Announcement pursuant to § 109 section 2 sentence 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

The German Financial Reporting Enforcement Panel (FREP) has determined that the consolidated financial statements of adidas AG, Herzogenaurach, as at the reporting date December 31, 2016 are erroneous:

“The recoverability of the Reebok brand with a book value of EUR 1.47 billion could not be proven based on the documentation provided by the company as at December 31, 2016. Although an operating loss of around EUR 150 million and restructurings indicate an impairment of the cash-generating units Reebok with the Reebok brand as major asset, no impairment test was conducted on the basis of the relevant cash-generating Reebok business units. This violates IAS 36.12 in conjunction with IAS 36.22, IAS 36.66 et seq. and § 238 German Commercial Code (Handelsgesetzbuch – HGB).

The company conducted a test for impairment of the intangible asset of the brand by determining the fair value of the Reebok brand based on notional royalty savings (relief-from-royalty method). The estimate is based on the assumption of strong sales growth. Moreover, since the acquisition, an unchanged royalty rate of 4.5% has been used although the brand has sustainably failed to meet the sales targets and has regularly not met its profitability targets since the acquisition of the brand in 2006. Thus, in the present case, the use of non market-driven input factors and the valuation method applied do not lead to the most reliable estimate of the fair value of the Reebok brand. This violates IFRS 13.2, IFRS 13.9, IFRS 13.61 et seqq. and IFRS 13.69 as well as IAS 36.105.”

Herzogenaurach, August 2018

adidas AG
The Executive Board