

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, adidas was once again able to increase sales significantly and achieve strong bottom-line growth in the 2018 financial year. Our outlook for 2019 shows that we will continue to grow profitably in the future.

The foundation for sustainable corporate success is, among other things, good corporate governance. In the 2018 financial year, we entered into an intensive dialogue with our shareholders on our corporate governance system in general and our compensation system in particular. This dialogue is essential to me and today I would like to share with you certain information on important governance topics prior to our Annual General Meeting on May 9, 2019.

### **Corporate Governance**

As regards our corporate governance system, we further reduced the number of deviations from the recommendations of the German Corporate Governance Code (Code) in the past financial year. As of October 2018, we have been compliant with all recommendations of the Code with merely one exception. Our current Declaration of Compliance is available on our website at [www.adidas-group.com/s/corporate-governance](http://www.adidas-group.com/s/corporate-governance). Furthermore, at its meeting in October 2018, taking into account the recommendations of the Code, the Supervisory Board resolved anew upon objectives regarding its composition and a profile of skills and expertise (competency profile) for the full Supervisory Board and published them. They are also available on our website at [www.adidas-group.com/s/bodies](http://www.adidas-group.com/s/bodies). In our Corporate Governance Report, we report in detail on the implementation of these objectives in the 2018 financial year. Moreover, this year for the first time, we provide an overview of the individual meeting participation of our Supervisory Board members for the 2018 financial year. This overview is included in the Supervisory Board Report and can also be found on our website at [www.adidas-group.com/agm](http://www.adidas-group.com/agm).

### **Compensation system**

In the past financial year, the Supervisory Board resolved to change important elements of the Executive Board compensation system with effect from the 2018 financial year. It was our goal to simplify the compensation system and make it more transparent and to link the variable compensation directly with the short- and long-term sales and profitability targets externally communicated, thus aligning the Executive Board's interests with those of the shareholders. For detailed information on our compensation system, please see the Compensation Report on our website at [www.adidas-group.com/s/compensation-report](http://www.adidas-group.com/s/compensation-report).

In the past financial year, we presented our revised compensation system to the Annual General Meeting for resolution. I am pleased that we achieved an approval rate of more than 70% for this system. However, despite the broad support we received, there was also critical feedback on individual elements of the compensation system, particularly on the fact that, in exceptional cases, the Supervisory Board may, at its equitable discretion, grant a special bonus in case of extraordinary performance by an Executive Board member. Furthermore, it was noted that the individual targets for the short-term variable compensation are not disclosed.

In this regard, I would like to point out that in the past and thus in the 2018 financial year, the Supervisory Board did not make use of the possibility to grant a special bonus and considers this an absolute exception to be made only in special cases where extraordinary performance by an Executive Board member was not sufficiently acknowledged through the general or individual performance criteria for the short-term variable compensation. What is more, if a special bonus is granted in the future, it goes without saying that the Supervisory Board will disclose the reasons for such payment.

We fully understand the criticism relating to the missing disclosure of the individual targets for the short-term variable compensation. Making the composition of the Executive Board compensation more transparent is one of our major goals. Therefore, at least 80% of the performance-related compensation are directly linked to the short- and long-term sales and profitability targets externally communicated. These financial targets and the corresponding target achievement are fully disclosed in our Compensation Report. We merely decided against a disclosure of individual targets. Disclosing the individual targets could cause a competitive disadvantage for us as such disclosure would allow for a deeper insight into our operating and strategic plans.

Let me make this very clear: We take our shareholders' feedback very seriously and always take it into account in our considerations for the continuous improvement of our compensation system. However, in view of the comprehensive changes to the legal framework for Executive Board compensation to be implemented this year based on the Act on the Implementation of the Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie - ARUG) and the revised Code, we consider it reasonable to refrain from making any structural changes until the ensuing requirements for the executive board compensation system have become clear. Therefore, we are planning to present the compensation system to the Annual General Meeting for approval once again in 2020.

### **Supervisory Board election**

As part of the Annual General Meeting on May 9, 2019, the election of the eight shareholder representatives on the Supervisory Board is on the agenda. More details in this regard are available in the invitation to the Annual General Meeting, which was published on March 19, and in the information document on the Supervisory Board Election provided by us. Both documents are available on our website at [www.adidas-group.com/agm](http://www.adidas-group.com/agm).

In addition to the current members Ian Gallienne, Herbert Kauffmann, Igor Landau, Kathrin Menges, and Nassef Sawiris, the new, first-time members Dr. Thomas Rabe, Chairman and Chief Executive Officer of Bertelsmann Management SE, Bodo Uebber, member of the Board of Management of Daimler AG, and Jing Ulrich, Managing Director and Vice Chairman, Asia Pacific at JPMorgan Chase & Co., are proposed as candidates to the Annual General Meeting. All of the three new candidates are proven experts with many years of management experience with successful global companies.

When selecting the candidates, we used the objectives of the Supervisory Board regarding its composition as a basis, taking into account the competency profile set out in these objectives, the statutory provisions and the recommendations of the Code. I am firmly convinced that the candidates have the expertise, skills, and technical experience as well as the personal qualifications required to successfully perform the tasks of a supervisory board member in a capital market-oriented, international company in the sporting goods industry. In the selection process, we placed a particular emphasis on meeting our high requirements relating to the Supervisory Board's independence, the availability of the Supervisory Board candidates, also in view of the number of existing memberships in other supervisory board committees, and diversity. In the Supervisory Board's assessment, if they are elected, all of the proposed candidates are independent within the meaning of the German Corporate Governance Code.

In this respect, I would like to point out the following: The succession planning for the Supervisory Board as a whole and for myself as Chairman of the Supervisory Board are of material importance to me. I have been a member of the Supervisory Board since 2004 and Chairman since 2009. We are currently in the last third of the implementation phase of our five-year strategy "Creating the New" and an orderly handover of the Supervisory Board chairmanship to a potential successor is of utmost significance. Therefore, I would like to be available for the Supervisory Board for another year to accompany our strategic business plan through to completion in the next financial year, thus ensuring a smooth handover to a new Supervisory Board Chairman. In the event of my reelection, this would be my last term of office as member and Chairman of the Supervisory Board. Against this background, I would therefore be honored if you placed your trust in me as member and Chairman of the Supervisory Board for another year.

Due to our proposal to elect Dr. Thomas Rabe as member of the Supervisory Board, the Chief Executive Officer of adidas AG, Mr. Kasper Rorsted who is currently a member of the Supervisory Board of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE, will resign from these boards with effect from March 31, 2019.

## Composition of the committees

In connection with the implementation of our new compensation system, we received further feedback from our investors to the effect that the General Committee of the Supervisory Board, which is responsible for the designing of the compensation system, cannot be considered independent due to the long-term memberships of its members. The independence of our Supervisory Board and its committees is a key criterion for us. I strongly believe that the work of our current committees is outstanding and unbiased. In our view, long-term membership does not necessarily argue against the Supervisory Board member's independence. However, we take your feedback very seriously. Therefore, in future, we are planning to compose our committees in such a way that at least 50% of the shareholder representatives in the committees fulfill the independence criteria of most investors. In case the candidates proposed are elected, none of the members will have belonged to the Supervisory Board for more than ten years, with the exception of myself to be elected for merely one year and Mr. Roland Nosko as employee representative.

At the time of election, Mr. Herbert Kauffmann, the Chairman of our Audit Committee, will have belonged to the Supervisory Board for ten years. In view of the draft of the new Code and in the opinion of many investors, a length of membership in the Supervisory Board which exceeds twelve years argues against the respective member's independence. Particularly for the role of Chairman of the Audit Committee, independence is absolutely key. Therefore, although the Supervisory Board believes that Mr. Herbert Kauffmann's independence is beyond doubt, it proposes that the Annual General Meeting appoint Mr. Kauffmann for a term of office of merely two years.

In conclusion, I would like to stress the following: The Supervisory Board is committed to the success of adidas. I am firmly convinced that adidas has the right corporate governance structures in place to ensure sustainable corporate success. Nevertheless, good corporate governance is an ongoing process. Therefore, I would like to thank everyone who entered into dialogue with us and shared their views with us. I am looking forward to continuing this communication. You can reach our Head of Investor Relations, Sebastian Steffen, at [sebastian.steffen@adidas-group.com](mailto:sebastian.steffen@adidas-group.com) or +49 (0) 9132 84 4401.

Thank you very much for your support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Igor Landau', with a stylized flourish at the end.

Igor Landau  
Chairman of the Supervisory Board