

Report of the Executive Board on Agenda Item 8 pursuant to §§ 203 section 2 number 2, 186 section 4 sentence 2 AktG

Under Agenda Item 8, the Executive Board and the Supervisory Board propose the creation of a new Authorised Capital 2016 in the amount of EUR 4,000,000.

Pursuant to §§ 203 section 2 number 2, 186 section 4 sentence 2 AktG, the Executive Board issues a written report on the authorisation to exclude subscription rights, which is published in full hereafter:

The Authorised Capital 2016 shall give the Company the possibility to have new shares available which can be issued to (current or former) employees of the Company and its affiliated companies as well as to (current and former) members of management bodies of the Company's affiliated companies ("eligible persons") at preferential conditions within the framework of an employee share purchase plan ("employee shares"). The shares required for the employee share purchase plans may be serviced with repurchased treasury shares insofar as this is legally permissible without a resolution by the Annual General Meeting or insofar as the Executive Board was granted an according authorisation in accordance with § 71 section 1 number 8 AktG (as proposed under Agenda Item 9). Nevertheless, the Company shall be given the required flexibility to create and issue new shares by way of a capital increase in alternative or addition to the issuance of treasury shares, whereby in total, no more than 4,000,000 new shares shall be created or treasury shares shall be issued. Thus, any repurchased treasury shares of the Company which are used by the Company for employee share purchase plans during the term of Authorised Capital 2016 shall be attributed to the maximum number of 4,000,000 shares to be issued under the Authorised Capital 2016. By utilising the Authorised Capital 2016, employee shares may be issued also without recourse to treasury shares held and independent of a possibly required previous repurchase and thus while preserving the Company's liquidity.

The introduction of an employee share purchase plan is in the interest of the Company and its shareholders, as the plan serves to promote the eligible persons' identification with the Company and their loyalty to the Company. An employee share purchase plan enables the eligible persons to participate in the Company and its development and creates an incentive to take care of a sustained increase in the Company value. For the eligible persons as shareholders, it creates a sustainable participation in the long-term success of the Company. Such participation is also desired by the legislator and is thus facilitated in various ways. 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 (while attributing the repurchased treasury shares used 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.

Within the framework of the employee share purchase plan, the eligible persons shall be given 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. In addition to the shares acquired at a reduced purchase price, following a one-year retention period, the participating eligible persons receive further shares 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 entire 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.

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.

Further details on the terms of the employee share purchase plan will be included in the plan terms to be determined by the Executive Board with the Supervisory Board's approval.

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 accordance with the regulations of the Stock Corporation Act, the shares required for the employee share purchase plan may be issued i. a. against contributions in cash (insofar as a contribution needs to be made by the eligible person) or from authorised capital at the expense of a portion of the annual net profit (insofar as the shares shall be issued without consideration). In order to issue matching shares without consideration, the Executive Board, considering the regulations defined in more detail under § 204 section 3 AktG, shall be entitled to issue shares from the Authorised Capital 2016 at the expense of that portion of the annual net profit which the Executive Board and the Supervisory Board may transfer to other retained earnings in accordance with § 58 section 2 AktG. In order to have sufficient authorised capital available for the next years to create employee shares, the new authorised capital shall have a volume of EUR 4,000,000. 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. Any repurchased treasury shares of the Company which are used by the Company in connection with employee share purchase plans during the term of the Authorised Capital 2016 shall be attributed to the maximum number of 4,000,000 shares.

In case of a utilisation of the Authorised Capital 2016, the new shares may also be issued involving one or more credit or financial service institutions, one or more companies acting in accordance with § 53 section 1 sentence 1 or § 53b section 1 sentence 1 or section 7 of the German Banking Act or a group or a syndicate of banks, financial service institutions and/or such companies or other third parties. Thus, the handling of the issuance of shares is made possible, as a direct subscription of the shares is not practical due to the large number of eligible persons.

Herzogenaurach, March 2016

adidas AG
The Executive Board