



# TO OUR SHAREHOLDERS

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# OPERATIONAL AND SPORTING HIGHLIGHTS

## Q1 2017

### 'ORIGINAL IS NEVER FINISHED'

The new campaign and film launched by adidas Originals showcase visionaries from the worlds of music, skate, sport, style and art. Reaffirming the notion 'Original is never finished', the film features a remix of Frank Sinatra's 'My Way' with a provocative, reimagined approach to today's streetwear culture. With a multi-generational cast including Snoop Dogg and Dev Hynes, among others, adidas Originals re-interprets its own classics and turns to a new generation of creators to inspire them to redefine the meaning of originality.

[➤ ADIDAS ORIGINALS ON YOUTUBE](#)



# JAN



### REEBOK PRESENTS NEXT PHASE OF 'BE MORE HUMAN' CAMPAIGN

A new rousing suite of films champions the hard work and physicality that lead people to more enriched lives, and celebrates the value of human connection. The series examines the physical blemishes upon which life's stories are written – from calloused, scarred hands to a worn-out pair of running shoes. It is the latest evolution of Reebok's 'Be More Human' rally cry, which encourages people to be the best possible version of themselves physically, mentally and socially.

[➤ REEBOK ON YOUTUBE](#)

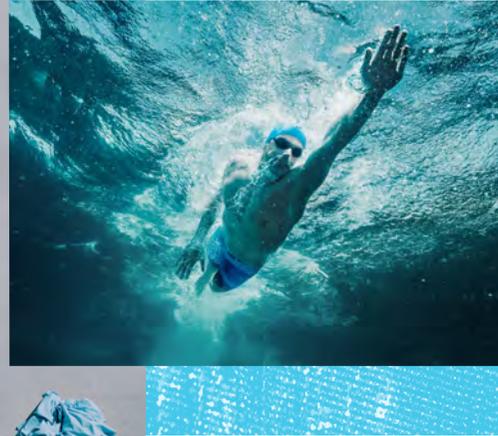
OPERATIONAL AND SPORTING  
HIGHLIGHTS

FEB

**ADIDAS SWIM PRESENTS PARLEY  
FOR THE OCEANS COLLECTION**

The swim range is made from Parley Ocean Plastic and features upcycled waste made from used fishing nets and debris intercepted in coastal areas and converted into technical yarn fibers such as Econyl, a recycled polyamide yarn. Econyl regenerated materials offer the same high quality and performance as the material (nylon 6) usually found in wider swim apparel.

[➤ ADIDAS SWIM ON YOUTUBE](#)



MAR

**ADIDAS INCREASES SALES AND  
EARNINGS GUIDANCE UNTIL 2020**

Following an exceptionally successful 2016 financial year, adidas increases its long-term guidance. The company intends to strongly accelerate sales and earnings growth until 2020 as part of its long-term strategic business plan, 'Creating the New'. adidas expects currency-neutral sales to increase at a rate between 10% and 12% on average per year between 2015 and 2020 (previously: to increase at a high-single-digit rate). At this point in time, net income from continuing operations is projected to grow between 20% and 22% on average per year in the five-year period (previously: to increase by around 15% on average).

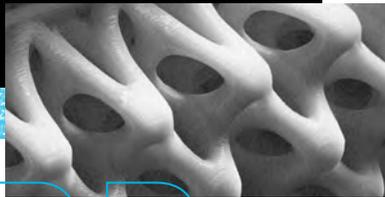
[➤ READ PRESS RELEASE](#)

**'UNLEASH YOUR CREATIVITY' CAMPAIGN**

Continuing the 'Here to Create' conversation that began in 2016, the campaign reinforces the adidas brand's point of view that engaging an athlete's imagination will take them further than their mind or body ever could. The campaign is told through a female athlete's lens and stars supermodel Karlie Kloss, fitness influencer Hannah Bronfman, and WNBA All-Star Candace Parker, among others.

[➤ ADIDAS ON YOUTUBE](#)

## Q2 2017



APR

**FUTURECRAFT 4D – INDUSTRY'S FIRST  
APPLICATION OF DIGITAL LIGHT SYNTHESIS**

Futurecraft 4D is the world's first high-performance footwear featuring midsoles crafted with light and oxygen using Digital Light Synthesis, a technology led by Silicon Valley-based tech company Carbon. The midsole pioneers a digital footwear component creation process that eliminates the necessity of traditional prototyping or molding. With Digital Light Synthesis, adidas operates on a completely different manufacturing scale and sport performance quality, departing from 3D printing and bringing additive manufacturing in the sports industry into a new dimension. Ultimately, adidas aims to create more than 100,000 pairs of this high-performance footwear by the end of 2018.

➔ [ADIDAS.COM/FUTURECRAFT](https://www.adidas.com/futurecraft)  
➔ [ADIDAS ON YOUTUBE](#)  
#FUTURECRAFT

**PARLEY EDITIONS OF GAME-CHANGING  
RUNNING FOOTWEAR**

adidas reveals the UltraBOOST, UltraBOOST X and UltraBOOST Uncaged Parley editions. The footwear features a blue colorway inspired by the shades of the ocean. Reusing an average of eleven plastic bottles per pair, the shoes' laces, heel webbing, heel lining and sock liner covers are made from recycled PET material.

➔ [ADIDAS RUNNING ON YOUTUBE](#)  
#PARLEY, #ULTRABOOST

**ADIDAS AND SIEMENS SET TO COLLABORATE IN  
THE DIGITAL PRODUCTION OF SPORTING GOODS**

adidas and Siemens announce their intention to collaborate in the digital production of sporting goods. As part of a joint research and development program, the partners will be working to drive forward the digitalization of the adidas Speedfactory to ultimately develop capabilities for fast, transparent and individualized production. As a leader in digital factory automation and simulation solutions, Siemens brings invaluable expertise to the table. A digital Speedfactory 'twin' will allow the entire production process to be simulated, tested and optimized up-front. Merging the virtual and real worlds will help shorten the time to market, bring greater flexibility and provide improved manufacturing quality and efficiency.

**REEBOK ANNOUNCES 'COTTON + CORN'  
SUSTAINABLE PRODUCTS INITIATIVE**

The initiative is intended to bring plant-based footwear to the market in 2018. The first shoe 'made from things that grow' will have an upper comprised of organic cotton and a base originating from industrial grown corn, which is a non-food source. For the Cotton + Corn initiative, Reebok partnered with DuPont Tate & Lyle Bio Products, a leading manufacturer of high-performance bio-based solutions.

OPERATIONAL AND SPORTING HIGHLIGHTS

**PERSONNEL CHANGES ON THE EXECUTIVE BOARD OF ADIDAS AG**

Effective May 11, Harm Ohlmeyer is appointed to succeed Robin J. Stalker as CFO and Labor Director of adidas AG. Karen Parkin is elevated to the Executive Board, responsible for Global Human Resources, effective May 12. Additionally, Gil Steyaert is appointed to the Executive Board as ordinary member effective May 12, and succeeds Glenn Bennett as Board Member responsible for Global Operations on August 5, 2017.

[➤ READ PRESS RELEASES](#)  
[➤ ADIDAS-GROUP.COM/EXECUTIVE-BOARD](http://ADIDAS-GROUP.COM/EXECUTIVE-BOARD)

**ADIDAS FOOTBALL LAUNCHES NEMEZIZ**

Nemeziz is the latest cleat designed to provide unprecedented agility for the game's most fluid players. For the development of this shoe, adidas tapped into a common ritual in ancient battle, in dance and in sport: the use of taping for increased physical and mental strength. Nemeziz provides security, support and adaptability to suit players whose agility helps them dominate.

[➤ ADIDAS FOOTBALL ON YOUTUBE](#)



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**ADIDAS AND JAMES HARDEN UNVEIL HARDEN LS**

Harden LS is a lifestyle evolution of the Harden Vol. 1 and continuation of the Harden signature line. The model utilizes multi-color Primeknit uppers, full-length BOOST, refreshed signature detailing and an uncaged toe box. It is available in four distinct colorways with the timing of each colorway release date being shared by James Harden exclusively on his social media channels.

MAY

## Q3 2017

## AUG

**ADIDAS AND MAJOR LEAGUE SOCCER  
EXTEND PARTNERSHIP TO 2024**

The extension of the existing apparel partnership represents the largest investment in American soccer to drive adidas' North American business. The deal makes adidas the official supplier partner for the League. Earlier in 2017, adidas and Major League Soccer had already launched the newly designed Nativo, the Official Match Ball for the 2017 MLS season.

[➤ READ PRESS RELEASE](#)

**Z.N.E. PULSE COLLECTION**

adidas Athletics unveils its latest Z.N.E. collection, the first apparel range of its kind to be inspired by the rising heartbeat of athletes before a game. adidas worked closely with athletes during the development process, including collecting and analyzing data to help shape the Athletics Pulse range. This focused on the 'pulse moment' when athletes leave the locker room and head towards the field of play, a moment when the athletes' heart rate peaks in anticipation. At the heart of the collection is the adidas Z.N.E. Pulse Knit Hoodie, crafted in breathable merino wool.

**FIRST-EVER ULTRABOOST LACELESS**

With innovation and creativity at the heart of adidas' DNA, the launch of its first-ever laceless performance running silhouette marks a landmark occasion for the adidas brand. The shoe continues to challenge convention and once again sets new boundaries.

[➤ ADIDAS RUNNING ON YOUTUBE](#)



OPERATIONAL AND SPORTING  
HIGHLIGHTS

PHARRELL WILLIAMS

AUG

SEP

### ADIDAS COMPLETES DIVESTITURE OF CCM HOCKEY

adidas announces that as of September 1 it has formally completed the previously announced divestiture of its CCM hockey business to a newly formed affiliate of Birch Hill Equity Partners.

[➤ READ PRESS RELEASE](#)

### ADIDAS LISTED IN DOW JONES SUSTAINABILITY INDICES

For the 18th year in a row, adidas is included in the Dow Jones Sustainability Indices (DJSI), which evaluate the sustainability performance of the largest 2,500 companies listed in the Dow Jones Global Total Stock Market Index. In the 'Textiles, Apparel & Luxury Goods Industry', adidas is rated industry best in nine criteria: Brand Management, Customer Relationship Management, Impact Measurement and Valuation, Materiality, Risk and Crisis Management, Supply Chain Management, Environmental Policy and Management Systems, Corporate Citizenship and Philanthropy, and Human Rights.

[➤ READ PRESS RELEASE](#)



### 'DON'T BE QUIET PLEASE' CAMPAIGN

adidas, Pharrell Williams, Stan Smith and adidas sponsored tennis athletes Garbiñe Muguruza, Angelique Kerber, Sascha Zverev, Dominic Thiem and Jo-Wilfried Tsonga gather at Frederick Johnson Community Court in Harlem, New York, to host a tennis clinic with local youth organizations to kick off the launch of 'Don't Be Quiet Please', a New York City-wide campaign inspiring individuals to make game-changing pledges.

[➤ ADIDAS ORIGINALS ON YOUTUBE](#)  
[#ADIDASPHARRELLWILLIAMS](#)

## Q4 2017



OCT

**ADIDAS COMPLETES DIVESTITURE OF  
TAYLORMADE, ADAMS GOLF AND ASHWORTH**

adidas announces that effective October 2 it has formally completed the previously announced divestiture of its TaylorMade, Adams Golf and Ashworth golf brands to a newly formed affiliate of KPS Capital Partners, LP.

[➤ READ PRESS RELEASE](#)

**LAUNCH OF AM4 PROJECT**

adidas announces the first major project to be created at its Speedfactory facility in Ansbach, Germany. The launch of the AM4 series heralds a significant moment for the brand in terms of the future of manufacturing, with Speedfactory being a facility that will allow adidas to explore, test and co-create with consumers, as well as constantly invent and reinvent design and define the future of how the brand creates. The launch also marks the start of a key city journey for adidas Speedfactory, with the adidas Made For London (AM4LDN) and the adidas Made for Paris (AM4PAR) being the first in a series of individually designed and manufactured running shoes that adidas will release in the six key cities.

[➤ ADIDAS ON YOUTUBE](#)  
[➤ READ PRESS RELEASE](#)  
[➤ ADIDAS.COM/SPEEDFACTORY](#)  
[#SPEEDFACTORY, #HERETOCREATE](#)

**REEBOK OPENS GLOBAL FLAGSHIP STORE  
AT NEW BOSTON HEADQUARTERS**

Located at 25 Drydock Avenue within the Innovation and Design Building in Boston, the store is a truly unique retail experience. A key feature is the 'YourReebok' customization shop, allowing consumers to create custom and personalized products on site. The new location is the only Reebok store in the world where customers can have a customized version of the brand's Classic Leather shoe, made by hand, on site. In addition, consumers can design personalized graphic apparel and accessories, produced on site in just minutes, and are able to test footwear prior to purchase in the store, in the surrounding neighborhood or at Reebok's fitness facility.



OPERATIONAL AND SPORTING  
HIGHLIGHTS**REEBOK AND VICTORIA BECKHAM UNITE  
FOR INNOVATIVE NEW PARTNERSHIP**

Reebok announces a pivotal partnership with fashion powerhouse Victoria Beckham. The British designer will join Reebok's growing community of accomplished and inspiring women – including Ariana Grande, Gigi Hadid, Aly Raisman and Teyana Taylor, among others. The long-term partnership will be highlighted by the introduction of a bold new Reebok x Victoria Beckham collection which will be introduced in late 2018.

[➤ READ PRESS RELEASE](#)

**ADIDAS EXPANDS DIGITAL PRESENCE AND  
LAUNCHES NEW APP**

The adidas app offers consumers a seamless shopping experience, personalized services and inspiration on sport and style. 'To you, for you, with you' is the motto for the app, which adidas revealed in November at Dreamforce, the world's largest software conference, in San Francisco, USA. The new app uses Salesforce technology including Commerce Cloud, Marketing Cloud and Service Cloud, and is available for download through the Apple App Store and the Google Play Store in the US and UK.

[➤ ADIDAS ON YOUTUBE](#)  
[➤ READ PRESS RELEASE](#)

**ADIDAS PREPARES FOR  
THE 2018 FIFA WORLD CUP**

adidas introduces 'Telstar 18', the Official Match Ball, as well as the new jerseys for the German national team and other adidas federations such as Spain, Russia, Japan, Colombia, Argentina, Mexico, Belgium, Egypt and Morocco. Both the match ball and the jerseys take inspiration from past designs but are brought into the 21st century with innovative elements. 'Telstar 18', for example, is a reimagining of the first adidas FIFA World Cup match ball, also called Telstar, which was used at the 1970 tournament in Mexico.

[➤ ADIDAS FOOTBALL ON YOUTUBE](#)

**ADIDAS INVITES THE WORLD TO  
CREATE IN NEW GLOBAL CAMPAIGN**

adidas launches the latest chapter in its 'Here to Create' campaign – 'Calling all Creators'. The multi-dimensional story features 25 of the world's most influential athletes, designers and musicians in sports culture seated at one table. United by their passion to create, they call on athletes everywhere to defy conventions and join the adidas movement by using their imagination to make something new and shape sports culture. Some of the brand's recent innovations are featured at this table, including BOOST, footwear created using Parley Ocean Plastic, and Futurecraft 4D footwear.

[➤ ADIDAS ON YOUTUBE](#)

# LETTER FROM THE CEO

KASPER RORSTED

» ATHLETES  
WILL NOT SETTLE  
FOR AVERAGE.  
AND NEITHER  
DO WE. «

SEE VIDEO MESSAGE FROM OUR CEO  
[REPORT.ADIDAS-GROUP.COM/#SHAREHOLDERS](https://report.adidas-group.com/#shareholders)

## DEAR SHAREHOLDERS,

At adidas, we believe that, through sport, we have the power to change lives. This core belief guides the way we run our company, how we work with our partners, how we create our products, and how we engage with our consumers.

Athletes will not settle for average. And neither do we. Every day, we come to work to create and sell the best sports and fitness products in the world, and to offer the best service and consumer experience – and to do it all in a sustainable way.

### WHAT MAKES A WINNING TEAM

Physical power is not enough – athletes need mental strength in their game. We foster an athlete's mindset through three people behaviors that are at the core of our culture: Confidence, Collaboration, and Creativity.

**Confidence** allows athletes to make quick decisions on the field, to reach higher. Confidence enables us to be an industry leader and to redefine what today's sports company looks like.

Every elite athlete relies on partners: coaches, team mates, and nutritionists. We, too, get stronger together through industry-leading **collaborations**. Internally, we are a team that plays to win and trusts in each other's abilities and talents.

No great athlete succeeds by copying their predecessors' training plans and strategies. It takes **creativity** to gain an edge and stand out. Our mission is to be the best sports company in the world by staying authentic to all athletes, tailoring to their unique needs, tastes, and experiences.

### LEADERSHIP IN ACTION

Confidence, Collaboration, and Creativity are the foundations of the leadership framework we launched globally last year – it defines what great leadership at adidas looks like. In 2017, we saw three new leaders joining the Executive Board: Harm Ohlmeyer taking over as Chief Financial Officer, Karen Parkin being elevated to Board Member responsible for Human Resources, and Gil Steyaert becoming Board Member responsible for Global Operations. All three were internal promotions, a nod to our people potential.

To continue to excel in leadership development, we established a Core Leadership Group and an Extended Leadership Group consisting of leaders from our most important markets and

functions. Their job is to make sure we implement our strategy with excellence in every category and market, and to promote the development of future leaders, with a focus on female talent.

To align the interests of our senior leaders with those of the adidas AG shareholders, we also linked long-term remuneration of senior executives to the development of our share price.

### PROGRESS ON OUR GAME PLAN: 'CREATING THE NEW'

An athlete's mindset drives us to raise the standards for the entire industry. We have until 2020 to implement Creating the New, which is the right strategy to succeed in the highly attractive industry we are in. We are making great strides and clearly delivering against our financial ambition. But we are far from the finish line.

#### Speed, Cities, and Open Source

In 2017, we picked up the pace in becoming the first true fast sports company in the world, based on our strategic choice **Speed**. The net sales share of speed-enabled products increased to 28% in 2017. We also made further progress to achieve a 20% higher share of full-price sales with this part of our business. In addition to embedding Speed in our existing supply chain and production processes, we explore new, disruptive business models and technologies. In our Speedfactories in Ansbach, Germany, and Atlanta, USA, smart manufacturing brings production closer to our consumer. Last year saw the first major product created at the Speedfactory: the AM4 series, an individually crafted shoe made exclusively for our global key cities.

To make our mark on a global scale, we need to win the consumer in major metropolitan centers. We over-invest to grow share of mind, share of market, and share of trend in six global mega **Cities**: London, Los Angeles, New York, Paris, Shanghai, and Tokyo. In 2017, we improved brand desire in most of these cities by delivering extraordinary experiences to our consumers. As a result, our key cities made an above-average contribution to the overall growth of our company and helped us win market share.

The direction of sport – and our company – is set by all creators. As defined in our strategic choice **Open Source**, we invite athletes, consumers, and partners to collaborate with our brands. By inspiring innovation in the industry and beyond, creative partnerships help us shape the future of sport – and the sports culture.

Our creative collaborations with Alexander Wang, Kanye West, and Stella McCartney to name a few, continued to drive brand desire and growth. By partnering up with the world's best athletes and teams, we build communities of advocates. This also takes place on a local level;

the 'adidas Runners' community, for instance, currently has over 50,000 active runners in Western Europe alone.

Our appetite for collaboration allows us to share our sports knowledge by working with the best in other fields. Our partnership with Parley for the Oceans is a prime example: In 2017, we released multiple franchise silhouettes, such as the UltraBOOST, NMD and EQT, made of Parley Ocean Plastic. We also joined forces with Carbon, a pioneer in 3D printing, to launch a new product and platform: Futurecraft 4D. Driven by athlete data, a production process called 'Digital Light Synthesis' enables us to print previously impossible designs without labor-intensive and complex assembly.

### Portfolio, adidas North America, Digital, and ONE adidas

On top of focusing on Speed, Cities, and Open Source, along with our unique culture, we accelerated Creating the New with four priorities: Portfolio, adidas North America, Digital, and ONE adidas. We moved ahead with actively managing our brand portfolio and completed the divestiture of the TaylorMade, Adams Golf and Ashworth golf brands, as well as the CCM hockey business. In the meanwhile, the 'Muscle-Up' turnaround at Reebok is in full motion.

In North America, the largest sporting goods market in the world, we grew our adidas brand business by over 30% and kept building capabilities and infrastructure. Our global e-commerce business was up more than 50%. Digital, however, means much more to us; gearing up for the future, we are driving digital transformation across the entire organization. Finally, we are pulling levers to improve our operational efficiency and to become a more agile and truly global company.

### Sustainability

It is our obligation to operate responsibly. We have integrated **sustainability** in most aspects of our business, from product creation and supplier management to store concept development and facilities. Through our actions, we challenge and inspire everyone to contribute to a more sustainable future.

In 2017, we created more than one million pairs of shoes made with Parley Ocean Plastic, while 93% of all cotton we sourced globally was Better Cotton. Following our decision to go plastic-free at our offices, the changes we have implemented will avoid more than 40 tons of single-use plastic items per year.

Externally, our efforts continue to receive recognition, with adidas being listed in the Dow Jones Sustainability Indices for the 18th consecutive year, and being awarded the third re-accreditation of our social supply chain program by the Fair Labor Association. What's more, this Annual Report marks the beginning of paper-free reporting – another testament to walking the talk in our daily business.

### AN ATHLETE'S MINDSET TURNS TO PERFORMANCE

Competition is in our DNA. We are constantly reassessing our processes, thinking of ways to get faster, stronger, and more attractive for the consumer. In this spirit, we **continued to break records** in the way we operate and the value we bring to our stakeholders.

### 2017 financial results

In 2017, we achieved record sales of € 21.2 billion, reflecting currency-neutral growth of 16%. The adidas brand continued to grab share of mind and market around the globe, growing at double-digit rates in all regions except Russia/CIS.

Despite currency headwinds, our gross margin climbed 120 basis points to 50.4%. We increased our investments into our brands while strictly managing costs. As a result, we fed the gross margin improvement through to the operating margin, which expanded to a level of 9.8%. Our net income from continuing operations, excluding the negative one-time impact of the US tax reform, grew more than twice as fast as our top line, up 32% to € 1.430 billion.

### 2018 outlook

We will continue our momentum in 2018, with a bias for quality growth. We are targeting a currency-neutral sales increase of around 10% against difficult comparisons, given two consecutive years of strong double-digit growth.

By increasingly leveraging our scalable operating model, net income is expected to once again grow significantly faster than revenues, to a level of more than € 1.6 billion. This will not only keep us on track toward our 2020 financial ambition, but also allows us to raise the bar once more: We are now targeting even higher net income growth, between 22% and 24% on average per year, for our current strategic cycle from 2015 until 2020.

## IN CLOSING

Our mission is to be the best sports company in the world, but we are only as good as what our consumers, athletes, teams, partners, shareholders, and the media say about us. When all our stakeholders call us the best, market share, leadership, and profitability will follow.

This logic is reflected in our 2017 performance and 2018 outlook. Our strategy Creating the New paired with an athlete's mindset enables us to deliver sustainable value for our stakeholders, our employees, and for society at large – now and in the future.

We will consistently put Creating the New into practice. Our strategy might span only until 2020 but, like any athlete, we keep aiming for better. **We play to win.**

Thank you for your ongoing support.

Sincerely yours,



**KASPER RORSTED**

CEO

EXECUTIVE BOARD

# EXECUTIVE BOARD



ERIC LIEDTKE  
GLOBAL BRANDS

HARM OHLMEYER  
CHIEF FINANCIAL OFFICER

KASPER RORSTED  
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL  
GLOBAL SALES

KAREN PARKIN  
GLOBAL HUMAN RESOURCES

GIL STEYAERT  
GLOBAL OPERATIONS

## EXECUTIVE BOARD



**OUR  
EXECUTIVE  
BOARD IS  
COMPRISED OF  
SIX MEMBERS.  
EACH BOARD  
MEMBER IS  
RESPONSIBLE  
FOR AT LEAST ONE  
MAJOR FUNCTION  
WITHIN THE  
COMPANY.**

**KASPER RORSTED**

CHIEF EXECUTIVE OFFICER

Kasper Rorsted was born in Aarhus, Denmark, in 1962 and is a Danish national. After studying Business Economics at the International Business School in Copenhagen, he completed a series of Executive Programs at Harvard Business School. Kasper Rorsted then gained valuable experience within the IT sector through various management positions at Oracle, Compaq and Hewlett Packard. In 2005, Kasper Rorsted joined consumer goods manufacturer Henkel as Executive Vice President Human Resources, Purchasing, Information Technologies and Infrastructure Services. Three years after joining Henkel, he was appointed Chief Executive Officer. In August 2016, Kasper Rorsted joined adidas. After two months as a Board member, he took over as Chief Executive Officer of adidas in October 2016.

**Kasper Rorsted is also:**

- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA, Gütersloh, Germany
- Member of the Supervisory Board, Danfoss A/S, Nordborg, Denmark <sup>1</sup>

<sup>1</sup> Until April 1, 2017.

**ROLAND AUSCHEL**

GLOBAL SALES

Roland Auschel was born in Bad Waldsee, Germany, in 1963 and is a German citizen. After obtaining his Bachelor's degree in European Business Studies in Germany and the UK as well as an MBA in the United States, he joined the adidas team as a Strategic Planner in 1989. During his career with the company, he has held many senior management positions, including Business Unit Manager, Key Account Manager Europe and Head of Region Europe, Middle East and Africa. In 2009, he became Chief Sales Officer Multichannel Markets. In 2013, Roland Auschel was appointed to the Executive Board, where he assumed responsibility for Global Sales.



## EXECUTIVE BOARD

**ERIC LIEDTKE**

GLOBAL BRANDS

Eric Liedtke, a US citizen, holds a Bachelor of Arts degree in Journalism from the University of Wisconsin-Madison. He joined adidas in 1994 as Global Line Manager for Cross Training in Portland/Oregon. During his 20-year career with adidas, he has held senior management positions of increasing responsibility at adidas America, including Director of Footwear Marketing and Vice President Brand Marketing. In 2006, Eric Liedtke moved to the corporate headquarters in Herzogenaurach, Germany, to become Senior Vice President Global Brand Marketing. From 2011, he held the position of Senior Vice President adidas Sport Performance, responsible for all adidas brand sports categories globally. Eric Liedtke has been Executive Board member since March 2014, responsible for Global Brands (the adidas and Reebok brands). In addition to his Executive Board position, he is a passionate member of the Steering Committee of Parley for the Oceans.

**Eric Liedtke is also:**

- Member of the Board of Directors, Carbon, Inc., Redwood City, USA<sup>2</sup>

<sup>2</sup> Since December 19, 2017.**HARM OHLMEYER**CHIEF FINANCIAL OFFICER<sup>3</sup>

Harm Ohlmeyer was born in 1968 in Hoya, Germany, and is a German national. He holds a degree in Economics from Regensburg University, Germany, as well as an MBA from Murray State University, USA. Harm Ohlmeyer started his career with adidas in 1998 and gained extensive experience in the areas of Finance and Sales, including responsibility as Senior Vice President Finance TaylorMade-adidas Golf in Carlsbad, USA, Senior Vice President Finance adidas Brand and Senior Vice President Finance for Global Sales (adidas and Reebok). From 2011, he led the company's e-commerce business, most recently as Senior Vice President Digital Brand Commerce. From 2014 to 2016, he held additional responsibility as Senior Vice President Sales Strategy and Excellence. Harm Ohlmeyer was appointed to the Executive Board effective March 7, 2017 and became Chief Financial Officer and Labor Director effective May 11, 2017.

<sup>3</sup> Since May 11, 2017.

**KAREN PARKIN**GLOBAL HUMAN RESOURCES<sup>4</sup>

Karen Parkin was born in 1965, is a British national and also holds a US passport. She obtained a Bachelor's degree in Education from Sheffield Hallam University, UK, and completed the Business Management Leadership Program at Lancaster University Management School. Karen Parkin joined adidas in 1997 as Sales Director adidas UK, where she subsequently was Business Development Director from 2003 to 2005. In 2005, she moved to adidas America as Vice President Business Development, subsequently taking on responsibility for the supply chain function at adidas America in 2007 as Vice President Logistics and Supply Chain North America. In 2013 and 2014, Karen Parkin acted as Senior Vice President Global Supply Chain, based at the company's headquarters in Herzogenaurach and at the adidas America headquarters in Portland, Oregon. Since 2014, she has held the position of Chief HR Officer. Karen Parkin was appointed to the Executive Board, responsible for Global Human Resources, effective May 12, 2017.

<sup>4</sup> Since May 12, 2017.**GIL STEYAERT**GLOBAL OPERATIONS<sup>5</sup>

Gil Steyaert was born in Belgium in 1962 and is a French national. He holds a degree in Business from ISC Paris Business School. Gil Steyaert started at adidas in 1999 as Joint Managing Director for France and has since worked in various local and regional roles with increasing responsibility. From 2003 to 2013, he was Managing Director North (UK, Ireland, Benelux and Scandinavia). Subsequently, he led Western Europe as Managing Director. Gil Steyaert was appointed to the Executive Board effective May 12, 2017 and took over responsibility for Global Operations on August 5, 2017.

<sup>5</sup> Since August 5, 2017.**ROBIN J. STALKER**CHIEF FINANCIAL OFFICER<sup>6</sup><sup>6</sup> Until May 11, 2017.**GLENN BENNETT**GLOBAL OPERATIONS<sup>7</sup><sup>7</sup> Until August 4, 2017.

**FOR MORE  
INFORMATION  
ON THE  
ADIDAS AG  
EXECUTIVE  
BOARD**

➤ [ADIDAS-GROUP.COM/  
EXECUTIVE-BOARD](https://www.adidas-group.com/executive-board)



## SUPERVISORY BOARD



### IGOR LANDAU

CHAIRMAN

residing in Lugano, Switzerland  
Pensioner



### WILLI SCHWERDTLE

DEPUTY CHAIRMAN

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

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



### IAN GALLIENNE

residing in Gerpennes, Belgium  
Co-Chief Executive Officer, Groupe Bruxelles  
Lambert, Brussels, Belgium

- Member of the Board of Directors,  
Pernod Ricard SA, Paris, France
- Member of the Board of Directors,  
SGS SA, Geneva, Switzerland
- Member of the Board of Directors,  
Umicore SA, Brussels, Belgium<sup>1</sup>
- Member of the Board of Directors,  
Erbe SA, Loverval, Belgium

Mandates within the Groupe Bruxelles Lambert:

- Member of the Board of Directors,  
Imerys SA, Paris, France
- Member of the Board of Directors, Sienna  
Capital S.à r.l., Strassen, Luxembourg
- Member of the Board of Directors, GBL  
Energy S.à r.l., Strassen, Luxembourg<sup>2</sup>
- Member of the Board of Directors, GBL  
Verwaltung SA, Strassen, Luxembourg<sup>3</sup>



### DR. WOLFGANG JÄGER\*

residing in Bochum, Germany  
Research Fellow at the Institute for Social  
Movements at the Ruhr Universität Bochum,  
Expert Commission 'Cultures of remembrance  
of social democracy' of Hans-Böckler-Stiftung,  
Bochum, Germany<sup>4</sup>



### SABINE BAUER\*

DEPUTY CHAIRWOMAN

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



### DIETER HAUENSTEIN\*

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

\* Employee representative.  
1 Until April 25, 2017.

2 Since January 1, 2017.  
3 Until January 1, 2017.

4 Since September 1, 2017; formerly Managing Director in charge of Public  
Relations and Scholarships, Hans-Böckler-Stiftung, Düsseldorf, Germany.

**BIOGRAPHICAL  
INFORMATION  
ON OUR  
SUPERVISORY  
BOARD MEMBERS  
IS AVAILABLE  
ONLINE**

➔ [ADIDAS-GROUP.COM/SUPERVISORY-BOARD](https://www.adidas-group.com/supervisory-board)

**DR. STEFAN JENTZSCH**

residing in New York, USA  
Corporate Finance Consultant/Partner,  
Perella Weinberg Partners LP, New York, USA

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

**KATJA KRAUS**

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

**KATHRIN MENGES**

residing in Neuss, Germany  
Executive Vice President Human Resources  
and Infrastructure Services,  
Henkel AG & Co. KGaA, Düsseldorf, Germany  
Mandates within the Henkel Group:

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

**ROLAND NOSKO\***

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

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany
- Member of the Supervisory Board, Plastic Omnium Automotive Exteriors GmbH, Munich, Germany<sup>5</sup>

**HERBERT KAUFFMANN**

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

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

**UDO MÜLLER\***

residing in Herzogenaurach, Germany  
Director Future Communication, adidas AG

**HANS RUPRECHT\***

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

**NASSEF SAWIRIS**

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

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

**HEIDI THALER-VEH\***

residing in Uffenheim, Germany  
Member of the Central Works Council,  
adidas AG

**KURT WITTMANN\***

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

**STANDING COMMITTEES**

**Steering Committee** — Igor Landau (Chairman), Sabine Bauer\*, Willi Schwerdtle

**General Committee** — Igor Landau (Chairman), Sabine Bauer\*, Roland Nosko\*, Willi Schwerdtle

**Audit Committee** — Herbert Kauffmann (Chairman), Ian Gallienne<sup>6</sup>, Dr. Wolfgang Jäger\*, Hans Ruprecht\*

**Finance and Investment Committee** — Igor Landau (Chairman), Sabine Bauer\*, Dr. Wolfgang Jäger\*, Herbert Kauffmann

**Nomination Committee** — Igor Landau (Chairman), Kathrin Menges, Willi Schwerdtle

**Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG)** — Igor Landau, Sabine Bauer\*, Willi Schwerdtle, Heidi Thaler-Veh\*

\* Employee representative.

<sup>6</sup> Committee member since March 7, 2017; previously Dr. Stefan Jentzsch until March 7, 2017.

# SUPER- VISORY BOARD REPORT

IGOR LANDAU  
CHAIRMAN OF THE SUPERVISORY BOARD



» THE COMPANY IS  
WELL POSITIONED  
TO CONTINUE TO  
GROW PROFITABLY.«

## DEAR SHAREHOLDERS,

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

### SUPERVISION AND ADVICE IN DIALOGUE WITH THE EXECUTIVE BOARD

In the year under review, we performed all of our tasks laid down by law, the Articles of Association, the German Corporate Governance Code (the 'Code') and the Rules of Procedure carefully and conscientiously, as in previous years. In 2017, we also followed intensively the work of the Executive Board. In this context, we regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities. We assured ourselves of the legality, expediency and regularity of the management activities and found that there were no objections to be raised.

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

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

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

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

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

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

### TOPICS FOR THE ENTIRE SUPERVISORY BOARD

Our consultations and examinations focused on the following topics:

#### SITUATION AND BUSINESS DEVELOPMENT

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

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

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

#### TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL

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

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

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

#### COMPOSITION OF THE EXECUTIVE BOARD

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

At the May meeting, we furthermore approved the mutually agreed termination of the long-standing Executive Board mandate of Glenn Bennett by the end of the third quarter of 2017 at the latest and approved the termination agreement to be concluded. In this context, we appointed Gil Steyaert, successor to Glenn Bennett, as Executive Board member with effect from May 12, 2017 and approved the conclusion of his Executive Board service contract.

Furthermore, Karen Parkin was appointed as member of the Executive Board for the newly created Executive Board function Human Resources. We resolved upon the appointment of Karen Parkin as member of the Executive Board with effect from May 12, 2017 and approved the conclusion of her Executive Board service contract.

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

### EXECUTIVE BOARD COMPENSATION

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

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

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

### COMPOSITION OF AND CHANGES ON THE SUPERVISORY BOARD

There were no personnel changes with regard to the full Supervisory Board in the reporting period. At the March meeting of the Audit Committee, the composition of the Audit Committee was addressed. Dr. Stefan Jentzsch stated that he would leave the Audit Committee for professional reasons. As his replacement, Ian Gallienne was elected as new member of the Audit Committee. At the May meeting of the Audit Committee, Herbert Kauffmann was reelected as Chairman of the Audit Committee.

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

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

### CORPORATE GOVERNANCE

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

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

In February 2018, we discussed in depth the current 2018 Declaration of Compliance and then resolved upon it and made it permanently available to our shareholders on our corporate website. [➔ ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance)

At our May, August, October and December meetings, within the framework of our regular self-evaluation, we dealt with the planning and preparation of a new efficiency examination of the Supervisory Board and Audit Committee which began in late 2017 and will be concluded in 2018.

Pursuant to the new recommendation of the Code, we also developed a competency profile for the full Supervisory Board. Under consideration of the specific features which result from the activities of the organization as a globally present, public listed company, we ensured that the full Supervisory Board has the knowledge, skills and professional expertise required to properly perform its duties. Details can be found in the Corporate Governance Report including the Declaration on Corporate Governance ('Corporate Governance Report'). [SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 33](#)

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

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

Further information on corporate governance within the company can be found in the Corporate Governance Report. [SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 33](#)

### EFFICIENT COMMITTEE WORK

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

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

- The **Steering Committee** did not meet in the year under review.
- The **General Committee** held six meetings in the 2017 financial year. The main focus of the meetings was the preparation of the resolutions of the Supervisory Board as a whole, detailed individually above, in particular the resolution on the changes on the Executive Board, the targets for the 2017 Performance Bonus, the target achievement of the 2016 Performance Bonus and the determination of the Executive Board compensation and review of its appropriateness. The drafting of the long-term compensation plan 2018/2020 (LTIP 2018/2020) was also an agenda item.
- The **Audit Committee** also held six meetings in the year under review. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

In addition to the supervision of the accounting process, the committee's work also focused on the comprehensive review of the first quarter report, the first half year report and the report on the first nine months together with the Chief Financial Officer and the auditor before the respective dates of publication, also the examination of the annual financial statements and the consolidated financial statements for 2016, including the combined Management Report of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports with the auditor, the committee decided to recommend that the Supervisory Board approve the 2016 annual financial statements and consolidated financial statements. In addition, after obtaining the auditor's declaration of independence and after conclusion of a disclosure agreement, the Audit Committee prepared the Supervisory Board's proposal to the Annual General Meeting concerning the selection of the auditor of the annual financial statements and the consolidated financial statements for the 2017 financial year and the auditor for the audit review of interim management reports (half year report and quarterly reports) for the 2017 financial year and, insofar as interim financial reports are to be prepared prior to the 2018 Annual General Meeting, for the 2018 financial year and recommended that the Supervisory Board propose KPMG to the Annual General Meeting in this respect. The Audit Committee declared to the Supervisory Board in this regard that the recommendation is free from undue influence by a third party and that no clause of the kind referred to in Article 16 section 6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of April 14, 2014 on specific requirements regarding the statutory audit of public-interest entities has been imposed upon it.

In the year under review, the CSR Directive Implementation Act was a regularly discussed topic at Audit Committee meetings. In particular, the Audit Committee dealt with the

preparation of the non-financial reporting which is to be audited by the Supervisory Board and which is legally required for the first time.

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

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

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

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

- The **Nomination Committee** held one meeting in the year under review to discuss the competency profile newly recommended by the Code.
- The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), did not have to be convened in 2017.

## EXAMINATION OF THE 2017 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG audited the 2017 consolidated financial statements prepared by the Executive Board in accordance with § 315e German Commercial Code (Handelsgesetzbuch – HGB) in compliance with IFRS and issued an unqualified opinion thereon. The auditor also approved without qualification the 2017 annual financial statements of adidas AG, prepared in accordance with HGB requirements, and the combined Management Report of adidas AG and the Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement, which had to be prepared for the first time. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner. We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 2, 2018 and at the Supervisory Board's March 6, 2018 financial statements meeting, during which the

Executive Board explained the financial statements in detail. At both meetings, the auditor reported the material results of the audit, inter alia with regard to the priority topics agreed and the key audit matters and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. We also discussed in depth with the Executive Board the proposal concerning the appropriation of retained earnings, which provides for a dividend of € 2.60 per dividend-entitled share and adopted this significant increase to € 2.60 compared with the previous year under consideration of the strong business development in the 2017 financial year, the company's good financial situation and future prospects. Based on our own examinations of the annual and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. At our financial statements meeting, therefore, following the recommendation of the Audit Committee, we approved the audit results and the financial statements including the non-financial statement prepared by the Executive Board. The annual financial statements of adidas AG were thus approved.

## EXPRESSION OF THANKS

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

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

For the Supervisory Board



**IGOR LANDAU**

CHAIRMAN OF THE SUPERVISORY BOARD

March 2018

# CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE<sup>1</sup>

Corporate Governance stands for responsible and transparent management and corporate control oriented toward a sustainable increase in value. We are convinced that good corporate governance is an essential foundation for sustainable corporate success and enhances the confidence placed in our company by our shareholders, business partners, employees and the financial markets. The following report includes the Corporate Governance Report and the Declaration on Corporate Governance issued by the Executive Board and Supervisory Board.

## DECLARATION BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD OF ADIDAS AG ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG on February 13, 2017. For the period from the publication of the last Declaration of Compliance up to and including May 19, 2017, the following Declaration refers to the German Corporate Governance Code (hereinafter referred to as the 'Code') as amended on May 5, 2015. For the period as of May 20, 2017, the following Declaration refers to the

recommendations of the Code as amended on February 7, 2017, which was published in the Federal Gazette on April 24, 2017 and May 19, 2017 (corrected version).

The Executive Board and Supervisory Board of adidas AG declare that the recommendations of the 'Government Commission on the German Corporate Governance Code' have been and are met with the following deviations:

### Definition of the target level of provision (section 4.2.3 subsection 3)

For Executive Board members of adidas AG initially appointed on or after October 1, 2013 and for Executive Board members to be appointed in future, there are defined contribution pension plans which, due to their structure, do not aim to reach a defined target level of provision. In the view of the Supervisory Board, this structure leads to a higher degree of control and future planning capability with regard to the company's expenses for pension plans.

### Specification of a regular limit of length of membership for Supervisory Board members (section 5.4.1 subsection 2 sentence 2 in conjunction with sentence 1 new version)

In accordance with section 5.4.1 subsection 2 sentence 2 in conjunction with sentence 1 of the Code, the Supervisory Board has specified concrete objectives for its composition. However, it has not specified a regular limit of length of membership for Supervisory Board members. The Supervisory Board is of the opinion that an extended length of membership of individual Supervisory Board members may, in the individual case, be in the interest of the company and of those entitled to elect members to the Supervisory Board, which would not be taken into consideration if there was a general limit.

### Maximum number of non-group mandates held by members of the Supervisory Board (section 5.4.5 subsection 1 sentence 2)

One member of the Supervisory Board, Ian Gallienne, holds more than three mandates in supervisory bodies of non-group companies with similar requirements. Ian Gallienne is Co-Chief Executive Officer of Groupe Bruxelles Lambert (GBL). GBL is a holding company and, in its capacity as an institutional investor represented by, inter alia, its Co-Chief Executive Officer, regularly holds mandates in supervisory bodies of its portfolio companies. All companies in which Ian Gallienne holds mandates in supervisory bodies are portfolio or group companies of GBL and these mandates thus have to be attributed to his main occupation as Co-Chief Executive Officer. Therefore, we are of the opinion that, as regards its intent and purpose, the recommendation of section 5.4.5 subsection 1 sentence 2 is not applicable to Ian Gallienne. However, as a precaution, we declare a deviation based on the good reasons set out above. Moreover, the Supervisory Board has assured itself that Ian Gallienne has sufficient time to perform his Supervisory Board mandate at adidas AG.

Herzogenaurach, February 2018

For the Executive Board	For the Supervisory Board
KASPER RORSTED	IGOR LANDAU
Chief Executive Officer	Chairman of the Supervisory Board

The aforementioned Declaration of Compliance has been published on and can be downloaded from our website.

[ADIDAS-GROUP.COM/5/CORPORATE-GOVERNANCE](https://www.adidas-group.com/5/corporate-governance)

<sup>1</sup> The Corporate Governance Report including the Declaration on Corporate Governance is an unaudited section of the combined Management Report.

## SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE LARGELY FULFILLED

In addition to the recommendations, the Code contains a number of suggestions for good and responsible corporate governance, compliance with which is not required to be disclosed separately by law. adidas is compliant with the suggestions of the Code except for the suggestion outlined in section 4.2.3 subsection 2 sentence 9 of the Code according to which early disbursements of multiple-year, variable remuneration components should not be permitted.

SEE COMPENSATION REPORT, P. 39

## DUAL BOARD SYSTEM

As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is, inter alia, subject to the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and supervision of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated both in terms of members and of competencies. In the interest of the company, however, both Boards cooperate closely.

## COMPOSITION AND WORKING METHODS OF THE EXECUTIVE BOARD

The composition of our Executive Board, which consists of six members, reflects the international character of our company. No member of the Executive Board has accepted more than a total of three supervisory board mandates in non-group listed companies or in supervisory bodies of non-group companies with similar requirements. SEE EXECUTIVE BOARD, P. 20 The Executive Board is responsible for independently managing the company, determining the company's strategic orientation, agreeing this with the Supervisory Board and ensuring its implementation. Further, it defines business targets, company policy and the organization of the company. Additionally, the

Executive Board ensures appropriate risk management and risk controlling as well as compliance with statutory regulations and internal guidelines. It is bound to the company's interest and obligated to strive for a sustainable increase in company value.

Irrespective of the Executive Board's overall responsibility, its members are individually responsible for managing their respective business areas in accordance with the Executive Board's Business Allocation Plan. There are no Executive Board committees. The CEO is responsible in particular for leading the entire Executive Board as well as for guiding business development, including the coordination of the business segments, brands and markets. The members of the Executive Board keep each other informed regularly and comprehensively on all significant developments in their business areas and align on all cross-functional measures. Further details on collaboration within the Executive Board are governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

At the Supervisory Board meetings, the Executive Board reports in writing and orally on the agenda items and resolution proposals and answers all questions from the individual Supervisory Board members. The CEO and the CFO maintain regular contact with the Chairman of the Supervisory Board and the Audit Committee Chairman and consult with them on key aspects of strategy, planning and business development as well as on questions of risk management and compliance within the company.

## COMPOSITION AND WORKING METHODS OF THE SUPERVISORY BOARD

Our Supervisory Board consists of 16 members. It comprises eight shareholder representatives and eight employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG). SEE SUPERVISORY BOARD, P. 24 The shareholder representatives are elected by the shareholders at the Annual General Meeting, and the employee representatives by the employees. The last periodic election took place in 2014. In the 2016 financial year, supplementary elections of the Supervisory Board took place. The term of office of the current members of the Supervisory Board expires at the end of the 2019 Annual General Meeting.

Taking into account the recommendations of the Code, the Supervisory Board resolved upon the following objectives for its composition in February 2016 and confirmed these in November 2016:

- The composition of the Supervisory Board including members with international background shall be maintained to the current extent. Diversity in terms of expertise and experience on the grounds of origin, education or professional activity shall continue to be taken into account in the future.
- The number of women on the Supervisory Board, namely four, but no less than the number stipulated by law, shall be maintained. Furthermore, one woman shall be a member of the Nomination Committee.
- As in the past, all members of the Supervisory Board shall be independent. This presupposes that all employee representatives also in principle meet the independence criteria as defined by the Code. Substantial, not merely temporary conflicts of interest shall be avoided.
- The members of the Supervisory Board shall have sufficient time for performing their mandate.
- The age limit of, in general, 72 years at the time of election shall be taken into account.

In accordance with the reasons stated in the Declaration of Compliance, we do not follow the recommendation to specify a regular limit of length of membership for Supervisory Board members.

Together, the members of the Supervisory Board have the knowledge, skills and professional expertise required to properly perform their duties. All of them are familiar with the sector in which the company operates. As they furthermore have extensive knowledge of various professional fields and many years of international experience, they bring a broad spectrum of expertise and experience to the performance of the Supervisory Board's function. The number of female Supervisory Board members currently amounts to four. The members of our Supervisory Board do not exercise directorships or similar positions or advisory tasks for key competitors of the company. Further, they do not have business or personal relations with adidas AG, its Executive Board and Supervisory Board or a controlling shareholder which may cause a substantial and not merely temporary conflict of interest. Based on the aforementioned independence criteria and assuming that all of the employee representatives also in principle meet these criteria for Supervisory Board members as defined by the Code, in the Supervisory Board's assessment, currently all of its members

#### Further information on corporate governance

More information on topics covered in this report can be found on our website [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance) including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board Committees (composition and tasks)
- CVs of Executive Board members and Supervisory Board members

are independent. The names of all Supervisory Board members are stated in this Annual Report. [SEE SUPERVISORY BOARD, P. 24](#) Based on the Supervisory Board's assessment, the appropriate number of independent members of shareholder representatives amounts to at least 80% or six members. The age limit of, in general, 72 years at the time of election was taken into account in the selection process. The composition of the Supervisory Board consequently fully complies with the specified set of objectives.

In accordance with the recommendation of the Code, the Supervisory Board prepared a profile of skills and expertise (competency profile) for the entire Supervisory Board at its meeting in February 2018. According to this competency profile, the main objective is that the Supervisory Board is composed in such a way that it can fulfill its duties stipulated by law and in the Articles of Association in the interest of the company. This includes, above all, ensuring qualified supervision of and provision of advice to the Executive Board. To this end, criteria such as personality, integrity and independence are important. Moreover, based on their knowledge, skills and experience, the members of the Supervisory Board are expected to be able to perform the duties of a supervisory board member in an international company. For this purpose, the goal is that the entire Supervisory Board reflects the entire extent of knowledge and experience considered essential in view of adidas' activities. This includes, inter alia, knowledge and experience in the areas of technology, digitalization, e-commerce and retail. Moreover, the Supervisory Board is expected to possess knowledge and experience in the business segments/markets important for adidas, in particular the Asian and US-American markets, and in the management of an international company. Furthermore, the entire Supervisory Board is to possess knowledge and experience in the areas of corporate strategy, compliance and corporate governance. At least one

independent member of the Supervisory Board shall possess expertise in the areas of accounting and annual auditing as well as specific expertise and experience with regard to the application of accounting principles and internal control systems. In particular, the Supervisory Board shall also consist of persons who have leadership experience in an international company because they hold a management position or because they are members of a supervisory board or a comparable body. The entire Supervisory Board currently fulfills the competency profile.

With regard to the Supervisory Board's future composition, when proposing candidates to the Supervisory Board, the Nomination Committee will not only take into account the requirements of the law, the Code and the Supervisory Board's Rules of Procedure but also the targets and criteria resolved upon and the competency profile prepared. The best interests of the company will continue to play a decisive role when nominating candidates for election.

The Supervisory Board supervises and advises the Executive Board in questions relating to the management of the company. The Executive Board regularly, expeditiously and comprehensively reports on business development and planning as well as on the risk situation including compliance and coordinates the strategy of the company and its implementation with the Supervisory Board. The Supervisory Board examines and approves the annual financial statements of adidas AG and the adidas Group, taking into consideration the auditor's reports, and resolves upon the proposal of the Executive Board on the appropriation of retained earnings. Additionally, it resolves upon the resolution proposals to be presented to the Annual General Meeting. Certain business transactions and measures of the Executive Board with fundamental significance are subject to prior approval by the Supervisory Board or by a Supervisory Board committee.

The Supervisory Board is also responsible for the appointment and dismissal of members of the Executive Board. When appointing members of the Executive Board, the Supervisory Board pays attention to the best possible composition of the Executive Board. Inter alia, experience, industry knowledge and personal expert qualifications play an important role in this regard. In addition, taking into account the international structure of the company, the Supervisory Board considers diversity. This applies, in particular, also with regard to age, internationality and other important personal qualities. The Supervisory Board further determines the Executive Board compensation system, examines it regularly and decides on the individual overall compensation of each Executive Board member. To this end, the relation between Executive Board compensation and that of senior management and the entire employees is taken into account, also in terms of its development over time. Further information on Executive Board compensation is compiled in the Compensation Report.

■ [SEE COMPENSATION REPORT, P. 39](#)

In order to increase the efficiency of its work and to deal with complex topics, the Supervisory Board has formed six permanent expert committees from within its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. These committees are the Steering Committee, the General Committee, the Audit Committee, the Finance and Investment Committee, the Mediation Committee in accordance with § 27 section 3 MitbestG and the Nomination Committee. The chairmen of the committees report to the entire Supervisory Board on the results of the committee work on a regular basis. The composition of the committees can be found in the respective overview of the Supervisory Board. ■ [SEE SUPERVISORY BOARD, P. 24](#) Further information on the committees' tasks is available on our website. ➔ [ADIDAS-GROUP.COM/S/SUPERVISORY-BOARD-COMMITTEES](https://www.adidas-group.com/s/supervisory-board-committees)

Apart from the tasks and responsibilities, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the individual requirements expected of the members and the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The Supervisory Board Report provides information on the activities of the Supervisory Board and its committees in the year under review. ■ [SEE SUPERVISORY BOARD REPORT, P. 27](#)

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and, in doing so, are supported by adidas AG. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature.

Every two years, the Supervisory Board and the Audit Committee examine the efficiency of their work. As a result, suggestions for even better cooperation can be made. The current efficiency examinations, which are being conducted with the help of an external consultant, began in late 2017 and will be concluded in 2018.

### **COMMITMENT TO THE PROMOTION OF THE EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS**

When filling leadership positions in the company, the Executive Board takes diversity into consideration and especially aims for an appropriate consideration of women. The Supervisory Board is also convinced that an increase in the number of women in leadership positions within the company is necessary to ensure that, in the future, an increased number of female candidates are available for Executive Board positions. The Supervisory Board thus supports the diversity

and inclusion initiatives of the company, particularly concerning the promotion of women in leadership positions.

■ [SEE PEOPLE AND CULTURE, P. 81](#)

Pursuant to the 'Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector', the percentage of women and men on the Supervisory Board must be at least 30% each. The shareholder representatives and the employee representatives have each resolved in accordance with § 96 section 2 sentence 3 AktG that this minimum quota shall be fulfilled separately for the shareholder representatives and the employee representatives. Both the shareholder representatives and the employee representatives fulfill the statutory minimum quota.

Furthermore, target figures for the percentage of female representation on the Executive Board and the first two management levels have been determined for adidas AG. All implementation periods expired for the first time on June 30, 2017. Since Karen Parkin's appointment in May 2017, the target of appointing one woman to the Executive Board is fulfilled. The target figure of 18% for the first management level below the Executive Board was also fulfilled. The target figure of 30% for the second management level below the Executive Board was only just missed, at 29%, due to unplanned departures from the company.

The Supervisory Board or Executive Board have once again determined target figures and respective implementation deadlines for the percentage of female representation on the Executive Board of adidas AG as well as for the first and second management levels below the Executive Board. The target figures are as follows:

- The target figure for the Executive Board is 1/7 or 14.29%.

The deadline for achieving this target figure is June 30, 2022.

- The target figure for the first management level below the Executive Board is 24% and 30% for the second management level below the Executive Board. The implementation period for both targets expires on December 31, 2019.

## AVOIDING CONFLICTS OF INTEREST

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without any delay. Substantial transactions between the company and members of the Executive Board or persons in a close relation with them require Supervisory Board approval. Contracts between the company and members of the Supervisory Board also require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, neither the members of the Executive Board nor the members of the Supervisory Board – with the exception of the matter outlined in the Supervisory Board Report – faced any conflicts of interest.

SEE SUPERVISORY BOARD REPORT, P. 27

## SHARE OWNERSHIP OF AND SHARE TRANSACTIONS CONDUCTED BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD

An overview of the managers' transactions notified to adidas AG in 2017 by persons discharging managerial responsibilities pursuant to Article 19 of the Market Abuse Regulation is published on our website.

ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS

## RELEVANT MANAGEMENT PRACTICES

Our business activities are oriented towards the legal systems in the various countries and markets in which we operate. This implies a high level of social and environmental responsibility. Further information on company-specific practices which are applied in addition to statutory requirements, such as our Code of Conduct, on compliance with working

and social standards, environmental responsibility, chemical management and our social commitment, such as supporting refugees, is available in this Annual Report and on our website.

SEE SUSTAINABILITY, P. 88 ADIDAS-GROUP.COM/SUSTAINABILITY

## COMPLIANCE AND RISK MANAGEMENT

Compliance with laws, internal and external provisions and responsible risk management are part of corporate governance at adidas. Our compliance management system is organizationally linked to the company's risk and opportunity management system. As part of our global 'Fair Play Concept', the compliance management system establishes the organizational framework for company-wide awareness of our internal rules and guidelines and for the legally compliant conduct of our business. It underscores our strong commitment to ethical and fair behavior in our own organization and also sets the parameters for how we deal with others. The principles of our compliance management system are set out in the Risk and Opportunity Report. The risk and opportunity management system ensures risk-aware, opportunity-oriented and informed actions in a dynamic business environment in order to guarantee the competitiveness and sustainable success of adidas.

SEE RISK AND OPPORTUNITY REPORT, P. 131

### Further information on the principles of our management

More information on topics covered in this report can be found on our website at ADIDAS-GROUP.COM including:

- Code of Conduct
- Sustainability
- Social commitment
- Risk and opportunity management and compliance
- Information and documents on the Annual General Meeting
- Managers' transactions
- Accounting and annual audit

## TRANSPARENCY AND PROTECTION OF SHAREHOLDERS' INTERESTS

It is our goal to inform all institutional investors, private shareholders, financial analysts, business partners, employees and the interested public about the company's situation, at the same time and to an equal extent, through regular, transparent and up-to-date communication. We publish all essential information, such as press releases, ad hoc announcements and voting rights notifications as well as all presentations from roadshows and conferences, all financial reports and the financial calendar on our website. With our comprehensive Investor Relations activities, we maintain close and continuous contact with our current and potential shareholders. ADIDAS-GROUP.COM/S/INVESTORS SEE OUR SHARE, P. 57

In addition, we provide all documents and information on our Annual General Meeting on our website. The shareholders of adidas AG exercise their shareholders' rights at the Annual General Meeting. Each share grants one vote. Our shareholders are involved in all fundamental decisions at the Annual General Meeting through their participation rights. It is our intention to support our shareholders in exercising their voting rights at the Annual General Meeting. At our next Annual General Meeting, taking place in Fuerth (Bavaria) on May 9, 2018, we will again provide our shareholders with the best possible service. Shareholders have the possibility, inter alia, to electronically register for the Annual General Meeting through our shareholder portal or to participate in voting by granting powers of representation and voting instructions online to the proxies appointed by the company. Further, all shareholders can follow the Annual General Meeting in full length live on the company's website, subject to technical availability of the website.

## SHARE-BASED PROGRAMS

In the 2017 financial year, a long-term incentive (LTI) plan, which is part of the long-term remuneration for senior

executives of adidas, was implemented. Based on this plan, the plan participants receive registered stock units (RSU).

■ SEE NOTE 27, P. 186 ■ SEE PEOPLE AND CULTURE, P. 81

As per their contracts, each member of the Executive Board is entitled to participate in a Long-Term Incentive Plan set up for the Executive Board members. The new LTIP 2018/2020 aims to link the long-term compensation of the Executive Board even more strongly to the company's performance and thus to the interests of the shareholders. Furthermore, the decisive assessment factors are to be simplified and made more transparent and the long-term compensation of the Executive Board and senior management is to be aligned. Against this background, the LTIP 2018/2020 is – in contrast to the previous LTIP 2015/2017 – share-based as it comprises the acquisition of adidas shares subject to a lock-up period.

■ SEE COMPENSATION REPORT, P. 39

## ACCOUNTING AND ANNUAL AUDIT

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the Stock Corporation Act. The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the 2017 annual financial statements and annual consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence.

■ SEE INDEPENDENT AUDITOR'S REPORT, P. 221

# COMPENSATION REPORT

**For adidas, transparent and comprehensible reporting on the compensation of the Executive Board and Supervisory Board is an essential element of good corporate governance. The Compensation Report is a component of the combined Management Report and outlines the principles of the compensation system for the members of the Executive Board and Supervisory Board as well as the level and structure of the compensation in accordance with the legal requirements and the recommendations of the German Corporate Governance Code (the 'Code') as amended on February 7, 2017.**

## COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

Following preparation by the Supervisory Board's General Committee, the compensation system for our Executive Board and the total compensation of each member of the Executive Board is determined and regularly reviewed by the entire Supervisory Board. The compensation and personnel topics dealt with by the Supervisory Board and General Committee in the year under review are described in detail in the Supervisory Board Report. [SEE SUPERVISORY BOARD REPORT, P. 27](#)

The compensation system is geared toward creating an incentive for successful, sustainably value-oriented corporate management and development. Against this background, more than 50% of the variable target compensation component is based upon multi-year performance criteria. The variable compensation components are designed in such a way that the incentive to achieve the long-term targets decisive for the multi-year variable target compensation component is higher

than the incentive to achieve the targets decisive for being granted the one-year variable compensation component. Corresponding contractual provisions ensure that this weighting can be maintained in the future. In terms of the appropriateness of the Executive Board compensation, when determining the compensation, the Supervisory Board takes into consideration factors such as the size and the global orientation, the economic situation, the success and outlook of the company, as well as the common level of the compensation in comparison with peer companies and with the compensation structure applicable for other areas of the company. To this end, the relation between the Executive Board compensation and that of Senior Management and employees overall is taken into account, both in total and in terms of its development over time, with the relevant groups of persons having been determined by the Supervisory Board. In addition, when determining the compensation, the tasks and contribution of each Executive Board member to the company's success, their individual performance as well as the overall performance of the Executive Board are taken into consideration. The compensation system aims to appropriately remunerate exceptional performance, while diminishing variable compensation when targets are not met. Thus, in the Supervisory Board's opinion, an appropriate level of compensation, which is reviewed annually by the Supervisory Board and adjusted if required, can be ensured.

The compensation system for the members of the Executive Board which has been applicable since the 2015 financial year was adopted by the shareholders at the Annual General Meeting on May 7, 2015. The Supervisory Board resolved to change individual elements of the existing compensation system described in the following with effect from the 2018 financial year. Details on the changed elements can be found following the description of the previous compensation system.

## PREVIOUS COMPENSATION SYSTEM

Previously, in case of 100% target achievement, the total compensation (without other benefits and pension payments) was essentially made up of 35% fixed compensation, 30% annual Performance Bonus and 35% LTIP Bonus. In addition, there are various pension commitments. Moreover, at its equitable discretion, the Supervisory Board may grant a special bonus in case of extraordinary performance by an Executive Board member which is not related to performance criteria that were already decisive for granting the Performance Bonus or the LTIP Bonus. Such special bonus is limited to a maximum of 100% of the annual fixed salary of the calendar year for which the special bonus is granted.

The compensation system consists of the following components:

### Non-performance-related components

#### Fixed compensation

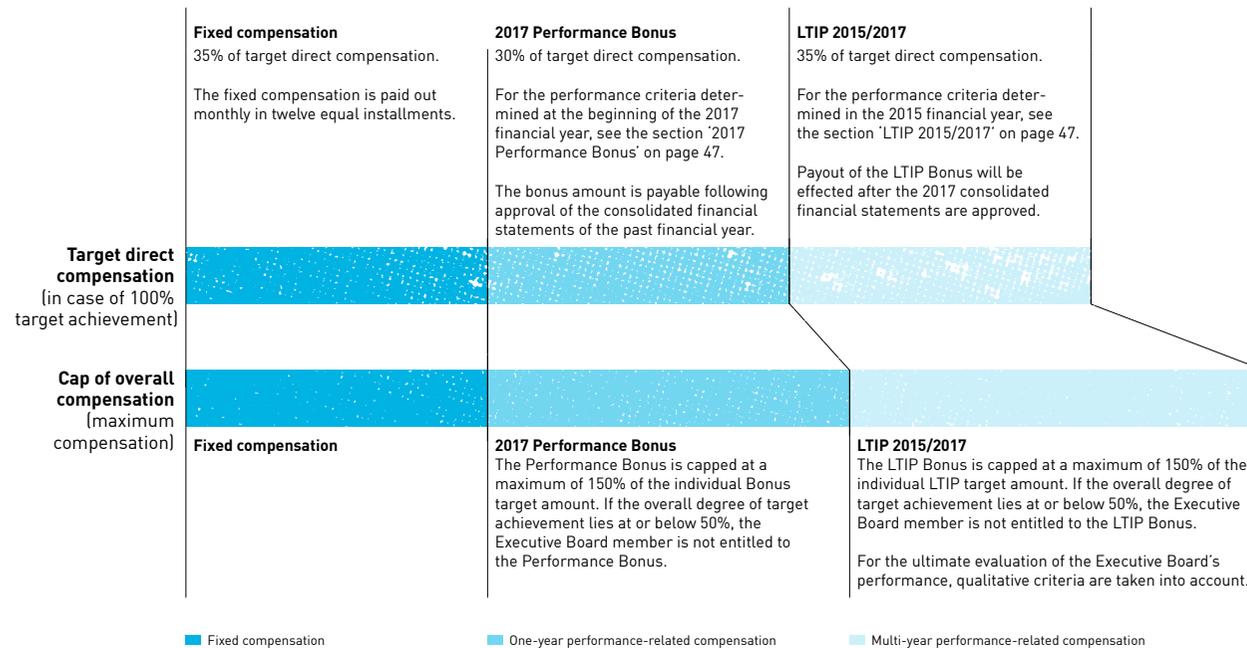
The fixed compensation consists of the annual fixed salary. In principle, it is paid in twelve equal monthly installments and generally remains unchanged during the term of the service contract.

#### Other benefits

The other benefits primarily consist of paying for, or providing the monetary value of, non-cash benefits and of other benefits such as premiums or contributions to insurance schemes normal for the market, the assumption of relocation costs, the provision of a company car or the use of the internal driver service or the payment of a car allowance and, if Executive Board members are also subject to taxation abroad, the costs for tax consultants selected by adidas. The total amount of these other benefits is capped at 5% of the total compensation comprising the fixed salary and a (possible) Performance Bonus granted in the respective financial year.

Compensation system for Executive Board members in 2017

1



degree of target achievement). The result is the individual amount of the Performance Bonus to be paid (bonus amount). When determining the degrees of target achievement and thus when determining the bonus amount, the Supervisory Board may take into account extraordinary developments which are not related to the performance of the Executive Board. The bonus amount is capped at a maximum of 150% of the individual Bonus target amount. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the Performance Bonus.

If an Executive Board member takes or leaves office during a financial year, the Performance Bonus is generally calculated pro rata temporis based on the degree of target achievement determined at the end of the financial year. In certain cases defined in the Terms & Conditions of the Performance Bonus, entitlement to the payout of a Performance Bonus is forfeited, unless the Supervisory Board determines otherwise at its equitable discretion.

The bonus amount is payable following approval of the consolidated financial statements of the past financial year.

Long-Term Incentive Plan 2015/2017 (LTIP 2015/2017)

Based on the Long-Term Incentive Plan 2015/2017 (LTIP 2015/2017) measured over a three-year period, the LTIP Bonus serves – in line with sustainability-oriented development of the company – as compensation for the long-term performance of the Executive Board. On this basis, at the beginning of the 2015 financial year, the Supervisory Board defined five weighted performance criteria oriented toward sustainable growth of the company. Furthermore, at the beginning of 2015 or upon appointment to the Executive Board, the Supervisory Board defined the individual amount of the LTIP Bonus target amount for each Executive Board member, based on a target achievement of 100% (LTIP target amount).

Performance-related components

Performance Bonus

As the annual variable component, the Performance Bonus serves as compensation for the Executive Board's performance in the past financial year in line with the short-term development of the company.

At the beginning of the financial year, the Supervisory Board establishes the respective weighted performance criteria and determines the individual amount of the Performance Bonus target amount for each member of the Executive Board, based on a target achievement of 100% (Bonus target amount). The

individual performance criteria are designed in such a way that the target achievement of the respective performance criterion may also be zero. When targets are clearly not met, the Performance Bonus may consequently be forfeited entirely.

At the end of the financial year, the precise target achievement of each Executive Board member, which is, in principle, based on a comparison of the predefined target values with the values achieved in the year under review, is examined. The Supervisory Board determines at its equitable discretion the factor by which the Bonus target amount is multiplied by adding up these degrees of target achievement (overall

At the end of the 2017 financial year, the precise target achievement of each Executive Board member, which is based on a comparison of the predefined target values with the values achieved at the end of the three-year period covering the years 2015 to 2017, was examined. The Supervisory Board then determined at its equitable discretion the factor by which the LTIP target amount is multiplied by adding up these degrees of target achievement, while additionally taking into account qualitative criteria. The result is the individual amount of the LTIP Bonus to be paid (bonus amount). Payout of the LTIP Bonus will be effected after the 2017 consolidated financial statements are approved. When determining the degrees of target achievement and thus when determining the bonus amount, the Supervisory Board may take into account extraordinary developments which are not related to the performance of the Executive Board.

The LTIP Bonus is capped at a maximum of 150% of the individual LTIP target amount. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the LTIP Bonus. If an Executive Board member takes or leaves office during the term of the LTIP 2015/2017 (Performance Period), the LTIP Bonus is generally calculated on a pro rata basis. In certain cases defined in the Terms & Conditions of the LTIP 2015/2017, entitlement to the payout of an LTIP Bonus is generally forfeited, unless the Supervisory Board determines otherwise at its equitable discretion.

### Pension commitments

The current members of the Executive Board generally have defined contribution pension plans. The pension entitlement of Glenn Bennett and Robin J. Stalker, who resigned from the Executive Board in the 2017 financial year, will be covered by the defined benefit pension plans granted to them.

#### Defined contribution pension plans

The defined contribution pension plans, each in the form of a direct commitment, basically have the same structure as the existing 'adidas Management Pension Plan' for managers.

As part of the pension commitments, an amount equaling a percentage determined by the Supervisory Board, which is related to the individual annual fixed compensation, is credited to the virtual pension account of the individual Executive Board member each year. The Supervisory Board annually resolves on this percentage, which most recently was set at 50%. When making its decision, the Supervisory Board takes into account the targeted individual pension level and the resulting annual and long-term expenses for the company. The pension assets existing at the beginning of the respective calendar year shall yield a fixed interest rate of 3% p.a., however for no longer than until the pension benefits first become due. As a rule, interest shall be credited as at the close of December 31 in each calendar year, and on the due date in the year in which the pension benefits are first due. Entitlement to the pension benefits becomes vested immediately.

The entitlements to pension benefits comprise pensions to be received upon reaching the age of 65, or, on application, early retirement pensions to be received upon reaching the age of 62 (early pensions), or invalidity and survivors' benefits.

On occurrence of the pension-triggering event, the pension benefits generally correspond to the balance of the pension account including accumulated interest on that date. In case

of invalidity or death prior to reaching the age of 62, for the minimum coverage, the Executive Board member's pension account will be credited with the outstanding pension contributions for the time until the Executive Board member would have reached the age of 62, but no longer than for 120 months (without interest accrual). The pension benefits due upon death of the Executive Board member are payable to the widow, the widower or the registered civil partner and the children entitled to pension benefits as joint creditors.

At the option of the Executive Board member or the surviving dependents, the payout of all pension benefits is made either as a one-time payment or in up to ten equal annual installments. If no choice is made by the Executive Board member or by the surviving dependents, the pension benefits are paid out in three equal annual installments. As a rule, in case of a payout in annual installments, the installments are due in January of the respective year. The still outstanding installments of the benefit phase bear the maximum interest rate of the first due date of the pension benefits for the calculation of the actuarial reserve according to the German Actuarial Reserve Ordinance (DeckRV) for life insurance companies.

As regards insolvency insurance, the pension plans can be integrated into the existing trust model, the Contractual Trust Arrangement (CTA).

#### Defined benefit pension plans

Starting from a base amount totaling 10% (Robin J. Stalker) or 20% (Glenn Bennett) of the respective pensionable income granted in the pension plan, a module of two percentage points of the pensionable income, or three percentage points since March 6, 2015, is created for the Executive Board members for each full year of tenure as an Executive Board member (in deviation herefrom, the starting date chosen for Glenn Bennett, who was a member of the Executive Board as of March 6, 1997 was January 1, 2000).

As its targeted level of provision, the Supervisory Board has determined for the Executive Board members a pension entitlement amounting to a maximum of 50% of an Executive Board member's pensionable income. The amount of pensionable income currently equals the individual annual fixed salary indicated in the table 'Benefits granted'.

The pension benefits comprise retirement pensions to be received upon reaching the age of 65 as well as disability and survivors' benefits.

In the event that an Executive Board member leaves the company prior to reaching retirement age, the non-forfeiture of the pension entitlement will be in line with legal provisions. The pension entitlement is not, as legally envisaged, reduced pro rata temporis, i.e. it amounts to at least the base amount of the pension commitment made to the Executive Board member, plus the pension modules accumulated annually during the term of office.

Following the pension-triggering event, ongoing pensions are adjusted in line with the development of state pensions.

#### adidas Management Pension Plan

The Executive Board members who were active members of the Executive Board in the 2017 financial year and who belonged to the group of senior executives of adidas AG prior to their Executive Board appointments<sup>1</sup> will at the time of their retirement receive additional payments from the 'adidas Management Pension Plan'. Until their appointment as Executive Board members, adidas AG had contributed pension components under these supplementary provisions which were introduced for all of these senior executives of the company in 1989.

#### Commitments to Executive Board members upon termination of tenure

Unless otherwise agreed in the individual case, if the service contract ends upon the Executive Board member reaching the age of 65 or upon non-renewal of the service contract, the Executive Board member is entitled to receive his annual fixed salary on a pro rata basis up to the date on which he leaves office as well as a potential prorated Performance Bonus and a potential prorated LTIP Bonus. Further, Executive Board members are subject to a post-contractual competition prohibition of two years. As consideration, for the duration of the competition prohibition, the Executive Board members generally receive a compensation amount totaling 50% of the fixed compensation last received, subject to offsetting (e.g. of income from other use of his work capacity). Under certain circumstances, the departing Executive Board member also receives a follow-up bonus<sup>2</sup>. This follow-up bonus is payable in two tranches, twelve and 24 months following the end of the contract.

In case of premature termination of tenure in the absence of good cause, the Executive Board service contracts cap potential severance payments at a maximum of twice the total annual compensation, not exceeding payment claims for the remaining period of the service contract (Severance Payment Cap). If the service contract is terminated due to a change of control, a possible severance payment is limited to 150% of the Severance Payment Cap.

If an Executive Board member dies during his term of office, his spouse or partner receives or, alternatively, any dependent children receive, in addition to pension benefits, the pro rata annual fixed salary for the month of death and the following three months, but no longer than until the agreed end date of the service contract.

#### COMPENSATION SYSTEM APPLICABLE AS OF THE 2018 FINANCIAL YEAR

The Supervisory Board resolved to change individual elements of the existing compensation system described above with effect from the 2018 financial year. In this way, the entire compensation system of the Executive Board is to be simplified and the assessment factors will be made more transparent. With the compensation system applicable as of the 2018 financial year, at least 80% of the variable compensation (Performance Bonus and LTIP) is directly linked to the short- and long-term sales and profitability targets externally communicated. At the same time, the compensation of the Executive Board members is being directly brought into line with the interests of the shareholders.

The changes to the compensation system concern the following aspects:

##### Apportionment of the overall payments

The components of the total compensation remain unchanged, consisting of fixed compensation, an annual Performance Bonus, an LTIP Bonus and other benefits and pension payments. In case of 100% target achievement, the share of the fixed compensation component in the total compensation (without other benefits and pension payments) still amounts to 35%; the annual Performance Bonus component, however, now only amounts to 25% (instead of the previous general value of 30%), while the share of the LTIP Bonus component is increased from the previous general value of 35% to 40%.

##### Performance-related components

###### 2018 Performance Bonus

As the annual variable component, the Performance Bonus still serves as compensation for the Executive Board's

<sup>1</sup> Roland Auschel, Eric Liedtke, Harm Ohlmeyer and Robin J. Stalker.

<sup>2</sup> As regards the current members of the Executive Board, such a follow-up bonus was agreed with Roland Auschel and Eric Liedtke, in each case in the amount of 75% of the Performance Bonus granted to them for the last full financial year. Furthermore, a follow-up bonus will be paid to Glenn Bennett (75%) and Robin J. Stalker (100%), who both departed from the Executive Board in 2017.

performance in the past financial year in line with the short-term development of the company.

In future, the amount of the Performance Bonus will be determined based on the achievement of, generally, four weighted targets which are determined – as before – by the Supervisory Board at the beginning of the financial year. Two of these targets are the same for all Executive Board members and are weighted at 60%. In this regard, the targets for the respective financial year are directly linked to the annual forecast externally communicated and, at the same time, follow directly from the – also externally communicated – long-term growth targets of adidas. For instance, for the 2018 financial year, these targets are currency-neutral sales growth and the operating margin. It is intended to retain these targets in the years to come. 100% target achievement thereby reflects the communicated guidance for the financial year (2018: currency-neutral sales to increase around 10%, operating margin to increase to a level between 10.3% and 10.5%). The other two targets are individual targets with a 40% weighting. All targets are designed in such a way that target achievement may also be zero. When targets are clearly not met, the Performance Bonus may consequently be forfeited entirely.

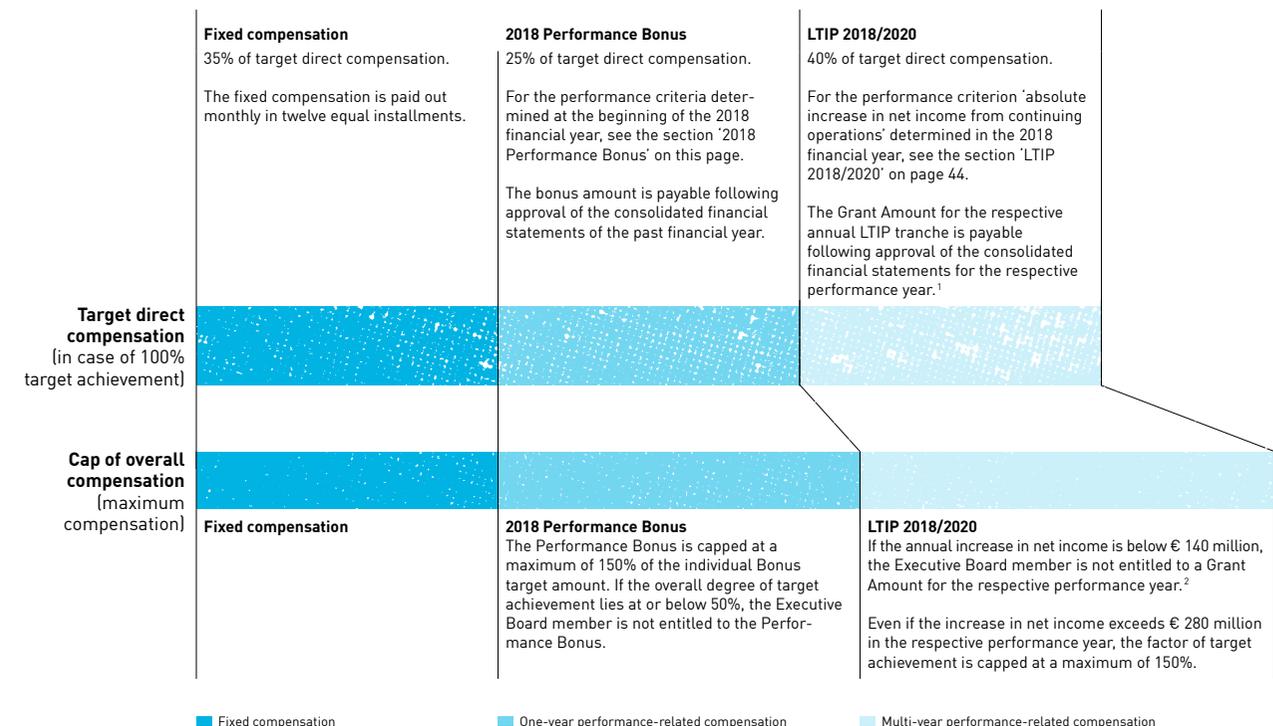
As before, at the end of the financial year, the Supervisory Board examines the precise target achievement of each Executive Board member, which is, in principle, based on a comparison of the predefined target values with the values achieved in the year under review. The Supervisory Board determines the factor by which the Bonus target amount is multiplied by adding up these degrees of target achievement (overall degree of target achievement). The result is the individual amount of the Performance Bonus to be paid (bonus amount). When determining the degrees of target achievement and thus when determining the bonus amount, the Supervisory Board may, at its equitable discretion, take into account

extraordinary developments which are not related to the performance of the Executive Board. Even in the case of an overall degree of target achievement of more than 150%, the bonus amount is capped at a maximum of 150% of the individual Bonus target amount. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the Performance Bonus. If an Executive Board member takes or leaves office during a financial year, the Performance Bonus is generally calculated

pro rata temporis based on the degree of target achievement determined at the end of the financial year. In certain cases defined in the Terms & Conditions of the Performance Bonus, entitlement to the payout of a Performance Bonus is forfeited, unless the Supervisory Board determines otherwise at its equitable discretion.

The bonus amount is payable following approval of the consolidated financial statements of the past financial year.

Compensation system for Executive Board Members from 2018



<sup>1</sup> The Grant Amount must be invested in the acquisition of adidas AG shares which are subject to a lock-up period.

<sup>2</sup> If the increase in net income from continuing operations is below € 210 million in the performance year 2018 or 2019, the target value for 100% target achievement is increased correspondingly for the following performance year, unless the Supervisory Board decides otherwise at its equitable discretion.

**Long-Term Incentive Plan 2018/2020 (LTIP 2018/2020)**

As of 2018, the previous LTIP 2015/2017 is replaced by a new Long-Term Incentive Plan 2018/2020 (LTIP 2018/2020). The LTIP 2018/2020 aims to link the long-term compensation of the Executive Board even more strongly to the company's performance and thus to the interests of the shareholders. Furthermore, the decisive assessment factors are to be simplified and made more transparent and the long-term compensation of the Executive Board and Senior Management is to be aligned.

Against this background, the LTIP 2018/2020 – in contrast to the previous LTIP 2015/2017 – is share-based. It now consists of three annual tranches (2018, 2019 and 2020). Moreover, the assessment basis is extended. The compensation of the Executive Board members for each annual LTIP tranche is now no longer assessed based on a period of three years but based on a period of approximately four and a half years.

Each of the three annual LTIP tranches consists of a performance year and a subsequent lock-up period of about three years. At the beginning of 2018, the Supervisory Board determined as performance criterion for each of the three performance years (2018, 2019 and 2020) the absolute increase in net income from continuing operations compared to the respective previous year. In this respect, the target values for the annual LTIP tranches follow directly from the externally published long-term net income growth targets of the company. For instance, if net income from continuing operations increased by a total of € 630 million (100% target achievement) in the three-year period from 2018 to 2020, net income from continuing operations would amount to € 2,060 million in 2020. [SEE TABLE BELOW](#) Compared to 2015, this would correspond to an average increase in net income of 23% per year, which would be within the target corridor of 22% to 24%, as defined in our corporate strategy.

Performance year	Growth target for net income from continuing operations
2018 (compared to 2017 <sup>1</sup> )	+ € 210 million
2019 (compared to 2018)	+ € 210 million
2020 (compared to 2019)	+ € 210 million

<sup>1</sup> The basis for 2017 is net income from continuing operations in the amount of € 1,430 million (without the negative tax-related one-time effect in the 2017 financial year).

If the increase in net income from continuing operations is below € 210 million in the performance year 2018 or 2019, the target value for 100% target achievement is increased correspondingly for the following performance year, unless the Supervisory Board decides otherwise at its equitable discretion. For instance, if net income increases by € 180 million in the performance year 2018, net income in the performance year 2019 must increase by € 240 million for a target achievement of 100%. However, if the increase in net income is higher than € 210 million in a performance year, the target for the following performance year remains unaffected by this. This means that compared to the previous year net income in the following performance year must still be increased by € 210 million for a target achievement of 100%, despite the higher net income achieved in the previous year.

Against this background, the Supervisory Board determined the individual amount of the annual LTIP target amount for each Executive Board member based on a target achievement of 100%.

The precise target achievement will be determined for the respective performance year on the basis of the adopted consolidated financial statements. In this respect, the Supervisory Board may, at its equitable discretion, take into account extraordinary developments which are not related to the performance of the Executive Board. The factor by which the annual LTIP target amount determined for the respective Executive Board member is multiplied is derived from the

amount of the actual increase in net income from continuing operations for the respective performance year:

Increase in net income from continuing operations compared to the previous year	Factor
≥ + € 280 million	150%
+ € 210 million	100%
+ € 140 million	50%
< + € 140 million	0%

If the actual increase in net income from continuing operations compared to the previous year is between the above-mentioned values, the factor is determined based on a sliding scale. If the annual increase in net income is below € 140 million, the factor is zero. Furthermore, the factor is capped at 150%, even if the increase in net income (significantly) exceeds € 280 million.

By multiplying the factor thus calculated with the annual LTIP target amount determined by the Supervisory Board for the respective Executive Board member based on a target achievement of 100%, the Grant Amount is determined, which is paid out to the Executive Board member for the respective annual LTIP tranche for the performance year following the adoption of the consolidated financial statements of adidas.

The Executive Board members have to invest the Grant Amount which remains after deducting applicable taxes and social security contributions into the acquisition of adidas AG shares. The shares purchased are subject to a lock-up period. The lock-up period ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting takes place. The Executive Board members may only dispose of the shares after expiry of the lock-up period. Due to this mechanism, the compensation which the Executive Board members eventually receive from

the LTIP 2018/2020 is directly dependent on the share price performance during the respective, approximately three-year lock-up period and thus dependent on the long-term performance of the company. The Executive Board members are entitled to any amounts distributed in connection with these shares during the lock-up period.

Therefore, taking the annual LTIP tranche for the 2018 financial year as an example, the LTIP 2018/2020 is structured as follows:

- In the 2019 financial year, the degree of target achievement for the 2018 performance year (increase in net income from continuing operations in the 2018 financial year compared to the 2017 financial year) is determined following the adoption of the consolidated financial statements for the 2018 financial year.
- The Grant Amount determined on this basis is paid out to the Executive Board members by the end of March 2019. If the increase in net income from continuing operations is below € 140 million, the Executive Board members do not receive a Grant Amount; if the increase in net income amounts to more than € 280 million, the cap of 150% applies.
- The Grant Amount (reduced by applicable taxes and social security contributions) is then invested into the acquisition of adidas AG shares.
- The Executive Board members may only dispose of these shares upon expiry of the month in which the Annual General Meeting in 2022 takes place (i.e. if the Annual General Meeting takes place in May 2022, the Executive Board members can dispose of the shares as of June 2022).

If an Executive Board member takes or leaves office during a performance year, the Grant Amount for the respective annual tranche of the LTIP 2018/2020 is generally calculated on a pro rata basis. The departed Executive Board member does not participate in the annual LTIP tranches for performance years which begin after the respective Executive Board member's departure. In certain cases defined in the plan terms of the LTIP 2018/2020, any claims in connection with the LTIP 2018/2020 are generally forfeited and adidas AG shares already purchased, for which the lock-up period has not yet expired, must be transferred to adidas without compensation payments, unless the Supervisory Board determines otherwise at its equitable discretion.

Furthermore, the plan terms of the LTIP 2018/2020 contain malus and claw back provisions which allow the Supervisory Board, under certain circumstances, to reduce at its equitable discretion the compensation from the LTIP 2018/2020 until expiry of the lock-up period (malus) and beyond (claw back). Such circumstances are, in particular, material misstatements, for instance, in the financial reports as well as serious compliance violations.

In all other respects, the details of the previous compensation system also apply to the changed compensation system. The compensation system applicable as of the 2018 financial year will be presented to the 2018 Annual General Meeting for approval.

## Comparison of previous compensation system and new compensation system

3

	Components of compensation system <sup>1</sup>			Performance criteria		Transparency of performance criteria		Cap		Claw back/ Malus	Share-based	Defining period	Alignment between Executive Board and Senior Management
	Fixed compensation	Performance Bonus	LTIP	Performance Bonus <sup>2</sup>	LTIP <sup>3</sup>	Performance Bonus	LTIP	Performance Bonus	LTIP	LTIP	LTIP	LTIP	LTIP
<b>Previous compensation system</b>	35%	30%	35%	5 criteria – 3 shared targets: increase in earnings per share (EPS), operating margin and Net Promoter Score (NPS) – 2 individual targets	5 criteria – 5 shared targets: net income from continuing operations, increase in presence on the US market, share price development, improvement in retail profitability, improvement in sustainability	Limited	Limited	Capped at 150%; no payout if the overall degree of target achievement lies at or below 50%	Capped at 150%; no payout if the overall degree of target achievement lies at or below 50%	No	No	3 years	No
<b>New compensation system (applicable as of the 2018 financial year)<sup>4</sup></b>	35%	25%	40%	4 criteria – 2 shared targets (60% weighting): currency-neutral sales growth, operating margin – 2 individual targets (40% weighting)	1 criteria – 1 shared target: absolute increase in net income from continuing operations	100% target achievement for shared targets made transparent and is in sync with externally communicated outlook	100% target achievement for each year made transparent and is in sync with externally communicated long-term outlook	Capped at 150%; no payout if the overall degree of target achievement lies at or below 50%	Capped at 150% [with defined and externally communicated threshold]; no payout below defined threshold	Yes	Yes	Around 4.5 years	Yes

<sup>1</sup> Assuming 100% target achievement.

<sup>2</sup> Reflects the 2017 financial year for previous compensation system and 2018 financial year for new compensation system.

<sup>3</sup> Reflects the LTIP 2015/2017 for previous compensation system and LTIP 2018/2020 for new compensation system.

<sup>4</sup> The compensation system applicable as of the 2018 financial year will be presented to the 2018 Annual General Meeting for approval.

## EXECUTIVE BOARD COMPENSATION 2017

### 2017 Performance Bonus

For the Performance Bonus, the Supervisory Board determined an increase

- in earnings per share (EPS),
- in the operating margin,
- in the Net Promoter Score (NPS) on a global scale and two criteria relating to the individual performance of the Executive Board members as success parameters. Based on the targets actually achieved, this results in a degree of target achievement between 132% and 140% for the respective individual Executive Board members for the year under review.

### LTIP 2015/2017

For the LTIP 2015/2017, the Supervisory Board determined the following Performance criteria in the 2015 financial year:

- achievement of a defined amount of net income from continuing operations
- increase in the presence on the US market measured by/assessed on the basis of the increase in market shares of adidas footwear and an improvement in the brand's popularity
- increase in the adidas AG share price over three years and relative outperformance of the adidas AG share compared to the DAX-30 price index
- increase in profitability of the retail segment
- improvement of sustainability measured by/assessed on the basis of the improvement of employee satisfaction and an increase in the percentage of female representation in management positions within the company.

In addition, the Supervisory Board decided that qualitative criteria should also be taken into account when determining the overall degree of target achievement. Based on the targets actually achieved, with regard to the LTIP, this results in an overall degree of target achievement of more than 150% for the respective individual Executive Board members for the

year under review. This means that the cap for the LTIP 2015/2017 applies, i.e. the payout of the LTIP Bonus is limited to 150% of the respective individual Bonus target amount despite the higher overall degree of target achievement.

In the year under review, no payout in connection with the LTIP 2015/2017 was made to the current members of the Executive Board because the performance period did not end until December 31, 2017. The payout will be made in the 2018 financial year, depending on the target achievement following the approval of the consolidated financial statements for the 2017 financial year.

### Commitments to Executive Board members in connection with termination of tenure

In connection with the termination of Robin J. Stalker's and Glenn Bennett's tenure by mutual consent at the end of the Annual General Meeting of adidas AG on May 11, 2017 and on August 4, 2017, respectively, it was agreed that the contractual commitments on the part of the company will continue to be granted until expiry of their respective service contracts on March 31, 2018.

- For the period from May 12, 2017 to March 31, 2018, Robin J. Stalker receives fixed compensation in the amount of € 590,363 and other benefits in the amount of € 25,222. His past service costs for this period amount to € 343,876. The Performance Bonus for the 2017 financial year amounts to € 739,746. For the 2018 financial year, Robin J. Stalker will receive a prorated Performance Bonus in the amount of € 139,050. The bonus payment from the LTIP 2015/2017 corresponds to € 3,338,100. Robin J. Stalker does not participate in the new LTIP 2018/2020. The prorated fixed compensation for 2018 was already paid out to him in 2017. Furthermore, in 2017, adidas made a prepayment to Robin J. Stalker in the amount of € 695,250 in connection with the Performance Bonus for the 2017 financial year and prorated for the 2018 financial year and

a prepayment in the amount of € 2,225,400 in connection with the bonus amount from the LTIP 2015/2017; any overpayments or underpayments which may result when comparing these amounts with the amounts determined once the final figures are available will be offset in the 2018 and 2019 financial year. At the end of April 2019 and at the end of April 2020, Robin J. Stalker will be paid out 75% and 25%, i.e. € 554,810 and € 184,937, of the Performance Bonus granted to him for the 2017 financial year as a follow-up bonus. In accordance with the stipulation in his service contract, he will be paid monthly compensation in the amount of € 27,729 gross for the post-contractual competition prohibition for a period of 24 months. This corresponds to 50% of the last fixed monthly salary. The reserves set up for this compensation for post-contractual competition prohibition amount to € 665,500. The claims to pension payments deriving from the adidas Management Pension Plan and the pension commitment dated February 15, 2001, as amended on December 17, 2014, remain unaffected and will be paid out in accordance with the contractual regulations.

- For the period from August 5, 2017 to March 31, 2018, Glenn Bennett receives fixed compensation in the amount of € 464,942 and other benefits in the amount of € 21,929. His past service costs for this period amount to € 198,085. The Performance Bonus for the 2017 financial year amounts to € 924,113. For the 2018 financial year, Glenn Bennett will receive a prorated Performance Bonus in the amount of € 173,705. From the LTIP 2015/2017, he will be paid out an amount of € 3,995,313. Glenn Bennett does not participate in the new LTIP 2018/2020. At the end of April 2019 and at the end of April 2020, he will be paid out 50% and 25%, i.e. € 462,056 and € 231,028, of the Performance Bonus granted to him for the 2017 financial year as a follow-up bonus. In accordance with the stipulation in his service contract, he will be paid monthly compensation in the amount of € 29,535 gross for the post-contractual competition

prohibition for a period of 24 months. This corresponds to 50% of the last fixed monthly salary. The reserves set up for this compensation for post-contractual competition prohibition amount to € 708,846. The claims to pension payments deriving from the pension commitment dated December 16, 2002, as amended on December 17, 2014, remain unaffected and will be paid out in accordance with the contractual regulations.

### Pension commitments

The service costs for the pension commitments granted to the Executive Board members in the 2017 financial year and the cash values of the vested rights are set out individually:

### Overall compensation for 2017 in accordance with the Code

Based on the Supervisory Board's determination outlined above, the overall compensation of the Executive Board for the 2017 financial year amounts to € 38.013 million (2016: € 16.086 million). Due to the high Performance Bonus paid for the successful financial year and the payout in connection with the LTIP 2015/2017 as well as the increase in the number of Executive Board members, the appointment of Harm Ohlmeyer as member of the Executive Board and as successor to Robin J. Stalker with effect from March 7, 2017, the appointment of Gil Steyaert as member of the Executive Board and as successor to Glenn Bennett with effect from May 12, 2017 and the appointment of Karen Parkin as member of the Executive Board also with effect from May 12, 2017, the total compensation for the year under review is higher than the total compensation for the 2016 financial year.

The recommendations of the Code to individually disclose the compensation components for each Executive Board member and to use the sample tables attached to the Code are implemented in the following.

### Benefits granted in accordance with the Code

In the following table, the benefits granted for the 2016 and 2017 financial years are disclosed including other benefits and service costs, and also including the maximum and minimum achievable compensation.

In accordance with the requirements of the Code, the Performance Bonus is disclosed with the amount granted in case of 100% target achievement. Pursuant to the recommendations of the Code, the LTIP Bonus resulting from the LTIP 2015/2017 measured over a three-year period is to be indicated with the pro rata temporis target amount of an average probability scenario at the time of granting, whereas adidas AG takes the 100% target amount as a basis.

### Pension commitments in the 2017 financial year in €

	Service costs		Accumulated pension obligation for the pension commitments excluding deferred compensation	
	2016	2017	2016	2017
<b>Executive Board members incumbent as at December 31, 2017</b>				
Kasper Rorsted <sup>1</sup>	587,372	1,243,202	615,559	1,523,987
Roland Auschel	360,846	430,138	1,137,760	1,457,786
Eric Liedtke	359,588	502,371	1,201,127	1,387,206
Harm Ohlmeyer <sup>2</sup>	n. a.	385,521	n. a.	385,521
Karen Parkin <sup>3</sup>	n. a.	289,045	n. a.	289,045
Gil Steyaert <sup>3</sup>	n. a.	296,747	n. a.	296,747
<b>Total</b>	<b>1,307,806</b>	<b>3,147,024</b>	<b>2,954,446</b>	<b>5,340,292</b>
<b>Executive Board members departing in the 2017 financial year</b>				
Glenn Bennett <sup>4</sup>	260,911	872,497	7,043,697	n. a.
Robin J. Stalker <sup>5</sup>	346,914	880,423	6,102,723	n. a.
<b>Total</b>	<b>607,825</b>	<b>1,752,920</b>	<b>13,146,420</b>	<b>n. a.</b>
<b>Executive Board members incumbent until September 30, 2016</b>				
Herbert Hainer <sup>6</sup>	2,837,209	n. a.	n. a.	n. a.
<b>Total</b>	<b>2,837,209</b>	<b>n. a.</b>	<b>n. a.</b>	<b>n. a.</b>

<sup>1</sup> Member of the Executive Board as of August 1, 2016 and Chief Executive Officer as of October 1, 2016.

<sup>2</sup> Member of the Executive Board as of March 7, 2017.

<sup>3</sup> Member of the Executive Board as of May 12, 2017.

<sup>4</sup> Member of the Executive Board until August 4, 2017. The prorated service costs 2017 for Glenn Bennett also comprise the contractually agreed follow-up bonus in the amount of € 693,085 a due to his departure at the end of August 4, 2017 as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.

<sup>5</sup> Member of the Executive Board until May 11, 2017. The prorated service costs 2017 for Robin J. Stalker also comprise the contractually agreed follow-up bonus in the amount of € 739,746 due to his departure with effect from the end of the Annual General Meeting on May 11, 2017 as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.

<sup>6</sup> Chief Executive Officer and member of the Executive Board until September 30, 2016. The prorated service costs 2016 for Herber Hainer also comprise the contractually agreed follow-up bonus in the amount of € 2,540,625 due to his departure at the end of September 30, 2016 as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.

## Benefits granted in €

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	Kasper Rorsted Executive Board member, Chief Executive Officer since August 1, 2016 and October 1, 2016, respectively				Roland Auschel Executive Board member, Global Sales			
	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed compensation	833,333	2,000,000	2,000,000	2,000,000	650,000	750,000	750,000	750,000
Other benefits	18,800	452	452	452	17,943	17,943	17,943	17,943
<b>Total</b>	<b>852,133</b>	<b>2,000,452</b>	<b>2,000,452</b>	<b>2,000,452</b>	<b>667,943</b>	<b>767,943</b>	<b>767,943</b>	<b>767,943</b>
One-year variable compensation <sup>1,2</sup>	625,000	1,714,286	0	2,571,429	557,000	642,857	0	964,286
Multi-year variable compensation	833,333	2,000,000	0	3,000,000	616,667	750,000	0	1,125,000
LTIP 2015/2017 <sup>3,4</sup>	833,333	2,000,000	0	3,000,000	616,667	750,000	0	1,125,000
<b>Total</b>	<b>2,310,466</b>	<b>5,714,738</b>	<b>2,000,452</b>	<b>7,571,881</b>	<b>1,841,609</b>	<b>2,160,800</b>	<b>767,943</b>	<b>2,857,228</b>
Service costs <sup>5,6</sup>	587,372	1,243,202	1,243,202	1,243,202	360,846	430,138	430,138	430,138
<b>Overall compensation</b>	<b>2,897,838</b>	<b>6,957,940</b>	<b>3,243,654</b>	<b>8,815,083</b>	<b>2,202,455</b>	<b>2,590,938</b>	<b>1,198,081</b>	<b>3,287,366</b>

	Eric Liedtke Executive Board member, Global Brands				Harm Ohlmeyer Executive Board member, Chief Financial Officer since March 7, 2017 and since the end of the Annual General Meeting on May 11, 2017, respectively			
	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed compensation	650,000	820,000	820,000	820,000	n. a.	561,603	561,603	561,603
Other benefits	13,396	12,575	12,575	12,575	n. a.	14,650	14,650	14,650
<b>Total</b>	<b>663,396</b>	<b>832,575</b>	<b>832,575</b>	<b>832,575</b>	<b>n. a.</b>	<b>576,254</b>	<b>576,254</b>	<b>576,254</b>
One-year variable compensation <sup>1,2</sup>	557,000	702,857	0	1,054,286	n. a.	481,374	0	722,061
Multi-year variable compensation	616,667	820,000	0	1,230,000	n. a.	561,603	0	842,405
LTIP 2015/2017 <sup>3,4</sup>	616,667	820,000	0	1,230,000	n. a.	561,603	0	842,405
<b>Total</b>	<b>1,837,062</b>	<b>2,355,432</b>	<b>832,575</b>	<b>3,116,861</b>	<b>n. a.</b>	<b>1,619,231</b>	<b>576,254</b>	<b>2,140,720</b>
Service costs <sup>5,6</sup>	359,588	502,371	502,371	502,371	n. a.	385,521	385,521	385,521
<b>Overall compensation</b>	<b>2,196,650</b>	<b>2,857,803</b>	<b>1,334,946</b>	<b>3,619,232</b>	<b>n. a.</b>	<b>2,004,752</b>	<b>961,775</b>	<b>2,526,241</b>

## Benefits granted in €

5

	Karen Parkin Executive Board member, Global Human Resources since May 12, 2017				Gil Steyaert Executive Board member, Global Operations since May 12, 2017 and August 5, 2017, respectively			
	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed compensation	n. a.	437,829	437,829	437,829	n. a.	437,829	437,829	437,829
Other benefits	n. a.	14,070	14,070	14,070	n. a.	8,590	8,590	8,590
<b>Total</b>	<b>n. a.</b>	<b>451,899</b>	<b>451,899</b>	<b>451,899</b>	<b>n. a.</b>	<b>446,419</b>	<b>446,419</b>	<b>446,419</b>
One-year variable compensation <sup>1,2</sup>	n. a.	375,282	0	562,923	n. a.	375,282	0	562,923
Multi-year variable compensation	n. a.	437,829	0	656,743	n. a.	437,829	0	656,743
LTIP 2015/2017 <sup>3,4</sup>	n. a.	437,829	0	656,743	n. a.	437,829	0	656,743
<b>Total</b>	<b>n. a.</b>	<b>1,265,010</b>	<b>451,899</b>	<b>1,671,565</b>	<b>n. a.</b>	<b>1,259,529</b>	<b>446,419</b>	<b>1,666,085</b>
Service costs <sup>5,6</sup>	n. a.	289,045	289,045	289,045	n. a.	296,747	296,747	296,747
<b>Overall compensation</b>	<b>n. a.</b>	<b>1,554,055</b>	<b>740,944</b>	<b>1,960,610</b>	<b>n. a.</b>	<b>1,556,276</b>	<b>743,166</b>	<b>1,962,832</b>

	Herbert Hainer Chief Executive Officer until September 30, 2016				Glenn Bennett Executive Board member, Global Operations until August 4, 2017			
	2016	2017	2017 (min.)	2017 (max.)	2016 <sup>7</sup>	2017 <sup>8,9</sup>	2017 (min.)	2017 (max.)
Fixed compensation	1,200,000	n. a.	n. a.	n. a.	721,474	421,115	421,115	421,115
Other benefits	26,917	n. a.	n. a.	n. a.	35,056	19,862	19,862	19,862
<b>Total</b>	<b>1,226,917</b>	<b>n. a.</b>	<b>n. a.</b>	<b>n. a.</b>	<b>756,531</b>	<b>440,977</b>	<b>440,977</b>	<b>440,977</b>
One-year variable compensation <sup>1,2</sup>	1,355,000	n. a.	n. a.	n. a.	686,602	694,822	0	1,042,233
Multi-year variable compensation	1,694,000	n. a.	n. a.	n. a.	903,665	887,847	0	1,331,771
LTIP 2015/2017 <sup>3,4</sup>	1,694,000	n. a.	n. a.	n. a.	903,665	887,847	0	1,331,771
<b>Total</b>	<b>4,275,917</b>	<b>n. a.</b>	<b>n. a.</b>	<b>n. a.</b>	<b>2,346,798</b>	<b>2,023,647</b>	<b>440,977</b>	<b>2,814,981</b>
Service costs <sup>5,6</sup>	2,837,209	n. a.	n. a.	n. a.	260,911	872,497	872,497	872,497
<b>Overall compensation</b>	<b>7,113,126</b>	<b>n. a.</b>	<b>n. a.</b>	<b>n. a.</b>	<b>2,607,709</b>	<b>2,896,144</b>	<b>1,313,475</b>	<b>3,687,479</b>

## Benefits granted in €

5

	<b>Robin J. Stalker</b> <b>Chief Financial Officer</b> until the end of the Annual General Meeting on May 11, 2017			
	2016	2017 <sup>10</sup>	2017 (min.)	2017 (max.)
Fixed compensation	665,500	241,512	241,512	241,512
Other benefits	20,018	7,265	7,265	7,265
<b>Total</b>	<b>685,518</b>	<b>248,777</b>	<b>248,777</b>	<b>248,777</b>
One-year variable compensation <sup>1,2</sup>	540,000	556,200	0	834,300
Multi-year variable compensation	741,800	741,800	0	1,112,700
LTIP 2015/2017 <sup>3,4</sup>	741,800	741,800	0	1,112,700
<b>Total</b>	<b>1,967,318</b>	<b>1,546,777</b>	<b>248,777</b>	<b>2,195,777</b>
Service costs <sup>5,6</sup>	346,914	880,423	880,423	880,423
<b>Overall compensation</b>	<b>2,314,232</b>	<b>2,427,199</b>	<b>1,129,199</b>	<b>3,076,199</b>

- 1 Contractually agreed Performance Bonus target amount 2016 for Kasper Rorsted due to his intra-year appointment to the Executive Board with effect from August 1, 2016. Contractually agreed Performance Bonus target amount 2016 due to the termination of Herbert Hainer's Executive Board mandate (with effect from the end of September 30, 2016) during the plan term.
- 2 Contractually agreed Performance Bonus target amount 2017 due to the intra-year appointment of Harm Ohlmeyer (with effect from March 7, 2017), Karen Parkin (with effect from May 12, 2017) and Gil Steyaert (with effect from May 12, 2017) to the Executive Board. Contractually agreed Performance Bonus target amount 2017 due to the termination of the Executive Board mandates of Robin J. Stalker (with effect from the end of the Annual General Meeting on May 11, 2017) and Glenn Bennett (with effect from the end of August 4, 2017) during the plan term.
- 3 Contractually agreed LTIP Bonus target amount 2015/2017 due to the appointment of Kasper Rorsted (with effect from August 1, 2016), Harm Ohlmeyer (with effect from March 7, 2017), Karen Parkin (with effect from May 12, 2017) and Gil Steyaert (with effect from May 12, 2017) to the Executive Board during the plan term.
- 4 Contractually agreed LTIP Bonus target amount 2015/2017 due to the termination of the Executive Board mandates of Herbert Hainer (with effect from the end of September 30, 2016), Robin J. Stalker (with effect from the end of the Annual General Meeting on May 11, 2017) and Glenn Bennett (with effect from the end of August 4, 2017) during the plan term.
- 5 Service costs 2016 stated pro rata temporis due to the intra-year termination of Herbert Hainer's Executive Board mandate with effect from the end of September 30, 2016. The service costs 2016 for Herbert Hainer also comprise the contractually agreed follow-up bonus in the amount of € 2,540,625 due to his departure with effect from the end of September 30, 2016 as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.
- 6 Service costs 2017 stated pro rata temporis due to the intra-year termination of the Executive Board mandates of Robin J. Stalker (with effect from the end of the Annual General Meeting on May 11, 2017) and Glenn Bennett (with effect from the end of August 4, 2017). The service costs 2017 for Robin J. Stalker and Glenn Bennett also comprise the contractually agreed follow-up bonus (Robin J. Stalker: in the amount of € 739,746, Glenn Bennett: in the amount of € 693,085) due to the intra-year departures as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.
- 7 Exchange rate 1.10690 \$/€ (annual average rate 2016).
- 8 Exchange rate 1.12662 \$/€ (annual average rate 2017).
- 9 Executive Board compensation stated pro rata temporis due to the intra-year termination of Glenn Bennett's Executive Board mandate at the end of August 4, 2017. Glenn Bennett's service contract terminates with effect from March 31, 2018. The variable compensation components (Performance Bonus and LTI) granted for the 2017 financial year were already fully earned by Glenn Bennett during his term of office as Executive Board member. In addition to the overall compensation set out, Glenn Bennett received the following compensation for the period from August 5, 2017 to December 31, 2017: fixed compensation in the amount of € 287,730 and other benefits in the amount of € 13,571. This compensation and the service costs for the period from August 5, 2017 to December 31, 2017 in the amount of € 122,585 are set out in the Compensation Report as part of the overall payments to former members of the Executive Board.
- 10 Executive Board compensation stated pro rata temporis due to the intra-year termination of Robin J. Stalker's Executive Board mandate with effect from the end of the Annual General Meeting on May 11, 2017. Robin J. Stalker's service contract terminates with effect from March 31, 2018. The variable compensation components (Performance Bonus and LTI) granted for the 2017 financial year were already fully earned by Robin J. Stalker during his term of office as Executive Board member. In addition to the overall compensation set out, Robin J. Stalker received the following compensation for the period from May 12, 2017 to December 31, 2017: fixed compensation in the amount of € 423,988 and other benefits in the amount of € 18,725. This compensation and the service costs for the period from May 12, 2017 to December 31, 2017 in the amount of € 246,965 are set out in the Compensation Report as part of the overall payments to former members of the Executive Board.

**Allocation in accordance with the Code**

Pursuant to the recommendations of the Code, the fixed compensation, other benefits and the service costs as well as

the Performance Bonus are disclosed as an allocation for the financial year in which the compensation was granted. In the year under review, the LTIP Bonus resulting from the LTIP

2015/2017 measured over a three-year period is disclosed in total as an allocation because, as stipulated by the Code, it is to be disclosed in the year in which the plan ends.

**Allocation in €**

6

	<b>Kasper Rorsted</b> Executive Board member, Chief Executive Officer since August 1, 2016 and October 1, 2016, respectively		<b>Roland Auschel</b> Executive Board member, Global Sales		<b>Eric Liedtke</b> Executive Board member, Global Brands	
	2016	2017	2016	2017	2016	2017
Fixed compensation	833,333	2,000,000	650,000	750,000	650,000	820,000
Other benefits	18,800	452	17,943	17,943	13,396	12,575
<b>Total</b>	<b>852,133</b>	<b>2,000,452</b>	<b>667,943</b>	<b>767,943</b>	<b>663,396</b>	<b>832,575</b>
One-year variable compensation <sup>1,2</sup>	937,500	2,400,000	835,500	880,714	835,500	969,943
Multi-year variable compensation	n. a.	4,250,000	n. a.	2,975,000	n. a.	3,080,000
LTIP 2015/2017 <sup>3,4</sup>	n. a.	4,250,000	n. a.	2,975,000	n. a.	3,080,000
Other	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
<b>Total<sup>5</sup></b>	<b>1,789,633</b>	<b>8,650,453</b>	<b>1,503,443</b>	<b>4,623,657</b>	<b>1,498,896</b>	<b>4,882,518</b>
Service costs <sup>6,7</sup>	587,372	1,243,202	360,846	430,138	359,588	502,371
<b>Overall compensation</b>	<b>2,377,005</b>	<b>9,893,655</b>	<b>1,864,289</b>	<b>5,053,795</b>	<b>1,858,484</b>	<b>5,384,889</b>

	<b>Harm Ohlmeyer</b> Executive Board member, Chief Financial Officer since March 7, 2017 and with effect from the end of the Annual General Meeting on May 11, 2017, respectively		<b>Karen Parkin</b> Executive Board member, Global Human Resources since May 12, 2017		<b>Gil Steyaert</b> Executive Board member, Global Operations since May 12, 2017 and August 5, 2017, respectively	
	2016	2017	2016	2017	2016	2017
Fixed compensation	n. a.	561,603	n. a.	437,829	n. a.	437,829
Other benefits	n. a.	14,650	n. a.	14,070	n. a.	8,590
<b>Total</b>	<b>n. a.</b>	<b>576,254</b>	<b>n. a.</b>	<b>451,899</b>	<b>n. a.</b>	<b>446,419</b>
One-year variable compensation <sup>1,2</sup>	n. a.	640,228	n. a.	495,372	n. a.	502,878
Multi-year variable compensation	n. a.	842,405	n. a.	656,743	n. a.	656,743
LTIP 2015/2017 <sup>3,4</sup>	n. a.	842,405	n. a.	656,743	n. a.	656,743
Other	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
<b>Total<sup>5</sup></b>	<b>n. a.</b>	<b>2,058,886</b>	<b>n. a.</b>	<b>1,604,015</b>	<b>n. a.</b>	<b>1,606,040</b>
Service costs <sup>6,7</sup>	n. a.	385,521	n. a.	289,045	n. a.	296,747
<b>Overall compensation</b>	<b>n. a.</b>	<b>2,444,407</b>	<b>n. a.</b>	<b>1,893,060</b>	<b>n. a.</b>	<b>1,902,787</b>

## Allocation in €

6

	Herbert Hainer Chief Executive Officer until September 30, 2016		Glenn Bennett Executive Board member, Global Operations until August 4, 2017		Robin J. Stalker Chief Financial Officer until the end of the Annual General Meeting on May 11, 2017	
	2016	2017 <sup>8</sup>	2016 <sup>9</sup>	2017 <sup>10,11</sup>	2016	2017 <sup>12</sup>
Fixed compensation	1,200,000	n. a.	721,474	421,115	665,500	241,512
Other benefits	26,917	n. a.	35,056	19,862	20,018	7,265
<b>Total</b>	<b>1,226,917</b>	<b>n. a.</b>	<b>756,531</b>	<b>440,977</b>	<b>685,518</b>	<b>248,777</b>
One-year variable compensation <sup>1,2</sup>	2,032,500	n. a.	1,029,903	924,113	810,000	739,746
Multi-year variable compensation	n. a.	n. a.	n. a.	3,995,313	n. a.	3,338,100
LTIP 2015/2017 <sup>3,4</sup>	n. a.	n. a.	n. a.	3,995,313	n. a.	3,338,100
Other	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
<b>Total<sup>5</sup></b>	<b>3,259,417</b>	<b>n. a.</b>	<b>1,786,434</b>	<b>5,360,404</b>	<b>1,495,518</b>	<b>4,326,623</b>
Service costs <sup>6,7</sup>	2,837,209	n. a.	260,911	872,497	346,914	880,423
<b>Overall compensation</b>	<b>6,096,626</b>	<b>n. a.</b>	<b>2,047,345</b>	<b>6,232,901</b>	<b>1,842,432</b>	<b>5,207,045</b>

1 Contractually agreed Performance Bonus target amount 2016 for Kasper Rorsted due to his intra-year appointment to the Executive Board with effect from August 1, 2016. Contractually agreed Performance Bonus target amount 2016 due to the termination of Herbert Hainer's Executive Board mandate (with effect from the end of September 30, 2017) during the plan term.

2 Contractually agreed Performance Bonus target amount 2017 due to the intra-year appointments of Harm Ohlmeyer (with effect from March 7, 2017), Karen Parkin (with effect from May 12, 2017) and Gil Steyaert (with effect from May 12, 2017) to the Executive Board. Contractually agreed Performance Bonus target amount 2017 due to the termination of Robin J. Stalker's (with effect from the end of the Annual General Meeting on May 11, 2017) and Glenn Bennett's (with effect from the end of August 4, 2017) Executive Board mandates during the plan term.

3 Contractually agreed LTIP Bonus target amount 2015/2017 due to the appointment of Kasper Rorsted (with effect from August 1, 2016), Harm Ohlmeyer (with effect from March 7, 2017), Karen Parkin (with effect from May 12, 2017) and Gil Steyaert (with effect from May 12, 2017) to the Executive Board during the plan term.

4 Contractually agreed LTIP Bonus target amount 2015/2017 due to the termination of the Executive Board mandates of Robin J. Stalker (with effect from the end of the Annual General Meeting on May 11, 2017) and Glenn Bennett (with effect from August 4, 2017) during the plan term.

5 The compensation components set out above constitute the overall compensation both for the 2017 financial year and for the previous year, which have to be set out individually in accordance with German Commercial Law.

6 Service costs stated pro rata temporis due to the intra-year termination of Herbert Hainer's Executive Board mandate with effect from the end of September 30, 2016. The service costs 2016 for Herbert Hainer also comprise the contractually agreed follow-up bonus in the amount of € 2,540,625 due to his departure with effect from the end of September 30, 2016 as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.

7 Service costs stated pro rata temporis due to the intra-year termination of the Executive Board mandates of Robin J. Stalker (with effect from the end of the Annual General Meeting on May 11, 2017) and Glenn Bennett (with effect from the end of August 4, 2017). The service costs 2017 for Robin J. Stalker and Glenn Bennett also comprise the contractually agreed follow-up bonuses (Robin J. Stalker: in the amount of € 739,746, Glenn Bennett: in the amount of € 693,085) due to their intra-year departures as the follow-up bonus is a commitment for other pension benefits in the case of a member leaving office prematurely which is concluded in advance.

8 In addition to the overall compensation stated, Herbert Hainer received an LTIP Bonus 2015/2017 in the amount of € 5,082,000. This compensation is set out in the Compensation Report as part of the overall payments to former members of the Executive Board.

9 Exchange rate 1.10690 \$/€ (annual average rate 2016).

10 Exchange rate 1.12662 \$/€ (annual average rate 2017).

11 Executive Board compensation stated pro rata temporis due to the intra-year termination of Glenn Bennett's Executive Board mandate at the end of August 4, 2017. Glenn Bennett's service contract terminates with effect from March 31, 2018. The variable compensation components (Performance Bonus and LTI) granted for the 2017 financial year were already fully earned by Glenn Bennett during his term of office as Executive Board member. In addition to the overall compensation set out, Glenn Bennett received the following compensation for the period from August 5, 2017 to December 31, 2017: fixed compensation in the amount of € 287,730 and other benefits in the amount of € 13,571. This compensation and the service costs for the period from August 5, 2017 to December 31, 2017 in the amount of € 122,585 are set out in the Compensation Report as part of the overall payments to former members of the Executive Board.

12 Executive Board compensation stated pro rata temporis due to intra-year termination of Robin J. Stalker's Executive Board mandate with effect from the end of the Annual General Meeting on May 11, 2017. Robin J. Stalker's service contract terminates with effect from March 31, 2018. The variable compensation components (Performance Bonus and LTI) granted for the 2017 financial year were already fully earned by Robin J. Stalker during his term of office as Executive Board member. In addition to the overall compensation set out, Robin J. Stalker received the following compensation for the period from May 12, 2017 to December 31, 2017: fixed compensation in the amount of € 423,988 and other benefits in the amount of € 18,725. This compensation and the service costs for the period from May 12, 2017 to December 31, 2017 in the amount of € 246,965 are set out in the Compensation Report as part of the overall payments to former members of the Executive Board.

### Overall payments to former members of the Executive Board and their surviving dependents

In the 2017 financial year, overall payments to former members of the Executive Board and their surviving dependents amounted to € 13.520 million (2016: € 8.754 million). The increase is attributable, on the one hand, to the inclusion of the bonus paid to Herbert Hainer in connection with the LTIP 2015/2017 in the overall payments for 2017. On the other, the increase is attributable, in particular, also to the inclusion of the compensation and the service costs for Robin J. Stalker for the period from May 12, 2017 to March 31, 2018 and for Glenn Bennett for the period from August 5, 2017 to March 31, 2018 as well as the compensation for the post-contractual competition prohibition and the follow-up bonus in connection with the termination of their Executive Board mandates in the overall payments. For details, see the section 'Commitments to Executive Board members in connection with termination of tenure'. [SEE PAGE 47](#)

Provisions for pension entitlements for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents were created, amounting to € 44.587 million (2016: € 45.821 million) in total as at December 31, 2017.

There are pension commitments toward six former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 40.106 million (2016: € 29.472 million) arise for adidas AG, for which no accruals were established due to financing through the pension fund and pension trust fund. This increase is attributable, in particular, to the resignation of Robin J. Stalker and Glenn Bennett.

The dynamization of the pensions paid to former Executive Board members is effected in accordance with statutory regulations or regulations under collective agreements, unless a surplus from the pension fund is used for an increase in pension benefits after pension payments have already begun.

### Review of Executive Board compensation

In the 2017 financial year, the Supervisory Board had the Executive Board compensation system reviewed with regard to appropriateness by an independent external compensation expert. In doing so, the overall annual target compensation of the individual Executive Board members and the structure of the Executive Board compensation were examined in detail. This review found that while the compensation meets the requirements of the German Stock Corporation Act and the Code, it could be aligned even more closely with customary market levels. Against this background, the Supervisory Board resolved in December 2017 to increase the compensation of Roland Auschel and Eric Liedtke with effect from January 1, 2018.

### Miscellaneous

The Executive Board members do not receive any additional compensation for mandates within adidas. The Executive Board members have not received any loans and advance payments from adidas AG; due to his departure from the Executive Board, prepayments were made to Robin J. Stalker with regard to the 2017 Performance Bonus and prorated for 2018 as well as with regard to the LTIP 2015/2017. [SEE PAGE 47](#)

## COMPENSATION OF THE SUPERVISORY BOARD MEMBERS

### COMPENSATION SYSTEM

In accordance with § 18 of adidas AG's Articles of Association, the compensation of the Supervisory Board members consists of two components: fixed compensation and additional compensation for membership in committees. The Supervisory Board members are not granted variable compensation. Furthermore, the Supervisory Board members receive attendance fees and are reimbursed for expenses they incur.

### Fixed compensation for Supervisory Board function

Each member receives fixed compensation which is paid following the end of the respective financial year. The Chairman of the Supervisory Board and his deputies receive higher fixed compensation.

	Member	Chairman	Deputy Chairman/ Chairwoman
General calculation	Amount determined by the Annual General Meeting (base amount)	300% of the base amount	200% of the base amount
Amount until June 30, 2017 (based on full year)	€ 50,000	€ 150,000	€ 100,000
Amount from July 1, 2017 (based on full year)	€ 80,000	€ 240,000	€ 160,000

**Additional compensation for membership in committees**

Furthermore, the Supervisory Board members receive additional compensation for membership in certain committees; in this regard, too, compensation is increased if the chairmanship of a committee is assumed. In accordance with § 18 of the Articles of Association, the amount of the respective additional compensation is based on the fixed compensation (base amount) determined for the Supervisory Board members by the Annual General Meeting and depends on the tasks and responsibilities connected with the respective committee membership.

	General Committee and Finance and Investment Committee		Audit Committee	
	Member	Chairman	Member	Chairman
General calculation (in % of the base amount)	50%	100%	100%	150% 200% since July 1, 2017
Amount until June 30, 2017 (based on full year)	€ 25,000	€ 50,000	€ 50,000	€ 75,000
Amount from July 1, 2017 (based on full year)	€ 40,000	€ 80,000	€ 80,000	€ 160,000

The compensation paid for a committee chairmanship also covers the membership in such committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee and committees which are established ad hoc do not receive additional compensation. If a Supervisory Board member is a member of more than one committee, the member only receives compensation for his task in the committee with the highest compensation.

**Reduced fixed compensation and additional compensation in case of membership for only part of financial year**

If a member belongs to the Supervisory Board or a committee for only part of a financial year, the fixed compensation and additional compensation are reduced accordingly on a pro rata temporis basis.

**Attendance fees**

Furthermore, for meetings requiring personal attendance, an attendance fee is granted. Until June 30, 2017, the attendance fee amounted to € 750 and since July 1, 2017 it amounts to € 1,000.

**Expenses**

The Supervisory Board members are reimbursed for necessary expenses and travel expenses incurred in connection with their mandates as well as for the VAT payable on their compensation, insofar as they charge for it separately.

**SUPERVISORY BOARD COMPENSATION 2017****Fixed compensation and attendance fees**

The total compensation paid to our Supervisory Board in the 2017 financial year amounted to € 1.78 million (2016: € 1.26 million). In addition, attendance fees totaling € 126,750 (2016: € 70,500) were paid. The increase in the total compensation for the 2017 financial year compared to the 2016 financial year is attributable, in particular, to the fact that the Annual General Meeting on May 11, 2017 approved the amendment to the Articles of Association regarding the adjustment of the Supervisory Board compensation with effect from July 1, 2017. Moreover, as the Annual General Meeting on May 12, 2016 resolved to enlarge the Supervisory Board by four members, 2017 was the first full financial year during which the Supervisory Board was composed of 16 members.

**Miscellaneous**

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

## Compensation of Supervisory Board members in €

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	2016 fixed compensation	2016 compensation committee work	2016 attendance fees	2017 fixed compensation	2017 compensation committee work	2017 attendance fees
<b>Supervisory Board members incumbent as at December 31, 2017</b>						
Igor Landau (Chairman of the Supervisory Board, Chairman of the General Committee, Chairman of the Finance and Investment Committee)	150,000	50,000	5,250	195,000	65,000	9,750
Sabine Bauer (Deputy Chairwoman of the Supervisory Board, Member of the General Committee, Member of the Finance and Investment Committee)	100,000	25,000	5,250	130,000	32,500	9,750
Willi Schwerdtle (Deputy Chairman of the Supervisory Board, Member of the General Committee)	100,000	25,000	5,250	130,000	32,500	9,000
Ian Gallienne <sup>1</sup> (Member of the Audit Committee since March 7, 2017)	27,322	n. a.	1,500	65,000	55,860	10,000
Dieter Hauenstein	50,000	n. a.	3,750	65,000	n. a.	6,250
Roswitha Hermann <sup>2</sup>	14,208	n. a.	750	n. a.	n. a.	n. a.
Dr. Wolfgang Jäger (Member of the Audit Committee, Member of the Finance and Investment Committee)	50,000	50,000	6,750	65,000	65,000	10,750
Dr. Stefan Jentzsch (Member of the Audit Committee until March 7, 2017)	50,000	50,000	7,500	65,000	9,140	7,000
Herbert Kauffmann (Chairman of the Audit Committee, Member of the Finance and Investment Committee)	50,000	75,000	7,500	65,000	117,500	10,750
Katja Kraus	50,000	n. a.	3,000	65,000	n. a.	6,250
Kathrin Menges	50,000	n. a.	3,750	65,000	n. a.	4,250
Udo Müller <sup>3</sup>	11,885	n. a.	750	65,000	n. a.	6,250
Roland Nosko (Member of the General Committee)	50,000	25,000	5,250	65,000	32,500	9,750
Hans Ruprecht (Member of the Audit Committee)	50,000	50,000	7,500	65,000	65,000	10,750
Nassef Sawiris <sup>1</sup>	27,322	n. a.	1,500	65,000	n. a.	5,250
Michael Storl <sup>2</sup>	14,208	n. a.	750	n. a.	n. a.	n. a.
Heidi Thaler-Veh	50,000	n. a.	3,750	65,000	n. a.	5,500
Kurt Wittmann <sup>3</sup>	11,885	n. a.	750	65,000	n. a.	5,500
<b>Total</b>	<b>906,831</b>	<b>350,000</b>	<b>70,500</b>	<b>1,300,000</b>	<b>475,000</b>	<b>126,750</b>

<sup>1</sup> Member of the Supervisory Board with effect from June 15, 2016.

<sup>2</sup> Member of the Supervisory Board for the period from June 24, 2016 to October 6, 2016.

<sup>3</sup> Member of the Supervisory Board with effect from October 6, 2016.

## OUR SHARE

Despite some minor setbacks throughout the year, international stock markets ended the year 2017 on a positive note. While the DAX-30 and the EURO STOXX 50 increased by 13% and 6%, respectively, the MSCI World Textiles, Apparel & Luxury Goods Index was up 32%. The adidas AG share traded fairly in line with international stock markets and ended 2017 with an increase of 11% compared to the prior year. As a result of the strong operational performance in 2017 as well as Management's confidence in the strength of the company's financial position and long-term growth aspirations, we intend to propose a dividend per share of € 2.60 at our 2018 Annual General Meeting.

### ADIDAS AG SHARE CONTINUES UPSWING IN 2017

In 2017, international stock markets ended the year on a positive note, despite some minor setbacks throughout the year. The strong performance was supported by business-friendly policy decisions following the US elections, including

a significant US tax reform, strong global economic growth, the outcome of the French parliamentary election as well as accommodative monetary policies by central banks around the world. The Federal Reserve's decisions on interest rate increases and balance sheet cuts, the strengthening of the euro, terror attacks and geopolitical risks only temporarily put pressure on international equity markets. As a result, the DAX-30 increased a strong 13%, while the EURO STOXX 50 gained 6% in 2017. The MSCI World Textiles, Apparel & Luxury Goods Index ended the year with a 32% increase. ■ SEE TABLE 9

The adidas AG share traded fairly in line with international stock markets and ended the year 11% above the 2016 year-end level. In particular, the publication of the company's 2020 acceleration plan, including an increase in the company's financial 2020 ambition, strongly supported the positive trend of the share during the course of 2017. In addition, the release of strong financial results, driven by the relentless execution of the strategic business plan 'Creating the New', which resulted in an upgrade of the company's full year 2017 outlook at the end of July, helped to reinforce investors' confidence

in the successful execution of Creating the New and the company's ability to sustainably grow revenues and improve margins in the years to come. Consequently, the adidas AG share reached a new all-time high of € 199.95 on August 4, 2017. However, unfavorable newsflow regarding the US retail environment as well as some profit-taking and strategic asset re-allocation executed by capital market participants, following the strong share price development during the first nine months, temporarily put pressure on the adidas AG share towards the end of 2017. Consequently, the adidas AG share closed the year at € 167.15 and thus 11% above the prior year-end level. ■ SEE DIAGRAM 8

### Performance of the adidas AG share and important indices at year-end 2017 in %

	1 year	3 years	5 years	10 years
adidas AG	11	190	148	226
DAX-30	13	32	70	60
EURO STOXX 50	6	11	33	(20)
MSCI World Textiles, Apparel & Luxury Goods	32	26	52	133

Source: Bloomberg.

### Five-year share price development<sup>1</sup>



### LEVEL 1 ADR PERFORMS IN LINE WITH COMMON STOCK

Our Level 1 ADR closed 2017 at US \$ 99.82, representing an increase of 27% versus the prior year level (2016: US \$ 78.55). The more pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the depreciation of the US dollar versus the euro in 2017. The number of Level 1 ADRs outstanding decreased to 7.1 million at year-end 2017 compared to 8.8 million at the end of 2016. The average daily trading volume decreased to around 60,200 ADRs in 2017 (2016: around 101,200). Further information on our ADR program can be found on our website. ➔ [ADIDAS-GROUP.COM/ADR](http://ADIDAS-GROUP.COM/ADR)

## ADIDAS AG SHARE MEMBER OF IMPORTANT INDICES

The adidas AG share is included in a variety of high-quality indices around the world, most importantly the DAX-30, the EURO STOXX 50 Index as well as the MSCI World Textiles, Apparel & Luxury Goods Index, which comprises our major competitors. At December 31, 2017, our weighting in the DAX-30, which is calculated on the basis of free float market capitalization and twelve-month share turnover, improved to 3.01% (2016: 2.89%). Our higher weighting compared to the prior year was due to the increase in market capitalization of adidas AG. Within the DAX-30, we ranked 11 on market capitalization (2016: 14) and 12 on turnover (2016: 12) at year-end 2017. Our weighting in the EURO STOXX 50 Index, which is based on free-float market capitalization, amounted to 1.28% on December 31, 2017 (2016: 1.31%). Additionally, in recognition of our social and environmental efforts, adidas AG is listed in several key sustainability indices. [SEE TABLE 10](#)

## MORE THAN 90% OF THE CONVERTIBLE BOND CONVERTED

In March 2012, adidas AG successfully issued a convertible bond, due on June 14, 2019, for an aggregate nominal amount of € 500 million. Proceeds from the offering have allowed the company to further optimize its debt structure. The bonds were priced with a 0.25% annual coupon and a conversion premium of 40% above the reference price of € 59.61, resulting in an initial conversion price of € 83.46 per share. As a consequence of contractual provisions relating to dividend protection, the conversion price was adjusted to € 81.13 per share. This adjustment became effective on May 12, 2017. The bonds have been callable by the issuer since June 2017. In 2017, 2,814,470 shares were transferred following the exercise of conversion rights, all of which were serviced from treasury shares of the company. The remaining bonds were convertible into up to 377,190 new or existing adidas AG shares.

[SEE NOTE 18, P. 175](#) Consequently, as at December 31, 2017, 94%

of the convertible bond was converted (2016: 48%). The convertible bond closed the year 12% above the prior year level at € 205.91 (2016: € 183.40).

## DIVIDEND PROPOSAL OF € 2.60 PER SHARE

As a result of the strong operational performance in 2017, the company's robust financial position as well as Management's confidence in our long-term growth aspirations, the adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 2.60 per dividend-entitled share to shareholders at the Annual General Meeting (AGM) on May 9, 2018. This represents an increase of 30% compared to the prior year dividend (2016: € 2.00). Subject to the meeting's approval, the dividend will be paid on May 15, 2018. The total

payout of € 530 million (2016: € 405 million) reflects a payout ratio of 37.1% (2016: 37.4%) of net income from continuing operations excluding the negative one-time tax impact as a result of the US tax reform in 2017. [SEE TABLE 10](#) This is within the target range of between 30% and 50% of net income from continuing operations as defined in our dividend policy.

## SHAREHOLDER RETURN PROGRAM EXPIRED

On October 1, 2014, adidas AG announced a multi-year shareholder return program of up to € 1.5 billion in total to be completed by December 31, 2017. The shareholder return program was executed by buying back shares via the stock exchange under the authorization given by the Annual General Meeting on May 8, 2014, and on May 12, 2016, for the period

### The adidas AG share

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		2017 <sup>1</sup>	2016	Important indices
Number of shares outstanding <sup>2</sup>	shares	203,861,234	201,489,310	— DAX-30
Basic earnings per share <sup>3</sup>	€	7.05	5.39	— EURO STOXX 50
Diluted earnings per share <sup>3</sup>	€	7.00	5.29	— MSCI World Textiles, Apparel & Luxury Goods
Year-end price	€	167.15	150.15	— Deutsche Börse Prime Consumer
Year high	€	199.95	159.50	— Dow Jones Sustainability Indices (World and Europe)
Year low	€	143.80	83.45	— ECPI Ethical Equity Indices (Euro and EMU)
Market capitalization <sup>4</sup>	€ in millions	34,075	30,254	— ECPI ESG Equity (Euro and World)
Dividend per share	€	2.60 <sup>5</sup>	2.00	— Ethibel Sustainability Indices (Global and Europe)
Dividend payout	€ in millions	530 <sup>4</sup>	405	— Euronext Vigeo (Eurozone 120, Europe 120)
Dividend payout ratio <sup>3</sup>	%	37.1 <sup>4</sup>	37.4	— FTSE4Good Index Series
Dividend yield	%	1.6	1.3	— MSCI Global Sustainability Indexes
Shareholders' equity per share <sup>4</sup>	€	31.64	32.12	— MSCI SRI Indexes
Price-earnings ratio at year-end <sup>4</sup>	%	23.7	27.8	— STOXX Global ESG Leaders
Average trading volume per trading day <sup>7</sup>	shares	653,389	892,646	

<sup>1</sup> 2017 excluding negative one-time tax impact of € 76 million.

<sup>2</sup> All shares carry full dividend rights.

<sup>3</sup> Based on net income from continuing operations.

<sup>4</sup> Based on number of shares outstanding at year-end.

<sup>5</sup> Subject to Annual General Meeting approval.

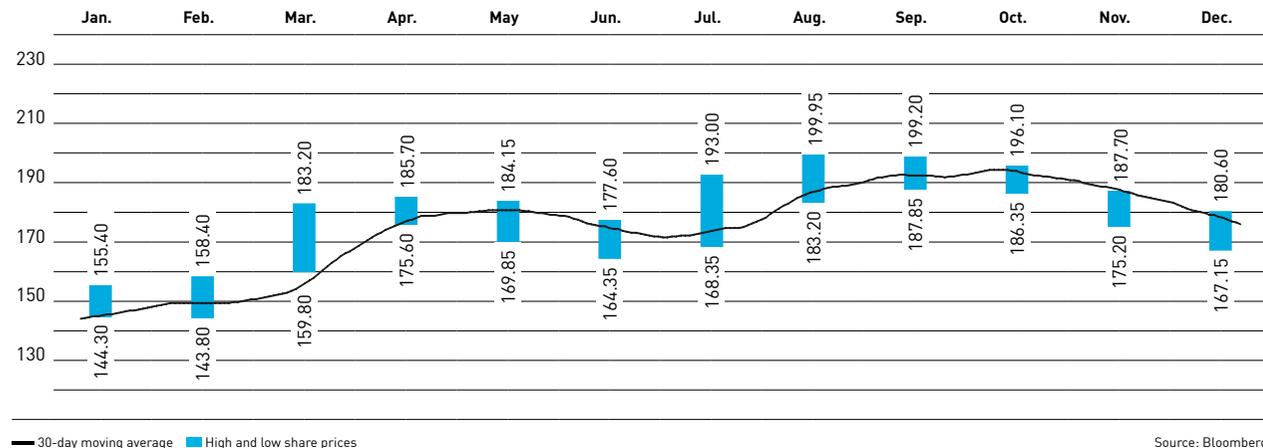
<sup>6</sup> Based on basic EPS from continuing operations.

<sup>7</sup> Based on number of shares traded on all German stock exchanges.

OUR SHARE

adidas AG high and low share prices per month<sup>1</sup> in €

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<sup>1</sup> Based on daily Xetra closing prices.

Source: Bloomberg.

through to May 11, 2021. The authorization covers the repurchase of up to 10% of the company’s share capital on the stock exchange. The total number of shares bought back by adidas AG within the framework of the shareholder return program amounted to 11,146,969. This corresponds to a notional amount of € 11,146,969 in the nominal capital and consequently 5.33% of the company’s nominal capital. The total aggregate acquisition costs (excluding incidental purchasing costs) for the shareholder return program amounted to around € 900 million.

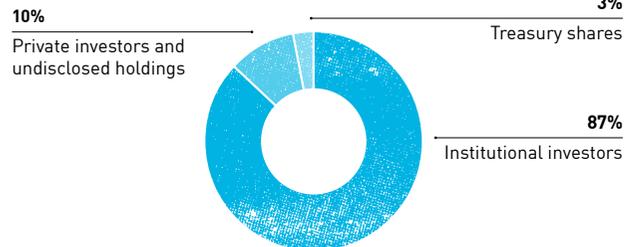
**STRONG INTERNATIONAL INVESTOR BASE**

Based on our share register, we estimate that adidas AG currently has more than 70,000 shareholders (2016: 60,000). In our latest ownership analysis conducted in January 2018, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 87% of shares outstanding (2016: 87%). Private investors and undisclosed holdings account for 10% (2016: 8%). Lastly, adidas AG currently holds 3% of the company’s shares as treasury shares (2016: 4%); this decline versus the prior year reflects treasury shares transferred following the exercise of conversion rights from the convertible bond program. [SEE DIAGRAM 12](#)

In terms of geographical distribution, the North American market currently accounts for 40% of institutional shareholdings (2016: 40%), followed by the UK with 18% (2016: 21%). Identified German institutional investors hold 11% of shares outstanding (2016: 8%). Belgium and France account for 9% (2016: 9%) and 6% (2016: 5%), respectively. 15% of institutional shareholders were identified in other regions of the world (2016: 17%). [SEE DIAGRAM 13](#)

Shareholder structure by investor group<sup>1</sup>

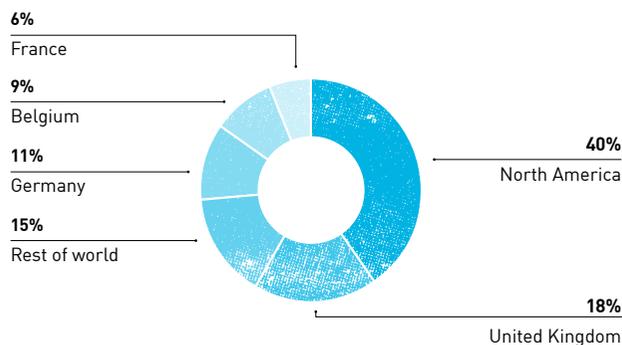
12



<sup>1</sup> As of January 2018.

Shareholder structure by region<sup>1,2</sup>

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<sup>1</sup> As of January 2018.  
<sup>2</sup> Reflects institutional investors only.

## ADIDAS AG SHARE RECEIVES STRONG ANALYST SUPPORT

Both the company and the adidas AG share continued to receive strong analyst support in 2017. Around 40 analysts from investment banks and brokerage firms regularly published research reports on adidas. The vast majority of analysts are confident about the medium- and long-term potential of the company. This is reflected in the recommendation split for our share as at December 31, 2017. 46% of analysts recommended investors to 'buy' our share (2016: 27%). 46% advised to 'hold' our share (2016: 56%) and 8% of the analysts recommended to 'sell' our share (2016: 17%).

## SUCCESSFUL INVESTOR RELATIONS ACTIVITIES

adidas AG strives to maintain close contact to institutional and private shareholders as well as analysts. In 2017, Management and the Investor Relations team spent 46 days on roadshows (2016: 47) and also spent 21 days presenting at 14 national and international conferences (2016: 28 days at 16 conferences). Furthermore, in order to present additional information around Creating the New, our strategic business plan until 2020, as well as the newly introduced acceleration plan, we hosted an Investor Day on March 14 at the company's headquarters in Herzogenaurach, Germany. More than 100 investors and analysts attended the event in person.

For the fourth time in five years, adidas was awarded a Red Dot Communication Design Award for its Annual Report. In addition, the adidas Investor Relations team won the prestigious European IR Magazine Award in the following categories: 'Best in sector: Consumer Discretionary' and 'Best in region: Germany'.

## VOTING RIGHTS NOTIFICATIONS PUBLISHED

All voting rights notifications received in 2017 and thereafter in accordance with §§ 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) (§§ 21 et seq. German Securities Trading Act old version) can be viewed on our corporate website. [➔ ADIDAS-GROUP.COM/VOTING\\_RIGHTS\\_NOTIFICATIONS](https://www.adidas-group.com/voting_rights_notifications) Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report. [■ SEE NOTE 26, P. 182](#)

## MANAGERS' TRANSACTIONS REPORTED ON CORPORATE WEBSITE

Managers' transactions involving adidas AG shares (ISIN DE000A1EWWW0) or related financial instruments, as defined by Article 19 of the European Market Abuse Regulation (MAR), conducted by members of our Executive or Supervisory Boards, by key executives or by any person in close relationship with these persons, are reported on our website.

[➔ ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](https://www.adidas-group.com/s/managers-transactions)

## EXTENSIVE FINANCIAL INFORMATION AVAILABLE ONLINE

We offer extensive information around our share as well as the company's strategy and financial results on our corporate website. Our event calendar lists all conferences and roadshows we attend and provides all presentations for download. In addition to live webcasts of all major events such as the Annual General Meeting, Investor Days and our IR Tutorial Workshops, we also offer webcasts of our quarterly conference calls. [➔ ADIDAS-GROUP.COM/S/INVESTORS](https://www.adidas-group.com/s/investors)