

adidas-Salomon AG
Annual General Meeting 2004
Fürth, 13 May 2004
Summary of the Questions & Answers

The Company did not take stenographic minutes of the Annual General Meeting. However, in order to provide shareholders who did not attend the AGM with an overview of the key questions and answers, the Company has summarized the contents of the questions and answers at the AGM. No guarantee can be given for completeness and accuracy.

How were the candidates for the Supervisory Board election selected, and on what criteria was the selection based?

Dr. Hans Friderichs (Deputy Chairman of the Supervisory Board)

The candidates for the Supervisory Board were recommended on the basis of their competence either by the Supervisory Board or, as in one case, by the Executive Board and in one case jointly. In addition to professional expertise and international experience, it was primarily personal qualifications that played a role.

Is there an age limit for Supervisory Board members? How does an – on average - old Supervisory Board match up with the Company's lifestyle orientation? Are some members of the Supervisory Board thinking about retiring prematurely during the period of office that now follows?

Dr. Hans Friderichs (Deputy Chairman of the Supervisory Board)

There is no age limit stipulated for the members of the supervisory body in the Company's Articles of Association. We believe that the suitability of the Supervisory Board members is not dependent on age. The Supervisory Board's function is to supervise and advise. Our Executive Board is young and dynamic. So it is quite sensible to have a somewhat more seasoned supervisory body. The Supervisory Board does not know of any plans for one of its members to retire prematurely.

Which Supervisory Board members received the special remuneration in an amount of € 0.5 million, and for what services?

Dr. Hans Friderichs (Deputy Chairman of the Supervisory Board)

Henri Filho and myself received this special remuneration. It is based on a contractual agreement approved by the General Committee and communicated to the Supervisory Board, for tasks going beyond the functions of the Supervisory Board, i.e. covering other functional areas.

Article 5.6 of the German Corporate Governance Code requires that the Supervisory Board examine the efficiency of its activities. When did this review take place? What was the procedure, and what were the results of the evaluation?

Dr. Hans Friderichs (Deputy Chairman of the Supervisory Board)

The efficiency review pursuant to Article 5.6 of the Corporate Governance Code was conducted by the Supervisory Board in the context of critical discussions, without the involvement of external consultants. The result of the review was positive. We will take up this subject again after the new Supervisory Board has met for its constituent meeting, whereby a so-called auto-evaluation may possibly be considered. But we do not want to anticipate any decisions of the newly elected Supervisory Board.

Why does adidas-Salomon AG not disclose Executive Board salaries on an individualized basis?

Dr. Hans Friderichs (Deputy Chairman of the Supervisory Board)

adidas-Salomon believes that this form of disclosure does not contain relevant additional information for the capital markets. Moreover, we consider cumulative reporting to be more meaningful. In our case, you are able to see the exact composition of remuneration, the amount of the fixed component, stock options, etc. Additionally, the majority of DAX-30 companies also do not disclose Executive Board remuneration on an individualized basis.

Why is the exercise period for the existing stock option plan (MSOP) being extended, instead of introducing a new plan? Will this improve the conditions for the Executive Board and management executives?

Michel Perraudin (Executive Board Member for Global Human Resources, Key Projects and Corporate Services)

In future, newly issued stock option plans will have to be booked as expenses in the income statement, which will also mean losses for shareholders. Stock options are a key component of remuneration on an international level, particularly in the USA, where our main competitors are located. This means we need a competitive stock option plan in order to be able to win management executives there. We are proposing that the stock option plan be extended by a further two years, with the result that it will then have a term of five years, as is customary in Germany.

From our viewpoint, this does not entail the mentioned improvement for the Executive Board, as we have a distinct allocation formula of 10:90. Under this formula, 10% of the options are issued to Executive Board members and the remaining 90% to management executives. Apart from this, all the options have already been allocated, which mean that a shift in favor of the Executive Board is not possible.

Additionally, there are very ambitious exercise hurdles in place, requiring an annual stock market price increase of 8%. This means that in a period of three years the stock

market price would have to increase by around 41% in order for the options to be in-the-money. At the end of the extension to five years being proposed here, the share price would have to have increased by more than 75% for the holder of the option to even earn one euro with it.

In light of the positive outlook for the full year, will the positive order backlogs continue for the remainder of the year?

Herbert Hainer (Chief Executive Officer)

The order backlogs in the first quarter serve as an indicator for development in the following three to six months. Together with what we already know about our order backlogs in the second quarter, this makes us very confident for the full year. Based on this, and provided there are no dramatic events in 2004 such as war or SARS, we are anticipating a very successful year.

How many own stores does adidas intend to open this year, and how many are you planning altogether?

Herbert Hainer

I cannot give you an absolute figure in response to this question, as the most important factor for success in the retail sector is location. The success of a store depends on its location. This means that the number of own stores to be opened this year will depend on whether we are able to get good locations for them. In the medium term, our goal is to generate around 10% of total adidas sales through our own-retail activities. Last year, own retail accounted for around 8% of adidas sales. With approximately € 5 billion in sales this year and growth of around 3 to 5% at the Group level, you may assume that in the medium term we are striving to reach around € 600 million in sales with our own-retail activities.

What is your sales target for Sport Heritage, and which are your most important markets?

Herbert Hainer

We almost doubled sales in this division in the years 1997 to 1999, with an increase from € 500 million to just under € 1 billion. In 2003, we had a phase of stagnation which was strategically planned in order to prevent oversupply in the market. Our medium-term goal is to achieve around € 1.5 billion with this division, which represents a further increase of around 50%.

Does Puma attach greater weighting to Heritage products?

Herbert Hainer

adidas-Salomon has a different set-up than Puma. With our extensive brand portfolio, we are better positioned than all our competitors. We cover the entire sports year with this portfolio, from January 1 through to December 31. As a result, we will not be able to achieve sales growth of 20 or 30% in any one year, because there will always be some sectors that do better than others, due to weather conditions, market trends, etc. For the same reason, however, we are cushioned from below and this minimizes the risk of suffering a significant decline. We believe this is a well-balanced strategy for the long term, which has paid off in recent years, both in sales and earnings.

How does adidas see the positioning of the team sports supplier Jako? Is Jako a competitor?

Herbert Hainer

Jako is a team sports manufacturer that is currently very active in Germany. The “team sports” business is primarily characterized by big inventories in order to meet spontaneous demand on the part of clubs. adidas is also active in the team sports apparel market, but there isn’t a competition situation between the brands because of adidas’ higher pricepoints. As a matter of principle, we monitor and analyze every competitor in the market.

How are you planning to reduce Salomon’s dependency on the winter sports business? And in this connection, how is the apparel sector progressing? What other possibilities for expansion are planned?

Herbert Hainer

In order to reduce Salomon’s dependency on the winter sports business and place it on a broader base, we decided two years ago to strongly expand the summer and soft goods business. To this end, we invested mainly in the apparel sector. Soft goods now account for one third of sales. In the medium term, we are aiming to make this 50%. Looking at our order backlogs for the second half of the year, I believe we will come another step closer to our goal this year.

What should be made of the rumors concerning the sale of the Salomon brand?

Herbert Hainer

There is no truth whatsoever in the rumor that we plan to dispose of Salomon. At the current time, Management is not interested in selling any of the brands in the portfolio.

What is the current situation with respect to backlogs at Salomon?

Herbert Hainer

At the end of the first quarter, Salomon backlogs were above those of the prior year, but this figure does not yet include winter orders (skis, etc.). These normally don't come in until sometime during the second or at the beginning of the third quarter.

Does the increase in non-current assets in association with payments in the football sector mentioned on page 78 of the Annual Report involve a subsidy for some financially stricken football club?

Herbert Hainer

This is not financial aid for football clubs in need, but perfectly normal pre-payments for promotion agreements, as is usual in our business.

With respect to the US market, what effects is the price war in the sports trade having on adidas? How is adidas trying to avoid this, and in what price segment is adidas mainly represented?

Erich Stamminger (Executive Board Member for Global Marketing)

We are impacted by the price war in the USA in the same way as all our competitors. We are trying to counter these developments with three key steps. Firstly, by strengthening the brand through our "Impossible is Nothing" campaign. This will help to position our products at higher pricepoints again. Secondly in this respect, an important role is played by our technologies, which we are bringing more strongly to market and further improving. This mainly concerns the pricepoints between 120 and 150 dollars, topped by our "intelligent shoe", the adidas 1, at 250 dollars. This certainly doesn't represent the mass of our business, but it helps us to position our brand and to make us stand out against the competition. We are addressing the mass business, which at the moment is below 100 dollars, with what are called "take-downs", i.e. products similar to top products but not offering the same comfort or the very latest technologies. The third important step is our distribution policy which we modified at the beginning of this year. We no longer give all key products to all retailers at the same time. We have gone over to offering retailers specific products or technologies on an exclusive basis, taking away from them the possibility to compete through price alone. This will help us to steer clear of the price battle.

Who are adidas' most important competitors? How are they positioned? How is adidas positioned versus its major competitors in the USA?

Herbert Hainer

adidas is positioned no differently in the USA than in all other parts of the world - as an authentic sports brand. The most important competitors in the USA are Nike and Reebok. Nike's business focus is similar to ours, whereas Reebok is more involved in the sports licensing business and in the fitness and aerobic sector.

How does adidas intend to win through against Nike in the USA?

Herbert Hainer

The US is an important market for us. It is the world's biggest sporting goods market, accounting for a volume of 45% of the total market. We are not a minor competitor in this market, with total sales of around \$ 2 billion. However, the gap of around \$ 3 billion between ourselves and Nike comes from this market and can only be closed here.

Why don't Maxfli golf balls in Europe carry an adidas logo to show what major brand they are affiliated with?

Herbert Hainer

Maxfli is a very traditional golf brand with a successful history. adidas doesn't have this history, which is why an adidas golf ball introduced to the market years ago was discontinued due to lack of success. In other words, Maxfli has a much better name in the world of golf than adidas does, and that is why the adidas name is not used on golf balls.

From 2004, an impairment test is required in the treatment of goodwill amortization. Does this affect any other acquisitions apart from Salomon and TaylorMade? What impact will this rule have on results?

Robin Stalker (Executive Board Member responsible for Finance)

We have various goodwill items in the balance sheet. Apart from the acquisitions mentioned, this also affects earlier acquisitions such as the take-over of a joint venture in Australia. In recent years, we have reviewed this goodwill amortization on a regular basis by means of impairment tests. We do not anticipate any significant changes as a result of this rule in 2004.

What exchange rate is the US dollar hedged at for this year and next? What strategy is adidas-Salomon AG pursuing in this sector?

Robin Stalker

Our hedging strategy involves us trying to hedge around 70% of our needs for the season over a period of 6-18 months in advance. That means this is done at the time when we determine prices for our customers. As part of this process, we have increasingly used options in order to be able to profit from a further strengthening of the euro against the US dollar. We are 100% hedged for 2004, at a rate of \$1.15 to € 1.00. For 2005, the first season is around 50% hedged. The exchange rate in this case is \$1.20.

Why is the dividend staying at the previous year's level?

Herbert Hainer

The aim of the Executive Board is to position the Group sustainably so that it can achieve sustainable success in the market in the long term. That is why it remains necessary to reduce the debt burden, which once stood at € 2 billion, and which was mainly incurred in association with the Salomon and TaylorMade acquisition. Therefore we decided to propose a dividend of € 1.00, which is within our defined long-term payout ratio between 15 and 20%. However, an increase in the dividend will be considered as soon as net borrowings reach an appropriate level.

How has the convertible bond developed compared to the share price? What were the reasons for excluding shareholders' subscription rights, and on what legal foundation was this decision made? Why will a possible new issue, for which approval is being sought at this AGM (agenda item 8), again take place with shareholders' subscription rights excluded?

Manfred Ihle (Executive Board Member for Legal and Environmental Affairs)

The price for the convertible bond is currently around € 115 and has risen by approximately 15% since the issue. The share price improved by around 30% in the same period.

When the convertible bond was issued last fall, shareholders' subscription rights were not automatically excluded. We considered at length whether to grant shareholders a subscription right. However, in the discussion with the lead banks, the decision went against granting subscription rights, for technical reasons. One of the reasons was that only a large shareholding would have meant an entitlement to subscribe. And secondly, a rights issue is extraordinarily complex from a technical point of view. In addition, normally many institutional investors do not participate in a rights issue. In our opinion, exclusion is permissible under § 186 paragraph 3, sentence 4.

If there is another issue of convertible bonds or bonds with warrants by virtue of the approval of agenda item 8, subscription rights in this case will again not be automatically excluded, but as in the previous case we will discuss the practicability aspect and then decide whether or not to exclude subscription rights.