adidas

2017

FINANCIAL STATEMENTS OF ADIDAS AG

FOR THE YEAR ENDED DECEMBER 31, 2017

CONTENTS

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 2017 Annual Report of the adidas Group.

The Financial Statements and the combined Management Report for adidas AG and the adidas Group for the 2017 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 2017 financial year are also available for download on the Internet at
http://www.adidas-group.com/en/investors/financial-reports/

Annual financial statements of adidas AG

Balance Sheet

EUR thousand

		Dec. 31, 2017	Dec. 31, 2016
ASSETS			
FIXED ASSETS	(1)		
Intangible assets	(2)	123,855	112,174
Tangible assets	(2)	610,237	492,644
Financial assets	(3)	4,308,135	4,205,439
		5,042,227	**4,810,257**
CURRENT ASSETS			
Inventories	(4)	48,876	49,514
Receivables and other assets	(5)	3,261,565	2,968,936
Cash and cash equivalents	(6)	337,219	27,853
		3,647,660	**3,046,303**
PREPAID EXPENSES	(7)	168,372	142,789
ACTIVE DIFFERENCE RESULTING FROM ASSET OFFSETTING	(8)	4,971	3,917
		8,863,230	**8,003,266**
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital [1]	(9)	209,216	209,216
Par value treasury shares	(9)	-5,355	-7,727
Capital reserves	(9)	1,309,932	1,260,865
Revenue reserves		616,842	304,036
Retained earnings	(10)	573,314	628,908
		2,703,949	**2,395,298**
UNTAXED RESERVE	(11)	3,432	3,754
PROVISIONS/ACCRUALS	(12)	624,043	525,005
LIABILITIES	(13)	5,530,596	5,078,174
DEFERRED INCOME		1,210	835
		8,863,230	**8,003,266**

1) Contingent Capital 2010 at Dec. 31, 2017 in the amount of EUR 36,000 thousand (previous year EUR 36,000 thousand).
Contingent Capital 2014 at Dec. 31, 2017 in the amount of EUR 12,500 thousand (previous year EUR 12,500 thousand)

Annual financial statements of adidas AG

Income Statement

EUR thousand

		2017	2016
Sales	(15)	3,732,306	3,288,775
Change in inventory		-596	969
Total output		**3,731,710**	**3,289,744**
Other operating income	(16)	502,724	439,195
Cost of materials	(17)	-1,292,482	-1,127,380
Personnel expenses	(18)	-692,064	-587,891
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(19)	-90,555	-100,409
Other operating expenses	(20)	-2,169,678	1,803,408
Income from operations		**-10,345**	**109,851**
Income from investments in related companies	(21)	155,420	624,546
Profit received under a profit and loss transfer agreement	(22)	501,391	1,562
Loss taken over under a profit and loss transfer agreement	(22)	-829	-4,418
Write-downs of long-term financial assets	(23)	0	0
Interest result	(24)	247	-21,344
Taxes on income	(25)	-96,188	-92,606
Income after taxes		**549,696**	**617,591**
Other taxes		-242	-301
NET INCOME		**549,454**	**617,290**
Retained earnings brought forward		23,860	322,325
Transfer to other revenue reserves		0	-300,000
Utilization for share buyback		0	-10,707
RETAINED EARNINGS		**573,314**	**628,908**

Notes to the annual financial statements of adidas AG for the year ended December 31, 2017

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

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

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

Accounting policies

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

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

Buildings are subject to straight-line amortization at adidas AG. The estimated useful life of business premises is 50 years maximum and from two to ten years for technical equipment and machinery, other equipment, and operating and office equipment.

Movable assets are depreciated on a straight-line basis.

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

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

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

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

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

Derivative financial transactions entered into with banks by Group Treasury (primarily forward currency 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 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. Cash-in-hand and bank balances are recognized at nominal value.

Prepaid expenses are recognized at nominal value.

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

A net tax burden would be recognized on the balance sheet as a deferred tax liability. There is an option to recognize a deferred tax asset under § 274 (1) no. 2 HGB in the event of a tax benefit granted 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 (2005 G mortality tables by Prof. Dr. Klaus Heubeck) in accordance with the projected unit credit (PUC) method. The defined benefit obligation (DBO) recognized under the PUC method is defined as the actuarial present value of the pension obligations earned by the employees by the balance sheet date according to the retirement benefit formula and the vested pension amount based on their service in the past. Expected future pension benefit increases are factored in using a 1.0% to 1.5% p.a. growth rate in benefits. The entitlement dynamic lies between 0% and 3% p.a. Fluctuation is assumed to range between 5% and 20%, depending on age. The rate used to discount the pension obligations in accordance with § 253 (2) sentence 2 HGB amounts to 3.68% as at December 31, 2017 (prior year: 4.00%); 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 2.80% (prior year: 3.22%) and the application of the average market interest rate for the past ten fiscal years 3.68% (prior year: 4.00%) is subject to a restriction on distribution. The significant reduction in the interest rate compared to the previous year is due to the low-interest phase. The plan assets created in 2014 through the funding of the pension trust association were measured at fair value in accordance with § 255 (4) HGB and offset against the pension obligations.

Other provisions cover all discernible risks and uncertain obligations and are recognized in the settlement amount dictated by prudent business judgment in order to cover future payment obligations. Future price and cost increases are factored in to the extent that there is sufficient objective evidence that they will occur. Provisions with terms in excess of one year are discounted at the average market interest rate for their respective maturity over the past seven years, in accordance with § 253 (2) sentence 1 HGB. Provisions with terms of less than one year are not discounted.

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

For the remaining partial and early retirement liabilities, discounting was waived due to the low residual maturity (in the previous year, discounting at 1.70%). The liabilities for partial and early retirement are recognized in "active difference resulting from asset offsetting" as this constitutes an asset item.

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

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

Liabilities are recognized at their settlement amount.

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

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

Assets and liabilities denominated in a foreign currency are recorded at the mean spot rate as at the respective transaction date. Currency translation losses arising as at the balance sheet date due to the measurement of foreign-denominated assets and liabilities are reported. Currency translation gains from the measurement of current assets and liabilities falling due within less than one year are recorded in profit or loss in accordance with § 256a HGB. Currency translation gains are reported under "other operating income" and currency translation losses are reported under "other operating expenses".

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

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

1. Fixed assets

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

2. Intangible fixed assets and tangible fixed assets

Intangible fixed assets and tangible fixed assets

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Balance as of Jan. 1	**604,818**	**567,354**
Additions	227,559	143,343
Disposals	7,730	5,470
Depreciation, amortization and write-downs	90,555	100,409
Reversals	0	0
Balance as of Dec. 31	**734,092**	**604,818**

The significant additions primarily relate to payments for assets under construction in an amount of EUR 124,696 thousand. Further additions relate to software in an amount of EUR 42,655 thousand and operating and office equipment in an amount of EUR 11,540 thousand as well as computer hardware in an amount of EUR 10,232 thousand. The disposals arise from the gross value of EUR 15,868 thousand and are reduced by accumulated depreciation incurred up to the date of disposal in an amount of EUR 8,138 thousand.

3. Long-term financial assets

The increase in long-term financial assets primarily relates to a contribution in cash for the share-based swap in an amount of EUR 62,453 thousand and loans granted to adidas CDC Immobilieninvest GmbH in an amount of EUR 40,000 thousand.

4. Inventories

Inventories

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Raw materials, consumables and supplies	4,016	5,328
Work in progress	41	29
Finished goods and merchandise	44,819	44,157
Inventories	**48,876**	**49,514**

Inventories relate to raw materials, consumables and supplies for production purposes, work in progress in the production process and merchandise at the Company's own retail stores and products in the "Y-3" collection.

5. Receivables and other assets

Receivables and other assets

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Trade accounts receivable	**95,074**	**84,467**
of which with a residual maturity of more than one year	0	0
Receivables from affiliated companies	**3,111,239**	**2,836,311**
of which with a residual maturity of more than one year	0	0
Other assets	**55,252**	**48,158**
of which with a residual maturity of more than one year	13,323	14,828
Receivables and other assets	**3,261,565**	**2,968,936**

The receivables from affiliated companies primarily relate to receivables in connection with Group Treasury activities. Group Treasury uses a netting process to balance out any fund surpluses or deficits at subsidiaries through adidas AG and settle payments between subsidiaries. Receivables from affiliated companies include EUR 178,248 thousand in trade receivables.

The other assets essentially include receivables from Eurobond shares repurchased, receivables from tax authorities from value added tax, receivables from withholding taxes, capitalized option premiums, accounts payable with debit balances and receivables from credit card companies.

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

Cash and cash equivalents

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Cash-in-hand, bank balances and checks	**337,219**	**27,853**

7. Prepaid expenses

Prepaid expenses

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Advertising and promotion agreements	87,202	59,834
Discount from valuation of conversion right attaching to convertible bond	0	4,823
Other	81,169	78,132
Prepaid expenses	**168,372**	**142,789**

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

8. Active difference resulting from asset offsetting

The liabilities for partial and early retirement show a settlement amount of EUR 354 thousand as at December 31, 2017 (prior year: EUR 1,396 thousand). The fair value of recognized assets amounts to EUR 5,325 thousand as at December 31, 2017 (prior year: EUR 5,313 thousand) and the historical acquisition costs amount to EUR 4,361 thousand (prior year: EUR 4,341 thousand). Pursuant to statutory regulations, the difference between the fair value and the historical cost of the recognized asset is subject to a restriction on distribution in an amount of EUR 964 thousand (prior year: EUR 972 thousand).

9. Subscribed capital and capital reserves

The nominal capital of adidas AG has remained unchanged since December 31, 2016. As at the balance sheet date, and in the period beyond, up to and including February 23, 2018, it amounted to EUR 209,216,186 divided into 209,216,186 registered no-par-value shares and is fully paid in.

Each share grants one vote and is entitled to dividends starting from the beginning of the year it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). As at the balance sheet date, adidas AG held 5,354,952 treasury shares, corresponding to a notional amount of EUR 5,354,952 in the nominal capital and consequently 2.56% of the nominal capital. As at February 23, 2018, adidas AG holds 5,322,731 treasury shares, corresponding to a notional amount of EUR 5,322,731 in the nominal capital and consequently 2.54% of the nominal capital.

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

Changes in equity

EUR thousand

	Jan. 1, 2017	Repurchase of treasury shares	Issuance of treasury shares / Conversion / Employee shares	Allocation to reserves	Withdrawal from reserves	Dividend	Net profit for the year	Dec. 31, 2017
Subscribed capital	209,216	0		0	0	0	0	209,216
Par value of treasury shares	-7,727	-473	2,845	0	0	0	0	-5,355
Capital reserves	1,260,865	0	46,473	2,594	0	0	0	1,309,932
Revenue reserves*)	304,036	-70,135	183,970	200,000	-1,029	0	0	616,842
Retained earnings	628,908	0	0	-200,000	0	-405,048	549,454	573,314
Equity	**2,395,298**	**-70,608**	**233,288**	**2,594**	**-1,029**	**-405,048**	**549,454**	**2,703,949**

*) Includes legal reserves of EUR 4,036 thousand

Authorized capital

The Executive Board of adidas AG did not utilize the existing amounts of authorized capital of up to EUR 90 million in the 2017 fiscal year or in the period beyond the balance sheet date up to and including February 23, 2018.

The following overview of the existing amounts of authorized capital refers to § 4 sections 2, 3, 4 and 5 of the Articles of Association and consequently does not include the Authorized Capitals 2013/I, 2013/III and 2015 canceled by the Annual General Meeting on May 11, 2017, which had also not been utilized up to May 11, 2017.

The authorized capital of adidas AG entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital

until June 7, 2022

– by issuing new shares against contributions in cash once or several times by no more than EUR 50 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders’ subscription rights (Authorized Capital 2017/I);

until June 7, 2020

– by issuing new shares against contributions in kind once or several times by no more than EUR 16 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorized Capital 2017/II);

until June 7, 2022

– by issuing new shares against contributions in cash once or several times by no more than EUR 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 obligations have been granted since May 11, 2017, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded in accordance with § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this 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 amount of shares issued based on the Authorized Capital 2017/III and the Authorized Capital 2017/II must not exceed 10% of the nominal capital existing on the date of the respective issuance;

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 EUR 4 million and, subject to Supervisory Board approval, to determine the further content of the rights embodied in the shares and the terms and conditions of the share issuance. Shareholders' subscription rights shall be excluded (Authorized Capital 2016). 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 or 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 sections 6 and 7 of the Articles of Association of adidas AG as well as on the underlying resolutions of the Annual General Meetings held on May 6, 2010 and May 8, 2014. Additional contingent capital does not exist.

Contingent Capital 2010 and Convertible Bond

The nominal capital of adidas AG is conditionally increased by up to EUR 36 million (Contingent Capital 2010). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued up to May 5, 2015 based on the resolution of the Annual General Meeting from May 6, 2010 subscription or conversion rights relating to no more than a total of 36,000,000 shares in compliance with the corresponding conditions of the bonds. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. The new shares will carry dividend rights from the commencement of the financial year in which the shares are issued.

On March 14, 2012, the Executive Board, with the approval of the Supervisory Board, made partial use of the authorization of the Annual General Meeting on May 6, 2010, and on March 21, 2012 issued a convertible bond due on June 14, 2019 (including a prolongation option) in a nominal value of EUR 500 million via an offer to institutional investors outside the USA excluding shareholders' subscription rights. In principle, the conversion rights are exercisable at any time between May 21, 2012 and June 5, 2019, subject to lapsed conversion rights as set out under § 6 section 3 or to the excluded periods as defined by § 6 section 4 of the bond terms and conditions, and (subject to an adjustment of the conversion ratio resulting from the dilution adjustment regulations set out under § 10 or a change of control in accordance with § 13 of the bond terms and conditions) based on a conversion price of EUR 81.13 per share are convertible into 6,163,246 shares of adidas AG. The conversion price currently amounts to EUR 81.13 per share. The convertible bond bears an interest rate of 0.25% per annum. Bondholders are entitled to demand early redemption of the bonds as of June 14, 2017. As of July 14, 2017, adidas AG may conduct an early redemption of the bond, if, on 20 of 30 consecutive trading days, the share price of adidas AG exceeds the current conversion price of EUR 81.13 by at least 30%. The bonds are listed on the Open Market segment of the Frankfurt Stock Exchange.

Moreover, the authorization to issue bonds with warrants and/or convertible bonds granted on May 6, 2010 was canceled by resolution of the Annual General Meeting on May 8, 2014.

The Executive Board of adidas AG did not issue shares from the Contingent Capital 2010 up to the balance sheet date and in the period beyond the balance sheet date up to and including February 23, 2018.

Contingent Capital 2014

At the balance sheet date, the nominal capital is conditionally increased by up to EUR 12.5 million divided into not more than 12,500,000 shares (Contingent Capital 2014). The contingent capital increase will be implemented only to the extent that holders or creditors of option or conversion rights or the persons obligated to exercise the option or conversion duties based on bonds issued by adidas AG 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 8, 2014 (Agenda Item 7), up to May 7, 2019 and guaranteed by adidas AG, exercise their option or conversion rights or, if they are obliged to exercise the option or conversion duties, meet their obligations to exercise the warrant or convert the bond, or to the extent that adidas AG 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 publicly listed company are used to service these rights. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. The new shares will carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorized, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

Up to the balance sheet date and in the period beyond the balance sheet date up to and including February 23, 2018, the Executive Board of adidas AG did not issue any bonds based on the authorization granted on May 8, 2014 and consequently did not issue any shares from the Contingent Capital 2014.

Repurchase and use of treasury shares

Against the background of the introduction of an employee stock purchase plan, the Annual General Meeting of May 12, 2016 canceled the authorization of the Executive Board to repurchase treasury shares granted on May 8, 2014, which was used in 2014 and 2015. At the same time, the Annual General Meeting granted the Executive Board a new authorization to repurchase treasury 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 authorization to repurchase treasury shares granted by the Annual General Meeting on May 8, 2014, the adidas AG Executive Board commenced a share buyback program on November 7, 2014.

Under the granted authorization, adidas AG repurchased a total of 4,889,142 shares for a total price of EUR 299,999,987 (excluding incidental purchasing costs), i.e. for an average price of EUR 61.36 per share, in a first tranche between November 7, 2014 and December 12, 2014 inclusive. This corresponded to a notional amount of EUR 4,889,142 in the nominal capital and consequently to 2.34% of the nominal capital. The shares were repurchased for cancelation (capital reduction) or otherwise used to meet obligations arising from the potential conversion of adidas AG's EUR 500 million convertible bond.

Under the granted authorization, adidas AG repurchased a total of 4,129,627 shares for a total price of EUR 299,999,992 (excluding incidental purchasing costs), i.e. for an average price of EUR 72.65 per share, in a second tranche between March 6, 2015 and June 15, 2015 inclusive. This corresponded to a notional amount of EUR 4,129,627 in the nominal capital and consequently to 1.97 % of the nominal capital.

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

Based on the authorization granted by the Annual General Meeting on May 12, 2016, adidas AG repurchased a total of 2,128,200 shares for a total price of EUR 299,999,851 (excluding incidental purchasing costs), i.e. for an average price of EUR 140.96 per share, in a third tranche between November 8, 2016 and January 31, 2017 inclusive. This corresponded to a notional amount of EUR 2,128,200 in the nominal capital and consequently to 1.02% of the nominal capital. The repurchased shares were either canceled, thus reducing the nominal capital, or used to meet obligations arising from the potential conversion of adidas AG's EUR 500 million convertible bond and other admissible purposes under the authorization granted by the Annual General Meeting on May 12, 2016. The share buyback program expired on December 31, 2017.

In the 2017 financial year, a total of 2,814,470 treasury shares were used to meet obligations arising from the conversion of adidas AG's convertible bond. In the 2018 financial year and up to and including February 23, 2018, a total of 9,861 treasury shares were used to meet obligations arising from the conversion of adidas AG's convertible bond.

Moreover, in the 2017 financial year, 30,420 treasury shares and in the period beyond up to and including February 23, 2018, another 22,360 treasury shares were used as consideration, inter alia for the transfer or licensing of intellectual property rights and intangible property rights due to contractual obligations.
In the 2017 financial year and up to and including February 23, 2018, adidas AG used a total of 2,877,111 treasury shares.

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. On January 6, 2017, adidas AG purchased 25,699 adidas AG shares at an average price of EUR 144.41 in connection with the employee stock purchase plan. This corresponded to a total price of EUR 3,711,236 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of EUR 25,699 or 0.01%. All shares purchased for this purpose on January 6, 2017 were issued to eligible employees on January 9, 2017 and on January 10, 2017. On April 7, 2017, adidas AG purchased 20,086 adidas AG shares at an average price of EUR 176.16 in connection with the employee stock purchase plan. This corresponded to a total price of EUR 3,538,364 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of EUR 20,086 or 0.009%. All shares purchased for this purpose on April 7, 2017 were issued to eligible employees on April 11, 2017. On July 7, 2017, adidas AG purchased 22,563 adidas AG shares at an average price of EUR 175.61 in connection with the employee stock purchase plan. This corresponded to a total price of EUR 3,962,498 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of EUR 22,563 or 0.01%. All shares purchased for this purpose on July 7, 2017 were issued to eligible employees on July 11, 2017. On October 9, 2017, adidas AG purchased 20,454 adidas AG shares at an average price of EUR 194.40 in connection with the employee stock purchase plan. This corresponded to a total price of EUR 3,976,337 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of EUR 20,454 or 0.009%. All shares purchased for this purpose on October 9, 2017 were issued to eligible employees on

October 11, 2017. On January 8, 2018, adidas AG purchased 25,672 adidas AG shares at an average price of EUR 173.27 in connection with the employee stock purchase plan. This corresponded to a total price of EUR 4,448,258 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of EUR 25,672 or 0.01%. At the same time, adidas AG purchased another 3,642 adidas AG shares at an average price of EUR 173.27, which were used as matching shares. This corresponded to a total price of EUR 631,059 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of EUR 3,642 or 0.002%. All shares purchased for this purpose on January 8, 2018 were issued to eligible employees on January 10, 2018.

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 (and until December 31, 2017: § 21 section 1 or section 1a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) need to be disclosed.

The following table reflects reportable shareholdings in adidas AG, Herzogenaurach, as at the balance sheet date and up to and including February 23, 2018 which have each been notified to adidas AG in written form. The respective details are taken from the most recent voting rights notification received by adidas AG. All voting rights notifications disclosed by adidas AG in the year under review and up to and including February 23, 2018 are available on the adidas website / WWW.ADIDAS-GROUP.COM/S/VOTING-RIGHTS-NOTIFICATIONS. The details on the percentage of shareholdings and voting rights may no longer be up to date.

Notified reportable shareholdings as at February 23, 2018

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	AttributionsNotification obligations and attributions in accordance with WpHG[1]	Shareholdings in %	Number of voting rights
Albert Frère[2]	December 28, 2017	Exceeding 5%	§ 33	7.50	15,694,711
Fidelity Mt. Vernon Street Trust, Boston, MA, USA[3]	December 13, 2017	Falling below 3%	§ 21	2.99	6,258,487
adidas AG, Herzogenaurach, Germany[4]	November 28, 2017	Falling below 3%		2.618	5,478,213
BlackRock, Inc., Wilmington, DE, USA[5]	November 14, 2017	Exceeding 5%	§§ 22, 25 sec. 1 no. 1 and § 25 section 1 no. 2	7.38	15,448,941
Elian Corporate Trustee (Cayman) Limited, Grand Cayman, Cayman Islands[6]	December 16, 2016	Exceeding 5%	§ 22, 25 sec. 1 no. 2	5.71	11,950,482
FMR LLC, Wilmington, DE, USA[7]	May 12, 2016	Exceeding 5%	§ 22	5.31	11,117,704
Capital Research and Management Company, Los Angeles, CA, USA[8]	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[9]	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

1) The provisions of the WpHG stated refer to the version applicable at the time of publication of the respective individual voting rights notification. Until December 31, 2017, the notification obligations and attributions were regulated in §§ 21 et seq. WpHG and have been regulated in §§ 33 et seq. since January 1, 2018.

2) See adidas AG's disclosure dated February 8, 2018.

3) See adidas AG's disclosure dated December 20, 2017.

4) See adidas AG's disclosure dated December 4, 2017.

5) See adidas AG's disclosure dated November 20, 2017.

6) See adidas AG's disclosure dated December 22, 2016.

7) See adidas AG's disclosure dated May 19, 2016.

8) See adidas AG's disclosure dated July 29, 2015.

9) See adidas AG's disclosure dated July 28, 2015.

10. Retained earnings

Retained earnings
EUR thousand

Retained earnings as of December 31, 2016	**628,908**
Distribution of a dividend of EUR 2.00 per ordinary share in the share capital for the 2016 fiscal year (209,216,186 shares)	405,048
Allocation to other revenue reserves	200,000
Retained earnings brought forward	23,860
Net income of adidas AG for the 2017 fiscal year	549,454
Retained earnings as of December 31, 2017	**573,314**

11. Special reserve

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

12. Provisions/accruals

Provisions/accruals

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Provisions for pensions and similar obligations	166,178	163,954
Provisions for taxes	19,828	21,944
Other provisions	438,037	339,307
Provisions/accruals	**624,043**	**525,205**

In the provisions for pensions and similar obligations, plan assets were offset against obligations in accordance with § 246 [2] sentence 2 HGB. This related to plan assets of the pension trust association "adidas Pension Trust e.V.". The settlement amount of the pension obligations totaled EUR 265,595 thousand as at December 31, 2017 (prior year: EUR 232,147 thousand). The plan assets were measured at fair value in accordance with § 253 [1] sentence 3 HGB. As at the balance sheet date, the fair value of the netted assets is EUR 99,417 thousand (prior year: EUR 68,194 thousand) and historical costs amount to EUR 95,300 thousand (prior year: EUR 65,000 thousand).

Interest expenses from the pensions valuation in an amount of EUR 9,273 thousand have been offset against the interest income from the adidas Pension Trust e.V. of EUR 923 thousand.

The pension obligations to seven former members of the Executive Board, or their former family members, who retired after December 31, 2005, are covered by a pension fund in combination with a reinsured pension trust fund. This results in indirect obligations for adidas AG to former Board members in the amount of EUR 31,223 thousand (prior year: EUR 30,254 thousand for the related group of people) for which no provisions have been recognized due to their funding through the pension fund and pension trust fund. As at the balance sheet date, there are no shortfalls for the indirect obligations.

However, pension provisions have been established for the pension entitlements of six active members of the Executive Board, which amount to EUR 4,616 thousand before offsetting (prior year: EUR 2,385 thousand for three Board members). The provisions for the former members of the Executive Board and their survivors totaled EUR 68,725 thousand before offsetting as at December 31, 2017 (prior year: EUR 48,372 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 EUR 39,118 thousand. Pursuant to § 253 (6) sentence 2 HGB, this amount is subject to a restriction on distribution.

The largest item in other provisions concerns provisions for personnel of EUR 224,757 thousand (prior year: EUR 161,405 thousand). This amount is primarily attributable to provisions for performance-based remuneration components. Additional significant items in other provisions are provisions for marketing of EUR 77,314 thousand (prior year: EUR 57,279 thousand) and provisions for outstanding invoices of EUR 69,967 thousand (prior year: EUR 46,211 thousand). There are also provisions for forward contracts in an amount of EUR 24,417 thousand (prior year: EUR 38,380 thousand). These are recorded for unrealized losses from derivative futures as well as on hedge accounting.

The fair value measurement of assets for the settlement of obligations for pensions results in a total amount of EUR 4,117 thousand (prior year: EUR 3,194 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, 2017.

13. Liabilities

Liabilities

EUR thousand

	Dec. 31, 2017				Dec. 31, 2016
	Total	Residual term up to 1 year	Residual term 1-5 years	Residual term more than 5 years	Prior year total
Bonds	1,030,600	0	630,600	400,000	1,259,000
(previous year)		(0)	(859,600)	(400,000)	
of which convertible			30,600		
Liabilities to banks	462	462	0	0	0
(previous year)		(0)	(0)	(0)	
Trade accounts payable	151,804	144,999	6,805	0	129,657
(previous year)		(128,294)	(1,363)	(0)	
Liabilities to affiliated companies	4,271,111	3,821,111	450,000	0	3,574,412
(previous year)		(3,124,412)	(450,000)	(0)	
Other liabilities	76,619	74,160	2,459	0	114,505
(previous year)		(114,411)	(93)	(0)	
of which from taxes		4,508			11,229
of which relating to social security		2,554			2,382
Dec. 31, 2017	**5,530,596**	**4,040,732**	**1,089,864**	**400,000**	5,078,174
Dec. 31, 2016		**(3,367,117)**	**(1,311,056)**	**(400,000)**	

The liabilities are unsecured.

The liabilities to affiliated companies primarily relate to liabilities from Group Treasury activities. Trade payables to affiliated companies amount to EUR 95,343 thousand (prior year: EUR 33,697 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.

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

In the fiscal year 2017, bondholders exercised their right to convert bonds. The remaining liability relating to the convertible bond amounts to EUR 30,600 thousand as at December 31, 2017.

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

14. Contingent liabilities and other financial commitments

Contingent liabilities

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Warranty obligations	**615,591**	**810,530**
of which for affiliated companies		
- Bank loans	87,944	129,752
- Letters of credit	65,852	63,908
- Guarantee agreements	461,795	616,870

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 seven (prior year: nine) affiliated companies were issued as at December 31, 2017. The risk of these being utilized is deemed to be low.

adidas AG declares support, except in the case of political risk, for 94 affiliated companies, that they are able to meet their contractual liabilities. This declaration replaces the declaration dated February 17, 2017, 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 adidas Group's current strong financial position, the risk that these will be called on is considered extremely slight.

Other financial commitments

Other financial commitments of EUR 2,109,982 thousand (prior year: EUR 2,301,868 thousand) for adidas AG include amounts for the entire foreseeable contractual period for promotion, advertising, rental and leasing agreements as at December 31, 2017.

Maturities

EUR thousand

in 2018	413,317
2019-2022	848,893
after 2022	847,772
	2,109,982

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 portion of the product costs concerns raw materials that the suppliers have to purchase in US dollars (USD), billings to the adidas Group are also made mainly in USD. In contrast, sales by Group companies to customers are mainly in euros (EUR), pounds sterling (GBP), Japanese yen (JPY), and in many other currencies. Currency hedges are entered into to reduce the risk of changes in fair value and in cash flows (currency risks). Most subsidiaries hedge their currency risks through adidas AG, except for those subsidiaries that are unable to hedge through adidas AG due to local currency restrictions, or for whom it is more sensible to hedge locally for economic reasons. Currency risks that are assumed by adidas AG from subsidiaries by entering into inter-Group currency transactions are strategically hedged with banks for a period of up to 24 months in advance using forward exchange transactions, currency swaps, currency options, or a combination of currency options, which provide protection and, at the same time, the opportunity to profit from future beneficial foreign exchange rate movements on financial markets. In 2017, the adidas Group purchased around USD 3.8 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 in an important component of the Group's business. At the current time – due to continuing low commodity prices – no hedging of commodity futures takes place. This strategy is reviewed regularly.

Outstanding financial derivatives

EUR thousand

	Dec. 31, 2017	Dec. 31, 2016
Notional amounts		
Currency hedging contracts	16,861,372	16,460,185
Equity instrument	58,001	0
	16,919,373	**16,460,185**

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

The equity derivative serves to hedge a Long-Term Incentive Plan (LTIP), a share-based remuneration scheme with cash settlement. 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, 2017, multiplied by the notional volume less accrued interest.

Outstanding financial derivatives

EUR thousand

	Dec. 31, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets (Other assets)				
Currency hedging contracts	0	315,703	0	368,043
Liabilities (Provision for contingent losses)				
Currency hedging contracts	-21,702	-318,966	-38,380	-394,548
Equity instrument	-2,716	-4,463		
	-24,418	**-7,726**	**-38,380**	**-26,505**

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

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

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

The carrying values are taken from the balance sheet.

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

Hedged risk as of the balance sheet date

EUR thousand / Maturity

	Notional	Net change in fair value	Maturity
Currency risk			
Risk			
Forward exchange transactions and options with subsidiaries	7,162,407	118,691	1 - 20 months
Hedging			
Forward exchange transactions and options with banks	7,077,110	-120,010	1 - 20 months
Risk			
Equity instrument with subsidiaries	22,987	1,748	25 month
Hedging			
Equity instrument with banks	22,987	-1,748	25 month

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

15. Sales

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

Sales

EUR thousand

	2017	2016
Breakdown by product group		
Shoes	845,504	694,540
Textiles	383,648	391,807
Sports equipment	71,844	78,430
	1,300,977	**1,164,777**
Other sales revenues	622,507	543,509
Licensing income	1,808,802	1,580,489
Sales	**3,732,306**	**3,288,775**

Of these revenues, EUR 1,822,166 thousand (prior year: EUR 1,612,687 thousand) was generated in Germany and EUR 1,910,140 thousand (prior year: EUR 1,676,088 thousand) outside Germany, mainly in Europe.

16. Other operating income

Other operating income consists mainly of EUR 431,538 thousand in foreign currency gains (prior year: EUR 343,070 thousand).

Other operating income includes income relating to other periods of EUR 41,176 thousand (prior year: EUR 94,705 thousand). This income includes essentially income from the reversal of provisions in an amount of EUR 26,710 thousand (prior year: EUR 28,750 thousand).

17. Cost of materials

Cost of materials

EUR thousand

	2017	2016
Cost of raw materials, consumables and supplies, and of purchased merchandise	907,322	786,396
Cost of purchased services	385,160	340,983
Cost of materials	**1,292,482**	**1,127,379**

18. Personnel expenses

Personnel expenses

EUR thousand

	2017	2016
Wages and salaries	580,819	503,671
Social security, post-employment and other employee benefit costs	111,245	84,221
of which for old-age pensions	33,153	20,103
Personnel expenses	**692,064**	**587,891**

The increase in personnel expenses was due to higher employee headcounts and higher salaries than in the prior year due to salary increases.

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

Amortization and write-downs of intangible assets of EUR 44,845 thousand (prior year: EUR 56,608 thousand) relates to trademark rights as well as to computer software and licenses. Depreciation and write-downs of tangible fixed assets of EUR 45,710 thousand (prior year: EUR 43,801 thousand) relates primarily to write-downs of EUR 14,261 thousand (prior year: EUR 14,861 thousand) on buildings, write-downs of EUR 11,231 thousand (prior year: EUR 12,341 thousand) on operating and office equipment and write-downs on computer hardware of EUR 7,024 thousand (prior year: EUR 6,441 thousand).

20. Other operating expenses

Other operating expenses essentially comprise cost transfers, currency exchange losses, advertising and promotional expenses, legal and consultancy fees, services, travel expenses, rental and lease charges, postal and telephone expenses, and outgoing freight. The EUR 366,269 thousand increase in these expenses essentially results from the increase in advertising and promotional expenses by EUR 132,134 thousand to EUR 490,313 thousand, the allowance for doubtful accounts relating to receivables by EUR 79,002 thousand to EUR 87,574 thousand, currency exchange losses by EUR 70,272 thousand to EUR 457,028 thousand and increased expenses for legal and consultancy fees by EUR 53,530 thousand to EUR 268,114 thousand. Other operating expenses include expenses not relating to the accounting period in an amount of EUR 21,035 thousand (prior year: EUR 20,186 thousand). Thereof, EUR 10,080 thousand (prior year: EUR 14,335 thousand) relates to a provision for risks, EUR 9,831 thousand (prior year: 4,742 thousand) relates to the disposal of fixed assets and EUR 1,124 thousand (prior year EUR 1,109 thousand) relates to obligations to reverse constructional changes to office buildings, plants and retail stores.

21. Income from investments in related companies

Income from adidas AG's investments in related companies amounted to EUR 155,420 thousand (prior year: EUR 624,546 thousand) and essentially relates to dividend payments from subsidiaries in Korea, Thailand, New Zealand and Poland.

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

A profit and loss transfer agreement exists with adidas Insurance & Risk Consultants GmbH, Herzogenaurach, adidas Beteiligungsgesellschaft mbH, Herzogenaurach and with adidas anticipation GmbH, Herzogenaurach. The significant change is attributable to the transfer of a gain from adidas Beteiligungsgesellschaft mbH amounting to EUR 500,426 thousand (prior year: loss of EUR 4,418 thousand).

23. Write-downs of long-term financial assets

No equity investments or loans to affiliated companies were written down in 2017.

24. Interest result

Interest result

EUR thousand

	2017	2016
Income from loans of long-term financial assets	0	0
of which from affiliated companies	0	0
Other interest and similar income	40,622	25,937
of which from affiliated companies	39,313	25,100
Interest and similar expenses	-40,376	-47,281
of which to affiliated companies	-6,594	-7,644
Interest result	**247**	**-21,344**

Interest and similar expenses includes EUR 8,429 thousand (prior year: EUR 7,520 thousand) from the compounding of provisions, of which EUR 8,360 thousand (prior year: EUR 7,377 thousand) relates to the interest expense in connection with pension provisions.

25. Taxes on income

Taxes on income mainly include municipal trade tax and withholding tax on interest and licensing income resulting from the collection of licensing fees outside Germany. Taxes on income does not include any gains or losses from deferred taxes. Overall, deferred tax liabilities were more than offset by deferred tax assets. In accordance with the option under § 274 (1) sentence 2 HGB, the Company has opted to forgo recognizing the surplus deferred tax assets.

As at December 31, 2017, adidas AG expects to realize a total of EUR 32,559 thousand in future tax benefits due to temporary accounting differences (prior year: EUR 31,571 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 land, shares in affiliated companies and pension provisions.

26. Remuneration of the Executive Board and the Supervisory Board

Executive Board

Total remuneration of members of the Executive Board in the 2017 fiscal year was EUR 33,113 thousand (prior year: EUR 11,333 thousand). Due to the high Performance Bonus paid for the successful financial year and the payout in connection with the LTIP 2015/2017 as well as the increase in the number of Executive Board members, the appointment of Harm Ohlmeyer as member of the Executive Board and successor to Robin J. Stalker with effect from March 7, 2017 and the appointment of Gil Steyaert as member of the Executive Board and successor to Glenn Bennett with effect from May 12, 2017 and the appointment of Karen Parkin as a member of the Executive Board as well with effect from May 12, 2017, the total compensation for the year under review is higher than the total compensation for the 2016 financial year.

Pension commitments

EUR thousand

	Service cost 2017	Service cost 2016	Accumulated pension obligation for the pension commitments excluding deferred compensation 2017	Accumulated pension obligation for the pension commitments excluding deferred compensation 2016
Executive Board members incumbent as at Dec. 31, 2017				
Kasper Rorsted 1)	1,068	533	1,360	533
Roland Auschel	307	317	1,263	925
Eric Liedtke	324	328	1,160	927
Harm Ohlmeyer 1)	322	0	322	0
Karen Parkin 2)	248	0	248	0
Gil Steyaert 3)	263	0	263	0
Total	**2,532**	**1,178**	**4,616**	**2,385**

Executive Board members who retired in 2017	2017	2016	2017	2016
Glenn Bennett 4)	350	380	0	4,287
Robin J. Stalker 5)	332	483	0	4,106
Total	**682**	**863**	**0**	**9,617**

1) Executive Board member with effect from March 7, 2017, appointment as Chief Financial Officer from the end of the Annual General Meeting of adidas AG on May 11, 2017.

2) Member of the Executive Board, responsible for the Executive Board function Human Resources, with effect from May 12, 2017.

3) Member of the Executive Board with effect from May 12, 2017, responsible for the Executive Board function Global Operations with effect from August 5, 2017.

4) Member of the Executive Board until the end of August 4, 2017.

5) Member of the Executive Board until the end of the Annual General Meeting of adidas AG on May 11, 2017.

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

Former members of the Executive Board and their survivors or their former family members received a total of EUR 13,502 thousand in benefits in the 2017 fiscal year (prior year: EUR 8,953 thousand). The total remuneration for the 2017 fiscal year (of which company pensions of approx. EUR 3,675 thousand) includes, inter alia, the bonus to Herbert Hainer under the LTIP 2015/2017 in the amount of EUR 5,082 thousand, the compensation for Robin J. Stalker in the amount of EUR 590 thousand for the period from May 12, 2017 to March 31, 2018 and for Glenn Bennett in the amount of EUR 465 thousand for the period from August 5, 2017 to March 31, 2018,

the compensation for the post-contractual competition prohibition payable for a period of 24 months following the termination of contract for Robin J. Stalker in the total amount of EUR 666 thousand and for Glenn Bennett in the total amount of EUR 709 thousand as well as the follow-up bonus for Robin J. Stalker in the amount of EUR 740 thousand and for Glenn Bennett in the amount of EUR 693 thousand.
Provisions for pension entitlements for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents or former family members were created, in an amount of EUR 37,501 thousand in total as at December 31, 2017 before netting with the assets of the "adidas Pension Trust e.V." (prior year: EUR 36,331 thousand).

There are pension commitments towards six former Executive Board members or their former family members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to EUR 31,223 thousand (prior year: EUR 21,861 thousand) arise for adidas AG, for which no accruals were established due to financing through the pension fund and pension trust fund. This increase is attributable to the resignation of Robin Stalker and Glenn Bennett.

The Executive Board members have not received any loans and advance payments from adidas AG; due to his departure from the Executive Board, prepayments were made to Robin J. Stalker with regard to the 2017 Performance Bonus and prorated for 2018 as well as with regard to the LTIP 2015/2017.

Supervisory Board

The annual total compensation for members of the Supervisory Board in accordance with the Articles of Association was EUR 1,902 thousand (prior year: EUR 1,327 thousand). This includes attendance fees in a total amount of EUR 127 thousand (prior year EUR 71 thousand). The increase in the total compensation for the 2017 financial year compared to the 2016 financial year is attributable, in particular, to the fact that the Annual General Meeting on May 11, 2017 approved the amendment to the Articles of Association regarding the adjustment of the Supervisory Board compensation with effect from July 1, 2017. Furthermore, as a result of the enlargement of the Supervisory Board by four members resolved upon by the Annual General Meeting on May 12, 2016, 2017 was the first financial year in which the Supervisory Board was consistently composed of 16 members.

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

27. Other disclosures

No. of employees (annual average)

	2017			2016		
	Total	Salaried	Wage	Total	Salaried	Wage
Global Sales	547	547	0	479	479	0
Headquarters						
Corporate Services	2,040	1,930	110	1,810	1,689	121
Marketing	1,736	1,736	0	1,528	1,526	2
Operations	1,932	1,009	923	1,765	920	845
Market Central	943	842	101	910	844	66
	7,198			**6,492**		
As of December 31	7,555			6,788		

Recommendation on the appropriation of the retained earnings of adidas AG

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of EUR 573,314 thousand as reported in the 2017 financial statements of adidas AG for a dividend payment of EUR 2.60 per dividend-entitled share. The subsequent remaining amount will be carried forward.

Declaration on the German Corporate Governance Code

In February 2018, 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 Company's corporate website.

Disclosures pursuant to § 285 no. 10 HGB

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

Disclosures pursuant to § 285 no. 17 HGB

Expenses for the audit fees of KPMG AG Wirtschaftsprüfungsgesellschaft were mainly related to the audits of both the consolidated financial statements and the financial statements of adidas AG, as well as the audit of the financial statements of its subsidiary, adidas CDC Immobilieninvest GmbH. Integrated IT project audits were also conducted.

Other confirmation services comprise audits which are either required by law or contractually agreed, such as 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 comprise supporting services to ensure the quality of sales transactions, and legal consultancy services.

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 23, 2018 The Executive Board of adidas AG

adidas AG

Statement of changes in fixed assets in 2017

		Aquisition and production costs			
Amounts in EUR (thousand (HGB)	**01.01.2017**	Additions	Disposals	Reclassifications	**31.12.2017**
I. Intangible Assets					
1. Purchased concessions, trademarks and similar rights and licences to such rights	504.222	42.655	-11.118	35.508	571.267
2. Prepayments and assets under construction	45.938	17.835	-7	-35.508	28.258
	550.160	60.490	-11.125	0	599.525
II. Tangible assets					
1. Land, land rights and buildings	480.009	10.521	-2.859	3.196	490.867
2. Technical equipment and machinery	46.490	9.997	-1.576	673	55.584
3. Other equipment, operating and office equipment	275.579	30.585	-278	3.148	309.034
4. Prepayments and assets under construction	75.127	115.966	-30	-7.017	184.046
	877.205	167.069	-4.743	0	1.039.531
III. Financial Assets					
1. Shares in affiliated companies	4.146.580	12.499	-12.256	0	4.146.823
2. Loans to affiliated companies	0	40.000	0	0	40.000
3. Equity investments	79.249	0	0	0	79.249
4. Loans to non-affiliated companies	200	0	0	0	200
5. Other loans	0	62.453	0	0	62.453
	4.226.029	114.952	-12.256	0	4.328.725
Fixed Assets	5.653.394	342.511	-28.124	0	5.967.781

Accumulated depreciation						Book values	
01.01.2017	Additions	Disposals	Write-up	Reclassifications	**31.12.2017**	**31.12.2017**	**31.12.2016**
437.986	44.845	-7.161	0	0	475.670	95.597	66.236
0	0	0	0	0	0	28.258	45.938
437.986	44.845	-7.161	0	0	475.670	123.855	112.174
133.327	14.261	-153	0	0	147.435	343.432	346.682
28.130	5.293	-620	0	0	32.803	22.781	18.360
223.104	26.156	-204	0	0	249.056	59.978	52.475
0	0	0	0	0	0	184.046	75.127
384.561	45.710	-977	0	0	429.294	610.237	492.644
20.590	0	0	0	0	20.590	4.126.233	4.125.990
0	0	0	0	0	0	40.000	0
0	0	0	0	0	0	79.249	79.249
0	0	0	0	0	0	200	200
0	0	0	0	0	0	62.453	0
20.590	0	0	0	0	20.590	4.308.135	4.205.439
843.137	90.555	-8.138	0	0	925.554	5.042.227	4.810.257

Supervisory Board

Igor Landau
Chairman
residing in Lugano, Switzerland
Pensioner

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

- none

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

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

- none

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

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

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

Ian Gallienne
residing in Gerpinnes, Belgium
Co-Chief Executive Officer, Groupe Bruxelles Lambert, Brussels, Belgium

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

- Member of the Board of Directors, Pernod Ricard SA, Paris, France
- Member of the Board of Directors, SGS SA, Geneva, Switzerland
- Member of the Board of Directors, Umicore SA, Brussels, Belgium[1)]
- Member of the Board of Directors, Erbe SA, Loverval, Belgium

Mandates within the Groupe Bruxelles Lambert:
- Member of the Board of Directors, Imerys SA, Paris, France
- Member of the Board of Directors, Sienna Capital S.à r.l., Strassen, Luxembourg
- Member of the Board of Directors, GBL Energy S.à r.l., Strassen, Luxembourg[2)]
- Member of the Board of Directors, GBL Verwaltung SA, Strassen, Luxembourg[3)]

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

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

- none

Dr. Wolfgang Jäger*
residing in Bochum, Germany
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 [4)]

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

- none

Dr. Stefan Jentzsch
residing in New York, USA
Corporate Finance Consultant/Partner, Perella Weinberg Partners LP, New York, USA

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

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

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

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

- Member of the Supervisory Board, DEUTZ AG, Cologne, Germany

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

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

- none

Kathrin Menges
residing in Neuss, Germany
Executive Vice President Human Resources and Infrastructure Services, Henkel AG & Co. KGaA, Düsseldorf, Germany

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

- none

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

Udo Müller*
residing in Herzogenaurach, Germany
Director Future Communication, adidas AG

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

- none

Roland Nosko*
residing in Wolnzach, Germany
Trade Union Official, IG BCE, Headquarters Nuremberg, Nuremberg, Germany

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

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany
- Member of the Supervisory Board, Plastic Omnium Automotive Exteriors GmbH, Munich, Germany[5)]

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

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

- none

Nassef Sawiris
residing in London, Great Britain
Chief Executive Officer & Member of the Board of Directors, OCI N.V., Amsterdam, The Netherlands

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

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

Mandates within the OCI N.V. Group:
- Member of the Board of Directors, OCI Partners LP, Wilmington, Delaware, USA

Heidi Thaler-Veh*
residing in Uffenheim, Germany
Member of the Central Works Council, adidas AG

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

- none

Kurt Wittmann*
residing in Markt Bibart, Germany
Full-time member of the Works Council Herzogenaurach, adidas AG
First Deputy Chairman of the Works Council Herzogenaurach, adidas AG

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

- none

Executive Board

Kasper Rorsted, Pöcking, Germany
Chief Executive Officer

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

- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA, Gütersloh, Germany
- Member of the Supervisory Board, Danfoss A/S, Nordborg, Denmark[1)]

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

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

- none

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

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

- Member of the Board of Directors, Carbon, Inc., Redwood City, USA[2)]

Harm Ohlmeyer[3)], Röttenbach, Germany
Chief Financial Officer

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

- none

Karen Parkin[4)], Portland, USA
Executive Board member in charge of Global Human Resources

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

- none

Gil Steyaert[5], Wilmslow, Great Britain
Executive Board member in charge of Global Operations

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

- none

Executive Board member incumbent until the end of the Annual General Meeting on May 11, 2017:

Robin J. Stalker, Oberreichenbach, Germany
Chief Financial Officer

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

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

Executive Board member incumbent until August 4, 2017:

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

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

- none

Shareholdings of adidas AG, Herzogenaurach
at December 31, 2017

	Company and Domicile		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)	Herzogenaurach (Germany)	EUR	26	directly	100	-
2	adidas Beteiligungsgesellschaft mbH 2)	Herzogenaurach (Germany)	EUR	681.990	directly	100	-
3	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	EUR	8.702	14	100	(2.839)
4	adidas Verwaltungsgesellschaft mbH 3)	Herzogenaurach (Germany)	EUR	4.303	76	100	(26)
5	adidas anticipation GmbH 2)	Herzogenaurach (Germany)	EUR	25	directly	100	-
	Europe (incl. Middle East and Africa)						
6	adidas sport gmbh	Cham (Switzerland)	CHF	6.721	directly	100	2.646
7	adidas Austria GmbH	Klagenfurt (Austria)	EUR	6.926	directly 6	95,89 4,11	1.471
8	runtastic GmbH	Pasching (Austria)	EUR	999	10	100	(3.693)
9	adidas France S.a.r.l.	Landersheim (France)	EUR	200.297	directly	100	12.148
10	adidas International B.V.	Amsterdam (Netherlands)	EUR	6.832.931	directly 9	94 6	361.715
11	adidas International Trading B.V.	Amsterdam (Netherlands)	EUR	1.626.127	10	100	760.490
12	adidas International Marketing B.V.	Amsterdam (Netherlands)	EUR	54.009	10	100	2.332
13	adidas International Finance B.V.	Amsterdam (Netherlands)	EUR	46.191	10	100	20.573
14	adidas International Property Holding B.V.	Amsterdam (Netherlands)	EUR	50.955	86	100	3.402
15	adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	EUR	(23)	10	100	0
16	adidas Benelux B.V.	Amsterdam (Netherlands)	EUR	4.663	directly	100	2.890
17	Hydra Ventures B.V.	Amsterdam (Netherlands)	EUR	(17.979)	10	100	(7.871)
18	adidas (UK) Limited	Stockport (Great Britain)	GBP	30.907	10	100	27.418
19	Reebok International Limited 5)	London (Great Britain)	EUR	340.383	76	100	(44.676)
20	Trafford Park DC Limited	London (Great Britain)	GBP	1.089	15	100	303
21	Reebok Pensions Management Limited 3) 5)	London (Great Britain)	GBP	-	19	100	-
22	Reebok Europe Holdings	London (Great Britain)	GBP	26.493	19	100	245
23	Luta Limited 3) 5)	London (Great Britain)	GBP	-	19	100	-
24	adidas (Ireland) Limited	Dublin (Ireland)	EUR	2.806	10	100	763
25	adidas International Re DAC	Dublin (Ireland)	EUR	21.872	10	100	2.696
26	Reebok Ireland Limited 3)	Dublin (Ireland)	EUR	56	24	100	-
27	Five Ten Europe NV 3)	Lasne (Belgium)	EUR	(271)	78	100	(187)
28	adidas España S.A.U.	Zaragoza (Spain)	EUR	41.286	2	100	12.057
29	adidas Finance Spain S.A.U.	Zaragoza (Spain)	EUR	36.390	76	100	163
30	Global Merchandising, S.L.	Madrid (Spain)	EUR	8.022	10	100	3.760
31	adidas Italy S.p.A.	Monza (Italy)	EUR	55.813	10	100	9.707
32	adidas Portugal - Artigos de Desporto, S.A.	Lisbon (Portugal)	EUR	6.440	10	100	1.597
33	adidas Business Services Lda.	Morea de Maia (Portugal)	EUR	1.263	10 directly	98 2	(149)
34	adidas Norge AS	Oslo (Norway)	NOK	29.357	directly	100	10.099
35	adidas Sverige AB	Solna (Sweden)	SEK	45.222	directly	100	(10.580)
36	adidas Finance Sverige AB	Solna (Sweden)	SEK	272.188	76	100	702
37	adidas Suomi Oy	Helsinki (Finland)	EUR	1.620	10	100	502
38	adidas Danmark A/S	Copenhagen (Denmark)	DKK	20.635	10	100	7.530
39	adidas CR s.r.o.	Prague (Czech Republic)	CZK	148.054	directly	100	47.075
40	adidas Budapest Kft.	Budapest (Hungary)	HUF	462.671	directly	100	117.407
41	adidas Bulgaria EAD	Sofia (Bulgaria)	BGN	8.431	directly	100	3.026
42	LLC 'adidas, Ltd.'	Moscow (Russia)	RUB	26.357.060	7	100	(1.023.866)
43	adidas Poland Sp.z o.o.	Warsaw (Poland)	PLN	62.031	directly	100	28.606
44	adidas Finance Poland S.A.	Warsaw (Poland)	PLN	98.837	76	100	961
45	adidas Romania S.R.L.	Bucharest (Romania)	RON	24.762	10	100	13.113
46	adidas Baltics SIA	Riga (Latvia)	EUR	1.163	10	100	564
47	adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	EUR	1.464	directly	100	913
48	adidas Trgovina d.o.o.	Ljubljana (Slovenia)	EUR	538	directly	100	274
49	SC 'adidas-Ukraine'	Kiev (Ukraine)	UAH	954.714	directly	100	261.987
50	adidas LLP	Almaty (Republic of Kazakhstan)	KZT	4.751.216	directly	100	846.856
51	adidas Serbia d.o.o.	Belgrade (Serbia)	RSD	532.183	10	100	123.062
52	adidas Croatia d.o.o.	Zagreb (Croatia)	HRK	39.998	10	100	5.083
53	adidas Hellas A.E.	Athens (Greece)	EUR	19.307	directly	100	1.908
54	adidas (Cyprus) Limited	Nicosia (Cyprus)	EUR	923	directly	100	322
55	adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	TRY	316.405	10	100	20.330
56	adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	USD	18.958	indirectly 9	51 49	280
57	adidas Emerging Markets FZE	Dubai (United Arab Emirates)	USD	119.681	10	100	57.578
58	adidas Levant Limited	Dubai (United Arab Emirates)	JOD	2.956	57	100	1

Shareholdings of adidas AG, Herzogenaurach
at December 31, 2017

	Company and Domicile		Currency	Equity (currency units in thousands)	Share in capital held by 1)	in %	Profit / Loss (currency units in thousands)
59	adidas Levant Limited - Jordan	Amman (Jordan)	JOD	1.720	58	100	840
60	adidas Imports & Exports Ltd.	Cairo (Egypt)	EGP	(34.455)	61	100	(18.946)
61	adidas Sporting Goods Ltd.	Cairo (Egypt)	EGP	263.559	10 11	90 10	102.641
62	adidas Egypt Ltd. 3)	Cairo (Egypt)	USD	(1.831)	directly	100	-
63	Reebok Israel Ltd.	Holon (Israel)	ILS	15.839	directly	100	809
64	Life Sport Ltd.	Holon (Israel)	ILS	128.827	10	85	57.027
65	adidas Morocco LLC	Casablanca (Morocco)	MAD	(57.870)	directly	100	(73.026)
66	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	ZAR	320.376	directly	100	69.216
	North America						
67	adidas North America, Inc.	Portland, Oregon (USA)	USD	4.775.256	10	100	(392.769)
68	adidas America, Inc.	Portland, Oregon (USA)	USD	221.944	67	100	66.514
69	adidas International, Inc.	Portland, Oregon (USA)	USD	88.314	67	100	12.269
70	adidas Team, Inc. 3)	Des Moines, Iowa (USA)	USD	(1.013)	67	100	-
71	The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	USD	17.918	76	100	823
72	Reebok Securities Holdings LLC 3) 4)	Wilmington, Delaware (USA)	USD	-	76	100	-
73	Textronics, Inc.	Wilmington, Delaware (USA)	USD	12.389	69	100	402
74	Onfield Apparel Group, LLC 3) 6)	Dover, Delaware (USA)	USD	-	76 75	99 1	-
75	Reebok Onfield, LLC 3) 6)	Dover, Delaware (USA)	USD	-	76	100	-
76	Reebok International Ltd. 4)	Canton, Massachusetts (USA)	USD	(1.263.280)	67	100	(192.184)
77	adidas Indy, LLC 6) (formerly: Sports Licensed Division of the adidas Group, LLC)	Wilmington, Delaware (USA)	USD	33.560	76 72	99 1	(42.918)
78	Stone Age Equipment, Inc.	Redlands, California (USA)	USD	(512)	68	100	(11.518)
79	Spartanburg DC, Inc.	Spartanburg, South Carolina (USA)	USD	12.661	68	100	1.294
80	adidas Canada Ltd.	Woodbridge, Ontario (Canada)	CAD	122.500	10	100	16.329
	Asia						
81	adidas Sourcing Limited	Hong Kong (China)	USD	548.652	11	100	533.149
82	adidas Services Limited	Hong Kong (China)	USD	13.414	10	100	1.372
83	adidas Hong Kong Limited	Hong Kong (China)	HKD	380.686	2	100	292.747
84	Reebok Trading (Far East) Limited	Hong Kong (China)	USD	31.406	76	100	230
85	adidas (Suzhou) Co. Ltd.	Suzhou (China)	CNY	230.058	2	100	2.611
86	adidas Sports (China) Co. Ltd.	Suzhou (China)	CNY	9.647.843	2	100	4.006.245
87	adidas (China) Ltd.	Shanghai (China)	CNY	987.565	10	100	238.392
88	adidas Sports Goods (Shanghai) Co., Ltd	Shanghai (China)	CNY	-	87	100	-
89	Runtastic Software Technology (Shanghai) Co., Ltd.	Shanghai (China)	CNY	-	10	100	-
90	Zhuhai adidas Technical Services Limited	Zhuhai (China)	CNY	42.458	81	100	(4.876)
91	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	CNY	151.388	15	100	10.293
92	adidas Business Services (Dalian) Limited	Dalian (China)	CNY	9.439	10	100	651
93	adidas Japan K.K.	Tokyo (Japan)	JPY	15.943.471	10	100	3.096.204
94	adidas Korea LLC.	Seoul (Korea)	KRW	203.106.999	directly	100	136.770.019
95	adidas Korea Technical Services Limited	Pusan (Korea)	KRW	3.894.309	81	100	(264.460)
96	adidas India Private Limited	New Delhi (India)	INR	4.636.148	directly 10	10,67 89,33	(3.239)
97	adidas India Marketing Private Limited	New Delhi (India)	INR	6.042.126	96 10 directly	98,62 1,00 0,37	1.263.444
98	adidas Technical Services Private Limited	New Delhi (India)	USD	3.407	81	100	61
99	Reebok India Company	New Delhi (India)	INR	(21.851.375)	109	93,15	301.426
100	PT adidas Indonesia	Jakarta (Indonesia)	IDR	383.423.936	10 directly	99 1	152.595.628
101	adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	MYR	58.014	directly 10	60 40	43.514
102	adidas Philippines Inc.	Pasig City (Philippines)	PHP	822.484	directly	100	420.375
103	adidas Singapore Pte. Ltd.	Singapore (Singapore)	SGD	9.062	directly	100	2.493
104	adidas Taiwan Limited	Taipei (Taiwan)	TWD	1.774.204	10	100	1.187.901
105	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	THB	1.419.989	directly	100	802.508
106	adidas Australia Pty Limited	Mulgrave (Australia)	AUD	88.584	10	100	33.621
107	adidas New Zealand Limited	Auckland (New Zealand)	NZD	6.115	directly	100	5.041
108	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	VND	224.561.408	10	100	132.119.446
109	Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	USD	(154)	76 71	99 1	(12)

Shareholdings of adidas AG, Herzogenaurach
at December 31, 2017

	Company and Domicile		Currency	Equity (currency units in thousands)	Share in capital held by 1)	in %	Profit / Loss (currency units in thousands)
	Latin America						
110	adidas Argentina S.A.	Buenos Aires (Argentina)	ARS	1.280.248	10 2	76,96 23,04	(767.560)
111	Reebok Argentina S.A. 3)	Buenos Aires (Argentina)	ARS	89.365	11 10	96,25 3,75	(89.777)
112	adidas do Brasil Ltda.	São Paulo (Brazil)	BRL	571.730	2	100	(211.372)
113	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	BRL	36.088	112	100	16.121
114	Reebok Produtos Esportivos Brasil Ltda. 3)	Jundiaí (Brazil)	BRL	10.469	10	100	1.101
115	adidas Chile Limitada	Santiago de Chile (Chile)	CLP	116.551.782	directly 1	99 1	13.305.387
116	adidas Colombia Ltda.	Bogotá (Colombia)	COP	(45.422.402)	directly	100	1.990.327
117	adidas Perú S.A.C.	Lima (Peru)	PEN	95.948	directly 115	99,21 0,79	43.341
118	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	MXN	1.346.420	directly	100	669.522
119	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	MXN	362.084	directly	100	61.085
120	Reebok de Mexico, S.A. de C.V. 3)	Mexico City (Mexico)	MXN	(1.260.310)	directly	100	(18.059)
121	adidas Latin America, S.A.	Panama City (Panama)	USD	(72.607)	directly	100	7.532
122	Concept Sport, S.A.	Panama City (Panama)	USD	1.988	10	100	366
123	adidas Market LAM, S.A. 3)	Panama City (Panama)	USD	(2.782)	10	100	(2.782)
124	3 Stripes S.A. (adidas Uruguay) 3)	Montevideo (Uruguay)	UYU	(436)	directly	100	-
125	Tafibal S.A.	Montevideo (Uruguay)	UYU	37.568	directly	100	18.459
126	Raelit S.A.	Montevideo (Uruguay)	UYU	48.959	directly	100	8.329
127	Reebok Central America S.A. 4)	San Pedro Sula (Honduras)	HNL	-	76 71	99,6 0,4	-
128	adidas Corporation de Venezuela, S.A. 3)	Caracas (Venezuela)	VEF	(17)	directly	100	-
129	adisport Corporation	San Juan (Puerto Rico)	USD	(2.605)	10	100	246

1) The number refers to the number of the company.
2) Profit and loss transfer agreement
3) Companies with no active business
4) Sub-group Reebok International Ltd.
5) Sub-group Reebok International Limited
6) Sub-group adidas Indy, LLC (formerly: Sports Licensed Division of the adidas Group, LLC)

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 at December 31, 2017, and the statement of profit and loss for the financial year from January 1, 2017 to December 31, 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the report on the position of the Company and the Group ("management report") of adidas AG, Herzogenaurach for the financial year from January 1, 2017 to December 31, 2017. In accordance with the German legal requirements we have not audited the content of the non-financial statement, as such included in the management report, and the corporate governance statement as well as the corporate governance report which are included in section "Corporate Governance Report including the Declaration on Corporate Governance" of the management report.

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 at December 31. 2017 and of its financial performance for the financial year from January 1, 2017 to December 31, 2017 in compliance with German Legally Required Accounting Principles, 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 the non-financial statement, the corporate governance statement and the corporate governance report mentioned above.

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) point (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, 2017 to December 31, 2017. 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.

Recoverability of Financial Assets

For information on the accounting and valuation methods used, please refer to the section "Accounting and valuation principles" and to the balance sheet of financial assets in Note 3.

THE RISK TO THE FINANCIAL STATEMENTS

As of December 31, 2017, adidas AG, Herzogenaurach, annual financial statements item “financial assets” includes “shares in affiliated companies” in the amount of EUR 4.126 million. This represents 46.6 % of the balance sheet and thus has a significant influence on the overall picture of the Company’s financial position.

Management of adidas AG values the financial assets at cost or, if impairment is expected to be permanent, at the lower fair value. The fair value is highly dependent on the assumptions made and is therefore subject to significant judgement. In particular, there is significant judgement involved in determining whether the estimation of future cash flows and growth rates, the weighted average cost of capital and the assessment of the permanence of the impairment or reversal of impairment are appropriate.

There is a risk to the annual financial statements that an impairment or reversal of impairment at the balance sheet date has not been recognized.

OUR AUDIT APPROACH

We conducted our audit using a risk-based approach. First, we used information we obtained throughout our audit to assess which shares in affiliates have indications of impairment.

Our audit procedures also included amongst others assessing the appropriateness of the valuation model used by the Company. We assessed whether the methodology of deriving the valuations and the discount rates used by Management were appropriate. In doing so, we determined our own expected values for the parameters on which the weighted average cost of capital is based (including the risk-free interest rate, market risk premium, beta factor) and compared these with Management's assumptions. We involved KPMG valuation specialists to support the audit team in making the assessments.

In addition, we assessed whether the cash flow projections underlying the valuations are based on appropriate and reasonable assumptions. We inquired of Management to obtain explanations for these assumptions, as well as their assessment of the impact of strategic and operational measures on cash flow projections. The long-term earnings forecasts were also critically assessed by reviewing industry benchmarks to determine whether the forecast amounts and assumptions underlying these forecasts are appropriate. When possible, we assessed the reliability and accuracy of their projections by comparing historical forecasts with actual results. Finally, we discussed the valuations determined by adidas AG with the legal entity controlling department and recalculated the resulting valuations.

OUR CONCLUSIONS

The valuation model used by adidas AG is appropriate and in accordance with the applicable accounting guidelines. The assumptions used by Management in their valuations are unbiased.

<u>Valuation and Accuracy of Stock-Based Compensation Programs</u>

For information on the accounting and valuation methods used, please refer to the section "Accounting and valuation principles" and to the information on share-based payment programs in sections 9 of the notes.

THE RISK TO THE FINANCIAL STATEMENTS

In 2017, adidas AG launched a new share-based compensation program for executives and introduced an indefinite-term employee participation program as of October 1, 2016. In addition, a share based compensation program was agreed to for an artist and a designer (non-employees), with a contract date of May 19, 2016 for the years 2017 to 2021. The respective programs contain various vesting conditions, which are linked to grants of equity instruments or a cash settlement. As of December 31, 2017, adidas has accrued a total of EUR 7 million in stock-based compensation expense recorded in equity, EUR 1 million in sales provisions and EUR 9 million in personnel provisions. The interpretation of the contractual agreements is complex. Furthermore, the assessment of whether the vesting conditions will be achieved as of the balance sheet date and during the vesting period involves judgement.

There is a risk to the annual financial statements that the accounting of the share-based payment programs is not in accordance with HGB and that the valuation of the equity instruments granted or the respective liability is inaccurate.

OUR AUDIT APPROACH

We first assessed whether the criteria were met for classification as share-based payment programs according to prevailing German commercial literature. For this purpose, we analyzed the contractual obligations of the respective programs in detail and evaluated their treatment under the guidance. We identified and assessed the goods or services to be received from adidas AG under the programs, and we assessed whether they should be treated as equity-settled or cash-settled share-based payments.

Among other things, we assessed the valuation model and the reasonableness of the assumptions used for vesting conditions (employee turnover) and performance conditions (stock price at the end of the vesting period). In doing so, we compared assumptions used for vesting conditions with historical employee turnover, and compared projections for future share prices with actuarial valuation models.

By examining the respective contracts and the related accounting treatment, we ensured that the underlying assumptions regarding the likelihood of achieving vesting conditions were reasonable as of the reporting date, and that the accounting for the share-based programs was appropriate.

OUR CONCLUSIONS

The share-based compensation programs have been classified appropriately in accordance with prevailing German commercial literature. The valuation methods used are appropriate, and the assumptions underlying the valuation regarding the achievement of vesting conditions as of the reporting date have been reasonably estimated.

Other Information

Management is responsible for the other information. The other information comprises:

- the non-financial statement,
- the corporate governance statement, and
- the Corporate Governance Report in accordance with Nr. 3.10 of German Corporate Governance Code.

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 or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

We were engaged to perform a separate independent limited assurance engagement on the non-financial statement. With regards to content, scope and results of this independent limited assurance engagement we refer to our report hereon from February 23, 2018.

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

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business 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, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have 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, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the 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, management is responsible for such arrangements and measures (systems) as they have 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 the preparation of the annual financial statements and of the management report.

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

Our objectives are to obtain 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 misstatement 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 of the Company.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of the management'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 management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper 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 the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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 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 11, 2017. We were engaged by the supervisory board on October 13, 2017. We have been the auditor of the adidas AG as a listed entity since 1995 without interruption.

We declare that the opinions expressed in this 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 23, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Braun	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 23, 2018

The Executive Board

Supervisory Board Report

DEAR SHAREHOLDERS,

We look back on another exceptional year. Thanks to strong brands, unique partnerships and collaborations in the world of sport as well as a sharp focus on our consumers' needs, the company was able to record another year of strong top- and bottom-line growth. Driven by innovative products and powerful marketing campaigns, the momentum experienced by our brands remained high throughout the year. This led to sales and earnings results that clearly surpassed targets set at the beginning of the year. These positive developments are the consequence of numerous measures which have been implemented to support the successful execution of our strategic business plan 'Creating the New'. First introduced in 2015, Creating the New was updated with several complementary initiatives at the beginning of 2017 in order to grow the top and bottom line even faster than initially projected. Consequently, adidas updated its outlook for 2020 and presented an even more ambitious set of financial targets. In 2017 again, we generated double-digit sales growth rates in almost all regions, including in the focus markets North America and Greater China as well as the important e-commerce channel. Paired with an exceptional profitability improvement, this shows that the company's success is both broad-based and well balanced. The divestiture of the TaylorMade, Adams Golf and Ashworth brands as well as the CCM Hockey business was completed during the course of 2017, which will allow the company to focus even more on the execution of its strategic business plan. Newly appointed members of the Executive Board have assumed their roles fast and smoothly, with Harm Ohlmeyer taking over as Chief Financial Officer, Karen Parkin being elevated to Executive Board Member responsible for Human Resources and Gil Steyaert becoming Executive Board Member responsible for Global Operations. All three appointments were internal ones, which speaks to the quality and depth of the organization's pool of talent. Taking all this into consideration, the company is well positioned to continue to grow profitably in 2018 and beyond.

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 (the 'Code') and the Rules of Procedure carefully and conscientiously, as in previous years. In 2017, we also followed intensively the work of the Executive Board. In this context, we regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities. We assured ourselves of the legality, expediency and regularity of the management activities and found that there were no objections to be raised.

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

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

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

The Executive Board regularly provided us with comprehensive written reports for the preparation of our meetings. We thus always had the opportunity to critically 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 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, specifically challenged and checked the plausibility of the information provided by the Executive Board.

In the year under review, we held seven regular meetings of the entire Supervisory Board, two of which took place outside Germany. The attendance rate of the members in the Supervisory Board meetings was around 95% in the year under review. The committee meetings, with the exception of one General Committee meeting and two Finance and Investment Committee meetings from which one member was excused in each case, were fully attended. The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft ('KPMG'), attended all regular meetings of the Supervisory Board – the exception being the two meetings which took place outside Germany – insofar as no Executive Board matters were dealt with. KPMG also attended all meetings of the Audit Committee.

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

TOPICS FOR THE ENTIRE SUPERVISORY BOARD

Our consultations and examinations focused on the following topics:

SITUATION AND BUSINESS DEVELOPMENT

The development of sales and earnings, the employment situation as well as the financial position of the company and the business development of the company's individual business areas and markets were presented to us in detail by the Executive Board at every Supervisory Board meeting and were discussed regularly. Further topics which were always discussed were the possible impact of global economic developments as well as the development of our individual brands and markets.

At our February and March meeting, we dealt with the ‘Acceleration Plan’ and with the updated financial targets for 2020. Various initiatives for the key pillars ‘Portfolio, adidas North America, ONE adidas, Digital’ were launched in the context of the Acceleration Plan. Those initiatives aim at supporting the momentum experienced by our brands and accelerating sales and net income growth compared to the original five-year plan.

In August, we examined the topic of retail profitability. Furthermore, we dealt with the CSR Directive Implementation Act and the non-financial reporting legally required for the first time therein. In this connection, we assigned the Audit Committee the task of preparing the audit of the non-financial reporting by the Supervisory Board. We commissioned an external examination of the content pursuant to § 111 section 2 sentence 4 German Stock Corporation Act (Aktiengesetz - AktG). One topic of the October meeting was a detailed and sound analysis of the strategic business plan. In addition, the business in the Asia/Pacific region was discussed. At the December meeting, as stipulated in the Rules of Procedure of the Supervisory Board, one agenda item was the report by the Executive Board on the marketing and sponsorship agreements concluded in the respective calendar year.

TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL

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

The topic of our February and March meetings was, after thorough discussion, the approval of the 2017 Budget and Investment Plan presented by the Executive Board. In March, we resolved upon the resolutions to be proposed to the 2017 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2016 financial year as well as the proposal to change the Supervisory Board compensation.

At our February meeting, we additionally dealt with the planned divestiture of TaylorMade, Adams Golf, Ashworth and CCM Hockey and the integration of the FiveTen brand into adidas Outdoor. The competent Finance and Investment Committee ultimately approved the sale of TaylorMade and CCM Hockey.

COMPOSITION OF THE EXECUTIVE BOARD

Following in-depth discussions about the resolution proposal prepared by the General Committee on the appointment of Harm Ohlmeyer as successor to the long-standing Chief Financial Officer Robin J. Stalker, we resolved at our March meeting to appoint Harm Ohlmeyer as Executive Board member with effect from March 7, 2017 and as Chief Financial Officer with effect from the end of the Annual General Meeting on May 11, 2017. We also resolved upon the conclusion of his Executive Board service contract. Prior to this, we had approved the mutually agreed termination of the Executive Board mandate of Robin J. Stalker with effect from the end of the Annual General Meeting on May 11, 2017. Furthermore, after in depth-consultation, we approved the conclusion of the corresponding termination agreement regarding the Executive Board service contract.

At the May meeting, we furthermore approved the mutually agreed termination of the long-standing Executive Board mandate of Glenn Bennett by the end of the third quarter of 2017 at the latest and approved the termination agreement to be concluded. In this context, we appointed Gil Steyaert, successor to Glenn Bennett, as Executive Board member with effect from May 12, 2017 and approved the conclusion of his Executive Board service contract.
Furthermore, Karen Parkin was appointed as member of the Executive Board for the newly created Executive Board function Human Resources. We resolved upon the appointment of Karen Parkin as member of the Executive Board with effect from May 12, 2017 and approved the conclusion of her Executive Board service contract.

In December, we resolved upon the termination of the appointment and the concurrent reappointment of Roland Auschel and Eric Liedtke with effect from January 1, 2018 and approved the conclusion of their new Executive Board service contracts. Thus, we were able to commit Roland Auschel and Eric Liedtke long-term to the company as both of them are key for the company and its successful development.

EXECUTIVE BOARD COMPENSATION

All matters regarding Executive Board compensation were prepared comprehensively by the General Committee, as provided for in the Rules of Procedure of the Supervisory Board, explained to the Supervisory Board as a whole and submitted for resolution.

Each year at our February meeting of the entire Supervisory Board, the main subject is Executive Board compensation. At this meeting, following an in-depth review of the performance of the individual Executive Board members and their respective achievement of the targets set in the 2016 Performance Bonus Plan, we resolved upon the bonuses to be paid to the Executive Board members based on the 2016 Performance Bonus Plan. Furthermore, we also discussed in detail the criteria and key targets for the 2017 Performance Bonus Plan and the individual bonus target amounts and determined them for each Executive Board member.

In line with the Code, in the year under review we commissioned an external, independent compensation expert to review the structure of the Executive Board compensation and the individual compensation levels of the Executive Board members. The review found that the compensation meets the requirements of the German Stock Corporation Act and of the Code. However, current compensation levels could be oriented even more toward market standards. At our meetings in February and October, we considered in detail the results of the review of the compensation levels and structure. We agreed with the compensation expert's assessment. On this basis and on the occasion of the reappointments of Roland Auschel and Eric Liedtke, we resolved in December to adjust their compensation in accordance with the results of the review by the independent compensation expert with effect from January 1, 2018.

COMPOSITION OF AND CHANGES ON THE SUPERVISORY BOARD

There were no personnel changes with regard to the full Supervisory Board in the reporting period. At the March meeting of the Audit Committee, the composition of the Audit Committee was addressed. Dr. Stefan Jentzsch stated that he would leave the Audit Committee for professional reasons. As his replacement, Ian Gallienne was elected as new member of the Audit Committee. At the May meeting of the Audit Committee, Herbert Kauffmann was re-elected as Chairman of the Audit Committee.
With regard to the representation of women and men, the Supervisory Board complies with the statutory minimum quota pursuant to § 96 section 2 sentences 1, 3 and 4 AktG.

Both the shareholder representatives and the employee representatives resolved in accordance with § 96 section 2 sentence 3 AktG that the minimum quota of 30% women and 30% men on the Supervisory Board shall be fulfilled separately for the shareholder representatives and the employee representatives.

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

CORPORATE GOVERNANCE

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the recommendations of the Code. Therefore, in the year under review, we also dealt with the Code, in particular with the amendments resolved upon by the Government Commission on February 7, 2017.

The last Declaration of Compliance was issued by the Executive Board and Supervisory Board of adidas AG pursuant to § 161 AktG on February 13, 2017.

In February 2018, we discussed in depth the current 2018 Declaration of Compliance and then resolved upon it and made it permanently available to our shareholders on our corporate website.
At our May, August, October and December meetings, within the framework of our regular self-evaluation, we dealt with the planning and preparation of a new efficiency examination of the Supervisory Board and Audit Committee which began in late 2017 and will be concluded in 2018.

Pursuant to the new recommendation of the Code, we also developed a competency profile for the full Supervisory Board. Under consideration of the specific features which result from the activities of the organization as a globally present, public listed company, we ensured that the full Supervisory Board has the knowledge, skills and professional expertise required to properly perform its duties. Details can be found in the Corporate Governance Report including the Declaration on Corporate Governance ('Corporate Governance Report').

In December, we discussed the independence of the members of the Supervisory Board and the respective independence criteria. A corresponding resolution was passed in February 2018. Based thereon, in the Supervisory Board's assessment, currently all members are independent.

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 is pointed out that in December 2015, the Supervisory Board approved the conclusion of a three-year contract, effective January 1, 2016, with a company in which one Supervisory Board member is involved. The order volume is to be confirmed annually by the Supervisory Board. A resolution was passed by the Supervisory Board as regards the order volume for the 2018 financial year at the meeting in December 2017. In the view of the Supervisory Board, there was no conflict of interest. Nevertheless, as in the previous years, the Supervisory Board member concerned did not participate in the respective resolution.

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

EFFICIENT COMMITTEE WORK

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

The committees prepare resolutions and topics for the meetings of the entire Supervisory Board. Within the legally permissible framework and in appropriate cases, we have furthermore delegated the Supervisory Board's authority to pass certain resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. The committee chairpersons inform the Supervisory Board about the content and results of the committee meetings at the subsequent meeting of the entire Supervisory Board.

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

- The **General Committee** held six meetings in the 2017 financial year. The main focus of the meetings was the preparation of the resolutions of the Supervisory Board as a whole, detailed individually above, in particular the resolution on the changes on the Executive Board, the targets for the 2017 Performance Bonus, the target achievement of the 2016 Performance Bonus and the determination of the Executive Board compensation and the review of its appropriateness. The drafting of the long-term compensation plan 2018/2020 (LTIP 2018/2020) was also an agenda item.

- The **Audit Committee** also held six meetings in the year under review. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

  In addition to the supervision of the accounting process, the committee's work also focused on the comprehensive review of the first quarter report, the first half year report and the report on the first nine months together with the Chief Financial Officer and the auditor before the respective dates of publication, also the examination of the annual financial statements and the consolidated financial statements for 2016, including the combined Management Report of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports with the auditor, the committee decided to recommend that the Supervisory Board approve the 2016 annual financial statements and consolidated financial statements. In addition, after obtaining the auditor's declaration of independence and after conclusion of a disclosure agreement, the Audit Committee prepared the Supervisory Board's proposal to the Annual General Meeting concerning the selection of the auditor of the annual financial statements and the consolidated financial statements for the 2017 financial year and the auditor for the audit review of interim management reports (half year report and quarterly reports) for the 2017 financial year and, insofar as interim financial reports are to be prepared prior to the 2018 Annual General Meeting, for the 2018 financial year and recommended that the Supervisory Board propose KPMG to the Annual General Meeting in this respect. The Audit Committee declared to the Supervisory Board in this regard 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 14, 2014 on specific requirements regarding the statutory audit of public-interest entities has been imposed upon it.

In the year under review, the CSR Directive Implementation Act was a regularly discussed topic at Audit Committee meetings. In particular, the Audit Committee dealt with the preparation of the non-financial reporting which is to be audited by the Supervisory Board and which is legally required for the first time.

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

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

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

  At the May meeting, the sale of TaylorMade was discussed and subsequently approved in May following the meeting. At the June meeting, the committee approved the divestiture of CCM Hockey.

- The **Nomination Committee** held one meeting in the year under review to discuss the competency profile newly recommended by the Code.

- The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz — MitbestG), did not have to be convened in 2017.

EXAMINATION OF THE 2017 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG audited the 2017 consolidated financial statements prepared by the Executive Board in accordance with § 315e German Commercial Code (Handelsgesetzbuch – HGB) in compliance with IFRS and issued an unqualified opinion thereon. The auditor also approved without qualification the 2017 annual financial statements of adidas AG, prepared in accordance with HGB requirements, and the combined Management Report of adidas AG and the Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement, which had to be prepared for the first time. 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 2, 2018 and at the Supervisory Board's March 6, 2018 financial statements meeting, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported the material results of the audit, 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 with the Executive Board the proposal concerning the appropriation of retained earnings, which provides for a dividend of € 2.60 per dividend-entitled share and adopted this significant increase to € 2.60 compared with the previous year under consideration of the strong business development in the 2017 financial year, the company's good financial situation and 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 annual financial statements of adidas AG were thus approved.

EXPRESSION OF THANKS

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

I would particularly like to thank our departed long-standing Executive Board members Glenn Bennett and Robin J. Stalker who sustainably shaped the company. The success story of adidas is closely linked to Glenn Bennett's responsibilities in the area of Global Operations. During Robin J. Stalker's term of office as CFO, the company's value increased from € 3 billion to more than € 30 billion. These are outstanding achievements, for which I would like to express my sincere appreciation to Glenn Bennett and Robin J. Stalker on behalf of the Supervisory Board and all adidas employees.

For the Supervisory Board

IGOR LANDAU

Chairman of the Supervisory Board

March 2018

adidas AG

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