



2016

**ALL
CREA
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**FINANCIAL STATEMENTS
OF ADIDAS AG**

FOR THE YEAR ENDED
DECEMBER 31, 2016

adidas

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Combined Management Report

The Management Report of adidas AG has been combined with the Management Report of the adidas Group in accordance with § 315 section 3 together with § 298 section 3 of the German Commercial Code (Handelsgesetzbuch – HGB) and is published in the 2016 Annual Report of the adidas Group.

The Financial Statements and the combined Management Report for adidas AG and the adidas Group for the 2016 financial year are filed with and published in the Federal Gazette.

The Financial Statements of adidas AG as well as the Annual Report for the 2016 financial year are also available for download on the Internet at

<http://www.adidas-group.com/en/investors/financial-reports/>

Annual financial statements of adidas AG

Balance Sheet

EUR thousand

		Dec. 31, 2016	Dec. 31, 2015
ASSETS			
FIXED ASSETS (1)			
Intangible assets	(2)	112,174	117,737
Tangible assets	(2)	492,644	449,617
Financial assets	(3)	4,205,439	4,215,560
		4,810,257	4,782,914
CURRENT ASSETS			
Inventories	(4)	49,514	47,693
Receivables and other assets	(5)	2,968,936	2,156,731
Cash and cash equivalents	(6)	27,853	446,768
		3,046,303	2,651,192
PREPAID EXPENSES	(7)	142,789	82,470
ACTIVE DIFFERENCE RESULTING FROM ASSET OFFSETTING	(8)	3,917	1,610
		8,003,266	7,518,186
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital ¹	(9)	209,216	209,216
Par value treasury shares	(9)	-7,727	-9,019
Capital reserves	(9)	1,260,865	1,200,966
Revenue reserves		304,036	43,206
Retained earnings	(10)	628,908	642,641
		2,395,298	2,087,011
UNTAXED RESERVE	(11)	3,754	4,076
PROVISIONS/ACCRUALS	(12)	525,005	445,996
LIABILITIES	(13)	5,078,174	4,979,754
DEFERRED INCOME		835	1,349
		8,003,266	7,518,186

¹

Contingent Capital I at Dec. 31, 2016 in the amount of EUR 36,000 thousand (previous year EUR 36,000 thousand).
Contingent Capital II at Dec. 31, 2016 in the amount of EUR 12,500 thousand (previous year EUR 12,500 thousand).

Annual financial statements of adidas AG

Income Statement

EUR thousand

		HGB n.v. 2016	HGB n.v. 2015	HGB o.v. 2015
Sales	(16)	3,288,775	2,833,869	2,416,796
Change in inventory		969	-667	-667
Total output		3,289,744	2,833,202	2,416,129
Other operating income	(17)	439,195	1,060,618	1,477,691
Cost of materials	(18)	-1,127,380	-947,430	-663,409
Personnel expenses	(19)	-587,891	-488,078	-488,078
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(20)	-100,409	-96,353	-96,353
Other operating expenses	(21)	1,803,408	-2,039,430	-2,323,451
Income from operations		109,851	322,529	322,529
Income from investments in related companies	(22)	624,546	436,690	436,690
Profit received under a profit and loss transfer agreement	(23)	1,562	13,678	13,678
Loss taken over under a profit and loss transfer agreement	(23)	-4,418	0	0
Write-downs of long-term financial assets	(24)	0	0	0
Interest result	(25)	-21,344	-56,416	-56,416
Taxes on income	(26)	-92,606	-77,478	-77,478
Income after taxes		617,591	639,003	639,003
Other taxes		-301	-249	-249
NET INCOME		617,290	638,754	638,754
Retained earnings brought forward		322,325	3,887	3,887
Transfer to other revenue reserves		-300,000	0	0
Utilization for share buyback		-10,707	0	0
RETAINED EARNINGS		628,908	642,641	642,641

Notes to the annual financial statements of adidas AG for the year ended December 31, 2016

adidas AG is domiciled in 91074 Herzogenaurach, Adi-Dassler-Str. 1, and is registered in the commercial register of the Local Court of Fürth, under HRB 3868.

In the interest of providing a clearer overall picture, certain items in the balance sheet and income statement have been combined as permitted pursuant to **§ 265 (7) German Commercial Code** (Handelsgesetzbuch, "HGB"), and have been disclosed and explained separately under the numerical text reference indicated below. The names and domiciles of other companies in which adidas AG holds at least a one-fifth interest, either directly or indirectly, and the disclosures related to these companies can be found in Appendix 3 to these notes.

Due to rounding principles, numbers presented may not sum up exactly to totals provided or rounding differences up to EUR +/- 2 thousand may be included.

In the financial statements as at December 31, 2016, the requirements of the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG), as adopted by the Bundestag on June 18, 2015, have been implemented for the first time. In particular, the new definition of revenues pursuant to § 277 (1) HGB (new version) and the related adjustment of cost of materials have impacted the financial statements. This resulted in reclassifications from other operating income to sales and from other operating expenses to cost of materials, as presented hereinafter. For the sake of better comparability, adidas AG has opted to present a three-column income statement. This contains the prior year income statement pursuant to § 277 section 1 HGB, the prior year income statement prepared in accordance with the provisions of the new version of § 277 section 1 HGB and the income statement for the year under review.

Consequently, EUR 417,073 thousand was reclassified from other operating income to sales. Accordingly, pursuant to § 277 (1) HGB new version, prior year sales amount to EUR 2,833,869 thousand (EUR 2,416,796 thousand pursuant to § 277 (1) HGB old version). The reclassifications mainly result from the intercompany charge-out of external purchases with a corresponding profit mark-up in an amount of EUR 31,685 thousand and from the intercompany charge-out of costs of individual adidas AG departments for services provided

to subsidiaries. As a result of the reclassification, after application of the rules of § 277 (1) HGB (new version), other operating income has declined to EUR 1,060,618 thousand.

The higher sales are partly offset by an increase in cost of materials of EUR 284,021 thousand to EUR 947,430 thousand pursuant to § 277 (1) HGB (new version), resulting from the reclassification of formerly other operating expenses. The change in an amount of EUR 284,021 thousand is mainly due to the reclassification of parts of the legal and consultancy fees (EUR 194,938 thousand), service costs (EUR 29,647 thousand) and marketing expenses (EUR 26,570 thousand) which are recharged to subsidiaries with a corresponding profit mark-up. In parallel, other operating expenses decreased to EUR 2,039,430 thousand.

In the notes hereinafter, reference is always made to the prior year figures after the above-mentioned adjustments pursuant to § 277 (1) HGB (new version).

Accounting policies

Acquired intangible fixed assets are recognized at cost and subject to periodic straight-line amortization over their expected useful lives. Internally generated intangible assets are not capitalized.

Tangible fixed assets are recognized at (acquisition or production) cost. All recognizable direct and overhead costs are included in production costs. Items with a finite life are depreciated/amortized over their expected useful lives. Borrowing cost capitalization does not take place.

Buildings are subject to straight-line amortization at adidas AG. The estimated useful life of business premises is 50 years maximum and from two to ten years for technical equipment and machinery, other equipment, and operating and office equipment. Due to the accrual of GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG into adidas AG during the 2014 fiscal year, all buildings previously owned by GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG are now owned by adidas AG. The useful life of the buildings constructed on the "World of Sports" property is 33 years.

Chattel assets are depreciated on a straight-line basis.

Minor-value assets worth less than EUR 410 are written off in full in the year of their acquisition.

Write-downs to the lower fair value are also recognized if an impairment is anticipated to be other than temporary.

Long-term financial assets are recognized at cost. To the extent necessary, write-downs are made to their lower fair value. If the reasons for the write-down no longer apply, the write-down is reversed to no higher than the historical cost of the asset.

Inventories are measured at the lower of cost or market. Manufacturing costs comprise direct costs that must be capitalized and appropriate portions of overhead costs. Allowances are taken for discernible fashion and technical risks, age structure, and marketability. Borrowing cost capitalization does not take place.

Receivables and other assets are generally recognized at nominal values. Individual adjustments and allowances for doubtful accounts are taken to cover discernible risks.

Derivative financial transactions entered into with banks by Group Treasury (primarily forward currency, commodity futures and currency option transactions) are generally related to underlying transactions with Group companies. Hedge accounting is applied if there is a direct hedging relationship between these transactions. The net hedge presentation method is applied. The fair values of the hedges are matched and changes in value from the hedged risk which offset each other are not recognized. Unrealized losses are recognized in profit or loss only if they are not covered by unrealized gains in the hedge accounting. Financial transactions that are not recognized using hedge accounting are measured individually at fair value. Any resulting losses are recognized in profit or loss. Prospectively, due to the common material assessment features of the transactions (critical terms method), the hedging relationship can be assumed to be highly effective. Retrospectively, the effectiveness is proven by means of the hypothetical derivative method. The dollar-offset method is used for calculation of the amount of ineffectiveness. Cash-in-hand and bank balances are recognized at nominal value.

Prepaid expenses are recognized at nominal value.

Deferred taxes are recognized for temporary differences between the carrying amounts and tax bases for assets, liabilities, prepaid expenses and deferred income. Deferred taxes are calculated based on the combined income tax rate of adidas AG, which is currently 28%. The

combined income tax rate comprises corporate income tax, municipal trade tax and the solidarity surcharge.

A net tax burden would be recognized on the balance sheet as a deferred tax liability. There is an option to recognize a deferred tax asset under **§ 274 (1) no. 2 HGB** in the event of a tax benefit granted. In the fiscal year, the Company had a net deferred tax asset, which it did not recognize on its balance sheet.

Subscribed capital is recognized at the nominal amount.

The Company exercised its option to maintain the special tax-allowable reserve as permitted upon the first-time adoption of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, "BilMoG"). Accounting policies relating to this reserve and its reversal remain the same as previously.

Pension obligations are calculated on the basis of actuarial biometric assumptions (2005 G mortality tables by Prof. Dr. Klaus Heubeck) in accordance with the projected unit credit (PUC) method. The defined benefit obligation (DBO) recognized under the PUC method is defined as the actuarial present value of the pension obligations earned by the employees by the balance sheet date according to the retirement benefit formula and the vested pension amount based on their service in the past. Expected future pension benefit increases are factored in using a 1.0% to 1.5% p.a. growth rate in benefits. The entitlement dynamic lies between 0% and 3% p.a. Fluctuation is assumed to range between 5% and 20%, depending on age. The rate used to discount the pension obligations in accordance with **§ 253 (2) sentence 2 HGB** amounts to 4.00% as at December 31, 2016 (prior year: 3.89%); this rate is the average market interest rate for the past ten fiscal years for an assumed term of 15 years. In accordance with § 253 (6) sentence 2 HGB, the difference between the application of the average market interest rate for the past seven fiscal years (3.22%) and the application of the average market interest rate for the past ten fiscal years (4.00%) is subject to a restriction on distribution. The significant reduction is due to the low-interest phase. The plan assets created in 2014 through the funding of the pension trust association were measured at fair value in accordance with § 255 (4) HGB and offset against the pension obligations.

Other provisions cover all discernible risks and uncertain obligations and are recognized in the settlement amount dictated by prudent business judgment in order to cover future payment obligations. Future price and cost increases are factored in to the extent that there

is sufficient objective evidence that they will occur. Provisions with terms in excess of one year are discounted at the average market interest rate for their respective maturity over the past seven years, in accordance with **§ 253 (2) sentence 1 HGB**. Provisions with terms of less than one year are not discounted.

Net income from the discounting of retirement pension obligations is shown separately in the income statement under the item "other interest and similar income" and net expenses under the item "interest and similar expenses", as part of the financial results.

Liabilities for partial and early retirement are discounted at 1.70% as at December 31, 2016 (prior year: 2.35%). This rate is the average market interest rate for the past seven fiscal years for a residual term of two years. The liabilities for partial and early retirement are recognized in active difference resulting from asset offsetting as this constitutes an asset item.

Securities classified as current assets serve exclusively to satisfy liabilities from partial and early retirement obligations and are isolated from all other creditors. In accordance with the provisions of HGB, these assets must be offset against the liabilities for which they serve as hedges. Analogously to the offsetting of assets against liabilities, the associated income from securities is offset against interest expenses. The assets to be offset are measured at fair value as determined by their current exchange or market price. Any difference arising between the fair value and historical cost of the assets to be offset is subject to a restriction on distribution.

The effect from the annual adjustment of the discount rate applied to the provisions in accordance with **§ 253 (2) HGB** is recognized immediately in profit and loss.

Liabilities are recognized at their settlement amount.

Revenues are recognized once the price risk has been transferred to the purchaser. This generally occurs upon delivery of the merchandise.

Licensing revenues are recognized in accordance with the underlying contractual agreements. Claims and revenues generally arise whenever the licensee generates sales revenue with adidas products.

Assets and liabilities denominated in a foreign currency are recorded at the mean spot rate as at the respective transaction date. Currency translation losses arising as at the balance sheet date due to the measurement of foreign-denominated assets and liabilities are

reported. Currency translation gains from the measurement of current assets and liabilities falling due within less than one year are recorded in profit or loss in accordance with **§ 256a HGB**. Currency translation gains are reported under "other operating income" and currency translation losses are reported under "other operating expenses".

Profit or loss resulting from a profit and loss transfer agreement is recognized if the amount to be transferred or absorbed can be determined with reasonable certainty, even if the annual financial statements of the subsidiary have not yet been adopted.

Income from long-term equity investments is generally recognized during the period in which a claim to such income arises and it can be reasonably expected that the amounts due will be collected.

1. Fixed assets

Please see Appendix 1 to the notes on the financial statements for the statement of changes in fixed assets pursuant to § 268 (2) HGB.

2. Intangible fixed assets and tangible fixed assets

Intangible fixed assets and tangible fixed assets

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Balance as of Jan. 1	567,354	548,697
Additions	143,343	116,327
Disposals	5,470	1,317
Depreciation, amortization and write-downs	100,409	96,353
Reversals	0	0
Balance as of Dec. 31	604,818	567,354

The significant additions primarily relate to payments in advance for software in an amount of EUR 39,950 thousand, assets under construction in an amount of EUR 48,653 thousand and software in an amount of EUR 12,874 thousand as well as office equipment in an amount of EUR 13,756 thousand. The disposals arise from the gross value of EUR 19,353 thousand and are reduced by accumulated depreciation up to the date of disposal in an amount of EUR 13,883 thousand.

3. Long-term financial assets

The decrease in long-term assets of EUR 10,121 thousand relates to long-term loans granted to subsidiaries which were paid back in 2016 in an amount of EUR 12,691 thousand. The counter-effect of EUR 2,570 thousand relates to the establishment of adidas Morocco LLC (EUR 2,545 thousand) and adidas anticipation GmbH (EUR 25 thousand).

4. Inventories

Inventories

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Raw materials, consumables and supplies	5,328	4,314
Work in progress	29	80
Finished goods and merchandise	44,157	43,299
Inventories	49,514	47,693

Inventories relate to raw materials, consumables and supplies for production purposes, work in progress in the production process and merchandise at the Company's own adidas shops, the factory outlets, as well as products from collections such as "NEO", "Y-3" and "Porsche Design Sport by adidas".

5. Receivables and other assets

Receivables and other assets

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Trade accounts receivable	84,467	64,878
of which with a residual maturity of more than one year	0	0
Receivables from affiliated companies	2,836,311	2,047,569
of which with a residual maturity of more than one year	0	7,943
Other assets	48,158	44,284
of which with a residual maturity of more than one year	14,828	10,906
Receivables and other assets	2,968,936	2,156,731

The receivables from affiliated companies primarily relate to receivables in connection with Group Treasury activities. Group Treasury uses a netting process to balance out any fund surpluses or deficits at subsidiaries through adidas AG and settle payments between subsidiaries. Receivables from affiliated companies include EUR 4,013 thousand in trade receivables. As a result of a pro rata repayment of a receivable of EUR 34,929 thousand written down in previous years, the valuation allowance was reversed.

The other assets essentially include receivables from Eurobond shares repurchased, receivables from tax authorities from value added tax, receivables from withholding taxes, capitalized option premiums, accounts payable with debit balances and receivables from credit card companies. The real estate related to the "World of Living", which already in the prior year was no longer considered to be part of the continuous operations of adidas AG and was therefore allocated to current assets, was sold in 2016.

6. Cash-in-hand, central bank balances, bank balances and checks

Cash and cash equivalents

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Cash-in-hand, bank balances and checks	27,853	446,768

7. Prepaid expenses

Prepaid expenses

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Advertising and promotion agreements	59,834	8,556
Discount from valuation of conversion right attaching to convertible bond	4,823	15,522
Other	78,132	58,392
Prepaid expenses	142,789	82,470

In March 2012, adidas AG issued a convertible bond including prolongation option maturing in 2019 at the latest with a value of EUR 500,000 thousand. The convertible bond carries a 0.25 percent p.a. coupon and may be converted into shares in the Company. The value of the conversion right was determined to be EUR 55,891 thousand, which was recorded as a discount under prepaid expenses. The discount will be amortized as of the earliest date possible, i.e. as of the June 2017 redemption by bond holders. As at the balance sheet date, the discount amounted to EUR 4,823 thousand. The significant increase in advertising and promotion agreements is largely attributable to the transfer of the FIFA agreement from adidas International Marketing B.V., Amsterdam. Other prepaid expenses comprise mainly advance payments for licensing expenses, maintenance, rent and insurance premiums.

8. Active difference resulting from asset offsetting

The liabilities for partial and early retirement show a settlement amount of EUR 1,396 thousand as at December 31, 2016 (prior year: EUR 3,679 thousand). The fair value of recognized assets amounts to EUR 5,313 thousand as at December 31, 2016 (prior year: EUR 5,185 thousand) and the historical acquisition costs amount to EUR 4,341 thousand (prior year: EUR 4,316 thousand). Pursuant to statutory regulations, the difference between the fair value and the historical cost of the recognized asset is subject to a restriction on distribution amounts to EUR 972 thousand (prior year: EUR 869 thousand).

9. Subscribed capital and capital reserves

The nominal capital of adidas AG has remained unchanged since December 31, 2015. As at the balance sheet date, and in the period beyond, up to and including February 17, 2017, 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). As at the balance sheet date, adidas AG held 7,726,876 treasury shares, corresponding to a notional amount of € 7,726,876 in the nominal capital and consequently 3.69% of the nominal capital. As at February 17, 2017, adidas AG holds 8,072,349 treasury shares, corresponding to a notional amount of € 8,072,349 in the nominal capital and consequently 3.86% of the nominal capital.

The table below provides an overview of the changes in equity:

Changes in equity

EUR thousand

	Jan. 1, 2016	Repurchase of treasury shares	Issuance of treasury shares / Conversion / Employee shares	Withdrawal from/transfer to revenue reserves	Dividend	Net profit for the year	Dec. 31, 2016
Subscribed capital	209,216	0			0	0	209,216
Par value of treasury shares	-9,019	-1,655	2,947		0	0	-7,727
Capital reserves	1,200,966	0	59,899		0	0	1,260,865
Revenue reserves*)	43,206	-217,029	177,859	300,000	0	0	304,036
Retained earnings	642,641	-10,708		-300,000	-320,316	617,290	628,908
Equity	2,087,011	-229,392	240,705	0	-320,316	617,290	2,395,298

*) Includes legal reserves of EUR 4,036 thousand

Authorized capital

The Executive Board of adidas AG did not utilise the existing amount of authorised capital of up to € 99 million in the 2016 financial year or in the period beyond the balance sheet date up to and including February 17, 2017.

The authorised capital of adidas AG, which is set out in § 4 sections 2, 3, 4 and 5 of the Articles of Association as at the balance sheet date, 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

until June 14, 2021

- by issuing up to 4,000,000 new shares against contributions in cash once or several times by no more than € 4 million and, subject to Supervisory Board approval, to determine the further content of the rights embodied in the shares and the terms and conditions of the share issuance. Shareholders' subscription rights shall be excluded (Authorised Capital 2016). Any repurchased treasury shares of the company which are used by the company for employee stock purchase plans during the term of this authorisation shall be attributed to the maximum number of 4,000,000 shares. The new shares may only be issued to (current or former) employees of the company and its affiliated companies as well as to (current and former) members of management bodies of the company's affiliated companies.

Contingent capital

The following description of the Contingent Capital is based on § 4 sections 6 and 7 of the Articles of Association of adidas AG 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 adidas AG is conditionally increased by up to € 36 million (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 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. 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 including prolongation option 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 at any time 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) based on the conversion price amounts to € 81,57 per share, are convertible into 6,129,671 shares of adidas AG. 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 € 81.57 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.

The Executive Board of adidas AG did not issue shares from the Contingent Capital 2010 in the period up to the balance sheet date and in the period beyond the balance sheet date up to and including February 17, 2017.

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 publicly 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 2016 financial year and in the period beyond the balance sheet date up to and including February 17, 2017.

Repurchase and use of treasury shares

Against the background of the introduction of an employee stock purchase plan the Annual General Meeting of May 12, 2016 cancelled the authorisation of the Executive Board to repurchase treasury shares granted on May 8, 2014, which was used in 2014 and 2015. At the same time, the Annual General Meeting granted the Executive Board a new authorisation to repurchase treasury shares up to an amount totalling 10% of the nominal capital until May 11, 2021. The authorisation may be used by adidas AG but also by its subordinated Group companies or by third parties on account of adidas AG or its subordinated Group companies or third parties assigned by adidas AG 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.

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. The shares were repurchased for cancellation (capital reduction) or otherwise used to meet obligations arising from the potential conversion of adidas AG's € 500 million convertible bond.

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 inclusive.

This corresponded to a notional amount of € 4,129,627 in the nominal capital and consequently to 1.97% of the nominal capital. The shares were repurchased for cancellation (capital reduction) or otherwise used to meet obligations arising from the potential conversion of adidas AG's € 500 million convertible bond.

Based on the authorisation granted by the Annual General Meeting on May 12, 2016, the share buyback programme was continued in a third tranche between November 8, 2016 and January 31, 2017 inclusive. The repurchased shares may either be cancelled, thus reducing the nominal capital, or may be used to meet obligations arising from the potential conversion of adidas AG's € 500 million convertible bond and other admissible purposes under the authorisation granted by the Annual General Meeting on May 12, 2016.

In November 2016, 1,143,103 shares were repurchased for an average price of € 136.47, corresponding to a notional amount of € 1,143,103 in the nominal capital and consequently to 0.55% of the nominal capital. In December 2016, 512,131 shares were repurchased for an average price of € 143.31, corresponding to a notional amount of € 512,131 in the nominal capital and consequently to 0.24% of the nominal capital. In January 2017, 472,966 shares were repurchased for an average price of € 149.29, corresponding to a notional amount of € 472,966 in the nominal capital and consequently to 0.23% of the nominal capital. On January 31, 2017, the third tranche of the share buyback programme was concluded. Under the granted authorisation, adidas AG repurchased a total of 2,128,200 shares for a total price of € 299,999,851 (excluding incidental purchasing costs), i.e. for an average price of € 140.96 per share, in a third tranche between November 8, 2016 and January 31, 2017 inclusive. This corresponded to a notional amount of € 2,128,200 in the nominal capital and consequently to 1.02% of the nominal capital. adidas AG reserves the right to continue with or to resume the share buyback programme in the future in alignment with the published parameters.

In the 2016 financial year, a total of 2,947,127 treasury shares were used to meet obligations arising from the conversion of adidas AG's convertible bond. In the 2017 financial year and up to and including February 17, 2017, a total of 127,493 treasury shares were used to meet obligations arising from the conversion of adidas AG's convertible bond. Up to the balance sheet date and in the period beyond the balance sheet date up to and including February 17, 2017, adidas AG used a total of 3,074,620 treasury shares.

Employee stock purchase plan

In the 2016 financial year, adidas AG introduced an employee stock purchase plan in favour of (current or former) employees of adidas AG and its affiliated companies as well as in favour of (current and former) members of management bodies (jointly referred to as 'eligible persons') of adidas AG's affiliated companies. On January 6, 2017, 25,699 shares of adidas AG were repurchased for an average price of € 144.41 in the context of the employee stock purchase plan and were issued to eligible persons. This corresponded to a total price of € 3,711,236 with a pro-rata amount or an amount in the nominal capital of € 25,699 or 0.01%.

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to adidas AG 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 17, 2017 which have each been notified to adidas AG in written form. The respective details are taken from the most recent voting rights notification received by adidas AG. All voting rights notifications disclosed by adidas AG in the year under review and up to and including February 17, 2017 are available on the adidas website / 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 17, 2017

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attributions in accordance with WpHG	Shareholdings in %	Number of voting rights
Eliau Corporate Trustee (Cayman) Limited, Grand Cayman, Cayman Islands ¹⁾	December 16, 2016	Exceeding 5%	§§ 22, 25 sec. 1 no. 2	5.71	11,950,482
BlackRock, Inc., Wilmington, DE, USA ²⁾	November 25, 2016	Exceeding 5%	§§ 22, 25 sec. 1 no. 1 and § 25 sec.1 no. 2	5.29	11,069,462
Fidelity Mt. Vernon Street Trust, Boston, MA, USA ³⁾	October 31, 2016	Exceeding 3%	§ 21	3.01	6,291,822
FMR LLC, Wilmington, DE, USA ⁴⁾	May 12, 2016	Exceeding 5%	§ 22	5.31	11,117,704
O. Mason Hawkins, USA ⁵⁾	April 27, 2016	Falling below 3%	§ 22	2.94	6,160,627
Albert Frère / Desmarais Family Trust, Montréal, Canada ⁶⁾	January 14, 2016	Exceeding 5%	§ 22	5.0001	10,461,000
Capital Research and Management Company, Los Angeles, CA, USA ⁷⁾	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 ⁸⁾	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 ⁹⁾	April 9, 2015	Exceeding 3%		3.002	6,281,429

- 1) See adidas AG's disclosure dated December 22, 2016.
- 2) See adidas AG's disclosure dated December 2, 2016.
- 3) See adidas AG's disclosure dated November 4, 2016.
- 4) See adidas AG's disclosure dated May, 19, 2016.
- 5) See adidas AG's disclosure dated May 2, 2016.
- 6) See adidas AG's disclosure dated January 22, 2016.
- 7) See adidas AG's disclosure dated July 29, 2015.
- 8) See adidas AG's disclosure dated July, 28, 2015.
- 9) See adidas AG's disclosure dated April 10, 2015.

10. Retained earnings

Retained earnings

EUR thousand

Retained earnings as of December 31, 2015	642,641
Distribution of a dividend of EUR 1.60 per ordinary share in the share capital for the 2015 fiscal year (209,216,186 shares)	320,316
Retained earnings brought forward	322,325
Net income of adidas AG for the 2016 fiscal year	617,290
Transfer to other revenue reserves	-300,000
Utilization for share buyback	-10,707
Retained earnings as of December 31, 2016	628,908

11. Special reserve

The special reserve established in 2003 in accordance with § 273 HGB (old version) and Section 35 Income Tax Regulations (Einkommensteuer-Richtlinien, "EStR") for write-downs relating to the construction of the factory outlet was reduced as scheduled during the year under review by a EUR 322 thousand amortization charge.

12. Provisions/accruals

Provisions/accruals

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Provisions for pensions and similar obligations	163,954	144,985
Provisions for taxes	21,944	43,355
Other provisions	339,307	257,656
Provisions/accruals	525,205	445,996

In the provisions for pensions and similar obligations, plan assets were offset against obligations in accordance with § 246 [2] sentence 2 HGB. This related to plan assets of the pension trust association "adidas Pension Trust e.V.". The settlement amount of the pension obligations totalled EUR 232,147 thousand as at December 31, 2016 (prior year: EUR 212,308 thousand). The plan assets were measured at fair value in accordance with § 253 [1] sentence 3 HGB. As at the balance sheet date, the fair value of the netted assets is EUR 68,194 thousand (prior year: EUR 67,323 thousand) and historical costs amount to EUR 65,000 thousand (prior year: EUR 65,000 thousand).

Interest expenses from the pensions valuation in an amount of EUR 8,248 thousand have been offset against the interest income from the adidas Pension Trust e.V. of EUR 871 thousand.

The pension obligations to three of the active members of the Executive Board and four former members of the Executive Board, or their former family members, who retired after December 31, 2005, are covered by a pension fund in combination with a reinsured pension trust fund. This results in indirect obligations for adidas AG to active Board members in the amount of EUR 18,214 thousand (prior year: EUR 17,710 thousand) and indirect obligations for adidas AG to three former Board members in the amount of EUR 12,040 thousand (prior year: EUR 10,539 thousand) for which no provisions have been recognized due to their funding through the pension fund and pension trust fund. As at the balance sheet date, there are no shortfalls for the indirect obligations.

However, pension provisions have been established for the pension entitlements of three of the active members of the Executive Board, which amount to EUR 2,385 thousand before offsetting (prior year: EUR 1,253 thousand for two Board members). The provisions for the former members of the Executive Board and their survivors totaled EUR 48,372 thousand before offsetting as at December 31, 2016 (prior year: EUR 47,338 thousand).

The difference between the application of the average market interest rate for the past seven fiscal years and the application of the average market interest rate for the past ten fiscal years amounts to EUR 28,000 thousand. Pursuant to § 253 (6) sentence 2 HGB, this amount is subject to a restriction on distribution.

The largest item in other provisions concerns provisions for personnel of EUR 161,405 thousand (prior year: EUR 102,376 thousand). This amount is primarily attributable to provisions for performance-based remuneration components. Additional significant items in other provisions are provisions for marketing of EUR 57,279 thousand (prior year: EUR 58,634 thousand) and provisions for outstanding invoices of EUR 46,211 thousand (prior year: EUR 52,097 thousand). There are also provisions for forward contracts in an amount of EUR 38,380 thousand (prior year: EUR 27,177 thousand). These are recorded for unrealized losses on forward contracts.

The fair value measurement of assets for the settlement of obligations for pensions results in a total amount of EUR 3,194 thousand (prior year: EUR 2,323 thousand) subject to restriction on distribution within the meaning of § 268 [8] HGB prior to offsetting with the freely distributable provisions as at December 31, 2016.

13. Liabilities

Liabilities

EUR thousand

	Dec. 31, 2016				Dec. 31, 2015
	Total	Residual term up to 1 year	Residual term 1-5 years	Residual term more than 5 years	Prior year total
Bonds	1,259,600	0	859,600	400,000	1,500,000
(previous year)		(0)	(500,000)	(1,000,000)	
of which convertible			259,600		
Liabilities to banks	0	0	0	0	0
(previous year)		(0)	(0)	(0)	
Trade accounts payable	129,657	128,294	1,363	0	118,808
(previous year)		(114,822)	(3,986)	(0)	
Liabilities to affiliated companies	3,574,412	3,124,412	450,000	0	3,296,106
(previous year)		(2,979,106)	(317,000)	(0)	
Other liabilities	114,505	114,411	93	0	64,840
(previous year)		(64,840)	(0)	(0)	
of which from taxes		11,229			8,112
of which relating to social security		2,382			2,378
Dec. 31, 2016	5,078,174	3,367,117	1,311,056	400,000	4,979,754
Dec. 31, 2015		(3,158,768)	(820,896)	(1,000,000)	

The liabilities are unsecured.

The liabilities to affiliated companies primarily relate to liabilities from Group Treasury activities. Trade payables to affiliated companies amount to EUR 33,697 thousand (prior year: EUR 19,842 thousand).

Other liabilities include tax and customs liabilities, liabilities relating to social security and similar obligations, accrued interest not yet payable, credit balances in accounts receivable, and salaries and commissions payable.

The convertible bond has a maximum maturity including prolongation option until 2019 and was originally divided into 2,500 bearer bonds with equal rights, each in the nominal amount of EUR 200 thousand. The bondholder has the right to convert each bond in full, but not partially, into registered common shares (no-par-value shares) during an exercise period. There is also the right to early settlement in 2017 in compliance with a notice period, which may not be exercised if adidas AG has exercised the right to early settlement.

In the fiscal year 2016, bondholders exercised their right to convert bonds. The remaining liability relating to the convertible bond amounts to EUR 259,600 thousand.

In 2014, adidas AG issued bonds with a total value of EUR 1,000,000 thousand. The EUR 600,000 thousand Eurobond matures in 2021; the EUR 400,000 thousand Eurobond matures in 2026. Both bonds are listed on the Luxembourg securities exchange in denominations of EUR 1 thousand each.

14. Contingent liabilities and other financial commitments

Contingent liabilities

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Warranty obligations	810,530	854,798
of which for affiliated companies		
- Bank loans	129,752	137,779
- Letters of credit	63,908	37,584
- Guarantee agreements	616,870	679,435

The guarantee obligations for bank loans to affiliated companies are from lines of credit drawn on by affiliated companies. adidas AG's letters of credit are mainly import letters of credit in connection with product purchases in the Far East. The guarantee agreements are with various subsidiaries and secure mainly rent contracts.

Other liabilities relate to absolute guarantees of adidas AG for the benefit of affiliated companies. Comfort letters in unlimited amounts for the benefit of nine (prior year: seven) affiliated companies were issued as at December 31, 2016. The risk of these being utilized is deemed to be low.

Since the liabilities assumed arise in the normal course of business and due to the adidas Group's current strong financial position, the risk that these will be called on is considered extremely slight.

Other financial commitments

Other financial commitments of EUR 2,301,868 thousand (prior year: EUR 1,262,411 thousand) for adidas AG include amounts for the entire foreseeable contractual period for promotion, advertising, rental and leasing agreements as at December 31, 2016.

Maturities

EUR thousand

in 2017	375,842
2018-2021	876,058
after 2021	1,049,968
	2,301,868

The contracted other financial commitments provide adidas AG with planning certainty on the one hand and, on the other hand, they ensure that the company has the necessary liquidity. The risk of making payments that are not covered by the relevant contracts is considered to be very low.

The Group purchases more than 80% of its products in Asia. Since a major portion of the product costs concerns raw materials that the suppliers have to purchase in US dollars (USD), billings to the adidas Group are also made mainly in USD. In contrast, sales by Group companies to customers are mainly in euros (EUR), pounds sterling (GBP), Japanese yen (JPY), and in many other currencies. Currency hedges are entered into to reduce the risk of changes in fair value and in cash flows (currency risks). Most subsidiaries hedge their currency risks through adidas AG, except for those subsidiaries that are unable to hedge through adidas AG due to local currency restrictions, or for whom it is more sensible to hedge locally for economic reasons. Currency risks that are assumed by adidas AG from subsidiaries by entering into inter-Group currency transactions are strategically hedged with banks for a period of up to 24 months in advance using forward exchange transactions, currency swaps, currency options, or a combination of currency options, which provide protection and, at the same time, the opportunity to profit from future beneficial foreign exchange rate movements on financial markets. In 2016, the adidas Group purchased about USD 3.5 billion net to hedge its operating business.

Due to procurement of the majority of goods in the Far East and the adidas Group's global operations, the worldwide distribution of goods is an important component of the Group's business. At the current time – due to continuing low commodity prices – no hedging of commodity futures takes place. This strategy is reviewed regularly.

Outstanding financial derivatives

EUR thousand

	Dec. 31, 2016	Dec. 31, 2015
Notional amounts		
Currency hedging contracts	16,460,185	12,656,125
	16,460,185	12,656,125

The notional volume of option structures is included only once in the notional amounts.

Outstanding financial derivatives

EUR thousand

	Dec. 31, 2016		Dec. 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets (Other assets)				
Currency hedging contracts	0	368,043	0	192,764
Liabilities (Provision for contingent losses)				
Currency hedging contracts	-38,380	-394,548	-27,177	-191,144
	-38,380	-26,505	-27,177	1,620

Notional amounts represent the gross total of all call and put contracts for derivative financial transactions. Fair values of forward exchange transactions are determined based on current ECB reference exchange rates or reference exchange rates of local central banks, together with forward premiums or discounts. The fair values (gains and losses) of the currency hedging contracts are presented as gross values.

Currency options are measured using market quotes or option pricing models (Garman-Kohlhagen model).

The fair value of the commodity futures is determined based on the current commodity price taking into account forward premiums or discounts.

The notional amounts of outstanding financial derivatives in foreign currency are translated into euros at year-end closing rates.

The carrying values are taken from the balance sheet.

The table below provides an overview of the risks hedged. The underlying transactions within a portfolio are secured with one or more hedging instruments (portfolio hedge):

Hedged risk as of the balance sheet date

EUR thousand / Maturity

	Notional	Net change in fair value	Maturity
Currency risk			
Risk			
Forward exchange transactions and options with subsidiaries	7,182,101	-258,831	1 - 21 months
Hedging			
Forward exchange transactions and options with banks	6,978,514	258,417	1 - 21 months

The difference in the notional amount relates to internal forward exchange transactions without an external hedge. The foreign currency requirement of one subsidiary is covered with the excess of the same foreign currency of another subsidiary (natural hedge).

15. Sales

adidas AG's business activities are primarily concentrated in one sector, specifically the development, trading and marketing of sports and leisure articles. In addition, adidas AG generates a substantial portion of its revenues from licensing income, primarily from affiliated companies.

Sales

EUR thousand

	HGB n.v. 2016	HGB n.v. 2015	HGB o.v. 2015
Breakdown by product group			
Shoes	694,540	579,049	579,049
Textiles	391,807	374,024	374,024
Sports equipment	78,430	70,776	70,776
	1,164,777	1,023,849	1,023,849
Other sales revenues	543,509	437,472	21,545
Licensing income	1,580,489	1,372,548	1,371,402
Sales	3,288,775	2,833,869	2,416,796

Of these revenues, EUR 1,612,687 thousand (prior year: EUR 1,383,769 thousand) was generated in Germany and EUR 1,676,088 thousand (prior year: EUR 1,450,100 thousand) outside Germany, mainly in Europe.

16. Other operating income

Other operating income consists mainly of EUR 343,070 thousand in foreign currency gains (prior year: EUR 685,617 thousand).

Other operating income includes income relating to other periods of EUR 94,705 thousand (prior year: EUR 376,372 thousand). This income includes essentially income from the release of bad debt provisions in an amount of EUR 35,278 thousand (prior year: EUR 72,164 thousand), income from the reversal of provisions in an amount of EUR 28,750 thousand (prior year: EUR 11,755 thousand) and income from compensation from a legal dispute in an amount of EUR 21,924 thousand).

17. Cost of materials

Cost of materials

EUR thousand

	HGB n.v. 2016	HGB n.v. 2015	HGB n.v. 2015
Cost of raw materials, consumables and supplies, and of purchased merchandise	786,396	663,409	663,409
	340,983	284,021	0
Cost of materials	1,127,379	947,430	663,409

18. Personnel expenses

Personnel expenses

EUR thousand

	HGB n.v. 2016	HGB n.v. 2015	HGB o.v. 2015
Wages and salaries	503,671	397,775	397,775
Social security, post-employment and other employee benefit costs	84,221	90,303	90,303
of which for old-age pensions	20,103	35,198	35,198
Personnel expenses	587,891	488,078	488,078

The increase in personnel expenses was due to higher employee headcounts and higher salaries than in the prior year due to salary increases. This also includes personnel expenses of EUR 8,907 thousand (prior year: EUR 0 thousand) not related to the accounting period.

19. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets

Amortization and write-downs of intangible assets of EUR 56,608 thousand (prior year: EUR 54,692 thousand) relates to trademark rights as well as to computer software and licenses. Depreciation and write-downs of tangible fixed assets of EUR 43,801 thousand (prior year: EUR 41,661 thousand) relates primarily to write-downs of EUR 14,861 thousand (prior year: EUR 14,160 thousand) on buildings, write-downs of EUR 12,341 thousand (prior year: EUR 10,052 thousand) on operating and office equipment and write-downs on computer hardware of EUR 6,441 thousand (prior year: EUR 6,464 thousand).

20. Other operating expenses

Other operating expenses essentially comprise cost transfers, currency exchange losses, advertising and promotional expenses, legal and consultancy fees, services, travel expenses, rental and lease charges, postal and telephone expenses, and outgoing freight. The EUR 236,022 thousand decrease in these expenses essentially results from the decline in currency exchange losses by EUR 397,801 thousand to EUR 386,756 thousand. The counter-effect results from an increase in cost transfers by EUR 94,006 thousand as well as legal and consultancy fees by EUR 58,949 thousand. Other operating expenses include expenses not relating to the accounting period in an amount of EUR 20,186 thousand (prior year: EUR 33,090 thousand). Thereof, EUR 14,335 thousand (prior year: EUR 0 thousand) relates to a provision for risks, EUR 4,742 thousand (prior year: 33,090 thousand) relates to the disposal of fixed assets and EUR 1,109 thousand (prior year EUR 938 thousand) relates to obligations to reverse constructional changes to office buildings, plants and retail shops.

21. Income from investments in related companies

Income from adidas AG's investments in related companies amounted to EUR 624,546 thousand (prior year: EUR 436,690 thousand) and essentially relates to dividend payments from subsidiaries in the Netherlands, Korea, Ukraine and Thailand.

22. Profits received/losses absorbed in accordance with a profit and loss transfer agreement

A profit and loss transfer agreement exists with adidas Insurance & Risk Consultants GmbH, Herzogenaurach, adidas Beteiligungsgesellschaft mbH, Herzogenaurach and with adidas anticipation GmbH, Herzogenaurach. The significant change is attributable to the transfer of a loss from adidas Beteiligungsgesellschaft mbH amounting to EUR 4,418 thousand (prior year: profit of EUR 13,389 thousand).

23. Write-downs of long-term financial assets

No equity investments or loans to affiliated companies were written down in 2016.

24. Interest result

Interest result

EUR thousand

	HGB n.v. 2016	HGB n.v. 2015	HGB o.v. 2015
Income from loans of long-term financial assets	3,195	432	432
of which from affiliated companies	3,195	432	432
Other interest and similar income	22,742	24,948	24,948
of which from affiliated companies	21,905	22,935	22,935
Interest and similar expenses	-47,281	-81,796	-81,796
of which to affiliated companies	-7,644	-40,610	-40,610
Interest result	-21,344	-56,416	-56,416

Interest and similar expenses includes EUR 7,520 thousand (prior year: EUR 6,299 thousand) from the compounding of provisions, of which EUR 7,377 thousand (prior year: EUR 6,065 thousand) relates to the interest expense in connection with pension provisions.

The interest expense from the provision for early and partial retirement obligations of EUR 86 thousand (prior year: EUR 175 thousand) is offset against the income from fluctuations in the fair value of the assets to be offset in accordance with § 246 (2) sentence 2 HGB amounting to EUR 103 thousand (prior year: EUR 10 thousand).

25. Taxes on income

Taxes on income mainly include municipal trade tax and withholding tax on interest and licensing income resulting from the collection of licensing fees outside Germany.

Taxes on income does not include any gains or losses from deferred taxes. Overall, deferred tax liabilities were more than offset by deferred tax assets. In accordance with the option

under § 274 (1) sentence 2 HGB, the Company has opted to forgo recognizing the surplus deferred tax assets.

As at December 31, 2016, adidas AG expects to realize a total of EUR 31,571 thousand in future tax benefits due to temporary accounting differences (prior year: EUR 31,715 thousand). This amount was calculated based on a combined income tax rate of 28%.

Deferred tax assets result primarily from Group receivables, intangible assets and forward exchange transactions. Deferred tax liabilities result essentially in relation to land and shares in affiliated companies.

26. Remuneration of the Executive Board and the Supervisory Board

Executive Board

Total remuneration of members of the Executive Board in the 2016 fiscal year was EUR 11,333 thousand (prior year: EUR 7,421 thousand). Total remuneration in the year under review is above the prior year due to the high performance bonus paid for the 2015 fiscal year and the appointment of Kasper Rorsted as a member of the Executive Board, succeeding Herbert Hainer, effective August 1, 2016.

Pension commitments

EUR thousand

	Service cost		Accumulated pension obligation for the pension commitments excluding deferred compensation	
	2016	2015	2016	2015
Executive Board members incumbent as at Dec. 31, 2016				
Kasper Rorsted 1)	533	0	533	0
Roland Auschel	317	316	925	643
Glenn Bennett	380	282	4,287	4,192
Eric Liedtke	328	305	927	610
Robin J. Stalker	483	483	4,106	3,901
Total	2,041	1,386	10,778	9,346
Executive Board members incumbent as at Sep. 30, 2016				
Herbert Hainer 2)	609	813		9,617
Total	609	813		9,617

1) Executive Board member since August 1, 2016 and Chairman of the Executive Board since October 1, 2016.

2) Executive Board member until September 30, 2016.

Further information is contained in the compensation report in the combined management report.

Former members of the Executive Board and their survivors received a total of EUR 8,953 thousand in benefits in the 2016 fiscal year (prior year: EUR 3,524 thousand). The total remuneration for the 2016 fiscal year includes the follow-up bonus paid to Herbert Hainer at the time of his departure and the follow-up bonus to be paid in the 2018 and 2019 fiscal years in a total amount of EUR 2,541 thousand, fixed compensation and other benefits for the period from October 1, 2016 to March 31, 2017 in an amount of EUR 814 thousand and the compensation for post-contractual competition prohibition to be paid to him for a period of 24 months following contract termination in an amount of EUR 1,600 thousand.

Provisions for pension entitlements for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependants were created, in an amount of EUR 36,331 thousand in total as at December 31, 2016 (prior year: EUR 36,799 thousand).

There are pension commitments towards four 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 EUR 21,861 thousand (prior year: EUR 10,539 thousand) arise for adidas AG, for which no accruals were established due to financing through the pension fund and pension trust fund. This increase is attributable, in particular, to the resignation of Herbert Hainer.

Executive Board members did not receive and do not hold any loans from the Company in the 2016 fiscal year.

Supervisory Board

The annual total compensation for members of the Supervisory Board in accordance with the Articles of Association was EUR 1,328 thousand (prior year: EUR 1,223 thousand). This includes attendance fees in a total amount of EUR 71 thousand (prior year EUR 73 thousand). The increase in the total compensation for the 2016 fiscal year compared to the 2015 fiscal year is attributable to the fact that the Annual General Meeting on May 12, 2016 approved the amendment of the Articles of Association regarding the enlargement of the Supervisory Board from 12 to 16 members. The term of office of the two new shareholder

representatives commenced with effect from June 15, 2016. The term of office of the two employee representatives commenced with effect from June 24, 2016.

As in the previous year, no loans were granted to members of the Supervisory Board in the 2016 financial year.

28. Other disclosures

No. of employees (annual average)

	2016			2015		
	Total	Salaried	Wage	Total	Salaried	Wage
Global Sales	479	479	0	349	349	0
Headquarters						
Corporate Services	1,810	1,689	121	1,622	1,495	127
Marketing	1,528	1,526	2	1,313	1,312	1
Operations	1,765	920	845	1,552	834	718
Market Central	910	844	66	940	844	96
	6,492			5,776		
As of December 31	6,788			6,004		

Recommendation on the appropriation of the retained earnings of adidas AG

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of EUR 628,908 thousand as reported in the 2016 financial statements of adidas AG for a dividend payment of EUR 2.00 per dividend-entitled share and to allocate EUR 200,000 thousand to other revenue reserves. The subsequent remaining amount will be carried forward.

Declaration on the German Corporate Governance Code

On March 3, 2016, 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 15, 2016 and made it permanently available to the shareholders. On February 13,

2017, the Executive Board and Supervisory Board of adidas AG issued the annually updated Declaration of Compliance in accordance with **§ 161 AktG** and made it permanently available to the shareholders. The full text of the Declaration of Compliance is available on the company's website.

Disclosures pursuant to § 285 no. 10 HGB

The disclosures pursuant to **§ 285 no. 10 HGB** are contained in Appendix 2 to the notes to the financial statements.

Disclosures pursuant to § 285 no. 17 HGB

In accordance with **§ 285 no. 17 HGB**, the Company has opted not to include a disclosure of the total audit fee charged by the auditor in this report, since such disclosures are already contained in the consolidated financial statements of the adidas Group.

Disclosures pursuant to § 285 no. 33 HGB

There have been no events of particular significance since the end of the fiscal year.

In its function as the ultimate parent, adidas AG, Herzogenaurach (Local Court of Fürth, HRB 3868), prepares consolidated financial statements, which are published in the electronic Federal Gazette.

Herzogenaurach, February 17, 2017

The Executive Board of adidas AG

adidas AG

Statement of changes in fixed assets for 2016

Amounts in EUR thousand (HGB)	Aquisition and production costs				31.12.2016
	01.01.2016	Additions	Disposals	Reclassifications	
I. Intangible assets					
1. Trademarks and similar rights and licences to such rights	471.364	12.874	-3.401	23.385	504.222
2. Prepayments and assets under construction	29.373	39.950	0	-23.385	45.938
	500.737	52.824	-3.401	0	550.160
II. Tangible assets					
1. Land, land rights and buildings	478.817	2.967	-3.474	1.699	480.009
2. Technical equipment and machinery	37.005	9.501	-326	310	46.490
3. Other equipment, operating and office equipment	256.972	29.398	-12.149	1.358	275.579
4. Prepayments and assets under construction	29.844	48.653	-3	-3.367	75.127
	802.638	90.519	-15.952	0	877.205
III. Financial assets					
1. Shares in affiliated companies	4.144.010	2.570	0	0	4.146.580
2. Loans to affiliated companies	12.691	0	-12.691	0	0
3. Equity investments	79.249	0	0	0	79.249
4. Loans to non-affiliated companies	200	0	0	0	200
	4.236.150	2.570	-12.691	0	4.226.029
Fixed Assets	5.539.525	145.913	-32.044	0	5.653.394

Appendix 1 to the notes

Accumulated depreciation						Bookvalues	
01.01.2016	Additions	Disposals	Write-up	Reclassifications	31.12.2016	31.12.2016	31.12.2015
382.999	56.608	-1.621	0	0	437.986	66.236	88.365
0	0	0	0	0	0	45.938	29.373
382.999	56.608	-1.621	0	0	437.986	112.174	117.738
121.273	14.572	-2.518	0	0	133.327	346.682	357.544
24.531	3.751	-259	0	107	28.130	18.360	12.474
207.218	25.478	-9.485	0	-107	223.104	52.475	49.754
0	0	0	0	0	0	75.127	29.844
353.022	43.801	-12.262	0	0	384.561	492.644	449.616
20.590	0	0	0	0	20.590	4.125.990	4.123.420
0	0	0	0	0	0	0	12.691
0	0	0	0	0	0	79.249	79.249
0	0	0	0	0	0	200	200
20.590	0	0	0	0	20.590	4.205.439	4.215.560
756.611	100.409	-13.883	0	0	843.137	4.810.257	4.782.914

Supervisory Board

Igor Landau

Chairman

residing in Lugano, Switzerland

Pensioner, Member of the Board of Directors, Sanofi-Aventis S.A., Paris, France¹⁾

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- Member of the Board of Directors, Sanofi-Aventis S.A., Paris, France¹⁾

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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- Member of the Supervisory Board, Eckes AG, Nieder-Olm, Germany
- Chairman of the Supervisory Board, Windeln.de AG, Munich, Germany

* Employee representative.

1) Until May 4, 2015.

2) Since June 15, 2016.

3) Until January 12, 2016.

4) Since October 6, 2016.

5) Since November 15, 2016; formerly full-time member of the Works Council Herzogenaurach, adidas AG.

Ian Gallienne²⁾*residing in Gerpinnes, Belgium*

Co-Chief Executive Officer, Groupe Bruxelles Lambert, Brussels, Belgium

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- Member of the Board of Directors, Pernod Ricard SA, Paris, France
- Member of the Board of Directors, SGS SA, Geneva, Switzerland
- Member of the Board of Directors, Umicore SA, Brussels, Belgium
- Member of the Board of Directors, Erbe SA, Loverval, Belgium

Mandates within the Groupe Bruxelles Lambert:

- Member of the Board of Directors, Imerys SA, Paris, France
- Member of the Board of Directors, Sienna Capital S.à r.l., Strassen, Luxembourg
- Member of the Board of Directors, GBL Verwaltung SA, Strassen, Luxembourg

Dieter Hauenstein**residing in Herzogenaurach, Germany*

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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Dr. Wolfgang Jäger**residing in Bochum, Germany*

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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Dr. Stefan Jentzsch*residing in London, Great Britain*

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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- Deputy Chairman of the Supervisory Board, AIL Leasing München AG, Grünwald, Germany

* Employee representative.

1) Until May 4, 2015.

2) Since June 15, 2016.

3) Until January 12, 2016.

4) Since October 6, 2016.

5) Since November 15, 2016; formerly full-time member of the Works Council Herzogenaurach, adidas AG.

Herbert Kauffmann*residing in Stuttgart, Germany*

Independent Management Consultant, Stuttgart, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- Chairman of the Supervisory Board, Uniscon universal identity control GmbH, Munich, Germany³⁾
- Member of the Supervisory Board, DEUTZ AG, Cologne, Germany

Katja Kraus*residing in Hamburg, Germany*

Author/Managing Partner, Jung von Matt/sports GmbH, Hamburg, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Kathrin Menges*residing in Neuss, Germany*

Executive Vice President Human Resources and Infrastructure Services, Henkel AG & Co. KGaA, Düsseldorf, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

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

Udo Müller*⁴⁾*residing in Herzogenaurach, Germany*

Director Future, adidas AG

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

* Employee representative.

1) Until May 4, 2015.

2) Since June 15, 2016.

3) Until January 12, 2016.

4) Since October 6, 2016.

5) Since November 15, 2016; formerly full-time member of the Works Council Herzogenaurach, adidas AG.

Roland Nosko**residing in Wolnzach, Germany*

Trade Union Official, IG BCE, Headquarter Nuremberg, Nuremberg, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- 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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Nassef Sawiris²⁾*residing in London, Great Britain*

Chief Executive Officer, OCI N.V., Amsterdam, The Netherlands

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- Member of the Board of Directors, LafargeHolcim Ltd., Jona, Switzerland

Mandates within the OCI N.V. Group:

- Member of the Board of Directors, OCI Partners LP, Wilmington, Delaware/USA

Heidi Thaler-Veh**residing in Uffenheim, Germany*

Member of the Central Works Council, adidas AG

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Kurt Wittmann*⁴⁾*residing in Markt Bibart, Germany*

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

First Deputy Chairman of the Works Council Herzogenaurach, adidas AG⁵⁾Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

* Employee representative.

1) Until May 4, 2015.

2) Since June 15, 2016.

3) Until January 12, 2016.

4) Since October 6, 2016.

5) Since November 15, 2016; formerly full-time member of the Works Council Herzogenaurach, adidas AG.

Employee representative, court-appointed with effect from June 24, 2016 and until October 6, 2016:

Roswitha Herrmann

residing in Erlangen

Chairwoman of the Works Council Herzogenaurach, adidas AG

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Michael Storl

residing in Oberreichenbach

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

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Executive Board

Kasper Rorsted¹⁾, Herzogenaurach, Germany **Chief Executive Officer**

Membership in control bodies pursuant to § 285 para. 10 HGB:

- Member of the Supervisory Board, Anheuser-Busch InBev SA, Leuven, Belgium²⁾
- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA, Gütersloh, Germany
- Member of the Supervisory Board, Danfoss A/S, Nordborg, Denmark

Glenn Bennett, Boston/Massachusetts, USA **Executive Board member in charge of Global Operations**

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Robin J. Stalker, Oberreichenbach, Germany **Chief Financial Officer**

Membership in control bodies pursuant to § 285 sec. 10 HGB:

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

Eric Liedtke, Erlangen, Germany **Executive Board member in charge of Global Brands**

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

Roland Auschel, Erlangen, Germany **Executive Board member in charge of Global Sales**

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

1) Member of the Executive Board since August 1, 2016, Chief Executive Officer since October 1, 2016.

2) Until October 10, 2016.

Chief Executive Officer and member of the Executive Board until September 30, 2016
Herbert Hainer, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 para. 10 HGB:

- 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

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2016**

Company and Domicile	Currency	Share in capital held by 1)	in %
Germany			
1 adidas Insurance & Risk Consultants GmbH 2)	Herzogenaurach (Germany)	EUR	directly 100
2 adidas Beteiligungsgesellschaft mbH 2)	Herzogenaurach (Germany)	EUR	directly 100
3 adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	EUR	14 100
4 adidas Verwaltungsgesellschaft mbH 3)	Herzogenaurach (Germany)	EUR	89 100
5 adidas anticipation GmbH 2)	Herzogenaurach (Germany)	EUR	directly 100
Europe (incl. Middle East and Africa)			
6 adidas sport gmbh	Cham (Switzerland)	CHF	directly 100
7 adidas Austria GmbH	Klagenfurt (Austria)	EUR	directly 95,89 6 4,11
8 runtastic GmbH	Pasching (Austria)	EUR	10 100
9 adidas France S.a.r.l.	Landersheim (France)	EUR	directly 100
10 adidas International B.V.	Amsterdam (Netherlands)	EUR	directly 93,97 9 6,03
11 adidas International Trading B.V.	Amsterdam (Netherlands)	EUR	10 100
12 adidas International Marketing B.V.	Amsterdam (Netherlands)	EUR	10 100
13 adidas International Finance B.V.	Amsterdam (Netherlands)	EUR	10 100
14 adidas International Property Holding B.V.	Amsterdam (Netherlands)	EUR	100 100
15 adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	EUR	10 100
16 adidas Benelux B.V.	Amsterdam (Netherlands)	EUR	directly 100
17 Hydra Ventures B.V.	Amsterdam (Netherlands)	EUR	10 100
18 adidas (UK) Limited	Stockport (Great Britain)	GBP	10 100
19 Refuel (Brand Distribution) Limited 4)	Aylesbury (Great Britain)	GBP	20 100
20 Reebok International Limited 8)	London (Great Britain)	EUR	87 100
21 Trafford Park DC Limited	London (Great Britain)	GBP	15 100
22 RBK Holdings Limited 3) 8)	London (Great Britain)	GBP	87 89 81 11
23 Reebok Pensions Management Limited 3) 8)	London (Great Britain)	GBP	20 100
24 Reebok Europe Holdings	London (Great Britain)	GBP	20 100
25 Luta Limited 3) 8)	London (Great Britain)	GBP	20 100
26 Taylor Made Golf Limited 10)	Basingstoke (Great Britain)	GBP	10 100
27 Ashworth U.K. Ltd. 3) 10)	Bristol (Great Britain)	GBP	26 100
28 adidas (Ireland) Limited	Dublin (Ireland)	EUR	10 100
29 adidas International Re DAC	Dublin (Ireland)	EUR	10 100
30 Reebok Ireland Limited 3)	Dublin (Ireland)	EUR	28 100
31 Five Ten Europe NV 3)	Lasne (Belgium)	EUR	90 100
32 adidas España S.A.U.	Zaragoza (Spain)	EUR	2 100
33 adidas Finance Spain S.A.U.	Zaragoza (Spain)	EUR	87 100
34 Global Merchandising, S.L.	Madrid (Spain)	EUR	10 100
35 adidas Italy S.p.A.	Monza (Italy)	EUR	10 100
36 adidas Portugal - Artigos de Desporto, S.A.	Lisbon (Portugal)	EUR	10 100
37 adidas Business Services Lda.	Morea de Maia (Portugal)	EUR	10 98 directly 2
38 adidas Norge AS	Lillestrom (Norway)	NOK	directly 100
39 Reebok-CCM Hockey AS	Lillestrom (Norway)	NOK	38 100
40 adidas Sverige AB	Solna (Sweden)	SEK	directly 100
41 adidas Finance Sverige AB	Solna (Sweden)	SEK	89 100
42 Reebok-CCM Hockey AB	Solna (Sweden)	SEK	40 100
43 adidas Suomi Oy	Helsinki (Finland)	EUR	10 100
44 Reebok-CCM Hockey Oy	Espoo (Finland)	EUR	10 100
45 adidas Danmark A/S	Copenhagen (Denmark)	DKK	10 100
46 adidas CR s.r.o.	Prague (Czech Republic)	CZK	directly 100

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2016**

Company and Domicile		Currency	Share in capital held by 1)	in %
47 adidas Budapest Kft.	Budapest (Hungary)	HUF	directly	100
48 adidas Bulgaria EAD	Sofia (Bulgaria)	BGN	directly	100
49 LLC 'adidas, Ltd.'	Moscow (Russia)	RUB	7	100
50 adidas Poland Sp.z o.o.	Warsaw (Poland)	PLN	directly	100
51 adidas Finance Poland S.A.	Warsaw (Poland)	PLN	87	100
52 adidas Romania S.R.L.	Bucharest (Romania)	RON	10	100
53 adidas Baltics SIA	Riga (Latvia)	EUR	10	100
54 adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	EUR	directly	100
55 adidas Trgovina d.o.o.	Ljubljana (Slovenia)	EUR	directly	100
56 SC 'adidas-Ukraine'	Kiev (Ukraine)	UAH	directly	100
57 adidas LLP	Almaty (Republic of Kazakhstan)	KZT	directly	100
58 adidas Serbia d.o.o.	Belgrade (Serbia)	RSD	10	100
59 adidas Croatia d.o.o.	Zagreb (Croatia)	HRK	10	100
60 adidas Hellas A.E.	Athens (Greece)	EUR	directly	100
61 adidas (Cyprus) Limited	Nicosia (Cyprus)	EUR	directly	100
62 adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	TRY	10	100
63 adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	USD	indirectly 9	51 49
64 adidas Emerging Markets FZE	Dubai (United Arab Emirates)	USD	10	100
65 adidas Levant Limited	Dubai (United Arab Emirates)	JOD	64	100
66 adidas Levant Limited - Jordan	Amman (Jordan)	JOD	65	100
67 adidas Imports & Exports Ltd.	Cairo (Egypt)	EGP	68	100
68 adidas Sporting Goods Ltd.	Cairo (Egypt)	EGP	10 11	90 10
69 adidas Egypt Ltd. 3)	Cairo (Egypt)	USD	directly	100
70 Reebok Israel Ltd.	Holon (Israel)	ILS	directly	100
71 Life Sport Ltd.	Holon (Israel)	ILS	10	85
72 adidas Morocco LLC	Casablanca (Morocco)	MAD	directly	100
73 adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	ZAR	directly	100
North America				
74 adidas North America, Inc.	Portland, Oregon (USA)	USD	10	100
75 adidas America, Inc.	Portland, Oregon (USA)	USD	74	100
76 adidas International, Inc.	Portland, Oregon (USA)	USD	74	100
77 adidas Team, Inc. 3)	Portland, Oregon (USA)	USD	74	100
78 Taylor Made Golf Co., Inc. 5)	Carlsbad, California (USA)	USD	74	100
79 Ashworth, LLC 3) 5)	Carlsbad, California (USA)	USD	78	100
80 The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	USD	87	100
81 Reebok Securities Holdings LLC 9)	Wilmington, Delaware (USA)	USD	87	100
82 Textronics, Inc.	Wilmington, Delaware (USA)	USD	76	100
83 Ashworth Acquisition Corp. 3) 5)	Wilmington, Delaware (USA)	USD	79	100
84 Putter, LLC 3) 5)	Montgomery, Alabama (USA)	USD	83	100
85 Onfield Apparel Group, LLC 3) 6)	Dover, Delaware (USA)	USD	87 86	99 1
86 Reebok Onfield, LLC 3) 6)	Dover, Delaware (USA)	USD	87	100
87 Reebok International Ltd. 9)	Canton, Massachusetts (USA)	USD	74	100
88 Sports Licensed Division of the adidas Group, LLC 6)	Boston, Massachusetts (USA)	USD	87 81	99 1
89 Reebok-CCM Hockey U.S., Inc. 7)	Montpelier, Vermont (USA)	USD	87	100
90 Stone Age Equipment, Inc.	Redlands, California (USA)	USD	75	100
91 Spartanburg DC, Inc.	Spartanburg, South Carolina (USA)	USD	75	100
92 adidas Canada Ltd.	Woodbridge, Ontario (Canada)	CAD	10	100
93 Sport Maska Inc.	New Brunswick (Canada)	CAD	10	100

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2016**

Company and Domicile	Currency	Share in capital held by 1)	in %
Asia			
94 adidas Sourcing Limited	Hong Kong (China)	USD	11 100
95 adidas Services Limited	Hong Kong (China)	USD	10 100
96 adidas Hong Kong Limited	Hong Kong (China)	HKD	2 100
97 Smedley Industries (Hong Kong) Limited 3) 7)	Hong Kong (China)	HKD	89 100
98 Reebok Trading (Far East) Limited	Hong Kong (China)	USD	87 100
99 adidas (Suzhou) Co. Ltd.	Suzhou (China)	CNY	2 100
100 adidas Sports (China) Co. Ltd.	Suzhou (China)	CNY	2 100
101 adidas (China) Ltd.	Shanghai (China)	CNY	10 100
102 Zhuhai adidas Technical Services Limited	Zhuhai (China)	CNY	94 100
103 adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	CNY	15 100
104 adidas Business Services (Dalian) Limited	Dalian (China)	CNY	10 100
105 adidas Japan K.K.	Tokyo (Japan)	JPY	10 100
106 Taylor Made Golf Co., Ltd.	Tokyo (Japan)	JPY	10 100
107 adidas Korea Ltd.	Seoul (Korea)	KRW	directly 100
108 Taylor Made Korea Ltd.	Seoul (Korea)	KRW	directly 100
109 adidas Korea Technical Services Limited	Pusan (Korea)	KRW	94 100
110 adidas India Private Limited	New Delhi (India)	INR	directly 10,68 10 89,32
111 adidas India Marketing Private Limited	New Delhi (India)	INR	110 98,99 10 1,01
112 adidas Technical Services Private Limited	New Delhi (India)	USD	94 100
113 Reebok India Company	New Delhi (India)	INR	123 93,15
114 PT adidas Indonesia	Jakarta (Indonesia)	IDR	10 99 directly 1
115 adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	MYR	directly 60 10 40
116 adidas Philippines Inc.	Pasig City (Philippines)	PHP	directly 100
117 adidas Singapore Pte. Ltd.	Singapore (Singapore)	SGD	directly 100
118 adidas Taiwan Limited	Taipei (Taiwan)	TWD	10 100
119 adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	directly 100
120 adidas Australia Pty Limited	Mulgrave (Australia)	AUD	10 100
121 adidas New Zealand Limited	Auckland (New Zealand)	NZD	directly 100
122 adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	VND	10 100
123 Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	USD	87 99 80 1
Latin America			
124 adidas Argentina S.A.	Buenos Aires (Argentina)	ARS	10 51,73 2 48,27
125 Reebok Argentina S.A.	Buenos Aires (Argentina)	ARS	11 96,25 10 3,75
126 ASPA do Brasil Ltda. 3)	São Paulo (Brazil)	BRL	94 100
127 adidas do Brasil Ltda.	São Paulo (Brazil)	BRL	2 100
128 adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	BRL	127 100
129 Reebok Produtos Esportivos Brasil Ltda.	Jundiaí (Brazil)	BRL	10 100
130 adidas Chile Limitada	Santiago de Chile (Chile)	CLP	directly 99 1 1
131 adidas Colombia Ltda.	Bogotá (Colombia)	COP	directly 100
132 adidas Perú S.A.C.	Lima (Peru)	PEN	directly 99,21 130 0,79
133 adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	MXN	directly 100
134 adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	MXN	directly 100
135 Reebok de Mexico, S.A. de C.V. 3)	Mexico City (Mexico)	MXN	directly 100
136 adidas Latin America, S.A.	Panama City (Panama)	USD	directly 100
137 Concept Sport, S.A.	Panama City (Panama)	USD	10 100
138 adidas Market LAM, S.A. 3)	Panama City (Panama)	USD	10 100
139 3 Stripes S.A. (adidas Uruguay) 3)	Montevideo (Uruguay)	UYU	directly 100
140 Tafibal S.A.	Montevideo (Uruguay)	UYU	directly 100
141 Raelit S.A.	Montevideo (Uruguay)	UYU	directly 100
142 Reebok Central America S.A. 9)	San Pedro Sula (Honduras)	HNL	87 99,6 80 0,4

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2016**

Company and Domicile	Currency	Share in capital held by 1)	in %
143 adidas Corporation de Venezuela, S.A. 3)	Caracas (Venezuela)	VEF	directly 100
144 adisport Corporation	San Juan (Puerto Rico)	USD	10 100

- 1) The number refers to the number of the company
- 2) Profit and loss transfer agreement
- 3) Company with no active business
- 4) Legal owner of the shares with loss of control effective July 1, 2016
- 5) Sub-group Taylor Made Golf Co., Inc.
- 6) Sub-group Sports Licensed Division of the adidas Group, LLC
- 7) Sub-group Reebok-CCM Hockey U.S., Inc.
- 8) Sub-group Reebok International Limited
- 9) Sub-group Reebok International Ltd.
- 10) Sub-group Taylor Made Golf Limited

Auditor's report

We have audited the annual financial statements, comprising the balance sheet, income statement and the notes to the financial statements, together with the bookkeeping system and the management report, of adidas AG, Herzogenaurach, for the financial year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code [HGB] and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [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 results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the German statutory requirements and, as a whole, provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, February 17, 2017

KPMG AG

Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

Braun
Wirtschaftsprüfer
[German Public Auditor]

Wolper
Wirtschaftsprüfer
[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the Management Report, which has been combined with the Group Management Report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of the company.

Herzogenaurach, February 17, 2017

The Executive Board

Supervisory Board Report

DEAR SHAREHOLDERS,

We look back on an extremely successful financial year 2016. Thanks to strong brands and partnerships in the world of sport as well as a consistent focus on our consumers' needs, which is reflected in attractive products and inspiring marketing campaigns, the company was able to achieve a significant increase in sales and earnings. In this respect, the earning targets set at the beginning of the year were clearly exceeded. The high level of desirability currently experienced by our core brands adidas and Reebok around the globe has contributed significantly to this. These successful developments are the result of numerous measures which have been implemented in the context of the strategic business plan 'Creating the New', which was introduced in 2015. Double-digit growth rates in nearly all regions – also, and above all, in the priority market North America – and in all key categories show that the company's success is based on a broad range of success factors. The sale of the Mitchell & Ness brand and the plan to sell the golf brands TaylorMade, Adams Golf and Ashworth were two major strategic decisions which were made last year and which will allow the company to focus even more strongly on the core competencies in the areas of footwear and apparel in the future. Furthermore, with Kasper Rorsted taking over as Chief Executive Officer, adidas made sure that the transition at the helm of the company was as smooth as possible. Therefore, the company is extremely well positioned to continue growing profitably this year and in the years to come.

SUPERVISION AND ADVICE IN DIALOGUE WITH THE EXECUTIVE BOARD

In the year under review, we performed all of 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. We assured ourselves of the legality, expediency and regularity of the management activities and found that there were no objections to be raised.

The Executive Board involved us directly and in a timely and comprehensible manner in all of the company'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. This information covered all relevant aspects of the company's business strategy, business planning, including finance, investment and personnel planning, the course of business and the company'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 written 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 passing resolutions 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. The attendance rate of the members in the Supervisory Board meetings was 97% in the year under review. All committee meetings, with the exception of one Audit Committee meeting from which one member was excused, were always fully attended. The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft (hereinafter referred to as '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.

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, where necessary also at short notice.

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 company and the business development of the company's individual business areas and markets were presented to us in detail by the Executive Board at the Supervisory Board meeting following the close of the respective quarter and were discussed regularly. Further topics which were always discussed were the possible impact of global economic developments as well as the development of our individual brands and markets.

In February 2016, the Supervisory Board dealt with retail profitability. At the Supervisory Board meetings in May and August, the Supervisory Board addressed the topic 'Digital Brand Commerce'. In this context, a report was given on the initiation of the next 'digital transformation' stage. Digital transformation is of major importance for adidas as consumers communicate and share information on various different digital platforms – from social media to apps – and increasingly only via mobile devices, with e-commerce and digital communication being closely interwoven. In August 2016, the Executive Board also informed us about the current status of target achievement in the context of the long-term strategic business plan 'Creating the New' for the period until 2020.

Against the background of the planned relocation from Canton to Boston in the USA, at the November 2016 meeting of the Supervisory Board, the Executive Board explained the corresponding new developments and measures taken at Reebok USA.

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 2016 Budget and Investment Plan presented by the Executive Board. In March, we resolved upon the resolutions to be proposed to the 2016 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2015 financial year.

At the meetings in February and May, the Executive Board presented to us the new Employee Stock Purchase Plan and we approved the Plan Rules. At our March meeting, the Executive Board informed us about the current status of the strategic review regarding a possible sale of parts of the golf segment. At our meetings in May, August and November, the Executive Board updated us about the respective current status of the negotiations regarding the planned sale of the golf brands TaylorMade, Adams Golf and Ashworth.

COMPOSITION OF THE EXECUTIVE BOARD

Following in-depth discussions about the resolution proposal prepared by the General Committee on the appointment of Kasper Rorsted as successor to the long-standing Chief Executive Officer Herbert Hainer, we resolved at our extraordinary meeting in January 2016 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, and to conclude his Executive Board service contract. As Kasper Rorsted was already available to assume his new position from summer 2016, Herbert Hainer had agreed to relinquish his Executive Board mandate effective September 30, 2016. At our May meeting, we discussed in detail the termination agreement to be concluded with Herbert Hainer and subsequently approved it.

In March 2016, we resolved to renew Eric Liedtke's mandate as member of the Executive Board prematurely and to extend his Executive Board service contract. With this personnel decision, we acknowledged his outstanding performance and ensure continuity on the Executive Board.

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, explained to the Supervisory Board as a whole and submitted 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 individual Executive Board members and their respective achievement of the targets set in the 2015 Performance Bonus Plan, we resolved upon the bonuses to be paid to the Executive Board members based on the 2015 Performance Bonus Plan. Furthermore, we also discussed in detail the criteria and key targets for the 2016 Performance Bonus Plan and the individual bonus target amounts and 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 structure of the Executive Board compensation and the individual compensation levels of the Executive Board members. The review found that the compensation meets the requirements of the German Stock Corporation Act (Aktengesetz – AktG) and of the Code. However, current compensation levels could be oriented even more towards market standards. At our meetings in February and November, we considered in detail the results of the review of the compensation levels and structure. We agreed with the compensation expert's assessment.

CHANGES ON THE SUPERVISORY BOARD

In the year under review, the Annual General Meeting resolved on May 12, 2016 in accordance with a proposal put forward by the Executive Board and the Supervisory Board to increase the number of Supervisory Board members from twelve to sixteen. Two of the four additional Supervisory Board members were to be elected by the Annual General Meeting and two were to be elected by the employees.

As further shareholder representatives on the Supervisory Board, the Annual General Meeting on May 12, 2016 elected Ian Gallienne and Nassef Sawiris. As additional employee representatives, Roswitha Hermann and Michael Storl were appointed by court with effect from June 24, 2016 upon request of adidas AG's Central Works Council. Their term of office ended with the announcement of the election result of the employees supplementary election on October 6, 2016. In this supplementary election, Udo Müller and Kurt Wittmann were elected as employee representatives.

With regard to the representation of women and men, the Supervisory Board complies with the statutory minimum quota pursuant to § 96 section 2 sentences 1, 3 and 4 AktG. Both the shareholder representatives and the employee representatives resolved in accordance with § 96 section 2 sentence 3 AktG that the minimum quota of 30% women and 30% men on the Supervisory Board shall be fulfilled separately for the shareholder representatives and the employee representatives.

The term of office of all Supervisory Board members, including the four members who were elected as new shareholder or employee representatives in the supplementary election, will expire as scheduled at the end of the Annual General Meeting in May 2019.

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.

In March, an intra-year change was made to the Declaration of Compliance dated February 15, 2016, declaring a deviation from the Code. The updated 2016 Declaration of Compliance was made permanently available to our shareholders on our corporate website. The amendment had become necessary because for one of the two shareholder representative seats on adidas AG's Supervisory Board, which were newly created as part of the enlargement of the Supervisory Board (in this respect, see 'Changes on the Supervisory Board' above), the Supervisory Board had resolved to propose to the Annual General Meeting a candidate for election who holds more than three mandates on supervisory boards in group-external public listed companies or supervisory bodies of group-external companies with similar requirements.

At our meeting on February 13, 2017, we discussed in depth the current 2017 Declaration of Compliance and then resolved upon it and made it permanently available to our shareholders on our corporate website.

At our November meeting, after the conclusion of the election of the additional employee representatives on the Supervisory Board, the targets set by the Supervisory Board for its composition in February 2016 were discussed by the enlarged entire Supervisory Board and then confirmed.

In view of the EU Market Abuse Regulation, which came into force on July 3, 2016, we dealt with the respective new statutory regulations, in particular with the new regulations regarding 'managers' transactions' and 'insider rules', in May 2016.

The topic of the Supervisory Board meetings in August and November were the results of the efficiency examination of the Supervisory Board carried out on the basis of a comprehensive, company-specific questionnaire in the 2015 financial year. On the basis of the analysis of the efficiency examination, a corresponding catalogue of measures was prepared and its implementation was discussed.

In the year under review, no conflicts of interest arose in regard to the Executive Board members. There were also no conflicts of interest within the Supervisory Board. In order to avoid a potential conflict of interest, the Supervisory Board member involved in the subject

matter described in the following neither participated in the respective discussions nor in the resolutions.

In December 2015, the Supervisory Board approved the conclusion of a three-year contract, effective January 1, 2016, with a company in which one Supervisory Board member is involved. The order volume to be confirmed annually by the Supervisory Board was approved by the Supervisory Board for the 2017 financial year at its meeting in November 2016.

Further information on corporate governance within the company can be found in the Corporate Governance.

EFFICIENT COMMITTEE WORK

In order to perform our tasks in an efficient manner, we have established a total of six standing Supervisory Board committees.

The committees prepare resolutions and topics for the meetings of the entire Supervisory Board. 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 four meetings in the 2016 financial year. The main focus of the meetings was the preparation of the resolutions of the Supervisory Board as a whole, detailed individually above, in particular the resolution on the targets for the 2016 Performance Bonus, the target achievement of the 2015 Performance Bonus and the determination of the Executive Board compensation and the review of its appropriateness.

- The **Audit Committee** held five meetings in the year under review. 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 also 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 2015, 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 2015 annual financial statements and consolidated financial statements. In addition, after obtaining the auditor's declaration of independence and after conclusion of a disclosure agreement, 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 the 2016 financial year and for the quarterly financial statements and interim management reports for the 2016 financial year and the first quarter of the 2017 financial year. Following extensive discussion by the committee, the priority topics for the audit of the 2016 annual financial statements and consolidated financial statements were determined and the audit assignment was granted. In this regard, the implications of the EU Auditor Reform were also discussed and permitted non-audit services and a fee cap for non-audit services were resolved upon.

Furthermore, the Audit Committee dealt intensively with the monitoring of the effectiveness of the risk management system, the compliance management system, the internal control system and the internal audit system. Moreover, the committee addressed the findings of Internal Audit and the audit plan.

Furthermore, at every meeting of the Audit Committee, the Chief Compliance Officer gave regular reports.

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

At its April meeting, the committee dealt with the sale of the Mitchell & Ness brand and approved its divestiture to a newly founded company which is majority-owned by Juggernaut Capital Partners. Against the background of the share buyback programme initiated in autumn 2014, the committee discussed the commencement of a third tranche based on the authorisation granted by the Annual General Meeting in May 2016 and approved the proposal of the Executive Board to repurchase shares up to and including January 31, 2017.

- The **Nomination Committee** held one meeting in February 2016 by way of a conference call and, against the background of the planned increase in the number of Supervisory Board members (in this respect, see 'Changes on the Supervisory Board' above), prepared the resolution on two additional shareholder representatives' candidates for election to the Supervisory Board which was to be proposed to the Annual General Meeting.

The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), did not have to be convened in 2016.

EXAMINATION OF THE 2016 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG audited the 2016 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 2016 annual financial statements of adidas AG, prepared in accordance with HGB requirements, and the combined Management Report of 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 March 3, 2017 and at the Supervisory Board's March 7, 2017 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 € 2.00 per dividend-entitled share and adopted this increase to € 2.00 compared with the previous year under consideration of the company's good 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.

EXPRESSION OF THANKS

On behalf of the entire Supervisory Board, I wish to thank the members of the Executive Board, including Kasper Rorsted, who has been a Board member since August 1, 2016 and Chief Executive Officer since October 1, and all adidas employees around the world for their tremendous personal dedication and their ongoing commitment, as well as the employee representatives for their good collaboration.

Moreover, we would like to thank Herbert Hainer, who resigned from the Executive Board at his own request at the end of September, for his tremendous contribution to the company's great success over the past three decades. During his 15-year term of service as Chief Executive Officer, thanks to his outstanding leadership and expertise, sales increased more than three-fold, the number of employees four-fold, profits five-fold and the company's value rose from € 3 billion to € 30 billion. What is more, with Herbert Hainer at the helm, adidas became the most sustainable company in Europe and one of the most attractive employers in the world. We would like to express our gratitude and respect for these outstanding achievements.

For the Supervisory Board

IGOR LANDAU

Chairman of the Supervisory Board

March 2017

adidas AG

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