

Explanatory Report of the Executive Board of adidas AG on the Disclosures pursuant to §§ 289 sections 4 and 5, 315 section 4 of the German Commercial Code (Handelsgesetzbuch - HGB)

The following Explanatory Report refers to the disclosures pursuant to §§ 289 sections 4 and 5, 315 section 4 of the German Commercial Code, which are incorporated in the management report of the annual financial statements of adidas AG and the consolidated financial statements, and which include explanations there already.

§§ 289 section 4, 315 section 4 HGB

As a result of the issuance of new shares associated with the Company's Management Share Option Plan (MSOP) as well as the exercise of 7,999 conversion rights deriving from the convertible bond, the nominal capital increased from € 195,515,512 to € 209,216,186 in the financial year 2009.

Since the shares of the Company currently are bearer shares, statutory limitations of the transferability are not permitted and do thus not exist. The Executive Board and the Supervisory Board propose converting the shares of the Company to registered shares to the Annual General Meeting 2010. The German Stock Corporation Act (Aktiengesetz – AktG) permits statutory limitations of the transferability of registered shares in so far as the transfer is bound to the approval of the Company. A statutory provision to this effect is not intended and could in any event only be implemented upon approval of every single shareholder affected.

Pursuant to § 21 German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), the Company must inter alia be notified if the voting rights in the Company reach or exceed the threshold of 10%. The Company has not received such a notification. In theory, a shareholding in the nominal capital of more than 10% can however also exist without this having been reported. In such cases this would lead, at least until reporting the shareholding, to a loss of rights deriving from the respective shares and would constitute an administrative offence.

Although the Company in general appreciates its employees holding shares, it does not use respective compensation elements, such as the annual issuance of employee shares. Employees holding shares do so on their own initiative. The Company is not aware if and to which extent a control of voting rights is conducted by external persons or by majority vote of an intermediary company or due to voting agreements.

In addition to the mandatory provisions and the provisions on appointment and dismissal of members of the Executive Board set out in the Articles of Association, the German Corporate Governance Code (as amended on June 18, 2009) also contains recommendations on the appointment of members of the Executive Board. Accordingly, Executive Board compositions shall be determined in accordance with diversity principles and initial appointments shall not be made for the maximum possible term of five years. The Company follows these recommendations.

Numerous amendments to the Articles of Association within the past years derive from changes in legislation which are incorporated in the Articles of Association. Additional amendments to the Articles of Association regularly concern contingent or authorised capital being of no more relevance as result of the fulfilment or omission of the purpose, thus requiring adjustment or renewal. The Annual General Meeting on May 7, 2009, for example, resolved upon the cancellation and renewal of two provisions on Authorised Capital. Further amendments to the Articles of Association concerned the exercise of voting rights at the Annual General Meeting and the way of granting such voting rights as well as the authorisation of the Chairman of the Annual General Meeting to set an appropriate time limit to the shareholders' right to speak. Furthermore, in January 2010, the Supervisory Board resolved upon an amendment to the wording of the Articles of Association relating to the nominal capital and the Contingent Capital based upon the issuance of new shares within the Company's Management Share Option Plan (MSOP) and the exercise of the conversion rights deriving from 2003/2018 convertible bonds. This year again several amendments to the Articles of Association are proposed to the Annual General Meeting under Agenda Item 6 and 13.

The Annual General Meeting 2009 resolved upon the renewal of the Authorised Capital 2009/I and 2009/II, which authorise the Executive Board for a duration of up to five years to issue new shares against contributions in cash or in kind. As the authorisation pursuant to the Authorised Capital 2006 expires in May 2011, the Executive Board and Supervisory Board propose a new resolution on Authorised Capital to the 2010 Annual General Meeting under Agenda Item 7.

Apart from the Contingent Capital 2006, the Contingent Capital 1999/I and 2003/II currently exist. The authorisations of the Executive Board to issue new shares within the Company's Management Share Option Plan (MSOP) or the authorisations to issue bonds with warrants or convertible bonds from the Contingent Capital 1999/I and 2003/II have however expired. Subscription rights to shares from these amounts of Contingent Capital do no longer exist. Consequently, under Agenda Items 8, 9 and 10, the Executive Board and the Supervisory Board propose to the Annual General Meeting 2010 the cancellation of the Contingent Capital 1999/I and 2003/II and the creation of a new Contingent Capital. Thus, the Company would be enabled to use attractive financing in a prompt, flexible and economic manner.

As the hitherto unused authorisations to repurchase treasury shares from May 7, 2009 expire on November 6, 2010, the Annual General Meeting 2010 is to resolve upon new authorisations. Under Agenda Item 11, the Executive Board and the Supervisory Board propose to the Annual General Meeting 2010 the replacement of the existing authorisation by a new resolution with essentially the same wording but taking into consideration the henceforth permissible duration of five years. Under Agenda Item 12, the current authorisation to repurchase treasury shares using equity derivatives, particularly call and put options, is to be replaced by a new authorisation with a duration of five years, as well. The term of the individual derivatives may however not exceed 18 months.

§§ 289 section 5, 315 section 2 number 5 HGB

The risk inherent in financial reporting is the fact that annual and semi-annual financial statements potentially contain false or ambiguous statements which could possibly influence decisions taken within the Company or by shareholders, investors or by other third parties. Our internal control and risk management system aims at detecting and minimising this risk within financial reporting in order to avoid false and misleading statements in accounting and when it comes to external reporting. The internal control and risk management system relating to the financial reporting process of adidas AG and the adidas Group is a system which is embedded within the Group-wide risk management system. We regard the risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting and Legal, focusing on the identification, assessment, treatment, monitoring and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each sub-process in the various areas. The overall responsibility for the risk management system lies with the Executive Board. It informs the Audit Committee of the Supervisory Board in its meetings on the methods and systems of the risk management system.

Herzogenaurach, March 2010

adidas AG
The Executive Board