

▷ **28 EARNINGS PER SHARE** Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding during the year.

Dilutive potential shares arose under the Management Share Option Plan (MSOP) of adidas AG, which was implemented in 1999 ▷ see Note 32. As the required performance criteria for the exercise of the stock options of all tranches of the share option plan have been fulfilled, dilutive potential shares impact the diluted earnings per share calculation.

It is also necessary to include dilutive potential shares arising from the convertible bond issuance in October 2003 in the calculation of diluted earnings per share as at December 31, 2007 and 2006, respectively, as the required conversion criteria were fulfilled at the balance sheet date ▷ see Note 15. As a result, the convertible bond is assumed to have been converted into ordinary shares and the net income is adjusted to eliminate the interest expense less the tax effect.

EARNINGS PER SHARE

	2007	Year ending Dec. 31 2006
Net income attributable to shareholders (€ in millions)	551	483
Weighted average number of shares	203,594,975	203,386,104
Basic earnings per share (in €)	2.71	2.37
Net income attributable to shareholders (€ in millions)	551	483
Interest expense on convertible bond, net of taxes (€ in millions)	12	12
Net income used to determine diluted earnings per share (€ in millions)	563	495
Weighted average number of shares	203,594,975	203,386,104
Weighted share options	187,887	328,308
Weighted assumed conversion convertible bond	15,684,315	15,685,110
Weighted average number of shares for diluted earnings per share	219,467,177	219,399,522
Diluted earnings per share (in €)	2.57	2.25

NOTES – ADDITIONAL INFORMATION

▷ **29 SEGMENTAL INFORMATION** The Group operates predominately in one industry segment – the design, wholesale and marketing of athletic and sports lifestyle products. The Group is currently managed by brands.

Certain Group functions are centralized and an allocation of these functions to specific segments is not considered to be meaningful. This includes functions such as central treasury, worldwide sourcing as well as other headquarter departments. Assets, liabilities, income and expenses relating to these corporate functions are presented in the HQ/Consolidation column together with other non-allocable items and intersegment eliminations.

The Reebok segment includes the brands Reebok, Reebok-CCM Hockey and Rockport. The Greg Norman license, which was acquired with the Reebok business and subsequently sold in November 2006, was allocated to the TaylorMade-adidas Golf segment. In 2007, the remaining retail activities were allocated to the Reebok segment. Both the NBA and Liverpool licensed businesses were transferred to brand adidas in the first half of 2006.

Information about the Group's segments in accordance with the management approach is presented on the following page.

There are no intersegment sales between the brands. Net sales to third parties are shown in the geographic market in which the revenues are realized. The global sourcing function is included in the HQ/Consolidation column. Transactions between the segments are based on the dealing-at-arm's-length principle.

Segment assets include all operating assets and comprise mainly accounts receivable, inventory as well as property, plant and equipment and intangible assets. Segment liabilities comprise operating liabilities and consist principally of trade and other payables as well as accrued liabilities and provisions. Non-allocable items including financial assets or assets and liabilities relating to income taxes and borrowings, are included in the HQ/Consolidation column.

Capital expenditure, amortization and depreciation relate to segment assets; the acquisition of goodwill and the inception of finance leases do not affect capital expenditure.