

adidas



ANNUAL FINANCIAL STATEMENTS OF ADIDAS AG

AS AT DECEMBER 31, 2019

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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 5 together with § 298 section 2 of the German Commercial Code (Handelsgesetzbuch – HGB) and is published in the 2019 Annual Report of the adidas Group.

The Financial Statements and the combined Management Report for adidas AG and the adidas Group for the 2019 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 2019 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

€ thousand

		Dec. 31, 2019	Dec. 31, 2018
ASSETS			
FIXED ASSETS (1)			
Intangible assets	(2)	188,206	161,891
Tangible assets	(2)	706,499	688,192
Financial assets	(3)	4,426,654	4,360,670
		5,321,359	5,210,753
CURRENT ASSETS			
Inventories	(4)	36,907	46,545
Receivables and other assets	(5)	3,365,091	2,655,425
Securities	(6)	560,235	604,194
Cash and cash equivalents	(7)	635,929	873,841
		4,598,162	4,180,005
PREPAID EXPENSES	(8)	150,069	99,584
DIFFERENCE RESULTING FROM ASSET OFFSETTING	(9)	0	5,284
		10,069,590	9,495,626
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital ¹⁾	(10)	200,416	200,416
Par value treasury shares	(10)	-4,447	-1,245
Capital reserves	(10)	1,328,367	1,325,380
Revenue reserves	(10)	754,390	404,036
Retained earnings	(11)	828,030	705,413
		3,106,756	2,634,000
UNTAXED RESERVE	(12)	2,790	3,110
PROVISIONS/ACCRUALS	(13)	727,715	699,409
LIABILITIES	(14)	6,216,312	6,139,588
DEFERRED INCOME	(15)	16,017	19,519
		10,069,590	9,495,626

1) Contingent Capital 2018 at Dec. 31, 2019 in the amount of € 12,500 thousand (previous year € 12,500 thousand)

Annual financial statements of adidas AG

Income Statement

€ thousand

		2019	2018
Sales	(17)	4,444,309	4,127,278
Change in inventory		481	594
Total output		4,444,790	4,127,872
Other operating income	(18)	589,900	515,872
Cost of materials	(19)	-1,610,747	-1,538,444
Personnel expenses	(20)	-796,334	-730,897
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(21)	-119,722	-97,569
Other operating expenses	(22)	-2,337,405	-2,281,715
Income from operations		170,482	-4,881
Income from investments in related companies	(23)	1,729,239	824,407
Profit received under a profit and loss transfer agreement	(24)	212,486	721,024
Loss taken over under a profit and loss transfer agreement	(24)	0	-73
Interest result	(25)	-3,498	-2,947
Taxes on income	(26)	-161,218	-112,965
Income after taxes		1,947,491	1,424,565
Other taxes		-330	-1,019
NET INCOME		1,947,161	1,423,546
Retained earnings brought forward	(11)	41,365	44,852
Transfer to revenue reserves	(11)	-750,000	-400,000
Transfer to capital reserves	(11)	0	-8,800
Utilization for share buyback	(11)	-410,496	-354,185
RETAINED EARNINGS	(11)	828,030	705,413

Notes to the annual financial statements of adidas AG for the year ended December 31, 2019

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 of which adidas AG holds, either directly or indirectly, investments according to § 271 (1) HGB and the disclosures related to these companies can be found in the shareholdings list in Appendix 2 to these notes.

Due to rounding principles, numbers presented may not sum up exactly to totals provided.

The financial statements have been prepared in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch - HGB) and the German Stock Corporation Act (Aktiengesetz - AktG) in €. The income statement has been prepared in accordance with the total cost accounting method.

The combined management report pursuant to § 315 (5) HGB in conjunction with § 298 (2) HGB is published in the 2019 Annual Report.

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 useful economic life are depreciated/amortized over their expected useful lives. Capitalization of borrowing costs 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.

Movable assets are depreciated on a straight-line basis.

Minor-value assets worth less than € 800 are written off in full in the year of their acquisition.

Write-downs to the lower fair value are recognized if an impairment is not viewed as temporary.

Impairments are recognized, if the decrease in value is deemed to be permanent.

Financial assets are recognized at acquisition costs. An impairment is recognized, if the fair value is below the book value. The fair value is calculated using the discounted cash flow method based on the principles of IDW S 1. The enterprise value is derived from the present values of future cash flows discounted with an appropriate discount rate. Financial receivables towards the respective group companies are implicitly tested for impairment in the valuation model. If a financial asset needs to be impaired, the shares in associated companies are impaired before the financial receivables towards the respective group entity. If the reasons for the impairment cease to apply, the impairment is reversed, but only up to the value of the historical acquisition cost.

Inventories are measured at the lower of cost or market value. 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. Capitalization of borrowing cost does not take place. If the reasons for the write-down no longer apply, the write-down is reversed in accordance with § 253 (5) sentence 1 HGB to no higher than the historical cost of the inventories.

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

Derivative financial transactions entered into with banks by Group Treasury (primarily forward currency and currency option transactions as well as equity instruments) 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 the profit or loss. Prospectively, due to the common material assessment features of the transactions, 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.

Securities in current assets are measured at acquisition costs or fair value if lower at the reporting date.

Cash-in-hand and bank balances are recognized at nominal value.

The difference resulting from asset offsetting is recognized at fair 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, solidarity surcharge and municipal trade tax.

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 granted under § 274 (1) sentence 2 HGB in the event of a tax benefit but this option is not exercised. 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 (Heubeck mortality tables RT 2018 G) 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 1.6% p.a. (prior year 1.0% to 1.6%) growth rate in benefits. Fluctuation is assumed – as in the prior year – 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 2.71% as at December 31, 2019 (prior year: 3.21%); 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 1.97% (prior year: 2.33%) and the application of the average market interest rate for the past ten fiscal years 2.71% (prior year: 3.21%) is subject to a restriction on distribution. 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 using an official recognized method for real estate valuation, and offset against the pension obligations.

Other provisions cover all discernible risks and uncertain obligations and are recognized at 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 in accordance with § 253 (2) sentence 1 HGB at the average market interest rate for their respective maturity over the past seven years, as published by the German Federal Bank (Deutsche Bundesbank). Provisions with terms of less than one year are not discounted. The effect from the annual adjustment of the discount rate applied to the provisions in accordance with § 253 (2) HGB is recognized immediately in the income statement.

Net income from the discounting of retirement pension obligations is shown in the income statement as part of the financial result under the item “other interest and similar income” and net expenses under the item “interest and similar expenses”.

The liabilities related to partial and early retirement were fully paid in 2019.

Liabilities are recognized at their settlement amount.

Revenues are recognized once the risk of loss or damage of the goods has been transferred to the purchaser.

Licensing revenues are recognized in accordance with the underlying contractual agreements. Rights 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 in the income statement. Currency translation gains from the measurement of current assets and liabilities falling due within less than one year are recorded in the income statement in accordance with § 256a HGB. Currency translation gains are reported under “other operating income” and currency translation losses are reported under “other operating expenses”.

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.

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.

1. Fixed assets

Development of fixed assets in the 2019 fiscal year.

Acquisition and production costs					
Amounts in EUR thousand (HGB)	01.01.2019	Additions	Disposals	Reclassifications	31.12.2019
I. Intangible assets					
1. Purchased concessions, trademarks and similar rights and licences to such rights	608,326	64,690	0	91,064	764,080
2. Prepayments and assets under construction	80,245	31,284	0	-91,064	20,465
	688,571	95,974	0	0	784,545
II. Tangible assets					
1. Land, land rights and buildings	515,348	25,318	-5,361	216,081	751,386
2. Technical equipment and machinery	66,425	8,019	-11,042	4,712	68,114
3. Other equipment, operating and office equipment	328,838	31,411	-15,990	6,326	350,585
4. Prepayments and assets under construction	251,745	6,349	-2,077	-227,119	28,898
	1,162,356	71,097	-34,470	0	1,198,983
III. Financial assets					
1. Shares in affiliated companies	4,153,203	3,549	0	0	4,156,752
2. Loans to affiliated companies	40,000	0	0	0	40,000
3. Equity investments	78,841	0	0	0	78,841
4. Loans to non-affiliated companies	200	0	0	0	200
5. Investment security	104,263	62,435	0	0	166,698
	4,376,507	65,984	0	0	4,442,491
Fixed Assets	6,227,434	233,055	-34,470	0	6,426,019

Accumulated depreciation				Book values	
01.01.2019	Additions	Disposals	31.12.2019	31.12.2019	31.12.2018
526,680	69,659	0	596,339	167,741	81,646
0	0	0	0	20,465	80,245
526,680	69,659	0	596,339	188,206	161,891
162,362	20,413	-5,138	177,637	573,749	352,986
39,913	6,833	-10,968	35,778	32,336	26,512
271,889	22,817	-15,637	279,069	71,516	56,949
0	0	0	0	28,898	251,745
474,164	50,063	-31,743	492,484	706,499	688,192
15,837	0	0	15,837	4,140,915	4,137,366
0	0	0	0	40,000	40,000
0	0	0	0	78,841	78,841
0	0	0	0	200	200
0	0	0	0	166,698	104,263
15,837	0	0	15,837	4,426,654	4,360,670
1,016,681	119,722	-31,743	1,104,660	5,321,359	5,210,753

2. Intangible fixed assets and tangible fixed assets

The significant additions primarily relate to software in an amount of € 64,690 thousand and advance payments and assets under construction in an amount of € 31,284 thousand for intangible assets and € 25,318 thousand for land, land rights and buildings.

3. Long-term financial assets

The increase in long-term financial assets primarily relates to a contribution in cash for a share-based swap in an amount of € 62,435 thousand for other loans. The additions in shares in affiliated companies primarily relate to the purchase of adidas Business Services GmbH and a capital increase at the subsidiary adidas Morocco LLC. The check of the recoverability of investments in affiliated companies is performed using an impairment test. At closing date accumulated depreciation of € 15,837 thousand exists. Included in the financial assets is an investment of 8.33% in FC Bayern München AG.

4. Inventories

Inventories

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Raw materials, consumables and supplies	5,111	6,080
Work in progress	68	291
Finished goods and merchandise	31,728	40,174
Inventories	36,907	46,545

Inventories relate to raw materials, consumables and supplies for production purposes, work in progress in the production process and merchandise mostly in connection with the company's own retail business.

5. Receivables and other assets

Receivables and other assets

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Trade accounts receivable	82,900	139,176
of which with a residual maturity of more than one year	0	0
Receivables from affiliated companies	3,187,223	2,429,891
of which with a residual maturity of more than one year	0	0
Other assets	94,968	86,358
of which with a residual maturity of more than one year	45,320	45,320
Receivables and other assets	3,365,091	2,655,425

The increase in receivables from affiliated companies primarily relates to royalty receivables and 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. The recoverability of these receivables is checked as part of the impairment test concerning the shares in affiliated companies. At the balance sheet date there are accumulated impairments of € 26,546 thousand. Receivables from affiliated companies include € 50,660 thousand in trade receivables.

Other assets essentially include capitalized option premiums, receivables from tax authorities for value added tax as well as receivables from Eurobond shares repurchased.

6. Securities

Securities

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Money market funds	560,235	440,194
Commercial papers	0	164,000
Securities	560,235	604,194

Securities comprise short-term financial investments.

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

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

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Cash-in-hand and bank balances	635,929	873,841

8. Prepaid expenses

Prepaid expenses

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Advertising and promotion agreements	94,699	42,847
Other	55,370	56,737
Prepaid expenses	150,069	99,584

The increase in advertising and promotion agreements is largely attributable to a contract agreement with an artist and designer. Other prepaid expenses comprise mainly advance payments for licensing expenses, maintenance and marketing.

9. Difference resulting from asset offsetting

There are no liabilities for partial and early retirement as at December 31, 2019 (prior year: € 15 thousand) and therefore no difference resulting from asset offsetting (in the prior year the fair value of recognized assets was € 5,299 thousand). The funds freed-up as at December 31, 2019 are shown at historical costs in section 6 securities.

10. Shareholders' equity

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

Changes in equity

€ thousand

	Jan. 1, 2019	Repurchase of adidas AG shares	Issuance of treasury shares / Conversion / Employee shares	Allocation to reserves	Withdrawal from reserves	Cancellation of shares	Dividend	Net profit for the year	Dec. 31, 2019
Subscribed capital	200,416	0	0	0	0	0	0	0	200,416
Par value of treasury shares	-1,245	-3,223	21	0	0	0	0	0	-4,447
Capital reserves	1,325,380	0	0	2,987	0	0	0	0	1,328,367
Revenue reserves*)	404,036	-401,107	4,207	750,000	-2,746	0	0	0	754,390
Retained earnings	705,413	-410,496	0	-750,000	0	0	-664,048	1,947,161	828,030
Equity	2,634,000	-814,826	4,228	2,987	-2,746	0	-664,048	1,947,161	3,106,756

*) Includes legal reserves of € 4,036 thousand

As at December 31, 2019 there are 195.969.387 shares entitled to a dividend.

Subscribed capital

The nominal capital of adidas AG has remained unchanged since December 31, 2018. As at the balance sheet date, it amounted to a total of € 200,416,186 divided into 200,416,186 registered no-par-value shares and was fully paid in.

Each share grants one vote and is entitled to dividends starting from the commencement of the year in which 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 4,446,799 treasury shares, corresponding to a notional amount of € 4,446,799 in the nominal capital and consequently to 2.22% of the nominal capital.

Authorized capital

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 90 million in the 2019 financial year.

The following overview of the existing authorized capital does not include the Authorized Capital 2017/II canceled by the Annual General Meeting on May 9, 2019, which had not been utilized up to and including May 9, 2019.

The authorized 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

based on the authorization granted by resolution of the Annual General Meeting of May 11, 2017 until June 7, 2022

- 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 (Authorized Capital 2017/I);

based on the authorization granted by resolution of the Annual General Meeting of May 9, 2019 until June 13, 2024

- by issuing new shares against contributions in kind once or several times by no more than € 16 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorized Capital 2019);

The overall volume of the shares issued based on this authorization with the exclusion of subscription rights must not exceed 10% of the nominal capital existing at the point in time when this authorization becomes effective or, in case this amount is lower, at the date of the respective issuance. The nominal capital which is attributed to the shares to be issued to service option or conversion rights or option or conversion duties from bonds, debt securities or participation rights to the extent that they are issued during the term of the authorization until the date of the respective exercise of this authorization with the exclusion of subscription rights, or which is attributed to shares which are issued or sold during the term of the authorization until the date of the respective exercise of this authorization with the

exclusion of subscription rights, has to be included in the aforementioned limit of 10%. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights. The Authorized Capital 2019 must not be used to issue shares within the scope of compensation or participation programs for Executive Board members or employees or for members of the management bodies or employees of subsidiaries;

based on the authorization granted by resolution of the Annual General Meeting of May 11, 2017 until June 7, 2022

- 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 the adidas AG shares already listed on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the adidas AG shares on a foreign stock exchange (Authorized Capital 2017/III). The authorization 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 adidas AG since May 11, 2017, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorized capital or following a repurchase, or for which subscription or conversion rights or subscription or conversion duties have been granted since May 11, 2017, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded pursuant to § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization into the commercial register or – if this amount is lower – as of the respective date on which the resolution on utilization of the authorization is adopted;

The overall volume of the shares issued based on this authorization with the exclusion of subscription rights – together with shares issued against contributions in kind with the exclusion of subscription rights from the Authorized Capital 2017/II (§ 4 section 3 of the Articles of Association) – must not exceed 10% of the nominal capital existing at the date of the respective issuance. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights;

based on the authorization granted by resolution of the Annual General Meeting of May 12, 2016 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 (Authorized Capital 2016). Shareholders' subscription rights shall be excluded. Any repurchased treasury shares of adidas AG which are used by adidas AG for employee stock purchase plans during the term of this authorization shall be attributed to the maximum number of 4,000,000 shares. The new shares may only be issued to (current and former) employees of adidas AG and its affiliated companies as well as to (current and former) members of management bodies of adidas AG's affiliated companies.

Contingent Capital

The following description of the Contingent Capital is based on § 4 section 6 of the Articles of Association of adidas AG as well as on the underlying resolution of the Annual General Meeting held on May 9, 2018. It does not comprise the Contingent Capital 2010 canceled by the Annual General Meeting on May 9, 2019, which had not been utilized up to and including May 9, 2019. Additional contingent capital does not exist.

Contingent Capital 2018

The nominal capital is conditionally increased by up to € 12.5 million divided into not more than 12,500,000 registered no-par-value shares (Contingent Capital 2018). The contingent capital increase serves the issuance of registered no-par-value shares when exercising option or conversion rights or fulfilling the respective option and/or conversion duties or when exercising the company's right to choose to partially or in total deliver registered no-par-value shares of the company instead of paying the due amount to the holders or creditors of bonds issued by the company or a subordinated Group company up to May 8, 2023 on the basis of the authorization resolution adopted by the Annual General Meeting on May 9, 2018. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. 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 the option or conversion duties based on bonds issued by the company or a subordinated Group company, pursuant to the authorization of the Executive Board granted by the resolution adopted by the Annual General Meeting on May 9, 2018 (Agenda Item 8), up to May 8, 2023 and guaranteed by the company, exercise their option or conversion rights or, if they are obligated to exercise the option or conversion duties, fulfil their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver adidas AG shares for the total amount or a part amount instead of payment of the amount due and insofar as no cash settlement, treasury shares or shares of another public listed company are used to service these rights. The new shares will carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorized, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

The Executive Board is also authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights for residual amounts and to exclude shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of previously issued bonds are entitled. Finally, the Executive Board is authorized, subject to Supervisory Board approval, to also exclude shareholders'

subscription rights if the issue price of the bonds is not significantly below the hypothetical market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. Treasury shares which are or will be sold with the exclusion of subscription rights in accordance with § 71 section 1 no. 8 in conjunction with § 186 section 3 sentence 4 AktG between the starting date of the term of this authorization and the issuance of the respective bonds are attributed to the aforementioned limit of 10%. Shares which are or will be issued, subject to the exclusion of subscription rights pursuant to § 186 section 3 sentence 4 AktG or pursuant to § 203 section 1 in conjunction with § 186 section 3 sentence 4 AktG, between the starting date of the term of this authorization and the issuance of the respective bonds in the context of a cash capital increase are also attributed to the aforementioned limit of 10%. Finally, shares for which there are option or conversion rights or duties or a right to delivery of shares of the company in favor of the company due to bonds with warrants or convertible bonds issued by adidas AG or its subordinated Group companies, subject to the exclusion of subscription rights in accordance with § 221 section 4 sentence 2 in conjunction with § 186 section 3 sentence 4 AktG during the term of this authorization based on other authorizations are attributed to the aforementioned limit of 10%.

In the period up until the balance sheet date, the Executive Board of adidas AG did not issue any bonds based on the authorization granted on May 9, 2018 and consequently did not issue any shares from the Contingent Capital 2018.

Repurchase of adidas AG shares and use of treasury shares

The Annual General Meeting on May 12, 2016 granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 11, 2021. The authorization 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 above-mentioned authorization, the Executive Board of adidas AG commenced a share buyback program on March 22, 2018. Under the authorization granted, adidas AG repurchased a total of 5,089,879 shares for a total price of € 999,885,165 (excluding

incidental purchasing costs), i.e. for an average price of € 196.45 per share, in a first tranche between March 22, 2018 and December 4, 2018 inclusive. This corresponded to a notional amount of € 5,089,879 in the nominal capital which was reduced from € 209,216,186 to € 200,416,186 with legal effect from October 22, 2018 and consequently to 2.54% of the nominal capital. On January 7, 2019, the share buyback program was resumed in the form of a second tranche. More information on the adidas AG shares repurchased in the 2019 financial year is set out in the table 'Repurchase of adidas AG shares in the 2019 financial year'.

Repurchase of adidas AG shares in the 2019 financial year

Month	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %
January	256,198	51,333,825.75	200.37	256,198.00	0.13
February	230,796	46,661,131.62	202.17	230,796.00	0.12
March	255,544	54,356,363.81	212.71	255,544.00	0.13
April	226,764	51,344,626.29	226.42	226,764.00	0.11
May	10,452	2,683,046.50	256.70	10,452.00	0.01
June	351,375	94,364,958.64	268.56	351,375.00	0.18
July	367,521	103,024,730.93	280.32	367,521.00	0.18
August	535,047	141,607,505.60	264.66	535,047.00	0.27
September	307,043	83,861,030.42	273.12	307,043.00	0.15
October	268,406	74,038,194.34	275.84	268,406.00	0.13
November	413,931	111,512,930.94	269.40	413,931.00	0.21
December	137	37,939.95	276.93	137.00	0.00007
2019 financial year total¹	3,223,214	814,826,284.79	252.80	3,223,214.00	1.61

¹ In the period from January 7, 2019 up to and including December 18, 2019.

While the company may use the repurchased shares for all purposes admissible under the authorization granted on May 12, 2016 with the exception of the transfer of shares as a compensation component for its Executive Board members, adidas AG plans to cancel the majority of the repurchased shares. adidas AG reserves the right to continue the share buyback program in the future in alignment with the published parameters.

In the 2019 financial year, a total of 21,256 treasury shares were used as consideration for, inter alia, the transfer or licensing of intellectual property rights and intangible property rights due to contractual obligations.

Employee stock purchase plan

In the 2016 financial year, adidas AG introduced an employee stock purchase plan in favor of employees of adidas AG and its affiliated companies.

Outside the share buyback program initiated in March 2018 and continued from January 2019, adidas AG purchased adidas AG shares in connection with this employee stock purchase plan. More details on the repurchase of adidas AG shares and use of treasury shares in connection with the employee stock purchase plan in the 2019 financial year are set out in the tables 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2019' and 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2019 / Matching shares'.

Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2019

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance to the employees
January 8, 2019	29,328	5,740,076.16	195.72	29,328.00	0.01	January 10, 2019
April 5, 2019	23,924	5,409,934.12	226.13	23,924.00	0.01	April 9, 2019
July 5, 2019	20,694	5,757,898.56	278.24	20,694.00	0.01	July 9, 2019
October 8, 2019	20,655	5,647,283.55	273.41	20,655.00	0.01	October 10, 2019

Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2019 / Matching shares

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance to the employees
January 8, 2019	3,349	655,466.28	195.72	3,349.00	0.002	January 10, 2019
April 5, 2019	3,195	722,485.35	226.13	3,195.00	0.002	April 9, 2019
July 5, 2019	4,020	1,118,524.80	278.24	4,020.00	0.002	July 9, 2019
October 8, 2019	3,323	908,541.43	273.41	3,323.00	0.002	October 10, 2019

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 § 33 section 1 or section 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) need to be disclosed.

The table 'Notified reportable shareholdings' reflects reportable shareholdings in adidas AG, Herzogenaurach, as at the balance sheet date which have each been notified to adidas AG. In each case, the details relate to the most recent voting rights notification received by adidas AG from the parties obligated to notify. All voting rights notifications disclosed by adidas AG in the year under review are available on the corporate website.

The details on the percentage of shareholdings and voting rights may no longer be up to date.

Notified reportable shareholdings

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Notification obligations and attributions in accordance with WpHG ¹	Shareholdings in %	Number of voting rights
BlackRock, Inc., Wilmington, DE, USA ²	December 17, 2019	Exceeding 5%	§§ 34, 38 sec. 1 no. 1, § 38 sec. 1 no. 2	6.34	12,708,562
FMR LLC, Wilmington, DE, USA ²	November 27, 2019	Exceeding 5%	§ 34	5.14	10,306,397
Ségolène Gallienne	December 03, 2018	Exceeding 5%	§ 34	7.83	15,694,711
Gérald Frère	December 03, 2018	Exceeding 5%	§ 34	7.83	15,694,711
The Desmarais Family Residuary Trust, Montreal, Canada ²	November 19, 2018	Exceeding 5%	§ 34	8.09	16,214,074
Elian Corporate Trustee (Cayman) Limited, Grand Cayman, Cayman Islands ²	December 16, 2016	Exceeding 5%	§§ 21, 25 sec. 1 no. 2	5.71	11,950,482
Capital Research and Management Company, Los Angeles, CA, USA	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	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

¹The provisions of the WpHG stated refer to the version applicable at the time of publication of the respective individual rights.

²Voluntary group notification due to crossing a threshold on subsidiary level.

Capital reserve

The capital reserve primarily comprises the paid premium for the issuance of share capital as well as the equity component of the issued convertible bond.

Revenue reserves

The revenue reserves comprises both amounts which are required by law and by the Articles of Association and voluntary amounts that have been set aside by the company. The reserves include the accumulated profits less dividends paid and consideration paid for the repurchase of adidas AG shares exceeding the nominal amount. In addition, the item includes the effects of the employee stock purchase plan.

11. Retained earnings

Retained earnings

€ thousand

Retained earnings as of December 31, 2018	705,413
Distribution of a dividend of € 3.35 per ordinary share in the share capital for the 2018 fiscal year (198,223,299 shares)	-664,048
Retained earnings brought forward	41,365
Net income of adidas AG for the 2019 fiscal year	1,947,161
Transfer to other revenue reserves	-750,000
Transfer to capital reserves	0
Utilization for repurchasing of own shares	-410,496
Retained earnings as of December 31, 2019	828,030

12. 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 € 320 thousand amortization charge.

13. Provisions/accruals

Provisions/accruals

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Provisions for pensions and similar obligations	72,063	133,115
Provisions for taxes	103,740	33,084
Other provisions	551,912	533,210
Provisions/accruals	727,715	699,409

Within the provisions to 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 totaled € 381,183 thousand as at December 31, 2019 (prior year: € 319,472 thousand). The plan assets were measured at fair value in accordance with § 255 (4) HGB. As at the balance sheet date, the fair value of the netted assets after funding contributions of € 104,903 thousand in the year under review is € 309,120 thousand (prior year: € 186,357 thousand) and historical costs amount to € 290,000 thousand (prior year: € 185,097 thousand).

Interest expenses resulting from the pension valuation in an amount of € 10,252 thousand have been offset against the interest income from the adidas Pension Trust e. V. in an amount of € 17,859 thousand.

The pension obligations to six former members of the Executive Board, who retired after December 31, 2005, are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. This results in indirect obligations for adidas AG to former Board members in the amount of € 38,070 thousand (prior year: € 34,708 thousand for the related group of people) for which no provisions have been recognized due to their funding through the pension fund and re-insured pension trust fund. As at the balance sheet date, there are shortfalls for the indirect obligations in the amount of € 2,794 thousand.

However, pension provisions have been established for the pension entitlements of four active members of the Executive Board, which amount to € 7,708 thousand before offsetting (prior year: € 4,089 thousand for three Executive Board members). Pension provisions in

the amount of € 3,592 thousand (prior year: € 1,993 thousand) have been established for two active members of the Executive Board, whose entitlements were not covered by the adidas Pension Trust e.V.

The provisions for the former members of the Executive Board and their survivors totaled € 78,188 thousand before offsetting as at December 31, 2019 (prior year: € 73,804 thousand). These amounts also include the aforementioned indirect obligations.

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 € 49,482 thousand. Pursuant to § 253 (6) sentence 2 HGB, this amount is subject to a restriction on distribution.

The fair value measurement of assets for the settlement of obligations for pensions results in a total amount of € 19,120 thousand (prior year: € 1,261 thousand) subject to restriction on distribution within the meaning of § 268 [8] HGB prior to offsetting with the freely distributable reserves as at December 31, 2019.

The largest item in other provisions concerns provisions for personnel of € 281,359 thousand (prior year: € 210,371 thousand). This amount is primarily attributable to provisions for performance-based remuneration components and social plans resulting from restructuring programs. Additional significant items in other provisions are provisions for marketing of € 92,765 thousand (prior year: € 128,810 thousand) and provisions for outstanding invoices of € 82,885 thousand (prior year: € 77,201 thousand). There are also provisions for forward contracts in an amount of € 41,334 thousand (prior year: € 61,329 thousand). These are recorded for unrealized losses from derivative futures as well as for hedge accounting. In addition, a provision for impending losses from pending transactions in an amount of € 23,320 thousand (prior year € 37,600 thousand) is included.

14. Liabilities

Liabilities

€ thousand

	Dec. 31, 2019				Dec. 31, 2018
	Total	Residual term up to 1 year	Residual term 1-5 years	Residual term more than 5 years	Prior year total
Bonds	1,500,000	0	1,100,000	400,000	1,500,000
(prior year)		(0)	(1,100,000)	(400,000)	
of which convertible		0	500,000	0	
Liabilities to banks	140,625	18,750	75,000	46,875	150,000
(prior year)		(9,375)	(75,000)	(65,625)	
Trade accounts payable	200,610	200,284	326	0	169,157
(prior year)		(168,271)	(886)	(0)	
Liabilities to affiliated companies	4,211,631	3,856,908	354,723	0	4,235,652
(prior year)		(4,225,652)	(10,000)	(0)	
Other liabilities	163,446	163,446	0	0	84,779
(prior year)		(84,779)	(0)	(0)	
of which from taxes		68,768	0	0	11,250
of which relating to social security		4,806	0	0	5,431
Dec. 31, 2019	6,216,312	4,239,388	1,530,049	446,875	6,139,588
Dec. 31, 2018		(4,488,077)	(1,185,886)	(465,625)	

The liabilities are unsecured.

The liabilities to affiliated companies primarily relate to liabilities from Group Treasury activities as well as loans from affiliated companies. Trade payables to affiliated companies amount to € 132,442 thousand (prior year: € 113,059 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, option premiums paid by subsidiaries, and salaries and commissions payable.

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

In 2018, adidas AG issued an equity-neutral convertible bond with a total volume of € 500,000 thousand. The equity-neutral convertible bond matures in 2023 and was originally divided into 2,500 bearer bonds with equal rights, each in the nominal amount of € 200 thousand.

15. Deferred income

The decrease in the deferred income primarily relates to the premium for the issuance of a convertible bond in 2018.

16. Contingent liabilities and other financial commitments

Contingent liabilities

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Guarantee obligations	938,619	893,946
of which for affiliated companies		
- Bank loans	99,954	99,192
- Letters of credit	92,653	90,825
- Guarantee agreements	746,012	703,929

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 five (prior year: five) affiliated companies were issued as at December 31, 2019. The risk of these being utilized is deemed to be low.

adidas AG declares support, except in the case of political risk, for 89 affiliated companies, so that they are able to meet their contractual liabilities. This declaration replaces the declaration of 2019 dated February 27, 2019, which is no longer valid. The declaration of support automatically ceases from the time that a company no longer is a subsidiary of adidas AG.

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

Other financial commitments

Other financial commitments of € 2,381,470 thousand (prior year: € 2,269,572 thousand) for adidas AG include amounts for the entire foreseeable contractual period for promotion, advertising, rental and leasing agreements as at December 31, 2019.

Maturities

€ thousand

in 2020	550,021
2021-2024	1,045,957
after 2024	785,492
	2,381,470

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 adidas Group purchases more than 80% of its products in Asia. Since a major proportion of the product costs relate to 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 (€), 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 2019, the adidas Group purchased around USD 4.7 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

€ thousand

	Dec. 31, 2019	Dec. 31, 2018
Notional amounts		
Currency hedging contracts	26,459,546	17,171,801
Equity instruments	748,767	607,434
	27,208,313	17,779,235

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

The equity instruments serve to hedge a Long-Term Incentive Plan (LTIP), a share-based remuneration scheme with cash settlement, and the conversion rights related to the convertible bond. The company uses derivative instruments to hedge against the risk of share price fluctuations. The fair value is based on the market price of the adidas AG share as at December 31, 2019 - and concerning the LTIP multiplied by the notional volume less accrued interest -.

Outstanding financial derivatives

€ thousand

	Dec. 31, 2019		Dec. 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets (Other assets)				
Currency hedging contracts	0	287,400	0	269,113
Equity instruments	0	167,795	0	22,942
Liabilities (Provision for contingent losses)				
Currency hedging contracts	-41,334	-289,672	-61,328	-273,336
Equity instruments	0	-85,755	0	-19,796
	-41,334	79,768	-61,328	-1,077

Notional amounts represent the gross total of all buy and sell 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 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 as part of a hedging portfolio.

Hedged risk as of the balance sheet date

€ thousand / Maturity

	Notional	Net change in fair value	Maturity
Currency risk			
Risk			
Forward exchange transactions and options with subsidiaries	9,449,390	23,346	1 - 17 months
Hedging			
Forward exchange transactions and options with banks	9,406,427	-23,346	1 - 17 months
Equity instrument			
Risk			
Equity instrument with subsidiaries	89,265	-29,557	1 - 25 month
Hedging			
Equity instrument with banks	589,265	115,312	1 - 42 month
Equity instrument with banks	-500,000	-85,755	42 month

The difference in the notional amount relates to internal forward exchange transactions with subsidiaries 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).

17. Sales

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

Sales

€ thousand

	2019	2018
Breakdown by product group		
Footwear	966,543	995,914
Apparel	472,695	460,135
Hardware	74,715	78,686
	1,513,953	1,534,736
Other sales revenues	721,384	692,385
Licensing income	2,208,972	1,900,157
Sales	4,444,309	4,127,278

Of these revenues, € 2,157,095 thousand (prior year: € 2,140,094 thousand) was generated in Germany and € 2,287,214 thousand (prior year: € 1,987,184 thousand) outside Germany, mainly in Europe.

18. Other operating income

Other operating income consists mainly of € 499,109 thousand in foreign currency gains (prior year: € 372,242 thousand). Other operating income also includes € 31,476 thousand as a result of the release of allowances for doubtful accounts relating to receivables from affiliated companies (prior year: € 49,700) as well as income relating to other periods of € 90,232 thousand (prior year: € 137,562 thousand). This income includes essentially income from the reversal of accruals and provisions in an amount of € 44,350 thousand (prior year: € 69,202 thousand).

19. Cost of materials

Cost of materials

€ thousand

	2019	2018
Cost of raw materials, consumables and supplies, and of purchased merchandise	1,151,843	1,084,256
Cost of purchased services	458,904	454,188
Cost of materials	1,610,747	1,538,444

20. Personnel expenses

Personnel expenses

€ thousand

	2019	2018
Wages and salaries	649,278	589,075
Social security, post-employment and other employee benefit costs	147,056	141,822
of which for old-age pensions	63,371	56,996
Personnel expenses	796,334	730,897

The increase in personnel expenses related to higher salaries compared to the prior year due to salary increases as well as to expenses for the creation of provisions for social plans resulting from restructuring programs.

21. 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 € 69,659 thousand (prior year: € 51,011 thousand) relates to trademark rights as well as to computer software and licenses. Depreciation and write-downs of tangible fixed assets of € 50,063 thousand (prior year: € 46,558 thousand) relates primarily to depreciation of € 20,413 thousand (prior year: € 15,014 thousand) on buildings as well as depreciation of € 22,817 thousand (prior year: € 24,420 thousand) on other equipment, operating and office equipment.

22. 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, IT and maintenance costs, postal and telephone expenses, and outgoing freight. The € 55,690 thousand increase in these expenses essentially results from the increase in currency exchange losses by € 74,484 thousand to

€ 517,595 and IT and maintenance costs by € 71,297 thousand to € 401,420 thousand. Advertising and promotional expenses decreased by € 84,477 thousand to € 553,067 thousand. In addition, the allowance for doubtful accounts relating to receivables decreased by € 11,704 thousand to € 7,013 thousand. Other operating expenses include expenses not relating to the accounting period in an amount of € 21,833 thousand (prior year: € 41,004 thousand). Thereof, € 18,211 thousand (prior year: € 37,600 thousand) relates to a provision for risks, € 3,226 thousand (prior year: € 2,422 thousand) relates to the disposal of fixed assets and € 396 thousand (prior year € 982 thousand) relates to obligations to reverse constructional changes to office buildings, plants and retail stores.

23. Income from investments in related companies

Income from adidas AG's investments in related companies amounted to € 1,729,239 thousand (prior year: € 824,407 thousand) and essentially relates to dividend payments from subsidiaries in the Netherlands, Thailand, Ukraine and the Philippines.

24. Profits received/losses taken 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 lower gain from adidas Beteiligungsgesellschaft mbH amounting to € 211,580 thousand (prior year: € 719,773 thousand).

25. Interest result

Interest result

€ thousand

	2019	2018
Income from loans of long-term financial assets	399	399
of which from affiliated companies	399	399
Other interest and similar income	64,038	48,051
of which from affiliated companies	51,782	45,788
Interest and similar expenses	-67,935	-51,397
of which to affiliated companies	-36,820	-16,644
Interest result	-3,498	-2,947

The interest income in connection with pension provisions amounted to € 7,607 thousand (prior year interest expenses: € 12,627 thousand).

26. Taxes on income

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

Taxes on income does not include any gains or losses from deferred taxes.

adidas AG exercises the statutory right concerning the balancing of deferred tax assets and deferred tax liabilities in accordance with § 274 (1) sentence 3 HGB. In accordance with the option under § 274 (1) sentence 2 HGB, adidas AG has opted to forgo recognizing the surplus deferred tax assets of € 59,986 thousand in future tax benefits due to temporary accounting differences (prior year: € 61,521 thousand). This amount was calculated based on a combined income tax rate of 28%.

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

27. Remuneration of the Executive Board and the Supervisory Board

Executive Board

The overall compensation of the members of the Executive Board in the 2019 financial year amounted to € 9,795 thousand (previous year: € 10,532 thousand). In addition, a total LTIP Bonus amount of € 9,245 thousand (previous year: € 10,186 thousand) was granted to the Executive Board members which must be invested in the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions. These shares are subject to a lock-up period which ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The LTIP payout amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board.

Pension commitments

€ thousand

	Service cost		Accumulated pension obligation for the pension commitments	
	2019	2018	2019	2018
Executive Board members incumbent as at Dec. 31, 2019				
Kasper Rorsted	860	918	3,565	1,958
Roland Auschel	322	314	2,590	1,475
Eric Liedtke (until December 31, 2019)	346	322	2,479	1,410
Harm Ohlmeyer	395	373	1,253	656
Karen Parkin	375	357	1,113	583
Martin Shankland (since March 4, 2019)	301	0	301	0
Total	2,599	2,284	11,301	6,082
Executive Board members who departed in the 2019 financial year				
Gil Steyaert (until February 26, 2019)	672	562	1,498	826
Total	672	562	1,498	826

1) Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs correspond to the gross contribution credited by adidas AG for the respective financial year to the special account opened for him. For Gil Steyaert, the service

costs 2019 comprise the gross contribution contractually agreed due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for an early termination of the Executive Board mandate. The accumulated pension obligation for Gil Steyaert's pension commitment corresponds to the gross contribution credited by adidas AG during the time of his Executive Board mandate to the special account opened for him.

Further information is contained in the compensation report in the combined Management Report.

Former members of the Executive Board and their surviving dependents received a total of € 14,567 thousand in benefits in the 2019 financial year (prior year: € 3,746 thousand). The increase in the overall payments compared to the previous year is attributable to the severance payments granted to Eric Liedtke and Gil Steyaert due to their departure from the Executive Board in the year and at year-end of the year under review.

Provisions for pension entitlements have been created for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents, in an amount of € 40,119 thousand in total as at December 31, 2019 before netting with the assets of the "adidas Pension Trust e.V." (prior year: € 39,096 thousand).

There are pension commitments towards six 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 € 38,070 thousand (prior year: € 34,708 thousand) arise for adidas AG, for which no provisions were created due to financing through the pension fund and pension trust fund.

The Executive Board members have not received any loans and advance payments from adidas AG.

Supervisory Board

The annual total compensation for members of the Supervisory Board in accordance with the Articles of Association was € 2,367 thousand (prior year: € 2,329 thousand). This includes attendance fees in a total amount of € 167 thousand (prior year € 129 thousand).

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

28. Other disclosures

No. of employees (annual average)

	2019			2018		
	Total	Salaried	Wage	Total	Salaried	Wage
Global Sales	568	567	1	579	579	0
Headquarters						
Corporate Services	2,091	2,031	60	2,205	2,103	102
Marketing	1,723	1,723	0	1,800	1,800	0
Operations	2,346	1,058	1,288	2,156	1,066	1,090
Market Europe	980	829	151	995	850	145
	7,708			7,735		
As at December 31	7,703			7,830		

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 € 828,030 thousand as reported in the 2019 financial statements of adidas AG for a dividend payment of € 3.85 per dividend-entitled share. The subsequent remaining amount will be carried forward.

Declaration on the German Corporate Governance Code

In December 2019, the Executive Board and Supervisory Board of adidas AG issued an 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 corporate website.

Disclosures pursuant to § 285 no. 10 HGB

The disclosures pursuant to § 285 no. 10 HGB are contained in Appendix 1 to the notes to the financial statements.

Disclosures pursuant to § 285 no. 17 HGB

The fee for audit services provided by KPMG AG WPG related primarily to the audit of the consolidated financial statements and the annual financial statements of adidas AG as well as to the audit of the annual financial statements of its subsidiary, adidas CDC Immobilieninvest GmbH. In addition, audit-integrated project-related IT audits were carried out.

Other confirmation services consist of audits which are either required by law or contractually agreed, such as the audit of the Compliance Management System (IDW AuS 980), audit of non-financial statement, European Market Infrastructure Regulation (EMIR) audits according to § 20 WpHG, audits according to the German Packaging Ordinance (Verpackungsverordnung – VerpackV), audits of the utilization of funds, and other contractually agreed-upon confirmation services.

The tax consultancy services include support services for transfer pricing and consulting for sales taxes on a case-by-case basis.

Other services provided by the auditor consist of supporting services to ensure the quality of sales transactions.

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 25, 2020

The Executive Board of adidas AG

signed Kasper Rorsted

signed Roland Auschel

signed Brian Grevy

signed Harm Ohlmeyer

signed Karen Parkin

signed Martin Shankland

Supervisory Board

IGOR LANDAU

CHAIRMAN

residing in Lugano, Switzerland

born on July 13, 1944

Member of the Supervisory Board since May 13, 2004

Pensioner

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

UDO MÜLLER*

DEPUTY CHAIRMAN (SINCE MAY 9, 2019)

residing in Herzogenaurach, Germany

born on April 14, 1960

Member of the Supervisory Board since October 6, 2016

Director Communication, adidas AG

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

THOMAS RABE

DEPUTY CHAIRMAN (SINCE MAY 9, 2019)

residing in Berlin, Germany

born on August 6, 1965

Member of the Supervisory Board since May 9, 2019

Chairman and Chief Executive Officer, Bertelsmann Management SE, Gütersloh, Germany

Chief Executive Officer, RTL Group S.A., Luxembourg, Luxembourg

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Supervisory Board, Symrise AG, Holzminden, Germany¹

Membership in comparable domestic and foreign controlling bodies of commercial enterprises

Mandates held in foreign subsidiaries of Bertelsmann SE & Co. KGaA:

- Chairman of the Board of Directors, Penguin Random House LLC, New York, USA
- Member of the Supervisory Board, Majorel Group Luxembourg S.A., Luxembourg, Luxembourg²

¹ Until December 31, 2019, chairmanship until August 7, 2019.

² Since January 4, 2019, formerly known as ACR – Advanced Customer Relation S.à r.l.

*Employee representative

PETRA AUERBACHER*

residing in Emskirchen, Germany

born on December 27, 1969

Member of the Supervisory Board since May 9, 2019

Project Manager Creative Direction, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

IAN GALLIENNE

residing in Gerpinnes, Belgium

born on January 23, 1971

Member of the Supervisory Board since June 15, 2016

Chief Executive Officer, Groupe Bruxelles Lambert, Brussels, Belgium

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Board of Directors, Pernod Ricard SA, Paris, France
- Member of the Board of Directors, SGS SA, Geneva, Switzerland

Mandates within the Groupe Bruxelles Lambert or in entities under common control with 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, Compagnie Nationale à Portefeuille SA, Loverval, Belgium
- Member of the Board of Directors, Frère-Bourgeois SA, Loverval, Belgium
- Member of the Board of Directors, Château Cheval Blanc, Société Civile, Saint Emilion, France
- Member of the Board of Directors, GBL Advisors Ltd., London, United Kingdom
- Member of the Board of Directors, GBL Development Ltd., London, United Kingdom
- Member of the Supervisory Board, Marnix French ParentCo SAS (Webhelp Group), Paris, France³

ROSWITHA HERMANN*

residing in Erlangen, Germany

born on December 27, 1962

Member of the Supervisory Board since May 9, 2019

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

Deputy Chairwoman of the Works Council Herzogenaurach, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

³ Since November 19, 2019.

*Employee representative

HERBERT KAUFFMANN

residing in Stuttgart, Germany

born on April 20, 1951

Member of the Supervisory Board since May 7, 2009

Independent Management Consultant, Stuttgart, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

KATHRIN MENGES

residing in Großenbrode, Germany

born on October 16, 1964

Member of the Supervisory Board since May 8, 2014

Self-employed entrepreneur

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

Mandates held within the Henkel Group until resigning the Executive Board mandate at Henkel AG & Co. KGaA on April 9, 2019:

- 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 Finland Oy, Vantaa, Finland

ROLAND NOSKO*

residing in Wolnzach, Germany

born on August 19, 1958

Member of the Supervisory Board since May 13, 2004

District Manager of the Industrial Union IG Bergbau, Chemie, Energie (IG BCE), District of Nuremberg, Nuremberg, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany
- Member of the Supervisory Board, Plastic Omnium Automotive Exteriors GmbH, Munich, Germany

*Employee representative

BEATE ROHRIG*

residing in Glashütten, Germany

born on March 24, 1965

Member of the Supervisory Board since May 9, 2019

State District Manager of the Industrial Union IG Bergbau, Chemie, Energie (IG BCE), State District Bavaria, Munich, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Supervisory Board, Evonik Nutrition & Care GmbH, Essen, Germany
- Member of the Supervisory Board, Heraeus Holding GmbH, Hanau, Germany⁴
- Member of the Supervisory Board, Wacker Chemie AG, Munich, Germany⁵

NASSEF SAWIRIS

residing in London, United Kingdom

born on January 19, 1961

Member of the Supervisory Board since June 15, 2016

Chief Executive Officer & Member of the Board of Directors, OCI N.V., Amsterdam, The Netherlands

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Board of Directors, LafargeHolcim Ltd., Jona, Switzerland⁶

FRANK SCHEIDERER*

residing in Wilhelmsdorf, Germany

born on April 16, 1977

Member of the Supervisory Board since May 9, 2019

Director Head Office – Brand & Sales Finance, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

MICHAEL STORL*

residing in Oberreichenbach, Germany

born on July 3, 1959

Member of the Supervisory Board since May 9, 2019

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

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

⁴ Until December 31, 2019.

⁵ Since July 18, 2019.

⁶ Until May 15, 2019.

*Employee representative

BODO UEBBER

residing in Stuttgart, Germany

born on August 18, 1959

Member of the Supervisory Board since May 9, 2019

Independent Management Consultant

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA / Bertelsmann Management SE, Gütersloh, Germany
- Chairman of the Supervisory Board, Daimler Financial Services AG, Stuttgart, Germany⁷

Membership in comparable domestic and foreign controlling bodies of commercial enterprises until resigning the Executive Board mandate at Daimler AG on May 22, 2019:

- Member of the Board of Directors, BAIC Motor Corporation Ltd., Beijing, China
- Member of the Board of Directors, Mercedes-Benz Grand Prix Ltd., Brackley, United Kingdom
- Member of the Board of Directors, Delta Topco Ltd., St Helier, Jersey, United Kingdom

JING ULRICH

residing in Hong Kong, China

born on June 28, 1967

Member of the Supervisory Board since May 9, 2019

Vice Chairman of Global Banking and Asia Pacific, JPMorgan Chase & Co., New York, USA

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

GÜNTER WEIGL*

residing in Oberreichenbach, Germany

born on April 14, 1965

Member of the Supervisory Board since May 9, 2019

Senior Vice President Global Sports Marketing & Brand Relations, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

⁷ Until May 22, 2019.

*Employee representative

SUPERVISORY BOARD MEMBERS INCUMBENT UNTIL THE END OF THE ANNUAL GENERAL MEETING ON MAY 9, 2019:

SABINE BAUER*

DEPUTY CHAIRWOMAN

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

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

WILLI SCHWERDTLE

DEPUTY CHAIRMAN

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

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

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

DR. FRANK APPEL

Chief Executive Officer, Deutsche Post AG, Bonn, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

DIETER HAUENSTEIN*

Specialist for job safety, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

DR. WOLFGANG JÄGER*

Research Fellow at the Institute for Social Movements at the Ruhr Universität Bochum, Expert Commission 'Cultures of remembrance of social democracy' of Hans-Böckler-Stiftung, Bochum, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

*Employee representative

KATJA KRAUS

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

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

HANS RUPRECHT*

Vice President Customer Service Central, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

HEIDI THALER-VEH*

Full-time member of the Works Council Uffenheim, adidas AG, Uffenheim, Germany

Chairwoman of the Works Council Uffenheim, adidas AG, Uffenheim, Germany

Deputy Chairwoman of the Central Works Council, adidas AG, Herzogenaurach, Germany

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

KURT WITTMANN*

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

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

*Employee representative

Executive Board

KASPER RORSTED, PÖCKING, GERMANY CHIEF EXECUTIVE OFFICER

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

- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland
- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA / Bertelsmann Management SE, Gütersloh, Germany¹

ROLAND AUSCHEL, ERLANGEN, GERMANY EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL SALES

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

- none

BRIAN GREVY², HERZOGENAURACH, GERMANY EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL BRANDS

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Board of Directors, Pitzner Gruppen Holding A/S, Copenhagen, Denmark

HARM OHLMEYER, RÖTTENBACH, GERMANY CHIEF FINANCIAL OFFICER

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

- none

KAREN PARKIN, PORTLAND, USA EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL HUMAN RESOURCES

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

- none

MARTIN SHANKLAND³, NUREMBERG, GERMANY EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL OPERATIONS

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

¹ Until March 31, 2019.

² Since February 1, 2020.

³ Since March 4, 2019.

MEMBER OF THE EXECUTIVE BOARD UNTIL FEBRUARY 26, 2019:

GIL STEYAERT, WILMSLOW, UNITED KINGDOM

EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL OPERATIONS

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Supervisory Board, Fashion for Good B.V., Amsterdam, The Netherlands⁴

MEMBER OF THE EXECUTIVE BOARD UNTIL DECEMBER 31, 2019:

ERIC LIEDTKE, ERLANGEN, GERMANY

EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL BRANDS

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Board of Directors, Carbon, Inc., Redwood City, USA
- Member of the Supervisory Board, Fashion for Good B.V., Amsterdam, The Netherlands⁵

⁴ Until February 26, 2019.

⁵ From April 25, 2019 until December 31, 2019.

Shareholdings of adidas AG, Herzogenaurach
at December 31, 2019

Company and Domicile	Company Code		Currency	Equity (currency units in thousands)	Share in capital held by 1)	in %	Profit / Loss (currency units in thousands)
Germany							
1 adidas Insurance & Risk Consultants GmbH 2)	200	Herzogenaurach (Germany)	EUR	26	directly	100	-
2 adidas Beteiligungsgesellschaft mbH 2)	400	Herzogenaurach (Germany)	EUR	681.990	directly	100	-
3 adidas CDC Immobilieninvest GmbH	370	Herzogenaurach (Germany)	EUR	7.168	14	100	392
4 adidas Verwaltungsgesellschaft mbH 3)	R530	Herzogenaurach (Germany)	EUR	4.250	71	100	(27)
5 adidas anticipation GmbH 2)	380	Herzogenaurach (Germany)	EUR	25	directly	100	-
6 adidas Business Services GmbH	N/A	Herzogenaurach (Germany)	EUR	341	directly	100	106
Europe (incl. Middle East and Africa)							
7 adidas sport gmbh	3800	Cham (Switzerland)	CHF	6.504	directly	100	2.421
8 adidas Austria GmbH	4000	Klagenfurt (Austria)	EUR	6.979	directly	95,89 7 4,11	1.447
9 runtastic GmbH	4070	Pasching (Austria)	EUR	4.950	11	100	318
10 adidas France S.a.r.l.	1000	Strasbourg (France)	EUR	365.880	directly	100	117.954
11 adidas International B.V.	510	Amsterdam (Netherlands)	EUR	6.402.257	directly	93,97 10 6,03	556.038
12 adidas International Trading AG	610 / 950	Lucerne (Switzerland)	EUR	2.474.737	11	100	1.035.412
13 adidas International Marketing B.V.	520	Amsterdam (Netherlands)	EUR	46.329	11	100	1.596
14 adidas International Property Holding B.V.	470	Amsterdam (Netherlands)	EUR	53.741	81	100	1.369
15 adidas Infrastructure Holding B.V.	480	Amsterdam (Netherlands)	EUR	(53)	11	100	(27)
16 adidas Benelux B.V.	4200	Amsterdam (Netherlands)	EUR	4.592	directly	100	4.348
17 adidas Ventures B.V.	460	Amsterdam (Netherlands)	EUR	(31.485)	11	100	(17)
18 adidas (UK) Limited	2000	Stockport (Great Britain)	GBP	30.607	11	100	25.641
19 Reebok International Limited 5)	R270 / R280	London (Great Britain)	EUR	328.765	71	100	(2.989)
20 Trafford Park DC Limited	R580	London (Great Britain)	GBP	1.743	15	100	311
21 Reebok Pensions Management Limited 3) 5)	-	London (Great Britain)	GBP	-	19	100	-
22 Reebok Europe Holdings 3)	R230	London (Great Britain)	GBP	21.052	19	100	257
23 Luta Limited 3) 5)	-	London (Great Britain)	GBP	-	19	100	-
24 adidas (Ireland) Limited	3400	Dublin (Ireland)	EUR	2.776	11	100	682
25 adidas International Re DAC	3500	Dublin (Ireland)	EUR	26.536	11	100	5.162
26 Reebok Ireland Limited 3)	R290	Dublin (Ireland)	EUR	56	24	100	-
27 Five Ten Europe NV 3)	4250	Lasne (Belgium)	EUR	138	73	100	447
28 adidas España S.A.U.	2200	Zaragoza (Spain)	EUR	42.591	2	100	13.253
29 adidas Finance Spain S.A.U.	R600	Zaragoza (Spain)	EUR	36.575	71	100	78
30 adidas Italy S.p.A.	4700	Monza (Italy)	EUR	57.457	11	100	9.764
31 adidas Portugal - Artigos de Desporto, S.A.	4600	Lisbon (Portugal)	EUR	7.050	11	100	1.591
32 adidas Business Services Lda.	4620	Morea de Maia (Portugal)	EUR	1.702	11	98 2	988
33 adidas Norge AS	2400	Oslo (Norway)	NOK	31.051	directly	100	12.672
34 adidas Sverige AB	2600	Solna (Sweden)	SEK	101.705	directly	100	51.213
35 adidas Finance Sverige AB	R555	Solna (Sweden)	SEK	271.392	71	100	471
36 adidas Suomi Oy	2500	Helsinki (Finland)	EUR	1.729	11	100	714
37 adidas Danmark A/S	2700	Copenhagen (Denmark)	DKK	18.379	11	100	6.006
38 adidas CR s.r.o.	3200	Prague (Czech Republic)	CZK	108.354	directly	100	41.415
39 adidas Budapest Kft.	2800	Budapest (Hungary)	HUF	1.052.995	directly	100	423.551
40 adidas Bulgaria EAD	5210	Sofia (Bulgaria)	BGN	6.106	directly	100	881
41 LLC "adidas, Ltd."	3600	Moscow (Russia)	RUB	29.906.146	8	100	1.936.378
42 adidas Poland Sp. z o.o.	3000	Warsaw (Poland)	PLN	73.373	directly	100	34.843
43 adidas Finance Poland S.A.	R330	Warsaw (Poland)	PLN	100.849	71	100	1.050
44 adidas Romania S.R.L.	5700	Bucharest (Romania)	RON	16.983	11	100	2.149
45 adidas Baltics SIA	2300	Riga (Latvia)	EUR	1.979	11	100	61
46 adidas Slovakia s.r.o.	5100	Bratislava (Slovak Republic)	EUR	1.191	directly	100	792
47 adidas Trgovina d.o.o.	2900	Ljubljana (Slovenia)	EUR	648	directly	100	259
48 SC "adidas-Ukraine"	4900	Kiev (Ukraine)	UAH	896.051	directly	100	221.926
49 adidas LLP	3700	Almaty (Republic of Kazakhstan)	KZT	5.677.900	directly	100	2.441.147
50 adidas Serbia d.o.o.	5950	Belgrade (Serbia)	RSD	761.892	11	100	316.388
51 adidas Croatia d.o.o.	5900	Zagreb (Croatia)	HRK	52.573	11	100	6.942
52 adidas Hellas A.E.	4800	Athens (Greece)	EUR	24.094	directly	100	2.181
53 adidas (Cyprus) Limited	5600	Nicosia (Cyprus)	EUR	995	directly	100	364
54 adidas Spor Malzemeleri Satış ve Pazarlama A.Ş.	5500	Istanbul (Turkey)	TRY	421.070	11	100	94.894
55 adidas Emerging Markets L.L.C	5000 / 5070	Dubai (United Arab Emirates)	USD	20.542	indirectly	51 10 49	1.479
56 adidas Emerging Markets FZE	5050	Dubai (United Arab Emirates)	USD	83.778	11	100	65.065
57 adidas Levant Limited	4650	Dubai (United Arab Emirates)	JOD	3.265	56	100	-
58 adidas Levant Limited - Jordan	4750	Amman (Jordan)	JOD	1.657	57	100	1.110
59 adidas Imports & Exports Ltd.	4570	Cairo (Egypt)	EGP	(19.738)	60	99,98 11 0,02	11.933
60 adidas Sporting Goods Ltd.	4550	Cairo (Egypt)	EGP	299.211	11	90	13.638
61 adidas Egypt Ltd. 3)	4500	Cairo (Egypt)	USD	(1.831)	6 10 directly	99,13 10 0,87	-
62 adidas Israel Ltd. (formerly: Life Sport Ltd.)	4350	Holon (Israel)	ILS	145.195	11	85	31.785

Shareholdings of adidas AG, Herzogenaurach
at December 31, 2019

Company and Domicile	Company Code	Currency	Equity (currency units in thousands)	Share in capital held by 1)	in %	Profit / Loss (currency units in thousands)
63 adidas Morocco LLC	5470 Casablanca (Morocco)	MAD	(14.996)	directly	100	42.854
64 adidas (South Africa) (Pty) Ltd.	5800 Cape Town (South Africa)	ZAR	392.083	directly	100	35.411
North America						
65 adidas North America, Inc.	736 Portland, Oregon (USA)	USD	4.918.948	11	100	156.145
66 adidas America, Inc.	6038 Portland, Oregon (USA)	USD	334.916	65	100	44.823
67 adidas International, Inc.	6036 Portland, Oregon (USA)	USD	88.036	65	100	10.272
68 adidas Team, Inc. 3)	6050 Des Moines, Iowa (USA)	USD	(1.013)	65	100	-
69 The Reebok Worldwide Trading Company, LLC	R030 Wilmington, Delaware (USA)	USD	19.551	71	100	54
70 Reebok Securities Holdings LLC 3) 4)	R140 Wilmington, Delaware (USA)	USD	-	71	100	-
71 Reebok International Ltd. 4)	R010 Boston, Massachusetts (USA)	USD	(1.386.509)	65	100	(96.499)
72 adidas Indy, LLC	R080 Wilmington, Delaware (USA)	USD	(124)	71	99	(21.353)
73 Stone Age Equipment, Inc. 3)	6250 Redlands, California (USA)	USD	3.425	70	1	6.805
74 Spartanburg DC, Inc.	6160 Spartanburg, South Carolina (USA)	USD	17.680	66	100	2.560
75 adidas Canada Limited	6200 Woodbridge, Ontario (Canada)	CAD	206.404	11	100	34.670
Asia						
76 adidas Sourcing Limited	8200 Hong Kong (China)	USD	298.310	12	100	283.404
77 adidas Services Limited	8260 Hong Kong (China)	USD	15.305	11	100	633
78 adidas Hong Kong Limited	8000 Hong Kong (China)	HKD	170.781	2	100	(61.910)
79 Reebok Trading (Far East) Limited 3)	R210 Hong Kong (China)	USD	32.658	71	100	673
80 adidas (Suzhou) Co. Ltd.	9800 Suzhou (China)	CNY	247.614	2	100	15.350
81 adidas Sports (China) Co. Ltd.	9500 Suzhou (China)	CNY	11.268.823	2	100	5.765.925
82 adidas (China) Ltd.	9850 Shanghai (China)	CNY	594.947	11	100	209.545
83 adidas Sports Goods (Shanghai) Co., Ltd.	9550 Shanghai (China)	CNY	29.748	82	100	(282)
84 Runtastic Software Technology (Shanghai) Co., Ltd.	4080 Shanghai (China)	CNY	7.012	11	100	(499)
85 Zhuhai adidas Technical Services Limited 3)	R590 Zhuhai (China)	CNY	43.922	76	100	(49)
86 adidas Logistics (Tianjin) Co., Ltd.	9570 Tianjin (China)	CNY	175.061	15	100	7.798
87 adidas Business Services (Dalian) Limited	9820 Dalian (China)	CNY	22.669	11	100	9.665
88 adidas Japan K.K.	7900 Tokyo (Japan)	JPY	6.849.691	11	100	3.437.342
89 adidas Korea LLC.	7800 Seoul (Korea)	KRW	275.549.295	directly	100	55.243.727
90 adidas Korea Technical Services Limited	8291 Busan (Korea)	KRW	4.447.478	76	100	395.049
91 adidas India Private Limited	8770 New Delhi (India)	INR	4.647.752	directly	10,67	17.080
92 adidas India Marketing Private Limited	8700 New Delhi (India)	INR	9.638.920	11	89,33	1.680.792
93 adidas Technical Services Private Limited	R060 New Delhi (India)	INR	214.483	11	98,62	1
94 Reebok India Company	R470 New Delhi (India)	INR	(20.861.731)	directly	0,37	(19.345)
95 PT adidas Indonesia	8350 Jakarta (Indonesia)	IDR	578.047.649	104	93,15	596.741
96 adidas (Malaysia) Sdn. Bhd.	8500 Petaling Jaya (Malaysia)	MYR	77.600	directly	0,33	102.406.662
97 adidas Philippines Inc.	8900 Pasig City (Philippines)	PHP	828.481	directly	60	44.368
98 adidas Singapore Pte. Ltd.	8400 Singapore (Singapore)	SGD	26.454	11	40	230.683
99 adidas Taiwan Limited	7700 Taipei (Taiwan)	TWD	1.234.009	directly	100	8.772
100 adidas (Thailand) Co., Ltd.	8800 Bangkok (Thailand)	THB	1.299.952	directly	100	609.230
101 adidas Australia Pty Limited	6800 Mulgrave (Australia)	AUD	84.145	11	100	28.306
102 adidas New Zealand Limited	6800 Auckland (New Zealand)	NZD	8.734	directly	100	6.969
103 adidas Vietnam Company Limited	8850 Ho Chi Minh City (Vietnam)	VND	91.645.267	11	100	189.518.393
104 Reebok (Mauritius) Company Limited	R740 Port Louis (Mauritius)	USD	2.204	71	99,07	-
Latin America						
105 adidas Argentina S.A.	7300 Buenos Aires (Argentina)	ARS	2.143.690	11	76,96	(712.559)
106 Reebok Argentina S.A. 3)	R680 Buenos Aires (Argentina)	ARS	(129.359)	2	23,04	6
107 adidas do Brasil Ltda.	7000 São Paulo (Brazil)	BRL	650.725	11	96,25	3,75
108 adidas Franchise Brasil Servicos Ltda.	7100 São Paulo (Brazil)	BRL	32.078	2	100	203.533
109 Reebok Produtos Esportivos Brasil Ltda. 3)	R660 São Paulo (Brazil)	BRL	12.476	107	99,99	0,01
110 adidas Chile Limitada	7500 Santiago de Chile (Chile)	CLP	82.987.446	directly	100	38.827
111 adidas Colombia Ltda.	6510 Bogotá (Colombia)	COP	24.340.366	1	99	1
112 adidas Perú S.A.C.	6720 Lima (Peru)	PEN	123.237	directly	100	19.428.158
113 adidas de Mexico, S.A. de C.V.	6400 Mexico City (Mexico)	MXN	1.440.626	110	99,21	1,363
114 adidas Industrial, S.A. de C.V.	6430 Mexico City (Mexico)	MXN	466.822	directly	100	(23.130)
115 Reebok de Mexico, S.A. de C.V. 3)	R480 Mexico City (Mexico)	MXN	(579.341)	directly	100	190.031
116 adidas Latin America, S.A.	7200 Panama City (Panama)	USD	(54.085)	directly	100	467
117 Concept Sport, S.A.	7260 Panama City (Panama)	USD	3.069	11	100	10.972
118 3 Stripes S.A. 3)	7400 Montevideo (Uruguay)	UYU	(436)	directly	100	313
119 Tatibol S.A.	7450 Montevideo (Uruguay)	UYU	(38.065)	directly	100	(61.550)
120 Raetit S.A. 3)	7420 Montevideo (Uruguay)	UYU	58.678	directly	100	7.609
121 adidas Sourcing Honduras, S.A. 4)	- San Pedro Sula (Honduras)	HNL	-	71	99,6	-
122 adidas Corporation de Venezuela, S.A. 3)	7600 Caracas (Venezuela)	VEF	(17)	69	0,4	-

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2019**

Company and Domicile	Company Code	Currency	Equity (currency units in thousands)	Share in capital held by 1)	in %	Profit / Loss (currency units in thousands)	
123 adisport Corporation	7270	San Juan (Puerto Rico)	USD	(733)	11	100	(1,075)
124 adidas Sourcing El Salvador, S.A. de C.V.	6930	Antiguo Cuscatlán (El Salvador)	USD	8	11	99,95	6
				directly	0,05		

- 1) The number refers to the number of the company.
- 2) Profit and loss transfer agreement.
- 3) Company with no active business.
- 4) Sub-group Reebok International Ltd.
- 5) Sub-group Reebok International Limited.

Independent Auditor's Report

To adidas AG, Herzogenaurach

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of adidas AG, Herzogenaurach, which comprise the balance sheet as of December 31, 2019, and the income statement for the financial year from January 1 to December 31, 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report (“management report”) of adidas AG, Herzogenaurach, for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the “Other Information” section of our auditor's report.

The management report contains cross references, marked as not audited, that are not provided for by law. In accordance with German legal requirements, we have not audited the cross-references or the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the “Other Information” section of the auditor's report. The management report contains cross references, marked as not audited, that are not provided for by law. Our opinion does not cover these cross-references and the information to which the cross-reference refer.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of shares in affiliated companies

Please refer to the 'Accounting policies' section in the notes to the financial statements for more information on the accounting policies applied and to section 3 in the notes to the financial statements for information on the accounting of financial assets.

THE FINANCIAL STATEMENT RISK

An amount of EUR 4,141 million in shares in affiliated companies was recognized under the 'Financial assets' item in the annual financial statements of adidas AG, Herzogenaurach, as of December 31, 2019. The shares in affiliated companies account for 41.1 % of total assets and thus have a material effect on the Company's assets and liabilities.

adidas AG's Executive Board recognizes the shares in affiliated companies at cost or, if they are expected to be permanently impaired, at their lower fair value.

Fair value depends largely on the assumptions made and is therefore subject to significant judgment. This related in particular to the appropriate estimation of future cash flows and growth rates, appropriate determination of the risk-appropriate weighted average cost of capital and the appropriate assessment of the permanence of the impairment or reversal of an impairment loss.

There is the risk for the annual financial statements that an impairment loss or a reversal of an impairment loss existing as of the reporting date was not identified.

OUR AUDIT APPROACH

We use a risk-based audit approach. First, we used the information obtained during our audit to assess which shares in affiliated companies indicated a need for impairment.

Our audit procedures also included assessing the valuation model for the business valuations carried out by the Company. We confirmed the methodically correct derivation and appropriateness of the number of risk-appropriate discount rates used. For this reason we made our own estimates of the underlying parameters for the weighted average cost of capital (such as risk-free rate, market risk premium, beta factor) and compared these with the client's assumptions. To support this assessment, we included our employees specializing in company valuation in the audit team.

Furthermore, we evaluated whether the budgeted cash flows underlying the valuations were made according to proper and reasonable assumptions. To do this, we obtained clarification from the Company or individuals at affiliated companies specified by the Company on these assumptions and the impact of strategic and operating activities on the budgeted cash flows. We used industry benchmarks to review the long-term earnings forecasts in relation to the appropriateness of the budgeted figures and assumptions included. To the extent possible, we assessed the planning quality by comparing past budgets with the actual annual results. Finally, we discussed with Investment Controlling the measurements that had been established by adidas AG and verified the accounting entry of the measurements derived from this.

OUR OBSERVATIONS

The valuation model used by adidas AG is appropriate and in line with applicable valuation policies. The Executive Board's assumptions underlying the measurement are balanced as a whole.

Other Information

Management or the supervisory board is responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the integrated combined non-financial statement which is marked as unaudited,
- and the corporate governance statement with the corporate governance report.

The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Annual Financial Statements and the Management Report

The Executive Board is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the Executive Board is responsible for such internal control as it, in accordance with German legally required accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Executive Board is responsible for preparing a management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for preparing the annual financial statements and the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives include obtaining reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Management as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the

key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 9, 2019. We were engaged by the Supervisory Board on August 7, 2019. We have been the auditor of adidas AG as a publicly-traded company without interruption since financial year 1995.

We declare that the opinions expressed in the independent auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Haiko Schmidt.

Munich, February 27, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

signed Andrejewski	signed Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[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 25, 2020

signed Kasper Rorsted
CEO

signed Roland Auschel
Global Sales

signed Brian Grevy
Global Brands

signed Harm Ohlmeyer
CFO

signed Karen Parkin
Global Human Resources

signed Martin Shankland
Global Operations

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

Last year, the company's success story from the foundation in 1949 up until today was highlighted in an impressive manner by a successful 70th anniversary celebration and the completion of the extension of the headquarters in Herzogenaurach, Germany. From a financial point of view, too, we look back on 2019 as another successful year. Thanks to a sharp focus on our consumers' needs as part of the stringent execution of our strategic business plan 'Creating the New', the company was once again able to increase sales and achieve strong bottom-line growth in the 2019 financial year. While double-digit growth in the key e-commerce sales channel as well as in our focus market Greater China merit special mention, the company's growth as a whole was broad-based, with top-line increases in all regions, including our home market Europe. Supply chain shortages which slowed the company's growth, mainly in North America in the first half of the year, were quickly and permanently mitigated. In light of this sales momentum as well as the continuing high investments into our brands and the scalability of the business, the company is in an excellent position to successfully conclude the strategy cycle 2015-2020 in the current financial year. We continue to ensure that we share the positive development of the company with our shareholders, as underscored by the total cash return from the dividend payout and share buyback of € 1.5 billion in 2019.

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, the German Corporate Governance Code ('Code') and the Rules of Procedure carefully and conscientiously, as in previous years. We regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof. The Executive Board involved us directly and in a timely and comprehensive manner in all of the company's fundamental decisions.

The Executive Board informed us extensively and regularly 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 accounting processes, the risk situation and the effectiveness of the internal control and risk management systems 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 we 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 analyze 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 extensive consultation. At the Supervisory Board meetings, the Executive Board was available to discuss and answer our questions. In the periods between our meetings, the Executive Board also provided us with extensive, timely monthly reports on the current business situation. We critically examined and specifically challenged the information provided to us by the Executive Board.

In the past financial year, the Supervisory Board primarily exercised its duties in plenary sessions. We held eight regular meetings of the entire Supervisory Board, one of which was a constituent meeting and one which took place outside Germany. Moreover, one resolution was passed by way of a circular resolution.

As in previous years, we were able to record a constantly high participation rate in our consultations despite a high number of meetings in the year under review. The overall attendance rate of the members at the meetings of the Supervisory Board and its committees was around 96% in the year under review. Members who were unable to participate in the meetings took part in the resolutions by submitting their vote in writing. [SEE TABLE 1](#)

Individual meeting participation of the Supervisory Board members
 in meetings of the Supervisory Board in the 2019 financial year

1

Members of the Supervisory Board as at December 31, 2019	Number of meetings	Participation	Participation in %
Igor Landau, Chairman of the Supervisory Board	16	16	100
Udo Müller, Deputy Chairman of the Supervisory Board ¹	12	11	92
Thomas Rabe, Deputy Chairman of the Supervisory Board ²	9	8	89
Petra Auerbacher ²	4	4	100
Ian Gallienne	13	12	92
Roswitha Hermann ²	4	3	75
Herbert Kauffmann	13	13	100
Kathrin Menges	10	10	100
Roland Nosko	14	14	100
Beate Rohrig ²	4	3	75
Nassef Sawiris	8	8	100
Frank Scheiderer ²	7	7	100
Michael Storl ²	4	4	100
Bodo Uebber ²	4	4	100
Jing Ulrich ²	4	3	75
Günter Weigl ²	7	7	100
Members of the Supervisory Board until the end of the Annual General Meeting on May 9, 2019			
Sabine Bauer, Deputy Chairwoman of the Supervisory Board	6	6	100
Willi Schwerdtle, Deputy Chairman of the Supervisory Board	7	7	100
Dr. Frank Appel	4	4	100
Dieter Hauenstein	4	4	100
Dr. Wolfgang Jäger	6	6	100
Katja Kraus	4	4	100
Hans Ruprecht	6	6	100
Heidi Thaler-Veh	4	4	100
Kurt Wittmann	4	4	100

¹ Deputy Chairman of the Supervisory Board from the end of the Annual General Meeting on May 9, 2019

² Member of the Supervisory Board from the end of the Annual General Meeting on May 9, 2019

The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) attended all regular meetings of the Supervisory Board, with the exception of the meeting which took place outside Germany, insofar as no Executive Board matters or internal matters of the Supervisory Board 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 planning and development, the risk situation and risk management as well as compliance. In addition, the Supervisory Board Chairman was informed about events of fundamental importance for the management and for evaluating the situation and development of the company, when necessary also at short notice.

The Supervisory Board also regularly conferred on, in particular, Supervisory Board matters and personnel matters of the Executive Board without the Executive Board.

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 every Supervisory Board meeting and were discussed regularly. Moreover, we discussed the company's business strategy and the annual and multi-year business planning of the Executive Board. In this context, we were particularly informed on a regular basis about the progress made in mitigating the supply chain shortages in North America. Further topics which were always discussed were the possible impact of global economic developments as well as the development of the individual brands and markets.

The Executive Board outlined the company's situation and retail strategy at the February meeting. We also discussed important potential and pending legal disputes. The Executive Board reported on the financial figures for the 2018 financial year at the balance sheet meeting in March. After in-depth examination of the financial statements, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the combined Management Report, including the non-financial statement for adidas AG and the Group as at December 31, 2018. The annual financial statements were thus adopted. Prior to the passing of the resolution, the auditor reported on the material results of the audit, including the results of the examination of the content of the non-financial statement commissioned by the Supervisory Board in accordance with § 111 section 2 sentence 4 German Stock Corporation Act (Aktiengesetz – AktG). Furthermore, the Supervisory Board Report to the Annual General Meeting for the 2018 financial year was approved. Finally, we discussed, inter alia, the business

development of Reebok and innovation at adidas. At the May meeting, we primarily dealt with the results for the first quarter of the year under review. Particular topics of the August meeting were the financial results for the second quarter and the first half year. We also discussed the business development in Emerging Markets and dealt in detail with the main sustainability initiatives. At our annual strategy meeting in October, we discussed the details presented by the Executive Board regarding the strategic business plan 'Creating the New'. Another focal point of the October meeting was the development of business in Asia-Pacific. Finally, topics of our December meeting were the 2020 Budget and Investment Plan as well as the marketing and sponsorship agreements concluded in the year under review.

TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL

In accordance with statutory regulations or the Rules of Procedure of the Supervisory Board, certain transactions and measures require the prior approval of the Supervisory Board. We approved the following measures in the period under review:

In March, we approved the resolutions proposed to the Annual General Meeting on May 9, 2019 ('2019 Annual General Meeting'), including the proposal regarding the appropriation of retained earnings for the 2018 financial year. At the May meeting, we approved the adjusted resolution proposal of the Executive Board on the appropriation of retained earnings. The adjustment was necessary as the number of dividend-entitled shares had decreased since the publication of the invitation to the Annual General Meeting, due to the ongoing share buyback program. Furthermore, we approved Eric Liedtke taking over a supervisory board mandate at Fashion for Good B.V. At our December meeting, after comprehensive consultation, we approved the 2020 Budget and Investment Plan of the Executive Board.

COMPOSITION OF THE EXECUTIVE BOARD

In the year under review, we dealt extensively with personnel matters of the Executive Board.

We appointed Martin Shankland as a new member of the Executive Board, responsible for Global Operations, with effect from March 2019. Martin Shankland succeeded Gil Steyaert. As successor to Eric Liedtke, we appointed Brian Grevy as a member of the Executive Board, responsible for Global Brands, with effect from February 1, 2020. Moreover, we extended the Executive Board mandates of Karen Parkin, responsible for Global Human Resources, and Harm Ohlmeyer, responsible for Finance, for another five years until 2025, respectively.

In this respect and after in-depth examination, we approved the newly concluded Executive Board service contracts with Martin Shankland and Brian Grevy as well as the amended

Executive Board contracts of Karen Parkin and Harm Ohlmeyer as part of the extension of their mandates. We also discussed the long-term succession planning for the Executive Board based on the General Committee's preparations.

EXECUTIVE BOARD COMPENSATION

Another focal point of our work was Executive Board compensation. After an in-depth review of the individual performance of the Executive Board members and the achievement of the targets set for the 2018 Performance Bonus and the 2018 tranche for the Long-Term Incentive Plan 2018/2020 ('LTIP 2018/2020'), we resolved upon the performance-related compensation to be paid to the Executive Board members for the 2018 Performance Bonus and the 2018 LTIP tranche at our meetings in February. The Supervisory Board also determined the appropriateness of the Executive Board compensation. Furthermore, after comprehensive consultation, we set the criteria and targets decisive for the 2019 Performance Bonus and the 2019 tranche for the LTIP 2018/2020 along with the individual bonus target amounts for each Executive Board member at our meetings in February and March.

Further detailed information on the Executive Board compensation can be found in the Compensation Report. [■ SEE COMPENSATION REPORT, P. 30](#)

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 recommendations of the Code. The General Committee and the entire Supervisory Board proactively discussed in depth the changed requirements of the German Stock Corporation Act and the Code in regard to corporate governance at their meetings in October and December. Further detailed information on corporate governance within the company can be found in the Declaration on Corporate Governance and Corporate Governance Report. [■ SEE DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT, P. 24](#)

Following an in-depth discussion, the current Declaration of Compliance pursuant to § 161 AktG was resolved upon by the Executive Board and Supervisory Board of adidas AG in December 2019 and was made permanently available on our website. [➤ ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance)

During our consultations regarding the Declaration of Compliance, we particularly discussed the independence of the members of the Supervisory Board as per the respective independence criteria. In the Supervisory Board's assessment, all Supervisory Board members representing

the shareholders were independent within the meaning of section 5.4.2 of the Code in the year under review.

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. It must be pointed out that the company concluded a contract with a company in which one Supervisory Board member in office until the end of the 2019 Annual General meeting is involved. The Supervisory Board had already approved this contract and the business volume stipulated in this contract in December 2018. In the view of the Supervisory Board, there was no conflict of interest. Nevertheless, as in previous years, the Supervisory Board member concerned did not participate in the voting on the respective resolution.

Both the Supervisory Board and the Audit Committee reviewed the efficiency of their work in the 2018 financial year. The members of the Supervisory Board assessed the work in the entire Supervisory Board and in the Audit Committee as efficient in both cases and resolved upon individual improvements regarding the organization of the Supervisory Board's work. These improvements were implemented in the year under review. The next efficiency examination of the Supervisory Board and Audit Committee is scheduled for the 2020 financial year in light of, inter alia, the changed composition of the Supervisory Board as a result of the new election of the shareholder and employee representatives in 2019.

The members of the Supervisory Board are individually responsible for undertaking any necessary training and further education measures required for their tasks. In the year under review, the company offered the newly elected members of the Supervisory Board an onboarding program relating to the work of the Supervisory Board at adidas AG in order to facilitate the exercise of their mandates. Furthermore, in the context of the Supervisory Board meeting outside Germany, the company enabled members of the Supervisory Board to visit key suppliers in Vietnam.

EFFICIENT COMMITTEE WORK

In order to perform our tasks in an efficient manner, we have established a total of five standing Supervisory Board committees. ■ [SEE SUPERVISORY BOARD, P. 15](#) The newly elected Supervisory Board resolved at its constituent meeting in May to no longer constitute the Finance and Investment Committee.

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. Herbert Kauffmann is the Chairman of the Audit Committee. The respective committee chairmen report to the Supervisory Board on the content and results of the committee meetings on a regular and comprehensive basis.

- The **Steering Committee** did not meet in the year under review.
- The **General Committee** held six meetings in the year under review.

The main focus was the preparation of the resolutions of the entire Supervisory Board regarding personnel matters of the Executive Board and Executive Board compensation. The General Committee particularly discussed the resignation of Gil Steyaert and Eric Liedtke, the appointment of Martin Shankland and Brian Grevy as well as the extension of the mandates of Karen Parkin and Harm Ohlmeyer. With reference to the Executive Board compensation, the primary focus was on preparation of the resolutions relating to target achievement for the 2018 Performance Bonus and the 2018 LTIP tranche and the targets for the 2019 Performance Bonus and the 2019 LTIP tranche, as well as on the establishment of the appropriateness of the Executive Board compensation. Furthermore, the General Committee dealt intensively with long-term succession planning for the Executive Board as well as with the changed requirements of the German Stock Corporation Act and the Code in regard to corporate governance.

- The **Audit Committee** held five meetings in the year under review. One resolution was passed by way of a circular resolution. 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 examination of the annual financial statements and the consolidated financial statements for 2018, including the combined Management Report and the non-financial statement 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 on the annual financial statements and consolidated financial statements with the auditor, the committee decided to recommend that the Supervisory Board approve the 2018 annual financial statements and consolidated financial statements. Furthermore, the audit of the non-financial statement, including the selection and commissioning of the external auditor by the Supervisory Board, was prepared. In addition, the Audit Committee resolved to recommend that the Supervisory Board commission KPMG with the examination of the content of the non-financial statement with limited assurance pursuant to § 111 section 2 sentence 4 AktG. Following in-depth discussions, the Audit Committee also made a recommendation to the Supervisory Board regarding the proposal to the Annual General Meeting 2019 for the appointment of the auditor.

The Audit Committee declared to the Supervisory Board that the recommendation is free from undue influence by a third party and that no clause of the kind referred to in Article 16 section 6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities has been imposed upon it. A further subject of in-depth discussions was the assignment of the audit mandate to the auditor for the 2019 financial year, the determination of the focus points of the audit, the supervision of the independence and qualification of the auditor as well as the quality of the audit of annual accounts, the determination of the audit fees and ultimately the discussion of the quarterly financial figures and the half year report. The Audit Committee dealt intensively with the monitoring of the effectiveness of the Risk Management System, the Internal Control System and Audit System as well as with the Compliance Management System. Moreover, the committee addressed the findings of Internal Audit and the audit plan. Potential and pending important legal disputes were also discussed. In addition, at every meeting of the Audit Committee, the Chief Compliance Officer gave regular reports on the Compliance Management System and the main compliance cases in the year under review.

In the year under review, the Audit Committee also discussed in depth the financing of the existing pension plans for the Executive Board and employees. Finally, the Audit Committee discussed the regulations for related party transactions which were recently added to the German Stock Corporation Act. According to these regulations, if the value of the transaction exceeds a defined threshold, listed stock corporations may only engage in related party transactions with the approval of the Supervisory Board. The Audit Committee recommended that the Supervisory Board delegate the authorization to approve related party transactions to the Audit Committee. The Supervisory Board approved the respective resolution proposal at its October meeting.

- The **Nomination Committee** held two meetings in the year under review. It particularly prepared the recommendations of the Supervisory Board regarding the shareholder representative election to the 2019 and 2020 Annual General Meeting. In this respect, taking the statutory requirements into account, the suitability and independence of the candidates were discussed. Furthermore, taking into consideration the competency profile for the members of the Supervisory Board defined by the Supervisory Board, a qualification profile was developed. Based on this, the Nomination Committee dealt with suitable candidates for the mandates to be filled within the Supervisory Board.
- The **Mediation Committee** to be established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz — MitbestG) did not have to be convened in the year under review.

ELECTION AND COMPOSITION OF THE NEW SUPERVISORY BOARD

The terms of office of all members of the Supervisory Board ended upon conclusion of the 2019 Annual General Meeting.

The shareholder representatives on the Supervisory Board were newly elected at the 2019 Annual General Meeting. In light of the expiry of the one-year term of office of Igor Landau, a new Supervisory Board member will be elected in the context of the 2020 Annual General Meeting. For every new election taking place, the Supervisory Board submits its proposals to the Annual General Meeting. Prior to submitting an election proposal, there is a diligent selection process for suitable candidates. The selection criteria for the candidates are based on a pre-defined qualification profile. These selection criteria are based on the objectives of the Supervisory Board regarding its composition, as defined by the Supervisory Board, and take into account the competency profile as well as statutory provisions and the applicable recommendations of the Code.

With the exception of Igor Landau and Herbert Kauffmann, the Supervisory Board proposed that the new Supervisory Board members be appointed for the period from the end of the 2019 Annual General Meeting to the end of the 2024 Annual General Meeting. The Supervisory Board proposed that Igor Landau be appointed until the end of the 2020 Annual General Meeting. The reappointment of Igor Landau for a term of office of only one year serves the purpose of ensuring a smooth handover of the chairmanship of the Supervisory Board. The Supervisory Board proposed that Herbert Kauffmann be appointed until the end of the 2021 Annual General Meeting. The proposal to appoint Herbert Kauffmann for a term of office of only two years is based on the fact that he will then have served as a Supervisory Board member of adidas AG for twelve years. While the Supervisory Board has no doubts about Herbert Kauffmann's independence, the Supervisory Board is already following the recommendations of the new version of the Code as amended on December 16, 2019. According to the Code, as a rule, a member is no longer considered independent after a twelve-year term of office on the Supervisory Board. As set forth in the new version of the Code, the Audit Committee shall always be chaired by an independent member.

The 2019 Annual General meeting approved all election proposals with a large majority.

The employee representatives on the Supervisory Board were newly elected in March 2019. For the first time, the employee representatives were elected by delegates. In this regard, all adidas AG employees eligible to vote elected delegates, who subsequently elected the Supervisory Board members at the assembly of delegates. The candidates thereby elected,

together with the trade union representatives, form the employee representation on the Supervisory Board since the end of the 2019 Annual General Meeting.

The Chairman and his two Deputies as well as the committee members were elected at the constituent meeting of the Supervisory Board. With regard to the representation of women and men, the Supervisory Board complies with the statutory minimum quota pursuant to § 96 section 2 sentence 1 AktG. Prior to the resolution on the election proposals in accordance with § 96 section 2 sentence 3 AktG, both the shareholder representatives and the employee representatives resolved 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.

EXAMINATION OF THE 2019 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG audited the 2019 consolidated financial statements prepared by the Executive Board in accordance with § 315e German Commercial Code (Handelsgesetzbuch – HGB) in compliance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and issued an unqualified opinion thereon. The auditor also approved without qualification the 2019 annual financial statements of adidas AG, prepared in accordance with the requirements of the German Commercial Code, and the combined Management Report of adidas AG and the adidas Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement. KPMG has been acting as auditor and Group auditor for adidas AG since the 1995 financial year. On the basis of the transitional periods of Article 41 Regulation (EU) No 537/2014, KPMG must not be reappointed after June 17, 2023 and it is mandatory to carry out an external rotation. As the responsible audit partners, auditor Haiko Schmidt has been signing the financial statements since the 2017 financial year and auditor Prof. Dr. Kai Andrejewski since the 2019 financial year. The 2019 Annual General Meeting elected KPMG as auditor and Group auditor upon proposal of the Supervisory Board, corresponding with a recommendation of the Audit Committee. Prior to this, KPMG had confirmed to both the Supervisory Board and Audit Committee that there are no circumstances which could prejudice their independence as auditor or which could cast doubt on KPMG's independence. In this respect, KPMG also declared to which extent non-audit services were rendered for the company in the previous financial year or are contractually agreed upon for the following year. 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.

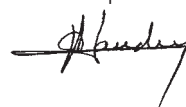
We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 9, 2020 and at the Supervisory Board's March 10, 2020 financial statements meeting, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported on the material results of the audit, inter alia with regard to the priority topics agreed and the key audit matters 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 the Executive Board's proposal concerning the appropriation of retained earnings, which provides for a dividend of € 3.85 per dividend-entitled share, and adopted this increase in the dividend to € 3.85 compared with the previous year, also taking into consideration the good financial situation and business development in the 2019 financial year as well as the company's positive future prospects.

Based on our own examinations of the annual and consolidated financial statements (including the non-financial statement), 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 including the non-financial statement prepared by the Executive Board. The 2019 annual financial statements of adidas AG were thus approved.

EXPRESSION OF THANKS

On behalf of the entire Supervisory Board, I would like to thank the members of the Supervisory Board who left in the year under review for their commitment for the benefit of the company. Furthermore, I wish to thank the current Executive Board, the departing Executive Board members Gil Steyaert and Eric Liedtke as well as all employees around the world for their great personal dedication and their ongoing commitment. I would also like to express my thanks for the trusting cooperation between the employee and shareholder representatives on the Supervisory Board.

For the Supervisory Board



IGOR LANDAU

CHAIRMAN OF THE SUPERVISORY BOARD

March 2020

adidas AG

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