

Report of the Executive Board

pursuant to § 203 section 2 sentence 2, § 186 section 4 sentence 2 AktG

Report of the Executive Board concerning Agenda Item 6

The authorization to issue new shares pursuant to § 4 section 3 of the Articles of Association, while observing the statutory subscription rights of shareholders, may also be used by way of the indirect subscription right.

The authorization for issuing new shares, however, also includes the Executive Board's authorization to exclude the statutory subscription rights of the shareholders, subject to Supervisory Board approval. Such authorization shall serve the following purposes:

- 1) If the Management makes use of the authorization to increase the stock capital against contributions in cash and under observance of the statutory subscription rights for shareholders, it may become necessary to exclude subscription rights for fractional amounts, in order to achieve even subscription ratios. Without the exclusion of the subscription rights for fractional shares, the technical implementation of the capital increase as well as the exercise of subscription rights would be considerably aggravated. The new fractional shares thus excluded from subscription rights of shareholders shall either be sold on the stock exchange or used in any other manner most favorable for the Company.
- 2) The authorization contained in § 4 section 3 of the Articles of Association shall further enable the Executive Board and Supervisory Board to have authorized capital at their disposal not only for the purpose of raising capital against contributions in cash but also for the acquisition of participations, companies and parts of companies as contribution in kind against issuing of shares of the Company. Such participations, companies or parts of companies may also be contributed to a subsidiary of the Company, if necessary.

The value at which the new shares are issued in any such case will depend on the timing and respective circumstances of the individual case. When establishing the value, the Executive Board and the Supervisory Board shall take into consideration the best interests of the Company and, if possible, 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 Company's business. The purchase of such participations, companies or parts of companies in exchange for shares is in the Company's best interest if the purchase solidifies or strengthens the 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 the 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 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 the shareholders' subscription rights). Since the shares shall be issued at a price that is based on the stock market price, if possible, interested shareholders will have an opportunity, at about the same time as the Company's new shares are issued for the aforementioned purposes of acquiring companies, parts of companies or participations and the shareholders' subscription rights are excluded, to purchase additional shares on the stock exchange at the stock market price and to a large extent on comparable terms and conditions.

Based on the aforementioned considerations, the Executive Board believes that the proposed authorization to issue new shares is in the best interest of the shareholders, which can in any individual case justify the exclusion of the shareholders' subscription rights. The Executive Board and Supervisory Board will therefore 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, will be in the prevailing interests of the Company.

The authorization may also be used in such a way that the acquisition may be effected partly against shares and partly against a contribution in cash or another form of consideration (if necessary also treasury shares).

- 3) The authorization in accordance with § 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 (partial) 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 subsidiaries for purposes of marketing the products of the adidas Group. In addition, new shares shall serve as consideration for the direct or indirect acquisition of (possibly time-limited) rights of use (licenses) in such rights by the Company. Moreover, the Company shall also be able to use new shares for purchasing patents and patent licenses, the exploitation of which would be in the Company's interest for purposes of marketing and developing existing or new products of the adidas 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 license such rights only in exchange for (partial) granting of shares or, in the case of cash payments, only at significantly 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 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 license in order to help market the products of the adidas 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 purchase directly or indirectly patents or licenses for patent rights, the exploitation of which will be in the Company's best interests for the products that the adidas Group currently has, is currently developing or planning to develop in the future.

The purchase of industrial/intangible property rights or licenses for such rights will be carried out either by the Company or by its subsidiaries. If necessary, the purchase shall be made from companies or other persons having been given the right to utilize these respective rights. It is also conceivable that the consideration to be paid will consist of stock and cash (e. g. royalties) and/or other consideration.

The evaluation of the industrial/intangible property rights or licenses based thereon to be acquired directly or indirectly by the Company 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 ratio in the Company may, therefore, do so through acquisition of further shares on 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 intellectual/intangible property rights or licenses based thereon promises advantages for the Company in the marketing and promotion and/or development of its products and a purchase of these 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.

The decision of whether to grant new shares of the Company as consideration shall be made 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 (partial) granting the shares, and the valuation thereof.

- 4) Moreover, the Executive Board shall, based on the authorized capital pursuant to § 4 section 3 of the Articles of Association, have the possibility to grant shares to employees of the Company and of affiliated companies (employee shares). If the authorization is used for this purpose, the issuance shall be effected against contributions in cash or against contribution of pecuniary claims. At the moment it is not possible to make any statements with regard to the respective issue price. The Executive Board will reasonably determine the price of the shares to be issued in alignment with the stock

market price, taking into consideration the interests of the Company and of its shareholders as well as the respective purpose. Hereby the issue price of the new shares shall fall below the current stock market price of the already traded shares only to the extent that such is customary for employee shares.

- 5) Finally, the authorization pursuant to § 4 section 3 of the Articles of Association shall put the Executive Board and the Supervisory Board in the position to win additional new investor groups in Germany and abroad. If the occasion arises, the shares can also be particularly used for a going public abroad. There are no concrete plans at this time.

Herzogenaurach, March 2008

adidas AG
The Executive Board