Report of the Executive Board on Agenda Item 9 pursuant to §§ 71 section 1 number 8, 186 section 4 sentence 2 AktG

Under Agenda Item 9, the Executive Board and Supervisory Board propose that the Company be authorised, pursuant to § 71 section 1 number 8 AktG and in accordance with customary corporate practices, to repurchase its outstanding treasury shares up to a total of 10% of the nominal capital valid at the time of the adoption of the resolution on May 12, 2016 or – if this amount is lower – on the date on which the aforementioned authorisation is exercised.

The Executive Board gives a written report on this topic in accordance with §§ 71 section 1 number 8, 186 section 4 sentence 2 AktG, which is published in full hereafter:

General

The authorisation for the repurchase of treasury shares adopted by the Annual General Meeting on May 8, 2014 only expires on May 7, 2019. However, against the background of the planned introduction of an employee share purchase plan in favour of (current and former) employees of the Company and its affiliated companies as well as in favour of (current and former) members of management bodies of the Company's affiliated companies, the Executive Board shall explicitly be given the possibility to acquire treasury shares while utilising the authorisation in accordance with § 71 section 1 number 8 AktG in order to also issue these shares within the framework of an employee share purchase plan. Thus, the authorisation shall be renewed and amended by the necessary components by the Annual General Meeting, and the resolution on the authorisation adopted on May 8, 2014 shall be cancelled with the entry into force of the new resolution on the authorisation.

The Supervisory Board may provide that transactions based on these authorisations may only be carried out subject to the approval of the Supervisory Board or one of its committees.

Repurchase

When repurchasing treasury shares, the principle of non-discrimination under § 53a AktG must be observed. The proposed repurchase of shares either via the stock exchange, through a public repurchase offer, through a public invitation to submit sale offers or the issuance of tender rights to shareholders adheres to this principle. If the public offer or public invitation to submit a sale offer is over-subscribed, i. e. in total more shares were offered to the Company for purchase than the Company is to buy, the acceptances must be done on a pro-rata basis. In such a case, the ratio of the number of shares offered by individual shareholders is decisive. It is not relevant how many shares a shareholder, who offers shares for sale, holds in total. Only the offered shares are for sale. In addition, a verification of the entire number of shares of individual shareholders is not practicable. Any rights of tender held by shareholders are partially excluded in such cases. The Company may provide for a preferred acceptance of smaller amounts of shares of up to 50 tendered shares per shareholder as well as a rounding of residual amounts in accordance with general commercial principles in such a case. These prospects are intended to avoid any residual amounts when establishing the percentages to be repurchased and any residual amounts and therefore serve to facilitate and simplify the technical settlement. Any tender rights of shareholders are therefore also partially excluded in this case.

Sale and other ways of utilisation

Under the proposed authorisation, treasury shares repurchased by the Company may either be cancelled or resold through a public offer made to all shareholders in relation to their shareholding quota or through transactions on the stock exchange. With respect to the latter two possibilities of selling the repurchased treasury shares, the shareholders' right of non-discrimination will be respected during the sale. In the following cases, however, the Company shall have the possibility of excluding the subscription rights of shareholders or the subscription rights are excluded necessarily in accordance with §§ 71 section 1 number 8, 186 section 3 AktG:

1) Firstly, the Executive Board is authorised to exclude residual amounts from the subscription rights in case of an offer to all shareholders in order to achieve an even subscription ratio. Without subscription rights being excluded regarding possible residual amounts, the technical settlement of the sale and the exercise of the subscription rights would be hindered considerably. The new residual amounts thus excluded from subscription rights of shareholders shall either be sold on the stock exchange or used in any other manner most favourable for the Company.

2) Furthermore, in compliance with the statutory regulation set forth in § 71 section 1 number 8 AktG, the proposed authorisation provides that the Executive Board may sell the repurchased treasury shares in a manner other than through a sale on the stock exchange or an offer made to all shareholders if the repurchased treasury shares are sold in exchange for cash payment in accordance with § 186 section 3 sentence 4 AktG at a price that as of the date of sale is not significantly below the stock market price for the Company's shares with the same features. The date of sale shall be considered the date of entering into the assignment agreement, even if such is still subject to the fulfilment of certain conditions. If the assignment is not preceded by a particular assignment agreement, the date of sale shall be the date of the assignment itself. This shall also apply if the assignment agreement specifies the date of assignment as relevant date. The final sales price for treasury shares will be established prior to the sale of the treasury shares. This possibility of selling treasury shares is limited to 10% of the nominal capital taking into account the calculations stipulated in the proposed resolution.

   The prospect of selling treasury shares as described above is in the best interest of the Company and the shareholders since the sale of shares to institutional investors, for example, will attract additional domestic and foreign shareholders. In addition, the Company will then be in a position to restructure its own equity capital to meet its respective business needs and to react quickly and flexibly to a more favourable stock market environment. The property interests and voting rights interests of the shareholders will be respected. In view of the small volume of a maximum of 10% of the nominal capital, the shareholders will not suffer any detriment since the shares sold subject to the exclusion of the shareholders' subscription rights may be sold only at a price, which - as of the date of the sale - is not significantly below the stock market price for the Company's shares with the same features. Interested shareholders may on approximately the same terms and conditions purchase on the stock exchange the number of shares required to maintain their respective shareholding quota.

3) The Company shall also be able to offer its treasury shares as consideration in connection with mergers and (also the indirect) acquisition of companies, parts of companies or participations. The proposed authorisation shall further enable the Company to also use treasury shares as consideration for the contribution of other business assets, especially real estate and rights to real estate or receivables (also from the company) (see 4) below for the purchase of intellectual/intangible property rights).

   The price at which treasury shares are used in any such case will depend on the corresponding timing and respective circumstances of the individual case. When setting the price, the Executive Board and the Supervisory Board shall act in the best interests of the Company and, if possible, in line with the stock market price.

   Historically, the Executive Board has continuously reviewed opportunities for the Company to purchase companies, parts of companies or participations in companies which are involved in the business of producing and selling sports or leisure goods or are otherwise involved in the business of the Company. The purchase of such participations, companies or parts of companies by the Company or a subordinated group company is in the Company's best interest if the purchase expectedly solidifies or strengthens the market position of the Group or allows for or facilitates the access to new business sectors. The granting of shares in the other cases of purchase of other business assets will be in the best interest of the Company if the business assets acquired are useful for the Company's business or promises advantages for the financial position, assets or liabilities and profit or loss of the Company and if a purchase in return for cash is not possible or is not possible at reasonable conditions.

   In order to be able to quickly and flexibly react to a legitimate interest of a seller or of the Company in a (part) payment in the form of shares of the Company for such acquisitions, the Executive Board must – to the extent that authorised capital cannot or should not be used – have the authority to grant treasury shares of the Company while excluding the shareholders' subscription rights. Since the volume of treasury shares will be limited and the shares shall be issued at a price that is based on the stock market price, if possible, the interested shareholders will have the opportunity, at about the same time as treasury shares are sold for the aforementioned purposes of acquiring companies, parts of companies or participations or otherwise and the shareholders' subscription rights are excluded, to purchase additional shares on the stock exchange to a large extent on comparable terms and conditions.

   Based on the aforementioned considerations, the Executive Board believes that the proposed authorisation to utilise treasury shares is in the best interest of the Company, which can in any individual case justify the exclusion of the shareholders' subscription rights. The concrete exclusion of subscription rights is decided upon on a case-by-case basis by the Executive Board taking into consideration the Company's interests in any specific transaction, the actual necessity for the (partial) granting of shares and the evaluation of the share and the consideration.

4) Furthermore, the Company shall have the opportunity to use its treasury shares as (part) consideration for the transfer of intellectual property rights or intangible property rights of athletes, sports clubs and other persons, such as trademarks, names, emblems, logos and designs, to the Company or one of its subordinated group companies for purposes of marketing the products of the Group. In addition, treasury shares shall serve as consideration for the direct or indirect acquisition of (possibly time-limited)

rights of use (licences) in such rights by the Company. Moreover, the Company shall also be able to use its treasury shares for purchasing patents and patent licences, the exploitation of which would be in the Company's interest for purposes of marketing and developing existing or new products of the Group.

In the event that athletes, sports clubs or other persons holding rights in such intellectual property rights or intangible property rights are prepared to transfer or licence such rights only in exchange for (partial) granting of shares, or, in case of cash payments, only at significantly higher prices, or if the utilisation of the Company's shares for other reasons is in the interest of the Company in such a case, the Company has to be in a position to react to such a situation in an appropriate way.

This may be the case, for example, whenever the Executive Board negotiates a sponsoring agreement with a sports club in Germany or abroad, which is intended to permit the Company to exploit the known names, emblems and/or logos of such club under a licence in order to help market the products of the Group.

Furthermore, the Executive Board considers it possible that there will be opportunities for the Company, in (partial) exchange for shares of the Company, to directly or indirectly purchase patents or licences for patent rights, the exploitation of which will be in the Company's best interest for the products that the Group currently has, is currently developing or planning to develop in the future.

The acquisition of industrial/intangible property rights or of licenses to such rights is conducted either by the Company or by subordinate group companies. If necessary, the purchase shall be made from companies or other persons to whom the relevant rights were assigned for exploitation. It is also conceivable that the granted consideration will consist of shares as well as cash (e.g. royalties) and/or other types of consideration.

The evaluation of the industrial/intangible property rights or the licences for such rights to be acquired by the Company directly or indirectly shall be carried out in accordance with market-oriented principles, if necessary, on the basis of an expert valuation. The evaluation of the shares to be granted by the Company shall be conducted taking the stock market price into consideration. Shareholders who wish to maintain their shareholding quota in the Company may therefore do so through acquiring further shares through the stock exchange at essentially comparable conditions.

The (partial) granting of shares in the aforementioned cases will be in the best interest of the Company if the use and exploitation of the intellectual/intangible property rights or the licences based thereon promises advantages for the Company in the marketing and promotion and/or development of its products and a purchase of such rights in return for cash is not possible or is possible only at a higher price at a disadvantage to the Company's liquidity and cash flow or if there are other reasons for not utilising cash.

Based on the aforesaid considerations, the Executive Board believes that the proposed authorisation for the utilisation of treasury shares is in the best interest of the Company and its shareholders, which can, in any individual case, justify the exclusion of the shareholders' subscription rights. The concrete exclusion of subscription rights is decided upon on a case-by-case basis by the Executive Board taking into consideration the Company's interests in any specific transaction, the actual necessity for the (partial) granting of shares, the proportionality while taking into account the shareholders' interests and the evaluation of the share and the consideration.

5) Thus, the authorisation to repurchase and sell treasury shares in respect of such opportunities mentioned under the above sections 3) and 4) serves the same purposes as the Authorised Capital 2015 in accordance with § 4 section 3 of the Articles of Association. The Company thus has the possibility of acquiring companies, parts of companies and participations or other business assets as well as intellectual/intangible property rights or licences for such rights by using treasury shares either previously repurchased by the Company or new shares to be issued from the Company's authorised capital reserve. The Executive Board decides on a case-by-case basis whether to use shares for one of the purposes mentioned and whether to use treasury shares repurchased on the basis of this authorisation or the Authorised Capital 2015 under § 4 section 3 of the Articles of Association.

6) In addition, the Company shall have the opportunity to use its treasury shares to service subscription or conversion rights or obligations or the right to delivery of shares of the Company based on bonds issued by the Company or by any of its direct or indirect subsidiaries based on an authorisation by the Annual General Meeting.

   The proposed resolution does not lead to the creation of a new or further authorisation to issue bonds. It merely serves the purpose of enabling the Company to service subscription or conversion rights or subscription or conversion obligations or the Company's rights to delivery of shares, which will be or were created on the basis of other authorisations granted by the Annual General Meeting, by using treasury shares instead of using the other intended amounts of Contingent Capital, provided, on a case-by-case basis and upon examination by the Executive Board and the Supervisory Board, such is in the interest of the Company. Subscription or conversion rights or subscription conversion obligations or the Company's right to delivery of shares, which are considered appropriate for servicing with treasury shares in accordance with the proposed authorisation, are based on (i) bonds which were issued on the basis of the authorisation to issue bonds with warrants and/or convertible bonds resolved upon by the Annual General Meeting on May 6, 2010 under Agenda Item 10, on (ii) bonds to be issued in the future based on the authorisation to issue bonds with warrants and/or convertible bonds proposed to the Annual General Meeting on May 8, 2014 under Agenda Item 7, as well as on (iii) bonds to be issued based on a future authorisation by the Annual General Meeting.

7) Furthermore, the Company shall be given the possibility to offer up to 4,000,000 repurchased treasury shares to (current and former) employees of the Company and its affiliated companies as well as to (current and former) members of the management bodies of affiliated companies for acquisition within the framework of employee share purchase plans. The use of treasury shares in lieu of a capital increase can be an economically reasonable alternative as it helps avoiding the expenditure associated with a capital increase, the admission of new shares for trading and the otherwise occurring dilutive effect. The issuance of employee shares is in the interest of the Company and its shareholders as it helps increasing the identification of employees and members of the management bodies with the Company as well as the willingness to assume more - particularly financial - responsibility, and as it also creates an incentive to strive for sustained growth of the Company.

As the shares shall only be issued to specific persons, an exclusion of subscription rights is required. In the view of the Executive Board and of the Supervisory Board this is justified based on the small volume of less than 2% of the current nominal capital (with an attribution of the treasury shares issued from the Authorised Capital 2016 for employee share purchase plans during the term of this authorisation) and based on the positive effects to be expected by the issuance of employee shares.

The Company intends to give the eligible persons the possibility to quarterly invest a certain portion of their compensation in shares of the Company at a reduced purchase price ("investment shares"). The reduction of the purchase price shall be assessed in a way which is common for plans of this type and in a way deemed required by the Executive Board and the Supervisory Board in order to motivate the highest possible number of eligible persons to participate. Following a one-year retention period, the participating eligible persons receive further shares in addition to the shares purchased at a reduced purchase price free of charge (so-called "matching shares"). It is intended to determine the ratio between the matching shares and the investment shares continuously held during the retention period to range between one to five and one to seven. The principal requirement for the granting of matching shares shall be that the eligible persons are employed by the Company or by one of its affiliated companies for the complete duration of the retention period. In certain exceptional cases, matching shares may also be issued to (then) former employees or members of management bodies, or the prescribed retention period may be waived. Further details of the terms of the employee share purchase plan will be included in the plan terms to be determined by the Executive Board, if required, with the Supervisory Board's approval.

The additional requirement that employee shares may only be issued to eligible persons employed by an affiliated company in the US on the basis of employee share purchase plans which are oriented towards the requirements of Section 423 of the American Internal Revenue Code is based on tax reasons. This enables eligible persons to receive non-monetary benefits with a small income tax burden within the framework of employee share purchase plans.

Through the issuance of shares with a long-term incentive effect, not only positive but also negative developments can be taken into consideration. In addition to a bonus-effect, the issuance of shares with retention periods or holding incentives does, for example, also trigger a malus-effect in case of negative developments.

In order to have sufficient shares available for employee share purchase plans for the next years, no more than 4,000,000 treasury shares can be used for this purpose. Any treasury shares issued by the Company in connection with employee share purchase plans from the Authorised Capital 2016 during the term of the authorisation shall be attributed to the maximum number of 4,000,000 treasury shares. The volume takes into account the number of potentially eligible persons, i.e. the employees of the Company and its affiliated companies as well as the members of management bodies of affiliated companies and the term of authorisation.

8) § 87 AktG stipulates that variable compensation components for Executive Board members i. a. also include components on a perennial basis for determination. It is recognised and generally common that in this respect, also share-related components are taken into consideration.

The provision under section 3) of the proposed resolution enables the Supervisory Board to pay out management bonuses in the form of shares. As the authorisation may only be used provided a reasonable level of compensation is ensured (§ 87 section 1 AktG) and further provided that an appropriate legal and economic minimum retention period is determined and that the shares shall be granted and assigned at the respective current stock market price, it is ensured that the shareholders' subscription rights are excluded only to an appropriate extent and in the interest of the Company. The Executive Board members, who receive shares as compensation on this basis, have an additional interest in achieving an increase in value of the Company expressed by the share price. They bear the price risk, as it is not permissible to dispose of or otherwise use the shares within the retention period. Thus, the Executive Board members participate in possible negative developments with their compensation. The same shall apply if the shares as part of the compensation are not immediately assigned but, with regard to the fact that there is no possibility of selling such shares anyway, are first only promised. Even then, the risk of the further share price development is borne by the respective Executive Board member.

Further details are determined by the Supervisory Board within the scope of its legal responsibilities. It particularly decides whether, when and to what extent it will utilise the authorisation (§ 87 section 1 AktG). In view of the statutory distribution of responsibilities, the Supervisory Board, however, does not have the possibility as representative of the Company to acquire shares of the Company itself for the purpose of compensating the Executive Board or to ask the Executive Board to acquire such treasury shares on its behalf. At present, there are no concrete plans with regard to the utilisation of shares for a share bonus.

Herzogenaurach, March 2016

adidas AG
The Executive Board