Report of the Executive Board to the Annual General Meeting pursuant to §§ 221 section 4 sentence 2, 186 section 4 sentence 2 AktG concerning Agenda Item 10

Under Agenda Item 10, cancelling the existing authorisation to issue bonds as well as the contingent capital and resolving upon a new authorisation to issue bonds with warrants and/or convertible bonds as well as upon a new contingent capital and to amend the Articles of Association accordingly is proposed to the shareholders.

Pursuant to §§ 221 section 4 sentence 2, 186, section 4 sentence 2 AktG, the Executive Board issues a written report on the authorisation to exclude supscription rights in connection with the newly-proposed authorisation, which is released in full hereafter.

The proposed authorisation to issue bonds with an aggregate face value of up to EUR 1,500,000,000 and to create the related contingent capital of up to EUR 36,000,000, in continuity of the authorisation adopted on May 11, 2006 and the corresponding Contingent Capital 2006, which shall be cancelled in accordance with the proposal of the management, shall maintain the Company's opportunities for financing its business activities and shall permit the Executive Board, with the consent of the Supervisory Board, to utilise financing opportunities more flexibly and in a more timely manner in the best interest of the Company - particularly in the event that the conditions on capital markets are favourable.

In general, the shareholders have a statutory rights to subscribe the bonds linked to option or conversion rights or obligations (§ 221 section 4 in conjunction with § 186 section 1 AktG). To the extent that shareholders are not granted direct subscription of the bonds, the Executive Board may utilise the opportunity to issue the bonds to a financial institution or a company equal by law and in the proposed resolution or a group or a syndicate of banks and/or such company bearing the obligation to offer these bonds to the shareholders in accordance with their subscription rights (indirect subscription rights as stipulated in § 186 section 5 AktG).

The exclusion of subscription rights for residual amounts resulting from the conversion ratio will make it possible to utilise the requested authorisation using round amounts. This will simplify the handling of the shareholder subscription rights. The exclusion of subscription rights in favour of the holders or creditors of option and conversion rights or obligations already issued has the advantage that the option or conversion price for the previously issued option or conversion rights or obligations will not need to be reduced, thus allowing a higher cash inflow. Thus, both cases of subscription rights exclusion will be in the best interest of both, the Company and its shareholders.

The issue price for the new shares must be equal to at least 80% of the price quoted on the stock exchange close to the time the bonds are issued. The prospect of charging a premium (which may increase over the term of the bonds) will provide an opportunity for adjusting the terms and conditions of the bonds in order to factor in the relevant capital market conditions at the time these securities are issued. In case of conversion duties or the Company's rights to delivery of shares, the option or conversion price may be close to the average price of the share of the Company before the issuance of the shares, even if this price is lower than the minimum price set out above. Thus, the Company is enabled to successfully place the bonds under the most favourable conditions possible for the Company while taking into consideration the market conditions at the time of issuance.

The Executive Board is further authorised, subject to Supervisory Board approval, to fully exclude the shareholders' subscription rights, if the bonds are issued against cash payment at a price which is not significantly below the market value of these bonds. This authorisation will provide the Company with an opportunity to exploit favourable market conditions quickly and on short notice and to gain - through a more timely assessment of the conditions - better terms and conditions in setting the interest rate, the option or conversion price and the issue price for the bonds. The ability to set conditions in accordance with the current market environment and to implement a smooth placement would not be possible if the subscription rights were maintained. § 186 section 2 AktG permits the subscription price to be published (and thus, the terms and conditions of such bonds) up to the last but second day of the subscription period. Nevertheless, in view of the frequently observed volatility on the stock markets, a market risk will persist for several days, which leads to uncertainty discounts in setting the conditions of the bond and results in conditions which are not in tune with the market environment. Even if the subscription rights were retained, given the uncertainty of the exercise of such rights (subscription behaviour) the successful placement with third parties would be endangered or would trigger additional expenses. Finally, in granting subscription rights, the Company cannot - given the duration of the subscription period - react to positive or negative market conditions, and is instead exposed to declining share prices during the subscription period, which, in turn, could lead to less favourable opportunities for the Company to procure equity capital.

Pursuant to § 221 section 4 sentence 2 AktG, the provisions of § 186 section 3 sentence 4 AktG shall apply mutatis mutandis in the event that the subscription rights are completely excluded. The resolution must observe the parameters set forth in the aforementioned statutory provision, which limits the subscription rights exclusion to 10% of the nominal capital. The volume of the contingent capital, which, in this case, may only be provided to serve the purpose of backing up the option or conversion rights or obligations, may not exceed 10% of the nominal capital existing when the authorisation to exclude subscription rights in accordance with § 186 section 3 sentence 4 AktG becomes effective. By including an according specification in the authorisation resolution, it is guaranteed that even in case of a capital reduction, the 10% limit will not be exceeded as the authorisation to exclude the subscription rights may explicitly not exceed 10% of the nominal capital, neither at the point of becoming effective nor - in case this amount is lower - at the point of exercising the aforementioned authorisation. Treasury shares, which are sold in accordance with § 186 section 3 sentence 4 AktG while excluding the subscription rights, as well as any shares which are issued in accordance with § 186 section 3 sentence 4 AktG from an authorised capital while excluding the subscription rights, are attributed to and reduce this amount accordingly, if the sale or issuance is carried out during the term of this authorisation prior to an issuance of bonds, while excluding the subscription rights pursuant to § 186 section 3 sentence 4 AktG. § 186 section 3 sentence 4 AktG further provides that the issue price may not be significantly below the stock exchange price of the shares. This statutory provision is intended to ensure that there is no appreciable economic dilution of the share value. Whether such a dilutive effect would be triggered by issuing bonds, while excluding the subscription rights of the shareholders, can be assessed by calculating the hypothetical market value of the bonds using recognised financial mathematical models and then comparing such results with the issue price. If, after a thorough examination, this issue price is not significantly below the hypothetical stock exchange price at the time that the bonds are issued, then - in accordance with the meaning and purpose of § 186 section 3 sentence 4 AktG - the subscription rights may be excluded since the discount will be deemed merely insignificant. The resolution therefore provides that the Executive Board, prior to the issuance of the bonds, must conclude, following an examination, that the stipulated issue price intended for the bonds will not lead to any appreciable dilution of the share price as the price of the bonds is not significantly below the hypothetical market value computed using, in particular, recognised financial calculation methods. Such an effect would reduce the theoretical market value of a subscription rights to almost zero, meaning that the shareholders would thereby not suffer any appreciable economic detriment as a result of the subscription rights exclusion. This procedure ensures that there will be no appreciable dilution of the share value as a result of the subscription rights exclusion.

Moreover, the shareholders will always have an opportunity to maintain their share in the Company's nominal capital - even following the exercise of the option or conversion rights or the entering into subscription or conversion obligations - by simply purchasing the shares on the stock exchange. On the other hand, the Company's authorisation to exclude subscription rights will enable it to set terms which are consistent with the prevailing market conditions, to create the highest degree of certainty in its ability to place the securities with third parties, and to exploit favourable market conditions on short notice.

Herzogenaurach, March 2010

adidas AG
The Executive Board