

adidas



**ANNUAL FINANCIAL  
STATEMENTS**  
OF ADIDAS AG

AS PER DECEMBER 31, 2018



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## **Combined Management Report**

The Management Report of adidas AG has been combined with the Management Report of the adidas Group in accordance with § 315 section 5 together with § 298 section 2 of the German Commercial Code (Handelsgesetzbuch – HGB) and is published in the 2018 Annual Report of the adidas Group.

The Financial Statements and the combined Management Report for adidas AG and the adidas Group for the 2018 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 2018 financial year are also available for download on the Internet at

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

## Annual financial statements of adidas AG

### Balance Sheet

€ thousand

|   |      | Dec. 31, 2018    | Dec. 31, 2017    |
|---|------|------------------|------------------|
| <b>ASSETS</b>                                     |      |                  |                  |
| <b>FIXED ASSETS</b>                               |      |                  |                  |
|   | (1)  |                  |                  |
| Intangible assets                                 | (2)  | 161,891          | 123,855          |
| Tangible assets                                   | (2)  | 688,192          | 610,237          |
| Financial assets                                  | (3)  | 4,360,670        | 4,308,135        |
|   |      | <b>5,210,753</b> | <b>5,042,227</b> |
| <b>CURRENT ASSETS</b>                             |      |                  |                  |
| Inventories                                       | (4)  | 46,545           | 48,876           |
| Receivables and other assets                      | (5)  | 2,655,425        | 3,261,565        |
| Securities  | (6)  | 604,194          | 0                |
| Cash and cash equivalents                         | (7)  | 873,841          | 337,219          |
|   |      | <b>4,180,005</b> | <b>3,647,660</b> |
| <b>PREPAID EXPENSES</b>                           | (8)  | 99,584           | 168,372          |
| <b>DIFFERENCE RESULTING FROM ASSET OFFSETTING</b> | (9)  | 5,284            | 4,971            |
|   |      | <b>9,495,626</b> | <b>8,863,230</b> |
| <b>EQUITY AND LIABILITIES</b>                     |      |                  |                  |
| <b>EQUITY</b>                                     |      |                  |                  |
| Subscribed capital <sup>1)</sup>                  | (10) | 200,416          | 209,216          |
| Par value treasury shares                         | (10) | -1,245           | -5,355           |
| Capital reserves                                  | (10) | 1,325,380        | 1,309,932        |
| Revenue reserves                                  |      | 404,036          | 616,842          |
| Retained earnings                                 | (11) | 705,413          | 573,314          |
|   |      | <b>2,634,000</b> | <b>2,703,949</b> |
| <b>UNTAXED RESERVE</b>                            | (12) | 3,110            | 3,432            |
| <b>PROVISIONS/ACCRUALS</b>                        | (13) | 699,409          | 624,043          |
| <b>LIABILITIES</b>                                | (14) | 6,139,588        | 5,530,596        |
| <b>DEFERRED INCOME</b>                            | (15) | 19,519           | 1,210            |
|   |      | <b>9,495,626</b> | <b>8,863,230</b> |

1) Contingent Capital 2010 at Dec. 31, 2018 in the amount of € 36,000 thousand (previous year € 36,000 thousand).  
Contingent Capital 2018 at Dec. 31, 2018 in the amount of € 12,500 thousand (previous year € 12,500 thousand)

## Annual financial statements of adidas AG

### Income Statement

€ thousand

|   |      | 2018             | 2017             |
|---|------|------------------|------------------|
| Sales   | (17) | 4,127,278        | 3,732,306        |
| Change in inventory   |      | 594              | -596             |
| <b>Total output</b>   |      | <b>4,127,872</b> | <b>3,731,710</b> |
| Other operating income  | (18) | 515,872          | 502,724          |
| Cost of materials   | (19) | -1,538,444       | -1,292,482       |
| Personnel expenses  | (20) | -730,897         | -692,064         |
| Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets | (21) | -97,569          | -90,555          |
| Other operating expenses  | (22) | -2,281,715       | -2,169,678       |
| <b>Income from operations</b>   |      | <b>-4,881</b>    | <b>-10,345</b>   |
| Income from investments in related companies  | (23) | 824,407          | 155,420          |
| Profit received under a profit and loss transfer agreement  | (24) | 721,024          | 501,391          |
| Loss taken over under a profit and loss transfer agreement  | (24) | -73              | -829             |
| Interest result   | (25) | -2,947           | 247              |
| Taxes on income   | (26) | -112,965         | -96,188          |
| <b>Income after taxes</b>   |      | <b>1,424,565</b> | <b>549,696</b>   |
| Other taxes   |      | -1,019           | -242             |
| <b>NET INCOME</b>   |      | <b>1,423,546</b> | <b>549,454</b>   |
| Retained earnings brought forward   |      | 44,852           | 23,860           |
| Transfer to revenue reserves  |      | -400,000         | 0                |
| Transfer to capital reserves  |      | -8,800           | 0                |
| Utilization for share buyback   |      | -354,185         | 0                |
| <b>RETAINED EARNINGS</b>  |      | <b>705,413</b>   | <b>573,314</b>   |

**Notes to the annual financial statements of adidas AG for the year ended December 31, 2018**

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

In the interest of providing a clearer overall picture, certain items in the balance sheet and income statement have been combined as permitted pursuant to § 265 (7) German Commercial Code (Handelsgesetzbuch – HGB) and have been disclosed and explained separately under the numerical text reference indicated below. The names and domiciles of other companies of which adidas AG holds, either directly or indirectly, investments according to § 271 (1) HGB and the disclosures related to these companies can be found in Appendix 2 to these notes.

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

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

The combined management report pursuant to § 315 (5) HGB in conjunction with § 298 (2) HGB is published in the 2018 Annual Report.

## Accounting policies

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

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

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

Movable assets are depreciated on a straight-line basis.

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

The check of the recoverability of investments in affiliated companies is done using a model which takes the net book values as well as the adidas AG financial receivables from these companies into consideration. Necessary write-downs are posted in the first step relating to the financial receivables and only if additional impairments are necessary will the write-down be attributed to the investment. If the reasons for the write-down no longer apply, the write-down is reversed to no higher than the historical cost of the investment or receivables.

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

If the reasons for the write-down no longer apply, the write-down is reversed in accordance with § 253 (5) sentence 1 HGB to no higher than the historical cost of the inventories.

Receivables and other assets are generally recognized at nominal values. Individual adjustments and 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.

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

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

Prepaid expenses are recognized at nominal value.

The difference resulting from asset offsetting is recognized at fair 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) sentence 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, capital reserves and revenue reserves are 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 (RT 2018 G mortality tables by Prof. Dr. Klaus Heubeck) in accordance with the projected unit credit (PUC) method. From 2018 onwards, the mortality tables RT 2018 G by Prof. Dr. Klaus Heubeck replace the mortality tables RT 2005 G by Prof. Dr. Klaus Heubeck. The defined benefit obligation (DBO) recognized under the PUC method is defined as the actuarial present value of the pension obligations earned by the employees by the balance sheet date according to the retirement benefit formula and the vested pension amount based on their service in the past. Expected future pension benefit increases are factored in using a 1.0% to 1.6% p.a. (prior year 1.0% to 1.5%) growth rate in benefits. The entitlement dynamic (prior year between 0% and 3% p.a.) is no longer applicable because there are no employees with such benefits in active employment anymore. Fluctuation is assumed – as in the prior year – to range between 5% and 20%, depending on age. The rate used to discount the pension obligations in accordance with § 253 (2) sentence 2 HGB amounts to 3.21% as at December 31, 2018 (prior year: 3.68%); 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 2.33% (prior year: 2,80%) and the application of the average market interest rate for the past ten fiscal years 3.21% (prior year: 3.68%) is subject to a restriction on distribution. The plan assets created in 2014 through the funding of the pension trust association were measured at fair value, in

accordance with § 255 (4) HGB in conjunction with § 285 no. 25 second clause and § 285 no. 20 a HGB using an official recognized method for real estate valuation, and offset against the pension obligations.

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

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 (as in the previous year). The liabilities for partial and early retirement are recognized in "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 security. Analogous 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 stock 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 the income statement.

Liabilities are recognized at their settlement amount.

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

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

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

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

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

## 1. Fixed Assets

Development of fixed assets in the 2018 fiscal year.

| Acquisition and production costs  |                  |                |               |                   |                  |
|---|------------------|----------------|---------------|-------------------|------------------|
| Amounts in EUR thousand (HGB)   | 01.01.2018       | Additions      | Disposals     | Reclassifications | 31.12.2018       |
| <b>I. Intangible Assets</b>   |                  |                |               |                   |                  |
| 1. Purchased concessions, trademarks and similar rights and licenses to such rights | 571.267          | 13.462         | -1            | 23.598            | 608.326          |
| 2. Prepayments and assets under construction  | 28.258           | 75.585         | 0             | -23.598           | 80.245           |
|   | 599.525          | 89.047         | -1            | 0                 | 688.571          |
| <b>II. Tangible Assets</b>  |                  |                |               |                   |                  |
| 1. Land, land rights and buildings  | 490.867          | 4.162          | -708          | 21.027            | 515.348          |
| 2. Technical equipment and machinery  | 55.584           | 9.578          | -47           | 1.310             | 66.425           |
| 3. Other equipment, operating and office equipment                                  | 309.034          | 20.532         | -2.536        | 1.808             | 328.838          |
| 4. Prepayments and assets under construction  | 184.046          | 91.844         | 0             | -24.145           | 251.745          |
|   | 1.039.531        | 126.116        | -3.291        | 0                 | 1.162.356        |
| <b>III. Financial Assets</b>  |                  |                |               |                   |                  |
| 1. Shares in affiliated companies   | 4.146.823        | 11.133         | -4.753        | 0                 | 4.153.203        |
| 2. Loans to affiliated companies  | 40.000           | 0              | 0             | 0                 | 40.000           |
| 3. Equity investments   | 79.249           | 0              | -408          | 0                 | 78.841           |
| 4. Loans to non-affiliated companies  | 200              | 0              | 0             | 0                 | 200              |
| 5. Other loans  | 62.453           | 41.810         | 0             | 0                 | 104.263          |
|   | 4.328.725        | 52.943         | -5.161        | 0                 | 4.376.507        |
| <b>Fixed Assets</b>   | <b>5.967.781</b> | <b>268.106</b> | <b>-8.453</b> | <b>0</b>          | <b>6.227.434</b> |

| Accumulated depreciation |           |           |          |                   |            | Book values |            |
|--------------------------|-----------|-----------|----------|-------------------|------------|-------------|------------|
| 01.01.2018               | Additions | Disposals | Write-up | Reclassifications | 31.12.2018 | 31.12.2018  | 31.12.2017 |
| 475.670                  | 51.011    | -1        | 0        | 0                 | 526.680    | 81.646      | 95.597     |
| 0                        | 0         | 0         | 0        | 0                 | 0          | 80.245      | 28.258     |
| 475.670                  | 51.011    | -1        | 0        | 0                 | 526.680    | 161.891     | 123.855    |
| 147.435                  | 15.014    | -87       | 0        | 0                 | 162.362    | 352.986     | 343.432    |
| 32.803                   | 7.124     | -14       | 0        | 0                 | 39.913     | 26.512      | 22.781     |
| 249.056                  | 24.420    | -1.587    | 0        | 0                 | 271.889    | 56.949      | 59.978     |
| 0                        | 0         | 0         | 0        | 0                 | 0          | 251.745     | 184.046    |
| 429.294                  | 46.558    | -1.688    | 0        | 0                 | 474.164    | 688.192     | 610.237    |
| 20.590                   | 0         | -4.753    | 0        | 0                 | 15.837     | 4.137.366   | 4.126.233  |
| 0                        | 0         | 0         | 0        | 0                 | 0          | 40.000      | 40.000     |
| 0                        | 0         | 0         | 0        | 0                 | 0          | 78.841      | 79.249     |
| 0                        | 0         | 0         | 0        | 0                 | 0          | 200         | 200        |
| 0                        | 0         | 0         | 0        | 0                 | 0          | 104.263     | 62.453     |
| 20.590                   | 0         | -4.753    | 0        | 0                 | 15.837     | 4.360.670   | 4.308.135  |
| 925.554                  | 97.569    | -6.442    | 0        | 0                 | 1.016.681  | 5.210.753   | 5.042.227  |

## 2. Intangible fixed assets and tangible fixed assets

The significant additions primarily relate to advance payments and assets under construction in an amount of € 91,844 thousand for property, plant and equipment and € 75,585 thousand for intangible assets. Further additions relate to software in an amount of € 10,631 thousand and technical equipment and machinery in an amount of € 9,578 thousand as well as computer hardware in an amount of € 9,233 thousand.



### 3. Long-term financial assets

The increase in long-term financial assets primarily relates to a contribution in cash for a share-based swap in an amount of € 41,810 thousand for other loans. The additions in shares in affiliated companies primarily relate to the capital increase at the subsidiary adidas Columbia Ltd., the disposals relate to the sale of the shares in the subsidiary Reebok Israel Ltd. to Life Sport Ltd.

### 4. Inventories

#### Inventories

€ thousand

|   | Dec. 31, 2018 | Dec. 31, 2017 |
|---|---------------|---------------|
| Raw materials, consumables and supplies | 6,080         | 4,016         |
| Work in progress                        | 291           | 41            |
| Finished goods and merchandise          | 40,174        | 44,819        |
| <b>Inventories</b>                      | <b>46,545</b> | <b>48,876</b> |

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

### 5. Receivables and other assets

#### Receivables and other assets

€ thousand

|   | Dec. 31, 2018    | Dec. 31, 2017    |
|---|------------------|------------------|
| <b>Trade accounts receivable</b>                        | <b>139,176</b>   | <b>95,074</b>    |
| of which with a residual maturity of more than one year | 0                | 0                |
| <b>Receivables from affiliated companies</b>            | <b>2,429,891</b> | <b>3,111,239</b> |
| of which with a residual maturity of more than one year | 0                | 0                |
| <b>Other assets</b>                                     | <b>86,358</b>    | <b>55,252</b>    |
| of which with a residual maturity of more than one year | 45,320           | 13,323           |
| <b>Receivables and other assets</b>                     | <b>2,655,425</b> | <b>3,261,565</b> |

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. The recoverability of these receivables is checked as part of the impairment test concerning the shares in affiliated companies. At the balance sheet date there are accumulated impairments of € 55,863 thousand. Receivables from affiliated companies include € 183,367 thousand in trade receivables.

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

## 6. Securities

### Securities

€ thousand

|                    | Dec. 31, 2018  | Dec. 31, 2017 |
|--------------------|----------------|---------------|
| Money market funds | 440,194        | 0             |
| Commercial Papers  | 164,000        | 0             |
| <b>Securities</b>  | <b>604,194</b> | <b>0</b>      |

Securities comprise short-term financial investments.

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

### Cash and cash equivalents

€ thousand

|   | Dec. 31, 2018  | Dec. 31, 2017  |
|---|----------------|----------------|
| <b>Cash-in-hand, bank balances and checks</b> | <b>873,841</b> | <b>337,219</b> |

## 8. Prepaid expenses

### Prepaid expenses

€ thousand

|                                      | Dec. 31, 2018 | Dec. 31, 2017  |
|--------------------------------------|---------------|----------------|
| Advertising and promotion agreements | 42,847        | 87,202         |
| Other                                | 56,737        | 81,169         |
| <b>Prepaid expenses</b>              | <b>99,584</b> | <b>168,372</b> |

The decrease in advertising and promotion agreements is largely attributable to a contract agreement with a football association. Other prepaid expenses comprise mainly advance payments for licensing expenses, maintenance, rent, insurance premiums and marketing.

## 9. Difference resulting from asset offsetting

The liabilities for partial and early retirement show a settlement amount of € 15 thousand as at December 31, 2018 (prior year: € 354 thousand). The fair value of recognized assets amounts to € 5,299 thousand as at December 31, 2018 (prior year: € 5,325 thousand) and the historical acquisition costs amount to € 4,390 thousand (prior year: € 4,361 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 € 909 thousand (prior year: € 964 thousand).

## 10. Shareholders equity

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

### Changes in equity

€ thousand

|                                 | Jan. 1,<br>2018  | Repurchase<br>of treasury<br>shares | Issuance of<br>treasury shares<br>/ Conversion /<br>Employee<br>shares | Allocation<br>to reserves | Withdrawal<br>from<br>reserves | Cancellation<br>of shares | Dividend        | Net profit<br>for the year | Dec. 31, 2018    |
|---------------------------------|------------------|-------------------------------------|--|---------------------------|--------------------------------|---------------------------|-----------------|----------------------------|------------------|
| Subscribed capital              | 209,216          | 0                                   | 0  | 0                         | 0                              | -8,800                    | 0               | 0                          | 200,416          |
| Par value of<br>treasury shares | -5,355           | -5,090                              | 400  | 0                         | 0                              | 8,800                     | 0               | 0                          | -1,245           |
| Capital reserves                | 1,309,932        | 0                                   | 2,978  | 12,470                    | 0                              | 0                         | 0               | 0                          | 1,325,380        |
| Revenue reserves*)              | 616,842          | -640,643                            | 30,185   | 400,000                   | -2,348                         | 0                         | 0               | 0                          | 404,036          |
| Retained earnings               | 573,314          | -354,185                            | 0  | -400,000                  | 0                              | -8,800                    | -528,462        | 1,423,546                  | 705,413          |
| <b>Equity</b>                   | <b>2,703,949</b> | <b>-999,918</b>                     | <b>33,563</b>  | <b>12,470</b>             | <b>-2,348</b>                  | <b>-8,800</b>             | <b>-528,462</b> | <b>1,423,546</b>           | <b>2,634,000</b> |

\*) Includes legal reserves of € 4,036 thousand

### Subscribed capital

As at December 31, 2017, the nominal capital of adidas AG amounted to € 209,216,186 divided into 209,216,186 registered no-par-value shares and was fully paid in.

With legal effect as of October 22, 2018, the nominal capital was reduced from € 209,216,186 to € 200,416,186 by cancelation of 8,800,000 treasury shares. The change in the nominal capital due to the cancelation of shares and the capital reduction was registered for declaratory entry in the commercial register. The entry was made on December 14, 2018.

There were no other changes to the nominal capital. Thus, as at the balance sheet date, and in the period beyond, the nominal capital of adidas AG amounted to a total of € 200,416,186 divided into 200,416,186 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 AktG. As at the balance sheet date, adidas AG held

1,244,841 treasury shares, corresponding to a notional amount of € 1,244,841 in the nominal capital and consequently to 0.62% of the nominal capital.

### **Authorized capital**

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 90 million in the 2018 financial year or in the period beyond the balance sheet date.

The authorized capital of adidas AG, which is set out in § 4 sections 2, 3, 4, and 5 of the Articles of Association as at the balance sheet date, entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital

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

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

based on the authorization granted by resolution of the Annual General Meeting of May 11, 2017 until June 7, 2020

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

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



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

by issuing new shares against contributions in cash once or several times by no more than € 20 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to exclude shareholders' subscription rights when issuing the new shares at a value not essentially below the stock market price of the adidas AG shares already listed on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the adidas AG shares on a foreign stock exchange (Authorized Capital 2017/III). The authorization to exclude subscription rights pursuant to the previous sentence, may, however, only be used to the extent that the pro rata amount of the new shares in the nominal capital together with the pro rata amount in the nominal capital of other shares which have been issued by adidas AG since May 11, 2017, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorized capital or following a repurchase or for which subscription or conversion rights or subscription or conversion obligations have been granted since May 11, 2017, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded pursuant to § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the commercial register or – if this amount is lower – at the respective date on which the resolution on utilization of the authorization is adopted.

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

based on the authorization granted by resolution of the Annual General Meeting of May 12, 2016 until June 14, 2021

by issuing up to 4,000,000 new shares against contributions in cash once or several times by no more than € 4 million and, subject to Supervisory Board approval, to determine the further content of the rights embodied in the shares and the terms and conditions of the share issuance (Authorized Capital 2016). Shareholders' subscription rights shall be excluded. Any repurchased treasury shares of adidas AG which are used by adidas AG for employee stock purchase plans during the term of this authorization shall be attributed to the maximum number of 4,000,000 shares. The new shares may only be issued to (current 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 9, 2018. It does not comprise the Contingent Capital 2014 canceled by the Annual General Meeting on May 9, 2018, which had not been utilized until May 9, 2018. Additional contingent capital does not exist.

## **Contingent Capital 2010 and Convertible Bond**

The nominal capital of adidas AG is conditionally increased by up to € 36 million (Contingent Capital 2010). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued up to May 5, 2015 based on the resolution of the Annual General Meeting 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 shall be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. The new

shares shall carry dividend rights from the commencement of the financial year in which the shares are issued.

On March 14, 2012, the Executive Board, with the approval of the Supervisory Board, made partial use of the authorization of the Annual General Meeting from 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 € 500 million via an offer to institutional investors outside the USA with the exclusion of shareholders' subscription rights. The bonds were listed on the Open Market segment of the Frankfurt Stock Exchange. The conversion rights were exercisable at any time between May 21, 2012 and June 5, 2019, subject to lapsed conversion rights as set out under § 6 section 3 of the bond terms and conditions 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 of the bond terms and conditions or a change of control in accordance with § 13 of the bond terms and conditions) the convertible bond could be converted into 6,212,778 shares of adidas AG based on a conversion price of most recently € 80.48 per share. The convertible bond bore an interest rate of 0.25% per annum. Bondholders were entitled to demand redemption of the bonds as of June 14, 2017. As of July 14, 2017, adidas AG had the right to conduct an early redemption of the bond, if, on 20 of 30 consecutive trading days, the share price of adidas AG exceeded the current conversion price of most recently € 80.48 by at least 30%. In the year under review, the company exercised its right to redeem outstanding bonds early. The convertible bond was thus fully converted or redeemed and no more shares can be issued from the Contingent Capital 2010.

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 until the balance sheet date and in the period beyond.

## **Contingent Capital 2018**

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

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

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

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

### **Repurchase and use of treasury shares**

The Annual General Meeting on May 12, 2016 granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 11, 2021. The authorization may be used by adidas AG but also by its subordinated Group companies or by third parties on account of adidas AG or its subordinated Group companies or third parties assigned by adidas AG or one of its subordinated Group companies.

Based on the above-mentioned authorization, the Executive Board of adidas AG commenced a share buyback program on March 22, 2018. While the company may use the



repurchased shares for all purposes admissible under the authorization granted on May 12, 2016 with the exception of the transfer of shares as a compensation component for the company's Executive Board members, adidas AG plans to cancel the majority of the repurchased shares.

In March 2018, 161,888 shares were purchased for a total price of € 31,570,000 (excluding incidental purchasing costs), i.e. for an average price of € 195.01 per share. This corresponded to a notional amount of € 161,888 in the nominal capital and consequently to 0.08% of the nominal capital. In April 2018, 479,177 shares were purchased for a total price of € 98,679,134 (excluding incidental purchasing costs), i.e. for an average price of € 205.93 per share. This corresponded to a notional amount of € 479,177 in the nominal capital and consequently to 0.23% of the nominal capital. In May 2018, 617,854 shares were purchased for a total price of € 120,189,124 (excluding incidental purchasing costs), i.e. for an average price of € 194.53 per share. This corresponded to a notional amount of € 617,854 in the nominal capital and consequently to 0.3% of the nominal capital.

On May 24, 2018, the company (including the shares purchased since 2014) exceeded the reportable threshold of 3% of the shares in adidas AG as defined by § 40 section 1 sentence 2 German Securities Trading Act (Wertpapierhandelsgesetz - WpHG). The share of voting rights amounted to 3.008% (6,293,433 shares) at that time.

In June 2018, 1,539,068 shares were purchased for a total price of € 293,306,320 (excluding incidental purchasing costs), i.e. for an average price of € 190.57 per share. This corresponded to a notional amount of € 1,539,068 in the nominal capital and consequently to 0.74% of the nominal capital. In July 2018, 336,046 shares were purchased for a total price of € 62,777,649 (excluding incidental purchasing costs), i.e. for an average price of € 186.81 per share. This corresponded to a notional amount of € 336,046 in the nominal capital and consequently to 0.16% of the nominal capital. In August 2018, 345,975 shares were purchased for a total price of € 70,279,340 (excluding incidental purchasing costs), i.e. for an average price of € 203.13 per share. This corresponded to a notional amount of € 345,975 in the nominal capital and consequently to 0.17% of the nominal capital. In September 2018, 270,019 shares were purchased for a total price of

€ 56,546,586 (excluding incidental purchasing costs), i.e. for an average price of € 209.42 per share. This corresponded to a notional amount of € 270,019 in the nominal capital and consequently to 0.13% of the nominal capital. In October 2018, 508,407 shares were purchased for a total price of € 101,380,438 (excluding incidental purchasing costs), i.e. for an average price of € 199.41 per share. This corresponded to a notional amount of € 508,407 in the nominal capital which was reduced from € 209,216,186 to € 200,416,186 with legal effect from October 22, 2018 and consequently to 0.25% of the nominal capital.

On October 22, 2018, adidas AG fell below the reportable threshold of 3% of the shares in adidas AG as defined by § 40 section 1 sentence 2 WpHG due to the cancelation of treasury shares and the capital reduction. The share of voting rights amounted to 0.2226% (446,196 shares) at that time.

In November 2018, 640,749 shares were purchased for a total price of € 127,377,313 (excluding incidental purchasing costs), i.e. for an average price of € 198.79 per share. This corresponded to a notional amount of € 640,749 in the nominal capital and consequently to 0.32% of the nominal capital. In December 2018, 190,696 shares were purchased for a total price of € 37,779,261 (excluding incidental purchasing costs), i.e. for an average price of € 198.11 per share. This corresponded to a notional amount of € 190,696 in the nominal capital and consequently to 0.10% of the nominal capital.

Under the authorization granted, adidas AG repurchased a total of 5,089,879 shares for a total price of € 999,885,165 (excluding incidental purchasing costs), i.e. for an average price of € 196.45 per share, in a first tranche between March 22, 2018 and December 4, 2018 inclusive. This corresponded to a notional amount of € 5,089,879 in the nominal capital which was reduced from € 209,216,186 to € 200,416,186 with legal effect from October 22, 2018 and consequently to 2.54% of the nominal capital. adidas AG reserves the right to continue the share buyback program in the future in alignment with the published parameters.

In the 2018 financial year, a total of 377,630 treasury shares were used to meet obligations arising from the convertible bond issued by adidas AG. The convertible bond was fully converted or redeemed.

Moreover, in the 2018 financial year, 22,360 treasury shares were used as consideration, i. a., for the transfer or licensing of intellectual property rights and intangible property rights due to contractual obligations.

In the 2018 financial year and beyond, adidas AG used a total of 9,199,990 treasury shares (including the treasury shares canceled).

### **Employee stock purchase plan**

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

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

On April 9, 2018, adidas AG purchased a further 24,104 adidas AG shares at an average price of € 201.88 in connection with the employee stock purchase plan. This corresponded to a total price of € 4,866,054 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 24,104 or 0.012%. At the same time, adidas AG also purchased a further 2,751 adidas AG shares at an average price of € 201.88, which were used as matching shares. This corresponded to a total price of € 555,365 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 2,751 or 0.0013%. All shares purchased for this purpose on April 9, 2018 were issued to eligible employees on April 11, 2018.

On July 6, 2018, adidas AG purchased a further 30,504 adidas AG shares at an average price of € 182.47 in connection with the employee stock purchase plan. This corresponded to a total price of € 5,566,187 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 30,504 or 0.015%. At the same time, adidas AG also purchased a further 3,040 adidas AG shares at an average price of € 182.47, which were used as matching shares. This corresponded to a total price of € 554,721 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 3,040 or 0.0014%. All shares purchased for this purpose on July 6, 2018 were issued to eligible employees on July 10, 2018.

On October 8, 2018, adidas AG purchased a further 25,863 adidas AG shares at an average price of € 205.91 in connection with the employee stock purchase plan. This corresponded to a total price of € 5,325,449 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 25,863 or 0.012%. At the same time, adidas AG also purchased a further 2,689 adidas AG shares at an average price of € 205.91, which were used as matching shares. This corresponded to a total price of € 553,673 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 2,689 or 0.0013%. All shares purchased for this purpose on October 8, 2018 were issued to eligible employees on October 12, 2018.

On January 8, 2019, adidas AG purchased a further 29,328 adidas AG shares at an average price of € 195.72 in connection with the employee stock purchase plan. This corresponded to a total price of € 5,739,980 (excluding incidental purchasing costs) with a pro rata amount or an amount of € 29,328 in the nominal capital which was reduced from € 209,216,186 to € 200,416,186 with legal effect from October 22, 2018 or 0.015%. At the same time, adidas AG also purchased a further 3,349 adidas AG shares at an average price of € 195.72, which were used as matching shares. This corresponded to a total price of € 655,455 (excluding incidental purchasing costs) with a pro rata amount or an amount of € 3,349 in the nominal capital which was reduced from € 209,216,186 to € 200,416,186 with legal effect from October 22, 2018 or 0.002%. All shares purchased for this purpose on January 8, 2019 were issued to eligible employees on January 10, 2019.

**Changes in the percentage of voting rights**

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to adidas AG in accordance with § 33 section 1 or section 2 WpHG need to be disclosed.

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

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



## Notified reportable shareholdings

| Notifying party  | Date of reaching, exceeding or falling below | Reporting threshold | AttributionsNotification obligations and attributions in accordance with WpHG <sup>1)</sup> | Shareholdings in % | Number of voting rights |
|--|--|---------------------|---|--------------------|-------------------------|
| BlackRock, Inc.,<br>Wilmington, DE,<br>USA   | December 28, 2018                            | Exceeding<br>5%     | §§ 34, 38 sec. 1 no. 1<br>and § 38 sec. 1 no. 2   | 5.49               | 11,005,628              |
| Ségolène Gallienne   | December 03, 2018                            | Exceeding<br>5%     | § 34  | 7.83               | 15,694,711              |
| Gérald Frère   | December 03, 2018                            | Exceeding<br>5%     | § 34  | 7.83               | 15,694,711              |
| The Desmarais<br>Family Residuary<br>Trust, Montreal,<br>Canada                    | November 19, 2018                            | Exceeding<br>5%     | § 34  | 8.09               | 16,214,074              |
| Eliau Corporate<br>Trustee (Cayman)<br>Limited, Grand<br>Cayman, Cayman<br>Islands | December 16, 2016                            | Exceeding<br>5%     | §§ 21, 25 sec. 1 no. 2  | 5.71               | 11,950,482              |
| FMR LLC,<br>Wilmington, DE,<br>USA <sup>1)</sup>                                   | May 12, 2016                                 | Exceeding<br>5%     | § 22  | 5.31               | 11,117,704              |
| Capital Research<br>and Management<br>Company, Los<br>Angeles, CA, USA             | July 22, 2015                                | Exceeding<br>3%     | § 22 sec. 1 sent. 1 no. 6   | 3.02               | 6,325,110               |
| The Capital Group<br>Companies, Inc.,<br>Los Angeles, CA,<br>USA                   | July 22, 2015                                | Exceeding<br>3%     | § 22 sec. 1 sent. 1 no. 6<br>in conjunction with §<br>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.

## Capital reserve

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

## Revenue reserves

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

## 11. Retained earnings

### Retained earnings

€ thousand

|  |                |
|--|----------------|
| <b>Retained earnings as of December 31, 2017</b>   | <b>573,314</b> |
| Distribution of a dividend of € 2.60 per ordinary share in the share capital for the 2017 fiscal year (209,216,186 shares) | -528,462       |
| <b>Retained earnings brought forward</b>   | <b>44,852</b>  |
| Net income of adidas AG for the 2018 fiscal year   | 1,423,546      |
| Allocation to other revenue reserves   | -400,000       |
| Allocation to capital reserves   | -8,800         |
| Used for repurchasing of own shares  | -354,185       |
| <b>Retained earnings as of December 31, 2018</b>   | <b>705,413</b> |

## 12. Special reserve

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

### 13. Provisions/accruals

#### Provisions/accruals

€ thousand

|   | Dec. 31, 2018  | Dec. 31, 2017  |
|---|----------------|----------------|
| Provisions for pensions and similar obligations | 133,115        | 166,178        |
| Provisions for taxes                            | 33,084         | 19,828         |
| Other provisions                                | 533,210        | 438,037        |
| <b>Provisions/accruals</b>                      | <b>699,409</b> | <b>624,043</b> |

In the provisions to pensions and similar obligations, plan assets were offset against obligations in accordance with § 246 [2] sentence 2 HGB. This related to plan assets of the pension trust association “adidas Pension Trust e.V.”. The settlement amount of the pension obligations totaled € 319,472 thousand as at December 31, 2018 (prior year: € 265,595 thousand). The plan assets were measured at fair value in accordance with § 255 [4] HGB. As at the balance sheet date, the fair value of the netted assets after funding contribution of € 89,797 thousand, is € 186,357 thousand (prior year: € 99,417 thousand) and historical costs amount to € 185,097 thousand (prior year: € 95,300 thousand).

The pension obligations to six 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 € 34,708 thousand (prior year: € 31,223 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 three active members of the Executive Board, which amount to € 4,089 thousand before offsetting (prior year: € 4,616 thousand for six Board members). Pension provisions in the amount of € 1,993 thousand have been established for two active members of the Executive Board, whose entitlements were not covered by the adidas Pension Trust e.V in 2018. One member of the Executive Board receives a different type of commitment instead

of pension entitlements for which no provision has been recognized. The provisions for the former members of the Executive Board and their survivors totaled € 73,804 thousand before offsetting as at December 31, 2018 (prior year: € 68,725 thousand). These amounts also include the aforementioned indirect obligations.

The difference between the application of the average market interest rate for the past seven fiscal years and the application of the average market interest rate for the past ten fiscal years amounts to € 49,010 thousand. Pursuant to § 253 (6) sentence 2 HGB, this amount is subject to a restriction on distribution.

The fair value measurement of assets for the settlement of obligations for pensions results in a total amount of € 1,261 thousand (prior year: € 4,117 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, 2018.

The largest item in other provisions concerns provisions for personnel of € 210,371 thousand (prior year: € 224,757 thousand). This amount is primarily attributable to provisions for performance-based remuneration components. Additional significant items in other provisions are provisions for marketing of € 128,810 thousand (prior year: € 77,314 thousand) and provisions for outstanding invoices of € 77,201 thousand (prior year: € 69,967 thousand). There are also provisions for forward contracts in an amount of € 61,329 thousand (prior year: € 24,417 thousand). These are recorded for unrealized losses from derivative futures as well as for hedge accounting. In addition, a provision for impending losses from pending transactions in an amount of € 37,600 thousand (prior year € 10,080 thousand) is included.

## 14. Liabilities

### Liabilities

€ thousand

|                                      | Dec. 31, 2018    |                            |                         |                                 | Dec. 31, 2017    |
|--------------------------------------|------------------|----------------------------|-------------------------|---------------------------------|------------------|
|                                      | Total            | Residual term up to 1 year | Residual term 1-5 years | Residual term more than 5 years | Prior year total |
| Bonds                                | 1,500,000        | 0                          | 1,100,000               | 400,000                         | 1,030,600        |
| (previous year)                      |                  | (0)                        | (630,600)               | (400,000)                       |                  |
| of which convertible                 |                  | 0                          | 1,100,000               | 400,000                         |                  |
| Liabilities to banks                 | 150,000          | 9,375                      | 75,000                  | 65,625                          | 462              |
| (previous year)                      |                  | (462)                      | (0)                     | (0)                             |                  |
| Trade accounts payable               | 169,157          | 168,271                    | 886                     | 0                               | 151,804          |
| (previous year)                      |                  | (144,999)                  | (6,805)                 | (0)                             |                  |
| Liabilities to affiliated companies  | 4,235,652        | 4,225,652                  | 10,000                  | 0                               | 4,271,111        |
| (previous year)                      |                  | (3,821,111)                | (450,000)               | (0)                             |                  |
| Other liabilities                    | 84,779           | 84,779                     | 0                       | 0                               | 76,619           |
| (previous year)                      |                  | (74,160)                   | (2,459)                 | (0)                             |                  |
| of which from taxes                  |                  | 11,250                     | 0                       | 0                               | 4,508            |
| of which relating to social security |                  | 5,431                      | 0                       | 0                               | 2,554            |
| <b>Dec. 31, 2018</b>                 | <b>6,139,588</b> | <b>4,488,077</b>           | <b>1,185,886</b>        | <b>465,625</b>                  | <b>5,530,596</b> |
| <b>Dec. 31, 2017</b>                 |                  | <b>(4,040,732)</b>         | <b>(1,089,864)</b>      | <b>(400,000)</b>                |                  |

The liabilities are unsecured.

The liabilities to affiliated companies primarily relate to liabilities from Group Treasury activities. Trade payables to affiliated companies amount to € 113,059 thousand (prior year: € 95,343 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 had 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 € 200 thousand. The bondholder had the right to convert each bond in full, but not partially, into registered common shares (no-par-value shares) during an exercise period. In the 2018 fiscal year bondholders exercised their right to convert bonds, and in December 2018 the remaining amount was paid to the remaining bondholder including

interest as adidas AG exercised its right of termination. Therefore, adidas AG no longer has a liability related to the convertible bond as at December 31, 2018.

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

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

## 15. Deferred income

The increase in the deferred income primarily relates to a premium in the amount of € 18,784 thousand for the issuance of a convertible bond in 2018.

## 16. Contingent liabilities and other financial commitments

### Contingent liabilities

€ thousand

|                                   | Dec. 31, 2018  | Dec. 31, 2017  |
|-----------------------------------|----------------|----------------|
| <b>Warranty obligations</b>       | <b>893,946</b> | <b>615,591</b> |
| of which for affiliated companies |                |                |
| - Bank loans                      | 99,192         | 87,944         |
| - Letters of credit               | 90,825         | 65,852         |
| - Guarantee agreements            | 703,929        | 461,795        |

The guarantee obligations for bank loans to affiliated companies are from lines of credit drawn on by affiliated companies. adidas AG's letters of credit are mainly import letters of

credit in connection with product purchases in the Far East. The guarantee agreements are with various subsidiaries and secure mainly rent contracts.

Other liabilities relate to absolute guarantees of adidas AG for the benefit of affiliated companies. Comfort letters in unlimited amounts for the benefit of five (prior year: seven) affiliated companies were issued as at December 31, 2018. The risk of these being utilized is deemed to be low.

adidas AG declares support, except in the case of political risk, for 93 affiliated companies, that they are able to meet their contractual liabilities. This declaration replaces the declaration of 2018 dated February 23, 2018, which is no longer valid. The declaration of support automatically ceases from the time that a company no longer is a subsidiary of adidas AG.

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

### Other financial commitments

Other financial commitments of € 2.269.572 thousand (prior year: € 2,109,982 thousand) for adidas AG include amounts for the entire foreseeable contractual period for promotion, advertising, rental and leasing agreements as at December 31, 2018.

#### Maturities

€ thousand

|            |                  |
|------------|------------------|
| in 2018    | 422,667          |
| 2019-2022  | 940,265          |
| after 2022 | 906,640          |
|            | <b>2,269,572</b> |

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

The adidas Group purchases more than 80% of its products in Asia. Since a major proportion of the product costs relate to raw materials that the suppliers have to purchase in US dollars (USD), billings to the adidas Group are also made mainly in USD. In contrast, sales by Group companies to customers are mainly in euros (€), pounds sterling (GBP), Japanese yen (JPY), and in many other currencies. Currency hedges are entered into to reduce the risk of changes in fair value and in cash flows (currency risks). Most subsidiaries hedge their currency risks through adidas AG, except for those subsidiaries that are unable to hedge through adidas AG due to local currency restrictions, or for whom it is more sensible to hedge locally for economic reasons. Currency risks that are assumed by adidas AG from subsidiaries by entering into inter-Group currency transactions are strategically hedged with banks for a period of up to 24 months in advance using forward exchange transactions, currency swaps, currency options, or a combination of currency options, which provide protection and, at the same time, the opportunity to profit from future beneficial foreign exchange rate movements on financial markets. In 2018, 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 is an important component of the Group's business. At the current time – due to continuing low commodity prices – no hedging of commodity futures takes place. This strategy is reviewed regularly.

### Outstanding financial derivatives

€ thousand

|                            | Dec. 31, 2018     | Dec. 31, 2017     |
|----------------------------|-------------------|-------------------|
| Notional amounts           |                   |                   |
| Currency hedging contracts | 17,171,801        | 16,861,372        |
| Equity instruments         | 607,434           | 58,001            |
|                            | <b>17,779,235</b> | <b>16,919,373</b> |

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

The equity instruments serve to hedge a Long-Term Incentive Plan (LTIP), a share-based remuneration scheme with cash settlement, and the conversion privilege of the



convertible bond. The company uses derivative instruments to hedge against the risk of share price fluctuations. The fair value is based on the market price of the adidas AG share as at December 31, 2018 - and concerning the LTIP multiplied by the notional volume less accrued interest -.

## Outstanding financial derivatives

€ thousand

|  | Dec. 31, 2018   |               | Dec. 31, 2017   |               |
|--|-----------------|---------------|-----------------|---------------|
|  | Carrying amount | Fair value    | Carrying amount | Fair value    |
| <b>Assets (Other assets)</b>                         |                 |               |                 |               |
| Currency hedging contracts                           | 0               | 269,113       | 0               | 315,703       |
| Equity instruments                                   | 0               | 22,942        | 0               | 0             |
| <b>Liabilities (Provision for contingent losses)</b> |                 |               |                 |               |
| Currency hedging contracts                           | -61,328         | -273,336      | -21,702         | -318,966      |
| Equity instruments                                   | 0               | -19,796       | -2,716          | -4,463        |
|  | <b>-61,328</b>  | <b>-1,077</b> | <b>-24,418</b>  | <b>-7,726</b> |

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

€ thousand / Maturity

|   | Notional  | Net change in fair value | Maturity      |
|---|-----------|--------------------------|---------------|
| <b>Currency risk</b>  |           |                          |               |
| Risk  |           |                          |               |
| Forward exchange transactions and options with subsidiaries | 6,759,832 | -98,828                  | 1 - 21 months |
| Hedging   |           |                          |               |
| Forward exchange transactions and options with banks        | 6,885,552 | 98,835                   | 1 - 21 months |
| Risk  |           |                          |               |
| Equity instrument with subsidiaries                         | 39,082    | -1,201                   | 13 - 25 month |
| Hedging   | 539,082   | 20,996                   | 13 - 57 month |
| Equity instrument with banks                                | -500,000  | -19,796                  | 57 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).

## 17. 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

€ thousand

|                                   | 2018             | 2017             |
|-----------------------------------|------------------|------------------|
| <b>Breakdown by product group</b> |                  |                  |
| Shoes                             | 995,914          | 845,504          |
| Textiles                          | 460,135          | 383,648          |
| Sports equipment                  | 78,686           | 71,844           |
|                                   | <b>1,534,736</b> | <b>1,300,977</b> |
| Other sales revenues              | 692,385          | 622,507          |
| Licensing income                  | 1,900,157        | 1,808,802        |
| <b>Sales</b>                      | <b>4,127,278</b> | <b>3,732,306</b> |

Of these revenues, € 2,140,094 thousand (prior year: € 1,822,166 thousand) was generated in Germany and € 1,987,184 thousand (prior year: € 1,910,140 thousand) outside Germany, mainly in Europe.

## 18. Other operating income

Other operating income consists mainly of € 372,242 thousand in foreign currency gains (prior year: € 431,538 thousand). Other operating income also includes € 49,700 thousand as a result of the release of allowances for doubtful accounts relating to receivables from affiliated companies (prior year: € 0) as well as income relating to other periods of € 137,562 thousand (prior year: € 41,176 thousand). This income includes essentially income from the reversal of provisions in an amount of € 69,202 thousand (prior year: € 26,710 thousand).

## 19. Cost of materials

### Cost of materials

€ thousand

|   | 2018             | 2017             |
|---|------------------|------------------|
| Cost of raw materials, consumables and supplies, and of purchased merchandise | 1,084,256        | 907,322          |
| Cost of purchased services  | 454,188          | 385,160          |
| <b>Cost of materials</b>  | <b>1,538,444</b> | <b>1,292,482</b> |

## 20. Personnel expenses

### Personnel expenses

€ thousand

|   | 2018           | 2017           |
|---|----------------|----------------|
| Wages and salaries  | 589,075        | 580,819        |
| Social security, post-employment and other employee benefit costs | 141,822        | 111,245        |
| of which for old-age pensions                                     | 56,996         | 33,153         |
| <b>Personnel expenses</b>   | <b>730,897</b> | <b>692,064</b> |

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

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

Amortization and write-downs of intangible assets of € 51,011 thousand (prior year: € 44,845 thousand) relates to trademark rights as well as to computer software and licenses. Depreciation and write-downs of tangible fixed assets of € 46,558 thousand (prior year: € 45,710 thousand) relates primarily to write-downs of € 15,014 thousand (prior year: € 14,261 thousand) on buildings, write-downs of € 9,187 thousand (prior year: € 11,231 thousand) on operating and office equipment and write-downs on computer hardware of € 8,600 thousand (prior year: € 7,024 thousand), as well as depreciation of technical equipment and machinery amounting to € 7,124 thousand (prior year € 5,293 thousand).

## **22. Other operating expenses**

Other operating expenses essentially comprise cost transfers, currency exchange losses, advertising and promotional expenses, legal and consultancy fees, services, travel expenses, rental and lease charges, postal and telephone expenses, and outgoing freight. The € 112.038 thousand increase in these expenses essentially results from the increase in advertising and promotional expenses by € 147,231 thousand to € 637,544 thousand. Currency exchange losses decreased by € 13,917 thousand to € 443,111 thousand, expenses for legal and consultancy fees decreased by € 6,265 thousand to € 261,850 thousand. In addition, the allowance for doubtful accounts relating to receivables decreased by € 68,858 thousand to € 18,716 thousand. The allowance for doubtful accounts in 2018 relates mainly to an allowance for a receivable from an affiliated company. Other operating expenses include expenses not relating to the accounting period in an amount of € 41,004 thousand (prior year: € 21,035 thousand). Thereof, € 37,600 thousand (prior year: € 10,080 thousand) relates to a provision for risks, € 2,422 thousand (prior year: 9,831 thousand) relates to the disposal of fixed assets and € 982 thousand (prior year € 1,124 thousand) relates to obligations to reverse constructional changes to office buildings, plants and retail stores.

## **23. Income from investments in related companies**

Income from adidas AG's investments in related companies amounted to € 824,407 thousand (prior year: € 155,420 thousand) and essentially relates to dividend payments from subsidiaries in the Netherlands, Korea, Chile and Thailand.

## 24. 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 € 719,773 thousand (prior year: gain of € 500,426 thousand).

## 25. Interest result

### Interest result

€ thousand

|   | 2018          | 2017       |
|---|---------------|------------|
| Income from loans of long-term financial assets | 399           | 0          |
| of which from affiliated companies              | 399           | 0          |
| Other interest and similar income               | 48,051        | 40,622     |
| of which from affiliated companies              | 45,788        | 39,313     |
| Interest and similar expenses                   | -51,397       | -40,376    |
| of which to affiliated companies                | -16,644       | -6,594     |
| <b>Interest result</b>                          | <b>-2,947</b> | <b>247</b> |

Interest and similar expenses include € 12,670 thousand (prior year: € 8,429 thousand) from the compounding and discounting of provisions, of which € 12,627 thousand (prior year: € 8,360 thousand) relates to the interest expense in connection with pension provisions.

## **26. Taxes on income**

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

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

adidas AG exercises the statutory right concerning the balancing of deferred tax assets and deferred tax liabilities in accordance with § 274 (1) sentence 3 HGB. In accordance with the option under § 274 (1) sentence 2 HGB, adidas AG has opted to forgo recognizing the surplus deferred tax assets of € 61,521 thousand in future tax benefits due to temporary accounting differences (prior year: € 32,559 thousand). This amount was calculated based on a combined income tax rate of 28%.

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

## **27. Remuneration of the Executive Board and the Supervisory Board**

### **Executive Board**

The overall compensation of the members of the Executive Board in the 2018 financial year amounted to € 10,532 thousand (previous year: € 33,113 thousand). In addition, a total LTIP Bonus amount of € 10,186 thousand was granted to the Executive Board members which must be invested in the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions. These shares are subject to a lock-up period which ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The LTIP payout amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already

fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board.

## Pension commitments

€ thousand

|  | Service cost |              | Accumulated pension obligation for the pension commitments excluding deferred compensation |              |
|--|--------------|--------------|--|--------------|
|  | 2018         | 2017         | 2018   | 2017         |
| <b>Executive Board members incumbent as at Dec. 31, 2018</b> |              |              |  |              |
| Kasper Rorsted   | 918          | 1,068        | 1,958  | 1,360        |
| Roland Auschel   | 314          | 307          | 1,475  | 1,263        |
| Eric Liedtke   | 322          | 324          | 1,410  | 1,160        |
| Harm Ohlmeyer (since March 7, 2017)                          | 373          | 322          | 656  | 322          |
| Karen Parkin (since May 12, 2017)                            | 357          | 248          | 583  | 248          |
| Gil Steyaert (since May 12, 2017) 1)                         | 562          | 263          | 826  | 263          |
| <b>Total</b>   | <b>2,846</b> | <b>2,532</b> | <b>6,908</b>   | <b>4,616</b> |

|  | 2018       | 2017       | 2018     | 2017     |
|--|------------|------------|----------|----------|
| <b>Executive Board members who retired in 2017</b>                             |            |            |          |          |
| Glenn Bennett (until August 4, 2017)   | 350        | 350        | 0        | 0        |
| Robin J. Stalker (until the end of the general executive meeting May 11, 2017) | 332        | 332        | 0        | 0        |
| <b>Total</b>   | <b>682</b> | <b>682</b> | <b>0</b> | <b>0</b> |

1) Because of the change of the pension plan of Gil Steyaert in 2018 the gross amount that the company has paid into the special account of Gil Steyaert during the affected business year includes also the partial supplementary entry for 2017. The defined benefit obligation of the pension plan of Gil Steyaert corresponds to the gross amount that the company has paid into the special account of Gil Steyaert since his membership in the Executive Board.

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 € 3,746 thousand in benefits in the 2018 fiscal year (prior year: € 13,502 thousand). The lower total amounts compared to the prior year are due to the fact that in 2017 the compensations for the former Executive Board members Herbert Hainer, Robin J. Stalker and Glenn Bennett, who left the company in 2016 and 2017, was included.



Provisions for pension entitlements have been created for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents or former family members, in an amount of € 39,096 thousand in total as at December 31, 2018 before netting with the assets of the “adidas Pension Trust e.V.” (prior year: € 37,501 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 € 34,708 thousand (prior year: € 31,223 thousand) arise for adidas AG, for which no accruals were established due to financing through the pension fund and pension trust fund.

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

### **Supervisory Board**

The annual total compensation for members of the Supervisory Board in accordance with the Articles of Association was € 2,329 thousand (prior year: € 1,902 thousand). This includes attendance fees in a total amount of € 129 thousand (prior year € 127 thousand). The increase in the total compensation for the 2018 fiscal year compared to the 2017 financial year is attributable to the increase in the compensation of the Supervisory Board effective July 1, 2017.

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

## 28. Other disclosures

### No. of employees (annual average)

|                          | 2018         |          |       | 2017         |          |      |
|--------------------------|--------------|----------|-------|--------------|----------|------|
|                          | Total        | Salaried | Wage  | Total        | Salaried | Wage |
| Global Sales             | 579          | 579      | 0     | 547          | 547      | 0    |
| Headquarters             |              |          |       |              |          |      |
| Corporate Services       | 2,205        | 2,103    | 102   | 2,040        | 1,930    | 110  |
| Marketing                | 1,800        | 1,800    | 0     | 1,736        | 1,736    | 0    |
| Operations               | 2,156        | 1,066    | 1,090 | 1,932        | 1,009    | 923  |
| Market Europe            | 995          | 850      | 145   | 943          | 842      | 101  |
|                          |              |          |       |              |          |      |
|                          | <b>7,735</b> |          |       | <b>7,198</b> |          |      |
| <b>As of December 31</b> | 7,830        |          |       | 7,555        |          |      |

### 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 € 705,413 thousand as reported in the 2018 financial statements of adidas AG for a dividend payment of € 3.35 per dividend-entitled share. The subsequent remaining amount will be carried forward.

### Declaration on the German Corporate Governance Code

In February 2019, the Executive Board and Supervisory Board of adidas AG issued an updated Declaration of Compliance in accordance with § 161 AktG and made it permanently available to the shareholders. The full text of the Declaration of Compliance is available on the Company's corporate website.

### **Disclosures pursuant to § 285 no. 10 HGB**

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

### **Disclosures pursuant to § 285 no. 17 HGB**

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

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

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

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

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

### **Disclosures pursuant to § 285 no. 33 HGB**

The Supervisory Board of adidas AG has appointed Martin Shankland to the Executive Board as Board Member responsible for Global Operations effective March 4, 2019. He succeeds Gil Steyaert who has left the Executive Board as of February 26, 2019.

No further company-specific subsequent events are known which might have a material influence on the assets, liabilities, financial position and profit or loss of the company.

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 27, 2019

The Executive Board of adidas AG

signed Kasper Rorsted

signed Roland Auschel

signed Eric Liedtke

signed Harm Ohlmeyer

signed Karen Parkin

## Supervisory Board

### **IGOR LANDAU**

#### **CHAIRMAN**

residing in Lugano, Switzerland

born on July 13, 1944

Member of the Supervisory Board of adidas AG since May 13, 2004

Pensioner

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

- none

### **SABINE BAUER\***

#### **DEPUTY CHAIRWOMAN**

residing in Erlangen, Germany

born on January 16, 1963

Member of the Supervisory Board of adidas AG since May 20, 1999

Full-time member of the Works Council Herzogenaurach, 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

born on April 14, 1953

Member of the Supervisory Board of adidas AG since May 13, 2004

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 SE, Munich, Germany

\*Employee representative

**DR. FRANK APPEL**

residing in Königswinter near Bonn, Germany

born on July 29, 1961

Member of the Supervisory Board of adidas AG since May 9, 2018

Chief Executive Officer, Deutsche Post AG, Bonn, Germany

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

- none

**IAN GALLIENNE**

residing in Gerpinnes, Belgium

born on January 23, 1971

Member of the Supervisory Board of adidas AG since June 15, 2016

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

Mandates within the Groupe Bruxelles Lambert or in entities under common control with the Groupe Bruxelles Lambert:

- Member of the Board of Directors, Imerys SA, Paris, France
- Member of the Board of Directors, Sienna Capital S.à r.l., Strassen, Luxembourg
- Member of the Board of Directors, Erbe SA, Loverval, Belgium<sup>1</sup>
- Member of the Board of Directors, Compagnie Nationale à Portefeuille SA, Loverval, Belgium<sup>2</sup>
- Member of the Board of Directors, Frère-Bourgeois SA, Loverval, Belgium<sup>3</sup>
- Member of the Board of Directors, Château Cheval Blanc, Société Civile, Saint Emilion, France<sup>4</sup>
- Member of the Board of Directors, GBL Energy S.à r.l., Strassen, Luxembourg<sup>5</sup>
- Member of the Board of Directors, GBL Advisors Ltd, London, United Kingdom<sup>6</sup>
- Member of the Board of Directors, GBL Development Ltd, London, United Kingdom<sup>7</sup>

<sup>1</sup> Until January 12, 2018.

<sup>2</sup> Since April 30, 2018.

<sup>3</sup> Since January 12, 2018.

<sup>4</sup> Since December 17, 2018.

<sup>5</sup> Until June 25, 2018.

<sup>6</sup> Since January 19, 2018.

<sup>7</sup> Since May 29, 2018.

\*Employee representative

**DIETER HAUENSTEIN\***

residing in Herzogenaurach, Germany

born on January 13, 1957

Member of the Supervisory Board of adidas AG since May 7, 2009

Specialist for job safety, adidas AG

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

- none

**DR. WOLFGANG JÄGER\***

residing in Bochum, Germany

born on August 3, 1954

Member of the Supervisory Board of adidas AG since May 7, 2009

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

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

- none

**HERBERT KAUFFMANN**

residing in Stuttgart, Germany

born on April 20, 1951

Member of the Supervisory Board of adidas AG since May 7, 2009

Independent Management Consultant, Stuttgart, Germany

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

- Member of the Supervisory Board, DEUTZ AG, Cologne, Germany<sup>8</sup>

**KATJA KRAUS**

residing in Hamburg, Germany

born on November 23, 1970

Member of the Supervisory Board of adidas AG since May 8, 2014

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

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

- none

<sup>8</sup> Until April 26, 2018.

\*Employee representative

**KATHRIN MENGES**

residing in Neuss, Germany

born on October 16, 1964

Member of the Supervisory Board of adidas AG since May 8, 2014

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 Finland Oy, Vantaa, Finland

**UDO MÜLLER\***

residing in Herzogenaurach, Germany

born on April 14, 1960

Member of the Supervisory Board of adidas AG since October 6, 2016

Chairman Works Council Herzogenaurach, adidas AG

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

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

- none

**ROLAND NOSKO\***

residing in Wolnzach, Germany

born on August 19, 1958

Member of the Supervisory Board of adidas AG since May 13, 2004

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

\*Employee representative



**HANS RUPRECHT\***

residing in Herzogenaurach, Germany

born on April 18, 1954

Member of the Supervisory Board of adidas AG since January 1, 2002

Vice President Customer Service Central, adidas AG

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

- none

**NASSEF SAWIRIS**

residing in London, Great Britain

born on January 19, 1961

Member of the Supervisory Board of adidas AG since June 15, 2016

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<sup>9</sup>

**HEIDI THALER-VEH\***

residing in Uffenheim, Germany

born on November 14, 1962

Member of the Supervisory Board of adidas AG since April 13, 1994

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

Chairwoman of the Works Council Uffenheim, adidas AG

Deputy Chairwoman of the Central Works Council, adidas AG

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

- none

<sup>9</sup> Until July 16, 2018.

\*Employee representative

**KURT WITTMANN\***

residing in Markt Bibart, Germany

born on July 11, 1963

Member of the Supervisory Board of adidas AG since October 6, 2016

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

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

- none

SUPERVISORY BOARD MEMBERS INCUMBENT UNTIL THE END OF THE ANNUAL GENERAL MEETING ON MAY 9, 2018:

**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

\*Employee representative

## 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 / Bertelsmann Management SE, Gütersloh, Germany
- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland<sup>1</sup>

### **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

### **HARM OHLMEYER, RÖTTENBACH, GERMANY**

**Chief Financial Officer**

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

- none

<sup>1</sup> Since April 12, 2018.

**KAREN PARKIN, PORTLAND, USA**  
**Executive Board member in charge of Global Human Resources**

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

- none

**GIL STEYAERT, WILMSLOW, GREAT BRITAIN (until February 26, 2019)**  
**Executive Board member in charge of Global Operations**

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

- Member of the Supervisory Board, Fashion for Good B.V., Amsterdam, The Netherlands<sup>2</sup>

<sup>2</sup> Since September 1, 2018.

**Shareholdings of adidas AG, Herzogenaurach  
at December 31, 2018**

| Company and Domicile                                    |                                 | Currency | Equity<br>(currency units<br>in thousands) | Share in capital<br>held by 1) | in %          | Profit / Loss<br>(currency units<br>in thousands) |
|---|---------------------------------|----------|--|--------------------------------|---------------|---|
| <b>Germany</b>  |                                 |          |  |                                |               |   |
| 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      | 6.776                                      | 14                             | 100           | (1.926)   |
| 4 adidas Verwaltungsgesellschaft mbH 3)                 | Herzogenaurach (Germany)        | EUR      | 4.277                                      | 75                             | 100           | (26)  |
| 5 adidas anticipation GmbH 2)                           | Herzogenaurach (Germany)        | EUR      | 25   | directly                       | 100           | -   |
| <b>Europe (incl. Middle East and Africa)</b>            |                                 |          |  |                                |               |   |
| 6 adidas sport gmbh                                     | Cham (Switzerland)              | CHF      | 6.184                                      | directly                       | 100           | 2.063   |
| 7 adidas Austria GmbH                                   | Klagenfurt (Austria)            | EUR      | 9.782                                      | directly<br>6                  | 95,89<br>4,11 | 4.306   |
| 8 runtastic GmbH  | Pasching (Austria)              | EUR      | 1.788                                      | 10                             | 100           | (2.637)   |
| 9 adidas France S.a.r.l.                                | Strasbourg (France)             | EUR      | 247.926                                    | directly                       | 100           | 47.629  |
| 10 adidas International B.V.                            | Amsterdam (Netherlands)         | EUR      | 7.392.794                                  | directly<br>9                  | 93,97<br>6,03 | 743.115   |
| 11 adidas International Trading B.V.                    | Amsterdam (Netherlands)         | EUR      | 1.547.114                                  | 10                             | 100           | 714.027   |
| 12 adidas International Marketing B.V.                  | Amsterdam (Netherlands)         | EUR      | 55.298                                     | 10                             | 100           | 1.115   |
| 13 adidas International Finance B.V.                    | Amsterdam (Netherlands)         | EUR      | 50.660                                     | 10                             | 100           | 4.469   |
| 14 adidas International Property Holding B.V.           | Amsterdam (Netherlands)         | EUR      | 52.371                                     | 85                             | 100           | 1.417   |
| 15 adidas Infrastructure Holding B.V.                   | Amsterdam (Netherlands)         | EUR      | (26)                                       | 10                             | 100           | (2)   |
| 16 adidas Benelux B.V.                                  | Amsterdam (Netherlands)         | EUR      | 4.755                                      | directly                       | 100           | 4.031   |
| 17 adidas Ventures B.V. [formerly: Hydra Ventures B.V.] | Amsterdam (Netherlands)         | EUR      | (43.106)                                   | 10                             | 100           | (24.553)  |
| 18 adidas (UK) Limited                                  | Stockport (Great Britain)       | GBP      | 34.728                                     | 10                             | 100           | 27.537  |
| 19 Reebok International Limited 5)                      | London (Great Britain)          | EUR      | 326.634                                    | 75                             | 100           | (19.922)  |
| 20 Trafford Park DC Limited                             | London (Great Britain)          | GBP      | 1.431                                      | 15                             | 100           | 342   |
| 21 Reebok Pensions Management Limited 3) 5)             | London (Great Britain)          | GBP      | -  | 19                             | 100           | -   |
| 22 Reebok Europe Holdings                               | London (Great Britain)          | GBP      | 26.714                                     | 19                             | 100           | 221   |
| 23 Luta Limited 3) 5)                                   | London (Great Britain)          | GBP      | -  | 19                             | 100           | -   |
| 24 adidas (Ireland) Limited                             | Dublin (Ireland)                | EUR      | 2.695                                      | 10                             | 100           | 795   |
| 25 adidas International Re DAC                          | Dublin (Ireland)                | EUR      | 20.902                                     | 10                             | 100           | (970)   |
| 26 Reebok Ireland Limited 3)                            | Dublin (Ireland)                | EUR      | 56   | 24                             | 100           | -   |
| 27 Five Ten Europe NV 3)                                | Lasne (Belgium)                 | EUR      | (297)                                      | 77                             | 100           | (27)  |
| 28 adidas España S.A.U.                                 | Zaragoza (Spain)                | EUR      | 37.838                                     | 2                              | 100           | 8.553   |
| 29 adidas Finance Spain S.A.U.                          | Zaragoza (Spain)                | EUR      | 36.496                                     | 75                             | 100           | 107   |
| 30 Global Merchandising, S.L.                           | Madrid (Spain)                  | EUR      | 10.724                                     | 10                             | 100           | 2.703   |
| 31 adidas Italy S.p.A.                                  | Monza (Italy)                   | EUR      | 56.741                                     | 10                             | 100           | 9.744   |
| 32 adidas Portugal - Artigos de Desporto, S.A.          | Lisbon (Portugal)               | EUR      | 6.209                                      | 10                             | 100           | 768   |
| 33 adidas Business Services Lda.                        | Morea de Maia (Portugal)        | EUR      | 1.263                                      | 10<br>directly                 | 98<br>2       | 373   |
| 34 adidas Norge AS                                      | Oslo (Norway)                   | NOK      | 30.772                                     | directly                       | 100           | 12.382  |
| 35 adidas Sverige AB                                    | Solna (Sweden)                  | SEK      | 51.600                                     | directly                       | 100           | 22.828  |
| 36 adidas Finance Sverige AB                            | Solna (Sweden)                  | SEK      | 270.921                                    | 75                             | 100           | (1.267)   |
| 37 adidas Suomi Oy                                      | Helsinki (Finland)              | EUR      | 1.549                                      | 10                             | 100           | 579   |
| 38 adidas Danmark A/S                                   | Copenhagen (Denmark)            | DKK      | 26.514                                     | 10                             | 100           | 18.307  |
| 39 adidas CR s.r.o.                                     | Prague (Czech Republic)         | CZK      | 131.939                                    | directly                       | 100           | 44.111  |
| 40 adidas Budapest Kft.                                 | Budapest (Hungary)              | HUF      | 881.494                                    | directly                       | 100           | 328.394   |
| 41 adidas Bulgaria EAD                                  | Sofia (Bulgaria)                | BGN      | 7.867                                      | directly                       | 100           | 2.552   |
| 42 LLC "adidas, Ltd."                                   | Moscow (Russia)                 | RUB      | 28.254.471                                 | 7                              | 100           | 1.901.321   |
| 43 adidas Poland Sp.z o.o.                              | Warsaw (Poland)                 | PLN      | 58.588                                     | directly                       | 100           | 21.552  |
| 44 adidas Finance Poland S.A.                           | Warsaw (Poland)                 | PLN      | 99.799                                     | 75                             | 100           | 961   |
| 45 adidas Romania S.R.L.                                | Bucharest (Romania)             | RON      | 19.954                                     | 10                             | 100           | 2.765   |
| 46 adidas Baltics SIA                                   | Riga (Latvia)                   | EUR      | 1.918                                      | 10                             | 100           | 383   |
| 47 adidas Slovakia s.r.o.                               | Bratislava (Slovak Republic)    | EUR      | 1.716                                      | directly                       | 100           | 928   |
| 48 adidas Trgovina d.o.o.                               | Ljubljana (Slovenia)            | EUR      | 649  | directly                       | 100           | 373   |
| 49 SC "adidas-Ukraine"                                  | Kiev (Ukraine)                  | UAH      | 935.845                                    | directly                       | 100           | 202.929   |
| 50 adidas LLP   | Almaty (Republic of Kazakhstan) | KZT      | 4.604.235                                  | directly                       | 100           | 1.361.044   |
| 51 adidas Serbia d.o.o.                                 | Belgrade (Serbia)               | RSD      | 546.663                                    | 10                             | 100           | 127.915   |
| 52 adidas Croatia d.o.o.                                | Zagreb (Croatia)                | HRK      | 45.630                                     | 10                             | 100           | 5.959   |
| 53 adidas Hellas A.E.                                   | Athens (Greece)                 | EUR      | 18.931                                     | directly                       | 100           | 2.621   |

**Shareholdings of adidas AG, Herzogenaurach  
at December 31, 2018**

| Company and Domicile                                  | Currency | Equity<br>(currency units<br>in thousands) | Share in capital<br>held by 1) | in %                  | Profit / Loss<br>(currency units<br>in thousands) |
|---|----------|--|--------------------------------|-----------------------|---|
| 54 adidas (Cyprus) Limited                            | EUR      | 960  | directly                       | 100                   | 334   |
| 55 adidas Spor Malzemeleri Satış ve Pazarlama A.Ş.    | TRY      | 336.798                                    | 10                             | 100                   | 83.153  |
| 56 adidas Emerging Markets L.L.C.                     | USD      | 19.067                                     | indirectly<br>9                | 51<br>49              | 267   |
| 57 adidas Emerging Markets FZE                        | USD      | 98.713                                     | 10                             | 100                   | 49.421  |
| 58 adidas Levant Limited                              | JOD      | 3.265                                      | 57                             | 100                   | 1.620   |
| 59 adidas Levant Limited - Jordan                     | JOD      | 547  | 58                             | 100                   | 480   |
| 60 adidas Imports & Exports Ltd.                      | EGP      | [32.413]                                   | 61                             | 100                   | 2.042   |
| 61 adidas Sporting Goods Ltd.                         | EGP      | 324.812                                    | 10<br>11                       | 90<br>10              | 66.734  |
| 62 adidas Egypt Ltd. 3)                               | USD      | [1.831]                                    | directly                       | 100                   | -   |
| 63 Reebok Israel Ltd.                                 | ILS      | 17.226                                     | 64                             | 100                   | 1.386   |
| 64 Life Sport Ltd.                                    | ILS      | 157.921                                    | 10                             | 85                    | 70.754  |
| 65 adidas Morocco LLC                                 | MAD      | [34.159]                                   | directly                       | 100                   | 3.463   |
| 66 adidas (South Africa) (Pty) Ltd.                   | ZAR      | 356.671                                    | directly                       | 100                   | 50.923  |
| <b>North America</b>                                  |          |  |                                |                       |   |
| 67 adidas North America, Inc.                         | USD      | 4.763.459                                  | 10                             | 100                   | [11.660]  |
| 68 adidas America, Inc.                               | USD      | 289.463                                    | 67                             | 100                   | 63.293  |
| 69 adidas International, Inc.                         | USD      | 75.754                                     | 67                             | 100                   | [12.837]  |
| 70 adidas Team, Inc. 3)                               | USD      | [1.013]                                    | 67                             | 100                   | -   |
| 71 The Reebok Worldwide Trading Company, LLC          | USD      | 19.501                                     | 75                             | 100                   | 1.582   |
| 72 Reebok Securities Holdings LLC 3) 4)               | USD      | -  | 75                             | 100                   | -   |
| 73 Onfield Apparel Group, LLC 3) 6)                   | USD      | -  | 75<br>74                       | 99<br>1               | -   |
| 74 Reebok Onfield, LLC 3) 6)                          | USD      | -  | 75                             | 100                   | -   |
| 75 Reebok International Ltd. 4)                       | USD      | [1.291.086]                                | 67                             | 100                   | [28.573]  |
| 76 adidas Indy, LLC 6)                                | USD      | 21.236                                     | 75<br>72                       | 99<br>1               | [15.113]  |
| 77 Stone Age Equipment, Inc.                          | USD      | [3.381]                                    | 68                             | 100                   | [2.869]   |
| 78 Spartanburg DC, Inc.                               | USD      | 15.120                                     | 68                             | 100                   | 2.459   |
| 79 adidas Canada Ltd.                                 | CAD      | 178.568                                    | 10                             | 100                   | 38.309  |
| <b>Asia</b>   |          |  |                                |                       |   |
| 80 adidas Sourcing Limited                            | USD      | 354.814                                    | 11                             | 100                   | 340.055   |
| 81 adidas Services Limited                            | USD      | 14.716                                     | 10                             | 100                   | 1.229   |
| 82 adidas Hong Kong Limited                           | HKD      | 502.643                                    | 2                              | 100                   | 412.817   |
| 83 Reebok Trading (Far East) Limited                  | USD      | 31.985                                     | 75                             | 100                   | 579   |
| 84 adidas (Suzhou) Co. Ltd.                           | CNY      | 232.265                                    | 2                              | 100                   | 2.207   |
| 85 adidas Sports (China) Co. Ltd.                     | CNY      | 8.791.091                                  | 2                              | 100                   | 4.699.617   |
| 86 adidas (China) Ltd.                                | CNY      | 394.765                                    | 10                             | 100                   | 196.452   |
| 87 adidas Sports Goods (Shanghai) Co., Ltd.           | CNY      | 26   | 86                             | 100                   | 26  |
| 88 Runtastic Software Technology (Shanghai) Co., Ltd. | CNY      | 7.481                                      | 10                             | 100                   | [478]   |
| 89 Zhuhai adidas Technical Services Limited 3)        | CNY      | 43.971                                     | 80                             | 100                   | 1.513   |
| 90 adidas Logistics (Tianjin) Co., Ltd.               | CNY      | 165.470                                    | 15                             | 100                   | 14.083  |
| 91 adidas Business Services (Dalian) Limited          | CNY      | 13.004                                     | 10                             | 100                   | 3.564   |
| 92 adidas Japan K.K.                                  | JPY      | 4.369.376                                  | 10                             | 100                   | 2.430.422   |
| 93 adidas Korea LLC.                                  | KRW      | 215.528.205                                | directly                       | 100                   | 97.977.375  |
| 94 adidas Korea Technical Services Limited            | KRW      | 4.052.429                                  | 80                             | 100                   | 158.120   |
| 95 adidas India Private Limited                       | INR      | 4.630.671                                  | directly<br>10                 | 10,68<br>89,32        | [5.477]   |
| 96 adidas India Marketing Private Limited             | INR      | 7.958.127                                  | 95<br>10<br>directly           | 98,62<br>1,00<br>0,37 | 1.916.001   |
| 97 adidas Technical Services Private Limited          | USD      | 3.358                                      | 80                             | 100                   | [49]  |
| 98 Reebok India Company                               | INR      | [21.458.472]                               | 108                            | 93,15                 | 392.903   |
| 99 PT adidas Indonesia                                | IDR      | 466.014.543                                | 10<br>directly                 | 99<br>1               | 87.810.921  |
| 100 adidas (Malaysia) Sdn. Bhd.                       | MYR      | 83.232                                     | directly<br>10                 | 60<br>40              | 63.203  |
| 101 adidas Philippines Inc.                           | PHP      | 1.052.684                                  | directly                       | 100                   | 646.745   |
| 102 adidas Singapore Pte. Ltd.                        | SGD      | 17.682                                     | directly                       | 100                   | 6.479   |
| 103 adidas Taiwan Limited                             | TWD      | 2.226.686                                  | 10                             | 100                   | 1.513.412   |
| 104 adidas (Thailand) Co., Ltd.                       | THB      | 1.928.644                                  | directly                       | 100                   | 1.178.132   |
| 105 adidas Australia Pty Limited                      | AUD      | 101.306                                    | 10                             | 100                   | 31.358  |
| 106 adidas New Zealand Limited                        | NZD      | 7.719                                      | directly                       | 100                   | 6.743   |
| 107 adidas Vietnam Company Limited                    | VND      | 182.126.875                                | 10                             | 100                   | 222.722.960                                       |
| 108 Reebok (Mauritius) Company Limited                | USD      | 2.204                                      | 75<br>71                       | 99<br>1               | -   |

**Shareholdings of adidas AG, Herzogenaurach  
at December 31, 2018**

| Company and Domicile  | Currency                  | Equity<br>(currency units<br>in thousands) | Share in capital<br>held by 1) | in %     | Profit / Loss<br>(currency units<br>in thousands) |
|---|---------------------------|--|--------------------------------|----------|---|
| <b>Latin America</b>  |                           |  |                                |          |   |
| 109 adidas Argentina S.A.   | Buenos Aires (Argentina)  | ARS  | 55.794                         | 10       | 76,96   |
|   |                           |  |                                | 2        | 23,04   |
| 110 Reebok Argentina S.A. 3)  | Buenos Aires (Argentina)  | ARS  | [27.879]                       | 11       | 96,25   |
|   |                           |  |                                | 10       | 3,75  |
| 111 adidas do Brasil Ltda.  | São Paulo (Brazil)        | BRL  | 619.319                        | 2        | 100   |
| 112 adidas Franchise Brasil Servicos Ltda.                                    | São Paulo (Brazil)        | BRL  | 63.258                         | 111      | 100   |
| 113 Reebok Produtos Esportivos Brasil Ltda. 3)                                | Jundiaí (Brazil)          | BRL  | 12.810                         | 10       | 100   |
| 114 adidas Chile Limitada   | Santiago de Chile (Chile) | CLP  | 77.705.689                     | directly | 99  |
|   |                           |  |                                | 1        | 1   |
| 115 adidas Colombia Ltda.   | Bogotá (Colombia)         | COP  | 4.912.204                      | directly | 100   |
| 116 adidas Perú S.A.C.  | Lima (Peru)               | PEN  | 148.627                        | directly | 99,21   |
|   |                           |  |                                | 114      | 0,79  |
| 117 adidas de Mexico, S.A. de C.V.  | Mexico City (Mexico)      | MXN  | 1.458.663                      | directly | 100   |
| 118 adidas Industrial, S.A. de C.V.   | Mexico City (Mexico)      | MXN  | 423.289                        | directly | 100   |
| 119 Reebok de Mexico, S.A. de C.V. 3)   | Mexico City (Mexico)      | MXN  | [579.808]                      | directly | 100   |
| 120 adidas Latin America, S.A.  | Panama City (Panama)      | USD  | [65.144]                       | directly | 100   |
| 121 Concept Sport, S.A.   | Panama City (Panama)      | USD  | 2.756                          | 10       | 100   |
| 122 adidas Market LAM, S.A. 3)  | Panama City (Panama)      | USD  | [2.782]                        | 10       | 100   |
| 123 3 Stripes S.A. 3)   | Montevideo (Uruguay)      | UYU  | [436]                          | directly | 100   |
| 124 Tafibal S.A.  | Montevideo (Uruguay)      | UYU  | 23.484                         | directly | 100   |
| 125 Raelit S.A.   | Montevideo (Uruguay)      | UYU  | 51.068                         | directly | 100   |
| 126 adidas Sourcing Honduras, S.A. 4) [formerly: Reebok Central America S.A.] | San Pedro Sula (Honduras) | HNL  | -                              | 75       | 99,6  |
|   |                           |  |                                | 71       | 0,4   |
| 127 adidas Corporation de Venezuela, S.A. 3)                                  | Caracas (Venezuela)       | VEF  | [17]                           | directly | 100   |
| 128 adisport Corporation  | San Juan (Puerto Rico)    | USD  | 342                            | 10       | 100   |

1) The number refers to the number of the company.

2) Profit and loss transfer agreement.

3) Company with no active business.

4) Sub-group Reebok International Ltd.

5) Sub-group Reebok International Limited.

6) Sub-group adidas Indy, 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 of December 31, 2018, and the income statement for the financial year from January 1, 2018, to December 31, 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of adidas AG, Herzogenaurach, for the financial year from January 1, 2018, to December 31, 2018. In accordance with the German legal requirements we have not audited the content of the non-financial statement, which is included in the management report and is identified as such, and the corporate governance statement as well as the corporate governance report, which are included in the "Corporate governance report including corporate governance statement" section 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 corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2018, and of its financial performance for the financial year from January 1, 2018, to December 31, 2018 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, corporate governance statement and 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 auditors report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

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

## **Key Audit Matters in the Audit of the Annual Financial Statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, 2018, to December 31, 2018. 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 shares in affiliated companies

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

## **THE FINANCIAL STATEMENT RISK**

In the annual financial statements of adidas AG, Herzogenaurach, as of December 31, 2018, an amount of EUR 4,137 million is recognized under the “Financial assets” and “Shares in affiliated companies” items. The share of shares in affiliated companies of total assets is 43.6 % and thus has a material effect on the Company’s financial position.

The Executive Board of adidas AG values shares in affiliated companies at cost or, if they are expected to be permanently impaired, at the lower of cost and fair value.

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

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

## OUR AUDIT APPROACH

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

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

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

## OUR OBSERVATIONS

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

## Other Information

The Executive Board is responsible for the other information. The other information comprises:

- the non-financial statement,
- the corporate governance statement and
- the Corporate Governance Report pursuant to item 3.10 of the 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.

In accordance with our engagement letter, we conducted a separate assurance engagement of the non-financial statement. Please refer to our assurance report dated February 27, 2019, for information on the nature, scope and findings of this assurance engagement.

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

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, 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 a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, 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 preparing the financial statements and 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the

audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of 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 relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter.

## **Other Legal and Regulatory Requirements**

### **Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as auditor by the annual general meeting on May 9, 2018. We were engaged by the Supervisory Board on August 8, 2018. We have been the auditor of adidas AG as a publicly-traded company without interruption since the 1995 financial year.



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

**German Public Auditor Responsible for the Engagement**

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

Munich, February 27, 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

signed Braun

Wirtschaftsprüfer

[German Public Auditor]

signed Schmidt

Wirtschaftsprüfer

[German Public Auditor]

## Responsibility Statement

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

Herzogenaurach, February 27, 2019

signed Kasper Rorsted  
CEO

signed Roland Auschel  
Global Sales

signed Eric Liedtke  
Global Brands

signed Harm Ohlmeyer  
CFO

signed Karen Parkin  
Human Resources

## **Supervisory Board Report**

### **DEAR SHAREHOLDERS,**

We look back on 2018 as another very successful year. Thanks to a sharp focus on our consumers' needs as part of our stringent implementation of our 'Creating the New' strategy, the company was once again able to increase sales and achieve strong bottom-line growth in the 2018 financial year. Innovative products and impressive marketing campaigns such as for the FIFA World Cup in Russia strengthened the presence of our brands and brand desire. We were able to generate double-digit growth rates in our focus markets North America and China as well as in the important e-commerce channel. At the same time, we tackled company-specific weaknesses in our home market Europe, and negative macroeconomic factors in large parts of the world were effectively offset. Despite investments in our brands, which increased significantly in the last year and were higher than ever before, as well in the scalability of the company, we generated profitability results which surpassed the targets set at the beginning of the year. This reflects both the quality and sustainability of our growth and places our company in a position to continue to grow profitably in the future. In the last year, we duly shared the company's success with our shareholders, as underscored by the total dividend payout and share buyback of more than € 1.5 billion in 2018, and we intend to continue to do so.

### **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. We regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof. The Executive Board involved us directly and in a timely and comprehensive manner in all of the company's fundamental decisions.

The Executive Board informed us extensively through written and oral reports. This information covered all relevant aspects of the company's business strategy, business planning (including finance, investment and personnel planning), the course of business and the company's financial position and profitability. We were also kept up to date on matters relating to accounting processes, the risk situation and the effectiveness of the internal control and risk management systems and compliance as well as all major decisions and business transactions. The Executive Board always explained immediately and in a detailed manner any deviations in business performance from the established plans, and the Supervisory Board as a whole discussed each of these deviations in depth.

The Executive Board regularly provided us with comprehensive written reports for the preparation of our meetings. We thus always had the opportunity to critically analyze the Executive Board's reports and resolution proposals within the committees and within the Supervisory Board as a whole and to put forward suggestions before passing resolutions after in-depth examination and extensive consultation. At the Supervisory Board meetings, the Executive Board was available to discuss and answer our questions. In the periods between our meetings, the Executive Board also provided us with extensive, timely monthly reports on the current business situation. We critically examined, specifically challenged and checked the plausibility of the information provided by the Executive Board.

In the past financial year, the Supervisory Board primarily exercised its duties in plenary sessions. We held six regular meetings of the entire Supervisory Board, one of which took place outside Germany. One resolution was passed by way of a circular resolution. The attendance rate of the members at the Supervisory Board and committee meetings was

around 94% in the year under review. All committee meetings, with the exception of one Audit Committee meeting from which one member was excused, were fully attended.

The participation of the individual Supervisory Board members in the Supervisory Board and committee meetings is set out below:

**Individual meeting participation of the Supervisory Board members**  
in meetings requiring personal attendance and telephone conferences of the Supervisory Board  
in the 2018 financial year

|  | 2018  |                      |                               |
|--|---|----------------------|-------------------------------|
| <b>Supervisory Board members</b>                           | <b>Number of<br/>Supervisory<br/>Board and<br/>committee<br/>meetings</b> | <b>Participation</b> | <b>Participation<br/>in %</b> |
| Igor Landau, Chairman of the Supervisory Board             | 10  | 10                   | 100%                          |
| Sabine Bauer, Deputy Chairwoman of the Supervisory Board   | 9   | 9                    | 100%                          |
| Willi Schwerdtle, Deputy Chairman of the Supervisory Board | 9   | 9                    | 100%                          |
| Dr. Frank Appel <sup>1</sup>                               | 3   | 3                    | 100%                          |
| Ian Gallienne  | 12  | 12                   | 100%                          |
| Dieter Hauenstein  | 6   | 5                    | 83%                           |
| Dr. Wolfgang Jäger   | 13  | 13                   | 100%                          |
| Dr. Stefan Jentzsch <sup>2</sup>                           | 3   | 3                    | 100%                          |
| Herbert Kauffmann  | 13  | 13                   | 100%                          |
| Katja Kraus  | 6   | 5                    | 83%                           |
| Kathrin Menges   | 7   | 6                    | 86%                           |
| Udo Müller   | 6   | 6                    | 100%                          |
| Roland Nosko   | 8   | 8                    | 100%                          |
| Hans Ruprecht  | 12  | 10                   | 83%                           |
| Nassef Sawiris   | 6   | 6                    | 100%                          |
| Heidi Thaler-Veh   | 6   | 5                    | 83%                           |
| Kurt Wittmann  | 6   | 5                    | 83%                           |

<sup>1</sup> Starting from the end of the Annual General Meeting on May 9, 2018.

<sup>2</sup> Until the end of the Annual General Meeting on May 9, 2018.

The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft ('KPMG'), Berlin, attended all regular meetings of the Supervisory Board – the exception being the meeting 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.

The Supervisory Board also regularly conferred on, in particular, Supervisory Board matters and personnel matters of the Executive Board without the Executive Board. Both the Supervisory Board and the Audit Committee reviewed the efficiency of their work in the spring and fall of 2018. Overall, the Supervisory Board members assessed the work in the entire Supervisory Board and Audit Committee as efficient. However, they resolved upon specific improvements regarding the organization of the Supervisory Board work.

The members of the Supervisory Board are individually responsible for undertaking any necessary training and further education measures required for their tasks. Furthermore, training measures were offered to the Supervisory Board to ensure the required expertise. Moreover, there was an onboarding process for the new Supervisory Board member in order to facilitate his exercising of the new office.

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

Our consultations and examinations focused on the following topics:

### **SITUATION AND BUSINESS DEVELOPMENT**

The development of sales and earnings, the employment situation as well as the financial position of the company and the business development of the company's individual business areas and markets were presented to us in detail by the Executive Board at every Supervisory Board meeting and were discussed regularly. Moreover, the Supervisory Board dealt with the corporate strategy and the annual and multi-year business planning. 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.

The Executive Board reported on the situation of the company and the financial figures for the 2017 financial year at the February meeting and the balance sheet meeting in March. In addition, after in-depth examination of the financial statements, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the combined Management Report, including the non-financial statement for adidas AG and the Group as at December 31, 2017. The annual financial statements were thus adopted. Prior to the passing of the resolution, the auditor reported on the material results of the audit, including the results of the examination of the content of the non-financial statement commissioned by the Supervisory Board in accordance with § 111 section 2 German Stock Corporation Act (Aktiengesetz – AktG). Furthermore, the Supervisory Board Report to the Annual General Meeting for the 2017 financial year was approved. Finally, we dealt with, inter alia, the business development of Reebok and the distribution strategy of adidas. At the May meeting, we primarily dealt with the results for the first quarter of the year under review and with the current development of the business. Particular topics of the August meeting were the financial results of the second quarter and of the first half of the 2018 financial year

as well as the business development of the company. Furthermore, we dealt in detail with the main sustainability initiatives and adidas' talent strategy. Finally, we discussed the current development of the Runtastic business segment. At the annual strategy meeting of the Supervisory Board in October, the Executive Board reported on the current business situation and outlined in detail the further course of the strategic business plan which the Supervisory Board discussed in depth. Another focal point of the Supervisory Board meeting was the development of business in Europe. Finally, we intensively dealt with the topic of digitalization. In this regard, we discussed adidas' digitalization strategy and the challenges and opportunities associated with it. Topics of our December meeting were the 2019 Budget and Investment Plan as well as the marketing and sponsorship agreements concluded in the year under review.

## **TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL**

In accordance with statutory regulations 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.

In March, we resolved upon the resolutions to be proposed to the 2018 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2017 financial year. At the May meeting, we approved the issuance of non-share-based bonds and/or comparable financial instruments, including equity-neutral convertible bonds. We also approved the extension of our US-based Portland location as well as the adjusted resolution proposal of the Executive Board on the appropriation of retained earnings. At our October meeting, we approved the cancelation of treasury shares and resolved upon the amendment to the Articles of Association due to the reduction of the nominal capital resulting from the cancelation of treasury shares. One topic of our December meeting was, after thorough discussion, the approval of the 2019 Budget and Investment Plan presented by the Executive Board.



## **EXECUTIVE BOARD COMPENSATION**

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

Each year at our February meeting of the entire Supervisory Board, the main subject is Executive Board compensation. After in-depth review of the individual performance of the Executive Board members and the achievement of the targets set for the 2017 Performance Bonus and LTIP 2015/2017, we resolved upon the performance-related compensation to be paid to the Executive Board members for the 2017 Performance Bonus and LTIP 2015/2017 at this meeting. Furthermore, after comprehensive consultation, we set the criteria and targets decisive for the 2018 Performance Bonus as well as for the new long-term incentive plan LTIP 2018/2020 along with the individual bonus target amounts for each Executive Board member. Following in-depth discussions, we adjusted the pension commitments of the Executive Board members Gil Steyaert, Eric Liedtke and Karen Parkin in March and May due to tax law provisions. Finally, we dealt with the contribution for the defined contribution pension plans and determined this for 2019 at our October meeting.

## **CHANGES ON THE SUPERVISORY BOARD AND COMPLIANCE WITH THE STATUTORY MINIMUM QUOTA**

There was one personnel change with regard to the full Supervisory Board in the year under review. Dr. Stefan Jentzsch resigned as Supervisory Board member with effect from the end of the Annual General Meeting of adidas AG held on May 9, 2018. As his successor, Dr. Frank Appel, Chief Executive Officer of Deutsche Post AG, was elected by the Annual General Meeting as member of the Supervisory Board for the remaining term of the current shareholder representatives which expires with effect from the end of the Annual General

Meeting on May 9, 2019. The Supervisory Board wishes to thank Dr. Jentzsch for his valuable contributions and his great dedication within the Supervisory Board of adidas AG.

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

The term of office of all Supervisory Board members expires 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. The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG in February 2018. In February 2019, we discussed in depth the current 2019 Declaration of Compliance and then resolved upon it and made it permanently available to our shareholders on our corporate website.

In February, we discussed the independence of the members of the Supervisory Board and the respective independence criteria. In the Supervisory Board's assessment, currently all members are independent.

At the February, March and May meetings of the Supervisory Board and at the August meeting of the Audit Committee, within the framework of our regular self-evaluation, we dealt with the results of the efficiency examination of the Supervisory Board and Audit Committee and the measures to be implemented.

At the March meeting, we approved Kasper Rorsted taking over a Board of Directors mandate at Nestlé S.A. In August, we approved Gil Steyaert's Supervisory Board mandate at Fashion for Good B.V.

Topics of our October meeting were the revision of the objectives of the Supervisory Board regarding its composition and the competency profile for the full Supervisory Board, which we made permanently available to our shareholders on our corporate website. Taking into consideration 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 continues to have 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 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 2018, the Supervisory Board approved the extension of a contract, effective January 1, 2019, 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 2019 financial year at the meeting in December 2018. In the view of the Supervisory Board, there

was no conflict of interest. Nevertheless, as in the prior years, the Supervisory Board member concerned did not participate in the respective resolution.

Further information on corporate governance within the company is contained in the Corporate Governance Report including the Declaration on Corporate Governance ['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 respective committee chairmen report to the Supervisory Board on the content and results of the committee meetings on a regular and comprehensive basis.

- The **Steering Committee** did not meet in the year under review.
- The **General Committee** held two meetings in the 2018 financial year. The main focus of the meetings was the preparation of the resolutions of the entire Supervisory Board regarding the Executive Board compensation, particularly the resolution on the target achievement of the 2017 Performance Bonus and LTIP 2015/2017, the targets for the 2018 Performance Bonus and LTIP 2018/2020, the 2019 contribution for the defined

contribution pension plans as well as the determination of the Executive Board compensation and the review of its appropriateness. Furthermore, the General Committee intensively dealt with the long-term succession planning for the Executive Board.

- The **Audit Committee** held six meetings in the year under review. One resolution was passed by way of a circular resolution. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

In addition to the supervision of the accounting process, the committee's work also focused on the examination of the annual financial statements and the consolidated financial statements for 2017, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports on the annual financial statements and consolidated financial statements with the auditor, the committee decided to recommend that the Supervisory Board approve the 2017 annual financial statements and consolidated financial statements. Furthermore, the audit of the non-financial statement, including the selection and commissioning of the external auditor by the Supervisory Board, was prepared. On the basis of the transitional periods of Art. 41 Regulation (EU) No 537/2014, the current statutory auditor may not be re-appointed after June 17, 2023 and it is mandatory to carry out an external rotation. Based on a respective resolution by the entire Supervisory Board, the Chairmen of the Supervisory Board and Audit Committee commissioned KPMG for the audit with limited assurance of the content of the non-financial statement for the 2018 financial year. Following in-depth discussions, the Audit Committee also made a recommendation to the Supervisory Board regarding the proposal to the Annual General Meeting 2018 for the

appointment of the auditor. The Audit Committee declared to the Supervisory Board that the recommendation is free from undue influence by a third party and that no clause of the kind referred to in Article 16 section 6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of April 14, 2014 on specific requirements regarding the statutory audit of public-interest entities has been imposed upon it. A further subject of in-depth discussions was the assignment of the audit mandate for the 2018 financial year, including the determination of the focus points of the audit, the supervision of the independence and qualification of the auditor as well as the quality of the audit of annual accounts, the determination of the audit fees and ultimately the discussion of the quarterly financial figures and the half year report with the auditor. The Audit Committee dealt intensively with the monitoring of the effectiveness of the risk management system, the internal control system and audit system as well as the compliance management system. Moreover, the Audit Committee addressed the findings of Internal Audit, and the audit plan. Potential and pending legal disputes were also discussed. In addition, at every meeting of the Audit Committee, the Chief Compliance Officer gave regular reports on the Compliance Management System and material compliance cases in the year under review. Furthermore, reports on IT security, the EU General Data Protection Regulation and the hedging strategy were heard.

- In the year under review, the **Finance and Investment Committee** held one meeting by way of a conference call at which, in particular, the Executive Board's resolution based on the authorization of the Annual General Meeting on May 12, 2016 to repurchase shares with an aggregate acquisition cost of up to a total of € 3 billion until May 11, 2021 was approved. Furthermore, the Finance and Investment Committee approved the Executive Board's resolution to sell a building and estate in Canton, USA.

- The **Nomination Committee** met once in the year under review. The Nomination Committee particularly prepared the recommendations by the Supervisory Board to the Annual General Meeting which will elect the shareholder representatives on the Supervisory Board in May 2019. In this respect, taking the statutory requirements into account, the suitability and independence of the candidates were discussed. Furthermore, taking into account the competency profile for the members of the Supervisory Board defined by the Supervisory Board, a qualification profile was developed. Based on this, the Nomination Committee discussed suitable candidates for the positions to be filled within the Supervisory Board.
- The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz — MitbestG), did not have to be convened in 2018.

## **EXAMINATION OF THE 2018 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

KPMG audited the 2018 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 2018 annual financial statements of adidas AG, prepared in accordance with HGB requirements, and the combined Management Report of adidas AG and the adidas Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement. KPMG has been the auditor and Group auditor of adidas AG as a capital market-oriented company since the 1995 financial year. Auditor Karl Braun has been signing the annual financial statements since the 2012 financial year and auditor Haiko Schmidt as the responsible audit partner since the 2017 financial year. On May 9, 2018, the Annual General Meeting elected KPMG as auditor and Group auditor upon proposal of the

Supervisory Board, corresponding with a recommendation of the Audit Committee. Prior to the Supervisory Board proposing KPMG as auditor to the Annual General Meeting, KPMG had confirmed to both the Supervisory Board and the Audit Committee that there are no circumstances which could prejudice their independence as auditor or which could cast doubt on KPMG's independence. In this respect, KPMG also declared to which extent non-audit services were rendered for the company in the prior financial year or are contractually agreed upon for the following year. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner. We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 1, 2019 and at the Supervisory Board's March 5, 2019 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 € 3.35 per dividend-entitled share and adopted this increase to € 3.35 compared to the prior year in consideration of the strong business development in the 2018 financial year, the company's good financial situation and positive future prospects. Based on our own examinations of the annual and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. At our financial statements meeting, therefore, following the recommendation of the Audit Committee, we approved the audit results and the financial statements including the non-financial statement prepared by the Executive Board. The 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. I would also like to thank the employee representatives on the Supervisory Board for their trusting collaboration.

For the Supervisory Board

**IGOR LANDAU**

Chairman of the Supervisory Board

March 2019



**adidas AG**

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