

**ANNUAL  
REPORT**



01

TO OUR  
SHARE  
HOLD  
ERS

Best of 2018	008
Letter from the CEO	018
Executive Board	021
Supervisory Board	025
Supervisory Board Report	028
Corporate Governance Report including the Declaration on Corporate Governance	035
Compensation Report	041
Our Share	057

BEST OF 2018

# BEST OF 2018

## ORIGINALS GOES PUBLIC TRANSPORT: EQT SUPPORT 93/BERLIN AND OYSTER CLUB PACK

adidas Originals presents the EQT Support 93/Berlin in cooperation with public transport company Berliner Verkehrsbetriebe (BVG). The pattern of the BVG seat covers serves as a design element of the sneaker and makes it a collector's item. In addition, an annual ticket is incorporated into the tongue of the shoe which makes the EQT Support 93/Berlin a valid ticket for all BVG vehicles. Later in 2018, adidas Originals presents another three limited-edition sneakers – this time in partnership with Transport for London. The exclusive 1,500 pairs form the 'Oyster Club Pack' and come with a prepaid Oyster Card to the value of £ 80.

[▶ YOUTUBE](#)



## 747 WAREHOUSE ST. - A CELEBRATION OF BASKETBALL AND STREET CULTURE

adidas rolls out a line-up of events at 747 Warehouse St. in Los Angeles to celebrate basketball and creative culture. Bringing together basketball fans and those passionate about design, sneakers and streetwear, the 747 Warehouse St. space embodies the belief that basketball is more than a game – it is creativity, innovative ingenuity, and a community built on sport, music and style. More than 20,000 people visit the two-day event and experience exclusive product drops, concerts, a speaker panel of adidas athletes and ambassadors such as Pharrell Williams, Alexander Wang and Karlie Kloss, as well as an East-vs.-West all-star basketball game coached by rappers Snoop Dogg and 2 Chainz. Athletes such as James Harden, Zach Lavine, Candace Parker and Von Miller also make appearances.

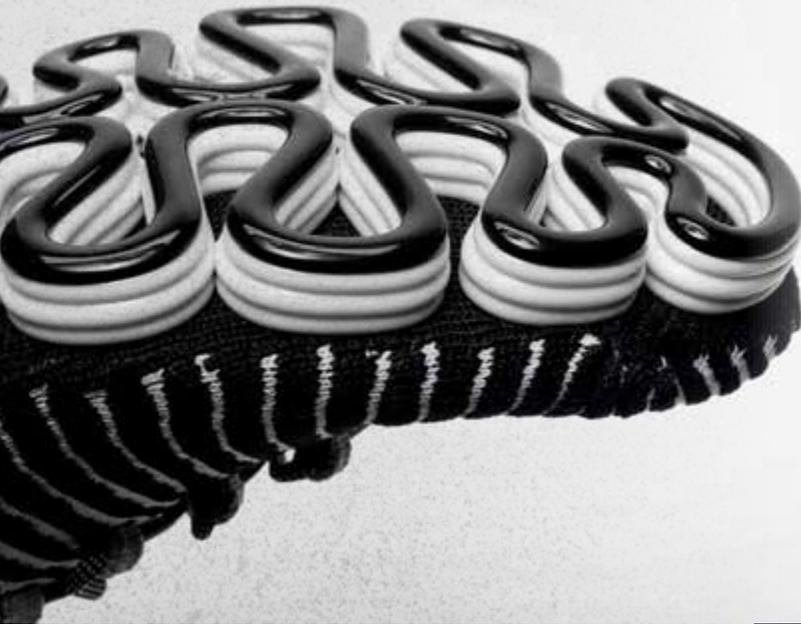
#747WAREHOUSEST, @ADIDASORIGINALS,  
@ADIDAS, @ADIDASHOOPS



## FIVE YEARS OF BOOST!

In 2013, adidas started to revolutionize the running market with BOOST, the lightweight cushioning technology that stores energy at each step and returns it to the runner. Back then, the brand had kicked off the BOOST collection with the launch of Energy BOOST. Five years later, to celebrate the anniversary, the Energy BOOST makes its comeback and is complemented by two further silhouettes: the Energy BOOST OG and UltraBOOST LTD.





## REEBOK GETS 'LIQUIFIED'

Reebok introduces Liquid Floatride Run, a performance running shoe that applies Reebok's Liquid Factory technology to its award-winning Floatride Run sneaker. It is the first application of the Liquid Factory technique on an existing Reebok model. The process makes the shoe 20% lighter and adds two new component features: liquid lace and liquid grip. The Reebok Liquid Factory concept debuted in late 2016. The manufacturing technique is based on 3D drawing, where a proprietary liquid material, created for Reebok by BASF, is used to draw shoe componentry cleanly, precisely and in three-dimensional layers.

[➤ YOUTUBE](#)

## ADIDAS EXTENDS PARTNERSHIPS WITH UEFA AND DFB

adidas announces the continuation of its support for the UEFA Champions League through to 2021, as well as the UEFA Super Cup, UEFA Youth League and UEFA Futsal Champions League. The company has been the Official Match Ball Supplier since 2001 and is proud to remain a leading sporting partner in the world's premier club football event. Later in the year, the extension of another successful partnership is announced: adidas and the German Football Association (DFB) declare that adidas will remain the Official Supplier of the world's largest sports federation until 2026.

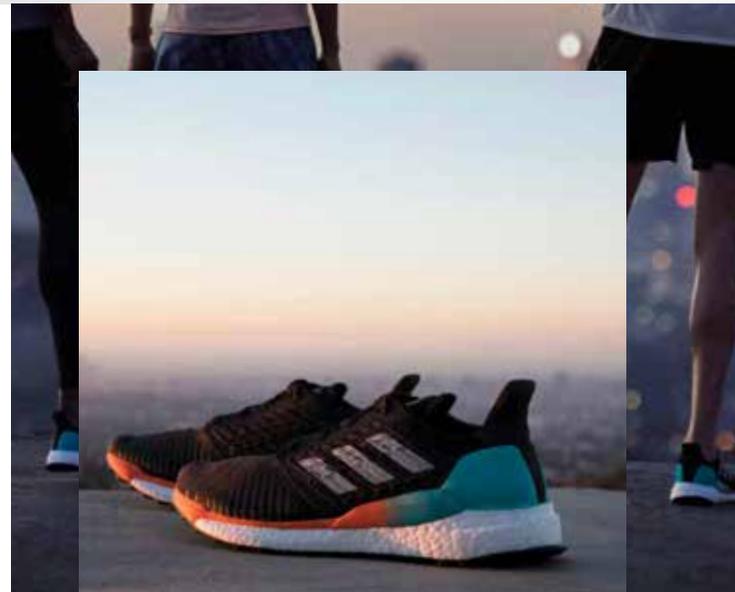
[➤ READ PRESS RELEASE \(UEFA\)](#)

[➤ READ PRESS RELEASE \(DFB\)](#)

## SOLARBOOST - ROCKET SCIENCE FOR THE RUN

SolarBOOST is inspired by NASA engineering and designed for pure function. The silhouette is a high-performance, lightweight running shoe featuring data-driven 'Tailored Fiber Placement' technology. This technology lays down fibers, which feature Parley Ocean Plastic, so that every single millimeter of the shoe is precisely stitched and constructed. The result is superior comfort, fit and support in a lightweight form.

[➤ YOUTUBE](#)

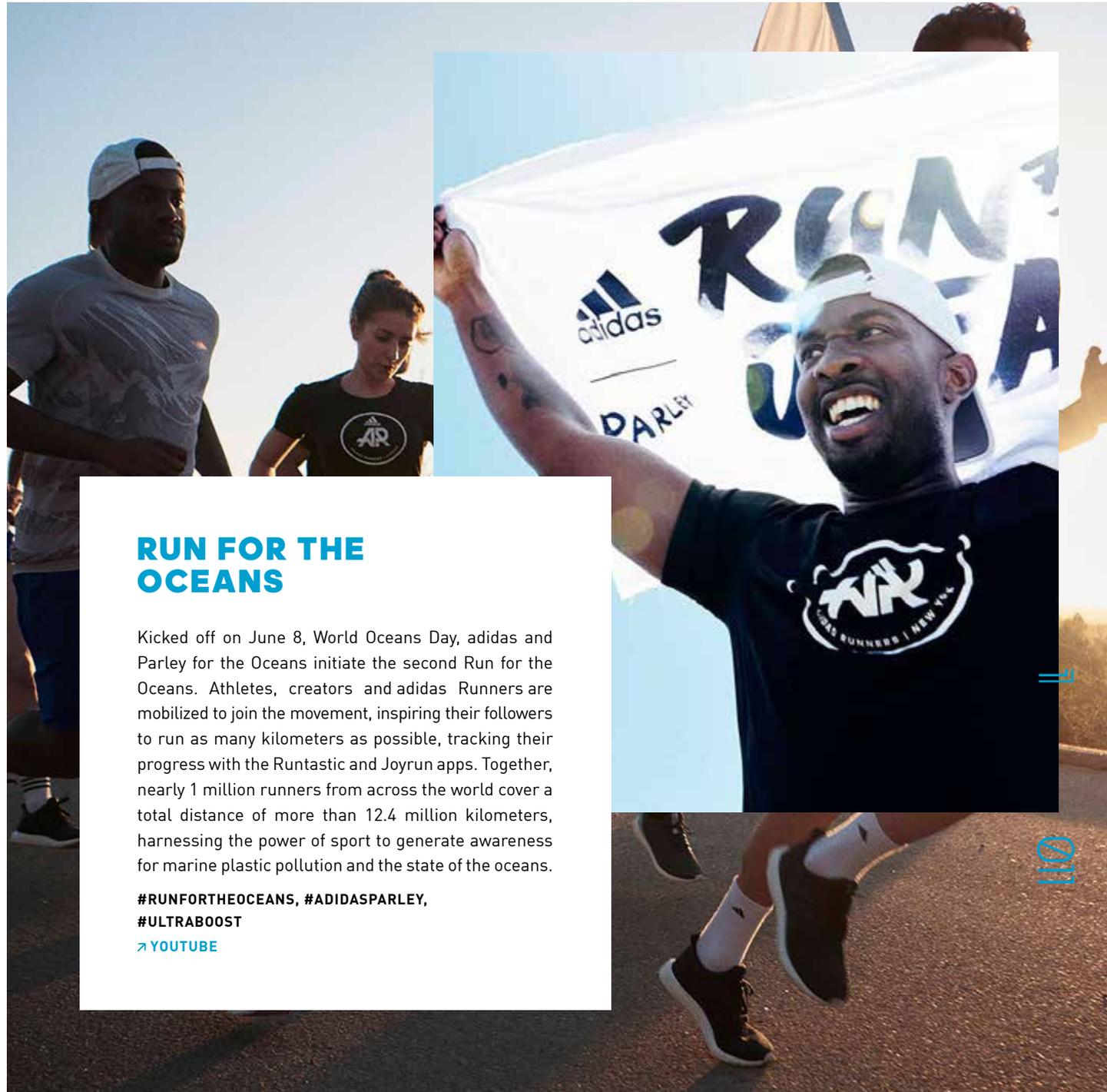


BEST OF 2018

## CONTINENTAL 80 – A TENNIS LOOK FROM THE 1980S RETURNS IN FRESH STYLE

Steeped in nostalgia and harking back to adidas' legacy of iconic court-style leather silhouettes, the Continental 80 captures the retro look of indoor sneakers from the early 1980s. The leather shoes feature a swooping two-tone stripe and a distinctive split rubber cupsole that is built for a comfortable, flexible feel. Continental 80 is defined by its versatility, embodying the notion that sometimes simplicity can be the boldest attitude.

#CONTINENTAL80



## RUN FOR THE OCEANS

Kicked off on June 8, World Oceans Day, adidas and Parley for the Oceans initiate the second Run for the Oceans. Athletes, creators and adidas Runners are mobilized to join the movement, inspiring their followers to run as many kilometers as possible, tracking their progress with the Runtastic and Joyrun apps. Together, nearly 1 million runners from across the world cover a total distance of more than 12.4 million kilometers, harnessing the power of sport to generate awareness for marine plastic pollution and the state of the oceans.

#RUNFORTHEOCEANS, #ADIDASPARLEY,  
#ULTRABOOST

➔ [YOUTUBE](#)

BEST OF 2018



### BACK TO THE 90S - FALCON AND YUNG 1

Translating 90s design into a modern context, adidas Originals presents the Falcon for women and the Yung 1 for men. Both are inspired by the maximalist design language of classic 90s running models. The Falcon features panels that accentuate the shoe's bold lines and aggressive profile, and steps out in striking colorways. Also echoing true 90s style, the Yung 1 offers an authentic, creative take on retro nostalgia in a layered look.

#FALCON, #YUNG1  
[➤ YOUTUBE](#)



## REEBOK PRESENTS PUREMOVE BRA

With PureMove Bra, Reebok unveils a technologically advanced sports bra that uniquely responds and adapts to movement to provide women with a customized amount of control and support. It uses the brand's new proprietary Motion Sense Technology, which is the result of treating a performance-based fabric with 'Sheer Thickening Fluid', a gel-like solution that takes a liquid form when in a still or slow-moving state and stiffens and solidifies when moving at higher velocities.

[▶ YOUTUBE](#)



## LAUNCH OF REEBOK X VICTORIA BECKHAM COLLECTION

Reebok releases its first-ever collection with fashion designer Victoria Beckham, after having announced the partnership in late 2017. The collection capsule celebrates the 90s basketball culture and is inspired by an icon of the era: basketball star Shaquille O'Neal. The limited-edition range includes a hoodie, T-shirt, and socks in black and white colorways with the Reebok and O'Neal's 'dunkman' logos accented.

[▶ YOUTUBE](#)

BEST OF 2018

## OVERALL INDUSTRY LEADER IN DJSI – ADIDAS GAINS TOP POSITION IN ITS SECTOR

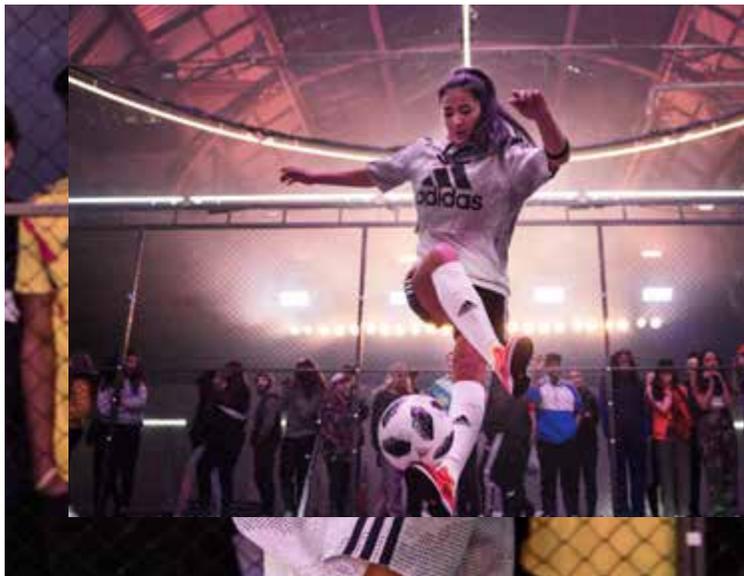
For the 19th year in a row, adidas is included in the Dow Jones Sustainability Indices (DJSI), which evaluate the sustainability performance of the largest 2,500 companies listed in the Dow Jones Global Total Stock Market Index. In the 'Textiles, Apparel & Luxury Goods Industry', adidas is rated as Industry Leader in corporate economic, environmental and social dimensions.

[➤ READ PRESS RELEASE](#)



## SPEEDFACTORY – CONTINUATION OF AM4 SERIES AND SPECIAL EDITIONS

The year 2018 sees the launch of several new Speedfactory products, including the key city editions for Los Angeles (AM4LA), New York (AM4NYC), Paris (AM4PAR), Shanghai (AM4SHA), London (AM4LDN) and Tokyo (AM4TKY). In addition, adidas releases limited editions throughout the year, such as the AM4BJK. Inspired by legendary female tennis player Billie Jean King, this advanced performance shoe is built and assembled at the Speedfactory in Atlanta, USA, and was launched to mark the start of the 2018 U.S. Open. At the end of the year, the series is complemented by running shoes resulting from a collaboration with local L.A. and NYC creators such as celebrity stylist Kwasi Kessie and the Brooklyn Ballet.



## 'CREATIVITY IS THE ANSWER' – 2018 FIFA WORLD CUP CAMPAIGN

Using the world's biggest moment in sport as the backdrop, adidas re-engineers the traditional campaign model through personal storytelling. The 'Creativity is the Answer' campaign brings together 56 of the most influential creators across sports culture, including Lionel Messi, Gabriel Jesus, Mo Salah, Zinedine Zidane and Pharrell Williams. 'Creativity is the Answer' is the brand's most personal campaign to date.

**#HERETOCREATE**  
[➤ YOUTUBE](#)

BEST OF 2018



## REEBOK LAUNCHES AZTREK

Twenty-five years after its original launch in 1993, Reebok reintroduces the Aztrek: an off-road runner that perfectly embraces the heart of 1990s sneaker style with its futuristic layers and chunky design. To celebrate this return, Reebok launches a campaign featuring six 90s-raised tastemakers for a content series titled 'Aztrek: 90s Re-Run'.

[▶ YOUTUBE](#)

## YEEZY BOOST 350 V2 TRIPLE WHITE - BIGGEST DIGITAL RELEASE TO DATE

In September, our partnership with Kanye West sees its largest digital drop of a Yeezy model to date. With the aspiration to democratize the Yeezy brand while preserving the Yeezy hype, adidas Originals releases Yeezy BOOST 350 V2 Triple White. The launch is a major commercial success and significantly contributes to driving e-commerce traffic by creating millions of visits on adidas.com. Also, media mentions and search interest surpass past Yeezy releases.



BEST OF 2018



## RUNNING REDEFINED: ALPHAEDGE 4D

In November, the Alphaedge 4D, engineered with the adidas 4D midsole for controlled energy return and breathable cushioning during intensive training runs, becomes available in larger quantities for the first time worldwide. The midsole of the silhouette started out as a conceptual Futurecraft innovation, which had not only allowed adidas to completely re-think manufacturing processes, but to create a data-driven experience that breaks new ground in performance capability and comfort. The adidas 4D midsole is printed with light and oxygen, using Digital Light Synthesis. This technology, pioneered by Carbon, uses digital light projection, oxygen-permeable optics and programmable liquid resins to print high-performance, durable polymeric products.

[▶ YOUTUBE](#)



## ADIDAS ATHLETES AT THE TOP OF THEIR GAME

In May, Real Madrid wins the Champions League for the third time in a row. The team beats Liverpool F.C. 3-1. Real's goals are scored by adidas assets Karim Benzema and Gareth Bale. In November, Kenyan runner Mary Keitany wins the New York City Marathon for the fourth time. She finishes in 2:22:48 – the second-fastest women's time for the course in history. In the course of 2018, adidas scores many successes in tennis, e.g. with Angelique Kerber winning the Wimbledon Final, defeating seven-times Wimbledon champion Serena Williams in two sets, and Alexander Zverev beating world number one Novak Djokovic in the ATP Finals, earning the 21-year-old the biggest win in his career so far.

## ADIDAS KICKS OFF INITIATIVE TO BREAK DOWN BARRIERS FACED BY WOMEN AND GIRLS IN SPORT

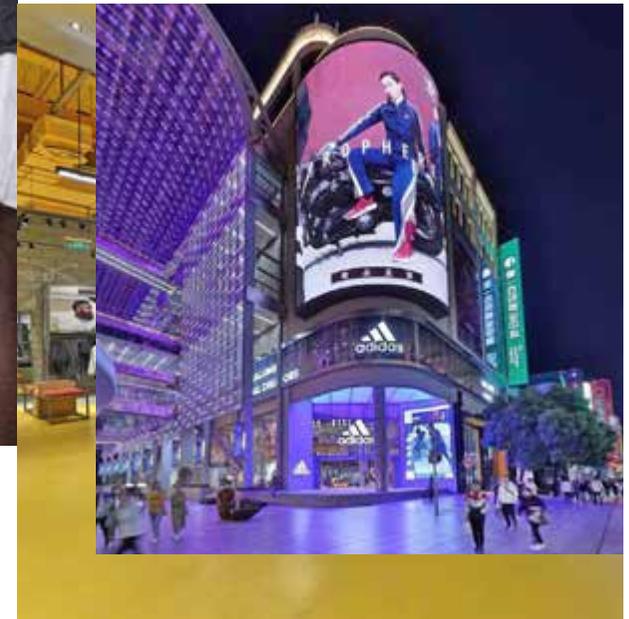
As a continuation of the commitment to remove barriers in sport, adidas announces the 'She Breaks Barriers' initiative. Expanding on the #creatorsunite conversation launched earlier in the year, the multi-faceted initiative is designed to inspire, enable and support the next generation of female athletes, creators and leaders. The 'She Breaks Barriers' campaign film highlights the barriers girls and women are facing in sport and invites everyone to level the playing field and co-create the future of women's sport.

#CREATORSUNITE  
[➔ YOUTUBE](#)



## OPENING OF SHANGHAI BRAND CENTER

In November, adidas opens its newest and largest Asia-Pacific Brand Center in Shanghai with a spectacular opening ceremony. Executives from adidas and Bailian Group, brand ambassadors Zinedine Zidane, Eason Chan and Angelababy as well as creators and consumers from across China gather at the location on Nanjing East Road to celebrate this milestone in adidas' planned expansion in the Asia-Pacific and China markets. The new Brand Center showcases the latest retail concepts and innovations and reflects the company's implementation of 'Creating the New' as well as its efforts to strengthen retail channel development in core cities.



LETTER FROM THE CEO

# LETTER

FROM THE CEO  
**KASPER RORSTED**

»  
**WE HAVE THE  
RIGHT STRATEGY  
TO SUCCEED IN A  
HIGHLY ATTRACTIVE  
INDUSTRY.**  
«

SEE VIDEO  
➤ [REPORT.ADIDAS-GROUP.COM/#CEO-VIDEO](https://REPORT.ADIDAS-GROUP.COM/#CEO-VIDEO)



## DEAR SHAREHOLDERS,

In 2018, we again used the power of sport to change lives and create a real difference. We lead the way in sustainability and human rights. We break down barriers to give girls better access to sport. We inspire people to be the best version of themselves. The list goes on, and it will only get longer.

We are getting closer to becoming the best sports company in the world. But in the end, our consumer will let us know if we have made it by showing and sharing their love for our products. This is why consumer obsession and brand desire sit at the heart of our strategic business plan, 'Creating the New'.

Record sales, the highest margin in our history, strong net income improvements – 2018 was a successful year for our company. We now have until 2020 to fully implement Creating the New, the right strategy to succeed in the highly attractive industry we are in.

We are making great strides toward our 2020 financial ambition, which makes for a clear goalpost: We need to continue driving our top and bottom line for the last two years of our current strategy cycle. In the coming year, we will zoom in on our strategic choices and acceleration topics, as outlined in Creating the New.

### CREATING THE NEW WITH SPEED, CITIES, AND OPEN SOURCE

Our strategic choices Speed, Cities, and Open Source will make us faster, help us deliver products with impact, and bring meaningful innovation to the market.

**Speed** is how we deliver. Our aim is to always offer the products our consumer wants, where they want them, when they want them. Our demand-led proposition will drive consumer sentiment, full-price sell-through, and customer satisfaction, which, in turn, reaffirms our consumer obsession. One proof of this is the success we enjoyed when celebrating key sporting moments with limited-edition shoes. Produced in our Speedfactory in Atlanta, USA, the AM4NHL running shoe honored the Washington Capitals' first-ever Stanley Cup win. Similarly, the AM4MN football cleats debuted at Super Bowl LII.

**Cities** is where we deliver. In 2018, we strengthened our presence in our six key cities: New York, Los Angeles, Paris, London, Shanghai, and Tokyo. Last year, we saw another improvement in brand desire which helped us to extend our market share in our key cities. We will continue to zero in on key trade zones within these cities, focusing on how we deploy product, retail, and activation initiatives, with the intention of creating one holistic brand experience for our

consumers. Some 2018 highlights: In Los Angeles, we shook up the NBA All-Star Weekend with a two-day festival celebrating basketball culture through creativity, innovation, music, community, sport, and style. To mark the 15th anniversary of the Oyster card in London, we launched a range of limited-edition trainers that sold out instantly. In Shanghai, we opened a new Brand Center store, our latest and most modern brick-and-mortar to date.

**Open Source** is how we create. We invite athletes, consumers, and partners to collaborate with our brands. Our creative collaborations with Pharrell Williams, Kanye West, Victoria Beckham, and Stella McCartney, among others, continued to drive brand desire and growth. By partnering up with the world's best athletes and teams, we build communities of advocates. A prime example was the FIFA World Cup in Russia where our teams and players – and our official match ball, Telstar, took center stage at the most popular sports event in the world. Though sadly we did not get to cheer for an adidas team in the final, we closed the event as 'the most influential brand at the World Cup' with a total of 147 million video views and a 24% engagement rate.

### ACCELERATION THROUGH PORTFOLIO, ADIDAS NORTH AMERICA, ONE ADIDAS, AND DIGITAL

To amplify the impact of our strategy on brand desire, growth, and profit, we are executing against an acceleration plan consisting of four pillars: Portfolio, adidas North America, ONE adidas, and Digital.

Every entity must contribute to the success of our company, be it a brand, channel, or market. By regularly revisiting the performance of our portfolio, we identify opportunities for improvements and develop action plans to sharpen the business. For instance, through the 'Muscle Up' plan we continued to set the stage for the Reebok brand to realize its full potential and become more profitable.

The biggest market in the sporting goods industry is also the biggest opportunity for our company. With a relatively small market share compared to our other regions, North America is a priority market where we are strategically increasing investments into people, assets, and infrastructure. In 2018, we continued to gain market share, increasing our adidas brand business by 17% year-on-year.

Excellence in operations is vital for creating flexibility and generating operating leverage. Through a set of initiatives across three areas – brand leadership, marketing effectiveness, and operating efficiency – ONE adidas enables us to work smarter and more efficiently, ultimately leading to a more scalable business model.

The role of digital is clear: Through sport, we have the power to change lives and, to change lives, we have to create direct relationships with consumers. The best way to accelerate building those direct relationships is through digital. Digital transformation, however, is not only fundamentally changing the way we interact with our consumer – it touches every part of the business. Gearing up for the future, we are driving digital transformation across the entire organization. In 2018, our global e-commerce business continued to be our fastest-growing sales channel, with a 36% increase.

### SUSTAINABILITY IS AN INTEGRAL PART OF OUR BUSINESS MODEL

Few companies are able to embed sustainability authentically into their business model. We are proud to say adidas is one of them, as evidenced by the five million pairs of shoes made with Parley Ocean Plastic in 2018, up from one million pairs the year before. What's more, 100% of all cotton we sourced globally was sustainable cotton.

Our ongoing work to protect human rights continues. We tackle social issues in our supply chain, are deeply involved in human rights in sports along with safeguarding women's rights, which is both an internal and external focus for us as a company.

For the 19th year in a row, adidas was included in the Dow Jones Sustainability Indices, a family of benchmarks evaluating the sustainability performance of the largest 2,500 companies listed in the Dow Jones Global Total Stock Market Index. adidas was assessed for its performance in corporate economic, environmental, and social dimensions and rated overall industry leader in the 'Textiles, Apparel and Luxury Goods industry' category. We were also ranked #1 in the 2018 Corporate Human Rights Benchmark, which measures the human rights performance of the top 100+ global companies across industries.

### 2018 FINANCIAL RESULTS

Our efforts are mirrored in strong financial results in 2018. We achieved record sales of € 21.9 billion, reflecting a currency-neutral increase of 8% and nominal growth of 3%. Despite currency headwinds, our gross margin climbed 140 basis points to 51.8%.

We increased 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 10.8%, the highest operating margin in the history of our company. Our net income from continuing operations grew six times as fast as our top line in nominal terms, up 20% to € 1.7 billion. Again, a new record.

Our strategy Creating the New includes a strong commitment to returning cash to you, our shareholders, through both dividends and share buybacks. In 2018, we clearly delivered on this promise. We completed the first tranche of our multi-year share buyback program, buying back 5.1 million shares for a total of € 1 billion. Also taking into consideration the dividend payment of € 528 million for the financial year 2017, paid out in May 2018, we returned more than € 1.5 billion to our shareholders.

### 2019 OUTLOOK

Staying true to our core belief, through sport we have the power to change lives, we will continue to create value in 2019. And we will do this by executing upon our strategic choices and acceleration topics with diligence. Regarding our financial performance, we are targeting a currency-neutral sales increase between 5% and 8%. By further leveraging our scalable operating model, net income is expected to once again grow significantly faster than revenues to a level of around € 1.9 billion. Operating margin is expected to increase to at least 11.3%. These figures will keep us firmly on track toward our 2020 financial ambition.

### IN CLOSING

Our mission is to be the best sports company in the world. This mission sets the bar for how we operate as a company and how we, as adidas employees, show up to work every day. But one thing is for sure: 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.

Going forward, we will focus on what matters: connecting with our consumer and playing to win as one strong global team. Together, we will tackle any challenge with confidence.

Thank you for your ongoing support.

Sincerely yours,



**KASPER RORSTED**

CEO



# EXECUTIVE BOARD

**Harm Ohlmeyer**  
Chief Financial Officer

**Roland Auschel**  
Global Sales

**Karen Parkin**  
Global Human Resources

**Kasper Rorsted**  
Chief Executive Officer

**Eric Liedtke**  
Global Brands

## KASPER RORSTED

### CHIEF EXECUTIVE OFFICER

Kasper Rorsted was born in Aarhus, Denmark, in 1962 and is a Danish national. He holds a degree in Business Studies from the International Business School, Denmark, and completed a series of Executive Programs at Harvard Business School, USA. 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 2016, Kasper Rorsted was appointed to the Executive Board of adidas. After two months as a Board member, he became Chief Executive Officer.

#### Kasper Rorsted is also:

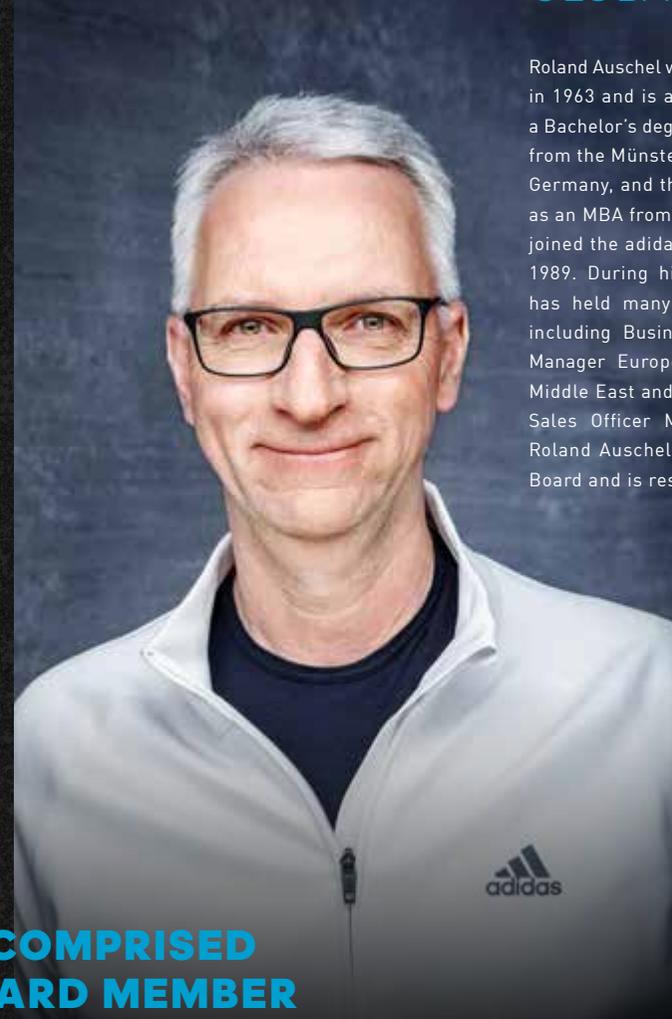
- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA / Bertelsmann Management SE, Gütersloh, Germany
- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland<sup>1</sup>

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

## ROLAND AUSCHEL

### GLOBAL SALES

Roland Auschel was born in Bad Waldsee, Germany, in 1963 and is a German citizen. After obtaining a Bachelor's degree in European Business Studies from the Münster University of Applied Sciences, Germany, and the University of Hull, UK, as well as an MBA from the University of Miami, USA, 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 and is responsible for Global Sales.



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



## ERIC LIEDTKE

### GLOBAL BRANDS

Eric Liedtke was born in Dayton/Ohio, USA, in 1966 and is a US citizen. He holds a Bachelor of Arts degree in Journalism from the University of Wisconsin-Madison, USA. He joined adidas in 1994 as Global Line Manager for Cross Training in Portland/Oregon, USA. During his 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 transferred to the company's headquarters in Herzogenaurach, Germany, to become Senior Vice President Global Brand Marketing. In 2011, he assumed the position of Senior Vice President adidas Sport Performance, responsible for all adidas brand sports categories globally. In 2014, Eric Liedtke was appointed to the Executive Board and is responsible for Global Brands (the adidas and Reebok brands). In addition to his Executive Board position, he is a 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



## HARM OHLMEYER

### CHIEF FINANCIAL OFFICER

Harm Ohlmeyer was born in Hoya, Germany, in 1968 and is a German national. He holds a degree in Business Studies from the University of Regensburg, 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/California, 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 as Senior Vice President Digital Brand Commerce. From 2014 to 2016, he held additional responsibility as Senior Vice President Sales Strategy and Excellence. In 2017, Harm Ohlmeyer was appointed to the Executive Board and subsequently became Chief Financial Officer and Labor Director.



## KAREN PARKIN

### GLOBAL HUMAN RESOURCES

Karen Parkin was born in Bowden, UK, 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, UK. Karen Parkin joined adidas in 1997 as Sales Director adidas UK, where she was Head of Customer Service from 2000 to 2001 and Business Development Director from 2001 to 2004. In 2004, she relocated 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 Management and was based both at the company's headquarters in Herzogenaurach and at the adidas America headquarters in Portland/Oregon, USA. Since 2014, she has held the position of Chief HR Officer. In 2017, Karen Parkin was appointed to the Executive Board and is responsible for Global Human Resources.

## FOR MORE INFORMATION ON THE ADIDAS AG EXECUTIVE BOARD

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

Member of the Executive Board  
until February 26, 2019:

**GIL STEYAERT**  
GLOBAL OPERATIONS

## SUPERVISORY BOARD



### IGOR LANDAU

CHAIRMAN

residing in Lugano, Switzerland  
born on July 13, 1944  
Member of the Supervisory Board  
since May 13, 2004  
Pensioner



### DR. FRANK APPEL

residing in Königswinter near Bonn,  
Germany  
born on July 29, 1961  
Member of the Supervisory Board  
since May 9, 2018  
Chief Executive Officer, Deutsche Post AG,  
Bonn, Germany

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

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



### SABINE BAUER\*

DEPUTY CHAIRWOMAN

residing in Erlangen, Germany  
born on January 16, 1963  
Member of the Supervisory Board  
since May 20, 1999  
Full-time member of the Works Council  
Herzogenaurach, adidas AG  
Chairwoman of the European Works  
Council, adidas AG



### IAN GALLIENNE

residing in Gerpennes, Belgium  
born on January 23, 1971  
Member of the Supervisory Board  
since June 15, 2016  
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

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

- Member of the Board of Directors,  
Imerys SA, Paris, France
- Member of the Board of Directors,  
Sienna Capital S.à r.l., Strassen,  
Luxembourg
- Member of the Board of Directors,  
Erbe SA, Loverval, Belgium<sup>1</sup>
- Member of the Board of  
Directors, Compagnie Nationale à  
Portefeuille SA, Loverval, Belgium<sup>2</sup>

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



### WILLI SCHWERDTLE

DEPUTY CHAIRMAN

residing in Munich, Germany  
born on April 14, 1953  
Member of the Supervisory Board  
since May 13, 2004  
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

\* Employee representative.

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

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

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

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

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

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

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

**DIETER HAUENSTEIN\***

residing in Herzogenaurach, Germany  
born on January 13, 1957  
Member of the Supervisory Board  
since May 7, 2009  
Specialist for job safety, adidas AG

**HERBERT KAUFFMANN**

residing in Stuttgart, Germany  
born on April 20, 1951  
Member of the Supervisory Board  
since May 7, 2009  
Independent Management Consultant,  
Stuttgart, Germany  
— Member of the Supervisory Board,  
DEUTZ AG, Cologne, Germany<sup>8</sup>

**KATHRIN MENGES**

residing in Neuss, Germany  
born on October 16, 1964  
Member of the Supervisory Board  
since May 8, 2014  
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 Finland Oy, Vantaa, Finland

**UDO MÜLLER\***

residing in Herzogenaurach, Germany  
born on April 14, 1960  
Member of the Supervisory Board  
since October 6, 2016  
Full-time member of the Works Council  
Herzogenaurach, adidas AG  
Chairman Works Council Herzogenaurach,  
adidas AG

**DR. WOLFGANG JÄGER\***

residing in Bochum, Germany  
born on August 3, 1954  
Member of the Supervisory Board  
since May 7, 2009  
Research Fellow at the Institute for Social  
Movements at the Ruhr Universität Bochum,  
Expert Commission 'Cultures of remembrance  
of social democracy' of Hans-Böckler-Stiftung,  
Bochum, Germany

**KATJA KRAUS**

residing in Hamburg, Germany  
born on November 23, 1970  
Member of the Supervisory Board  
since May 8, 2014  
Author/Managing Partner, Jung von Matt/  
sports GmbH, Hamburg, Germany

**ROLAND NOSKO\***

residing in Wolnzach, Germany  
born on August 19, 1958  
Member of the Supervisory Board  
since May 13, 2004  
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

\* Employee representative.  
<sup>8</sup> Until April 26, 2018.

**HANS RUPRECHT\***

residing in Herzogenaurach, Germany  
born on April 18, 1954

Member of the Supervisory Board  
since January 1, 2002

Vice President Customer Service Central,  
adidas AG

**NASSEF SAWIRIS**

residing in London, Great Britain  
born on January 19, 1961

Member of the Supervisory Board  
since June 15, 2016

Chief Executive Officer and Member of the  
Board of Directors, OCI N.V., Amsterdam,  
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<sup>9</sup>

**HEIDI THALER-VEH\***

residing in Uffenheim, Germany  
born on November 14, 1962

Member of the Supervisory Board  
since April 13, 1994

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

Chairwoman of the Works Council Uffenheim,  
adidas AG

Deputy Chairwoman of the Central Works  
Council, adidas AG

**KURT WITTMANN\***

residing in Markt Bibart, Germany  
born on July 11, 1963

Member of the Supervisory Board  
since October 6, 2016

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

Member of the Supervisory Board  
until May 9, 2018:

**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

**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, 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 (Chairman), Sabine Bauer\*, Willi Schwerdtle, Heidi Thaler-Veh\*

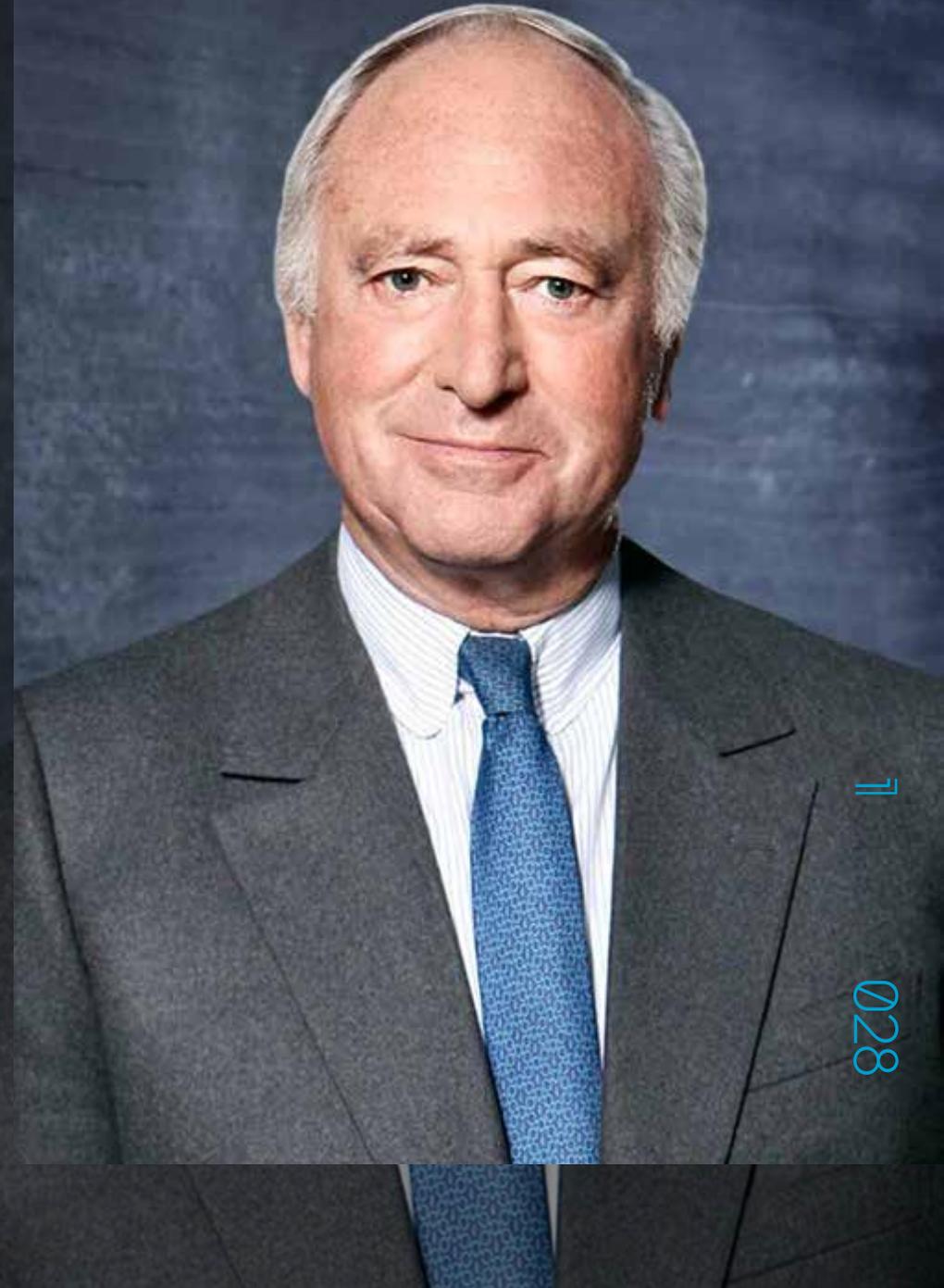
\* Employee representative.

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

SUPERVISORY BOARD REPORT

# SUPERVISORY BOARD REPORT

**IGOR LANDAU**  
CHAIRMAN OF  
THE SUPERVISORY  
BOARD



## DEAR SHAREHOLDERS,

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

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

In the year under review, we performed all of our tasks laid down by law, the Articles of Association, the German Corporate Governance Code (the 'Code') and the Rules of Procedure carefully and conscientiously, as in previous years. We regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof. The Executive Board involved us directly and in a timely and comprehensive manner in all of the company's fundamental decisions.

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

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

In the past financial year, the Supervisory Board primarily exercised its duties in plenary sessions. We held six regular meetings of the entire Supervisory Board, one of which took place outside Germany. One resolution was passed by way of a circular resolution. The attendance rate of the members at the Supervisory Board and committee meetings was around 94% in the year under review. All committee meetings, with the exception of one Audit Committee meeting from which one member was excused, were fully attended.

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

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

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

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

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

The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft ('KPMG'), Berlin, attended all regular meetings of the Supervisory Board – the exception being the meeting which took place outside Germany – insofar as no Executive Board matters were dealt with. KPMG also attended all meetings of the Audit Committee.

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

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

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

## TOPICS FOR THE ENTIRE SUPERVISORY BOARD

Our consultations and examinations focused on the following topics:

## SITUATION AND BUSINESS DEVELOPMENT

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

The Executive Board reported on the situation of the company and the financial figures for the 2017 financial year at the February meeting and the balance sheet meeting in March. In addition, after in-depth examination of the financial statements, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the combined Management Report, including the non-financial statement for adidas AG and the Group as at December 31, 2017. The annual financial statements were thus adopted. Prior to the passing of the resolution, the auditor reported on the material results of the audit, including the results of the examination of the content of the non-financial statement commissioned by the Supervisory Board in accordance with § 111 section 2 German Stock Corporation Act (Aktiengesetz – AktG). Furthermore, the Supervisory Board Report to the Annual General Meeting for the 2017 financial year was approved. Finally, we dealt with, inter alia, the business development of Reebok and the distribution strategy of adidas. At the May meeting, we primarily dealt with the results for the first quarter of the year under review and with the current development of the business. Particular topics of the August meeting were the financial results of the second quarter and of the first half of the 2018 financial year as well as the business development of the company. Furthermore, we dealt in detail with the main sustainability initiatives and adidas' talent strategy. Finally, we discussed the current development of the Runtastic business segment. At the annual strategy meeting of the Supervisory Board in October, the Executive Board reported on the current business situation and outlined in detail the further course of the strategic business plan which the Supervisory Board discussed in depth. Another focal point of the Supervisory Board meeting was the development of business in Europe. Finally, we intensively dealt with the topic of digitalization. In this regard, we discussed adidas' digitalization strategy and the challenges and opportunities associated with it. Topics of our December meeting were the 2019 Budget and Investment Plan as well as the marketing and sponsorship agreements concluded in the year under review.

### TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL

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

In March, we resolved upon the resolutions to be proposed to the 2018 Annual General Meeting, including the proposal regarding the appropriation of retained earnings for the 2017 financial year. At the May meeting, we approved the issuance of non-share-based bonds and/or comparable financial instruments, including equity-neutral convertible bonds. We also approved the extension of our US-based Portland location as well as the adjusted resolution proposal of the Executive Board on the appropriation of retained earnings. At our October

meeting, we approved the cancelation of treasury shares and resolved upon the amendment to the Articles of Association due to the reduction of the nominal capital resulting from the cancelation of treasury shares. One topic of our December meeting was, after thorough discussion, the approval of the 2019 Budget and Investment Plan presented by the Executive Board.

### EXECUTIVE BOARD COMPENSATION

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

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

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

There was one personnel change with regard to the full Supervisory Board in the year under review. Dr. Stefan Jentzsch resigned as Supervisory Board member with effect from the end of the Annual General Meeting of adidas AG held on May 9, 2018. As his successor, Dr. Frank Appel, Chief Executive Officer of Deutsche Post AG, was elected by the Annual General Meeting as member of the Supervisory Board for the remaining term of the current shareholder representatives which expires with effect from the end of the Annual General Meeting on May 9, 2019. The Supervisory Board wishes to thank Dr. Jentzsch for his valuable contributions and his great dedication within the Supervisory Board of adidas AG.

With regard to the representation of women and men, the Supervisory Board complies with the statutory minimum quota pursuant to § 96 section 2 sentences 1, 3 and 4 AktG. Both the

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

The term of office of all Supervisory Board members expires as scheduled at the end of the Annual General Meeting in May 2019.

## CORPORATE GOVERNANCE

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the recommendations of the Code. The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG in February 2018. In February 2019, we discussed in depth the current 2019 Declaration of Compliance and then resolved upon it and made it permanently available to our shareholders on our corporate website.

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

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

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

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

Topics of our October meeting were the revision of the objectives of the Supervisory Board regarding its composition and the competency profile for the full Supervisory Board, which we made permanently available to our shareholders on our corporate website. Taking into consideration the specific features which result from the activities of the organization as a globally present, public listed company, we ensured that the full Supervisory Board continues to have the knowledge, skills and professional expertise required to properly perform its duties. Details can be found in the Corporate Governance Report including the Declaration on

Corporate Governance. [SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 35](#)

In the year under review, no conflicts of interest arose in regard to the Executive Board members. There were also no conflicts of interest within the Supervisory Board. It is pointed out that, in December 2018, the Supervisory Board approved the extension of a contract, effective January 1, 2019, with a company in which one Supervisory Board member is involved. The order volume is to be confirmed annually by the Supervisory Board. A resolution was passed by the Supervisory Board as regards the order volume for the 2019 financial year at the meeting in December 2018. In the view of the Supervisory Board, there was no conflict of interest. Nevertheless, as in the prior years, the Supervisory Board member concerned did not participate in the respective resolution.

Further information on corporate governance within the company is contained in the Corporate Governance Report including the Declaration on Corporate Governance.

[SEE CORPORATE GOVERNANCE REPORT INCLUDING THE DECLARATION ON CORPORATE GOVERNANCE, P. 35](#)

## EFFICIENT COMMITTEE WORK

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

The committees prepare resolutions and topics for the meetings of the entire Supervisory Board. Within the legally permissible framework and in appropriate cases, we have furthermore delegated the Supervisory Board's authority to pass certain resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. The respective committee chairmen report to the Supervisory Board on the content and results of the committee meetings on a regular and comprehensive basis.

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

appropriateness. Furthermore, the General Committee intensively dealt with the long-term succession planning for the Executive Board.

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

In addition to the supervision of the accounting process, the committee's work also focused on the examination of the annual financial statements and the consolidated financial statements for 2017, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports on the annual financial statements and consolidated financial statements with the auditor, the committee decided to recommend that the Supervisory Board approve the 2017 annual financial statements and consolidated financial statements. Furthermore, the audit of the non-financial statement, including the selection and commissioning of the external auditor by the Supervisory Board, was prepared. On the basis of the transitional periods of Art. 41 Regulation (EU) No 537/2014, the current statutory auditor may not be re-appointed after June 17, 2023 and it is mandatory to carry out an external rotation. Based on a respective resolution by the entire Supervisory Board, the Chairmen of the Supervisory Board and Audit Committee commissioned KPMG for the audit with limited assurance of the content of the non-financial statement for the 2018 financial year. Following in-depth discussions, the Audit Committee also made a recommendation to the Supervisory Board regarding the proposal to the Annual General Meeting 2018 for the appointment of the auditor. The Audit Committee declared to the Supervisory Board that the recommendation is free from undue influence by a third party and that no clause of the kind referred to in Article 16 section 6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of April 14, 2014 on specific requirements regarding the statutory audit of public-interest entities has been imposed upon it. A further subject of in-depth discussions was the assignment of the audit mandate for the 2018 financial year, including the determination of the focus points of the audit, the supervision of the independence and qualification of the auditor as well as the quality of the audit of annual accounts, the determination of the audit fees and ultimately the discussion of the quarterly financial figures and the half year report with the auditor. The Audit Committee dealt intensively with the monitoring of the effectiveness of the risk management system, the internal control system and audit system as well as the compliance management system. Moreover, the Audit Committee addressed the findings of Internal Audit and the audit plan. Potential and pending legal disputes were also discussed. In addition, at

every meeting of the Audit Committee, the Chief Compliance Officer gave regular reports on the Compliance Management System and material compliance cases in the year under review. Furthermore, reports on IT security, the EU General Data Protection Regulation and the hedging strategy were heard.

- In the year under review, the **Finance and Investment Committee** held one meeting by way of a conference call at which, in particular, the Executive Board's resolution based on the authorization of the Annual General Meeting on May 12, 2016 to repurchase shares with an aggregate acquisition cost of up to a total of € 3 billion until May 11, 2021 was approved. Furthermore, the Finance and Investment Committee approved the Executive Board's resolution to sell a building and estate in Canton, USA.
- The **Nomination Committee** met once in the year under review. The Nomination Committee particularly prepared the recommendations by the Supervisory Board to the Annual General Meeting which will elect the shareholder representatives on the Supervisory Board in May 2019. In this respect, taking the statutory requirements into account, the suitability and independence of the candidates were discussed. Furthermore, taking into account the competency profile for the members of the Supervisory Board defined by the Supervisory Board, a qualification profile was developed. Based on this, the Nomination Committee discussed suitable candidates for the positions to be filled within the Supervisory Board.
- The **Mediation Committee**, established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz — MitbestG), did not have to be convened in 2018.

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

KPMG audited the 2018 consolidated financial statements prepared by the Executive Board in accordance with § 315e German Commercial Code (Handelsgesetzbuch – HGB) in compliance with IFRS and issued an unqualified opinion thereon. The auditor also approved without qualification the 2018 annual financial statements of adidas AG, prepared in accordance with HGB requirements, and the combined Management Report of adidas AG and the adidas Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement. KPMG has been the auditor and Group auditor of adidas AG as a capital market-oriented company since the 1995 financial year. Auditor Karl Braun has been signing the annual financial statements since the 2012 financial year and auditor Haiko Schmidt as the responsible audit partner since the 2017 financial year. On May 9, 2018, the Annual General Meeting elected KPMG as auditor and Group auditor upon proposal of the Supervisory Board,

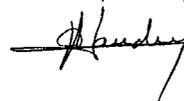
corresponding with a recommendation of the Audit Committee. Prior to the Supervisory Board proposing KPMG as auditor to the Annual General Meeting, KPMG had confirmed to both the Supervisory Board and the Audit Committee that there are no circumstances which could prejudice their independence as auditor or which could cast doubt on KPMG's independence. In this respect, KPMG also declared to which extent non-audit services were rendered for the company in the prior financial year or are contractually agreed upon for the following year. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner. We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 1, 2019 and at the Supervisory Board's March 5, 2019 financial statements meeting, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported the material results of the audit, inter alia with regard to the priority topics agreed and the key audit matters, and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. We also discussed in depth with the Executive Board the proposal concerning the appropriation of retained earnings, which provides for a dividend of € 3.35 per dividend-entitled share and adopted this increase to € 3.35 compared to the prior year in consideration of the strong business development in the 2018 financial year, the company's good financial situation and positive future prospects. Based on our own examinations of the annual and consolidated financial statements (including the non-financial

statement), we came to the conclusion that there are no objections to be raised. At our financial statements meeting, therefore, following the recommendation of the Audit Committee, we approved the audit results and the financial statements including the non-financial statement prepared by the Executive Board. The annual financial statements of adidas AG were thus approved.

### EXPRESSION OF THANKS

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

For the Supervisory Board



**IGOR LANDAU**

CHAIRMAN OF THE SUPERVISORY BOARD

March 2019

# 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 in February 2018. For the period from the publication of the last Declaration of Compliance, the following Declaration refers to the German Corporate Governance Code (hereinafter referred to as 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:

### 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)

In the past, the Supervisory Board refrained from taking a generalized approach as regards a regular limit of length of membership for Supervisory Board members. When revising the objectives regarding its composition (and determining a competency profile for the full Supervisory Board) at its meeting in October 2018, the Supervisory Board resolved to determine a regular limit of length of membership for Supervisory Board members and has since been compliant with all recommendations pursuant to section 5.4.1 subsection 2 sentence 2 in conjunction with sentence 1 of the Code.

### 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 which are listed at a stock exchange or have 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 portfolio companies. All companies (apart from adidas AG) in which Ian Gallienne holds mandates in supervisory bodies are portfolio companies or subsidiaries of GBL or are under common control with it and thus belong to the same group of

companies. They have to be attributed to his main occupation as Co-Chief Executive Officer of GBL. 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. Moreover, the Supervisory Board has assured itself that Ian Gallienne has sufficient time to perform his Supervisory Board mandate at adidas AG.

Herzogenaurach, February 2019

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/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance)

## 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.

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

## DUAL BOARD SYSTEM

As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is subject to, inter alia, 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 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. The Executive Board is responsible for independently managing the company, determining the Group'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 Group. The Executive Board is in charge of preparing the quarterly statements, the company's half year report as well as the annual financial statements and consolidated financial statements and the combined Management Report of adidas AG and the Group. Moreover, it prepares a combined non-financial statement for the company and the Group. Additionally, the Executive Board ensures appropriate risk management and risk controlling as well as compliance with statutory regulations and internal guidelines. In this regard, the Executive Board is responsible for implementing an adequate compliance management system which meets the requirements of the company's risk situation. It is bound to the company's interest and obligated to strive for a sustainable increase in company value.

Notwithstanding 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 about all significant developments in their business areas and align on all cross-functional measures. Collaboration within the Executive Board is further 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.

The Executive Board and Supervisory Board cooperate closely for the benefit of the company. The Executive Board reports to the Supervisory Board regularly, extensively and in a timely manner on all matters relevant for the company's strategy, planning, business development, financial position and compliance as well as on essential business risks. When filling leadership positions in the company, the Executive Board takes diversity into consideration and aims for, inter alia, an increase in the percentage of women.

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 comparable requirements. [SEE EXECUTIVE BOARD, P. 21](#)

## 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. 25](#) The shareholder representatives are elected by the

shareholders at the Annual General Meeting, and the employee representatives by the employees. The term of office of the current members of the Supervisory Board expires at the end of the 2019 Annual General Meeting.

## Objectives for the composition of the Supervisory Board

At its meeting in October 2018, taking into account the recommendations of the Code, the Supervisory Board resolved upon objectives regarding its composition (including a profile of skills and expertise [competency profile] for the full Supervisory Board) which are published on our website. [ADIDAS-GROUP.COM/S/BODIES](https://www.adidas-group.com/s/bodies) According to these objectives, the Supervisory Board should be composed in such a way that qualified supervision of and advice to the Executive Board are ensured. Its members as a whole are expected to have the knowledge, skills and professional experience required to properly perform the tasks of a supervisory board in a capital market-oriented, international company in the sporting goods industry. To this end, it is ensured that the Supervisory Board as a whole possesses the competencies considered essential in view of adidas' activities. This includes, in particular, in-depth knowledge and experience in the sporting goods and sports- and leisure-wear industry, in the business of fast-moving consumer-oriented goods and in the areas of technology, digitalization and information technology (including IT security), production, marketing and sales, in particular in the e-commerce and retail sector. Moreover, the Supervisory Board is expected to possess knowledge and experience in the markets relevant for adidas, in particular the Asian and US markets, and in the management of a large international company. Furthermore, the Supervisory Board as a whole must possess knowledge and experience in the areas of business strategy development and implementation, personnel planning and management, accounting and financial reporting, controlling/risk management, governance/compliance as well as corporate and social responsibility. At least one member of the Supervisory Board must have

expertise in the areas of accounting or auditing of annual accounts. Additionally, the Supervisory Board members as a whole are expected to be familiar with the sporting goods industry.

More than two-thirds of the Supervisory Board members should be independent within the meaning of section 5.4.2 of the Code. Moreover, with regard to diversity, it is the Supervisory Board's aim to take into account origin, diverse professional and international experience and, in particular, an adequate representation of both genders for its composition. Furthermore, an adequate number of the shareholder representatives should have long-standing international experience.

In addition, each Supervisory Board member must ensure that they have sufficient time to properly perform the tasks associated with the mandate. An age limit of, in general, 72 years at the time of election should be taken into account. As a rule, the length of membership in the Supervisory Board should not exceed 15 years or three terms of office.

In the Supervisory Board's assessment, the Supervisory Board as a whole fulfills the objectives stated and the competency profile. 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. Moreover, with Herbert Kauffmann, the Chairman of the Audit Committee, at least one member of the Supervisory Board has proven expertise in the areas of accounting or auditing of annual accounts. The number of female Supervisory Board members currently amounts to four. This report contains information on the

fulfillment of the quota stipulated in § 96 section 2 sentence 1 AktG, according to which the Supervisory Board must be composed of at least 30% female and at least 30% male members. ■ SEE SECTION 'COMMITMENT TO THE PROMOTION OF EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS', P. 38 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. No members of the Supervisory Board are former Executive Board members. In the Supervisory Board's assessment, currently all shareholder representatives are independent within the meaning of the Code. In accordance with the objectives resolved upon regarding its composition, the Supervisory Board deems this to be an appropriate number. The names of the independent shareholder representatives are set out in the overview of all Supervisory Board members in this Annual Report. ■ SEE SUPERVISORY BOARD, P. 25 Assuming that all of the employee representatives also in principle meet the independence criteria as defined by the Code, in the Supervisory Board's assessment, currently all of its members are independent. Regarding the Supervisory Board's composition, the age limit of, in general, 72 years at the time of election was taken into account. The maximum length of membership in the Supervisory Board of normally 15 years or three terms of office which was set by the Supervisory Board is observed with the exception of three employee representatives.

When preparing its nomination proposals for the Annual General Meeting, the Supervisory Board takes into account the objectives regarding its composition, in particular seeking to fulfill the competency profile for the full Supervisory Board. Therefore, the Supervisory Board pays attention to a balanced composition to ensure that the know-how sought after is represented on as broad a scale as possible.

### Tasks of the Supervisory Board

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 company's 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 and consolidated financial statements as well as the combined Management Report of adidas AG and the 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 Supervisory Board's resolution proposals to be presented to the Annual General Meeting. Moreover, the Supervisory Board examines the combined non-financial statement for the company and the Group. 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. Corresponding details are set out in § 8 of the Rules of Procedure of the Supervisory Board of adidas AG. Furthermore, the requirement of prior Supervisory Board approval is stipulated in some resolutions by the Annual General Meeting.

The Supervisory Board is also responsible for the appointment and dismissal of the Executive Board members as well as for the allocation of their areas of responsibility. When appointing new Executive Board members, the Supervisory Board aims to select candidates with a wide range of complementary skills to ensure the best possible Executive Board composition for the company, keeping long-term succession planning in mind. Inter alia, experience, industry knowledge as well as professional and personal 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 further important personal qualities. Furthermore, the Supervisory Board determines the Executive Board compensation system, examines it regularly and decides on the individual overall compensation of each Executive Board member. Further information on Executive Board compensation is compiled in the Compensation Report. [SEE COMPENSATION REPORT, P. 41](#)

#### 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
- Objectives of the Supervisory Board regarding its composition (including competency profile for the full Supervisory Board)

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 tasks, responsibilities and work processes of the committees are in line with the requirements of the German Stock Corporation Act and the Code. 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. 25](#) 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 individual skills expected of the members, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the tasks and responsibilities as well as 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. 28](#)

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.

Furthermore, the Supervisory Board and the Audit Committee examine the efficiency of their work on a regular basis.

[SEE SUPERVISORY BOARD REPORT, P. 28](#)

The compensation of the Supervisory Board members is set out in the Compensation Report. [SEE COMPENSATION REPORT, P. 41](#)

### COMMITMENT TO THE PROMOTION OF 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, a larger number of suitable female candidates is available for Executive Board positions. The Supervisory Board thus supports the company's initiatives to foster diversity and inclusion and promote 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 Supervisory Board determined target figures for the percentage of female representation on the Executive Board, including corresponding deadlines for their achievement, and the Executive Board determined such target figures for the first two management levels, including deadlines for their achievement, for adidas AG:

- 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.

In accordance with § 96 section 2 sentence 1 AktG, at least 30% of the members of the Supervisory Board have to be female and at least 30% have to be male. 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. As at December 31, 2018, a total of four Supervisory Board mandates of the company were held by women. The minimum quota required is fulfilled both by the shareholder representatives and the employee representatives. The next election of shareholder representatives to the Supervisory Board will take place at the Annual General Meeting of adidas AG in May 2019. The list of candidates proposed to the shareholders will comprise at least two female shareholder representatives.

### 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, the members of the Executive Board and the members of the Supervisory Board did not face any conflicts of interest.

➤ [SEE SUPERVISORY BOARD REPORT, P. 28](#)

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

An overview of the managers' transactions pursuant to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation) notified to adidas AG in 2018 is published on our website.

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

### RELEVANT MANAGEMENT PRACTICES

Our business activities are oriented toward 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 ('Fair Play'), 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/S/SUSTAINABILITY](https://adidas-group.com/s/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

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](#)

### 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](https://adidas-group.com/s/investors),  
➤ [SEE OUR SHARE, P. 57](#)

CORPORATE GOVERNANCE REPORT  
INCLUDING THE DECLARATION ON  
CORPORATE GOVERNANCE

### Further information on the principles of our management

More information on topics covered in this report can be found on our website  
[ADIDAS-GROUP.COM/EN](https://www.adidas-group.com/en)  
including:

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

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, 2019, 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.

### SHARE-BASED PROGRAMS

A long-term incentive (LTI) plan, which is part of the long-term remuneration for senior executives of adidas, applies. Based on this plan, the plan participants receive restricted stock units (RSUs). [SEE NOTE 28, P. 189](#), [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 LTIP 2018/2020 links the long-term compensation of the Executive Board to the company's performance and thus to the interests of the shareholders. The decisive assessment factors are designed in a transparent manner and are linked to the long-term profitability targets externally communicated. Moreover, the long-term compensation of the Executive Board and the long-term compensation of senior management are aligned. The LTIP 2018/2020 is share-based. The adidas shares purchased are subject to a multi-year lock-up period.

[SEE COMPENSATION REPORT, P. 41](#)

### 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, Berlin, was appointed as auditor for the 2018 annual financial statements and 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. 232](#)

# 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 (Code).**

## COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

Following preparation by the Supervisory Board's General Committee, the compensation system for the 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. 28](#)

## COMPENSATION SYSTEM

### PRINCIPLES OF THE COMPENSATION SYSTEM

The compensation system is geared toward creating an incentive for successful, sustainably value-oriented corporate management and development. The compensation is thus structured with an appropriate balance of non-performance-

related and performance-related components. More than 50% of the performance-related compensation components are based on mainly future-related, multi-year performance criteria. They are designed in such a way that both positive and negative developments are considered. Moreover, the incentive to achieve the long-term targets decisive for the multi-year performance-related compensation component is higher than the incentive to achieve the targets decisive for being granted the one-year performance-related compensation component. At least 80% of the performance-related compensation is directly linked to the short- and long-term sales and profitability targets externally communicated, thus bringing the compensation of the Executive Board members directly in line with the interests of the shareholders.

[SEE SECTION ON 'PERFORMANCE-RELATED COMPONENTS', P. 43](#)

When designing the compensation system and determining the Executive Board compensation, the Supervisory Board takes into account the size and global orientation, the economic situation, the success and the outlook of the company. Furthermore, the Supervisory Board considers the common level of compensation taking into account both the compensation level of peer companies and the relation between the Executive Board compensation and that of senior management and employees overall, also in terms of its development over time. Compared with competitors, the compensation should be attractive, offering incentives to attract qualified members for the Executive Board and retain them long-term. In addition, when determining the compensation, the tasks of the respective Executive Board member and their contribution to the company's success are taken into consideration. The performance-related compensation is measured based on the achievement of ambitious, pre-agreed targets; subsequent changes to

performance targets or comparison parameters are not permitted. The compensation system aims to appropriately remunerate exceptional performance, while diminishing performance-related compensation when targets are not met. Thus, in the Supervisory Board's opinion, an appropriate level of compensation, which is reviewed regularly by the Supervisory Board and adjusted if required, is ensured.

The compensation system which has been applicable for the members of the Executive Board since the 2018 financial year was adopted by the shareholders at the Annual General Meeting on May 9, 2018.

The total compensation of the Executive Board members is composed of fixed compensation, an annual cash bonus (Performance Bonus), a long-term share-based bonus (Long-Term Incentive Plan – LTIP Bonus) as well as pension benefits and other benefits. In case of 100% target achievement, the target direct compensation (total annual compensation without pension benefits and other benefits) is composed of

- 35% fixed compensation,
- 25% Performance Bonus and
- 40% LTIP Bonus. [SEE DIAGRAM 1](#)

Overall, the Supervisory Board believes that the compensation system is easy to understand, makes use of transparent performance criteria and is directly linked to the short- and long-term targets of the company, thereby aligning the interests of the Executive Board with the interests of the shareholders.

Compensation system for the Executive Board members

1

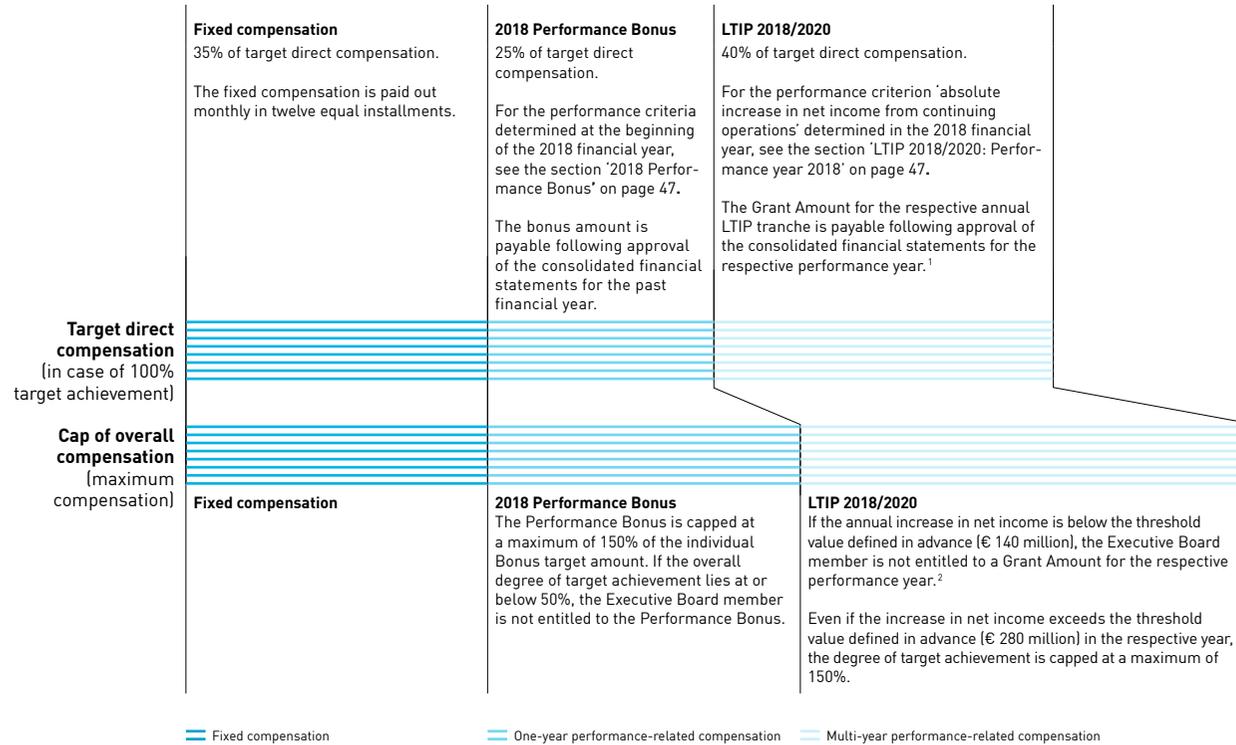
**NON-PERFORMANCE-RELATED COMPONENTS**

**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**

Other benefits for the Executive Board members primarily consist of paying for, or providing the monetary value of, non-cash benefits such as premiums or contributions to insurance schemes in line with market practice, 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 the tax consultant selected by adidas. The total amount of other benefits is capped at 5% of the total amount of the fixed compensation and a (possible) Performance Bonus granted in the respective financial year.



<sup>1</sup> The Grant Amount must be invested by the Executive Board members 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. However, if the increase in net income is higher than € 210 million in a performance year, the target for the following performance years remains unaffected.

## PERFORMANCE-RELATED COMPONENTS

### Performance Bonus

As the annual performance-related 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. In case of 100% target achievement, the target amount of the Performance Bonus corresponds to 25% of the target direct compensation of the respective Executive Board member.

The amount of the Performance Bonus is determined based on the achievement of, generally, four weighted criteria. Two of these criteria are the same for all Executive Board members and are weighted at 60%. These criteria are directly linked to the annual guidance externally communicated and, at the same time, follow directly from the – also externally communicated – long-term growth targets of adidas. For the 2019 financial year, these criteria are again 'currency-neutral sales growth' and 'the development of the operating margin'. It is intended to retain these criteria in the years to come. The other two criteria are individual criteria for the respective Executive Board member with a 40% weighting. All criteria 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. [SEE TABLE 2](#)

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 assessed by the Supervisory Board. The Supervisory Board determines the factor by which the Performance 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 (Performance Bonus Amount). When determining the degrees of target achievement and thus when determining the Performance Bonus Amount, the Supervisory Board may, at its equitable discretion, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board.

Even in case of an overall degree of target achievement of more than 150%, the Performance Bonus Amount is capped at a maximum of 150% of the individual Performance 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 and conditions of the Performance Bonus, entitlement to the payout of a Performance Bonus is generally forfeited.

The Performance Bonus Amount is payable following approval of the consolidated financial statements for the past financial year.

### Performance Bonus

2

<b>Performance criteria</b>	– two shared criteria (60% weighting): directly linked to the annual guidance externally communicated and, at the same time, following directly from the – also externally communicated – long-term growth targets of adidas – two individual criteria (40% weighting)
<b>Transparency of the performance criteria</b>	– the two shared criteria are transparent and, in case of 100% target achievement, are in line with the guidance externally communicated
<b>Cap</b>	– capped at a maximum of 150% – no payout if overall degree of target achievement lies at or below 50%

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

The LTIP 2018/2020 aims to link the long-term performance-related compensation of the Executive Board to the company's performance and thus to the interests of the shareholders. Therefore, the LTIP 2018/2020 is share-based. It consists of three annual tranches (2018, 2019 and 2020) and each tranche is assessed based on a period of approximately four and a half years. [SEE TABLE 3](#)

## LTIP 2018/2020

3

<b>Performance criterion</b>	– one shared criterion: absolute increase in net income from continuing operations
<b>Transparency of the performance criterion</b>	– criterion for the respective performance year is transparent and, in case of 100% target achievement, is in line with the guidance externally communicated
<b>Cap</b>	– capped at a maximum of 150% (with externally communicated threshold values which are defined in advance) – no payout in case of result below the threshold value which is defined in advance
<b>Claw back/malus</b>	yes
<b>Share-based</b>	yes
<b>Time period</b>	approx. 4.5 years
<b>Compensation of Executive Board and senior management aligned</b>	yes

Each of the three annual LTIP tranches consists of a performance year and a subsequent lock-up period of slightly more than three years. ■■■ SEE DIAGRAM 6 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.

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. 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 by adidas in the five-year strategy. ■■■ SEE TABLE 4

## LTIP 2018/2020: Growth targets

4

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 respective performance year, 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 2019, net income in the performance year 2020 must be increased by € 240 million for 100% target achievement. However, if the increase in net income is higher than € 210 million in a performance year, the target for the following performance years remains unaffected. So despite a net income increase in 2018 of € 279 million reflecting a target achievement of 149%, net income in the following performance years 2019 and 2020 must still be increased by € 210 million, respectively, for a target achievement of 100%.

In case of 100% target achievement, the LTIP 2018/2020 target amount for each of the LTIP tranches corresponds to 40% of the target direct compensation of the respective Executive Board member.

The precise target achievement is determined on the basis of the approved consolidated financial statements for the respective performance year. In this respect, the Supervisory Board may, at its equitable discretion, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board. The

degree of target achievement by which the annual LTIP 2018/2020 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. ■■■ SEE TABLE 5

## LTIP 2018/2020: Calculation of target achievement

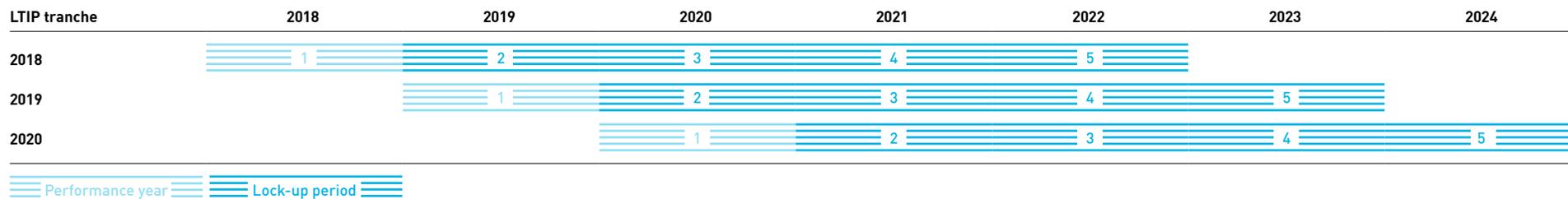
5

Increase in net income from continuing operations compared to the previous year	Degree of target achievement
≥ + € 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 degree of target achievement is determined based on a sliding scale. If the annual increase in net income is below € 140 million, the degree of target achievement is zero. Furthermore, the degree of target achievement is capped at 150%, even if the increase in net income exceeds € 280 million.

By multiplying the degree of target achievement thus calculated with the annual LTIP target amount determined for the respective Executive Board member based on 100% target achievement, the Grant Amount is determined, which is paid out to the Executive Board member for the respective annual LTIP 2018/2020 tranche following the approval of the consolidated financial statements of adidas for the performance year.

LTIP 2018/2020: Annual LTIP tranches



1 Performance year: determination of LTIP target amount in case of 100% target achievement.

2 Determination of the degree of target achievement, Grant Amount payable following approval of the consolidated financial statements for the past performance year and investment of LTIP payout amount in adidas AG shares. Start of lock-up period.

3 Lock-up period.

4 Lock-up period.

5 End of lock-up period upon expiry of the month in which the Annual General Meeting of adidas AG takes place.

The Executive Board members have to invest the Grant Amount which remains after deducting applicable taxes and social security contributions (LTIP payout amount) into the acquisition of adidas AG shares. The shares acquired are subject to a lock-up period. This 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 of adidas AG takes place. The Executive Board members may only dispose of the shares after expiry of the lock-up period. **SEE DIAGRAM 6** Due to this mechanism, the compensation which the Executive Board members eventually receive from each of the LTIP 2018/2020 tranches is directly dependent on the share price performance during the respective lock-up period of slightly more than three years and is thus dependent on the long-term performance of the company. The Executive Board members are entitled to any dividends distributed in connection with these shares during the lock-up period.

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 2018/2020 tranches for which the performance year begins after the respective Executive Board member's departure. In certain cases defined in the terms and conditions 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.

Furthermore, the terms and conditions of the LTIP 2018/2020 contain malus and claw back provisions; until expiry of the lock-up period (malus) and beyond (claw back), these provisions allow the Supervisory Board at its equitable

discretion, under certain circumstances, to reduce the compensation from the LTIP 2018/2020. Such circumstances are, for instance, material misstatements in the financial reports as well as serious compliance violations.

In exceptional cases, 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 2018/2020 Bonus. If such special bonus is granted, it is capped at a maximum of 100% of the annual fixed compensation of the financial year for which the special bonus is granted. If a special bonus is granted, the reasons for granting it will be disclosed in the Compensation Report on the financial year concerned.

## DEFINED CONTRIBUTION PENSION PLANS

The current members of the Executive Board have defined contribution pension plans. Each year, as part of the pension commitments, the virtual pension account of each Executive Board member is credited with an amount which equals a percentage determined by the Supervisory Board and which is related to the Executive Board member's individual annual fixed compensation. The appropriateness of the percentage is regularly assessed by the Supervisory Board. 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 percentage most recently determined by the Supervisory Board amounts to 50%. The pension assets on the virtual pension account at the beginning of the respective calendar year 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 is 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.<sup>1</sup>

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.<sup>2</sup>

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 virtual 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.<sup>3</sup> 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.

## 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 annual fixed compensation on a pro rata basis up to the date on which they leave office as well as a potential prorated Performance Bonus and a potential prorated LTIP 2018/2020 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 monthly compensation amount totaling 50% of the monthly fixed compensation last received, subject to offsetting (e.g. of income from other use of their work capacity). Under certain circumstances, the departing Executive Board member also receives a follow-up bonus. This follow-up bonus is payable in two tranches, twelve and 24 months following the end of the contract.<sup>4</sup>

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. The Executive Board member

<sup>1</sup> The pension plan for the Executive Board member Gil Steyaert deviates from the above: Prior to the occurrence of the pension-triggering event, annual pension contributions are paid for the Executive Board member into a special account at a financial institute which is subject to access restrictions. The rules for this pension plan generally correspond to the rules of the defined contribution pension plans of the other Executive Board members. There are no ongoing interest payments and no credited contributions in the case of invalidity or death. The respective annual pension contributions to be determined by the Supervisory Board are therefore increased for Gil Steyaert by an amount determined based on actuarial principles.

<sup>2</sup> The pension plans for Eric Liedtke and Karen Parkin do not provide for early retirement pensions upon reaching the age of 62.

<sup>3</sup> The pension plans for Eric Liedtke and Karen Parkin stipulate that the pension benefits are paid out in three equal installments payable in January of the three calendar years following the occurrence of the pension-triggering event. Moreover, under US law, there may be certain waiting periods regarding the payout of the first annual installment. The pension plan for Gil Steyaert stipulates that on occurrence of the pension-triggering event, the access restrictions no longer apply and the amount on the special account at the respective point in time becomes available to the Executive Board member.

<sup>4</sup> As regards the current members of the Executive Board, such a follow-up bonus is 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.

does not receive a severance payment if they terminate tenure prematurely at their own request or if there is good cause for the company to terminate the employment relationship.

If an Executive Board member dies during their term of office, their 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.

## EXECUTIVE BOARD COMPENSATION 2018

### 2018 PERFORMANCE BONUS

For the 2018 financial year, the Supervisory Board determined as performance criteria

- currency-neutral sales growth,
- an increase in the operating margin and
- two criteria relating to the individual performance of the Executive Board members as success factors.

100% target achievement thereby reflects the guidance communicated for the 2018 financial year, namely 'currency-neutral sales increase of around 10%', and 'an increase in the operating margin to a level between 10.3% and 10.5%'.

▮ SEE TABLE 7

### 2018 Performance Bonus: Target achievement

7

Performance criterion	Weighting	100% target value	Actual value 2018	Degree of target achievement
Currency-neutral sales growth	30%	by 10%	8.3%	72%
Operating margin increase	30%	to 10.4%	10.8%	150%
Individual criterion 1	20%	individual	individual	individual
Individual criterion 2	20%	individual	individual	individual

Based on the targets actually achieved, this results in a degree of target achievement between 67% and 118% (2017: between 132% and 140%) for the individual Executive Board members for the year under review. When determining the respective individual degrees of target achievement, the Supervisory Board did not take into account any extraordinary positive or negative developments which are not related to the performance of the Executive Board.

### LTIP 2018/2020: PERFORMANCE YEAR 2018

In the 2018 financial year, 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. ▮ SEE TABLE 4

### LTIP 2018/2020: Target achievement in the performance year 2018

8

Performance criterion	100% target value	Actual value 2018	Degree of target achievement
Increase in net income from continuing operations compared to the previous year	+ € 210 million	+ € 279 million	149%

Based on the actual target achievement, this results in a degree of target achievement of 149% (2017: 150%) for each Executive Board member for the performance year 2018.

▮ SEE TABLE 8 When determining the degree of target achievement, the Supervisory Board did not take into account any extraordinary positive or negative developments which are not related to the performance of the Executive Board. The Executive Board members have to invest the Grant Amount which remains after deducting applicable taxes and social security contributions (LTIP payout amount) into the acquisition of adidas AG shares. The shares acquired will be subject to a lock-up period ending upon expiry of the month in which the Annual General Meeting of adidas AG takes place in the 2022 financial year. ▮ SEE SECTION ON 'LONG-TERM INCENTIVE PLAN 2018/2020 (LTIP 2018/2020)', P. 43

The Executive Board was not granted a special bonus.

**PENSION COMMITMENTS**

The service costs for the pension commitments granted to the Executive Board members in the 2018 financial year and the cash values of the vested rights are set out individually.

SEE TABLE 9

**OVERALL COMPENSATION FOR 2018 IN ACCORDANCE WITH THE CODE**

Based on the Supervisory Board's determination outlined above, the overall compensation of the Executive Board for the 2018 financial year amounts to € 23,912 million

(2017: € 38.013 million). Due to the LTIP 2015/2017 Bonus paid out for the three-year period 2015 to 2017 in the 2017 financial year, the overall compensation for the year under review is lower than the overall compensation for the 2017 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 2017 and 2018 financial years in case of 100% target achievement of the performance-related compensation are disclosed including other benefits and service costs, and also including the maximum and minimum achievable compensation. SEE TABLE 10

Pension commitments in the 2018 financial year in €

9

	Service costs		Accumulated pension obligation for the pension commitments excluding deferred compensation	
	2018	2017	2018	2017
<b>Executive Board members incumbent as at December 31, 2018</b>				
Kasper Rorsted	1,052,993	1,243,202	2,114,236	1,523,987
Roland Auschel	402,742	430,138	1,622,119	1,457,786
Eric Liedtke	447,154	502,371	1,587,967	1,387,206
Harm Ohlmeyer (since March 7, 2017)	386,523	385,521	741,407	385,521
Karen Parkin (since May 12, 2017)	375,785	289,045	644,177	289,045
Gil Steyaert (since May 12, 2017) <sup>1</sup>	528,998	296,747	825,745	296,747
<b>Total</b>	<b>3,194,195</b>	<b>3,147,024</b>	<b>7,535,651</b>	<b>5,340,292</b>
<b>Executive Board members departed in the 2017 financial year</b>				
Glenn Bennett (until August 4, 2017) <sup>2</sup>	-	872,497	-	-
Robin J. Stalker (until the end of the Annual General Meeting on May 11, 2017) <sup>3</sup>	-	880,423	-	-
<b>Total</b>	<b>-</b>	<b>1,752,920</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs 2018 correspond to the gross contribution credited by the company for the respective financial year to the special account opened for the Executive Board member as well as to the gross contribution recalculated on a pro rata basis for the 2017 financial year in the amount of € 37,674. The accumulated pension obligation 2018 for Gil Steyaert's pension commitment corresponds to the gross contribution credited by the company since his appointment to the Executive Board to the special account opened for the Executive Board member.

<sup>2</sup> The prorated service costs 2017 for Glenn Bennett also comprise the contractually agreed follow-up bonus in the amount of € 693,085 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>3</sup> 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.

## Benefits granted in €

10

	Kasper Rorsted Chief Executive Officer				Roland Auschel Executive Board member, Global Sales			
	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed compensation	2,000,000	2,000,000	2,000,000	2,000,000	750,000	920,000	920,000	920,000
Other benefits	452	19,314	19,314	19,314	17,943	17,943	17,943	17,943
<b>Total</b>	<b>2,000,452</b>	<b>2,019,314</b>	<b>2,019,314</b>	<b>2,019,314</b>	<b>767,943</b>	<b>937,943</b>	<b>937,943</b>	<b>937,943</b>
One-year variable compensation <sup>1</sup>	1,714,286	1,428,571	0	2,142,857	642,857	657,143	0	985,715
Multi-year variable compensation	2,000,000	2,285,714	0	3,428,571	750,000	1,051,429	0	1,577,144
LTIP 2018/2020 (tranche 2018)	–	2,285,714	0	3,428,571	–	1,051,429	0	1,577,144
LTIP 2015/2017 <sup>2</sup>	2,000,000	–	–	–	750,000	–	–	–
<b>Total</b>	<b>5,714,738</b>	<b>5,733,599</b>	<b>2,019,314</b>	<b>7,590,741</b>	<b>2,160,800</b>	<b>2,646,515</b>	<b>937,943</b>	<b>3,500,801</b>
Service costs <sup>3</sup>	1,243,202	1,052,993	1,052,993	1,052,993	430,138	402,742	402,742	402,742
<b>Overall compensation</b>	<b>6,957,940</b>	<b>6,786,592</b>	<b>3,072,307</b>	<b>8,643,734</b>	<b>2,590,938</b>	<b>3,049,257</b>	<b>1,340,685</b>	<b>3,903,543</b>

	Eric Liedtke Executive Board member, Global Brands				Harm Ohlmeyer 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			
	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed compensation	820,000	1,000,000	1,000,000	1,000,000	561,603	687,225	687,225	687,225
Other benefits	12,575	24,475	24,475	24,475	14,650	17,826	17,826	17,826
<b>Total</b>	<b>832,575</b>	<b>1,024,475</b>	<b>1,024,475</b>	<b>1,024,475</b>	<b>576,254</b>	<b>705,051</b>	<b>705,051</b>	<b>705,051</b>
One-year variable compensation <sup>1</sup>	702,857	714,286	0	1,071,429	481,374	490,875	0	736,313
Multi-year variable compensation	820,000	1,142,857	0	1,714,286	561,603	785,400	0	1,178,100
LTIP 2018/2020 (tranche 2018)	–	1,142,857	0	1,714,286	–	785,400	0	1,178,100
LTIP 2015/2017 <sup>2</sup>	820,000	–	–	–	561,603	–	–	–
<b>Total</b>	<b>2,355,432</b>	<b>2,881,618</b>	<b>1,024,475</b>	<b>3,810,190</b>	<b>1,619,231</b>	<b>1,981,326</b>	<b>705,051</b>	<b>2,619,464</b>
Service costs <sup>3</sup>	502,371	447,154	447,154	447,154	385,521	386,523	386,523	386,523
<b>Overall compensation</b>	<b>2,857,803</b>	<b>3,328,772</b>	<b>1,471,629</b>	<b>4,257,344</b>	<b>2,004,752</b>	<b>2,367,849</b>	<b>1,091,574</b>	<b>3,005,987</b>

## Benefits granted in €

10

	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			
	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed compensation	437,829	687,225	687,225	687,225	437,829	687,225	687,225	687,225
Other benefits	14,070	18,692	18,692	18,692	8,590	20,904	20,904	20,904
<b>Total</b>	<b>451,899</b>	<b>705,917</b>	<b>705,917</b>	<b>705,917</b>	<b>446,419</b>	<b>708,129</b>	<b>708,129</b>	<b>708,129</b>
One-year variable compensation <sup>1</sup>	375,282	490,875	0	736,313	375,282	490,875	0	736,313
Multi-year variable compensation	437,829	785,400	0	1,178,100	437,829	785,400	0	1,178,100
LTIP 2018/2020 (tranche 2018)	-	785,400	0	1,178,100	-	785,400	0	1,178,100
LTIP 2015/2017 <sup>2</sup>	437,829	-	-	-	437,829	-	-	-
<b>Total</b>	<b>1,265,010</b>	<b>1,982,192</b>	<b>705,917</b>	<b>2,620,330</b>	<b>1,259,529</b>	<b>1,984,404</b>	<b>708,129</b>	<b>2,622,541</b>
Service costs <sup>3</sup>	289,045	375,785	375,785	375,785	296,747	528,998	528,998	528,998
<b>Overall compensation</b>	<b>1,554,055</b>	<b>2,357,977</b>	<b>1,081,702</b>	<b>2,996,115</b>	<b>1,556,276</b>	<b>2,513,402</b>	<b>1,237,127</b>	<b>3,151,539</b>

## Benefits granted in €

10

	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			
	2017 <sup>4,5</sup>	2018	2018 (min.)	2018 (max.)	2017 <sup>6</sup>	2018	2018 (min.)	2018 (max.)
Fixed compensation	421,115	-	-	-	241,512	-	-	-
Other benefits	19,862	-	-	-	7,265	-	-	-
<b>Total</b>	<b>440,977</b>	-	-	-	<b>248,777</b>	-	-	-
One-year variable compensation <sup>1</sup>	694,822	-	-	-	556,200	-	-	-
Multi-year variable compensation	887,847	-	-	-	741,800	-	-	-
LTIP 2018/2020 (tranche 2018)	-	-	-	-	-	-	-	-
LTIP 2015/2017 <sup>2</sup>	887,847	-	-	-	741,800	-	-	-
<b>Total</b>	<b>2,023,647</b>	-	-	-	<b>1,546,777</b>	-	-	-
Service costs <sup>3</sup>	872,497	-	-	-	880,423	-	-	-
<b>Overall compensation</b>	<b>2,896,144</b>	-	-	-	<b>2,427,199</b>	-	-	-

1 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 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.

2 Contractually agreed LTIP Bonus target amount 2015/2017 due to the 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 during the plan term.

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 the end of August 4, 2017] during the plan term.

3 Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs 2018 correspond to the gross contribution credited by the company for the respective financial year to the special account opened for the Executive Board member as well as to the gross contribution recalculated on a pro rata basis for the 2017 financial year in the amount of € 37,674. 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.

4 Exchange rate 1.12662 \$/€ [annual average rate 2017].

5 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 terminated 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 in the 2017 financial year.

6 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 terminated 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 in the 2017 financial year.

**ALLOCATION IN ACCORDANCE WITH THE CODE**

Pursuant to the recommendations of the Code, the annual fixed compensation, other benefits, the Performance Bonus,

the LTIP Bonus as well as the service costs are disclosed as an allocation for the financial year in which the compensation was granted. [SEE TABLE 11](#)

Allocation in €

11

	Kasper Rorsted Chief Executive Officer		Roland Auschel Executive Board member, Global Sales		Eric Liedtke Executive Board member, Global Brands	
	2018	2017	2018	2017	2018	2017
Fixed compensation	2,000,000	2,000,000	920,000	750,000	1,000,000	820,000
Other benefits	19,314	452	17,943	17,943	24,475	12,575
<b>Total</b>	<b>2,019,314</b>	<b>2,000,452</b>	<b>937,943</b>	<b>767,943</b>	<b>1,024,475</b>	<b>832,575</b>
One-year variable compensation <sup>1</sup>	1,685,714	2,400,000	624,286	880,714	707,143	969,943
Multi-year variable compensation	3,405,714	4,250,000	1,566,629	2,975,000	1,702,857	3,080,000
LTIP 2018/2020 (tranche 2018) <sup>2</sup>	3,405,714	-	1,566,629	-	1,702,857	-
LTIP 2015/2017 <sup>3</sup>	-	4,250,000	-	2,975,000	-	3,080,000
Other	-	-	-	-	-	-
<b>Total<sup>4</sup></b>	<b>7,110,741</b>	<b>8,650,453</b>	<b>3,128,858</b>	<b>4,623,657</b>	<b>3,434,476</b>	<b>4,882,518</b>
Service costs <sup>5</sup>	1,052,993	1,243,202	402,742	430,138	447,154	502,371
<b>Overall compensation</b>	<b>8,163,734</b>	<b>9,893,655</b>	<b>3,531,600</b>	<b>5,053,795</b>	<b>3,881,630</b>	<b>5,384,889</b>

	Harm Ohlmeyer 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		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	
	2018	2017	2018	2017	2018	2017
Fixed compensation	687,225	561,603	687,225	437,829	687,225	437,829
Other benefits	17,826	14,650	18,692	14,070	20,904	8,590
<b>Total</b>	<b>705,051</b>	<b>576,254</b>	<b>705,917</b>	<b>451,899</b>	<b>708,129</b>	<b>446,419</b>
One-year variable compensation <sup>1</sup>	559,598	640,228	525,236	495,372	328,886	502,878
Multi-year variable compensation	1,170,246	842,405	1,170,246	656,743	1,170,246	656,743
LTIP 2018/2020 (tranche 2018) <sup>2</sup>	1,170,246	-	1,170,246	-	1,170,246	-
LTIP 2015/2017 <sup>3</sup>	-	842,405	-	656,743	-	656,743
Other	-	-	-	-	-	-
<b>Total<sup>4</sup></b>	<b>2,434,895</b>	<b>2,058,886</b>	<b>2,401,399</b>	<b>1,604,015</b>	<b>2,207,261</b>	<b>1,606,040</b>
Service costs <sup>5</sup>	386,523	385,521	375,785	289,045	528,998	296,747
<b>Overall compensation</b>	<b>2,821,418</b>	<b>2,444,407</b>	<b>2,777,184</b>	<b>1,893,060</b>	<b>2,736,259</b>	<b>1,902,787</b>

Allocation in €

11

	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	
	2018	2017 <sup>6,7</sup>	2018	2017 <sup>8</sup>
Fixed compensation	-	421,115	-	241,512
Other benefits	-	19,862	-	7,265
<b>Total</b>	-	<b>440,977</b>	-	<b>248,777</b>
One-year variable compensation <sup>1</sup>	-	924,113	-	739,746
Multi-year variable compensation	-	3,995,313	-	3,338,100
LTIP 2018/2020 (tranche 2018) <sup>2</sup>	-	-	-	-
LTIP 2015/2017 <sup>3</sup>	-	3,995,313	-	3,338,100
Other	-	-	-	-
<b>Total<sup>4</sup></b>	-	<b>5,360,404</b>	-	<b>4,326,623</b>
Service costs <sup>5</sup>	-	872,497	-	880,423
<b>Overall compensation</b>	-	<b>6,232,901</b>	-	<b>5,207,045</b>

<sup>1</sup> 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 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.

<sup>2</sup> The Grant Amount which remains for the respective annual LTIP tranche after deduction of applicable taxes and social security contributions (LTIP payout amount) must be invested in the acquisition of adidas AG shares. These shares are subject to a lock-up period which ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The LTIP payout amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the approval of the consolidated financial statements by the Supervisory Board.

<sup>3</sup> Contractually agreed LTIP Bonus target amount 2015/2017 due to the 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 during the plan term.

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 the end of August 4, 2017] during the plan term.

<sup>4</sup> The compensation components set out above constitute the overall compensation both for the 2018 financial year and for the previous year, which have to be set out individually in accordance with German Commercial Law.

<sup>5</sup> Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs 2018 correspond to the gross contribution credited by the company for the respective financial year to the special account opened for the Executive Board member as well as to the gross contribution recalculated on a pro rata basis for the 2017 financial year in the amount of € 37,674. 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 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.

<sup>6</sup> Exchange rate 1.12662 \$/€ (annual average rate 2017).

<sup>7</sup> Service costs 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 terminated 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 in the 2017 financial year.

<sup>8</sup> Service costs 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 terminated 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 in the 2017 financial year.

## OVERALL PAYMENTS TO FORMER MEMBERS OF THE EXECUTIVE BOARD AND THEIR SURVIVING DEPENDENTS

In the 2018 financial year, overall payments to former members of the Executive Board and their surviving dependents amounted to € 3.746 million (2017: € 13.520 million). The amount of overall payments is lower than in the previous year because the overall payments for 2017 took into account compensation payments for the former Executive Board members Herbert Hainer, Robin J. Stalker and Glenn Bennett, who departed from the Executive Board in the 2016 or 2017 financial year.

Provisions for pension entitlements were created for former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents, amounting to € 43.904 million (2017: € 44.587 million) in total as at December 31, 2018. 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 € 40.969 million (2017: € 40.106 million) arise for adidas AG, for which no accruals were established due to financing through the pension fund and pension trust fund.

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.

## MISCELLANEOUS

The Executive Board members do not receive any additional compensation for mandates within adidas. The Executive Board members have not received any loans or advance payments from adidas AG.

## COMPENSATION OF THE SUPERVISORY BOARD MEMBERS

The compensation system which has been applicable for the members of the Supervisory Board since July 1, 2017 was adopted by the shareholders at the Annual General Meeting on May 11, 2017.

## 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 performance-related 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 two deputies receive higher fixed compensation. [SEE TABLE 12](#)

## Fixed compensation for Supervisory Board function

12

	Supervisory Board member	Chairman	Deputy Chairman
	Base amount	300% of the base amount	200% of the base amount
Based on full year	€ 80,000	€ 240,000	€ 160,000

## ADDITIONAL COMPENSATION FOR MEMBERSHIP IN A COMMITTEE

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. [SEE TABLE 13](#)

## Compensation for membership in a committee

13

	General Committee and Finance and Investment Committee		Audit Committee	
	Member	Chairman	Member	Chairman
In % of the base amount	50%	100%	100%	200%
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 their task in the committee with the highest compensation.

### **REDUCED FIXED COMPENSATION AND ADDITIONAL COMPENSATION IN CASE OF MEMBERSHIP FOR 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 for membership in a committee are reduced accordingly on a pro rata temporis basis.

### **ATTENDANCE FEES**

For each personal attendance of meetings requiring personal attendance, the Supervisory Board members are also granted an attendance fee in the amount of € 1,000. Members of committees that are formed on an ad hoc basis do not receive an attendance fee. If several meetings take place on one day, the attendance fee is only paid once.

### **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 2018**

### **FIXED COMPENSATION AND ATTENDANCE FEES**

The total compensation paid to the Supervisory Board in the 2018 financial year amounted to € 2.20 million (2017: € 1.78 million). In addition, attendance fees totaling € 129,000 (2017: € 126,750) were paid. [SEE TABLE 14](#) The increase in the total compensation paid for the 2018 financial year compared to the 2017 financial year is attributable, in particular, to the adjustment of the Supervisory Board compensation effective July 1, 2017 and the fact that 2018 was the first financial year in which the Supervisory Board received the adjusted compensation for the entire year.

### **MISCELLANEOUS**

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

## Compensation of Supervisory Board members in €

14

	2018 Fixed compensation	2018 Compensation committee work	2018 Attendance fees	Total	2017 Fixed compensation	2017 Compensation committee work	2017 Attendance fees	Total
<b>Supervisory Board members</b>								
Igor Landau, Chairman of the Supervisory Board	240,000	80,000	9,000	329,000	195,000	65,000	9,750	269,750
Sabine Bauer, Deputy Chairwoman of the Supervisory Board	160,000	40,000	9,000	209,000	130,000	32,500	9,750	172,250
Willi Schwerdtle, Deputy Chairman of the Supervisory Board	160,000	40,000	9,000	209,000	130,000	32,500	9,000	171,500
Dr. Frank Appel (from the end of the Annual General Meeting on May 9, 2018)	51,398	–	4,000	55,398	–	–	–	–
Ian Gallienne	80,000	80,000	9,000	169,000	65,000	55,860	10,000	130,860
Dieter Hauenstein	80,000	–	6,000	86,000	65,000	–	6,250	71,250
Dr. Wolfgang Jäger	80,000	80,000	12,000	172,000	65,000	65,000	10,750	140,750
Dr. Stefan Jentzsch (until the end of the Annual General Meeting on May 9, 2018)	28,602	–	3,000	31,602	65,000	9,140	7,000	81,140
Herbert Kauffmann	80,000	160,000	12,000	252,000	65,000	117,500	10,750	193,250
Katja Kraus	80,000	–	6,000	86,000	65,000	–	6,250	71,250
Kathrin Menges	80,000	–	6,000	86,000	65,000	–	4,250	69,250
Udo Müller	80,000	–	7,000	87,000	65,000	–	6,250	71,250
Roland Nosko	80,000	40,000	9,000	129,000	65,000	32,500	9,750	107,250
Hans Ruprecht	80,000	80,000	10,000	170,000	65,000	65,000	10,750	140,750
Nassef Sawiris	80,000	–	7,000	87,000	65,000	–	5,250	70,250
Heidi Thaler-Veh	80,000	–	5,000	85,000	65,000	–	5,500	70,500
Kurt Wittmann	80,000	–	6,000	86,000	65,000	–	5,500	70,500
<b>Total</b>	<b>1,600,000</b>	<b>600,000</b>	<b>129,000</b>	<b>2,329,000</b>	<b>1,300,000</b>	<b>475,000</b>	<b>126,750</b>	<b>1,901,750</b>

# OUR SHARE

Global stock markets were volatile throughout the year and ended 2018 on a negative note. The DAX-30 and the EURO STOXX 50 decreased by 18% and 14%, respectively, while the MSCI World Textiles, Apparel & Luxury Goods Index was down 5%. The adidas AG share outperformed the broader stock market and ended 2018 with an increase of 9% compared to the prior year. As a result of the strong operational performance in 2018 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 € 3.35 at our 2019 Annual General Meeting.

## ADIDAS AG SHARE RISES AND OUTPERFORMS BROADER STOCK MARKET IN 2018

In 2018, global stock markets ended the year on a negative note, following a period of pronounced volatility in the second half of the year. US-China trade tension and political turmoil in parts of Europe in combination with nascent concerns about a

slowdown of global economic growth weighed on capital markets. In addition, further interest rate hikes by the Federal Reserve put pressure on equities. As a result, the DAX-30 decreased 18%, while the EURO STOXX 50 was down 14% in 2018. The MSCI World Textiles, Apparel & Luxury Goods Index ended the year with a 5% decrease. [SEE TABLE 16](#) The adidas AG share outperformed global stock markets and ended the year 9% above the 2017 year-end level. Strong financial results resulted in an upgrade of the company's full year 2018 profitability outlook in November, which helped to further build investors' confidence in the successful execution of our strategic business plan '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 € 216.00 in the course of the year. However, the global stock market sell-off in the second half of 2018 also dragged down our share in subsequent months. Nevertheless, the adidas AG share closed the year at € 182.40 and thus 9% above the prior year-end level, making it one of the top performers in the DAX-30. [SEE DIAGRAM 15](#)

Performance of the adidas AG share and important indices at year-end 2018 in % 16

	1 year	3 years	5 years	10 years
adidas AG	9	103	97	572
DAX-30	(18)	(2)	11	120
EURO STOXX 50	(14)	(8)	(3)	23
MSCI World Textiles, Apparel & Luxury Goods	(5)	25	16	283

Source: Bloomberg.

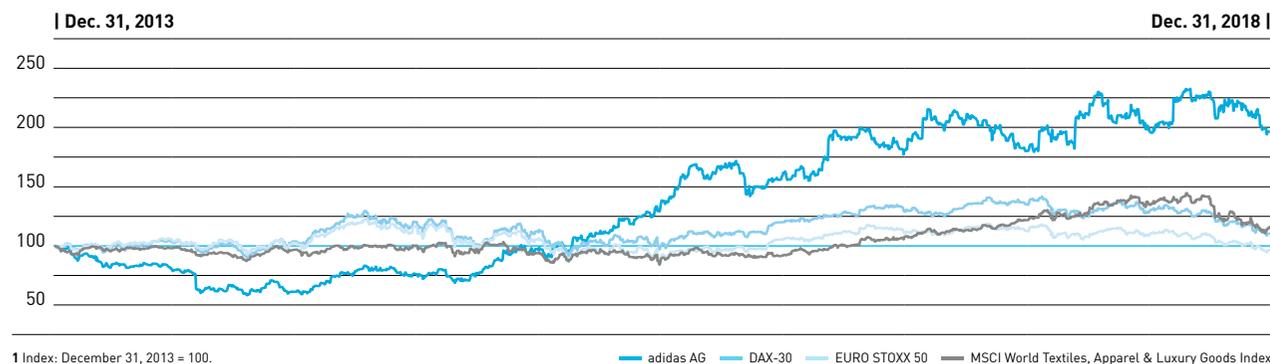
## LEVEL 1 ADR PERFORMS IN LINE WITH COMMON STOCK

Our Level 1 ADR closed 2018 at US \$ 104.34, representing an increase of 5% versus the prior year level (2017: US \$ 99.82). The less pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the appreciation of the US dollar versus the euro in 2018. The number of Level 1 ADRs outstanding increased to 9.0 million at year-end 2018 compared to 7.1 million at the end of 2017. The average daily trading volume decreased to around 51,400 ADRs in 2018 (2017: around 60,200). Further information on our ADR program can be found on our website. [ADIDAS-GROUP.COM/ADR](https://www.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, 2018, our weighting in the DAX-30, which is calculated on the basis of free float market capitalization and twelve-month share turnover, improved to 3.94% (2017: 3.01%). 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 9 on market capitalization (2017: 11) and 11 on turnover (2017: 12) at

Five-year share price development<sup>1</sup> 15



<sup>1</sup> Index: December 31, 2013 = 100.

year-end 2018. Additionally, in recognition of our economic, social and environmental efforts, adidas AG is listed in several key sustainability indices and was rated industry leader in the Dow Jones Sustainability Indices in 2018. [SEE TABLE 17](#)

## 2012 CONVERTIBLE BOND FULLY CONVERTED

In March 2012, adidas AG 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 € 80.48 per share. This adjustment became effective on May 10, 2018. The bonds have been callable by the issuer since June 2017. In 2018, 377,630 shares were transferred following the exercise of conversion rights, all of which were serviced from treasury shares of the company. [SEE NOTE 27, P. 184](#) Consequently, as at December 31, 2018, the convertible bond was fully converted (2017: 94%).

## 2018 EQUITY-NEUTRAL CONVERTIBLE BOND SUCCESSFULLY PLACED

On September 5, 2018, adidas AG successfully placed a € 500 million equity-neutral convertible bond. The proceeds of the offering will be used for general corporate purposes and to finance a portion of the multi-year share buyback program. The convertible bond has a term of five years and has a coupon of 0.05%. The issue price was fixed at 104% of the nominal value, corresponding to an annual yield to maturity of -0.73%, and the offering was 2.7 times oversubscribed. Investors will have conversion rights in respect to the convertible bond which will be settled in cash by reference to the share price. Due to the cash settlement, the issue and conversion of the convertible bond will not

result in the issuance of any new shares nor will adidas AG be required to deliver existing shares. The economic exposure to pay cash amounts under the convertible bond upon any exercise of conversion rights by investors is fully hedged.

## DIVIDEND PROPOSAL OF € 3.35 PER SHARE

As a result of the strong operational performance in 2018, 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 € 3.35 per dividend-entitled share to shareholders at the Annual General Meeting (AGM) on May 9, 2019. This represents an increase of 29% compared to the prior year

### Dividend proposal

€ 3.35

adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 3.35 per dividend-entitled share to shareholders at the Annual General Meeting (AGM) on May 9, 2019. This represents an increase of 29% compared to the prior year

### The adidas AG share

		2018	2017 <sup>1</sup>	Important indices
Number of shares outstanding <sup>2</sup>	shares	199,171,345	203,861,234	— DAX-30
Basic earnings per share <sup>3</sup>	€	8.46	7.05	— EURO STOXX 50
Diluted earnings per share <sup>3</sup>	€	8.45	7.00	— MSCI World Textiles, Apparel & Luxury Goods
Year-end price	€	182.40	167.15	— Deutsche Börse Prime Consumer (World and Europe)
Year high	€	216.00	199.95	— FTSE4Good Index Series
Year low	€	166.40	143.80	— MSCI World ESG Leaders Index
Market capitalization <sup>4</sup>	€ in millions	36,329	34,075	— MSCI Global Sustainability Indices
Dividend per share	€	3.35 <sup>5</sup>	2.60	— MSCI SRI Indices
Dividend payout	€ in millions	666 <sup>6</sup>	528	— STOXX Global ESG Leaders
Dividend payout ratio <sup>3</sup>	%	39.0 <sup>6</sup>	37.0	— ECPI Ethical Equity Indices (Global, Euro and EMU)
Dividend yield	%	1.8	1.6	— ECPI ESG Equity (World and Euro)
Shareholders' equity per share <sup>4</sup>	€	32.02	29.59	— Ethibel Sustainability Indices (Global and Europe)
Price-earnings ratio at year-end <sup>7</sup>	%	21.6	23.7	— Euronext Vigeo (Eurozone 120)
Average trading volume per trading day <sup>8</sup>	shares	824,045	653,389	

<sup>1</sup> Excluding the 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 the number of shares outstanding at the date of preparation of the Consolidated Financial Statements.

<sup>7</sup> Based on basic EPS from continuing operations.

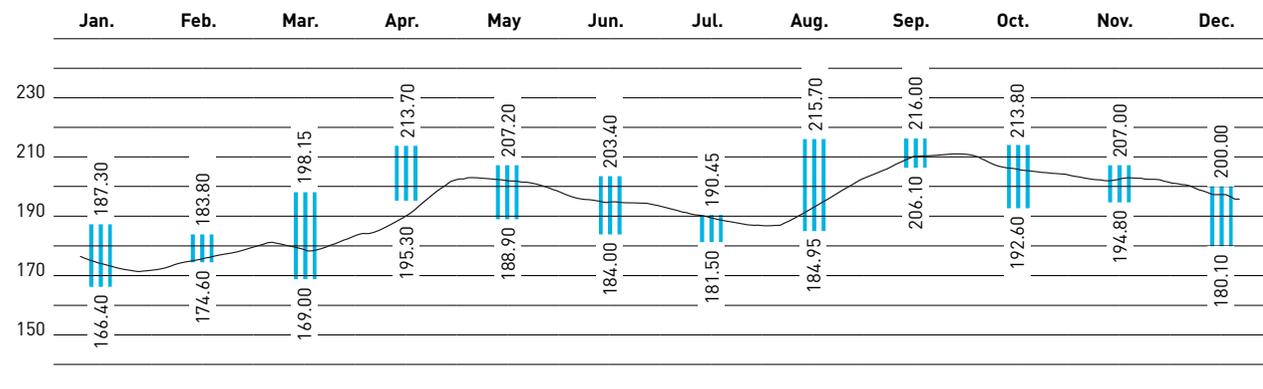
<sup>8</sup> Based on number of shares traded on all German stock exchanges.

17

OUR SHARE

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

18



— 30-day moving average    ■ High and low share prices

Source: Bloomberg.

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

granted by the Annual General Meeting on May 12, 2016. The authorization covers the repurchase of up to 10% of the company’s share capital on the stock exchange. The vast majority of the share buyback program will be financed through the company’s net cash position as well as the expected strong operating cash flow generation in the years ahead. In a first tranche, between March 22, 2018, and December 4, 2018, the company bought back 5.1 million shares, corresponding to 2.5% of the company’s share capital, for a total consideration of € 1.0 billion. The average purchase price per share was € 196.45. A total of 8.8 million treasury shares, which resulted from the current and the previous buyback program, were canceled in October, reducing the company’s share count and stock capital correspondingly.

**STRONG INTERNATIONAL INVESTOR BASE**

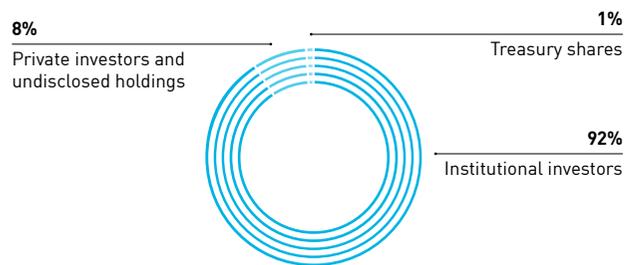
Based on our share register, we estimate that adidas AG currently has more than 80,000 shareholders (2017: 70,000). In our latest ownership analysis conducted in January 2019, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 92% of shares outstanding (2017: 87%). Private investors and undisclosed holdings account for 8% (2017: 10%). Lastly, adidas AG currently holds 1% of the company’s shares as treasury shares (2017: 3%); this decline versus the prior year mainly reflects the cancellation of treasury shares resulting from our share buyback activities.

SEE DIAGRAM 19

In terms of geographical distribution, the North American market currently accounts for 43% of institutional shareholdings (2017: 40%), followed by the UK with 21% (2017: 18%). Identified German institutional investors hold 10% of shares outstanding (2017: 11%). Belgium and France account for 9% (2017: 9%) and 6% (2017: 6%), respectively. 11% of institutional shareholders were identified in other regions of the world (2017: 15%). SEE DIAGRAM 20

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

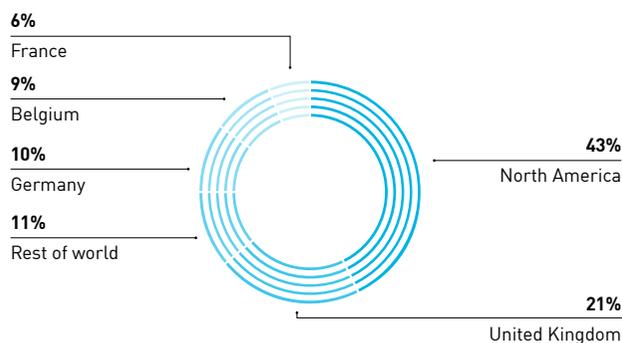
19



<sup>1</sup> As of January 2019.

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

20



<sup>1</sup> As of January 2019.  
<sup>2</sup> Reflects institutional investors only.

## MAJORITY OF ANALYSTS WITH A POSITIVE RATING OF ADIDAS AG SHARE

Around 40 analysts from investment banks and brokerage firms regularly publish 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, 2018. 59% of analysts recommended investors to 'buy' our share (2017: 46%). 36% advised to 'hold' our share (2017: 46%) and 5% of the analysts recommended to 'sell' our share (2017: 8%).

## VOTING RIGHTS NOTIFICATIONS PUBLISHED

All voting rights notifications received in 2018 in accordance with §§ 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) (§§ 21 et seq. German Securities Trading Act old version) are published on our corporate website. [➔ ADIDAS-GROUP.COM/S/VOTING\\_RIGHTS\\_NOTIFICATIONS](https://www.adidas-group.com/s/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 27, P. 184](#)

## 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, 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)

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(P. 18, 21, 22, 23, 24)  
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SPORT, P. 16)

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