



**Report of the Executive Board on Agenda Item 6  
pursuant to §§ 203 section 2 sentence 2, 186 section 4 sentence 2  
German Stock Corporation Act (Aktiengesetz - AktG)**

Under Agenda Item 6, the Executive Board and the Supervisory Board propose the cancellation of the authorization pursuant to § 4 section 3 of the Articles of Association to increase the nominal capital, subject to Supervisory Board approval, from entry of this authorization with the commercial register once or several times through the issuance of new shares against contributions in kind by no more than EUR 16,000,000 (Authorized Capital 2017/II) as well as the replacement of the authorization with a new authorized capital against contributions in kind again in the amount of EUR 16,000,000 for a duration of now five years which essentially corresponds to the current authorization (Authorized Capital 2019) by way of an amendment to the Articles of Association.

Pursuant to §§ 203 section 2 sentence 2, 186 section 4 sentence 2 AktG, the Executive Board issues a written report on the authorization to exclude subscription rights in connection with the newly-proposed authorization, which is published in full hereafter:

The authorization for the issuance of new shares includes the Executive Board's authorization, subject to Supervisory Board approval, to exclude the statutory subscription rights of shareholders. This shall also be applicable if the contribution in kind is effected partly against shares and partly against a contribution in cash or another form of consideration (if necessary also treasury shares). The authorization to exclude subscription rights serves the following purpose:

- 1) The Executive Board and Supervisory Board shall have the possibility to have authorized capital at their disposal for issuing shares as (part) consideration for mergers or for the acquisition of participations, companies or parts of companies as contribution in kind. If necessary, such participations, companies or parts of companies may also be contributed to a subordinated Group company of the Company or within the scope of a company merger with a subordinated Group company.

The price at which the new shares will be issued for this purpose shall depend on the respective circumstances of the individual case and on the specific date. When setting the price, the Executive Board and the Supervisory Board shall be guided by the best interests of the Company and, if possible, be in line with the stock market price.

Historically, the Executive Board has continuously reviewed opportunities for the Company to acquire 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 acquisition of such participations, companies or parts of companies in exchange for shares is in the Company's best interest if the acquisition solidifies or strengthens the respective market position of the adidas Group or allows for or facilitates the access to new business sectors. In order to be able to quickly and flexibly react to any interest of a seller or of the Company in a payment in the form of shares of the Company for such acquisitions, the Executive Board must – to the extent that repurchased treasury shares cannot or shall not be used – have the authority, subject to Supervisory Board approval, to issue new shares of the Company while excluding shareholders' subscription rights. Since the shares shall be issued at a price that is, if possible, based on the stock market price, interested shareholders will have an opportunity, at about the same time as the Company's new shares are issued for the aforementioned purposes while excluding subscription rights, to purchase additional shares on the stock exchange at the stock market price and thus to a large extent with a comparable valuation.

Based on the above considerations, in the opinion of the Executive Board, the proposed authorization to issue new shares is in the interest of the Company and can justify excluding the subscription rights of shareholders in individual cases. The Executive Board and Supervisory Board will review each individual acquisition and will consider whether a purchase in exchange for the issuance of shares, subject to the exclusion of the shareholders' subscription rights, is required and is in the interest of the Company.

- 2) The proposed authorization set out in § 4 section 3 of the Articles of Association shall also provide the Executive Board and Supervisory Board with the opportunity to use the authorized capital to issue shares as (part) consideration for the transfer of industrial property rights or intangible property rights of athletes, sports clubs and other persons, such as patents, trademarks, names, emblems, logos and designs, to the Company or one of its subordinated Group companies for purposes of developing, manufacturing and marketing the products and services of the adidas Group. In addition, the new shares shall serve as (part) consideration for the direct or indirect acquisition of (possibly time-limited) rights of use (licences) in such rights by the Company or one of its subordinated Group companies.

In the event that athletes, sports clubs or other persons holding or exploiting rights in such industrial property rights or intangible property rights are prepared to transfer or license such rights only in exchange for the granting of shares or, in the case of cash payments, only at noticeably higher prices, or the granting of shares is in the interest of the Company for other reasons, the Company has to be in a position to react to such a situation in an appropriate way.

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

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

The valuation 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 valuation 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 an essentially comparable valuation.

The granting of shares in the aforementioned cases will be in the best interest of the Company and can justify an exclusion of subscription rights if the use and exploitation of the industrial/intangible property rights or the licences based thereon promises advantages for the Company in the marketing and promotion of products and services and/or development of its products and a purchase of such rights in return for cash is not possible or is not possible at reasonable conditions. 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.

Whether to grant new shares of the Company as (part) consideration shall be decided on a case-by-case basis by the Executive Board, subject to Supervisory Board approval, taking into consideration the Company's interests in any specific transaction, the actual necessity for granting the shares, and the valuation thereof.

- 3) Moreover, the proposed authorization under § 4 section 3 of the Articles of Association shall enable the Executive Board and Supervisory Board to also use the authorized capital for the issuance of shares as (part) consideration for the contribution of other business assets eligible for serving as contributions in kind, especially real estate and rights to real estate or receivables (also from the Company or subordinated group companies). The granting of shares in the aforementioned cases will be in the best interest of the Company if the business assets contributed as contributions in kind 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 or does not promise any comparable economic advantage.

Whether to grant new shares of the Company as (part) consideration shall be decided on a case-by-case basis by the Executive Board, subject to Supervisory Board approval, taking into consideration the Company's interests in any specific transaction, the actual necessity for granting the shares, and the valuation thereof.

- 4) Instead of the contributions in kind set out in the above parts 1) to 3), also the obligation to transfer the assets to the Company as contribution in kind can be contributed insofar as the contribution is to be made within five years from the resolution on the implementation of the capital increase.

The deduction clause stipulated in the authorization shall not only ensure that through the volume limit amounting to 10% of the nominal capital existing at the date of the respective issuance, the shareholders' interest to prevent a further dilution of their shareholding quota is safeguarded, but also that the Executive Board has at its disposal authorizations for capital measures while excluding subscription rights to an appropriate extent that can be used for the capital measures outlined in the respective report.

The Executive Board will furthermore in any case carefully review whether a utilization of the Authorized Capital 2019 and the exclusion of shareholders' subscription rights is in the best interest of the Company and its shareholders. The Executive Board will report a possible utilization of the Authorized Capital 2019 to the Annual General Meeting.

Herzogenaurach, March 2019

adidas AG

The Executive Board