adidas-Salomon AG
DEUTSCHE BANK
8th GERMAN CORPORATE CONFERENCE
MAY 31, 2005
FRANKFURT/MAIN
Robin Stalker, CFO
Agenda

• Exciting start to 2005

• Regional and brand perspectives

• Excellent P&L and balance sheet

• Salomon rationale

• Outlook
An Exciting Start to 2005

• Strong sales, margin and profitability improvements

• Successful new products and brand positioning

• Strong improvements in North America and Asia
Outstanding Financial Performance

- Currency-neutral sales grow 11% (+10% in euros)
- Substantial gross and operating margin improvement
- Net income attributable to shareholders grows 46% (+26% on a comparable basis)
Major Sports Marketing Deals Signed
Changes to Use of Sport Logos on Olympic Products

- Limited use of Three Stripes on Olympic apparel in the future
- Olympic footwear not affected
- New brand promotion opportunities to be developed
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Currency-Neutral Sales Increase Driven by adidas and TaylorMade-adidas Golf Segments

(Figures in euro terms)

<table>
<thead>
<tr>
<th>Group</th>
<th>% of Total</th>
<th>10% 0% 11% (+10%)</th>
<th>31% (28%)</th>
<th>Total: € 1.778bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>adidas</td>
<td>85</td>
<td>-8% (-9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salomon</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TaylorMade</td>
<td>9</td>
<td></td>
<td>11% (+10%)</td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>100</td>
<td></td>
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</tr>
</tbody>
</table>
Increasing Brand Profile in North America

• Currency-neutral sales grow 20%

• Focus on brands and profitability

• High-single-digit sales growth expected in 2005
Strong Momentum in Asia Continues

- Sales and backlogs grow more than 30% on a currency-neutral basis
- Strong economic and income development
- Major step change expected from 2008 Olympics
All-Around Strength in Latin America

- Currency-neutral sales grow 45%
- Double-digit improvement at all brands
- Brand presence improves in key markets
Challenging Quarter in Europe

- Currency-neutral sales grow 1%
- Growth in emerging markets, the UK and Italy
- Excellent profitability
- Improvements expected in remainder of 2005
TaylorMade-adidas Golf Delivers Impressive Growth

- Currency-neutral sales grow 31%
- Double-digit increases in all regions
- Leading categories: metalwoods, rac™ irons and adidas apparel
- Excellent product pipeline and market position to support growth going forward
Salomon Sales Down in Most Categories

- Currency-neutral sales decline 8% due to tough winter conditions in North America and Japan
- Delayed ordering cycles negatively impact Mavic sales
- Better full year sales expected than first quarter figures indicate
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### Highest First Quarter Gross Margin in Group’s History

<table>
<thead>
<tr>
<th>Brand</th>
<th>Margin</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>adidas</strong></td>
<td>47.1%</td>
<td>+3.0pp</td>
</tr>
<tr>
<td><strong>Salomon</strong></td>
<td>28.3%</td>
<td>-3.2pp</td>
</tr>
<tr>
<td><strong>TaylorMade</strong></td>
<td>42.7%</td>
<td>-1.6pp</td>
</tr>
<tr>
<td>*<em>Group</em></td>
<td>46.9%</td>
<td>+1.0pp</td>
</tr>
</tbody>
</table>

*Includes HQ/consolidation
### Impact of IFRS Changes on P&L

<table>
<thead>
<tr>
<th>Old IFRS Rules</th>
<th>New IFRS Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross profit</strong></td>
<td><strong>Gross profit</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>Royalty and commission income</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>Operating expenses</td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>Goodwill amortization/impairment</td>
</tr>
<tr>
<td>Royalty and commission income</td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>Financial expenses</td>
</tr>
<tr>
<td><strong>Income before taxes</strong></td>
<td>Income before taxes</td>
</tr>
</tbody>
</table>
Operating Margin Improves 140 Basis Points Despite Higher Operating Expenses

• Operating expenses increase by 11%
  - Launch schedule weighted towards Q1 and Q4
  - Continued expansion of adidas own retail

• Operating profit up 27% to € 179 million (+17% on a comparable basis)

• Operating margin increases 1.4 percentage points to 10.1% (+0.7 percentage points on a comparable basis)
Strong IBT and Earnings Performance

- Financial expenses reduced by 19%
- IBT grows 31% to € 170 million (+20% on a comparable basis)
- Minority interests up 3% to € 5 million
- Tax rate reduced

Net income attributable to shareholders
up 46% to € 105 million (+26% on a comparable basis)
Strong Working Capital Progress Continues

• Receivables reduced by 2% currency-neutral (-4% in euros)
  - Driven by trade terms management and concerted collection efforts

• Inventories increased 3% on a currency-neutral basis
  - Significantly below sales expectations
Further Debt and Financial Leverage Improvements

- Group debt reduced by € 416 million vs. prior year
- Main drivers: Strong bottom-line profitability, tight working capital management
- Equity base further strengthened
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Salomon Group of Brands to Be Sold
Rapid Consolidation in Winter Sports Industry

• Scale and synergies critical to success

• Efficiency as key factor

• Sale of Salomon to Amer Sports Corporation a win for all parties
The Salomon Divestiture

• Approx. € 485 million enterprise value of Salomon segment, adjusted for changes in capital employed

• All-cash transaction

• Subject to customary terms and conditions (e.g. approval of antitrust authorities)

• Deal expected to close end of September

• Transitional cooperation agreements
Financial Implications of the Salomon Divestiture

- Visibly improved profitability ratios, especially ROCE

- Proceeds to be used to fund share buyback
Strategy Tied to Key Strengths

Focus on adidas and TaylorMade-adidas Golf

Clear field of competition, precise priorities

Cutting-edge innovation, technology and design

Streamlined and stronger brand leader
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adidas Backlog Growth Continues to Accelerate (Y/Y)

<table>
<thead>
<tr>
<th></th>
<th>euros</th>
<th>currency neutral</th>
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<tbody>
<tr>
<td>Footwear</td>
<td>+ 2%</td>
<td>+ 5%</td>
</tr>
<tr>
<td>Apparel</td>
<td>+ 10%</td>
<td>+ 14%</td>
</tr>
<tr>
<td>Total</td>
<td>+ 6%</td>
<td>+ 9%</td>
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- Highest currency-neutral backlogs in North America in more than two years (Y/Y)
- 15th consecutive quarter of double-digit underlying backlog growth in Asia
Increased Confidence in Full Year Sales Guidance

- Europe: mid-single-digit growth rates
- North America: high-single-digit growth rates (previously: mid- to high-single-digit)
- Latin America: double-digit growth rates (previously: high-single-digit)
- Asia: Double-digit growth rates

Mid- to high-single digit currency-neutral revenue growth for continued operations
Profitability Improvement to Continue

• Gross margin to be at least at 2004 record level

• Visible underlying operating margin improvement

• Reported net income to increase around 20%