 29, p. 228

At the end of 2015, there was no relevant concentration of credit risk by type of customer or geography. Our credit risk exposure is mainly influenced by individual customer characteristics. Under the Group's credit policy, new customers are analysed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the Group's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses as well as, on a selective basis, credit insurances, accounts receivable sales without recourse and bank guarantees.

Objective evidence that financial assets are impaired includes, for instance, significant financial difficulty of the issuer or debtor, indications of the potential bankruptcy of the borrower and the disappearance of an active market for a financial asset because of financial difficulties. The Group utilises allowance accounts for impairments that represent our estimate of incurred credit losses with respect to accounts receivable.

Allowance accounts are used as long as the Group is satisfied that recovery of the amount due is possible. Once this is no longer the case, the amounts are considered irrecoverable and are directly written off against the financial asset. The allowance consists of two components:

- **firstly**, an allowance established for all receivables dependent on the ageing structure of receivables past due date and
- **secondly**, a specific allowance that relates to individually assessed risks for each specific customer – irrespective of ageing.

At the end of 2015, no customer accounted for more than 10% of accounts receivable.

The Group Treasury department arranges currency, commodity and interest rate hedges, and invests cash, with major banks of a high credit standing throughout the world. adidas Group companies are authorised to work with banks rated BBB+ or higher. Only in exceptional cases are subsidiaries authorised to work with banks rated lower than BBB+. To limit risk in these cases, restrictions are clearly stipulated, such as maximum cash deposit levels. In addition, the credit default swap premiums of our partner banks are monitored on a monthly basis. In the event that the defined threshold is exceeded, credit balances are shifted to banks compliant with the limit.

We believe our risk concentration is limited due to the broad distribution of our investment business with more than 20 globally operating banks. At December 31, 2015, no bank accounted for more than 8% of our investments. Including subsidiaries' short-term deposits in local banks, the average concentration was 1%. This leads to a maximum exposure of € 83 million in the event of default of any single bank. We have further diversified our investment exposure by investing into AAA-rated money market funds.

In addition, in 2015, we held derivatives with a positive fair market value in the amount of € 239 million. The maximum exposure to any single bank resulting from these assets amounted to € 59 million and the average concentration was 4%.

In accordance with IFRS 7, the table below includes further information about set-off possibilities of derivative financial assets and liabilities. The majority of agreements between financial institutions and the adidas Group include a mutual right to set-off. However, these agreements do not meet the criteria for offsetting in the statement of financial position, because the right to set-off is enforceable only in the event of counterparty defaults.

 see Table 06

The carrying amounts of recognised derivative financial instruments, which are subject to the mentioned agreements, are presented in the table below.

 see Table 06

### Interest rate risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As the Group does not have material variable-interest liabilities, significant interest rate increases should have only slight adverse effects on the Group's profitability, liquidity and financial position.

In line with IFRS 7 requirements, we have analysed the impact of changes in the Group's most important interest rates on net income and shareholders' equity. The effect of interest rate changes on future cash flows is excluded from this analysis. Nevertheless, accrued interest, which is recognised as a liability, has been recalculated based on the hypothetical market interest rates as at December 31, 2015. Fair values for derivative interest rate instruments accounted for as cash flow hedges were then re-evaluated based on the hypothetical market interest rates with the resulting effects on net income and equity included in the sensitivity analysis.

However, the effect on the income statement from changes in the fair values of hedged items and hedging instruments attributable to interest rate changes was not material. Exclusions from this analysis are as follows:

- Some fixed-rate financial instruments, such as certificates of deposit, which we value at 'fair value through profit or loss' due to the short-term maturity of these instruments. Potential effects due to changes in interest rates are considered immaterial and are not recognised in the sensitivity analysis.
- Other fixed-rate financial instruments are measured at amortised cost. Since a change in interest rates would not change the carrying amount of this category of instruments, there is no net income impact and they are excluded from this analysis.

## 06 SET-OFF POSSIBILITIES OF DERIVATIVE FINANCIAL ASSETS AND LIABILITIES € IN MILLIONS

	2015	2014
<b>Assets</b>		
Gross amounts of recognised financial assets	228	285
Financial instruments which qualify for set-off in the statement of financial position	0	0
<b>Net amounts of financial assets presented in the statement of financial position</b>	<b>228</b>	<b>285</b>
Set-off possible due to master agreements	(57)	(53)
<b>Total net amount of financial assets</b>	<b>171</b>	<b>232</b>
<b>Liabilities</b>		
Gross amounts of recognised financial liabilities	(61)	(55)
Financial instruments which qualify for set-off in the statement of financial position	0	0
<b>Net amounts of financial liabilities presented in the statement of financial position</b>	<b>(61)</b>	<b>(55)</b>
Set-off possible due to master agreements	57	53
<b>Total net amount of financial liabilities</b>	<b>(4)</b>	<b>(2)</b>

The interest rate sensitivity analysis assumes a parallel shift of the interest yield curve for all currencies and was performed on the same basis for both 2014 and 2015. As in the prior year, a 100 basis point increase or decrease in interest rates at December 31, 2015 would have had no major impact on shareholders' equity and net income.

To reduce interest rate risks and maintain financial flexibility, a core tenet of our Group's financial strategy is to continue to use surplus cash flow from operations to reduce gross borrowings. Beyond that, the adidas Group is constantly looking for adequate hedging strategies through interest rate derivatives in order to mitigate interest rate risks.

 see Treasury, p. 124

In 2015, interest rates in Europe and North America remained at low levels. Given the central banks' current interest rate policies and macroeconomic uncertainty, we do not foresee any major interest rate increases in Europe in 2016. Due to the positive macroeconomic development in the USA, however, we believe a slight increase in US interest rates is likely. At December 31, 2015, 80% of the Group's financing was denominated in euros.

### Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume and currency structure. In addition, the adidas Group faces the risk of having to accept unfavourable financing terms due to liquidity restraints. Our Group Treasury department uses an efficient cash management system to manage liquidity risk. At December 31, 2015, Group cash and cash equivalents together with marketable securities amounted to € 1.370 billion (2014: € 1.688 billion). Moreover, our Group maintains € 2.134 billion bilateral credit lines. In 2015, the syndicated loan facility of € 500 million was terminated and replaced by € 700 million in committed bilateral credit lines. The € 2.134 billion in credit lines are designed to ensure sufficient liquidity at all times.

 see Treasury, p. 124

## 07 FUTURE CASH OUTFLOWS € IN MILLIONS

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	Up to 6 years	Up to 7 years	Total
<b>As at December 31, 2015</b>								
Bank borrowings incl. commercial paper	229							229
Private placements <sup>1</sup>	142							142
Eurobond <sup>1</sup>	16	16	16	16	16	616	9	705
Convertible bond <sup>1</sup>	1	502						503
Accounts payable	2,024							2,024
Other financial liabilities	58	18						76
Accrued liabilities <sup>2</sup>	596							596
Derivative financial liabilities	60	0	0	0	0	0	0	60
<b>Total</b>	<b>3,126</b>	<b>536</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>616</b>	<b>9</b>	<b>4,335</b>
<b>As at December 31, 2014</b>								
Bank borrowings incl. commercial paper	194							194
Private placements <sup>1</sup>	108	127						235
Eurobond <sup>1</sup>	17	17	17	17	17	17	617	719
Convertible bond <sup>1</sup>	1	1	502					504
Accounts payable	1,652							1,652
Other financial liabilities	38	7						44
Accrued liabilities <sup>2</sup>	491							491
Derivative financial liabilities	53	0	0	0	0	0	0	55
<b>Total</b>	<b>2,554</b>	<b>152</b>	<b>519</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>617</b>	<b>3,894</b>

Rounding difference may arise in totals.

<sup>1</sup> Including interest payments.

<sup>2</sup> Accrued interest excluded.



Future cash outflows arising from financial liabilities that are recognised in the Consolidated Statement of Financial Position are presented in the table. This includes payments to settle obligations from borrowings as well as cash outflows from cash-settled derivatives with negative market values. Financial liabilities that may be settled in advance without penalty are included on the basis of the earliest date of potential repayment. Cash flows for variable-interest liabilities are determined with reference to the conditions at the balance sheet date.

 see Table 07

We ended the year 2015 with net debt of € 460 million (2014: € 185 million). Thus, the ratio of net borrowings over EBITDA was 0.3 times at year-end, which is in line with the Group's medium-term guideline of less than two times.

## ILLUSTRATION OF OPPORTUNITIES

In this report, we only illustrate opportunities we deem to be relevant for the Group in 2016. In addition, the Group has already identified various other opportunities which could have a mid- to long-term positive impact for the Group's top- and bottom-line performance but are not described in detail in this report. The assessment of all opportunities is shown in the opportunities overview table.

 see Table 08

### STRATEGIC AND OPERATIONAL OPPORTUNITIES

#### Organic growth opportunities

**Controlled space:** The sporting goods retail environment is changing constantly. We therefore continue to adapt our distribution strategy to the constantly changing sporting goods retail environment and have made controlled space initiatives a strategic priority. This includes retail space management with key retail partners, the introduction of new own-retail store formats as well as the further expansion of our e-commerce activities. We also continue to expand our direct-to-consumer activities in emerging markets such as South East Asia, the Middle East and North Africa. Successful results from these initiatives could enable us to accelerate top- and bottom-line growth.

**Marketing activation/promotion partnerships:** Well-executed campaigns and marketing initiatives could increase brand desire and consumer appeal, which may drive full-price sell-through and result in higher-than-expected sales and profit. In addition, outstanding competitive performance of promotion partners such as individual athletes, club teams or national teams may further increase their popularity amongst consumers. As a result, the Group may generate higher sales of signature footwear or licensed apparel and accessories.

### 08 CORPORATE OPPORTUNITIES OVERVIEW

	Potential impact	Change (2014 rating)	Likelihood	Change (2014 rating)
<b>Strategic and operational opportunities</b>				
Organic growth opportunities	Moderate	↓ (Major)	Possible	↑ (Unlikely)
Opportunities related to organisational and process improvements	Moderate	↓ (Major)	Possible	
Personnel opportunities	Moderate		Possible	
Macroeconomic, sociopolitical and regulatory opportunities	Minor	↓ (Moderate)	Likely	↑ (Possible)
<b>Financial opportunities</b>				
Favourable financial market changes	Major		Possible	

### **Opportunities related to organisational and process improvements**

**Process optimisation:** Continued optimisation of key business processes and strict cost control are vital to achieving high profitability and return on invested capital. We are confident that there is still significant opportunity to improve process efficiency and effectiveness and further streamline cost structures throughout our Group. For example, more consistent, effective and efficient in-store execution could lead to an increase in conversion and full-price sell-through. As a result, we may achieve higher-than-expected top- and bottom-line growth. Furthermore, constant improvements in logistics processes (e.g. procurement of logistics services) or real estate and facility management could result in additional cost savings and increase the Group's profitability.

+ see Glossary, p. 260

**Partnerships:** The adidas Group is constantly evolving its partnership network within sport and culture, such as with academic organisations and companies from other industries in research and development. These partnerships have generated multiple new growth avenues for the Group, as we have acquired product or process know-how and gained access to new distribution channels or markets. Partnerships, strategic alliances and collaborations may enable the adidas Group to pursue further growth and efficiency opportunities.

### **Personnel opportunities**

The recruitment of highly qualified talent as well as the training and development of our employees, in particular for our own-retail segment, may help us increase productivity, efficiency and employee engagement and generate better-than-expected top- and bottom-line results. In addition, successfully developing talents across the Group may increase employee engagement and performance and thus contribute positively to sales and profitability improvements.

### **Macroeconomic, sociopolitical and regulatory opportunities**

Since we are a consumer goods company, consumer confidence and spending can impact our sales development. Therefore, better than initially forecasted macroeconomic developments, which support increased private consumption, can have a positive impact on our sales and profitability. In addition, legislative and regulatory changes, e.g. the elimination of trade barriers, can potentially open up new channels of distribution or create cost savings and as a result positively impact Group profitability.

## **FINANCIAL OPPORTUNITIES**

### **Favourable financial market changes**

Favourable exchange and interest rate developments can potentially have a positive impact on the Group's financial results. Our Group Treasury department closely monitors the financial markets to identify and exploit opportunities. Translation effects from the conversion of non-euro-denominated results into our Group's functional currency, the euro, might positively impact our Group's financial performance.

+ see Treasury, p. 124

# MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

## ASSESSMENT OF PERFORMANCE VERSUS TARGETS

We communicate our Group's financial targets on an annual basis. We also provide updates throughout the year as appropriate. In 2015, the adidas Group delivered a stellar financial performance. Group sales development was favourably impacted by rising consumer spending on sporting goods, supported by the robust athleisure trend as well as increased health awareness and sports participation in most geographical areas. In light of our highly attractive and innovative product launches, significant investments in consumer-engaging and brand-building activities as well as the presentation of the Group's new strategic business plan 'Creating the New', the adidas Group enjoyed strong momentum, which accelerated during the course of 2015. As a result, we increased our top- and bottom-line guidance for the full year 2015 in November, compared to our initial expectations.

 see Table 01

 see Economic and Sector Development, p. 107

In 2015, Group revenues rose 10% on a currency-neutral basis, driven by strong growth at both adidas and Reebok. Currency-neutral Group sales grew in most market segments, with double-digit growth in Western Europe, Greater China, Latin America and MEAA. As a result, Group revenues increased significantly above our initial guidance of a mid-single-digit currency-neutral increase. Gross margin increased 0.6 percentage points to 48.3% and was in line with our initial expectations of 47.5% to 48.5%. This development was driven by the positive effects from a more favourable pricing, channel and category mix, more than offsetting negative currency effects and higher input costs. Operating margin excluding goodwill impairment losses declined 0.1 percentage points to 6.5%, in line with our guidance of between 6.5% and 7.0%. This development was primarily due to higher other operating expenses as a percentage of sales in connection with the planned increase in expenditure for point-of-sale and marketing investments to strengthen brand desirability, which more than offset the increase in gross margin. Net income from continuing operations excluding goodwill impairment losses grew 12% to € 720 million. This was above our initial guidance of an improvement between 7% and 10%, despite the fact that the effective tax rate for 2015 was 32.9%, and thus – mainly due to the non-recognition of deferred tax assets – well above the initially expected level of around 29.5%.

 see Income Statement, p. 111

In 2015, operating working capital developed positively throughout the year. While we had initially expected average operating working capital as a percentage of sales to decrease moderately compared to the prior year level of 22.4%, average operating working capital as a percentage of sales improved significantly in 2015 and ended the year at 20.5%, thus exceeding our initial expectations. Capital expenditure (excluding acquisitions) amounted to € 513 million in 2015, thus below our guidance of around € 600 million. Investments were mainly focused on adidas and Reebok controlled space initiatives, aimed at further strengthening the Group's own-retail activities, franchise store presence as well as shop-in-shop presentations. Other areas of investments included the Group's logistic infrastructure and IT systems as well as the further development of our Group headquarters in Herzogenaurach, Germany.

 see Statement of Cash Flows, p. 119

Beyond our financial performance, we also actively monitor the Group's key non-financial KPIs on a regular basis, as available. From a market share perspective, we continue to be very encouraged by our strong performance in key emerging markets. In particular, Greater China, Latin America and South Korea were notable standouts, as we further improved our market share in these markets in 2015. In Western Europe, we saw momentum accelerate considerably in 2015, following significant changes to our organisational set-up, which we implemented in the region. In North America, a region where we have underperformed in previous years, we see momentum accelerating, driven by highly engaging consumer activation initiatives. In the golf market, structural challenges continue to weigh on the sales development of TaylorMade-adidas Golf, despite an overall cleaner trading environment. Nevertheless, we continue to enjoy healthy market share positions in key categories such as metalwoods and irons, with market shares above 30% and around 20%, respectively. In light of ongoing structural, commercial and operational issues TaylorMade-adidas Golf experienced in 2014 and 2015, which resulted in declines in net sales and profitability, we initiated a major restructuring programme in 2015, with the main objective to significantly improve TaylorMade-adidas Golf's profitability going forward. In addition to the restructuring programme, we have engaged with an investment bank for the purpose of analysing future options for our golf business, in particular the Adams and Ashworth brands.

- + see Internal Group Management System, p. 102
- + see TaylorMade-adidas Golf Strategy, p. 69

We continued to maintain a very strong level of on-time in-full (OTIF) deliveries to our customers and own-retail stores in 2015. As in prior years, the majority of our sales in 2015 were again generated from products launched in the past 12 to 18 months. In addition, we received several awards and industry recognitions for our new product innovations. Finally, our diligence and discipline in sustainability matters continues to yield strong recognition for our Group. In 2015, we were again represented in a variety of high-profile sustainability indices. For the 16th consecutive time, we were selected to join the Dow Jones Sustainability Indices (DJSI). In the sector 'Textiles, Apparel & Luxury Goods', we scored industry-best ratings in the category Innovation Management and received far above-average scores in Supply Chain Management, Stakeholder Engagement, Environmental Management System, and Talent Attraction and Retention. Furthermore, in 2015, we were ranked third among the Global 100 Most Sustainable Corporations in the World (Global 100 Index), recognised as best European company and as leader in our industry.

- + see Global Operations, p. 74
- + see Research and Development, p. 80
- + see Sustainability, p. 94

## 01 ADIDAS GROUP TARGETS VERSUS ACTUAL KEY METRICS

	2014 Results <sup>1</sup>	2015 Targets <sup>1</sup>	2015 Results	2016 Outlook
Sales (year-over-year change, currency-neutral)	6%	mid-single-digit increase	10%	to increase at a rate between 10% and 12%
Gross margin	47.6%	47.5% to 48.5%	48.3%	47.3% to 47.8%
Other operating expenses (in % of net sales)	42.7%	around prior year level	43.1%	below prior year level
Operating margin	6.6% <sup>2</sup>	between 6.5% and 7.0%	6.5% <sup>3</sup>	remain at least stable versus prior year level
Net income from continuing operations (€ in million)	642 <sup>2</sup>	increase at a rate of 7% to 10%	720 <sup>3</sup>	to increase at a rate between 10% and 12% to around € 800 million
Average operating working capital (in % of net sales)	22.4%	moderate decline	20.5%	around prior year level
Capital expenditure (€ in millions) <sup>5</sup>	554 <sup>4</sup>	around 600	513	around 750
Gross borrowings (€ in millions)	1,873	moderate decline	1,830	moderate decline

<sup>1</sup> As published on March 5, 2015. The outlook was updated over the course of the year.

<sup>2</sup> Excluding goodwill impairment of € 78 million.

<sup>3</sup> Excluding goodwill impairment of € 34 million.

<sup>4</sup> Includes continuing and discontinued operations.

<sup>5</sup> Excluding acquisitions and finance leases.

### **ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES**

The Group's Risk Management team aggregates all risks and opportunities reported by different business units and functions through the quarterly risk and opportunity assessment process. In addition, the Group's Executive Board discusses and assesses Group risks and opportunities on a regular basis. Taking into account the potential financial impact as well as the likelihood of materialising of the risks explained within this report, and considering the strong balance sheet as well as the current business outlook, we do not foresee any material jeopardy to the viability of the Group as a going concern. This assessment is also supported by the historical response to our financing demands. The adidas Group therefore has not sought an official rating by any of the leading rating agencies. We remain confident that the Group's earnings strength forms a solid basis for our future business development and provides the resources necessary to pursue the opportunities available to the Group.

+ see Risk and Opportunity Report, p. 156

+ see Treasury, p. 124

### **ASSESSMENT OF FINANCIAL OUTLOOK**

In March 2015, the Group unveiled its 2020 strategic business plan named 'Creating the New', which defined strategies and objectives for the period up to 2020. The strategy aims at further accelerating growth by significantly increasing brand desirability. This is expected to spur top- and bottom-line growth, with revenues projected to increase at a high-single-digit rate on average per year on a currency-neutral basis until 2020 compared to the 2015 results. By outperforming the sporting goods industry, our brands will increase market share over the period and thus expand the Group's ability to generate operating leverage and attractive margin expansion. As a result, the Group's net income is expected to grow at a considerably higher rate than the top line and is projected to expand by around 15% on average in each of the next five years.

+ see Group Strategy, p. 54

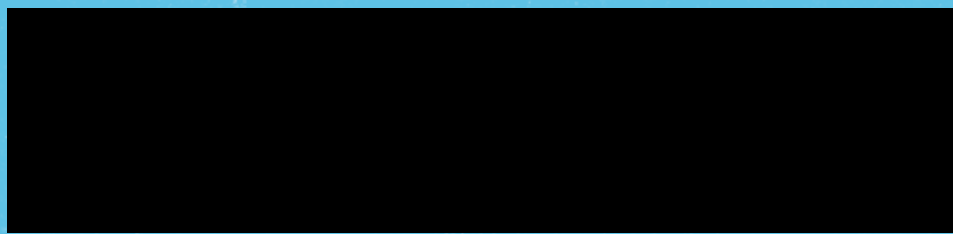
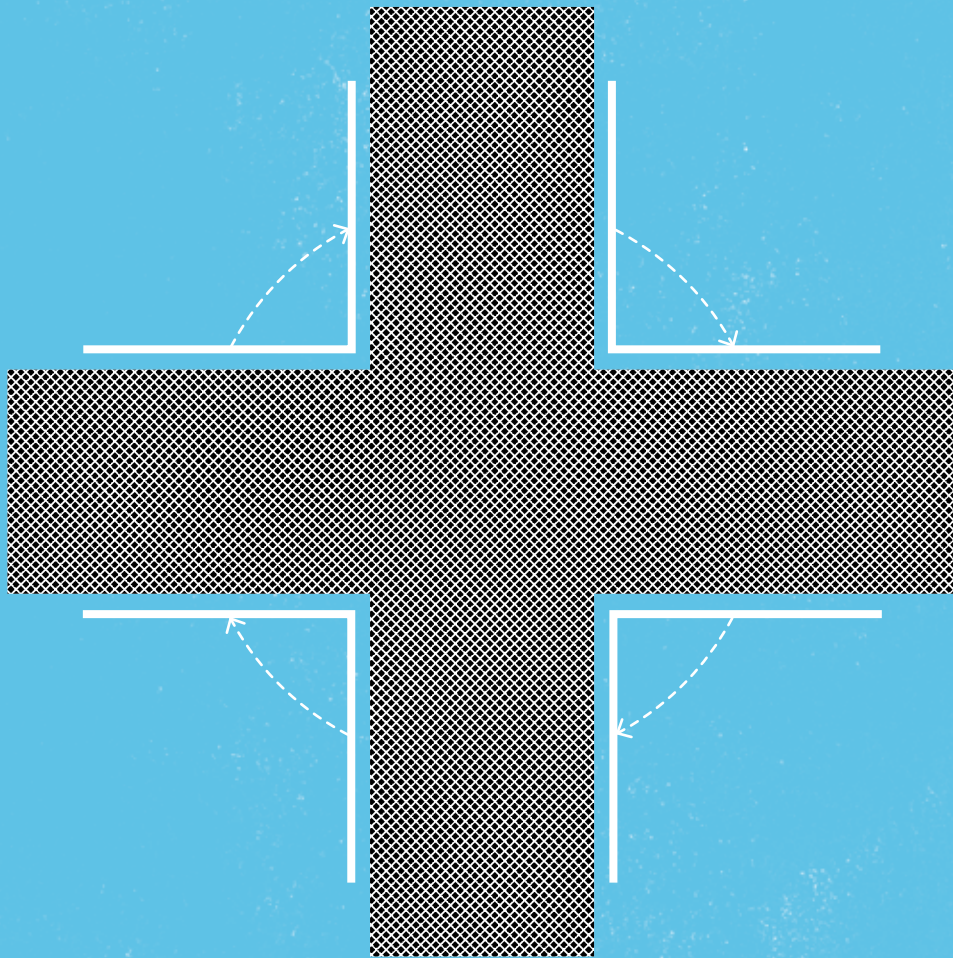
In 2016, we will see a specific emphasis on continuing to pursue growth opportunities, while also focusing on driving improvements in the Group's earnings. We will continue to over-proportionately invest in brand-building activities and continue to focus on innovation platforms such as Boost, expanding our digital activities as well as rolling out our controlled space initiatives globally.

+ see Group Strategy, p. 54

Through our extensive pipeline of highly attractive and innovative products, which have received favourable reviews from retailers, the positive effects from major sporting events, including the UEFA EURO 2016, as well as through strict cost management, we project strong top- and bottom-line improvements in the Group's financial results in 2016. While less favourable hedging rates and higher input costs are projected to weigh on the Group's gross margin development, the Group's profitability is expected to benefit from lower other operating expenses as a percentage of sales. We believe that our outlook for 2016 is realistic within the scope of the current trading and economic environment.

+ see Subsequent Events and Outlook, p. 148

Assuming no significant deterioration in the global economy, we are confident to significantly grow our top and bottom line in 2016. However, ongoing uncertainties regarding the economic outlook and consumer sentiment in certain emerging markets as well as persisting high levels of currency volatility, represent risks to the achievement of our stated financial goals and aspirations. No other material event between the end of 2015 and the publication of this report has altered our view.



# CONSOLI- DATED FINANCIAL

<b>Responsibility Statement</b>	<b>180</b>
<b>Auditor's Report</b>	<b>181</b>
<b>Consolidated Statement of Financial Position</b>	<b>182</b>
<b>Consolidated Income Statement</b>	<b>184</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>185</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>186</b>
<b>Consolidated Statement of Cash Flows</b>	<b>188</b>
<b>Notes</b>	<b>189</b>
• Notes to the Consolidated Statement of Financial Position	203
• Notes to the Consolidated Income Statement	235
• Additional Information	240
<b>Statement of Movements of Intangible and Tangible Assets</b>	<b>248</b>
<b>Shareholdings</b>	<b>250</b>

# STATE- MENTS

# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report of adidas AG, 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.

Herzogenaurach, February 15, 2016



**HERBERT HAINER**  
CEO



**ROLAND AUSCHEL**  
Global Sales



**GLENN BENNETT**  
Global Operations



**ERIC LIEDTKE**  
Global Brands



**ROBIN J. STALKER**  
CFO



# AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by adidas AG, Herzogenaurach, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes, together with the management report of the Company and the Group for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB (Handelsgesetzbuch – 'German Commercial Code') is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and profit or loss in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and profit or loss of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 15, 2016  
KPMG AG  
Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

Braun	Wolper
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	Dec. 31, 2015	Dec. 31, 2014	Change in %
<b>Assets</b>				
Cash and cash equivalents	5	1,365	1,683	(18.9)
Short-term financial assets	6	5	5	0.8
Accounts receivable	7	2,049	1,946	5.3
Other current financial assets	8	367	398	(7.8)
Inventories	9	3,113	2,526	23.2
Income tax receivables	34	97	92	4.9
Other current assets	10	489	425	15.2
Assets classified as held for sale	11	12	272	(95.7)
<b>Total current assets</b>		<b>7,497</b>	<b>7,347</b>	<b>2.0</b>
Property, plant and equipment	12	1,638	1,454	12.7
Goodwill	13	1,392	1,169	19.1
Trademarks	14	1,628	1,432	13.7
Other intangible assets	14	188	162	16.0
Long-term financial assets	15	140	129	9.0
Other non-current financial assets	16	99	42	135.9
Deferred tax assets	34	637	577	10.4
Other non-current assets	17	124	105	17.7
<b>Total non-current assets</b>		<b>5,846</b>	<b>5,070</b>	<b>15.3</b>
<b>Total assets</b>		<b>13,343</b>	<b>12,417</b>	<b>7.5</b>

Rounding differences may arise in percentages and totals.  
The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS**  
Consolidated Statement of Financial Position

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

	Note	Dec. 31, 2015	Dec. 31, 2014	Change in %
<b>Liabilities and equity</b>				
Short-term borrowings	18	366	288	27.1
Accounts payable		2,024	1,652	22.6
Other current financial liabilities	19	143	91	56.5
Income taxes	34	359	294	21.9
Other current provisions	20	456	470	(2.9)
Current accrued liabilities	21	1,684	1,249	34.9
Other current liabilities	22	331	287	15.2
Liabilities classified as held for sale	11	0	46	(99.3)
<b>Total current liabilities</b>		<b>5,364</b>	<b>4,378</b>	<b>22.5</b>
Long-term borrowings	18	1,463	1,584	(7.6)
Other non-current financial liabilities	23	18	9	101.8
Pensions and similar obligations	24	273	284	(4.2)
Deferred tax liabilities	34	368	390	(5.8)
Other non-current provisions	20	50	38	30.4
Non-current accrued liabilities	21	120	81	48.3
Other non-current liabilities	25	40	35	16.8
<b>Total non-current liabilities</b>		<b>2,332</b>	<b>2,422</b>	<b>(3.7)</b>
Share capital		200	204	(2.0)
Reserves		592	581	1.9
Retained earnings		4,874	4,839	0.7
<b>Shareholders' equity</b>	26	<b>5,666</b>	<b>5,624</b>	<b>0.7</b>
Non-controlling interests	27	(18)	(7)	(166.2)
<b>Total equity</b>		<b>5,648</b>	<b>5,618</b>	<b>0.5</b>
<b>Total liabilities and equity</b>		<b>13,343</b>	<b>12,417</b>	<b>7.5</b>

Rounding differences may arise in percentages and totals.  
The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT

**ADIDAS AG CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS**

	Note	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014	Change
Net sales	36	16,915	14,534	16.4%
Cost of sales		8,748	7,610	14.9%
<b>Gross profit</b>		<b>8,168</b>	<b>6,924</b>	<b>18.0%</b>
(% of net sales)		48.3%	47.6%	0.6pp
Royalty and commission income		119	102	16.1%
Other operating income	30	96	138	(30.3%)
Other operating expenses	12, 14, 31	7,289	6,203	17.5%
(% of net sales)		43.1%	42.7%	0.4pp
Goodwill impairment losses	13	34	78	(55.9%)
<b>Operating profit</b>		<b>1,059</b>	<b>883</b>	<b>19.9%</b>
(% of net sales)		6.3%	6.1%	0.2pp
Financial income	33	46	19	140.5%
Financial expenses	33	67	67	(1.2%)
<b>Income before taxes</b>		<b>1,039</b>	<b>835</b>	<b>24.4%</b>
(% of net sales)		6.1%	5.7%	0.4pp
Income taxes	34	353	271	30.1%
(% of income before taxes)		34.0%	32.5%	1.5pp
<b>Net income from continuing operations</b>		<b>686</b>	<b>564</b>	<b>21.6%</b>
(% of net sales)		4.1%	3.9%	0.2pp
Losses from discontinued operations, net of tax	3	(46)	(68)	32.4%
<b>Net income</b>		<b>640</b>	<b>496</b>	<b>29.0%</b>
(% of net sales)		3.8%	3.4%	0.4pp
<b>Net income attributable to shareholders</b>		<b>634</b>	<b>490</b>	<b>29.3%</b>
(% of net sales)		3.7%	3.4%	0.4pp
<b>Net income attributable to non-controlling interests</b>		<b>6</b>	<b>6</b>	<b>0.5%</b>
Basic earnings per share from continuing operations (in €)	35	3.37	2.67	26.2%
Diluted earnings per share from continuing operations (in €)	35	3.37	2.67	26.2%
Basic earnings per share from continuing and discontinued operations (in €)	35	3.15	2.35	34.0%
Diluted earnings per share from continuing and discontinued operations (in €)	35	3.15	2.35	34.0%

Rounding differences may arise in percentages and totals.  
The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
<b>Net income after taxes</b>		<b>640</b>	<b>496</b>
<b>Items of other comprehensive income that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of defined benefit plans (IAS 19), net of tax <sup>1</sup>	24	8	(57)
<b>Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss</b>		<b>8</b>	<b>(57)</b>
<b>Items of other comprehensive income that are or will be reclassified to profit or loss when specific conditions are met</b>			
(Loss)/gain on cash flow hedges, net of tax	29	(118)	211
Reclassification of foreign currency differences attributable to discontinued operations		5	-
Currency translation differences		129	104
<b>Subtotal of items of other comprehensive income that are or will be reclassified to profit or loss when specific conditions are met</b>		<b>16</b>	<b>315</b>
<b>Other comprehensive income</b>		<b>24</b>	<b>258</b>
<b>Total comprehensive income</b>		<b>664</b>	<b>754</b>
Attributable to shareholders of adidas AG		659	749
Attributable to non-controlling interests		5	5

<sup>1</sup> Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect. Rounding differences may arise in percentages and totals. The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**ADIDAS AG CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)** € IN MILLIONS

	Note	Share capital	Capital reserve
<b>Balance at December 31, 2013</b>		<b>209</b>	<b>777</b>
Net income recognised directly in equity			
Net income			
<b>Total comprehensive income</b>			
Repurchase of treasury shares	26	(5)	
Dividend payment	26		
<b>Balance at December 31, 2014</b>		<b>204</b>	<b>777</b>
Net income recognised directly in equity			
Net income			
<b>Total comprehensive income</b>			
Repurchase of treasury shares	26	(4)	
Dividend payment	26		
Transactions with non-controlling interests	26		
<b>Balance at December 31, 2015</b>		<b>200</b>	<b>777</b>

<sup>1</sup> Reserves for remeasurements of defined benefit plans (IAS 19), option plans and acquisition of shares from non-controlling interest shareholders. Rounding differences may arise in percentages and totals. The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS**  
Consolidated Statement of Changes in Equity

Cumulative currency translation differences	Hedging reserve	Other reserves <sup>1</sup>	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
<b>(363)</b>	<b>(34)</b>	<b>(59)</b>	<b>4,959</b>	<b>5,489</b>	<b>(8)</b>	<b>5,481</b>
106	210	(57)		259	(1)	258
			490	490	6	496
<b>106</b>	<b>210</b>	<b>(57)</b>	<b>490</b>	<b>749</b>	<b>5</b>	<b>754</b>
			(295)	(300)		(300)
			(314)	(314)	(4)	(318)
<b>(257)</b>	<b>176</b>	<b>(117)</b>	<b>4,839</b>	<b>5,624</b>	<b>(7)</b>	<b>5,618</b>
134	(117)	8		25	(1)	24
			634	634	6	640
<b>134</b>	<b>(117)</b>	<b>8</b>	<b>634</b>	<b>659</b>	<b>5</b>	<b>664</b>
			(297)	(301)		(301)
			(303)	(303)	(6)	(309)
		(13)		(13)	(10)	(24)
<b>(123)</b>	<b>59</b>	<b>(122)</b>	<b>4,874</b>	<b>5,666</b>	<b>(18)</b>	<b>5,648</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

**ADIDAS AG CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) € IN MILLIONS**

	Note	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
<b>Operating activities:</b>			
Income before taxes		1,039	835
<b>Adjustments for:</b>			
Depreciation, amortisation and impairment losses	12, 13, 14, 31, 33	393	405
Reversals of impairment losses	30	(1)	(1)
Unrealised foreign exchange losses, net		36	32
Interest income	33	(20)	(17)
Interest expense	33	65	62
Losses on sale of property, plant and equipment, net		15	16
Other non-cash income	30, 31	(1)	(1)
Payment for external funding of pension obligations (CTA)		–	(65)
<b>Operating profit before working capital changes</b>		<b>1,527</b>	<b>1,267</b>
Increase in receivables and other assets		(183)	(36)
Increase in inventories		(639)	(76)
Increase/(decrease) in accounts payable and other liabilities		823	(117)
<b>Cash generated from operations before interest and taxes</b>		<b>1,527</b>	<b>1,037</b>
Interest paid		(55)	(59)
Income taxes paid		(386)	(284)
<b>Net cash generated from operating activities – continuing operations</b>		<b>1,086</b>	<b>694</b>
Net cash generated from operating activities – discontinued operations		3	7
<b>Net cash generated from operating activities</b>		<b>1,090</b>	<b>701</b>
<b>Investing activities:</b>			
Purchase of trademarks and other intangible assets		(49)	(49)
Proceeds from sale of trademarks and other intangible assets		0	1
Purchase of property, plant and equipment		(464)	(499)
Proceeds from sale of property, plant and equipment		6	4
Acquisition of subsidiaries and other business units net of cash acquired	4	(214)	(6)
Proceeds from disposal of discontinued operations net of cash disposed		164	–
(Purchase of)/proceeds from sale of short-term financial assets		(0)	37
Purchase of investments and other long-term assets		(48)	(36)
Interest received		20	17
<b>Net cash used in investing activities – continuing operations</b>		<b>(584)</b>	<b>(531)</b>
Net cash used in investing activities – discontinued operations		(6)	(6)
<b>Net cash used in investing activities</b>		<b>(591)</b>	<b>(537)</b>
<b>Financing activities:</b>			
Repayments of long-term borrowings		(10)	–
Proceeds from issue of Eurobonds	18	–	990
Repayment of Eurobond	18	–	(500)
Repayments of finance lease obligations		(2)	(2)
Dividend paid to shareholders of adidas AG	26	(303)	(314)
Dividend paid to non-controlling interest shareholders		(6)	(4)
Repurchase of treasury shares	26	(301)	(300)
Proceeds from short-term borrowings		35	68
Repayments of short-term borrowings	18	(103)	(56)
<b>Net cash used in financing activities</b>		<b>(691)</b>	<b>(118)</b>
<b>Effect of exchange rates on cash</b>			
(Decrease)/increase of cash and cash equivalents		(126)	50
Cash and cash equivalents at beginning of the year	5	1,683	1,587
<b>Cash and cash equivalents at end of period</b>	5	<b>1,365</b>	<b>1,683</b>

Rounding differences may arise in percentages and totals.  
The accompanying notes are an integral part of these consolidated financial statements.



# NOTES

adidas AG (hereafter also referred to as 'the company') is a listed German stock corporation and parent of the adidas Group located at Adi-Dassler-Str. 1, 91074 Herzogenaurach, Germany. adidas AG and its subsidiaries (collectively the 'adidas Group' or the 'Group') design, develop, produce and market a broad range of athletic and sports lifestyle products. As at December 31, 2015, the operating activities of the adidas Group are divided into 13 operating segments: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea, Southeast Asia/Pacific, TaylorMade-adidas Golf, Reebok-CCM Hockey, Runtastic and Other centrally managed businesses. Due to the divestiture of the Rockport operating segment on July 31, 2015, income and expenses of the Rockport operating segment are reported as discontinued operations as at December 31, 2015 and 2014, respectively

➕ **SEE NOTE 03.**

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. adidas and Reebok branded products include footwear, apparel and hardware, such as bags and balls.

The operating segment TaylorMade-adidas Golf includes the four brands TaylorMade, adidas Golf, Adams Golf and Ashworth. TaylorMade designs, develops and distributes primarily golf clubs, balls and accessories. adidas Golf branded products include footwear, apparel and accessories. Adams Golf designs and distributes mainly golf clubs as well as a small range of accessories. Ashworth designs and distributes men's and women's golf-inspired apparel and footwear.

Rockport predominantly designs and distributes leather footwear for men and women.

Reebok-CCM Hockey designs, produces and distributes ice hockey equipment such as sticks, skates and protection gear. In addition, Reebok-CCM Hockey designs, produces and distributes apparel mainly under the brand names Reebok Hockey and CCM.

Runtastic operates in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data.

The operating segment 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.

## 01 GENERAL

The consolidated financial statements of adidas AG as at December 31, 2015 comprise adidas AG and its subsidiaries and are prepared in compliance with International Financial Reporting Standards (IFRS), as to be applied in the European Union (EU) as at December 31, 2015, and the additional requirements pursuant to § 315a section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following new standards and interpretations and amendments to existing standards and interpretations are applicable for the first time for financial years beginning on January 1, 2015:

- **IAS 19 Amendment – Defined Benefit Plans: Employee Contributions** (EU effective date: July 1, 2014): This amendment had no material impact on the Group's financial statements.
- **Improvements to IFRSs (2010–2012)** (EU effective date: July 1, 2014): These improvements required additional disclosures in the Group's financial statements.
- **Improvements to IFRSs (2011–2013)** (EU effective date: July 1, 2014): These improvements had no material impact on the Group's financial statements.

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by the Group before the effective date.

New standards and interpretations and amendments to existing standards and interpretations that will be effective for financial years beginning after January 1, 2015, and which have not been applied in preparing these consolidated financial statements are:

- **IAS 1 Amendment – Disclosure Initiative** (EU effective date: January 1, 2016): This amendment is not expected to have any material impact on the Group's financial statements.
- **Improvements to IFRSs (2012–2014)** (EU effective date: January 1, 2016): These improvements are not expected to have any material impact on the Group's financial statements.
- **IFRS 10 and IAS 28 Amendment – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (EU effective date: indefinitely postponed): This amendment is not expected to have any impact on the Group's financial statements.
- **IAS 27 Amendment – Equity Method in Separate Financial Statements** (EU effective date: January 1, 2016): This amendment is not expected to have any impact on the Group's financial statements.
- **IAS 16 and IAS 41 Amendment – Agriculture: Bearer Plants** (EU effective date: January 1, 2016): This amendment is not expected to have any impact on the Group's financial statements.
- **IAS 16 and IAS 38 Amendment – Clarification of Acceptable Methods of Depreciation and Amortisation** (EU effective date: January 1, 2016): This amendment is not expected to have any impact on the Group's financial statements.
- **IFRS 11 Amendment – Accounting for Acquisitions of Interests in Joint Operations** (EU effective date: January 1, 2016): This amendment is not expected to have any impact on the Group's financial statements.

The following new standards and interpretations as well as amendments to existing standards and interpretations were issued by the International Accounting Standards Board (IASB) and are expected to be of relevance for the company. These are not yet effective in the EU and hence have not been applied in preparing these consolidated financial statements.

- **IFRS 9 Financial Instruments** (IASB effective date: January 1, 2018): The respective analysis of any expected impact on the Group's financial statements is in progress.
- **IFRS 15 Revenue from contracts with customers** (IASB effective date: January 1, 2018): The respective analysis of any expected impact on the Group's financial statements is in progress.
- **IFRS 16 Leases** (IASB effective date: January 1, 2019): The respective analysis of any expected impact on the Group's financial statements is in progress.

The consolidated financial statements have in principle been prepared on the historical cost basis with the exception of certain items in the statement of financial position such as financial instruments valued at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, plan assets and receivables, which are measured at fair value.

The 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.

## 02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with the consolidation, accounting and valuation principles described below.

### Principles of consolidation

The consolidated financial statements include the financial statements of adidas AG and all its direct and indirect subsidiaries, which are prepared in accordance with uniform accounting principles. A company is considered a subsidiary if it is controlled by adidas AG. Control exists when the adidas Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The number of consolidated subsidiaries evolved as follows for the years ending December 31, 2015 and December 31, 2014, respectively:

### NUMBER OF CONSOLIDATED SUBSIDIARIES

	2015	2014
<b>January 1</b>	<b>154</b>	<b>161</b>
First-time consolidated subsidiaries	2	3
Thereof: newly founded	-	2
Thereof: purchased	2	1
Deconsolidated/divested subsidiaries	(11)	(1)
Intercompany mergers	-	[9]
<b>December 31</b>	<b>145</b>	<b>154</b>

The subsidiaries are held either directly by adidas AG or indirectly via the two holding companies adidas Beteiligungsgesellschaft mbH in Germany or adidas International B.V. in the Netherlands.

A schedule of the shareholdings of adidas AG is shown in Attachment II to the consolidated financial statements [+](#) **SEE SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, P. 250**. This schedule comprises information about the name, domicile, currency and equity of all consolidated subsidiaries as well as the respective share held in the capital of these subsidiaries. Furthermore, the schedule of the shareholdings of adidas AG will be published on the electronic platform of the German Federal Gazette.

Within the scope of the first-time consolidation, all acquired assets and liabilities are recognised in the statement of financial position at fair value at the acquisition date. A debit difference between the acquisition cost and the proportionate fair value of assets, liabilities and contingent liabilities is shown as goodwill. A credit difference is recorded in the income statement.

Acquisitions of additional investments in subsidiaries which are already controlled are recorded as equity transactions. Therefore, neither fair value adjustments of assets and liabilities nor gains or losses are recognised. Any difference between the cost for such an additional investment and the carrying amount of the net assets at the acquisition date is directly recorded in shareholders' equity.

The financial effects of intercompany transactions as well as any unrealised gains and losses arising from intercompany business relations are eliminated in preparing the consolidated financial statements.

**Principles of measurement**

The following table includes an overview of selected measurement principles used in the preparation of the consolidated financial statements.

**OVERVIEW OF SELECTED MEASUREMENT PRINCIPLES**

Item	Measurement principle
<b>Assets</b>	
Cash and cash equivalents	Nominal amount
Short-term financial assets	At fair value through profit or loss
Accounts receivable	Amortised cost
Inventories	Lower of cost or net realisable value
Assets classified as held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant and equipment	Amortised cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortised cost
With indefinite useful life	Impairment-only approach
Other financial assets (categories according to IAS 39):	
At fair value through profit or loss	At fair value through profit or loss
Held to maturity	Amortised cost
Loans and receivables	Amortised cost
Available-for-sale	At fair value in other comprehensive income or at amortised cost
<b>Liabilities</b>	
Borrowings	Amortised cost
Accounts payable	Amortised cost
Other financial liabilities	Amortised cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortised cost

**Currency translation**

Transactions in foreign currencies are initially recorded in the respective functional currency by applying the spot exchange rate valid at the transaction date to the foreign currency amount.

In the individual financial statements of subsidiaries, monetary items denominated in non-functional currencies of the subsidiaries are generally translated into the functional currency at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recorded directly in the income statement.

Assets and liabilities of the Group's non-euro functional currency subsidiaries are translated into the presentation currency, the euro, which is also the functional currency of adidas AG, at closing exchange rates at the balance sheet date. For practical reasons, revenues and expenses are translated at average rates for the period which approximate the exchange rates on the transaction dates. All cumulative differences from the translation of equity of foreign subsidiaries resulting from changes in exchange rates are included in a separate item within shareholders' equity without affecting the income statement.

A summary of exchange rates to the euro for major currencies in which the Group operates is as follows:

### EXCHANGE RATES

€ 1 equals	Average rates for the year ending Dec. 31,		Spot rates at Dec. 31,	
	2015	2014	2015	2014
USD	1.1101	1.3296	1.0887	1.2141
GBP	0.7259	0.8066	0.7340	0.7789
JPY	134.4180	140.4395	131.0700	145.2300
CNY	6.9721	8.1919	7.0696	7.4291
RUB	67.6825	50.7372	79.3474	68.3033

### Discontinued operations

A component of the Group's business is classified as a discontinued operation if the operations and cash flows of the component can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and if the component either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of cash flows are restated and presented as if the operation had been discontinued from the start of the comparative year.

### Derivative financial instruments

The Group uses derivative financial instruments, such as currency options, forward exchange contracts, commodity futures as well as interest rate swaps and cross-currency interest rate swaps, to hedge its exposure to foreign exchange, commodity price and interest rate risks. In accordance with its Treasury Policy, the Group does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised in the statement of financial position at fair value, and subsequently also measured at their fair value. The method of recognising the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, the Group designates derivatives as either a hedge of a forecasted transaction (cash flow hedge), a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a net investment in a foreign operation.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, and that are effective, as defined in IAS 39 'Financial instruments: recognition and measurement', are recognised in equity. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognised in the income statement. Accumulated gains and losses in equity are transferred to the income statement in the same periods during which the hedged forecasted transaction affects the income statement.

For derivative financial instruments designated as fair value hedges, the gains or losses on the derivatives and the offsetting gains or losses on the hedged items are recognised immediately in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of any derivative instruments that do not meet these rules are recognised immediately in the income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. If the hedging instrument is a derivative (e.g. a forward exchange contract) or a foreign currency borrowing, effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing, respectively, are recognised in equity.

The Group documents the relationship between hedging instruments and hedge objects at transaction inception, as well as the risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific firm commitments and forecasted transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective by using different methods of effectiveness testing, such as the 'dollar offset method' or the 'hypothetical derivative method'.

The fair values of currency options, forward exchange contracts and commodity futures are determined on the basis of market conditions on the reporting dates. The fair value of a currency option is determined using generally accepted models to calculate option prices. The fair value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base. Fair values are determined taking into consideration the counterparty risk. The adidas Group has exercised the option to calculate the amounts on counterparty level according to IFRS 13 'Fair Value Measurement', paragraph 48.

#### **Cash and cash equivalents**

Cash and cash equivalents represent cash at banks, cash on hand and short-term deposits with maturities of three months or less from the date of acquisition.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Receivables and other financial assets**

Receivables and other financial assets are recognised at fair value, which corresponds to the nominal value for current receivables and other financial assets. For non-current receivables and other financial assets, the fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the balance sheet date. Subsequently, these are measured at amortised cost using the 'effective interest method'. Required allowances, if necessary, are determined on the basis of individual risk assessments, and on the ageing structure of receivables past due.

#### **Inventories**

Merchandise and finished goods are valued at the lower of cost or net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are determined using a standard valuation method: the 'average cost method'. Costs of finished goods include cost of raw materials, direct labour and the components of the manufacturing overheads which can reasonably be attributed. The allocation of overheads is based on the planned average utilisation. The net realisable value allowances are computed consistently throughout the Group based on the age and expected future sales of the items on hand.

#### **Assets/liabilities and disposal groups classified as held for sale**

Assets/liabilities and disposal groups classified as held for sale are primarily non-current assets and liabilities expected to be recovered principally through sale rather than through continuing use. These are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale are not depreciated on a straight-line basis.

**Property, plant and equipment**

Property, plant and equipment are measured at amortised cost. This comprises any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by Management less accumulated depreciation (except for land and construction in progress) and accumulated impairment losses. Depreciation is recognised over the estimated useful life utilising the 'straight-line method' and taking into account any potential residual value, except where the 'declining-balance method' is more appropriate in light of the actual utilisation pattern. Parts of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately.

Land leases are measured at the lower of the fair value or the present value of minimum lease payments and are depreciated on a straight-line basis over the contractually agreed lease term.

Estimated useful lives are as follows:

**ESTIMATED USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT**

	Years
Land	indefinite
Land leases	99
Buildings and leasehold improvements	20 – 50 <sup>1</sup>
Technical equipment and machinery as well as other equipment and furniture and fixtures	2 – 10

<sup>1</sup> Or, if shorter, the lease term/useful life (see Note 28).

Expenditures for repairs and maintenance are expensed as incurred. Renewals and improvements are capitalised and depreciated separately, if the recognition criteria are met.

**Impairment losses**

If facts and circumstances indicate that non-current assets (e.g. property, plant and equipment, intangible assets including goodwill and certain financial assets) might be impaired, the recoverable amount is determined. It is measured at the higher of its fair value less costs to sell and value in use. Non-financial instruments measured at the recoverable amount primarily relate to impaired property, plant and equipment being measured at Level 3 according to IFRS 13 'Fair Value Measurement' and taking unobservable inputs (e.g. profit or cash flow planning) into account.

An impairment loss is recognised in other operating expenses or reported in goodwill impairment losses if the carrying amount exceeds the recoverable amount.

The impairment test for goodwill is performed based on cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. If there is an impairment loss for a cash-generating unit, first the carrying amount of any goodwill allocated to the cash-generating unit is reduced. Subsequently, provided that the recoverable amount is lower than the carrying amount, the other non-current assets of the unit are reduced pro rata on the basis of the carrying amount of each asset in the unit.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life (in particular trademarks) and goodwill acquired in business combinations are tested annually for impairment.

An impairment loss recognised in goodwill is not reversible. With respect to all other impaired assets, an impairment loss recognised in prior periods is reversed affecting the income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

**Leases**

Under finance lease arrangements, the substantial risks and rewards associated with an asset are transferred to the lessee. At the beginning of the lease arrangement, the respective asset and a corresponding liability are recognised at the fair value of the asset or, if lower, the net present value of the minimum lease payments. For subsequent measurement, minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability. In addition, depreciation and any impairment losses for the associated assets are recognised. Depreciation is performed over the lease term or, if shorter, over the useful life of the asset.

Under operating lease agreements, rent expenses are recognised on a straight-line basis over the term of the lease.

**Goodwill**

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised. This results when the purchase cost exceeds the fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets, liabilities and contingent liabilities of that foreign entity are treated as assets, liabilities and contingent liabilities of the respective reporting entity, and are translated at exchange rates prevailing at the date of the initial consolidation. Goodwill is carried in the functional currency of the acquired foreign entity.

Acquired goodwill is valued at cost and is tested for impairment on an annual basis and additionally when there are indications of potential impairment.

**Intangible assets (except goodwill)**

Intangible assets are valued at amortised cost. Amortisation is calculated on a straight-line basis taking into account any potential residual value.

Expenditures during the development phase of internally generated intangible assets are capitalised as incurred if they qualify for recognition under IAS 38 'Intangible Assets'.

Estimated useful lives are as follows:

**ESTIMATED USEFUL LIVES OF INTANGIBLE ASSETS**

	Years
Trademarks	indefinite
Software	5 – 7
Patents, trademarks and concessions	2 – 15

**Research and development**

Research costs are expensed in full as incurred. Development costs are also expensed as incurred if they do not meet the recognition criteria of IAS 38 'Intangible Assets'.

**Financial assets**

All purchases and sales of financial assets are recognised on the trade date. Costs of purchases include transaction costs. Available-for-sale financial assets include non-derivative financial assets which are not allocable under another category of IAS 39. If their respective fair value can be measured reliably, they are subsequently carried at fair value. If this is not the case, these are measured at cost. Realised and unrealised gains and losses arising from changes in the fair value of financial assets are included in the income statement for the period in which they arise, except for available-for-sale financial assets where unrealised gains and losses are recognised in equity unless they are impaired.



**Borrowings and other liabilities**

Borrowings (e.g. Eurobonds) and other liabilities are recognised at fair value using the 'effective interest method', net of transaction costs incurred. In subsequent periods, long-term borrowings are stated at amortised cost using the 'effective interest method'. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowing.

Compound financial instruments (e.g. convertible bonds) are divided into a liability component shown under borrowings and into an equity component resulting from conversion rights. The equity component is included in the capital reserve. The fair value of the liability component is determined by discounting the interest and principal payments of a comparable liability without conversion rights, applying risk-adjusted interest rates. The liability component is subsequently measured at amortised cost using the 'effective interest method'. The equity component is determined as the difference between the fair value of the total compound financial instrument and the fair value of the liability component and is reported within equity. There is no subsequent measurement of the equity component. At initial recognition, directly attributable transaction costs are assigned to the equity and liability component pro rata on the basis of the respective carrying amounts.

**Other provisions and accrued liabilities**

Other provisions are recognised where a present obligation (legal or constructive) to third parties has been incurred as a result of a past event which can be estimated reliably and is likely to lead to an outflow of resources, and where the timing or amount is uncertain. Other non-current provisions are discounted if the effect of discounting is material.

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Here, however, the timing and amount of an outflow of resources is not uncertain.

**Pensions and similar obligations**

Provisions and expenses for pensions and similar obligations relate to the Group's obligations for defined benefit and defined contribution plans. The obligations under defined benefit plans are determined separately for each plan by valuing the employee benefits accrued in return for their service during the current and prior periods. These benefit accruals are discounted to calculate their present value, and the fair value of any plan assets is deducted in order to determine the net liability. The discount rate is set on the basis of yields of high-quality corporate bonds at the balance sheet date provided there is a deep market for high-quality corporate bonds in a given currency. Otherwise, government bond yields are used as a reference. Calculations are performed by qualified actuaries using the 'projected unit credit method' in accordance with IAS 19 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

**Contingent liabilities**

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. Additionally, contingent liabilities may be present obligations that arise from past events but which are not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed and explained in the Notes [+ SEE NOTE 38](#).

**Treasury shares**

When treasury shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. The nominal value of € 1 per treasury share is debited to share capital. Any premium or discount to the nominal value is shown as an adjustment to the retained earnings. If treasury shares are sold or re-issued, the nominal value of the shares will be credited to share capital.

**Revenue**

Revenue in terms of income derived from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer and when the adidas Group does not retain any continuing managerial involvement with the goods. The timing of the transfer of significant risks and rewards depends on the individual terms of the sales agreement (terms of delivery).

Revenue from the rendering of services is recognised when the respective services are rendered.

In addition, revenue from the sale of goods and from the rendering of services is only recognised when the amount of revenue as well as associated costs can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue is measured at the fair value of the consideration received or receivable, net of returns, early payment discounts and rebates.

Under certain conditions and in accordance with contractual agreements, customers of the adidas Group have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Revenue related to estimated returns is accrued based on past experience by means of a provision for returns, allowances and warranty + SEE NOTE 20.

Provided that the customers meet certain pre-defined conditions, the adidas Group grants its customers different types of globally aligned performance-based rebates. Examples are sales growth and loyalty as well as sell-out support, e.g. through retail space management/franchise. When it is assumed that the customer fulfils the requirements for being granted the rebate, this amount is accrued by means of an accrued liability for marketing and sales + SEE NOTE 21.

In addition, the adidas Group generates revenue from the licensing-out of the right to use the adidas, Reebok and TaylorMade brands as well as various other trademarks to third parties. The related royalty and commission income is recognised based on the contract terms on an accrual basis.

**Advertising and promotional expenditures**

Production costs for media campaigns are included in prepaid expenses (other current and non-current assets) until the services are received, and upon receipt expensed in full. Significant media buying costs are expensed over the intended duration of the broadcast.

Promotional expenses that involve payments, including one-time up-front payments for promotion contracts, are expensed on a straight-line basis over the term of the agreement.

**Interest**

Interest is recognised as income or expense as incurred using the 'effective interest method' with the exception of interest that is directly attributable to the acquisition, construction or production of a qualifying asset. This interest is capitalised as part of the cost of the qualifying asset.

**Government grants**

The Group receives government grants related to income in the form of subsidies, subventions or premiums from local, national or international government authorities such as those of the Federal Republic of Germany, the European Union and the Free State of Bavaria.

Government grants related to income are recognised if there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached.

Grants related to income are reported in the consolidated income statement as a deduction from the related expenses.

**Income taxes**

Current income taxes are computed in accordance with the applicable taxation rules established in the countries in which the Group operates.

The Group computes deferred taxes for all temporary differences between the carrying amount and the tax base of its assets and liabilities and tax loss carry-forwards. As it is not permitted to recognise a deferred tax liability for the initial recognition of goodwill, the Group does not compute any deferred taxes thereon.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards which exceed taxable temporary differences are only recognised to the extent that it is probable that the company concerned will generate sufficient taxable income to realise the associated benefit.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**Estimation uncertainties and judgements**

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the respective Notes, in particular goodwill **+ SEE NOTE 13**, trademarks **+ SEE NOTE 14**, other provisions **+ SEE NOTE 20**, pensions **+ SEE NOTE 24**, derivatives **+ SEE NOTE 29**, deferred taxes **+ SEE NOTE 34** as well as litigation and other legal risks **+ SEE NOTE 38**.

Judgements have, for instance, been used in classifying leasing arrangements as well as in determining valuation methods for intangible assets.

### 03 DISCONTINUED OPERATIONS

At December 31, 2014, due to concrete plans to sell the Rockport operating segment, divestiture within the next twelve months was considered as highly probable. As a consequence, the Rockport operating segment was reported as discontinued operations for the first time in the 2014 consolidated financial statements.

On January 23, 2015, the adidas Group signed a definitive agreement to sell the Rockport operating segment. The transaction was completed on July 31, 2015 for a preliminary cash consideration of US \$ 181 million plus fixed and contingent promissory notes.

The fair value of the contingent consideration was estimated by applying the discounted cash flow method. As per December 31, 2015, the fair value increased by US \$ 1 million since July 31, 2015.

The results of the Rockport operating segment are shown as discontinued operations in the consolidated income statement:

#### DISCONTINUED OPERATIONS

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Net sales	159	283
Expenses	(173)	(264)
<b>(Loss)/gain from operating activities</b>	<b>(14)</b>	<b>19</b>
Income taxes	0	(5)
<b>(Loss)/gain from operating activities, net of tax</b>	<b>(13)</b>	<b>14</b>
Loss recognised on the measurement to fair value less costs to sell	-	(110)
Loss from the sale of discontinued operations	(40)	-
Income taxes	7	28
<b>Loss recognised on the measurement to fair value less costs to sell, net of tax</b>	<b>-</b>	<b>(82)</b>
<b>Loss from the sale of discontinued operations, net of tax</b>	<b>(32)</b>	<b>-</b>
<b>Loss from discontinued operations, net of tax</b>	<b>(46)</b>	<b>(68)</b>
Basic earnings per share from discontinued operations (€)	(0.23)	(0.32)
Diluted earnings per share from discontinued operations (€)	(0.23)	(0.32)

The loss from discontinued operations in an amount of € 46 million (2014: € 68 million) is entirely attributable to the shareholders of adidas AG.

### 04 ACQUISITION OF SUBSIDIARIES AS WELL AS ASSETS AND LIABILITIES

Effective August 5, 2015, adidas International B.V. completed the acquisition of runtastic GmbH ('Runtastic') and consequently owns 100% of the voting rights. Founded in 2009 and headquartered in Pasching near Linz/Austria, Runtastic is a health and fitness apps and related hardware company. With over 160 million downloads and over 80 million registered users, Runtastic is a leader in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data. With this acquisition, the adidas Group intends to further expand its market position within the digital health and fitness space. Runtastic was acquired for a purchase price of € 213 million in cash plus 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. At the acquisition date, the amount recognised as earn-out components was equivalent to the fair value.

At the acquisition date, the acquisition had the following effect on the Group's assets and liabilities, based on a preliminary purchase price allocation:

**NET ASSETS OF RUNTASTIC GMBH AT THE ACQUISITION DATE**

€ in millions	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	7	–	7
Accounts receivable	2	–	2
Inventories	0	–	0
Other current assets	1	–	1
Property, plant and equipment	1	–	1
Trademarks	0	31	31
Other intangible assets	0	21	21
Deferred tax assets	1	–	1
Accounts payable	(1)	–	(1)
Income taxes	(1)	–	(1)
Other current provisions	(1)	–	(1)
Current accrued liabilities	(3)	–	(3)
Other current liabilities	(2)	–	(2)
Deferred tax liabilities	–	(13)	(13)
<b>Net assets</b>	<b>3</b>	<b>39</b>	<b>42</b>
Goodwill arising on acquisition			192
<b>Purchase price in consideration of contingent payments</b>			<b>235</b>
Less: contingent payments in subsequent years			(21)
<b>Purchase price settled in cash</b>			<b>213</b>
Less: cash and cash equivalents acquired			(7)
<b>Net cash outflow on acquisition</b>			<b>207</b>

The fair value of intangible assets has been measured provisionally pending completion of an independent valuation.

The following valuation methods for the acquired assets were applied:

- **Trademarks:** The 'relief-from-royalty method' was applied for the trademarks/brand names. The fair value was determined by discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset.
- **Other intangible assets:** For the valuation of customer relationships, the 'multi-period-excess-earnings method' was used. The respective future excess cash flows were identified and adjusted in order to eliminate all elements not associated with these assets. Future cash flows were measured on the basis of the expected net sales by deducting variable and sales-related imputed costs for the use of contributory assets. Subsequently, the outcome was discounted using the appropriate discount rate and adding a tax amortisation benefit. For the valuation of technology (internally generated software), the 'depreciated-replacement-cost method' was used. The replacement costs are determined by applying an index to the asset's historical cost. The replacement costs are then adjusted for the loss in value caused by depreciation.

The excess of the acquisition cost paid versus the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed, taking into consideration the respective deferred taxes, was recognised as goodwill. It mainly arose from expected synergies. Any acquired asset that did not meet the identification and recognition criteria for an asset was included in the amount recognised as goodwill.

The goodwill arising on this acquisition was allocated to the groups of cash-generating units of the regional markets which are responsible for the joint distribution of adidas and Reebok based on the expected operating/contribution margin synergy potential. The goodwill is not deductible for tax purposes and is denominated in euro as the local functional currency.

The acquired subsidiary generated net sales in an amount of € 8 million as well as losses in an amount of € 0 million for the period from August 5 to December 31, 2015. If this acquisition had occurred on January 1, 2015, total Group net sales would have been € 16.9 billion and net income attributable to shareholders would have been € 636 million for the year ending December 31, 2015.

Effective January 2, 2015, Reebok International Limited completed the acquisition of Refuel (Brand Distribution) Limited ('Refuel') and consequently owns 100% of the voting rights. Based in London (UK), Refuel mainly markets and distributes apparel of Mitchell & Ness. With this acquisition, the adidas Group has taken over all distribution rights of Mitchell & Ness outside of North America. The entire business of Refuel was acquired for a purchase price of GBP 11 million in cash.

The acquisition had the following effect on the Group's assets and liabilities, based on a purchase price allocation:

#### NET ASSETS OF REFUEL (BRAND DISTRIBUTION) LIMITED AT THE ACQUISITION DATE

€ in millions	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	6	-	6
Accounts receivable	2	-	2
Inventories	1	0	2
Property, plant and equipment	0	-	0
Other intangible assets	-	7	7
Accounts payable	(1)	-	(1)
Income taxes	(0)	-	(0)
Deferred tax liabilities	(0)	(1)	(1)
<b>Net assets</b>	<b>8</b>	<b>6</b>	<b>14</b>
Goodwill arising on acquisition			-
<b>Purchase price settled in cash</b>			<b>14</b>
Less: cash and cash equivalents acquired			(6)
<b>Net cash outflow on acquisition</b>			<b>7</b>

The following valuation methods for the acquired assets were applied:

- **Inventories:** The 'pro rata basis valuation' was applied for estimating the fair value of acquired inventories. Realised margins were added to the carrying amount of acquired inventories. Subsequently, the costs for completion for selling, advertising and general administration as well as a reasonable profit allowance were deducted.
- **Other intangible assets:** For the valuation of customer relationships, the 'multi-period-excess-earnings method' was used. The respective future excess cash flows were identified and adjusted in order to eliminate all elements not associated with these assets. Future cash flows were measured on the basis of the expected net sales by deducting variable and sales-related imputed costs for the use of contributory assets. Subsequently, the outcome was discounted using the appropriate discount rate and adding a tax amortisation benefit.

The acquired subsidiary generated net sales in an amount of € 11 million as well as profits in an amount of € 0 million for the period from January 2 to December 31, 2015.

Effective November 24, 2014, Reebok International Limited completed the acquisition of Luta Ltd. ('Luta'). Based in London (UK), Luta designs and sells boxing and workout clothing. With this acquisition, the adidas Group has entered into a long-term partnership with 'Fight for Peace', a non-profit organisation which combines boxing and martial arts with education and personal development. In addition, this partnership facilitated the completion of a licence agreement with the mixed martial arts organisation 'Ultimate Fighting Championship' (UFC). The entire business of Luta was acquired for a purchase price of GBP 5 million in cash.

At the acquisition date, the acquisition had the following effect on the Group's assets and liabilities, based on a purchase price allocation:

#### NET ASSETS OF LUTA LTD. AT THE ACQUISITION DATE

€ in millions	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	0	–	0
Accounts receivable	0	–	0
Inventories	0	–	0
Other current assets	0	–	0
Property, plant and equipment	0	–	0
Trademarks and similar rights	–	7	7
Accounts payable	(0)	–	(0)
Deferred tax liabilities	–	(1)	(1)
<b>Net assets</b>	<b>1</b>	<b>6</b>	<b>6</b>
Goodwill arising on acquisition			–
<b>Purchase price settled in cash</b>			<b>6</b>
Less: cash and cash equivalents acquired			(0)
<b>Net cash outflow on acquisition</b>			<b>6</b>

The following valuation method for the acquired assets was applied:

- **Trademarks and similar rights:** The 'relief-from-royalty method' was applied. The fair value was determined by discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset.

The acquired subsidiary generated net sales of € 0 million as well as net losses of € 0.2 million in December 2014. If this acquisition had occurred on January 1, 2014, total Group net sales would have been € 14.5 billion and net income attributable to shareholders would have been € 489 million for the year ending December 31, 2014.

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 05 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at banks, cash on hand, short-term deposits and investments in money market funds. Short-term financial assets are only shown as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 06 SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are classified 'at fair value through profit or loss'. Changes in the fair value are recognised in the income statement as they occur.

The majority of short-term financial assets are time deposits.

**07**  
**ACCOUNTS**  
**RECEIVABLE**

Accounts receivable consist mainly of the currencies US dollar, euro, Chinese renminbi as well as Japanese yen and are as follows:

**ACCOUNTS RECEIVABLE**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable, gross	2,198	2,085
Less: accumulated allowances for doubtful accounts	(149)	(139)
<b>Accounts receivable, net</b>	<b>2,049</b>	<b>1,946</b>

**MOVEMENT IN ALLOWANCES FOR DOUBTFUL ACCOUNTS**

€ in millions	2015	2014
<b>Allowances at January 1</b>	<b>139</b>	<b>120</b>
Additions	49	65
Reversals	(33)	(40)
Write-offs charged against the allowance accounts	(6)	(9)
Currency translation differences	0	4
Other changes	(1)	(1)
<b>Allowances at December 31</b>	<b>149</b>	<b>139</b>

**ACCOUNTS RECEIVABLE PAST DUE BUT NOT IMPAIRED**

€ in millions	Past due 1–30 days	Past due 31–60 days	Past due 61–90 days	Past due 91–180 days	Past due > 180 days
<b>Dec. 31, 2015</b>	<b>189</b>	<b>70</b>	<b>9</b>	<b>5</b>	<b>3</b>
Dec. 31, 2014	169	77	10	6	1

With respect to accounts receivable as at the balance sheet date past due but not impaired, based on credit history and current credit ratings, there are no indications that customers will not be able to meet their obligations.

Further, no indications of default are recognisable for accounts receivable that are neither past due nor impaired.

For further information about credit risks [+](#) **SEE RISK AND OPPORTUNITY REPORT, P. 156.**

**08**  
**OTHER CURRENT**  
**FINANCIAL ASSETS**

Other current financial assets consist of the following:

**OTHER CURRENT FINANCIAL ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Currency options	5	30
Forward exchange contracts	202	240
Security deposits	67	64
Sundry	93	64
<b>Other current financial assets</b>	<b>367</b>	<b>398</b>

For further information about currency options and forward exchange contracts [+](#) **SEE NOTE 29.**



**09  
INVENTORIES**

Inventories by major classification are as follows:

**INVENTORIES**

€ in millions	Dec. 31, 2015			Dec. 31, 2014		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	2,269	(126)	2,143	1,898	(92)	1,806
Goods in transit	936	–	936	688	–	688
Raw materials	35	(2)	33	34	(2)	32
Work in progress	1	–	1	1	–	1
<b>Inventories</b>	<b>3,241</b>	<b>(128)</b>	<b>3,113</b>	<b>2,620</b>	<b>(94)</b>	<b>2,526</b>

Goods in transit mainly relate to shipments of finished goods and merchandise from suppliers in Asia to subsidiaries in Europe, Asia, North America and Latin America.

**10  
OTHER CURRENT  
ASSETS**

Other current assets consist of the following:

**OTHER CURRENT ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Prepaid expenses	218	194
Tax receivables other than income taxes	174	129
Sundry	106	103
<b>Other current assets, gross</b>	<b>497</b>	<b>426</b>
Less: accumulated allowances	(8)	(2)
<b>Other current assets, net</b>	<b>489</b>	<b>425</b>

Prepaid expenses relate mainly to promotion and service contracts as well as rents.

**11  
ASSETS/LIABILITIES  
AND DISPOSAL  
GROUPS CLASSIFIED  
AS HELD FOR SALE**

At December 31, 2015, assets held for sale mainly comprise land of adidas AG amounting to € 11 million (2014: € 11 million), following a signed contract of sale, which is still awaiting certain conditions to be fulfilled that are not in the area of influence of the adidas Group.

As of July 31, 2015, the Rockport operating segment was divested. The following assets and liabilities which were reported as assets/liabilities held for sale since December 31, 2014 due to the concrete plans to sell the operating segment are consequently derecognised from the consolidated statement of financial position as of July 31, 2015. The Rockport operating segment is part of Other Businesses (discontinued operations).

**IMPACT OF DISPOSAL ON ITEMS IN THE STATEMENT OF FINANCIAL POSITION**

€ in millions	July 31, 2015
Cash and cash equivalents	(1)
Current assets	(138)
Non-current assets	(123)
Liabilities	62
<b>Net assets</b>	<b>(201)</b>
Consideration received in cash	165
Less: cash and cash equivalents disposed of	(1)
<b>Net cash inflow</b>	<b>164</b>

At December 31, 2014, impairment losses of € 104 million (before transaction costs) for write-downs of the disposal group Rockport to the lower of its carrying amount and its fair value less costs to sell have been included in 'Losses/gains from discontinued operations, net of tax' [+ SEE NOTE 03](#). At December 31, 2014, the fair value less costs to sell amounted to € 211 million. The impairment losses have been applied to reduce the carrying amount of goodwill, trademarks and other intangible assets as well as property, plant and equipment.

At December 31, 2014, the disposal group Rockport was stated at fair value less costs to sell and comprised the following major classes of assets and liabilities:

#### CLASSES OF ASSETS AND LIABILITIES

€ in millions	Dec. 31, 2014
Accounts receivable	49
Other current financial assets	1
Inventories	88
<b>Total current assets</b>	<b>139</b>
Property, plant and equipment	7
Trademarks	112
Other intangible assets	1
<b>Total non-current assets</b>	<b>121</b>
<b>Total assets</b>	<b>260</b>
Accounts payable	37
Other current provisions	1
Current accrued liabilities	6
Other current liabilities	2
<b>Total current liabilities</b>	<b>46</b>
<b>Total liabilities</b>	<b>46</b>

The non-recurring fair value measurement for the disposal group has been categorised as a Level 3 fair value. The fair value is based on the sale and purchase agreement for the Rockport business which was signed on January 23, 2015 [+ SEE NOTE 03](#).

## 12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

#### PROPERTY, PLANT AND EQUIPMENT

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Land, land leases, buildings and leasehold improvements	1,319	1,073
Technical equipment and machinery	300	268
Other equipment as well as furniture and fixtures	1,502	1,323
	<b>3,121</b>	<b>2,664</b>
Less: accumulated depreciation and impairment losses	[1,583]	[1,369]
	<b>1,538</b>	<b>1,296</b>
Construction in progress, net	100	159
<b>Property, plant and equipment, net</b>	<b>1,638</b>	<b>1,454</b>

Depreciation expenses were € 279 million and € 258 million for the years ending December 31, 2015 and 2014, respectively [+ SEE NOTE 31](#).

As a general principle, it is regularly assessed whether there are any indications that furniture and fixtures might be impaired. Irrespective of the existence of such indications, furniture and fixtures in own-retail stores are annually tested for impairment whereby the recoverable amount is calculated using the discounted cash flow method as part of determining the profitability of the respective own-retail stores. Impairment losses amounted to € 19 million and € 17 million for the years ending December 31, 2015 and 2014, respectively [SEE NOTE 31](#). These are related to other equipment, furniture and fixtures as well as buildings and leasehold improvements, mainly in the Group's own-retail activities, for which contrary to expectations there will be an insufficient flow of future economic benefits. In 2015, reversals of impairment losses were recorded in an amount of € 1 million (2014: € 1 million).

The increase in 'Land, land leases, buildings and leasehold improvements' mainly relates to the acquisition of a warehouse in Chekhov, Russia, which was previously leased.

For details see Attachment I to the consolidated financial statements [SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 248](#).

## 13 GOODWILL

Goodwill primarily relates to the Group's acquisitions of the Reebok, TaylorMade and Runtastic businesses as well as acquisitions of subsidiaries, primarily in the USA, Australia/New Zealand, the Netherlands, Denmark and Italy.

### GOODWILL

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Goodwill, gross	1,878	1,588
Less: accumulated impairment losses	(486)	(419)
<b>Goodwill, net</b>	<b>1,392</b>	<b>1,169</b>

The majority of goodwill, which primarily relates to the acquisition of the Reebok business in 2006, is denominated in US dollars. A currency translation effect of positive € 65 million and positive € 73 million was recorded for the years ending December 31, 2015 and 2014, respectively.

The Group determines whether goodwill impairment is necessary at least on an annual basis. The impairment test for goodwill is performed based on cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The recoverable amount of a cash-generating unit is determined on the basis of value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

This calculation uses cash flow projections based on the financial planning covering a five-year period in total. The planning is based on long-term expectations of the adidas Group and reflects in total for the cash-generating units an average annual mid- to high-single-digit sales increase with varying forecasted growth prospects for the different units. Furthermore, the Group expects the operating margin to expand, primarily driven by an improvement in the gross margin as well as lower operating expenses as a percentage of sales. The planning for capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the individual cash-generating units. Cash flows beyond this five-year period are extrapolated using steady growth rates of 1.7% (2014: 1.7%). According to the Group's expectations, these growth rates do not exceed the long-term average growth rate of the business sector in which each cash-generating unit operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing the Group's major competitors for each cash-generating unit. The discount rates used are after-tax rates and reflect the specific equity and country risk of the relevant cash-generating unit.

Due to the implementation of an omni-channel distribution approach in connection with the new organisational structure and the associated change in segmental reporting, the carrying amounts of acquired goodwill have been reallocated to the new groups of cash-generating units.

The groups of cash-generating units are defined as the regional markets which are responsible for the joint distribution of adidas and Reebok as well as the other operating segments TaylorMade-adidas Golf, Reebok-CCM Hockey and Runtastic. The regional markets are: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea and Southeast Asia/Pacific.

Due to the cessation of the subdivision into the distribution channels Wholesale and Retail in the regional markets as well as the consolidation of the former markets Brazil and SLAM (Latin America excluding Brazil) into the new market Latin America, the number of groups of cash-generating units to which goodwill is allocated decreased from 22 to 11 compared to December 31, 2014. This did not result in a new composition of cash-generating units. However, the monitoring of goodwill is not performed on the same level anymore. Through the acquisition of runtastic GmbH, the number of cash-generating units increased to 12.

The allocation of goodwill to the new groups of cash-generating units was performed in the first quarter of 2015 by aggregating goodwill so far allocated to Wholesale and Retail within the regional markets.

Due to the change in the composition of the Group's operating segments and associated cash-generating units respectively, the Group assessed in the first quarter of 2015 whether goodwill impairment was required. The underlying value drivers and key assumptions for impairment testing purposes remained in principle unchanged compared to the impairment test performed for the consolidated financial statements at December 31, 2014. Goodwill impairment losses in the first quarter of 2015 amounted to € 18 million. Due to the consolidation of the groups of cash-generating units Retail SLAM and Retail Brazil with Wholesale SLAM and Wholesale Brazil as well as Retail Russia/CIS with Wholesale Russia/CIS, the carrying amount of the respective new groups of cash-generating units Latin America and Russia/CIS was determined to be higher than the recoverable amount of € 438 million and € 130 million, respectively. The goodwill impairment amount comprises impairment losses of € 15 million within the segment Latin America and € 3 million within the segment Russia/CIS.

Goodwill arising from a preliminary purchase price allocation in connection with the Runtastic acquisition was allocated to the groups of cash-generating units of the regional markets based on the expected synergy potential.

In the course of the annual impairment test, the Group assessed whether goodwill impairment was required. In this context, goodwill impairment losses amounted to € 16 million. The goodwill impairment amount comprises impairment losses of € 1 million within the segment North America, € 3 million within the segment Russia/CIS and € 13 million within the segment Latin America. Goodwill allocated to these groups of cash-generating units was completely impaired. Goodwill allocated to the cash-generating unit Reebok-CCM Hockey was already fully impaired at December 31, 2014.

In total, goodwill impairment losses of € 34 million were recognised in 2015 (2014: € 78 million).

The carrying amounts of acquired goodwill allocated to the respective cash-generating units and the respective discount rates applied to the cash flow projections are as follows:

#### ALLOCATION OF GOODWILL

	Goodwill € in millions		Discount rate after taxes	
	Dec. 31, 2015	Jan. 1, 2015	Dec. 31, 2015	Jan. 1, 2015
Western Europe	632	481	7.7%	8.1%
Greater China	226	186	7.4%	7.8%
TaylorMade-adidas Golf	292	290	6.8%	7.3%
Other	240	211	(6.7 – 10.5%)	(6.7 – 10.7%)
<b>Total</b>	<b>1,392</b>	<b>1,169</b>		

'Other' comprises the groups of cash-generating units for which the respective carrying amount of allocated goodwill is not significant in comparison with the Group's total carrying amount of goodwill.

A change in the discount rate by up to approximately 3.9 percentage points or a reduction of planned free cash inflows by up to approximately 50% would not result in any additional impairment requirement.

Future changes in expected cash flows and discount rates may lead to impairments of the reported goodwill in the future.

For details see Attachment I to the consolidated financial statements [SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 248](#).

The reconciliation of goodwill is as follows:

#### RECONCILIATION OF GOODWILL, NET

€ in millions	Western Europe	Greater China	TaylorMade-adidas Golf	Other	Total
<b>January 1, 2015</b>	<b>481</b>	<b>186</b>	<b>290</b>	<b>211</b>	<b>1,169</b>
Currency translation differences	35	13	2	14	65
Increase in companies consolidated	116	28	–	48	192
Impairment losses	–	–	–	(34)	(34)
<b>December 31, 2015</b>	<b>632</b>	<b>226</b>	<b>292</b>	<b>240</b>	<b>1,392</b>

**14  
TRADEMARKS AND  
OTHER INTANGIBLE  
ASSETS**

Trademarks and other intangible assets consist of the following:

**TRADEMARKS AND OTHER INTANGIBLE ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Reebok	1,423	1,276
Reebok-CCM Hockey	118	107
Other	86	49
<b>Trademarks</b>	<b>1,628</b>	<b>1,432</b>
Software, patents and concessions	885	772
Less: accumulated amortisation and impairment losses	(697)	(609)
<b>Other intangible assets</b>	<b>188</b>	<b>162</b>
<b>Trademarks and other intangible assets</b>	<b>1,816</b>	<b>1,594</b>

At December 31, 2015, trademarks, mainly related to the acquisition of Reebok International Ltd. (USA) in 2006, Ashworth, Inc. in 2008 and runtastic GmbH in 2015, have indefinite useful lives. This is due to the expectation of permanent use of the acquired brand names.

Other trademarks mainly relate to the brand names Ashworth, Adams Golf, Five Ten and Runtastic.

The Group tests at least on an annual basis whether trademarks with indefinite useful lives are impaired. This requires an estimation of the fair value less costs to sell of the trademarks. As part of this estimation, the Group is required to make an estimate of the expected future trademark-specific sales and appropriate arm's length notional royalty rates and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

During the impairment test for trademarks, the recoverable amount is determined on the basis of fair value less costs to sell (costs to sell are calculated with 1% of the fair value). The fair value is determined by discounting notional royalty savings after tax and adding a tax amortisation benefit, resulting from the amortisation of the acquired asset ('relief-from-royalty method'). These calculations use projections of net sales related royalty savings, based on financial planning which covers a period of five years in total. The level of the applied royalty rate for the determination of the royalty savings is based on contractual agreements between the adidas Group and external licensees as well as publicly available royalty rate agreements for similar assets. Notional royalty savings beyond this period are extrapolated using steady growth rates of 1.7% (2014: 1.7%). The growth rates do not exceed the long-term average growth rate of the business to which the trademarks are allocated.

The discount rate is based on a weighted average cost of capital calculation derived using a five-year average market-weighted debt/equity structure and financing costs referencing the Group's major competitors. The discount rate used is an after-tax rate and reflects the specific equity and country risk. The applied discount rate depends on the respective intangible asset being valued and ranges between 6.8% and 8.4% (2014: between 6.7% and 8.4%).

The adidas Group determined that there was no impairment necessary for any of its trademarks with indefinite useful lives in the years ending December 31, 2015 and 2014. In addition, an increase in the discount rate of up to approximately one percentage point or a reduction of cash inflows of up to approximately 13% would not result in any impairment requirement. However, future changes in expected cash flows and discount rates may lead to impairments of the accounted trademarks in the future.

As part of the goodwill impairment test, the Reebok trademark is allocated on a pro rata basis to the cash-generating units. Thereof, the major shares relate to North America (€ 361 million), Western Europe (€ 312 million), Russia/CIS (€ 239 million) and Latin America (€ 189 million).

Amortisation expenses for intangible assets with definite useful lives were € 60 million and € 58 million for the years ending December 31, 2015 and 2014, respectively [+](#) **SEE NOTE 31.**

For details see Attachment I to the consolidated financial statements [+](#) **SEE STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS, P. 248.**

**15**  
**LONG-TERM**  
**FINANCIAL ASSETS**

Long-term financial assets primarily include an 8.33% investment in FC Bayern München AG (2014: 8.33%) of € 81 million (2014: € 80 million). This investment is classified as 'fair value through profit or loss' and recorded at fair value. This equity security does not have a quoted market price in an active market. Therefore, existing contractual arrangements were used in order to calculate the fair value as at December 31, 2015.

The line item 'Investments and other financial assets' comprises the shares in Immobilieninvest und Betriebsgesellschaft Herzo-Base GmbH & Co. KG as well as other minority shareholdings amounting to € 22 million (2014: € 16 million) which are classified as 'Available-for-sale' and measured at amortised cost as a reliable determination of the fair value is impossible without having concrete negotiations regarding a sale. These shares are unlisted and do not have an active market. There is no intention to sell these shares.

Additionally, long-term financial assets include investments which are mainly invested in insurance products and are measured at fair value, as well as other financial assets.

**LONG-TERM FINANCIAL ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Investment in FC Bayern München AG	81	80
Investments and other financial assets	59	49
<b>Long-term financial assets</b>	<b>140</b>	<b>129</b>

**16**  
**OTHER**  
**NON-CURRENT**  
**FINANCIAL ASSETS**

Other non-current financial assets consist of the following:

**OTHER NON-CURRENT FINANCIAL ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Currency options	20	10
Forward exchange contracts	2	5
Security deposits	26	27
Promissory notes	42	–
Sundry	10	0
<b>Other non-current financial assets</b>	<b>99</b>	<b>42</b>

For further information about currency options and forward exchange contracts [+](#) **SEE NOTE 29**. For information about promissory notes [+](#) **SEE NOTE 03**.

**17**  
**OTHER**  
**NON-CURRENT**  
**ASSETS**

Other non-current assets consist of the following:

**OTHER NON-CURRENT ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Prepaid expenses	122	99
Sundry	2	6
<b>Other non-current assets</b>	<b>124</b>	<b>105</b>

Prepaid expenses mainly include prepayments for long-term promotion contracts and rents [+](#) **SEE NOTES 38 AND 28**.

## 18 BORROWINGS AND CREDIT LINES

Borrowings are denominated in a variety of currencies in which the Group conducts its business. The largest portions of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2015 are denominated in euros (2015: 80%; 2014: 80%) and US dollars (2015: 15%; 2014: 12%).

The weighted average interest rate on the Group's gross borrowings decreased to 2.4% in 2015 (2014: 3.1%).

As at December 31, 2015, the Group had cash credit lines and other long-term financing arrangements totalling € 3.7 billion (2014: € 3.7 billion); thereof unused credit lines accounted for € 1.9 billion (2014: € 1.8 billion). In addition, as at December 31, 2015, the Group had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.2 billion (2014: € 0.2 billion).

The Group's outstanding financings are unsecured and may include standard financial covenants, which are reviewed on a quarterly basis. These covenants may include limits on the disposal of fixed assets, the maximum amount of debt secured by liens, cross default provisions and change of control. In addition, certain financial arrangements contain equity ratio covenants, minimum equity covenants as well as net loss covenants.

As at December 31, 2015, and December 31, 2014, shareholders' equity and the equity ratio were well above the agreed minimum values. Likewise, the relevant amount of net income clearly exceeded net loss covenants.

The amounts disclosed as gross borrowings represent outstanding borrowings under the following arrangements with aggregated expiration dates as follows:

### GROSS BORROWINGS AS AT DECEMBER 31, 2015

€ in millions	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	229	–	–	–	229
Private placements	138	–	–	–	138
Eurobond	–	–	–	981	981
Convertible bond	–	483	–	–	483
<b>Total</b>	<b>366</b>	<b>483</b>	<b>–</b>	<b>981</b>	<b>1,830</b>

The above table includes two Eurobonds amounting to € 1 billion in total issued on October 1, 2014. The seven-year Eurobond of € 600 million matures on October 8, 2021 and has a coupon of 1.25%. The twelve-year Eurobond of € 400 million matures on October 8, 2026 and has a coupon of 2.25%. The Eurobonds have denominations of € 1,000 each and were priced with a spread of 68 basis points and 100 basis points, respectively, above the corresponding euro mid-swap rate. The issue price was fixed at 99.145% and 99.357%, respectively.

In addition, gross borrowings include a convertible bond for an aggregate nominal amount of € 500 million divided into denominations of € 200,000 which was issued on March 21, 2012. The bond has a maximum maturity (including prolongation options) until June 14, 2019. The coupon of the bond amounts to 0.25% and is payable annually, commencing on June 14, 2013. The bond is, at the option of the respective holder, convertible at any time from and including May 21, 2012, up to and including June 5, 2019, into up to 6.10 million new or existing adidas AG shares. The convertible bond has a conversion premium of 40% above the reference price of € 59.61, which resulted in an initial conversion price of € 83.46 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted from € 82.56 to € 82.00 per share. This adjustment became effective on May 8, 2015. On June 14, 2017, the bondholders have the right to call the bond at nominal value plus interest accrued on the nominal amount. adidas AG is entitled to redeem the remaining bonds in whole if, at any time, the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. Furthermore, as of July 14, 2017, adidas AG is entitled to redeem the bonds in whole if on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of € 82.00 by at least 30%.



According to IAS 32 'Financial Instruments: Presentation', the conversion right represented in the convertible bond constitutes a financial instrument which is covered in the capital reserve in an amount of € 55 million after deduction of the issuance cost. The initial liability component amounted to € 441 million after deduction of the issuance cost and is shown within long-term borrowings. The initial difference of € 59 million compared to the nominal amount of € 500 million is accrued as interest expense of the financial liability over the expected maturity of the convertible bond using the 'effective interest method'. As at December 31, 2015, the financial liability amounted to € 483 million.

#### GROSS BORROWINGS AS AT DECEMBER 31, 2014

€ in millions	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	194	-	-	-	194
Private placements	95	123	-	-	218
Eurobond	-	-	-	990	990
Convertible bond	-	471	-	-	471
<b>Total</b>	<b>288</b>	<b>594</b>	<b>-</b>	<b>990</b>	<b>1,873</b>

The above table includes a private placement which was repaid on July 1, 2015.

For further details on future cash outflows [+](#) SEE RISK AND OPPORTUNITY REPORT, P. 156.

## 19 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities consist of the following:

#### OTHER CURRENT FINANCIAL LIABILITIES

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Currency options	2	0
Forward exchange contracts	59	50
Commodity futures	-	3
Finance lease obligations	3	3
Sundry	79	35
<b>Other current financial liabilities</b>	<b>143</b>	<b>91</b>

The increase in the line item 'Sundry' mainly relates to purchase price obligations for non-controlling interests. For further information about currency options, forward exchange contracts and commodity futures [+](#) SEE NOTE 29. For information about finance lease obligations [+](#) SEE NOTE 28.

## 20 OTHER PROVISIONS

Other provisions consist of the following:

#### OTHER PROVISIONS

€ in millions	Jan. 1, 2015	Currency translation differences	Usage	Reversals	Additions	Transfers	Dec. 31, 2015	Thereof non- current
Marketing	79	0	(77)	(0)	20	-	21	-
Personnel	48	2	(31)	(2)	44	(2)	59	5
Returns, allowances and warranty	200	6	(145)	(2)	141	(12)	189	-
Taxes, other than income taxes	27	0	(7)	(0)	9	-	29	0
Sundry	154	(1)	(46)	(22)	122	-	207	45
<b>Other provisions</b>	<b>508</b>	<b>7</b>	<b>(305)</b>	<b>(26)</b>	<b>337</b>	<b>(14)</b>	<b>506</b>	<b>50</b>

Marketing provisions mainly consist of provisions for promotion contracts.

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components as well as of provisions for social plans relating to restructuring measures. With regard to provisions for early retirement, claims for reimbursement in an amount of € 0 million (2014: € 0 million) are shown under other non-current assets.

Provisions for returns, allowances and warranty primarily arise due to bonus agreements with customers and the obligation of fulfilling customer claims with regard to the return of products sold by the Group. The amount of the provision follows the historical development of returns, allowances and warranty as well as current agreements.

Provisions for taxes other than income taxes mainly relate to value added tax, real estate tax and motor vehicle tax.

Sundry provisions mainly include provisions for customs risks, earn-out components for Runtastic as well as provisions for litigation and other legal risks.

The reversal of sundry provisions in 2015 is mainly related to the completion of customs audits and a risk reassessment.

Management follows past experience from similar transactions when assessing the recognition and the measurement of other provisions; in particular external legal opinions are considered for provisions for customs risks and for litigation and other legal risks. All evidence from events until the preparation of the consolidated financial statements is taken into account.

## 21 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

### ACCRUED LIABILITIES

€ in millions	Jan. 1, 2015	Currency translation differences	Usage	Reversals	Changes in companies consoli- dated	Additions	Transfers	Dec. 31, 2015	Thereof non- current
Goods and services not yet invoiced	494	15	(371)	(10)	–	473	2	604	14
Marketing and sales	442	19	(340)	(16)	–	571	12	688	2
Personnel	352	11	(222)	(13)	1	341	1	470	99
Sundry	42	1	(35)	(0)	–	35	(1)	42	6
<b>Accrued liabilities</b>	<b>1,330</b>	<b>47</b>	<b>(969)</b>	<b>(38)</b>	<b>1</b>	<b>1,420</b>	<b>14</b>	<b>1,805</b>	<b>120</b>

Marketing accrued liabilities mainly consist of accruals for distribution, such as discounts, rebates and sales commissions.

Accrued liabilities for personnel mainly consist of accruals for outstanding salary payments, such as bonuses and overtime, as well as outstanding vacation.

Sundry accrued liabilities mainly include accruals for promotion contracts as well as accruals for interest.

**22  
OTHER CURRENT  
LIABILITIES**

Other current liabilities consist of the following:

**OTHER CURRENT LIABILITIES**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Tax liabilities other than income taxes	111	105
Liabilities due to personnel	57	48
Liabilities due to social security	21	20
Deferred income	33	30
Customers with credit balances	54	42
Sundry	55	42
<b>Other current liabilities</b>	<b>331</b>	<b>287</b>

**23  
OTHER  
NON-CURRENT  
FINANCIAL  
LIABILITIES**

Other non-current financial liabilities consist of the following:

**OTHER NON-CURRENT FINANCIAL LIABILITIES**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Currency options	0	2
Forward exchange contracts	0	–
Finance lease obligations	6	7
Sundry	12	0
<b>Other non-current financial liabilities</b>	<b>18</b>	<b>9</b>

The increase in the line item 'Sundry' mainly relates to the earn-out components for Runtastic. For further information about currency options and forward exchange contracts [+](#) **SEE NOTE 29**. For information about finance lease obligations [+](#) **SEE NOTE 28**. For further information about earn-out components [+](#) **SEE NOTE 04**.

**24  
PENSIONS  
AND SIMILAR  
OBLIGATIONS**

The Group has recognised post-employment benefit obligations arising from defined benefit plans. The benefits are provided pursuant to the legal, fiscal and economic conditions in each respective country and mainly depend on the employees' years of service and remuneration.

**PENSIONS AND SIMILAR OBLIGATIONS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Liability arising from defined benefit pension plans	246	271
Similar obligations	26	14
<b>Pensions and similar obligations</b>	<b>273</b>	<b>284</b>

**Defined contribution pension plans**

The total expense for defined contribution plans amounted to € 59 million in 2015 (2014: € 46 million).

**Defined benefit pension plans**

Given the diverse Group structure, different defined benefit pension plans exist, comprising a variety of post-employment benefit arrangements. The Group's major defined benefit pension plans relate to adidas AG and its subsidiaries in the UK and South Korea. The defined benefit pension plans generally provide payments in case of death, disability or retirement to former employees and their survivors. The obligations arising from defined benefit pension plans are partly covered by plan assets.

In Germany, adidas AG grants its employees contribution-based and final salary defined benefit pension schemes, which provide employees with entitlements in the event of retirement, disability and death. In general, German pension plans operate under the legal framework of the German Company Pensions Act ('Betriebsrentengesetz') and under the German Labour Act. A large proportion of the pension plans are closed to new entrants. New employees are entitled to benefits in accordance with the adidas Pension Plan or the adidas Management Pension Plan. The adidas Pension Plan is a matching contribution plan; the contributions to this pension plan are partly paid by the employee and partly paid by the employer. The contributions are transferred into benefit building blocks. The benefits are paid out in the form of a pension, a lump sum or instalments. The pension plans in Germany are financed using book reserves, a contractual trust arrangement (CTA) and a pension fund ('Pensionsfonds') in combination with a reinsured provident fund ('Unterstützungskasse') for certain current and former members of the Executive Board of adidas AG. Further details about the pension entitlements of members of the Executive Board of adidas AG are contained in the Compensation Report [+ SEE COMPENSATION REPORT, P. 36](#).

The final salary defined benefit pension scheme in the UK is closed to new entrants and to future accrual. The benefits are mainly paid out in the form of pensions. The scheme operates under UK trust law as well as under the jurisdiction of the UK Pensions Regulator and therefore is subject to a minimum funding requirement. The Trustee Board is responsible for setting the scheme's funding objective, agreeing the contributions with the company and determining the investment strategy of the scheme.

The subsidiaries in South Korea grant a final pay pension plan to certain employees. This plan is closed to new entrants. The benefits are paid out in the form of a lump sum. The pension plan operates under the Employee Retirement Benefit Security Act (ERSA). This regulation requires a minimum funding amounting to 80% of the present value of the vested benefit obligation. Both subsidiaries annually contribute at least the minimum amount in order to meet the funding requirements.

The defined benefit plan in Japan was closed effective as of March 31, 2015 and a new defined contribution plan was established. For each employee, the present value of the entitlement from the defined benefit plan was calculated as at March 31, 2015. The employees can opt either to transfer the calculated lump sum to the new defined contribution plan over a four-year period (until 2019) or to receive the lump sum when leaving the company. Future accruals can only be made through the defined contribution plan. Due to this change, the respective defined benefit obligation according to IAS 19 largely ceased at the end of 2015.

#### BREAKDOWN OF THE PRESENT VALUE OF THE OBLIGATION ARISING FROM DEFINED BENEFIT PENSION PLANS IN THE MAJOR COUNTRIES

€ in millions	Dec. 31, 2015			Dec. 31, 2014		
	Germany	UK	South Korea	Germany	UK	South Korea
Active members	177	–	14	178	–	12
Former employees with vested rights	52	52	–	49	50	–
Pensioners	73	4	–	78	4	–
<b>Total</b>	<b>302</b>	<b>56</b>	<b>14</b>	<b>305</b>	<b>54</b>	<b>12</b>

The Group's pension plans are subject to risks from changes in actuarial assumptions, such as the discount rate, salary and pension increase rates, and risks from changes in longevity. A lower discount rate results in a higher defined benefit obligation and/or in higher contributions to the pension funds. Lower than expected performance of the plan assets could lead to an increase in required contributions or to a decline of the funded status.

The following tables analyse the defined benefit plans, plan assets, present values of the defined benefit pension plans, expenses recognised in the consolidated income statement, actuarial assumptions and further information.

**AMOUNTS FOR DEFINED BENEFIT PENSION PLANS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Present value of funded obligation from defined benefit pension plans	394	391
Fair value of plan assets	(173)	(157)
<b>Funded status</b>	<b>221</b>	<b>234</b>
Present value of unfunded obligation from defined benefit pension plans	25	37
Asset ceiling effect	0	0
<b>Net defined benefit liability</b>	<b>246</b>	<b>271</b>
Thereof: liability	247	271
Thereof: adidas AG	206	212
Thereof: asset	(0)	(0)
Thereof: adidas AG	-	-

The determination of assets and liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates or future increases in salaries) and demographic variables (such as mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows.

**WEIGHTED AVERAGE ACTUARIAL ASSUMPTIONS**

in %	Dec. 31, 2015	Dec. 31, 2014
Discount rate	2.8	2.4
Expected rate of salary increases	3.1	3.2
Expected pension increases	1.7	1.7

The weighted average actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pension expense for the upcoming financial year.

The actuarial assumptions for withdrawal and mortality rates are based on statistical information available in the various countries. In Germany, the Heubeck 2005 G mortality tables are used. In the UK, assumptions are based on the S1NA base table with modified improvement of the life expectancy mortality tables. In South Korea, the KIDI 2015 tables from the Korean Insurance Development Institute are used.

As in the previous year, the calculation of the pension liabilities in Germany is based on a discount rate determined using the 'Mercer Yield Curve (MYC)' approach. With effect from June 30, 2015, all relevant information for deriving the MYC is obtained from a single data provider (Thomson Reuter's Datastream) with the result that bond and rating information is sourced from two rating agencies instead of three. If the discount rate were determined based on the MYC without changes, the discount rate would be higher by approximately ten basis points and the defined benefit obligation would be approximately € 6 million lower than the reported defined benefit obligation.

Remeasurements, such as gains or losses arising from changes in the actuarial assumptions for defined benefit pension plans during the financial year or a return on the plan assets exceeding the interest income, are immediately recognised outside the income statement as a change in other reserves in the consolidated statement of comprehensive income.

### PENSION EXPENSES FOR DEFINED BENEFIT PENSION PLANS

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Current service cost	15	16
Net interest expense	6	8
Thereof: interest cost	10	12
Thereof: interest income	(4)	(4)
Past service cost	0	1
Gain on plan settlement	(4)	–
<b>Expenses for defined benefit pension plans (recognised in the consolidated income statement)</b>	<b>17</b>	<b>25</b>
Actuarial (gains)/losses	(12)	79
Thereof: due to changes in financial assumptions	(23)	79
Thereof: due to changes in demographic assumptions	(1)	0
Thereof: due to experience adjustments	12	0
Return on plan assets (not included in net interest income)	(1)	(1)
Asset ceiling effect	(0)	(1)
<b>Remeasurements for defined benefit pension plans (recognised as (increase)/decrease in other reserves in the consolidated statement of comprehensive income)</b>	<b>(13)</b>	<b>77</b>
<b>Total</b>	<b>4</b>	<b>102</b>

Of the total pension expenses recorded in the consolidated income statement, an amount of € 14 million (2014: € 17 million) relates to employees of adidas AG, € 0.5 million (2014: € 0.2 million) relates to employees in the UK and € 3 million (2014: € 2 million) relates to employees in South Korea. The gain on plan settlements in an amount of € 4 million derives from the changes in the pension plans in Japan as described above. The pension expense is mainly recorded within other operating expenses. The production-related part of the pension expenses is recognised within cost of sales.

### PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

€ in millions	2015	2014
<b>Present value of the obligation from defined benefit pension plans as at January 1</b>	<b>427</b>	<b>325</b>
Currency translation differences	8	7
Current service cost	15	16
Interest cost	10	12
Contribution by plan participants	0	0
Pensions paid	(14)	(13)
Payments for plan settlements	(12)	–
Actuarial (gains)/losses	(12)	79
Thereof: due to changes in financial assumptions	(23)	79
Thereof: due to changes in demographic assumptions	(1)	0
Thereof: due to experience adjustments	12	0
Past service cost	0	1
Gain on plan settlements	(4)	0
<b>Present value of the obligation from defined benefit pension plans as at December 31</b>	<b>419</b>	<b>427</b>

The payments for plan settlements in an amount of € 12 million result from the changes in the pension plans in Japan as described above.

In the following table, the effects of reasonably conceivable changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans are analysed. In addition, for Germany, the UK and South Korea the average duration of the obligation is shown.

### SENSITIVITY ANALYSIS OF THE OBLIGATION FROM DEFINED BENEFIT PENSION PLANS

€ in millions	Dec. 31, 2015			Dec. 31, 2014		
	Germany	UK	South Korea	Germany	UK	South Korea
Present value of the obligation from defined benefit pension plans	302	56	14	305	54	12
Increase in the discount rate by 0.5%	277	49	14	279	47	12
Reduction in the discount rate by 0.5%	330	65	15	335	63	13
Average duration of the obligations [in years]	18	28	8	18	30	8

Since many pension plans are closed to future accrual or are not dependent on the salary, the salary trend plays a minor role in determining pension obligations. Due to the fact that about half of the benefits of the German pension plans are paid as lump sums or instalment payments, the pension increase rate and the mortality assumption have significantly less impact than the discount rate when calculating the pension obligations.

### FAIR VALUE OF PLAN ASSETS

€ in millions	2015	2014
<b>Fair value of plan assets at January 1</b>	<b>157</b>	<b>83</b>
Currency translation differences	4	4
Pensions paid	(4)	(5)
Contributions by the employer	11	68
Contributions paid by plan participants	0	0
Interest income from plan assets	4	4
Return on plan assets (not included in net interest income)	1	1
<b>Fair value of plan assets at December 31</b>	<b>173</b>	<b>157</b>

Approximately 92% (2014: 92%) of the total plan assets are allocated to plan assets in the UK (2015: 30%, 2014: 26%), Germany (2015: 56%, 2014: 59%) and South Korea (2015: 6%, 2014: 6%).

Part of the plan assets in Germany is held by a trustee under a Contractual Trust Arrangement (CTA) for the purpose of funding the pension obligations of adidas AG and insolvency insurance with regard to part of the pension obligations of adidas AG. The trustee is the registered association adidas Pension Trust e.V. The investment committee of the adidas Pension Trust determines the investment strategy with the goal to match the pension liabilities as far as possible and to generate a sustainable return. In August 2014, an amount of € 65 million in cash was transferred to the trustee. The plan assets in the registered association are mainly invested in equity index funds, hybrid bonds, fixed and variable interest rate bonds and money market funds. Another part of the plan assets in Germany is invested in insurance contracts via pension funds or provident funds. For this portion, an insurance company is responsible for the determination and the implementation of the investment strategy.

In the UK, the plan assets are held under trust within the pension fund. In 2015, an additional employer contribution in an amount of € 7 million was paid into the pension fund in order to increase the funding ratio. The investment strategy is aligned with the structure of the pension obligations in these countries. In the rest of the world, the plan assets consist predominantly of insurance contracts.

The expected payments for the 2016 financial year amount to € 13 million. Thereof, € 7 million relates to benefits directly paid to pensioners by the Group companies and € 5 million to employer contributions paid into the plan assets. In 2015, the actual return on plan assets was € 5 million (2014: € 6 million).

### COMPOSITION OF PLAN ASSETS

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Cash and cash equivalents	45	31
Equity instruments	57	51
Bonds	29	41
Real estate	0	1
Pension plan reinsurance	29	27
Insurance policies	13	5
Other assets	1	0
<b>Fair value of plan assets</b>	<b>173</b>	<b>157</b>

All equities and bonds are traded freely and have a quoted market price in an active market.

At each balance sheet date, the company analyses the over- or underfunding and, where appropriate, adjusts the composition of plan assets.

## 25 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

### OTHER NON-CURRENT LIABILITIES

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Liabilities due to personnel	6	5
Deferred income	34	29
Sundry	1	1
<b>Other non-current liabilities</b>	<b>40</b>	<b>35</b>

## 26 SHAREHOLDERS' EQUITY

The nominal capital of adidas AG has remained unchanged since December 31, 2014. As at the balance sheet date, and in the period beyond, up to and including February 15, 2016, it amounted to € 209,216,186 divided into 209,216,186 registered no-par-value shares ('registered shares') and is fully paid in.

Each share grants one vote and is entitled to dividends starting from the beginning of the year it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). At the balance sheet date, and in the period beyond, up to and including February 15, 2016, the company holds 9,018,769 treasury shares, corresponding to a notional amount of € 9,018,769 in the nominal capital and consequently 4.31% of the nominal capital.

### Authorised Capital

The Executive Board of adidas AG did not utilise the existing amounts of authorised capital of up to € 95 million in the 2015 financial year or in the period beyond the balance sheet date up to and including February 15, 2016.

The following overview of the existing amounts of authorised capital refers to § 4 sections 2, 3 and 4 of the Articles of Association and consequently does not include the Authorised Capital 2013/II cancelled by the Annual General Meeting on May 7, 2015, which had also not been utilised up to May 7, 2015.

The authorised capital of the company entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital

until June 30, 2018

- by issuing new shares against contributions in cash once or several times by no more than € 50 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorised Capital 2013/I);



until June 2, 2018

- by issuing new shares against contributions in kind once or several times by no more than € 25 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorised Capital 2015);

until June 30, 2018

- by issuing new shares against contributions in cash once or several times by no more than € 20 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to exclude shareholders' subscription rights when issuing the new shares at a value not essentially below the stock market price of shares with the same features; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange (Authorised Capital 2013/III). The authorisation to exclude subscription rights pursuant to the previous sentence may, however, only be used to the extent that the pro rata amount of the new shares in the nominal capital together with the pro rata amount in the nominal capital of other shares which have been issued by the company since May 8, 2013, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorised capital or following a repurchase, or for which conversion or subscription rights or conversion or subscription obligations were granted after May 8, 2013, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded in accordance with § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorisation into the commercial register or – if this amount is lower – as of the respective date on which the authorisation is used.

#### **Contingent Capital**

The following description of the Contingent Capital is based on § 4 sections 5 and 6 of the Articles of Association of the company as well as on the underlying resolutions of the Annual General Meeting held on May 6, 2010 and May 8, 2014. Additional contingent capital does not exist.

#### **Contingent Capital 2010 and Convertible Bond**

The nominal capital of the company is conditionally increased by up to € 36,000,000 (Contingent Capital 2010). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued up to May 5, 2015 based on the resolution of the Annual General Meeting on May 6, 2010 subscription or conversion rights relating to no more than a total of 36,000,000 shares in compliance with the corresponding conditions of the bonds. The new shares shall be issued at the respective option or conversion price to be established in accordance with the aforementioned authorisation resolution. The new shares shall carry dividend rights from the commencement of the financial year in which the shares are issued.

On March 14, 2012, the Executive Board, with the approval of the Supervisory Board, made partial use of the authorisation of the Annual General Meeting from May 6, 2010, and on March 21, 2012 issued a convertible bond due on June 14, 2019 in a nominal value of € 500 million via an offer to institutional investors outside the USA excluding shareholders' subscription rights. In principle, the conversion rights are exercisable between May 21, 2012 and June 5, 2019, subject to lapsed conversion rights as set out under § 6 section 3 or to the excluded periods as defined by § 6 section 4 of the bond terms and conditions, and (subject to an adjustment to the conversion rights resulting from the dilution adjustment regulations set out under § 10 or a change of control in accordance with § 13 of the bond terms and conditions) are convertible into 6,097,243 shares of the company. The conversion price currently amounts to € 82.00 per share. The convertible bond bears an interest rate of 0.25% per annum. Bondholders are entitled to demand early redemption of the bonds as of June 14, 2017. As of July 14, 2017, adidas AG may conduct an early redemption of the bond, if, on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of € 82.00 by at least 30%. The bonds are listed on the Open Market segment of the Frankfurt Stock Exchange.

Moreover, the authorisation to issue bonds with warrants and/or convertible bonds granted on May 6, 2010 was cancelled by resolution of the Annual General Meeting on May 8, 2014.

**Contingent Capital 2014**

At the balance sheet date, the nominal capital is conditionally increased by up to € 12.5 million divided into not more than 12,500,000 registered shares (Contingent Capital 2014). The contingent capital increase will be implemented only to the extent that holders or creditors of option or conversion rights or the persons obligated to exercise option or conversion duties based on bonds issued by the company or a subordinated Group company, pursuant to the authorisation of the Executive Board granted by the resolution adopted by the Annual General Meeting on May 8, 2014 (Agenda Item 7), up to May 7, 2019 and guaranteed by the company, exercise their option or conversion rights or, if they are obliged to exercise the option or conversion duties, meet their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver shares in the company for the total amount or a part amount instead of payment of the amount due and insofar as no cash settlement, treasury shares or shares of another public listed company are used to serve these rights. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorisation resolution. The new shares will carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorised, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

The Executive Board of adidas AG did not issue shares from the Contingent Capital 2014 in the 2015 financial year or in the period beyond the balance sheet date up to and including February 15, 2016.

**Repurchase of adidas AG shares**

The Annual General Meeting on May 8, 2014 granted the Executive Board an authorisation to repurchase treasury shares up to an amount totalling 10% of the nominal capital until May 7, 2019. The authorisation may be used by the company but also by its subordinated Group companies or by third parties on account of the company or its subordinated Group companies or third parties assigned by the company or one of its subordinated Group companies.

Based on the authorisation to repurchase treasury shares granted by the Annual General Meeting on May 8, 2014, the adidas AG Executive Board commenced a share buyback programme on November 7, 2014. The repurchased shares may either be cancelled (capital reduction) or else be used to meet obligations arising from the potential conversion of the company's € 500 million convertible bond due on June 14, 2019.

Under the granted authorisation, adidas AG repurchased a total of 4,889,142 shares for a total price of € 299,999,987 (excluding incidental purchasing costs), i.e. for an average price of € 61.36 per share, in a first tranche between November 7, 2014 and December 12, 2014 inclusive. This corresponded to a notional amount of € 4,889,142 in the nominal capital and consequently to 2.34% of the nominal capital. On December 12, 2014, the first tranche of the share buyback programme was concluded.

On March 6, 2015, the share buyback programme was resumed in the form of a second tranche. In March 2015, 1,140,735 shares were repurchased for an average price of € 71.15, corresponding to a notional amount of € 1,140,735 in the nominal capital and consequently to 0.55% of the nominal capital. In April 2015, the company repurchased 1,032,568 shares for an average price of € 75.07, corresponding to a notional amount of € 1,032,568 in the nominal capital and consequently to 0.49% of the nominal capital. On April 9, 2015, adidas AG (including the shares repurchased in 2014) exceeded the reportable threshold of 3% of the shares in adidas AG as defined by § 26 section 1 sentence 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The share of voting rights amounted to 3.002% (6,281,429 shares) at that time. In May 2015, the company repurchased 913,606 shares at an average price of € 74.11, corresponding to a notional amount of € 913,606 in the nominal capital and consequently to 0.44% of the nominal capital. Between June 1, 2015 and June 15, 2015, 1,042,718 shares were repurchased for an average price of € 70.60, corresponding to a notional amount of € 1,042,718 in the nominal capital and consequently to 0.50% of the nominal capital. On June 15, 2015, the second tranche of the share buyback programme was concluded. Under the granted authorisation, adidas AG repurchased a total of 4,129,627 shares for a total price of € 299,999,992 (excluding incidental purchasing costs), i.e. for an average price of € 72.65 per share, in a second tranche between March 6, 2015 and June 15, 2015. This corresponded to a notional amount of € 4,129,627 in the nominal capital and consequently to 1.97% of the nominal capital. The company reserves the right to continue with or to resume the share buyback programme in the future in alignment with the published parameters. For details [+](#) **SEE DISCLOSURES PURSUANT TO § 315 SECTION 4 AND § 289 SECTION 4 OF THE GERMAN COMMERCIAL CODE, P. 134.**

#### Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to the company in accordance with § 21 section 1 or section 1a WpHG need to be disclosed.

The following table reflects reportable shareholdings in adidas AG, Herzogenaurach, as at the balance sheet date and up to and including February 15, 2016 which have each been notified to the company in written form. The respective details are taken from the most recent voting rights notification received by the company. All voting rights notifications disclosed by the company in the year under review and up to and including February 15, 2016 are available on the adidas Group website [WWW.ADIDAS-GROUP.COM/S/VOTING-RIGHTS-NOTIFICATIONS](http://WWW.ADIDAS-GROUP.COM/S/VOTING-RIGHTS-NOTIFICATIONS). The details on the percentage of shareholdings and voting rights may no longer be up to date.

#### NOTIFIED REPORTABLE SHAREHOLDINGS AS AT FEBRUARY 15, 2016

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attributions in accordance with WpHG	Shareholdings in %	Number of voting rights
BlackRock, Inc., Wilmington, DE, USA <sup>1</sup>	February 10, 2016	Exceeding 5%	§§ 22, 25 sec. 1 no. 1	6.85	14,336,927
Albert Frère / Desmarais Family Trust, Montréal, Canada <sup>2</sup>	January 14, 2016	Exceeding 5%	§ 22	5.0001	10,461,000
FMR LLC, Wilmington, DE, USA <sup>3</sup>	December 2, 2015	Exceeding 3%	§ 22	3.27	6,842,201
Capital Research and Management Company, Los Angeles, CA, USA <sup>4</sup>	July 22, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6	3.02	6,325,110
The Capital Group Companies, Inc., Los Angeles, CA, USA <sup>5</sup>	July 22, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2 and 3	3.02	6,325,110
adidas AG, Herzogenaurach, Germany <sup>6</sup>	April 9, 2015	Exceeding 3%		3.002	6,281,429
O. Mason Hawkins, USA <sup>7</sup>	March 24, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2	3.01	6,298,523
Southeastern Asset Management, Inc., Memphis, TN, USA <sup>7</sup>	March 24, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6	3.01	6,298,523

<sup>1</sup> The company's disclosure is planned for February 18, 2016.

<sup>2</sup> See the company's disclosure dated January 22, 2016.

<sup>3</sup> See the company's disclosure dated December 10, 2015 and correction dated February 8, 2016.

<sup>4</sup> See the company's disclosure dated July 29, 2015.

<sup>5</sup> See the company's disclosure dated July 28, 2015.

<sup>6</sup> See the company's disclosure dated April 10, 2015.

<sup>7</sup> See the company's disclosure dated March 26, 2015.

### Capital management

The Group's policy is to maintain a strong capital base so as to uphold investor, creditor and market confidence and to sustain future development of the business.

The Group seeks to maintain a balance between a higher return on equity that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group further aims to maintain net debt below two times EBITDA over the long term.

Financial leverage amounts to 8.1% and is defined as the ratio between net borrowings (short- and long-term borrowings less cash and cash equivalents as well as short-term financial assets) in an amount of € 460 million (2014: € 185 million) and shareholders' equity in an amount of € 5.666 billion (2014: € 5.624 billion). EBITDA (continuing operations) amounted to € 1.475 billion for the financial year ending December 31, 2015 (2014: € 1.283 billion). The ratio between net borrowings and EBITDA (continuing operations) amounted to 0.3 for the financial year ending December 31, 2015 (2014: 0.1).

### Reserves

Reserves within shareholders' equity are as follows:

- **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as the equity component of issued convertible bonds.
- **Cumulative currency translation differences:** comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.
- **Hedging reserve:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred as well as of hedges of net investments in foreign subsidiaries.
- **Other reserves:** comprise the remeasurements of defined benefit plans [consisting of the cumulative net change of actuarial gains or losses relating to the defined benefit obligations, the return on plan assets (excluding interest income) and the asset ceiling effect] as well as expenses recognised for share option plans and effects from the acquisition of non-controlling interests.
- **Retained earnings:** comprise the accumulated profits less dividends paid as well as considerations paid for the repurchase of treasury shares exceeding the nominal value.

### Distributable profits and dividends

Distributable profits to shareholders are determined by reference to the retained earnings of adidas AG and calculated under German Commercial Law.

Based on the resolution of the 2015 Annual General Meeting, the dividend for 2014 was € 1.50 per share (total amount: € 306 million). The Executive Board of adidas AG will propose to shareholders a dividend payment of € 1.60 per dividend-entitled share for the year 2015 to be made from retained earnings of € 643 million reported in the financial statements of adidas AG according to the German Commercial Code as at December 31, 2015. The subsequent remaining amount will be carried forward.

As at December 31, 2015, 200,197,417 dividend-entitled shares exist, resulting in a dividend payment of € 320 million.

**27**  
**NON-CONTROLLING**  
**INTERESTS**

This line item within equity comprises the non-controlling interests in several subsidiaries which are not directly or indirectly attributable to adidas AG.

Non-controlling interests are assigned to six subsidiaries as at December 31, 2015 and 2014, respectively **+** **SEE ATTACHMENT II TO THE CONSOLIDATED FINANCIAL STATEMENTS (SEE SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, P. 250)**. These subsidiaries were partly acquired in connection with the acquisition of Reebok and partly through purchases or foundations in the last years.

With respect to the consolidated financial statements of adidas AG, on a single basis, no subsidiary has a material non-controlling interest.

As at December 31, 2015, signed purchase agreements which become effective as of January 2016 exist for the non-controlling interests of Life Sport Ltd. and adidas Levant Limited. The adidas Group acquires 34% of Life Sport Ltd. and 45% of adidas Levant Limited. In accordance with the requirements of IAS 32, financial liabilities were recognised in the amount of the purchase prices. The difference between the purchase prices and the non-controlling interests was directly recognised in shareholders' equity.

For the following subsidiaries with non-controlling interests the main financial information is presented combined.

**SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS**

Legal entity name	Principle place of business	Ownership interests held by non-controlling interests in %	
		Dec. 31, 2015	Dec. 31, 2014
adidas Levant Limited	Levant	45%	45%
adidas Levant Limited – Jordan	Jordan	45%	45%
Life Sport Ltd.	Israel	49%	49%
Reebok India Company	India	6.85%	6.85%

The following table presents the main financial information on subsidiaries with non-controlling interests.

**FINANCIAL INFORMATION ON SUBSIDIARIES WITH NON-CONTROLLING INTERESTS**

€ in millions	Material non-controlling interests		Other		Total non-controlling interests	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Net sales (non-Group)	173	133				
<b>Net income</b>	<b>10</b>	<b>14</b>				
<b>Net income/(loss) attributable to non-controlling interests</b>	<b>6</b>	<b>6</b>	<b>(0)</b>	<b>(0)</b>	<b>6</b>	<b>6</b>
Other comprehensive income	[20]	[29]				
<b>Total comprehensive income</b>	<b>(10)</b>	<b>(15)</b>				
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>5</b>	<b>5</b>	<b>(0)</b>	<b>(0)</b>	<b>5</b>	<b>5</b>
Current assets	98	86				
Non-current assets	17	15				
Current liabilities	[76]	[121]				
Non-current liabilities	[1]	[1]				
<b>Net assets</b>	<b>38</b>	<b>(20)</b>				
<b>Net assets attributable to non-controlling interests</b>	<b>(8)</b>	<b>(7)</b>	<b>(0)</b>	<b>(0)</b>	<b>(8)</b>	<b>(7)</b>
<b>Reclassification of non-controlling interests in accordance with IAS 32</b>					<b>(10)</b>	<b>-</b>
<b>Net assets attributable to non-controlling interests according to the consolidated statement of financial position</b>					<b>(18)</b>	<b>(7)</b>
Net cash generated from/(used in) operating activities	7	[6]				
Net cash used in investing activities	[4]	[3]				
Net cash generated from financing activities	1	10				
<b>Net increase of cash and cash equivalents</b>	<b>4</b>	<b>0</b>				
Dividends paid to non-controlling interests during the year <sup>1</sup>	6	4				

<sup>1</sup> Included in net cash generated from financing activities.

**28  
LEASING  
AND SERVICE  
ARRANGEMENTS**

**Operating leases**

The Group leases primarily retail stores as well as offices, warehouses and equipment. The contracts regarding these leases with expiration dates of between 1 and 22 years partly include renewal options and escalation clauses. Rent expenses (continuing operations), which partly depend on net sales, amounted to € 680 million and € 643 million for the years ending December 31, 2015 and 2014, respectively.

Future minimum lease payments for minimum lease durations on a nominal basis are as follows:

#### MINIMUM LEASE PAYMENTS FOR OPERATING LEASES

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Within 1 year	516	476
Between 1 and 5 years	1,143	959
After 5 years	540	277
<b>Total</b>	<b>2,199</b>	<b>1,711</b>

#### Finance leases

The Group also leases various premises for administration and warehousing which are classified as finance leases.

The net carrying amount of these assets of € 8 million and € 10 million was included in property, plant and equipment as at December 31, 2015 and 2014, respectively. For the year ending December 31, 2015, interest expenses (continuing operations) were € 0 million (2014: € 0 million) and depreciation expenses (continuing operations) were € 4 million (2014: € 4 million).

Minimum lease payments for finance leases in 2015 include land leases with a remaining lease term of 97 years. The minimum lease payments under these contracts amount to € 12 million. The estimated amount representing interest is € 9 million and the present value amounts to € 2 million.

The net present values and the minimum lease payments under these contracts over their remaining terms up to 2018 and the land leases with a remaining lease term of 97 years are as follows:

#### MINIMUM LEASE PAYMENTS FOR FINANCE LEASES

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Lease payments falling due:		
Within 1 year	3	3
Between 1 and 5 years	3	5
After 5 years	12	11
<b>Total minimum lease payments</b>	<b>18</b>	<b>19</b>
Less: estimated amount representing interest	[9]	[9]
<b>Present value of minimum lease payments</b>	<b>9</b>	<b>10</b>
Thereof falling due:		
Within 1 year	3	3
Between 1 and 5 years	3	4
After 5 years	3	3

#### Service arrangements

The Group has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

#### FINANCIAL COMMITMENTS FOR SERVICE ARRANGEMENTS

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Within 1 year	97	75
Between 1 and 5 years	253	101
After 5 years	0	18
<b>Total</b>	<b>349</b>	<b>193</b>

**29**  
**FINANCIAL INSTRUMENTS**

**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		
<b>Financial assets</b>							
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
<b>Financial liabilities</b>							
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
<b>Thereof: aggregated by category according to IAS 39</b>							
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					



**CONSOLIDATED FINANCIAL STATEMENTS**  
Notes – Notes to the Consolidated Statement of Financial Position

**CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AS AT DECEMBER 31, 2014, ACCORDING TO CATEGORIES OF IAS 39 AND THEIR FAIR VALUES**

€ in millions	Category according to IAS 39	Carrying amount Dec. 31, 2014	Measurement according to IAS 39			Measurement according to IAS 17	Fair value Dec. 31, 2014
			Amortised cost	Fair value recognised in equity	Fair value recognised in net income		
<b>Financial assets</b>							
Cash and cash equivalents	n. a.	1,683	1,683				1,683
Short-term financial assets	FAHFT	5			5		5
Accounts receivable	LaR	1,946	1,946				1,946
Other current financial assets							
Derivatives being part of a hedge	n. a.	224		224			224
Derivatives not being part of a hedge	FAHFT	46			46		46
Other financial assets	LaR	128	128				128
Long-term financial assets							
Other equity investments	FAHFT	80			80		80
Available-for-sale financial assets	AfS	49	16	33			49
Loans	LaR	0	0				0
Other non-current financial assets							
Derivatives being part of a hedge	n. a.	5		5			5
Derivatives not being part of a hedge	FAHFT	10			10		10
Other financial assets	LaR	27	27				27
Assets classified as held for sale	LaR	51	51				51
<b>Financial liabilities</b>							
Short-term borrowings							
Bank borrowings	FLAC	194	194				194
Private placements	FLAC	95	95				100
Eurobond	FLAC	–	–				–
Convertible bond	FLAC	–	–				–
Accounts payable	FLAC	1,652	1,652				1,652
Current accrued liabilities	FLAC	500	500				500
Other current financial liabilities							
Derivatives being part of a hedge	n. a.	44		44			44
Derivatives not being part of a hedge	FLHFT	9			9		9
Other financial liabilities	FLAC	35	35				35
Finance lease obligations	n. a.	3				3	3
Long-term borrowings							
Bank borrowings	FLAC	–	–				–
Private placements	FLAC	123	123				129
Eurobond	FLAC	990	990				1,000
Convertible bond	FLAC	471	471				545
Non-current accrued liabilities	FLAC	9	9				9
Other non-current financial liabilities							
Derivatives being part of a hedge	n. a.	–		–			–
Derivatives not being part of a hedge	FLHFT	2			2		2
Other financial liabilities	FLAC	0	0				0
Finance lease obligations	n. a.	7				7	7
Liabilities classified as held for sale	FLAC	41	41				41
<b>Thereof: aggregated by category according to IAS 39</b>							
Financial assets at fair value through profit or loss		141					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		–					
Thereof: Held for Trading (FAHFT)		141					
Loans and Receivables (LaR)		2,152					
Available-for-Sale Financial Assets (AFS)		49					
Financial Liabilities Measured at Amortised Cost (FLAC)		4,110					
Financial Liabilities at fair value through profit or loss Held for Trading (FLHFT)		11					

**CONSOLIDATED FINANCIAL STATEMENTS**  
Notes – Notes to the Consolidated Statement of Financial Position

**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
<b>Financial assets</b>	<b>392</b>		<b>269</b>	<b>123</b>
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
<b>Financial liabilities</b>	<b>2,075</b>	<b>1,626</b>	<b>428</b>	<b>21</b>

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, 2014**

€ in millions	Fair value Dec. 31, 2014	Level 1	Level 2	Level 3
Short-term financial assets	5		5	
Derivative financial instruments				
Derivatives being part of a hedge	229		229	
Derivatives not being part of a hedge	56		56	
Long-term financial assets	113		33	80 <sup>1</sup>
<b>Financial assets</b>	<b>403</b>		<b>323</b>	<b>80</b>
Short-term borrowings	294		294	
Derivative financial instruments				
Derivatives being part of a hedge	44		44	
Derivatives not being part of a hedge	11		11	
Long-term borrowings	1,674	1,545	129	
<b>Financial liabilities</b>	<b>2,023</b>	<b>1,545</b>	<b>478</b>	

	Fair value Jan. 1, 2014	Gains	Losses	Fair value Dec. 31, 2014
1 This category relates to an 8.33% investment in FC Bayern München AG of € 80 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments. These dividends are recognised in other financial income.	80	1	-	80

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, 2015	Additions	Disposals	Gains	Losses	Fair value Dec. 31, 2015
Long-term financial assets	This category relates to an 8.33% investment in FC Bayern München AG of € 81 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments. These dividends are recognised in other financial income.	80	–	–	1	–	81
Promissory notes	On January 23, 2015 the adidas Group signed a definitive agreement to sell the Rockport operating segment which was divested on July 31, 2015. The transaction included contingent promissory notes. The discounted cash flow method is applied.	–	42	–	–	–	42
Earn-out components	The acquisition of Runtastic includes earn-out components which are measured based on the discounted cash flow method. The earn-out components are dependent on retention of the Runtastic management as well as on the achievement of certain performance measures over the first three years after the acquisition.	–	21	–	–	–	21

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, accounts receivable and payable as well as other current financial receivables and payables, their respective fair values equal their carrying amount.

The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities and adjusted by an adidas Group specific credit risk premium.

Fair values of long-term financial assets classified as 'Available-for-sale' are based on quoted market prices in an active market or are calculated as present values of expected future cash flows.

The fair values of currency options, forward exchange contracts and commodity futures are determined on the basis of market conditions at the balance sheet date. The fair value of a currency option is determined using generally accepted models to calculate option prices. The fair market value of an option is influenced not only by the remaining term of the option, but also by other determining factors such as the actual foreign exchange rate and the volatility of the underlying foreign currency base.

In accordance with IFRS 13, the following tables show the valuation methods used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

### FINANCIAL INSTRUMENTS LEVEL 1 NOT MEASURED AT FAIR VALUE

Type	Valuation method	Significant unobservable inputs	Category
Convertible bond	The fair value is based on the market price of the convertible bond as at December 31, 2015.	Not applicable	FLAC
Eurobond	The fair value is based on the market price of the Eurobond as at December 31, 2015.	Not applicable	FLAC

**CONSOLIDATED FINANCIAL STATEMENTS**  
Notes – Notes to the Consolidated Statement of Financial Position

**FINANCIAL INSTRUMENTS LEVEL 2 MEASURED AT FAIR VALUE**

Type	Valuation method	Significant unobservable inputs	Category
Short-term financial assets	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. Due to their short-term maturities, it is assumed that their respective fair value is equal to the notional amount.	Not applicable	FAHfT
Available-for-sale financial assets	The fair value is based on the market price of the assets as at December 31, 2015.	Not applicable	AfS
Forward exchange contracts	For EUR/USD, the adidas Group applies the par method, which uses actively traded forward rates. For the other currency pairs, the zero coupon method is applied. The zero method is a model for the determination of forward rates based on deposit and swap interest rates.	Not applicable	n.a. respectively FAHfT
Currency options	The adidas Group applies the Garman-Kohlhagen model, which is an extended version of the Black-Scholes model.	Not applicable	n.a. respectively FAHfT
Commodity futures	The fair value is determined based on commodity forward curves, discounted by deposit and swap interest rates.	Not applicable	n.a. respectively FAHfT

**FINANCIAL INSTRUMENTS LEVEL 2 NOT MEASURED AT FAIR VALUE**

Type	Valuation method	Significant unobservable inputs	Category
Private placements	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate.	Not applicable	FLAC

**FINANCIAL INSTRUMENTS LEVEL 3 MEASURED AT FAIR VALUE**

Type	Valuation method	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Category
Investment in FC Bayern München AG	This equity security does not have a quoted market price in an active market. Existing contractual arrangements (based on the externally observable dividend policy of FC Bayern München AG) are used in order to calculate the fair value as at December 31, 2015.	See column 'Valuation method'		FAHfT
Promissory notes	The discounted cash flow method is applied which considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios of forecasted dividends, the amount to be paid under each scenario and the probability of each scenario.	Risk-adjusted discount rate	The estimated fair value would increase (decrease) if the dividends were higher (lower) or the risk-adjusted discount rate was lower (higher).	AfS
Earn-out components	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate	The estimated fair value would increase (decrease) if EBITDA were higher (lower) or the risk-adjusted discount rate were lower (higher).	n.a.

**NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Financial assets or financial liabilities at fair value through profit or loss	(1)	(13)
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	(1)	(13)
Loans and receivables	(17)	(26)
Available-for-sale financial assets	–	–
Financial liabilities measured at amortised cost	10	12

Net gains or losses on financial assets or financial liabilities held for trading include the effects from fair value measurements of the derivatives that are not part of a hedging relationship, and changes in the fair value of other financial instruments as well as interest payments.

Net gains or losses on loans and receivables comprise mainly impairment losses and reversals.

Net gains or losses on financial liabilities measured at amortised cost include effects from early settlement and reversals of accrued liabilities.

The disclosures required by IFRS 7 'Financial Instruments: Disclosures', paragraphs 13A to 13F ('Offsetting financial assets and financial liabilities') as well as 31 to 42 ('Nature and Extent of Risks arising from Financial Instruments') can be found in [+ NOTE 07](#) and the Group Management Report [+ SEE RISK AND OPPORTUNITY REPORT, P. 156](#).

**Financial instruments for the hedging of foreign exchange risk**

The adidas Group uses natural hedges and arranges forward exchange contracts, currency options and currency swaps to protect against foreign exchange risk. As at December 31, 2015, the Group had outstanding currency options with premiums paid totalling an amount of € 0 million (2014: € 0 million). The effective part of the currency hedges is directly recognised in hedging reserves and as part of the acquisition costs of inventories, respectively, and posted into the income statement at the same time as the underlying secured transaction is recorded. An amount of negative € 1 million after taxes (2014: positive € 22 million) for currency options and an amount of positive € 112 million after taxes (2014: positive € 154 million) for forward exchange contracts were recorded in hedging reserves. Currency option premiums impacted net income in the amount of € 1 million in 2015 (2014: € 3 million).

The total time value of the currency options not being part of a hedge in an amount of positive € 0 million (2014: negative € 0 million) was recorded in the income statement in 2015. In 2015, due to a change in the exposure, some of the currency hedges were terminated and consequently an amount of negative € 1 million was reclassified from hedging reserves to the income statement.

In the years ending December 31, 2015 and 2014, hedging instruments related to product sourcing were bought to hedge a total net amount of US \$ 6.2 billion and US \$ 5.6 billion, respectively.

The notional amounts of all outstanding currency hedging instruments, which are mainly related to cash flow hedges, are summarised in the following table:

**NOTIONAL AMOUNTS OF ALL OUTSTANDING CURRENCY HEDGING INSTRUMENTS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Forward exchange contracts	8,926	6,738
Currency options	59	278
<b>Total</b>	<b>8,985</b>	<b>7,016</b>

The comparatively high amount of forward exchange contracts is primarily due to currency swaps for liquidity management purposes and hedging transactions.

Of the total amount of outstanding hedges, the following contracts related to the US dollar (i.e. the biggest single exposure of product sourcing):

#### NOTIONAL AMOUNTS OF OUTSTANDING US DOLLAR HEDGING INSTRUMENTS

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Forward exchange contracts	4,286	3,192
Currency options	0	278
<b>Total</b>	<b>4,286</b>	<b>3,470</b>

The fair value of all outstanding currency hedging instruments is as follows:

#### FAIR VALUES

€ in millions	Dec. 31, 2015		Dec. 31, 2014	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward exchange contracts	204	(59)	245	(50)
Currency options	0	(1)	26	(0)
<b>Total</b>	<b>204</b>	<b>(60)</b>	<b>271</b>	<b>(50)</b>

A total net fair value of positive € 146 million (2014: positive € 163 million) for forward exchange contracts related to hedging instruments falling under hedge accounting as per definition of IAS 39 'Financial Instruments: Recognition and Measurement' was recorded in the hedging reserve. The remaining net fair value of negative € 2 million (2014: positive € 32 million), mainly related to currency swaps for liquidity management purposes and to forward exchange contracts hedging intercompany dividend receivables, was recorded in the income statement. The total fair value of negative € 1 million (2014: positive € 26 million) for outstanding currency options related to cash flow hedges. This consists of a positive time value of € 1 million (2014: positive € 0 million) and of a negative time value of € 0 million (2014: negative € 0 million) and, in contrast to the preceding table above, does not include the intrinsic value of the options.

The fair value adjustments of outstanding cash flow hedges for forecasted sales are reported in the income statement when the forecasted sales transactions are recorded. The vast majority of these transactions are forecasted to occur in 2016. At the balance sheet date, inventories were adjusted by positive € 26 million (2014: negative € 1 million) which will be recognised in the income statement in 2016.

In the hedging reserve, a negative amount of € 56 million (2014: negative € 4 million) is included for hedging the currency risk of net investments in foreign entities, mainly for the subsidiaries LLC "adidas, Ltd." and adidas Sports (China) Co. Ltd. This reserve will remain until the investment in the foreign entity has been sold. As at December 31, 2015, no ineffective part of the hedges was recorded in the income statement.

In order to determine the fair values of its derivatives that are not publicly traded, the adidas Group uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

In 2015, the fair values of the derivatives were determined applying mainly the 'par method', which uses actively traded forward rates.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

All figures related to the 2014 and 2015 financial years in the 'Notes to the consolidated income statement' refer to the Group's continuing operations unless otherwise stated.

### 30 OTHER OPERATING INCOME

Other operating income consists of the following:

#### OTHER OPERATING INCOME

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Income from release of accrued liabilities and other provisions	50	89
Income from accounts receivable previously written off	4	3
Gains from disposal of fixed assets	1	2
Reversals of impairment losses for intangible and tangible assets	1	1
Sundry income	42	44
<b>Other operating income</b>	<b>96</b>	<b>138</b>

Sundry income mainly relates to income from cost reimbursements.

### 31 OTHER OPERATING EXPENSES

Other operating expenses include expenses for sales, marketing, research and development, as well as for logistics and central administration. In addition, they include impairment losses as well as depreciation of tangible assets and amortisation of intangible assets (except goodwill impairment losses), with the exception of depreciation and amortisation which is included in the cost of sales.

Expenditure for marketing investments is a material component of other operating expenses. The expenditure for marketing investments consists of promotion and communication spending such as promotion contracts, advertising, events and other communication activities. However, it does not include marketing overhead expenses, which are presented in marketing overheads. In 2015, expenditure for marketing investments accounted for 26% (2014: 25%) of the total other operating expenses.

Expenses for central administration include the functions IT, Finance, Legal, Human Resources, Facilities & Services as well as General Management.

Depreciation and amortisation expense for tangible and intangible assets (except goodwill impairment losses) and impairment losses were € 357 million and € 325 million for the years ending December 31, 2015 and 2014, respectively. Thereof, € 3 million and € 2 million were recorded within the cost of sales as they are directly assigned to the production costs.

#### OTHER OPERATING EXPENSES

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Expenditure for marketing investments	1,886	1,548
Expenditure for point-of-sale investments	462	375
Marketing overhead <sup>1</sup>	554	427
Sales force <sup>1</sup>	2,040	1,915
Logistics <sup>1</sup>	859	763
Research and development <sup>1</sup>	139	126
Central administration <sup>1</sup>	1,350	1,050
<b>Other operating expenses</b>	<b>7,289</b>	<b>6,203</b>
Thereof: depreciation, amortisation and impairment losses	354	323

<sup>1</sup> Including personnel and administration expenses.

**32**  
**COST BY NATURE**

Expenses are presented by function according to the 'cost of sales method' in the income statement. Supplementary information on the expenses by nature is detailed below.

**Cost of materials**

The total cost of materials relating to the amount of inventories recognised as an expense during the period was € 8.602 billion and € 7.478 billion for the years ending December 31, 2015 and 2014, respectively.

**Personnel expenses**

Personnel expenses were as follows:

**PERSONNEL EXPENSES**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Wages and salaries	1,921	1,593
Social security contributions	187	178
Pension expenses	76	71
<b>Personnel expenses</b>	<b>2,184</b>	<b>1,842</b>

Personnel expenses are primarily included within other operating expenses. Personnel expenses which are directly attributable to the production costs of goods are included within the cost of sales.

**33**  
**FINANCIAL INCOME/  
FINANCIAL  
EXPENSES**

Financial result consists of the following:

**FINANCIAL INCOME**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Interest income from financial instruments measured at amortised cost	19	4
Interest income from financial instruments at fair value through profit or loss	1	13
Interest income from non-financial assets	0	0
Net foreign exchange gains	25	-
Other	1	3
<b>Financial income</b>	<b>46</b>	<b>19</b>

**FINANCIAL EXPENSES**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Interest expense on financial instruments measured at amortised cost	65	59
Interest expense on financial instruments at fair value through profit or loss	0	0
Interest expense on other provisions and non-financial liabilities	0	3
Net foreign exchange losses	-	3
Other	1	2
<b>Financial expenses</b>	<b>67</b>	<b>67</b>



Interest income from financial instruments, measured at amortised cost, mainly consists of interest income from bank deposits and loans.

Interest income/expense from financial instruments at fair value through profit or loss mainly includes interest payments from investment funds as well as net interest payments from interest derivatives not being part of a hedging relationship. Unrealised gains/losses from fair value measurement of such financial assets are shown in other financial income or expenses.

Interest expense on financial instruments measured at amortised cost mainly includes interest on borrowings and effects from using the 'effective interest method'.

Interest expense on other provisions and non-financial liabilities particularly includes effects from measurement of other provisions at present value and interest on non-financial liabilities such as tax payables.

Other financial expenses include impairment losses on other financial assets amounting to € 1 million for the year ending December 31, 2015 (2014: € 2 million).

Information regarding the Group's available-for-sale investments, borrowings and financial instruments is also included in these Notes [+](#) **SEE NOTES 06, 15, 18 AND 29.**

## 34 INCOME TAXES

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2015 and 2014, the statutory corporate income tax rate of 15% plus a surcharge of 5.5% thereon is applied to earnings. The municipal trade tax is approximately 11.4% of taxable income.

For non-German subsidiaries, deferred taxes are calculated based on tax rates that have been enacted or substantively enacted by the closing date.

### Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if they relate to the same fiscal authority. The following deferred tax assets and liabilities, determined after appropriate offsetting, are presented in the consolidated statement of financial position:

#### DEFERRED TAX ASSETS/LIABILITIES

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets	637	577
Deferred tax liabilities	(368)	(390)
<b>Deferred tax assets, net</b>	<b>269</b>	<b>186</b>

The movement of deferred taxes is as follows:

#### MOVEMENT OF DEFERRED TAXES

€ in millions	2015	2014
<b>Deferred tax assets, net as at January 1</b>	<b>186</b>	<b>148</b>
Deferred tax income	86	43
Change in consolidated companies <sup>1</sup>	(14)	(1)
Change in deferred taxes on assets classified as held for sale <sup>2</sup>	7	27
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income <sup>3</sup>	(3)	21
Change in deferred taxes attributable to the change in the effective portion of the fair value of qualifying hedging instruments recorded in other comprehensive income <sup>4</sup>	30	(37)
Currency translation differences	(23)	(13)
<b>Deferred tax assets, net as at December 31</b>	<b>269</b>	<b>186</b>

<sup>1</sup> See Note 04.

<sup>2</sup> See Notes 03 and 11.

<sup>3</sup> See Note 24.

<sup>4</sup> See Note 29.

Gross Group deferred tax assets and liabilities after valuation allowances, but before appropriate offsettings, are attributable to the items detailed in the table below:

#### DEFERRED TAXES

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Non-current assets	216	183
Current assets	183	197
Accrued liabilities and provisions	276	250
Accumulated tax loss carry-forwards	56	92
<b>Deferred tax assets</b>	<b>731</b>	<b>722</b>
Non-current assets	348	363
Current assets	80	102
Accrued liabilities and provisions	34	69
<b>Deferred tax liabilities</b>	<b>462</b>	<b>534</b>
<b>Deferred tax assets, net</b>	<b>269</b>	<b>186</b>

Deferred tax assets are recognised only to the extent that the realisation of the related benefit is probable. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Deferred tax assets for which the realisation of the related tax benefits is not probable increased from € 524 million to € 653 million for the year ending December 31, 2015. These amounts mainly relate to tax losses carried forward and unused foreign tax credits of the US tax group, which begin to expire in 2026. The remaining unrecognised deferred tax assets relate to subsidiaries operating in markets where the realisation of the related tax benefit is not considered probable.

The Group does not recognise deferred tax liabilities for unremitted earnings of non-German subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the Group were to sell its shareholdings in the subsidiaries.

#### Tax expenses

Tax expenses are split as follows:

#### INCOME TAX EXPENSES

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Current tax expenses	439	315
Deferred tax income	(86)	(43)
<b>Income tax expenses</b>	<b>353</b>	<b>271</b>

The deferred tax income includes tax income of € 111 million in total (2014: € 24 million) related to the origination and reversal of temporary differences.

The effective tax rate of the Group differs from an assumed tax rate of 30% for the year ending December 31, 2015 as follows:

**TAX RATE RECONCILIATION**

	Year ending Dec. 31, 2015		Year ending Dec. 31, 2014	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	312	30.0	251	30.0
Tax rate differentials	(139)	(13.4)	(117)	(14.1)
Non-deductible expenses	35	3.4	18	2.2
Goodwill impairment losses	10	1.0	23	2.8
Losses for which benefits were not recognisable and changes in valuation allowances	95	9.2	42	5.0
Changes in tax rates	(21)	(2.0)	6	0.7
Other, net	2	0.1	1	0.1
	<b>294</b>	<b>28.3</b>	<b>224</b>	<b>26.8</b>
Withholding tax expenses	59	5.7	47	5.6
<b>Income tax expenses</b>	<b>353</b>	<b>34.0</b>	<b>271</b>	<b>32.5</b>

For 2015 and 2014, the effective tax rate is affected by non-tax-deductible goodwill impairment losses. Excluding the goodwill impairment losses, the effective tax rate is 32.9% and 29.7%, respectively.

For 2015, the line item 'Losses for which benefits were not recognisable and changes in valuation allowances' mainly relates to changes in valuation allowances of the US tax group.

For 2015, the line item 'Changes in tax rates' mainly reflects a UK tax rate reduction effective in 2015.

**35  
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 not necessary to include 6.1 million dilutive potential shares arising from the convertible bond issuance in March 2012 in the calculation of diluted earnings per share in 2015 as the conversion right does not have any value as at the balance sheet date **+ SEE NOTE 18**. The average share price reached € 73.07 per share during 2015 and thus did not exceed the conversion price of € 82.00 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted from € 82.56 to € 82.00 per share. This adjustment became effective on May 8, 2015.

### EARNINGS PER SHARE

	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Net income from continuing operations (€ in millions)	686	564
Net income attributable to non-controlling interests (€ in millions)	6	6
<b>Net income from continuing operations attributable to shareholders (€ in millions)</b>	<b>680</b>	<b>558</b>
Weighted average number of shares	201,536,418	208,776,457
<b>Basic and diluted earnings per share from continuing operations (in €)</b>	<b>3.37</b>	<b>2.67</b>
Net income attributable to shareholders (€ in millions)	634	490
Weighted average number of shares	201,536,418	208,776,457
<b>Basic and diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>3.15</b>	<b>2.35</b>

For further information on basic and diluted earnings per share from discontinued operations

**+** SEE NOTE 03.

### ADDITIONAL INFORMATION

#### 36 SEGMENTAL INFORMATION

The Group operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

In connection with the new strategic business plan announced at the beginning of 2015, the Group has realigned its internal organisational structure and changed the composition of its reportable segments accordingly. The new organisational structure is based on a Group-wide omni-channel go-to-market approach. The internal reporting of the Group for management purposes for the brands adidas and Reebok is now structured by markets rather than by distribution channels. As a consequence, of the six initial operating segments, the operating segments Wholesale and Retail were replaced by regional markets. Reflecting this development, the Group has restated the segmental information for the year ending December 31, 2014.

As at December 31, 2015, following the Group's new internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments', 13 operating segments were identified: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea, Southeast Asia/Pacific, TaylorMade-adidas Golf, Reebok-CCM Hockey, Runtastic and Other centrally managed businesses. Due to the divestiture of the Rockport operating segment on July 31, 2015, income and expenses of the Rockport operating segment are reported as discontinued operations as at December 31, 2015 and 2014, respectively. 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. Historic and estimated future economic indicators that have been assessed in determining that the aggregated operating segments share similar characteristics were profitability characteristics on net margin and contribution level, Gross Domestic Product (GDP) growth rates as well as consumer price inflation.

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.

Rockport predominantly designs and distributes leather footwear for men and women.

Reebok-CCM Hockey designs, produces and distributes ice hockey equipment such as sticks, skates and protection gear. In addition, Reebok-CCM Hockey designs, produces and distributes apparel mainly under the brand names Reebok Hockey and CCM.

Runtastic operates in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data.

Other centrally managed businesses primarily includes the business activities of the labels Y-3 and Porsche Design Sport by adidas as well as the business activities of the brand Five Ten in the outdoor action sports sector. Furthermore, the segment also comprises the own-retail activities of the adidas neo label as well as International Clearance Management.

Certain centralised Group functions do not meet the definition of IFRS 8 for a reportable operating segment. This includes functions such as Global Brands and Global Sales (central brand and distribution management for the brands adidas and Reebok), central treasury, global sourcing as well as other headquarter departments. Assets, liabilities, income and expenses relating to these corporate functions are presented together with other non-allocable items and intersegment eliminations in the reconciliations.

The chief operating decision maker for the adidas Group has been defined as the joint Executive Board of adidas AG.

There are no intersegment sales between the reportable segments. Accounting and valuation policies applied for reporting segmental information are the same as those used for the adidas Group

➕ **SEE NOTE 02.**

The results of the operating segments are reported in the line item 'Segmental operating profit'. This was formerly defined as gross profit minus costs directly attributable to the segment or the group of segments (primarily sales and logistics costs) before expenditure for marketing investments and operating overhead costs not directly attributable. As of January 1, 2015, segmental operating profit 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. Only these items are reported to the chief operating decision maker on a regular basis. Depreciation, amortisation, impairment losses (except for goodwill) and reversals of impairment losses as well as capital expenditures for tangible and intangible assets are part of the segmental reporting, even though segmental assets do not contain tangible and intangible assets. Depreciation and amortisation as well as impairment losses and reversals of impairment losses not directly attributable to a segment or a group of segments are presented under HQ/Consolidation in the reconciliations.

Segmental liabilities only contain accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision maker.

Interest income and interest expenses as well as income taxes are not allocated to the reportable segments and are not reported separately to the chief operating decision maker.

## CONSOLIDATED FINANCIAL STATEMENTS

Notes – Additional Information

### SEGMENTAL INFORMATION I

€ in millions	Net sales (non-Group) <sup>1</sup>		Segmental operating profit <sup>1</sup>		Segmental assets <sup>2</sup>		Segmental liabilities <sup>2</sup>	
	2015	2014	2015	2014	2015	2014	2015	2014
Western Europe	4,539	3,793	909	666	1,327	1,013	145	122
North America	2,753	2,217	69	120	891	744	96	47
Greater China	2,469	1,786	866	617	465	335	146	109
Russia/CIS	739	1,098	85	173	204	226	6	17
Latin America	1,783	1,612	235	199	619	629	63	91
Japan	776	744	147	121	233	243	34	75
MEAA	2,388	1,925	664	555	633	553	77	67
Other Businesses (continuing operations)	1,467	1,358	(89)	(57)	684	709	117	134
Other Businesses (discontinued operations)	159	283	(18)	19	0	139	0	37
Other Businesses (total)	1,627	1,641	(107)	(38)	684	848	117	171
<b>Total</b>	<b>17,075</b>	<b>14,817</b>	<b>2,869</b>	<b>2,413</b>	<b>5,056</b>	<b>4,591</b>	<b>683</b>	<b>699</b>

<sup>1</sup> Year ending December 31.

<sup>2</sup> At December 31.

### SEGMENTAL INFORMATION II

€ in millions	Capital expenditure <sup>1</sup>		Depreciation and amortisation <sup>1</sup>		Impairment losses and reversals of impairment losses <sup>1</sup>	
	2015	2014	2015	2014	2015	2014
Western Europe	63	35	33	27	4	5
North America	32	32	21	18	7	6
Greater China	76	56	43	34	1	(0)
Russia/CIS	16	29	24	39	2	4
Latin America	30	35	22	22	2	–
Japan	13	8	10	9	0	0
MEAA	35	31	27	20	1	(0)
Other Businesses (continuing operations)	18	20	20	17	1	1
Other Businesses (discontinued operations)	4	6	4	7	(0)	(0)
Other Businesses (total)	22	26	24	23	1	1
<b>Total</b>	<b>287</b>	<b>253</b>	<b>204</b>	<b>191</b>	<b>18</b>	<b>16</b>

<sup>1</sup> Year ending December 31.

### Reconciliations

The following tables include reconciliations of segmental information to the aggregate numbers of the consolidated financial statements, taking into account items which are not directly attributable to a segment or a group of segments.

### NET SALES (NON-GROUP)

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Reportable segments	15,448	13,176
Other Businesses	1,627	1,641
Reclassification to discontinued operations	(159)	(283)
<b>Total</b>	<b>16,915</b>	<b>14,534</b>

**CONSOLIDATED FINANCIAL STATEMENTS**  
Notes – Additional Information

**OPERATING PROFIT**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Operating profit for reportable segments	2,975	2,451
Operating profit for Other Businesses	(107)	(38)
<b>Segmental operating profit</b>	<b>2,869</b>	<b>2,413</b>
HQ/Consolidation	(1,172)	(890)
Central expenditure for marketing investments	(621)	(542)
Goodwill impairment losses	(34)	(78)
Reclassification to discontinued operations	18	(19)
<b>Operating profit</b>	<b>1,059</b>	<b>883</b>
Financial income	46	19
Financial expenses	(67)	(67)
<b>Income before taxes</b>	<b>1,039</b>	<b>835</b>

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.

**CAPITAL EXPENDITURE**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Reportable segments	265	226
Other Businesses	22	26
Reclassification to discontinued operations	(4)	(6)
HQ/Consolidation	230	307
<b>Total</b>	<b>513</b>	<b>554</b>

**DEPRECIATION AND AMORTISATION**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Reportable segments	181	168
Other Businesses	24	23
Reclassification to discontinued operations	(4)	(7)
HQ/Consolidation	138	124
<b>Total</b>	<b>338</b>	<b>309</b>

**IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Reportable segments	16	15
Other Businesses	1	1
Reclassification to discontinued operations	0	0
HQ/Consolidation	35	78
<b>Total</b>	<b>52</b>	<b>94</b>

**ASSETS**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable and inventories of reportable segments	4,372	3,743
Accounts receivable and inventories of Other Businesses	684	848
<b>Segmental assets</b>	<b>5,056</b>	<b>4,591</b>
Non-segmental accounts receivable and inventories	106	21
Current financial assets	1,737	2,086
Other current assets	598	789
Non-current assets	5,846	5,070
Reclassification to assets classified as held for sale	[0]	[139]
<b>Total</b>	<b>13,343</b>	<b>12,417</b>

**LIABILITIES**

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Accounts payable of reportable segments	566	528
Accounts payable of Other Businesses	117	171
<b>Segmental liabilities</b>	<b>683</b>	<b>699</b>
Non-segmental accounts payable	1,342	990
Current financial liabilities	509	379
Other current liabilities	2,831	2,346
Non-current liabilities	2,332	2,422
Reclassification to liabilities as held for sale	0	[37]
<b>Total</b>	<b>7,696</b>	<b>6,799</b>

**Product information****NET SALES (NON-GROUP)**

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Footwear	8,519	6,939
Apparel	6,970	6,281
Hardware	1,585	1,597
Reclassification to discontinued operations	[159]	[283]
<b>Total</b>	<b>16,915</b>	<b>14,534</b>

**Geographical information**

Net sales (non-Group) are shown in the geographic market in which the net sales are realised. Non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary independent of the segmental structure and consist of tangible assets, goodwill, trademarks, other intangible assets and other non-current assets.



### GEOGRAPHICAL INFORMATION

€ in millions	Net sales (non-Group)		Non-current assets	
	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Western Europe	4,937	4,135	1,960	1,619
North America	3,620	3,124	1,177	1,107
Greater China	2,491	1,811	462	358
CIS	757	1,129	363	380
Latin America	1,797	1,627	282	236
Japan	947	917	193	157
MEAA	2,525	2,073	533	465
HQ/Consolidation	0	0	–	0
Reclassification to discontinued operations	[159]	[283]	–	–
<b>Total</b>	<b>16,915</b>	<b>14,534</b>	<b>4,970</b>	<b>4,322</b>

With regard to Germany, Western Europe contains net sales (non-Group) (continuing operations) amounting to € 936 million and € 891 million as well as non-current assets amounting to € 846 million and € 806 million for the years 2015 and 2014, respectively. With regard to the USA, North America contains net sales (non-Group) (continuing operations) amounting to € 3.091 billion and € 2.579 billion as well as non-current assets amounting to € 967 million and € 940 million for the years 2015 and 2014, respectively.

### 37 ADDITIONAL CASH FLOW INFORMATION

In 2015, the increase in cash generated from operating activities compared to the prior year was primarily due to an increase in income before taxes, partly offset by an increase in income taxes paid.

Net cash outflow from investing activities in 2015 mainly related to spending for property, plant and equipment such as investments in the furnishing and fitting of own-retail stores, in new office buildings, warehouses and IT systems as well as to the acquisition of Runtastic. These cash outflows were partly offset by proceeds from the divestiture of the Rockport operating segment.

Cash outflows from financing activities mainly related to the dividend paid to shareholders of adidas AG and to the repurchase of treasury shares.

### NET CASH (USED IN)/GENERATED FROM DISCONTINUED OPERATIONS

€ in millions	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Net cash generated from operating activities	3	7
Net cash used in investing activities	(6)	(6)
Net cash (used in)/generated from financing activities	–	–
<b>Net cash (used in)/generated from discontinued operations</b>	<b>(3)</b>	<b>1</b>

### 38 COMMITMENTS AND CONTINGENCIES

#### Other financial commitments

The Group has other financial commitments (continuing operations) for promotion and advertising contracts, which mature as follows:

### FINANCIAL COMMITMENTS FOR PROMOTION AND ADVERTISING

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Within 1 year	982	836
Between 1 and 5 years	2,593	2,590
After 5 years	2,204	1,766
<b>Total</b>	<b>5,779</b>	<b>5,193</b>

Commitments with respect to promotion and advertising contracts maturing after five years have remaining terms of up to 15 years from December 31, 2015.

Compared to December 31, 2014, commitments for promotion and advertising contracts mainly increased due to the prolongation of the existing partnership with FC Bayern München.

Information regarding commitments under lease and service contracts is also included in these Notes

➕ SEE NOTE 28.

#### Litigation and other legal risks

The Group is currently engaged in various lawsuits resulting from the normal course of business, mainly in connection with distribution agreements as well as intellectual property rights. The risks regarding these lawsuits are covered by provisions when a reliable estimate of the amount of the obligation can be made ➕ SEE NOTE 20. In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the assets, liabilities, financial position and profit or loss of the Group.

In connection with the financial irregularities at Reebok India Company in 2012, various legal uncertainties were identified. The risks cannot be assessed conclusively. However, based on legal opinions and internal assessments, Management assumes that the effects will not have any material influence on the assets, liabilities, financial position and profit or loss of the Group.

### 39 RELATED PARTY DISCLOSURES

According to the definitions of IAS 24 'Related Party Disclosures', the Supervisory Board and the Executive Board of adidas AG were identified as related parties who solely received remuneration in connection with their function as key management personnel. For information about the remuneration of the Supervisory Board and the Executive Board of adidas AG ➕ SEE NOTE 40 and ➕ SEE COMPENSATION REPORT, P. 36.

In addition, adidas Pension Trust e.V., a registered association, is regarded as a related party. Based on a Contractual Trust Arrangement, adidas Pension Trust e.V. manages the plan assets in the form of an administrative trust to fund and protect part of the pension obligations of adidas AG ➕ SEE NOTE 24. Employees, senior executives and members of the Executive Board of adidas AG can be members of the registered association. adidas AG has the right to claim a refund of pension payments from adidas Pension Trust e.V. under specific contractually agreed conditions.

### 40 OTHER INFORMATION

#### Employees

The average numbers of employees (continuing operations) are as follows:

#### EMPLOYEES

	Year ending Dec. 31, 2015	Year ending Dec. 31, 2014
Own retail	32,249	30,785
Sales	3,955	4,095
Logistics	6,023	6,034
Marketing	4,536	3,999
Central administration	4,660	4,569
Production	1,366	1,499
Research and development	984	1,036
Information technology	1,147	1,108
<b>Total</b>	<b>54,921</b>	<b>53,125</b>

**Accountant service fees for the auditor of the financial statements**

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach, as well as all German subsidiaries of adidas AG. In 2015, the expenses for the professional service fees of the auditor KPMG AG amounted to € 1.3 million (2014: € 1.0 million).

Expenses for tax consultancy services provided by the auditor, for other confirmation services provided by the auditor and for other services provided by the auditor amounted to € 0.0 million (2014: € 0.1 million), € 0.5 million (2014: € 1.0 million) and € 0.1 million (2014: € 0.3 million), respectively.

**Remuneration of the Supervisory Board and the Executive Board of adidas AG**

**Supervisory Board**

Pursuant to the Articles of Association, the Supervisory Board members' fixed annual payment amounted to € 1.2 million (2014: € 0.9 million).

Members of the Supervisory Board were not granted any loans in 2015.

**Executive Board**

In 2015, the overall compensation of the members of the Executive Board totalled € 12.0 million (2014: € 5.9 million), € 7.4 million thereof relates to short-term benefits (2014: € 5.9 million) and € 4.6 million to long-term benefits (2014: € 0.0 million). Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totalled € 1.8 million (2014: € 2.8 million).

In 2015, former members of the Executive Board and their survivors received pension payments totalling € 3.5 million (2014: € 3.5 million).

Pension obligations relating to former members of the Executive Board and their survivors amount in total to € 55.4 million (2014: € 59.5 million).

Members of the Executive Board were not granted any loans in 2015.

Further information on disclosures according to § 314 section 1 no. 6a German Commercial Code (Handelsgesetzbuch – HGB) is provided in the Compensation Report [+](#) **SEE COMPENSATION REPORT, P. 36.**

**41  
INFORMATION  
RELATING TO  
THE GERMAN  
CORPORATE  
GOVERNANCE CODE**

**Information pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)**

On November 4, 2015, the Executive Board and Supervisory Board of adidas AG made an intra-year change to the Declaration of Compliance in accordance with § 161 AktG issued on February 12, 2015 and made it permanently available to the shareholders. On February 15, 2016, the Executive Board and Supervisory Board issued the annually updated Declaration of Compliance in accordance with § 161 AktG. The full text of the Declaration of Compliance is available on the Group's corporate website.

**42  
EVENTS AFTER THE  
BALANCE SHEET  
DATE**

**Group-specific subsequent events**

No Group-specific subsequent events are known which might have a material influence on the assets, liabilities, financial position and profit or loss of the Group.

**Date of preparation**

The Executive Board of adidas AG prepared and approved the consolidated financial statements for submission to the Supervisory Board on February 15, 2016. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval and authorisation for issue.

Herzogenaurach, February 15, 2016

**The Executive Board of adidas AG**

# STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS

**STATEMENT OF MOVEMENTS OF INTANGIBLE AND TANGIBLE ASSETS** € IN MILLIONS

	Goodwill	Trademarks	Software, patents and concessions
<b>Acquisition cost</b>			
<b>January 1, 2014</b>	<b>1,533</b>	<b>1,419</b>	<b>704</b>
Currency effect	111	193	36
Additions	–	–	48
Increase in companies consolidated	–	–	7
Transfers to assets held for sale	(56)	(180)	(15)
Transfers	–	–	(20)
Disposals	–	(0)	(31)
<b>December 31, 2014/January 1, 2015</b>	<b>1,588</b>	<b>1,432</b>	<b>730</b>
Currency effect	99	164	36
Additions	–	–	49
Increase in companies consolidated	192	31	16
Transfers	–	–	37
Disposals	–	(0)	(2)
<b>December 31, 2015</b>	<b>1,879</b>	<b>1,628</b>	<b>865</b>
<b>Accumulated depreciation, amortisation and impairment</b>			
<b>January 1, 2014</b>	<b>329</b>	<b>0</b>	<b>549</b>
Currency effect	38	0	30
Additions	–	0	47
Impairment losses	78	–	0
Reversals of impairment losses	–	–	–
Transfers to assets held for sale	(26)	–	(12)
Transfers	–	–	0
Disposals	–	(0)	(21)
<b>December 31, 2014/January 1, 2015</b>	<b>419</b>	<b>0</b>	<b>592</b>
Currency effect	34	0	29
Additions	–	0	56
Impairment losses	34	–	0
Reversals of impairment losses	–	–	(0)
Transfers	–	(0)	16
Disposals	–	–	(2)
<b>December 31, 2015</b>	<b>487</b>	<b>0</b>	<b>691</b>
<b>Net carrying amount</b>			
January 1, 2014	1,204	1,419	155
December 31, 2014	1,169	1,432	138
December 31, 2015	1,392	1,628	173

Rounding differences may arise in percentages and totals.

**CONSOLIDATED FINANCIAL STATEMENTS**  
Statement of Movements of Intangible and Tangible Assets

Attachment I

Internally generated software	Total intangible assets	Land, land leases, buildings and leasehold improvements	Technical equipment and machinery	Other equipment, furniture and fixtures	Construction in progress	Total tangible assets
<b>16</b>	<b>3,672</b>	<b>802</b>	<b>254</b>	<b>1,202</b>	<b>161</b>	<b>2,419</b>
-	340	41	(8)	4	8	44
2	50	181	32	182	109	504
-	7	-	-	-	-	-
-	(251)	(10)	(6)	(15)	(0)	(31)
25	5	70	9	35	(118)	(5)
(1)	(32)	(10)	(13)	(84)	(1)	(108)
<b>41</b>	<b>3,792</b>	<b>1,074</b>	<b>268</b>	<b>1,323</b>	<b>159</b>	<b>2,823</b>
-	299	53	5	13	(0)	71
-	49	156	31	237	41	464
12	252	-	0	1	-	1
(33)	4	47	4	41	(96)	(4)
(0)	(3)	(11)	(7)	(113)	(3)	(134)
<b>20</b>	<b>4,392</b>	<b>1,319</b>	<b>300</b>	<b>1,502</b>	<b>100</b>	<b>3,221</b>
<b>7</b>	<b>885</b>	<b>262</b>	<b>109</b>	<b>810</b>	<b>0</b>	<b>1,181</b>
-	68	20	(6)	15	(0)	30
10	58	42	35	181	-	258
-	78	9	-	8	-	17
-	-	(0)	(0)	(0)	-	(1)
-	(38)	(6)	(4)	(9)	-	(19)
-	0	1	(0)	(2)	-	(0)
(1)	(22)	(9)	(12)	(76)	-	(97)
<b>17</b>	<b>1,029</b>	<b>320</b>	<b>122</b>	<b>926</b>	<b>0</b>	<b>1,369</b>
-	63	19	3	10	(0)	31
4	60	51	35	193	-	279
-	34	8	0	11	-	19
-	(0)	(0)	-	(0)	-	(1)
(15)	0	-	0	0	-	0
(0)	(2)	(9)	(5)	(100)	-	(114)
<b>5</b>	<b>1,184</b>	<b>389</b>	<b>155</b>	<b>1,039</b>	<b>0</b>	<b>1,583</b>
9	2,787	540	145	392	161	1,238
24	2,763	753	145	397	159	1,454
15	3,208	930	145	463	100	1,638

# SHAREHOLDINGS

SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH AT DECEMBER 31, 2015

Attachment II

Company and Domicile	Currency	Equity (currency units in thousands)	Share in capital held by <sup>1</sup>	in %
<b>Germany</b>				
1 adidas Insurance & Risk Consultants GmbH <sup>2</sup>	Herzogenaurach (Germany)	EUR	26	directly 100
2 adidas Beteiligungsgesellschaft mbH <sup>2</sup>	Herzogenaurach (Germany)	EUR	681,990	directly 100
3 adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	EUR	11,764	13 100
4 adidas Verwaltungsgesellschaft mbH <sup>3</sup>	Herzogenaurach (Germany)	EUR	4,340	90 100
<b>Europe (incl. Middle East and Africa)</b>				
5 adidas sport gmbh	Cham (Switzerland)	CHF	6,093	directly 100
6 adidas Austria GmbH	Klagenfurt (Austria)	EUR	6,561	directly 95.89 5 4.11
7 runtastic GmbH	Pasching (Austria)	EUR	3,531	9 100
8 adidas France S.a.r.l.	Landersheim (France)	EUR	173,955	directly 100
9 adidas International B.V.	Amsterdam (Netherlands)	EUR	6,865,097	directly 93.97 8 6.03
10 adidas International Trading B.V.	Amsterdam (Netherlands)	EUR	1,026,266	9 100
11 adidas International Marketing B.V.	Amsterdam (Netherlands)	EUR	50,773	9 100
12 adidas International Finance B.V.	Amsterdam (Netherlands)	EUR	21,081	9 100
13 adidas International Property Holding B.V.	Amsterdam (Netherlands)	EUR	45,634	101 100
14 adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	EUR	(17)	9 100
15 adidas Benelux B.V.	Amsterdam (Netherlands)	EUR	3,066	directly 100
16 Hydra Ventures B.V.	Amsterdam (Netherlands)	EUR	(5,291)	9 100
17 adidas (UK) Limited	Stockport (Great Britain)	GBP	56,045	9 100
18 Refuel (Brand Distribution) Limited	Aylesbury (Great Britain)	GBP	6,409	19 100
19 Reebok International Limited <sup>9</sup>	London (Great Britain)	EUR	445,529	88 100
20 Trafford Park DC Limited	London (Great Britain)	GBP	581	14 100
21 RBK Holdings Limited <sup>3,9</sup>	London (Great Britain)	GBP	-	88 89 82 11
22 The Rockport Company Limited <sup>3,9</sup>	London (Great Britain)	GBP	-	19 100
23 Reebok Pensions Management Limited <sup>3,9</sup>	London (Great Britain)	GBP	-	19 100
24 Reebok Europe Holdings	London (Great Britain)	GBP	25,912	19 100
25 Luta Limited <sup>9</sup>	London (Great Britain)	GBP	-	19 100
26 Adams Golf, U.K. Ltd. <sup>3,6</sup>	London (Great Britain)	GBP	-	79 100
27 Taylor Made Golf Limited <sup>4</sup>	Basingstoke (Great Britain)	GBP	(11,208)	9 100
28 Ashworth U.K. Ltd. <sup>3,4</sup>	Bristol (Great Britain)	GBP	-	27 100
29 adidas (Ireland) Limited	Dublin (Ireland)	EUR	2,794	9 100
30 adidas International Re Limited	Dublin (Ireland)	EUR	18,988	9 100
31 Reebok Ireland Limited <sup>3</sup>	Dublin (Ireland)	EUR	56	29 100
32 adidas Belgium NV	Brussels (Belgium)	EUR	2,546	15 100
33 Five Ten Europe NV <sup>3</sup>	Lasne (Belgium)	EUR	(46)	91 100
34 adidas España S.A.U.	Zaragoza (Spain)	EUR	31,950	2 100
35 adidas Finance Spain S.A.U.	Zaragoza (Spain)	EUR	35,868	88 100
36 Global Merchandising, S.L.	Madrid (Spain)	EUR	2,788	9 100
37 adidas Italy S.p.A.	Monza (Italy)	EUR	47,926	9 100
38 adidas Portugal – Artigos de Desporto, S.A.	Lisbon (Portugal)	EUR	5,458	9 100
39 adidas Business Services Lda.	Maia (Portugal)	EUR	457	9 98 directly 2

<sup>1</sup> The number refers to the number of the company    <sup>2</sup> Profit and loss transfer agreement    <sup>3</sup> Company with no active business  
<sup>4</sup> Sub-group Taylor Made Golf Limited    <sup>5</sup> Sub-group adidas India Private Ltd.    <sup>6</sup> Sub-group Taylor Made Golf Co., Inc.  
<sup>7</sup> Sub-group Sports Licensed Division of the adidas Group, LLC    <sup>8</sup> Sub-group Reebok-CCM Hockey U.S., Inc.  
<sup>9</sup> Sub-group Reebok International Limited    <sup>10</sup> Sub-group Reebok International Ltd.

**SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH** AT DECEMBER 31, 2015

**Attachment II**

Company and Domicile	Currency	Equity (currency units in thousands)	Share in capital held by <sup>1</sup>	in %
40 adidas Norge AS	Lillestrom (Norway)	NOK	25,380	directly 100
41 Reebok-CCM Hockey AS	Gressvik (Norway)	NOK	5,792	40 100
42 adidas Sverige AB	Solna (Sweden)	SEK	66,242	directly 100
43 adidas Finance Sverige AB	Solna (Sweden)	SEK	271,964	90 100
44 Reebok-CCM Hockey AB	Solna (Sweden)	SEK	73,608	42 100
45 adidas Suomi Oy	Helsinki (Finland)	EUR	1,492	9 100
46 Reebok-CCM Hockey Oy	Espoo (Finland)	EUR	4,765	9 100
47 adidas Danmark A/S	Århus (Denmark)	DKK	20,512	9 100
48 adidas CR s.r.o.	Prague (Czech Republic)	CZK	118,920	directly 100
49 adidas Budapest Kft.	Budapest (Hungary)	HUF	454,451	directly 100
50 adidas Bulgaria EAD	Sofia (Bulgaria)	BGN	11,521	directly 100
51 LLC 'adidas, Ltd.'	Moscow (Russia)	RUB	29,597,109	6 100
52 adidas Poland Sp.z o.o.	Warsaw (Poland)	PLN	44,149	directly 100
53 adidas Finance Poland S.A.	Warsaw (Poland)	PLN	96,979	88 100
54 adidas Romania S.R.L.	Bucharest (Romania)	RON	18,701	9 100
55 adidas Baltics SIA	Riga (Latvia)	EUR	2,092	9 100
56 adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	EUR	1,668	directly 100
57 adidas Trgovina d.o.o.	Ljubljana (Slovenia)	EUR	588	directly 100
58 SC 'adidas - Ukraine'	Kiev (Ukraine)	UAH	843,911	directly 100
59 adidas LLP	Almaty (Republic of Kazakhstan)	KZT	3,476,068	directly 100
60 adidas Serbia d.o.o.	New Belgrade (Serbia)	RSD	547,548	9 100
61 adidas Croatia d.o.o.	Zagreb (Croatia)	HRK	30,673	9 100
62 adidas Hellas A.E.	Athens (Greece)	EUR	13,766	directly 100
63 adidas (Cyprus) Limited	Nicosia (Cyprus)	EUR	179	directly 100
64 adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	TRY	335,670	9 100
65 adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	USD	13,706	indirectly 51 8 49
66 adidas Emerging Markets FZE	Dubai (United Arab Emirates)	USD	89,239	9 100
67 adidas Levant Limited	Dubai (United Arab Emirates)	JOD	2,945	66 55
68 adidas Levant Limited - Jordan	Amman (Jordan)	JOD	2,347	67 100
69 adidas Imports & Exports Ltd.	Cairo (Egypt)	EGP	20	70 100
70 adidas Sporting Goods Ltd.	Cairo (Egypt)	EGP	117,211	9 90 10 10
71 adidas Egypt Ltd. <sup>3</sup>	Cairo (Egypt)	USD	(1,831)	directly 100
72 Reebok Israel Ltd.	Holon (Israel)	ILS	9,187	directly 100
73 Life Sport Ltd.	Holon (Israel)	ILS	89,796	9 51
74 adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	ZAR	201,971	directly 100
<b>North America</b>				
75 adidas North America, Inc.	Portland, Oregon (USA)	USD	5,232,854	9 100
76 adidas America, Inc.	Portland, Oregon (USA)	USD	131,187	75 100
77 adidas International, Inc.	Portland, Oregon (USA)	USD	68,767	75 100
78 adidas Team, Inc. <sup>3</sup>	Portland, Oregon (USA)	USD	(1,013)	75 100
79 Taylor Made Golf Co., Inc. <sup>6</sup>	Carlsbad, California (USA)	USD	(84,512)	75 100
80 Ashworth, LLC. <sup>3, 6</sup>	Carlsbad, California (USA)	USD	-	79 100
81 The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	USD	15,708	88 100
82 Reebok Securities Holdings LLC <sup>10</sup>	Wilmington, Delaware (USA)	USD	-	88 100

<sup>1</sup> The number refers to the number of the company    <sup>2</sup> Profit and loss transfer agreement    <sup>3</sup> Company with no active business  
<sup>4</sup> Sub-group Taylor Made Golf Limited    <sup>5</sup> Sub-group adidas India Private Ltd.    <sup>6</sup> Sub-group Taylor Made Golf Co., Inc.  
<sup>7</sup> Sub-group Sports Licensed Division of the adidas Group, LLC    <sup>8</sup> Sub-group Reebok-CCM Hockey U.S., Inc.  
<sup>9</sup> Sub-group Reebok International Limited    <sup>10</sup> Sub-group Reebok International Ltd.

4  
**CONSOLIDATED FINANCIAL STATEMENTS**  
Shareholdings

**SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH** AT DECEMBER 31, 2015

**Attachment II**

Company and Domicile	Currency	Equity (currency units in thousands)	Share in capital held by <sup>1</sup>	in %
83 Textronics, Inc.	Wilmington, Delaware (USA)	USD	11,497	77 100
84 Ashworth Acquisition Corp. <sup>3,6</sup>	Wilmington, Delaware (USA)	USD	-	80 100
85 Putter, LLC <sup>3,6</sup>	Montgomery, Alabama (USA)	USD	-	84 100
86 Onfield Apparel Group, LLC <sup>3,7</sup>	Dover, Delaware (USA)	USD	-	88 99
				87 1
87 Reebok Onfield, LLC <sup>3,7</sup>	Dover, Delaware (USA)	USD	-	88 100
88 Reebok International Ltd. <sup>10</sup>	Canton, Massachusetts (USA)	USD	(1,057,441)	75 100
89 Sports Licensed Division of the adidas Group, LLC <sup>7</sup>	Boston, Massachusetts (USA)	USD	83,525	88 99
				82 1
90 Reebok-CCM Hockey U.S., Inc. <sup>8</sup>	Montpelier, Vermont (USA)	USD	50,473	88 100
91 Stone Age Equipment, Inc.	Redlands, California (USA)	USD	14,918	76 100
92 Spartanburg DC, Inc.	Spartanburg, South Carolina (USA)	USD	9,665	76 100
93 adidas Canada Ltd.	Woodbridge, Ontario (Canada)	CAD	196,343	9 100
94 Sport Maska Inc.	New Brunswick (Canada)	CAD	178,624	9 100
<b>Asia</b>				
95 adidas Sourcing Limited	Hong Kong (China)	USD	143,068	10 100
96 adidas Services Limited	Hong Kong (China)	USD	11,107	9 100
97 adidas Hong Kong Ltd.	Hong Kong (China)	HKD	365,454	2 100
98 Smedley Industries (Hong Kong) Limited <sup>3,8</sup>	Hong Kong (China)	HKD	-	90 100
99 Reebok Trading (Far East) Limited	Hong Kong (China)	USD	31,091	88 100
100 adidas (Suzhou) Co. Ltd.	Suzhou (China)	CNY	(225,225)	2 100
101 adidas Sports (China) Co. Ltd.	Suzhou (China)	CNY	8,837,583	2 100
102 adidas (China) Ltd.	Shanghai (China)	CNY	572,969	9 100
103 Zhuhai adidas Technical Services Limited	Zhuhai (China)	CNY	12,283	95 100
104 adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	CNY	131,248	14 100
105 adidas Business Services (Dalian) Limited	Dalian (China)	CNY	5,331	9 100
106 adidas Japan K.K.	Tokyo (Japan)	JPY	11,024,465	9 100
107 Taylor Made Golf Co., Ltd.	Tokyo (Japan)	JPY	4,119,035	9 100
108 adidas Korea Ltd.	Seoul (Korea)	KRW	213,052,012	directly 100
109 Taylor Made Korea Ltd.	Seoul (Korea)	KRW	3,054,558	directly 100
110 adidas Korea Technical Services Limited	Pusan (Korea)	KRW	3,830,325	95 100
111 adidas India Private Ltd. <sup>5</sup>	New Delhi (India)	INR	4,185,651	directly 10.68
				9 89.32
112 adidas India Marketing Pvt. Ltd. <sup>5</sup>	New Delhi (India)	INR	-	111 98.99
				9 1.01
113 adidas Technical Services Pvt. Ltd.	New Delhi (India)	USD	3,410	95 100
114 Reebok India Company	New Delhi (India)	INR	(22,194,862)	124 93.15
115 PT adidas Indonesia	Jakarta (Indonesia)	IDR	170,326,667	9 99
				directly 1
116 adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	MYR	44,093	directly 60
				9 40
117 adidas Philippines Inc.	Pasig City (Philippines)	PHP	624,689	directly 100
118 adidas Singapore Pte. Ltd.	Singapore (Singapore)	SGD	10,515	directly 100
119 adidas Taiwan Limited	Taipei (Taiwan)	TWD	1,171,313	9 100
120 adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	976,853	directly 100
121 adidas Australia Pty Limited	Mulgrave (Australia)	AUD	65,084	9 100

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<sup>7</sup> Sub-group Sports Licensed Division of the adidas Group, LLC    <sup>8</sup> Sub-group Reebok-CCM Hockey U.S., Inc.  
<sup>9</sup> Sub-group Reebok International Limited    <sup>10</sup> Sub-group Reebok International Ltd.

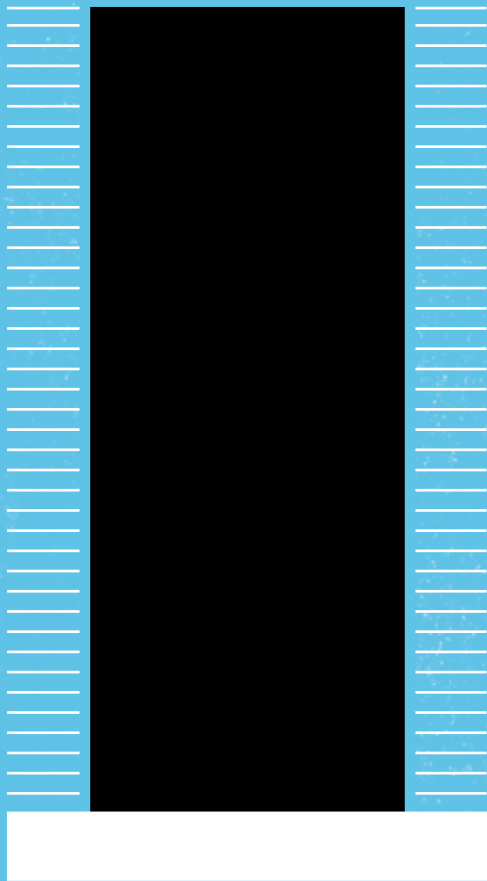
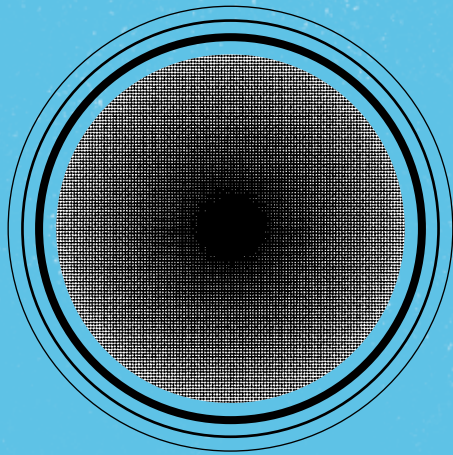


**SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH** AT DECEMBER 31, 2015

**Attachment II**

Company and Domicile		Currency	Equity (currency units in thousands)	Share in capital held by <sup>1</sup>	in %
122 adidas New Zealand Limited	Auckland (New Zealand)	NZD	6,305	directly	100
123 adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	VND	10,627,500	9	100
124 Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	USD	2,194	88	99
				81	1
<b>Latin America</b>					
125 adidas Argentina S.A.	Buenos Aires (Argentina)	ARS	1,016,276	9	51.73
				2	48.27
126 Reebok Argentina S.A.	Buenos Aires (Argentina)	ARS	41,236	10	73.86
				9	26.13
127 ASPA do Brasil Ltda. <sup>3</sup>	São Paulo (Brazil)	BRL	127	95	100
128 adidas do Brasil Ltda.	São Paulo (Brazil)	BRL	54,816	2	100
129 adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	BRL	9,426	128	100
130 Reebok Produtos Esportivos Brasil Ltda.	Jundiaí (Brazil)	BRL	(86,450)	9	99.99
131 adidas Chile Limitada	Santiago de Chile (Chile)	CLP	94,456,521	directly	99
				1	1
132 adidas Colombia Ltda.	Bogotá (Colombia)	COP	13,526,824	directly	100
133 adidas Perú S.A.C.	Lima (Peru)	PEN	73,595	directly	99.21
				131	0.79
134 adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	MXN	(86,778)	directly	100
135 adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	MXN	197,465	directly	100
136 Reebok de Mexico, S.A. de C.V. <sup>3</sup>	Mexico City (Mexico)	MXN	(477,289)	directly	100
137 adidas Latin America, S.A.	Panama City (Panama)	USD	(57,243)	directly	100
138 Concept Sport, S.A.	Panama City (Panama)	USD	1,016	9	100
139 adidas Market LAM, S.A. <sup>3</sup>	Panama City (Panama)	USD	0	9	100
140 3 Stripes S.A. (adidas Uruguay) <sup>3</sup>	Montevideo (Uruguay)	UYU	(436)	directly	100
141 Tafibal S.A.	Montevideo (Uruguay)	UYU	(62,540)	directly	100
142 Raelit S.A.	Montevideo (Uruguay)	UYU	(4,079)	directly	100
143 Reebok Central America S.A. <sup>10</sup>	San Pedro Sula (Honduras)	HNL	-	88	99.6
				81	0.4
144 adidas Corporation de Venezuela, S.A. <sup>3</sup>	Caracas (Venezuela)	VEF	(17)	directly	100
145 adisport Corporation	San Juan (Puerto Rico)	USD	(2,700)	9	100

<sup>1</sup> The number refers to the number of the company    <sup>2</sup> Profit and loss transfer agreement    <sup>3</sup> Company with no active business  
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<sup>7</sup> Sub-group Sports Licensed Division of the adidas Group, LLC    <sup>8</sup> Sub-group Reebok-CCM Hockey U.S., Inc.  
<sup>9</sup> Sub-group Reebok International Limited    <sup>10</sup> Sub-group Reebok International Ltd.



# ADDITIONAL

Ten-Year Overview  
Glossary  
Declaration of Support  
Financial Calendar

256  
260  
263  
264

# INFORMATION

# TEN-YEAR OVERVIEW

## TEN-YEAR OVERVIEW

	2015	2014	2013
<b>Income Statement Data (€ in millions)</b>			
Net sales <sup>3</sup>	16,915	14,534	14,203
Gross profit <sup>3</sup>	8,168	6,924	7,001
Royalty and commission income <sup>3</sup>	119	102	103
Other operating income <sup>3</sup>	96	138	142
Other operating expenses <sup>3</sup>	7,289	6,203	6,013
EBITDA <sup>3</sup>	1,475	1,283	1,496
Operating profit <sup>3, 4, 5, 6, 7</sup>	1,094	961	1,233
Net financial result	(21)	(48)	(68)
Income before taxes <sup>3, 4, 5, 6, 7</sup>	1,073	913	1,165
Income taxes <sup>3</sup>	353	271	340
Net income attributable to non-controlling interests	6	6	3
Net income attributable to shareholders <sup>4, 5, 6, 7, 8</sup>	668	568	839
<b>Income Statement Ratios</b>			
Gross margin <sup>3</sup>	48.3%	47.6%	49.3%
Operating margin <sup>3, 4, 5, 6, 7</sup>	6.5%	6.6%	8.7%
Interest coverage <sup>3</sup>	23.8	19.3	24.0
Effective tax rate <sup>3, 4, 5, 6, 7</sup>	32.9%	29.7%	29.2%
Net income attributable to shareholders in % of net sales <sup>4, 5, 6, 7, 8</sup>	4.0%	3.9%	5.9%
<b>Net Sales by Brand (€ in millions)</b>			
adidas	13,939	11,774	11,059
Reebok	1,751	1,578	1,599
TaylorMade-adidas Golf	902	913	1,285
Reebok-CCM Hockey	317	269	260
<b>Net Sales by Product Category (€ in millions)</b>			
Footwear <sup>3</sup>	8,360	6,658	6,587
Apparel <sup>3</sup>	6,970	6,279	5,811
Hardware <sup>3</sup>	1,585	1,597	1,806
<b>Balance Sheet Data (€ in millions)</b>			
Total assets	13,343	12,417	11,599
Inventories	3,113	2,526	2,634
Receivables and other current assets	3,003	2,861	2,583
Working capital	2,133	2,970	2,125
Net cash/(net borrowings)	(460)	(185)	295
Shareholders' equity	5,666	5,624	5,489

Rounding differences may arise in percentages and totals.

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

<sup>2</sup> Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006 onwards.

<sup>3</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>4</sup> 2015 excluding goodwill impairment of € 34 million.

<sup>5</sup> 2014 excluding goodwill impairment of € 78 million.

<sup>6</sup> 2013 excluding goodwill impairment of € 52 million.

<sup>7</sup> 2012 excluding goodwill impairment of € 265 million.

<sup>8</sup> Includes continuing and discontinued operations.

<sup>9</sup> Figures adjusted for 1:4 share split conducted on June 6, 2006.

<sup>10</sup> Subject to Annual General Meeting approval.

2012	2011 <sup>1</sup>	2010	2009	2008	2007	2006 <sup>2</sup>
14,883	13,322	11,990	10,381	10,799	10,299	10,084
7,103	6,329	5,730	4,712	5,256	4,882	4,495
105	93	100	86	89	102	90
127	98	110	100	103	80	55
6,150	5,567	5,046	4,390	4,378	4,115	3,759
1,445	1,199	1,159	780	1,280	1,165	1,078
1,185	953	894	508	1,070	949	881
(69)	(84)	(88)	(150)	(166)	(135)	(158)
1,116	869	806	358	904	815	723
327	261	238	113	260	260	227
(2)	(5)	(1)	0	(2)	(4)	(13)
791	613	567	245	642	551	483
47.7%	47.5%	47.8%	45.4%	48.7%	47.4%	44.6%
8.0%	7.2%	7.5%	4.9%	9.9%	9.2%	8.7%
14.6	12.2	10.1	3.9	7.4	6.8	5.9
29.3%	30.0%	29.5%	31.5%	28.8%	31.8%	31.4%
5.3%	4.6%	4.7%	2.4%	5.9%	5.4%	4.8%
11,344	9,867	8,714	7,520	7,821	7,113	6,626
1,667	1,940	1,913	1,603	1,717	1,831	1,979
1,344	1,044	909	831	812	804	856
243	210	200	177	188	210	202
6,922	6,242	5,389	4,642	4,919	4,751	4,733
6,290	5,733	5,380	4,663	4,775	4,426	4,105
1,671	1,347	1,221	1,076	1,105	1,121	1,246
11,651	11,237	10,618	8,875	9,533	8,325	8,379
2,486	2,502	2,119	1,471	1,995	1,629	1,607
2,444	2,431	2,324	2,038	2,523	2,048	1,913
2,504	1,990	1,972	1,649	1,290	1,522	1,733
448	90	(221)	(917)	(2,189)	(1,766)	(2,231)
5,304	5,137	4,616	3,771	3,386	3,023	2,828

**TEN-YEAR OVERVIEW** CONTINUED

	2015	2014	2013
<b>Balance Sheet Ratios</b>			
Net borrowings/EBITDA <sup>3</sup>	0.3	0.1	(0.2)
Average operating working capital in % of net sales <sup>3</sup>	20.5%	22.4%	21.3%
Financial leverage	8.1%	3.3%	(5.4%)
Equity ratio	42.5%	45.3%	47.3%
Equity-to-fixed-assets ratio	96.9%	110.9%	115.8%
Asset coverage I	136.8%	158.7%	145.0%
Asset coverage II	89.3%	105.9%	93.2%
Fixed asset intensity of investments	43.8%	40.8%	40.9%
Current asset intensity of investments	56.2%	59.2%	59.1%
Liquidity I	25.5%	38.6%	34.4%
Liquidity II	63.7%	83.0%	72.6%
Liquidity III	121.8%	140.7%	128.3%
Working capital turnover <sup>3</sup>	7.9	4.9	6.7
Return on equity <sup>8</sup>	11.2%	8.7%	14.3%
Return on capital employed <sup>8</sup>	16.5%	13.8%	23.6%
<b>Data Per Share<sup>9</sup></b>			
Share price at year-end (in €)	89.91	57.62	92.64
Basic earnings <sup>4, 5, 6, 7, 8</sup> (in €)	3.32	2.72	4.01
Diluted earnings <sup>4, 5, 6, 7, 8</sup> (in €)	3.32	2.72	4.01
Price/earnings ratio at year-end <sup>4, 5, 6, 7, 8</sup>	27.1	21.2	23.1
Market capitalisation at year-end (€ in millions)	18,000	11,773	19,382
Net cash generated from operating activities (in €) <sup>8</sup>	5.41	3.36	3.03
Dividend (in €)	1.60 <sup>10</sup>	1.50	1.50
Dividend payout ratio <sup>4, 5, 6, 7, 8</sup> (in %)	47.9	53.9	37.4
Number of shares outstanding at year-end (in thousands)	200,197	204,327	209,216
<b>Employees</b>			
Number of employees at year-end <sup>3</sup>	55,555	53,731	49,808
Personnel expenses <sup>3</sup> (€ in millions)	2,184	1,842	1,833

Rounding differences may arise in percentages and totals.

<sup>1</sup> 2011 restated according to IAS 8 in the 2012 consolidated financial statements.

<sup>2</sup> Including Reebok, Rockport and Reebok-CCM Hockey from February 1, 2006 onwards.

<sup>3</sup> 2015, 2014 and 2013 reflect continuing operations as a result of the divestiture of the Rockport business.

<sup>4</sup> 2015 excluding goodwill impairment of € 34 million.

<sup>5</sup> 2014 excluding goodwill impairment of € 78 million.

<sup>6</sup> 2013 excluding goodwill impairment of € 52 million.

<sup>7</sup> 2012 excluding goodwill impairment of € 265 million.

<sup>8</sup> Includes continuing and discontinued operations.

<sup>9</sup> Figures adjusted for 1:4 share split conducted on June 6, 2006.

<sup>10</sup> Subject to Annual General Meeting approval.

2012	2011 <sup>1</sup>	2010	2009	2008	2007	2006 <sup>2</sup>
[0.3]	[0.1]	0.2	1.2	1.7	1.5	2.1
20.0%	20.4%	20.8%	24.3%	24.5%	25.2%	25.8%
[8.5%]	[1.8%]	4.8%	24.3%	64.6%	58.4%	78.9%
45.5%	45.7%	43.5%	42.5%	35.5%	36.3%	33.8%
111.1%	104.6%	97.4%	85.9%	73.6%	72.2%	63.5%
152.7%	140.7%	141.5%	137.4%	127.7%	136.1%	138.7%
100.4%	93.2%	97.7%	102.9%	89.1%	98.0%	102.0%
41.0%	43.7%	44.6%	49.5%	48.2%	50.3%	53.2%
59.0%	56.3%	55.4%	50.5%	51.8%	49.7%	46.8%
44.3%	31.6%	35.5%	30.0%	10.5%	14.5%	15.8%
82.9%	68.3%	78.2%	80.4%	55.1%	70.3%	80.4%
139.7%	126.0%	132.4%	132.2%	109.8%	132.6%	153.7%
5.9	6.7	6.1	6.3	8.4	6.8	5.8
9.9%	11.9%	12.3%	6.5%	18.9%	18.2%	17.1%
19.3%	19.9%	20.2%	11.3%	19.8%	20.2%	17.6%
67.33	50.26	48.89	37.77	27.14	51.26	37.73
3.78	2.93	2.71	1.25	3.25	2.71	2.37
3.78	2.93	2.71	1.22	3.07	2.57	2.25
17.8	17.1	18.0	31.0	8.8	19.9	16.8
14,087	10,515	10,229	7,902	5,252	10,438	7,679
4.50	3.86	4.28	6.11	2.52	3.83	3.74
1.35	1.00	0.80	0.35	0.50	0.50	0.42
35.7	34.1	29.5	29.8	15.1	18.0	17.7
209,216	209,216	209,216	209,216	193,516	203,629	203,537
46,306	46,824	42,541	39,596	38,982	31,344	26,376
1,872	1,646	1,521	1,352	1,283	1,186	1,087

# GLOSSARY

## / A

### **ATHLEISURE**

The term is composed of the words athletic and leisure. It describes a fashion trend of sportswear no longer being just meant for training but increasingly shaping everyday clothing.

## / B

### **BACKLOGS**

Also called order backlogs. The value of orders received for future delivery. Most retailers' orders are received six to nine months in advance.

## / C

### **CAPITAL EXPENDITURE**

Total cash expenditure used for the purchase of tangible and intangible assets, excluding acquisitions and finance leases.

### **CASH POOLING**

A cash management technique for physical concentration of cash. Cash pooling allows the adidas Group to combine credit and debit positions from various accounts and several subsidiaries into one central account. This technique supports our in-house bank concept where advantage is taken of any surplus funds of subsidiaries to cover cash requirements of other subsidiaries, thus reducing external financing needs and optimising our net interest expenses.

### **COMPARABLE (COMP) STORE SALES**

Sales generated in stores which have been open for the entire prior financial year and are currently operating. Remodelled stores are included if the store format and store size have remained unchanged. Comparable store sales therefore show the organic growth of the retail business and do not include sales generated from new store openings.

### **CONCESSION CORNERS**

Retail space that is fully operated by one brand of the adidas Group and is part of a larger sales area operated by a retail partner.

### **CONTROLLED SPACE**

Includes own-retail business, mono-branded franchise stores, shop-in-shops, joint ventures with retail partners and co-branded stores. Controlled space offers a high level of brand control and ensures optimal product offering and presentation according to brand requirements.

### **CONVERSION RATE**

A key ratio in retail business describing the number of buying customers compared to those who entered the store without buying something; i.e. a 25% conversion rate means that 100 persons entered a store with 25 of them buying something.

## / E

### **EMERGING MARKETS**

Developing countries showing potential for growth in both economic strength and private wealth in the future. For the adidas Group, emerging markets are the developing countries of Asia, Eastern Europe, Latin America and Africa.

## / F

### **FINANCIAL LEVERAGE**

Ratio reflecting the role of borrowings within the financing structure of a company.

$$\text{Financial leverage} = \frac{\text{net borrowings}}{\text{shareholders' equity}} \times 100$$

### **FIRST FAST SPORTS COMPANY**

We have set ourselves the goal to become the first fast sports company by 2020. This means that it is our ambition to increase the share of so-called 'speed-enabled products' to 50% of our net sales by 2020 from 15% of net sales in 2015. Our initiatives will put us in the position to provide consumers with appealing and up-to-date products. As a consequence, our full-price share of sales is forecasted to improve by 20 percentage points by 2020.



## / G

**GENDERDAX**

An industry- and science-based gender and diversity project, including a ranking of German companies which are committed to actively supporting highly qualified and career-oriented women within their human resource and diversity management.

**GERMAN CO-DETERMINATION ACT (MITBESTIMMUNGSGESETZ – MITBESTG)**

An act that governs the form of co-determination of employees in corporations employing more than 2,000 employees. It stipulates, among other things, that such a corporation's Supervisory Board must be composed of an equal number of employee and shareholder representatives.

**GOODWILL**

Intangible asset that quantifies the price that a buyer of a company has paid for the reputation, know-how and market position of the acquired company. Goodwill is the excess of the amount paid over the fair value of the net assets acquired at the purchase date. It is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired.

**GREEN GRASS RETAILERS**

Golf distribution channel. Small golf specialty shops typically located at a golf course.

## / H

**HARDWARE**

A product category which comprises equipment that is used rather than worn by the consumer, such as bags, balls, fitness equipment, golf clubs and hockey sticks.

## / L

**LGBT**

An acronym that stands for lesbian, gay, bisexual and transgender.

**LICENSED APPAREL**

Apparel products which are produced and marketed under a licence agreement. The adidas Group has licence agreements with several associations (e.g. FIFA, UEFA), leagues (e.g. NBA, NHL), teams (e.g. Bayern Munich, Manchester United, Real Madrid) and universities (e.g. UCLA, Arizona State University, University of Miami).

**LICENSEES**

Companies that have the authorisation to use the name of a brand or business for the production and sale of products. For example, for adidas, licensed products include cosmetics, watches and eyewear, for Reebok, fitness equipment.

**LIQUIDITY I, II, III**

The liquidity ratio indicates how quickly a company can liquidate its assets to pay for current liabilities.

$$\text{Liquidity I} = \frac{\text{Cash + short-term financial assets}}{\text{current liabilities}} \times 100$$

$$\text{Liquidity II} = \frac{\text{Cash + short-term financial assets + accounts receivable}}{\text{current liabilities}} \times 100$$

$$\text{Liquidity III} = \frac{\text{Cash + short-term financial assets + accounts receivable + inventories}}{\text{current liabilities}} \times 100$$

## / M

**MARKETING INVESTMENTS**

Promotion and communication spending including sponsorship contracts with teams and individual athletes, as well as advertising, events and other communication activities, but excluding marketing overhead expenses.

## / N

**NET CASH/NET BORROWINGS**

Net cash is when the sum of cash and short-term financial assets exceeds gross borrowings. Net borrowings is the portion of gross borrowings not covered by the sum of cash and short-term financial assets.

$$\text{Net cash/net borrowings} = \begin{array}{l} \text{cash and cash equivalents} \\ + \text{short-term financial assets} \\ - \text{short-term borrowings} \\ - \text{long-term borrowings} \end{array}$$

**NET PROMOTER SCORE (NPS)**

A survey-based measure of how likely people are to recommend a brand. The survey is based on one single question to consumers: 'How likely are you to recommend this brand to your friends?', which can be answered within a scale from 0 to 10. Promoters are consumers giving the brand a 9 or 10 rating, while detractors are those between a 0 and 6 rating. The NPS is the difference between promoters and detractors measured in percentage points.

**NON-CONTROLLING INTERESTS**

Part of net income or equity which is not attributable to the shareholders of the reporting company as it relates to outside ownership interests in subsidiaries that are consolidated with the parent company for financial reporting purposes.

**/ O**

**OMNI-CHANNEL SALES APPROACH**

Describes the ambition to achieve a globally consistent product offer, brand communication, availability and service across all sales channels (wholesale, retail and e-commerce) and consumer touchpoints.

**OPERATING CASH FLOW**

Comprises operating profit, change in operating working capital and net investments.

$$\text{Operating cash flow} = \begin{array}{l} \text{operating profit} \\ +/- \text{ change in operating working capital} \\ +/- \text{ net investments} \\ \text{(capital expenditure less depreciation} \\ \text{and amortisation)} \end{array}$$

**OPERATING OVERHEAD EXPENSES**

Expenses which are not directly attributable to the products or services sold, such as costs for distribution, marketing overhead costs, logistics, research and development, as well as general and administrative costs, but not including costs for promotion, advertising and communication.

**OPERATING WORKING CAPITAL**

A company's short-term disposable capital which is used to finance its day-to-day business. In comparison to working capital, operating working capital does not include non-operational items such as financial assets and taxes.

$$\text{Operating working capital} = \begin{array}{l} \text{accounts receivable} \\ + \text{ inventories} \\ - \text{ accounts payable} \end{array}$$

**/ P**

**PERFORMANCE BUSINESS**

In the sporting goods industry, performance business relates to technical footwear and apparel used primarily in doing sports.

**POINT-OF-SALE INVESTMENTS**

Expenditures that relate to advertising and promotion initiatives at the point of sale as well as to store fittings and furniture.

**PRICE POINTS**

Specific selling prices, normally using 'psychological' numbers, e.g. a product price of US \$ 99.99 instead of US \$ 100.

**PROMOTION PARTNERSHIPS**

Partnerships with events, associations, leagues, clubs and individual athletes. In exchange for the services of promoting the adidas Group, the party is provided with products and/or cash and/or promotional materials.

**/ R**

**ROLLING FORECAST**

A projection about the future that is updated at regular intervals, keeping the forecasting period constant (e.g. twelve months).

**/ S**

**SEGMENT**

Also called business segment. The adidas Group is currently divided into 13 business segments: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea, Southeast Asia/Pacific, TaylorMade-adidas Golf, Reebok-CCM Hockey, Runtastic and Other centrally managed businesses.

**SHARE TURNOVER**

The total value of all shares traded in the share price currency over a specific period of time (normally daily). It is calculated by multiplying the number of shares traded by the respective price.

**SINGLE-SOURCING MODEL**

Supply chain activities limited to one specific supplier. Due to the dependency on only one supplier, a company can face disadvantages during the sourcing process.

**/ T**

**TOP AND BOTTOM LINE**

A company's bottom line is its net income attributable to shareholders. More specifically, the bottom line is a company's income after all expenses have been deducted from revenues. The top line refers to a company's sales or revenues.

**TOP-DOWN, BOTTOM-UP**

A specific concept for information and knowledge processing. In a first step, information and empowerment of management decisions is delegated from top to bottom. After going into more detail on the bottom level, the final information and decision are then transported back to the top.

**TREND SCOUTING**

Identification and commercialisation of future trends, particularly lifestyle trends.

**/ V**

**VERTICAL RETAILER**

A retail company that (vertically) controls the entire design, production and distribution processes of its products.

# DECLARATION OF SUPPORT

adidas AG declares support, except in the case of political risk, that the below-mentioned companies are able to meet their contractual liabilities. This declaration replaces the declaration dated February 13, 2015, which is no longer valid.

adidas (China) Ltd., Shanghai, China  
 adidas (Cyprus) Limited, Nicosia, Cyprus  
 adidas (Ireland) Limited, Dublin, Ireland  
 adidas (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia  
 adidas (South Africa) (Pty) Ltd., Cape Town, South Africa  
 adidas (Suzhou) Co. Ltd., Suzhou, China  
 adidas (Thailand) Co., Ltd., Bangkok, Thailand  
 adidas (UK) Limited, Stockport, Great Britain  
 adidas America, Inc., Portland, Oregon, USA  
 adidas Argentina S.A., Buenos Aires, Argentina  
 adidas Australia Pty. Limited, Mulgrave, Australia  
 adidas Austria GmbH, Klagenfurt, Austria  
 adidas Baltics SIA, Riga, Latvia  
 adidas Belgium N.V., Brussels, Belgium  
 adidas Benelux B.V., Amsterdam, Netherlands  
 adidas Budapest Kft., Budapest, Hungary  
 adidas Bulgaria EAD, Sofia, Bulgaria  
 adidas Business Services (Dalian) Limited, Dalian, China  
 adidas Business Services Lda., Maia, Portugal  
 adidas Canada Ltd., Woodbridge, Ontario, Canada  
 adidas CDC Immobilieninvest GmbH, Herzogenaurach, Germany  
 adidas Chile Limitada, Santiago de Chile, Chile  
 adidas Colombia Ltda., Bogotá, Colombia  
 adidas CR s.r.o., Prague, Czech Republic  
 adidas Croatia d.o.o., Zagreb, Croatia  
 adidas Danmark A/S, Århus, Denmark  
 adidas de Mexico, S.A. de C.V., Mexico City, Mexico  
 adidas do Brasil Ltda., São Paulo, Brazil  
 adidas Emerging Markets FZE, Dubai, United Arab Emirates  
 adidas Emerging Markets L.L.C., Dubai, United Arab Emirates  
 adidas España S.A.U, Zaragoza, Spain  
 adidas France S.a.r.l., Landersheim, France  
 adidas Hellas A.E., Athens, Greece  
 adidas Hong Kong Ltd., Hong Kong, China  
 adidas Imports & Exports Ltd., Cairo, Egypt  
 adidas India Marketing Pvt. Ltd., New Delhi, India  
 adidas Industrial, S.A. de C.V., Mexico City, Mexico

adidas Insurance & Risk Consultants GmbH, Herzogenaurach, Germany  
 adidas International B.V., Amsterdam, Netherlands  
 adidas International Finance B.V., Amsterdam, Netherlands  
 adidas International Marketing B.V., Amsterdam, Netherlands  
 adidas International Property Holding B.V., Amsterdam, Netherlands  
 adidas International Re Limited, Dublin, Ireland  
 adidas International Trading B.V., Amsterdam, Netherlands  
 adidas International, Inc., Portland, Oregon, USA  
 adidas Italy S.p.A, Monza, Italy  
 adidas Japan K.K., Tokyo, Japan  
 adidas Korea Ltd., Seoul, Korea  
 adidas Latin America, S.A., Panama City, Panama  
 adidas LLP, Almaty, Republic of Kazakhstan  
 adidas Logistics (Tianjin) Co., Ltd., Tianjin, China  
 adidas New Zealand Limited, Auckland, New Zealand  
 adidas Norge AS, Lillestrom, Norway  
 adidas North America, Inc., Portland, Oregon, USA  
 adidas Peru S.A.C., Lima, Peru  
 adidas Philippines Inc., Pasig City, Philippines  
 adidas Poland Sp.z o.o., Warsaw, Poland  
 adidas Portugal – Artigos de Desporto, S.A., Lisbon, Portugal  
 adidas Romania S.R.L., Bucharest, Romania  
 adidas Serbia d.o.o., New Belgrade, Serbia  
 adidas Services Limited, Hong Kong, China  
 adidas Singapore Pte. Ltd., Singapore, Singapore  
 adidas Slovakia s.r.o., Bratislava, Slovak Republic  
 adidas Sourcing Limited, Hong Kong, China  
 adidas Spor Malzemeleri Satış ve Pazarlama A.Ş., Istanbul, Turkey  
 adidas sport gmbh, Cham, Switzerland  
 adidas Sporting Goods Ltd., Cairo, Egypt  
 adidas Sports (China) Co. Ltd., Suzhou, China  
 adidas Suomi Oy, Helsinki, Finland

adidas Sverige AB, Solna, Sweden  
 adidas Taiwan Limited, Taipei, Taiwan  
 adidas Trgovina d.o.o., Ljubljana, Slovenia  
 adidas Vietnam Company Limited, Ho Chi Minh City, Vietnam  
 adisport Corporation, San Juan, Puerto Rico  
 Concept Sport, S.A., Panama City, Panama  
 Global Merchandising, S.L., Madrid, Spain  
 Hydra Ventures B.V., Amsterdam, Netherlands  
 LLC 'adidas, Ltd.', Moscow, Russia  
 PT adidas Indonesia, Jakarta, Indonesia  
 Raelit S.A., Montevideo, Uruguay  
 Reebok Argentina S.A., Buenos Aires, Argentina  
 Reebok International Limited, London, Great Britain  
 Reebok International Ltd., Canton, Massachusetts, USA  
 Reebok Produtos Esportivos Brasil Ltda., Jundiaí, Brazil  
 Reebok-CCM Hockey AB, Solna, Sweden  
 Reebok-CCM Hockey AS, Gressvik, Norway  
 Reebok-CCM Hockey Oy, Espoo, Finland  
 Reebok-CCM Hockey U.S. Inc., Montpelier, Vermont, USA  
 Reebok Israel Ltd., Holon, Israel  
 SC 'adidas-Ukraine', Kiev, Ukraine  
 Spartanburg DC, Inc., Spartanburg, South Carolina, USA  
 Sport Maska Inc., New Brunswick, Canada  
 Sports Licensed Division of the adidas Group, LLC, Boston, Massachusetts, USA  
 Stone Age Equipment, Inc., Redlands, California, USA  
 Tafibal S.A., Montevideo, Uruguay  
 Taylor Made Golf Co., Inc., Carlsbad, California, USA  
 Taylor Made Golf Co., Ltd., Tokyo, Japan  
 Taylor Made Golf Limited, Basingstoke, Great Britain  
 Taylor Made Korea Ltd., Seoul, Korea  
 Textronics, Inc., Wilmington, Delaware, USA  
 Trafford Park DC Limited (formerly Reebok Finance Limited), London, Great Britain

# FINANCIAL CALENDAR 2016

MARCH  
**03**

## **FULL YEAR 2015 RESULTS**

Press conference in  
Herzogenaurach, Germany  
Press release, conference call  
and webcast

Publication of 2015 Annual Report

MAY  
**04**

## **FIRST QUARTER 2016 RESULTS**

Press release, conference call  
and webcast

Publication of First Quarter 2016 Report

MAY  
**12**

## **ANNUAL GENERAL MEETING**

Fuerth (Bavaria), Germany  
Webcast

MAY  
**13**

## **DIVIDEND PAYMENT**

(subject to Annual General Meeting  
approval)

AUGUST  
**04**

## **FIRST HALF 2016 RESULTS**

Press release, conference call  
and webcast

Publication of First Half 2016 Report

NOVEMBER  
**03**

## **NINE MONTHS 2016 RESULTS**

Press release, conference call  
and webcast

Publication of Nine Months 2016 Report

# ADIDAS AG

**Adi-Dassler-Str. 1  
91074 Herzogenaurach  
Germany**

**TEL + 49 (0) 91 32 84 - 0  
FAX + 49 (0) 91 32 84 - 22 41  
WWW.ADIDAS-GROUP.COM**

**Investor Relations**

**TEL + 49 (0) 91 32 84 - 32 96  
FAX + 49 (0) 91 32 84 - 31 27**

**INVESTOR.RELATIONS@ADIDAS-GROUP.COM  
WWW.ADIDAS-GROUP.COM/INVESTORS**

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Media App from the App Store.**

**To improve readability, registered trademarks  
are omitted in this Annual Report.**

**Concept and Design  
Strichpunkt  
— Stuttgart/Berlin**

**ADIDAS**  
AG

**Adi-Dassler-Str. 1  
91074 Herzogenaurach  
Germany**

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