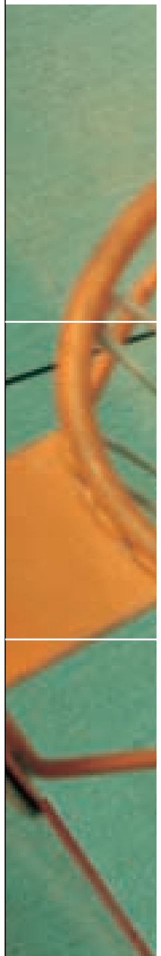
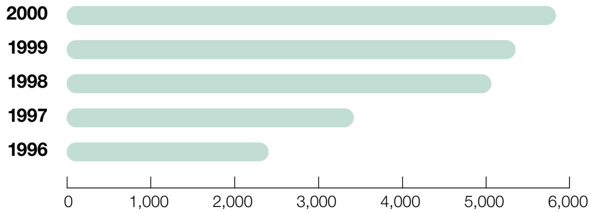
ANNUAL REPORT 2000

adidas-Salomon

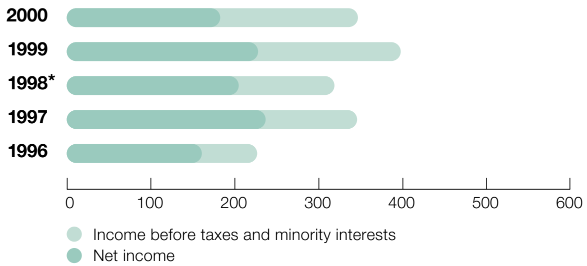
2000: KEY POINTS IN BRIEF



Net Sales
(euros in millions)

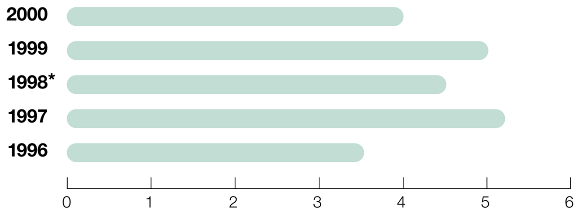


Income
(euros in millions)



* Before special effect

Earnings Per Share
(in euros)



* Before special effect

Financial Highlights

Operating Highlights (euros in millions)	2000	1999
Net sales	5,835	5,354
Income before taxes and minority interests	347	398
Net income	182	228
Key Ratios (in %)		
Gross margin	43.3	43.9
Selling, general and administrative expenses as a percentage of net sales	34.5	33.8
Effective tax rate	40.3	38.4
Net income as a percentage of net sales	3.1	4.3
Equity ratio	20.3	19.0
Per Share of Common Stock (euros)		
Earnings per share	4.01	5.02
Dividend per ordinary share	0.92*	0.92
Share price at year-end	66.00	74.55

* Dividend proposal – subject to Annual General Meeting approval

TABLE OF CONTENTS

Mission Statement

adidas-Salomon is a global leader in the sporting goods industry and offers the broadest portfolio of products.

We are building a world of sports. That means passion for competition and a sporting lifestyle underlies everything we do:

- Consumers are our focus and our top priority. We are continuously improving the quality, look, feel and image of our products to match and exceed consumer expectations and to provide them with the highest value.
- We strive to bring innovation in technology and design to our footwear, apparel and hardware products in order to help athletes of all skill levels achieve peak performance.
- We are a global organization that is socially and environmentally responsible, creative and financially rewarding for our employees and shareholders.

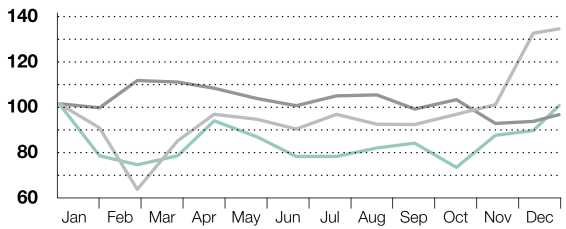
Our strategy is simple: continuously strengthen our brands and products to improve our competitive position and financial performance.

adidas-Salomon has the highest market share in Europe and we intend to reinforce and extend this position. By the end of 2003, we aim to double sales in Asia from the 1999 level, and we will be well on our way to achieving a 20% share of the US footwear market. The resulting sales growth, together with added efficiencies and working capital improvements, will drive the 15% earnings growth in each of the next three years.


adidas
Sydney 2000
1833
adidas

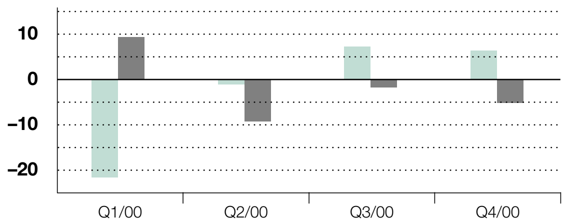
Shareholder Information

2000 Monthly Share Price Development



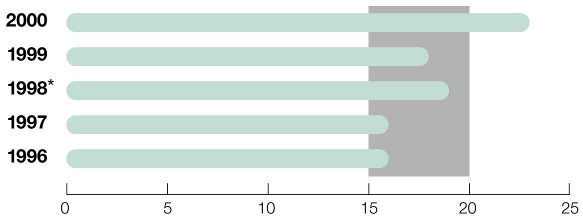
■ adidas-Salomon
■ DAX-30 Index
■ Standard & Poor's SuperCap Footwear Index

2000 Quarterly DAX-30 Comparison
(in %)



■ adidas-Salomon
■ DAX

Dividend Payout Ratio
(in % of Net Income)



■ Target range
* Before special effect

Solid Development of adidas-Salomon Share

Despite a turbulent year on the stock markets, the adidas-Salomon share price developed favorably in the second half of 2000. At year-end the share price was € 66.00, down 11% from 1999 year-end, but up 32% from its first quarter low. This performance was slightly lower than the German DAX-30 Index, which declined 8% over the same period, and clearly behind the Standard & Poor's SuperCap Footwear Index, a composite of the Group's major footwear competitors in America, which increased 30% over the year as a result of the rebounding sporting goods environment in the United States.

First quarter declines in the adidas-Salomon share price were driven by company, industry and market factors. At adidas-Salomon, Management changes and the € 38 million Growth and Efficiency Program were announced. Profit warnings were issued in the industry, which pushed share prices down dramatically. In addition, interest rate increases and mixed economic signals in the United States and the falling euro raised overall market skepticism.

As the year progressed, however, confidence in the new Management's plans increased, the athletic footwear retail industry consolidated and strengthened in the United States and investor insecurity about the "new economy" drove increased interest in our share and industry. Analyst sentiment also improved. adidas-Salomon outperformed the DAX-30 after the first quarter and showed consistent improvement, gaining strongest momentum in the fourth quarter. In November, adidas-Salomon was the top performer in the DAX-30. The adidas-Salomon share price continued to appreciate in early 2001.

Dividend Sustained at € 0.92

The adidas-Salomon Executive Board will propose paying a dividend of € 0.92 per share to the Annual General Meeting of Shareholders on May 10, the same amount as in 1999. This represents a total payout of approximately € 42 million. The decision to maintain a stable dividend level represents Management's confidence in its ability to achieve its 2001 financial targets, despite the net income decline in 2000.

The proposal represents a total payout ratio of 23%, which is above the defined range of the Company's dividend policy, which recommends a payout ratio of between 15 and 20% of consolidated net income. Management views 2000 as a year of consolidation and restructuring and is increasing the payout percentage to reward long-term shareholders. In 2001 and beyond, adidas-Salomon will return to a dividend payout ratio consistent with its established dividend policy.

Investor Relations Program Extends Offering

Open and consistent communication with shareholders, potential investors and other members of the financial community is a high priority for adidas-Salomon. In addition, the transition of new Management in 2000 brought a strong mandate to extend and strengthen our relationship with each of these important groups. It is our belief that this communication is critical to a fair valuation of the adidas-Salomon share.

Investor Relations activities focused on introducing new Management to the financial community. In addition to increased investor meetings and industry conference participation, adidas-Salomon conducted its first ever Investor Day event in New York in October. Presentations were made to detail the new global marketing strategy, plans for North America and global supply chain management.

In new media activities, the Investor Relations internet site www.adidas.com/investor was improved and expanded in 2000. The site now includes corporate history, investor news, current and historical share price information, quarterly earnings reports and presentations, as well as a list of financial analysts who cover our Company and a summary of their recommendations.

The Investor Newsletter function makes investor-relevant press releases, annual and quarterly report notification and updates to the financial calendar available. Investor e-mail inquiries can be made at investor.relations@adidas.de. Copies of the annual report can also be ordered online. This site was recently ranked number two and number three among DAX companies in two leading German financial publications.

adidas-Salomon is committed to extending and improving its dialog with private and institutional investors going forward. In 2001, we will be webcasting all our analyst conferences to ensure full disclosure to all interested parties. After a successful premiere in 2000, we also intend to broadcast our shareholders' meeting on the internet.

Share Information

(in euros)	2000	1999
per share		
Income	4.01	5.02
Dividend*	0.92	0.92
Including tax credit	1.12	1.31
Shareholders' equity	17.98	14.99
Year-end price**	66.00	74.55
High**	73.10	103.00
Low**	49.81	68.35
Number of shares outstanding (in millions)	45.35	45.35
Dividend payout (in millions)*	41.72	41.74
Dividend payout ratio	23%	18%
Price-Earnings ratio	16.46	14.85
Dividend yield	1.39%	1.23%

* 2000: dividend proposal
** Closing price on the Frankfurt stock exchange

Type of share	No-par-value share
Initial Public Offering	November 17, 1995
Stock exchange	Frankfurt, Paris
Stock registration number	500 340
Important indices	DAX-30
	CDAX-Consumer-Cyclical Index
	Dow Jones Stoxx
	Dow Jones Euro Stoxx

Letter from Chief Executive Officer

Robert Louis-Dreyfus

Dear fellow shareholders

This is the last annual report that I will be writing to you as CEO of adidas-Salomon, and I am very pleased and proud to be handing over a company which is in great shape. Over the last eight years, we have seen massive changes and enormous achievements in our firm. Now is the time to put all of these things into perspective.

Let me take you back to the early 1990s. The first priority of the new Management team was to avoid impending bankruptcy. Once this had been done successfully, we focused on improving margins, optimizing product flows, shifting sourcing and giving the Company a completely new marketing orientation.

We were in the fortunate position to have the task of reviving one of the greatest brand names in the world. As I said on my first day in charge, I was absolutely convinced that we could do this. Even so, the rapidity of our recovery surprised even me.

The changes we made bore fruit very quickly. This allowed us to go public at the end of 1995. The initial launch price was € 35 and, as I write this, adidas-Salomon shares are trading at above € 75, representing a growth of more than 110%.

The two years following our public launch saw us grow extremely quickly. In the process, we became the clear number two in the global sporting goods market.

In 1997, we acquired the Salomon group and added four great brands – Salomon, TaylorMade, Mavic and Bonfire – to our renamed company, adidas-Salomon. This expansion marked a new era in our business and made us the only sports company in the world to be leaders in footwear, apparel and hardware. No other company in our industry can match that.

Now that the Salomon group has been successfully integrated into adidas, we are beginning to see the real benefits of the acquisition. The continuously improving results of all the new brands plus our projections for annual double-digit growth for Salomon and TaylorMade going forward are the best evidence of that. I am firmly convinced that the more time passes, the better the fit between adidas and these brands will prove to be.

Here are a few more figures to underline our increasingly strong position as the world's leading portfolio of sports brands, in terms of growth and financial results.

Since our initial public offering in 1995, we have more than tripled our net sales, more than doubled our pre-tax profit, as well as more than doubled our market capitalization. Currently, we employ over 13,000 people and are present in almost every country in the world.

Our real goal has always been to achieve global leadership in sporting goods. We have already achieved this position in a number of markets, for example in France and Germany.
We have also reached our goal in several sports categories. For example, we are, indisputably, the world's number one in

soccer. We now have to grow from this strong base to win leadership in all important markets and categories. To do this is our challenge and to achieve it is, I believe, our destiny.

As you read this annual report, you will get a good feel for what our Company is all about. You will also get a feel for the people who lead it. It will give you an insight into our COO and my successor, Herbert Hainer. For many years, I have worked closely with Herbert and I am fully convinced that he is the perfect person to take up the challenge and lead adidas-Salomon into the next phase of growth. He knows our Company and our business inside out. He is passionate about sport. He is out there to win – both on the field of play and in the markets.

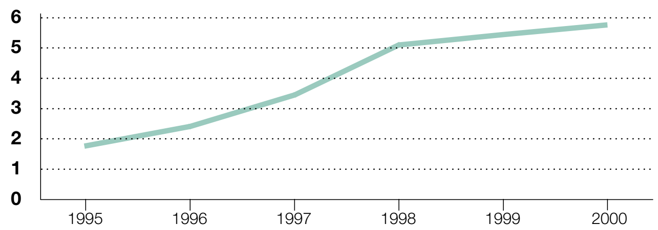
As to content, our report will begin with Herbert highlighting the most important events which took place in 2000 and describing his vision for the future of adidas-Salomon. This will be followed by a strategy section in which the drivers of the next growth phase will be outlined. The report will finish with the Management discussion and analysis of 2000 and our consolidated financial statements. After looking through this, I am sure that you will share my view that we have created the platform for tremendous success at adidas-Salomon for the first decade of the new millennium.

Of all the things that I have done so far in my career, helping to bring about the renaissance of this great company is the one which has given me the most pleasure. It is also the achievement of which I am most proud.

Thank you for your support since we took this company public. I remain a major shareholder in adidas-Salomon but my role will change. Like you perhaps, I will now watch, encourage and support adidas-Salomon from the sidelines. And I have always supported the winning team.

Robert Louis-Dreyfus
Chief Executive Officer
March 2001

Group Sales Development (1995–2000)
(euros in billions)



Financial Performance (1995 versus 2000)

(euros in millions, except EPS)	2000	1995
Net sales	5,835	1,790
Gross margin in %	43.3	39.7
Operating margin in %	7.5	6.9
Income before taxes	347	151
Total assets	4,018	909
Earnings per share	4.01	2.76

Letter from Chief Operating Officer

Herbert Hainer

Dear Shareholders,

This is my first opportunity to formally write to you as CEO-designate of adidas-Salomon and it is indeed a tremendous privilege for me. This letter will be a lot like I am, direct and focused. First, I will discuss how our achievements over the last few years, and in 2000 in particular, have positioned us for the future. Second, I will present the key goals we have established for adidas-Salomon going forward.

For the past 50 years, our Company's core competency has always been in designing and marketing sports footwear, apparel and equipment. Our products have consistently exemplified the values that our consumers associate with our brand: performance, innovation and heritage. In each of these areas, we are improving continuously because we believe these are also the crucial drivers for the future of our Company. The competition in our sector is fierce. Consolidation among retailers who sell our products continues, fashion houses and vertical retailers are fighting for our consumers like never before, and consumer expectations for sports products are changing. To extend our position as a global leader in the sporting goods industry, we have to increase our brand power and improve the quality, look and feel of our products. At the moment, we are just scratching the surface. In the future, we will fully leverage the power of our amazing portfolio of brands and, in doing so, create better value for you.

A Fitter, Stronger adidas-Salomon

2000 was a pivotal year for adidas-Salomon. First, we put a new Management team in place. In addition to myself, we also have a new Head of Global Marketing, a new Chief Financial Officer, a new Creative Director and a new President of adidas America. Together, we launched an ambitious Growth and Efficiency Program designed to refocus and streamline our global organization.

As part of the program:

- We took out unnecessary management layers, to ensure that our whole decision-making process is faster and more transparent.
- We streamlined our European warehouse and logistics structure, to make sure our new products get to the market faster.
- We accelerated our internet and e-business activities, in order to utilize this powerful marketing tool for the future.
- We re-established our commitment to technology and design innovation, by moving those teams up in our hierarchy and committing more resources to them.
- We committed to reducing our product range by 20% to get rid of unprofitable and redundant products.
- We expanded the marketing and sales activities of the Salomon and TaylorMade brands enormously, to maximize their brand value.

As a result of these efforts, adidas-Salomon today is a faster, leaner and more responsive organization with a much stronger and far more concentrated design and marketing focus. Over the next three years, our earnings will also increase substantially as a result of this program.

Performance in 2000

Looking at our financial results in 2000, the strength of our global brand portfolio and our commitment to bring new and better product innovations to the market is obvious. Let me give you a few examples:

- The adidas, Salomon, TaylorMade and Mavic brands all grew worldwide.
- The improvement at adidas came from the footwear side and our increased own-retail activities.
- The improvement at Salomon, TaylorMade-adidas Golf and Mavic was driven by the introduction of new products such as the *Pilot* ski system, the *300 Series*™ metalwoods and new bicycle wheels.
- The gross margin came in at an industry-leading 43.3% as a result of more own-retail activities and a better product mix.

While these achievements are impressive, we need to do more. Let me give you a few examples:

- We need to turn around adidas America, to improve our position in the world's largest sporting goods market. This is our biggest challenge and the Group's key focus.
- We need to improve our apparel, and that means design, production and marketing to match the changing needs and demands of our consumers.
- We need to reduce our operating expenses, particularly our operating overhead and our marketing working budget, to guarantee that the top-line improvements we generate reach the bottom line with even greater effect.
- We need to improve our working capital performance in order to drive down our financing costs and pay down our debt. This will further improve the financial strength of our Company.

And we are doing this. In every single one of these areas, we have already taken steps to ensure that we continue to make progress towards better performance in 2001 and beyond.

Brand Marketing Successes

Success in linking our brands and products to world-class sporting events and personalities is critical in improving our profile with consumers. Here are a few examples of how we did this in 2000:

- At the Summer Olympics in Sydney, we sponsored more than 3,000 athletes, giving us more medals and sponsorship identification than any other company.
- At the European soccer championships, France won the competition, helping us to retain our number one position in the European market.
- In the United States, Kobe Bryant's scoring helped bring the Lakers another NBA title and boosted the sales of *The KOBE* shoe – our most successful new basketball release in a decade.
- In the United States again, Marat Safin won the US Open and is the hottest prospect in men's tennis worldwide. Martina Hingis is the undisputed number one in women's tennis. Together with Anna Kournikova, the most famous female athlete in the world today, these stars have propelled adidas to first place in the US tennis market and driven double-digit growth in this category in 2000.
- At a World Cup race in Kitzbühel, Austria, 21-year-old Salomon sponsored Mario Matt, wearing our hot selling *Equipe 10 3V* skis, established himself as the new winter sports icon by winning the downhill. After a great ski season, he went on to become the world champion in early 2001.
- And at golf tournaments throughout the world, the TaylorMade *300 Series*™ metalwood really made its mark. The driver had 27 wins globally as well as 57 top ten finishes.

Other Big Wins in 2000

In addition to these major sporting events, there were two special recognitions that adidas-Salomon received in 2000, which show that the changes we are making as an organization are also starting to be recognized externally.

On the marketing side, the adidas brand won the prestigious CLIO "Advertiser of the Year" award in recognition of our superior worldwide advertising over the last few years. This is important in reaching the audiences – young, fashion-oriented, media-focused – that will determine our success in the future. We are proud of this work and, as we reposition adidas for stronger performance, this media skill will be important.

Another big area of pride for our Company was being selected to join the Dow Jones Sustainability Group Index. This is the world's premiere index for sustainability-driven companies. Sustainability-driven companies are characterized by integrating environmental and social responsibility into their business strategy to deliver lasting benefits to current and future generations. Based on our social, environmental and financial performance, we are now recognized as an industry leader for sustainability issues. In particular, Dow Jones cited our significant progress in improving the social and environmental conditions in the factories which supply our products. This is a distinction we have worked hard for, are proud of and will make sure we maintain going forward.

The Future

2001 is going to be a really exciting year. We have reinvigorated our team and refocused our energies. adidas-Salomon is a far better organization today in terms of design, marketing and sales than it was a year ago.

That means we now have the right platform to move on to the next phase in our plans to maximize the performance and profitability of our brands by making top-line growth our top priority. I am convinced that this year our new strategic initiatives will bring us even greater successes.

In the following pages, we have outlined our strategy for pushing adidas-Salomon to the next performance level.

Our passion to compete and win is what pushes us forward. And it is our passion which will drive us to extend our position as a global leader in the sporting goods industry and to deliver the financial performance which this Company is capable of achieving.

Herbert Hainer
Chief Operating Officer
March 2001

adidas-Salomon Strategy

The Challenge of Market and Consumer Change

The markets and industry in which we compete are transforming rapidly, paced by the evolution – or revolution – in how "sports" are defined. Team sports such as soccer and basketball will always be a fundamental part of sporting competition. Today, however, eclectic, individual "no-rules" sports such as snowboarding, inline skating and surfing have grown into significant categories. Activities such as golf, hiking and mountain biking, which used to be seen as lifestyle and leisure activities, are now part of mainstream sports. Sport is also being strongly influenced by entertainment and new media. As a result, technological breakthroughs and cutting-edge design are increasingly important elements in the consumer buying decision.

To improve our brand impact on new and existing consumer groups, adidas, Salomon, TaylorMade-adidas Golf and Mavic must define and project distinct and cohesive product images. These images must be sharp, active and in sync with the heritage of these brand identities. Our organization and supply chain are changing too, to ensure that we can move beyond the traditional way of developing, positioning and marketing our brands and products. To accomplish these goals:

- The adidas brand will be strategically repositioned to increase its impact on consumers.
- The strengths of Salomon, TaylorMade-adidas Golf and Mavic will be leveraged further.
- Brand initiatives will be backed up with the new supply chain initiatives to maximize bottom-line impact.

adidas

Strengthening the adidas brand is at the core of our new strategy. In 2000, the adidas brand contributed over 80% of our total sales and profits. The majority of Group products and employees are focused on adidas. Thus its performance is critical to the organization’s long-term success. Our goal is to refocus and reposition the adidas brand to fully exploit its market potential.

For adidas, this means moving away from the traditional industry-segregated footwear, apparel and hardware divisions and strategies. Going forward, the focus will be to integrate all of these products into three specific consumer-group targeted divisions: FOREVER SPORT, ORIGINAL and EQUIPMENT. These divisions will create greater market penetration among athletes, sports enthusiasts and lifestyle consumers.

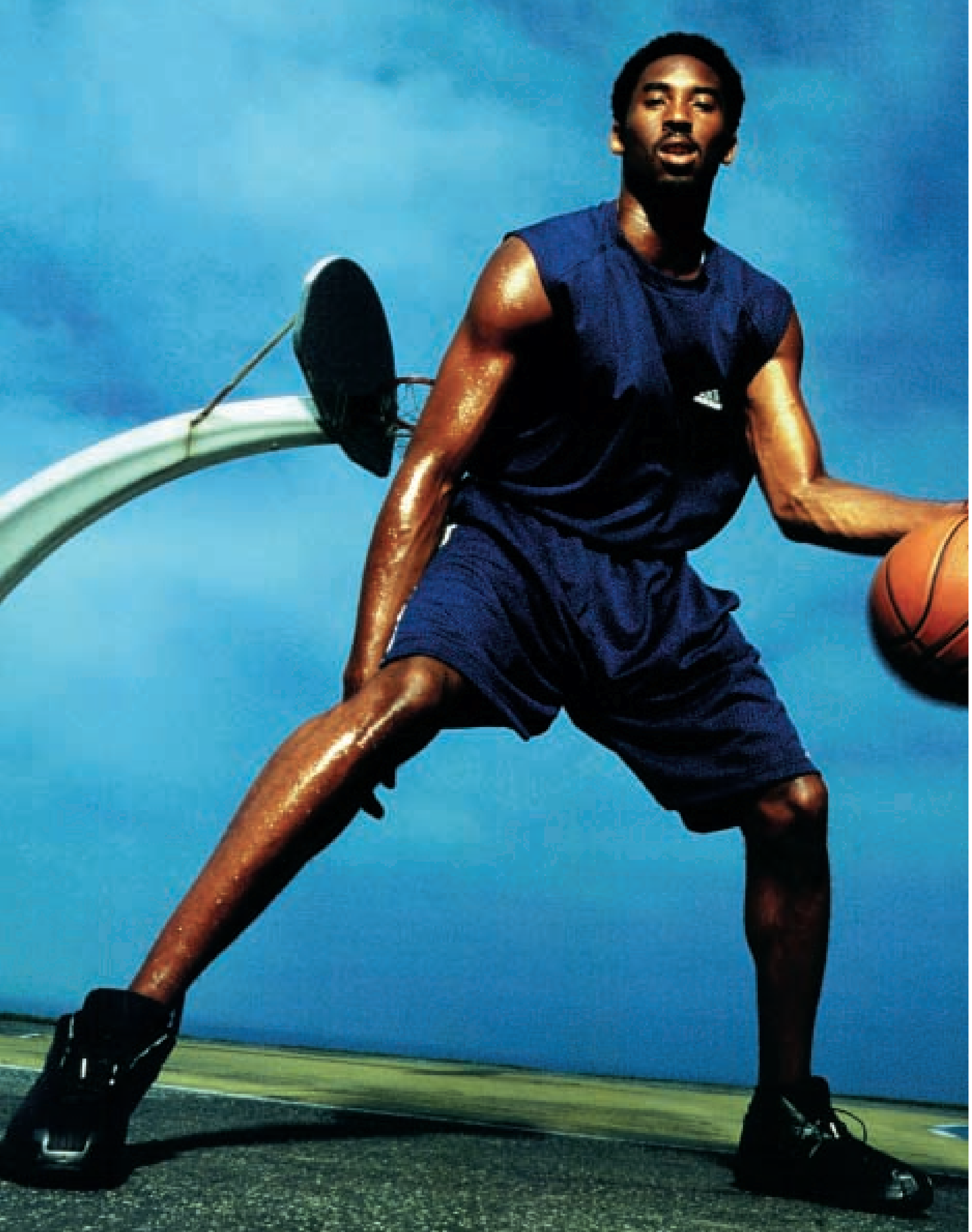
adidas FOREVER SPORT

FOREVER SPORT

adidas started with one man's vision: to help athletes perform to the peak of their ability by creating the best sports products in the world. Currently, over 90% of our products are focused on delivering benefits to athletes in a specific sport. The products target sports performance, with both athletic sport style and leisure appeal. As a result, each and every product in the FOREVER SPORT division is *engineered to perform*.

To ensure the highest level of functionality, comfort, cushioning, durability and fit, the FOREVER SPORT division has moved from being a footwear and apparel generalist to being a multi-specialist in five specific sports categories: running, basketball, soccer, training and tennis. The target audience for these products are sports enthusiasts of all ages, but with a particular focus on urban youth aged 12–24. Integrated footwear, apparel and accessories product packages will be available in each of these categories.

- **Running Category Preparing for Leadership**
  Our goal in running is clear – to become the leading running brand worldwide. This category currently makes up nearly 40% of our footwear sales and is one of our strongest growing apparel categories for the adidas brand. Our top shoes have repeatedly received the best product awards within the running community. This category will also serve as the base for implementation of new footwear technologies in the future, starting in Spring/Summer 2002. Supporting our strong products is our sponsorship of a great portfolio of marathon events, as well as a team of successful adidas runners such as Haile Gebrselassie and Ato Boldon.



■ Basketball is Scoring Big Improvements

Over the last few years, adidas has transformed its heritage in basketball from a supplier of no-frills, highly functional products to a major brand for urban basketball players and basketball inspired youth. Double-digit sales increases were achieved in 2000 and we expect even stronger growth for 2001 and beyond. It is clear that basketball will be one of adidas' major growth drivers going forward.

Our promotional partner Kobe Bryant will be key to our efforts here. The introduction of the high-end *The KOBE* basketball shoe in 2000 was our most successful new product launch in this category in over a decade. And the success of *The KOBE* is just the beginning. There are many other products in the pipeline such as the *Mad Handle*, *All Day/All Night* and *The KOBE 2* that will score big with consumers.

adidas FOREVER SPORT

■ **Soccer Never Stops**
Our dedication and devotion to soccer never stops. adidas is known throughout the world as the premiere soccer brand. Going forward, we will strengthen and expand our global leadership in soccer by pushing through a number of key initiatives. We will be rolling out a continuous stream of customer-focused products tailored to the needs of our consumers. Additionally, we will continue our support and promotion of high-profile teams and players globally. We will partner with top federations and major soccer events, including the men's World Cup 2002 (Japan and Korea) and 2006 (Germany) as well as the women's World Cup in 2003 (China).

Credibility is key in this category and we will build on the successes. In 2000, the adidas sponsored French national team won the European soccer championships. One of our leading promotional partners Zinedine Zidane was voted "World Football Player" of the year twice in the last three years. Through his ongoing support and that of other top players including David Beckham and Raúl, the *Predator® Precision* shoe has become the most popular and most critically acclaimed soccer shoe in the world. This product will also serve as the base for our first "customization experience", in which we will introduce tailor-made shoes based on playing conditions and athletes' needs.

■ **Training for Sport Moves Forward**
Training is one of our largest categories with nearly 70% of our 2000 apparel sales and over 10% of our footwear sales. Our success in this category is dependent on our ability to offer appealing products that connect with our consumers. In 2001 and beyond, we will be offering products with new, innovative materials and improved design and color direction to increase our strong position in this category. One important example is our new premium-priced *Three Stripe Training* line, which will be introduced in Fall/Winter 2001.

■ **Tennis Serves up Market Dominance**
In tennis, adidas is the undisputed market leader in terms of market share, top products and athletes. This is a key category for adidas and an area in which we are committed to extending our market leadership through ongoing technological innovation. A current example of this is our recently launched *Precision Polo* tennis shirt, which compresses muscles to increase accuracy and reduce fatigue. In addition to strong products in both footwear and apparel, we have the best portfolio of promotional partners and symbols. These include top-ranked tennis players Martina Hingis and Marat Safin, as well as the highest-profile female athlete, Anna Kournikova.

Design and Technology as Key Priorities
With the integration of footwear and apparel and with one Creative Director overseeing the design of all our products, we will be able to ensure a unique design look and feel that is distinctly adidas.

In addition to design, technology is critical to our understanding of innovation. We have created a new Technical Innovation Group, which will be launching at least one major innovation per year. These innovations will either be completely new technologies or major advancements of current products or functional concepts.

Customer Driven
We are currently in the process of extending our already strong relationships with retailers. We will focus on delivering our brand message through customized programs, including specific product packages, point-of-sale activities, merchandising service and shop-in-shop systems. In addition, we will target our consumers directly through increased own-retail sales in concept shops and factory outlets.

Outlook
In the FOREVER SPORT division, our commitment to sport and athletes is total. We are concentrated on performance and creating products that help athletes achieve their peak performance. We are targeting solid single-digit annual sales growth in this division. In the medium term, we anticipate that these products will make up roughly two-thirds of the total adidas product offering and will remain the foundation for the adidas brand image.


engineered
to perform

adidas ORIGINAL

Today’s consumers are seeking brands that are an extension of their own personalities; that means brands they believe in. Consumers make purchase decisions based on the values associated with various brands. As a result, our challenge is to provide consumers with an adidas experience which reflects their own lifestyles and values. The Trefoil logo, which will appear on ORIGINAL products, embodies genuine, trustworthy, honest and real values. Interestingly, the logo has been adopted by underground consumer groups as a mark of authenticity and street style, while it has at the same time remained relevant to soccer fans and adidas’ traditional sports base. The ORIGINAL product offering therefore provides adidas with a clear opportunity to capitalize on the universal appeal and relevance of the Trefoil logo and the adidas brand heritage.

For the first time, a global apparel and accessories range will be offered to complement our strong success in footwear. Further, a targeted global advertising campaign and communications package will tell the authentic and exciting ORIGINAL story.

Once Innovative, Now Classic, Always Authentic

The legacy of Adi Dassler, his love of sports and his respect for all athletes are the foundation of adidas’ positioning in the global marketplace. We have a rich sports heritage, based on our unique performance history that far exceeds that of any of our competitors. Jesse Owens, Muhammad Ali and Franz Beckenbauer all made history in adidas products. The *Stan Smith* tennis shoe and the *Marathon Trainer* were unquestionably the leading performance products of their days. And that identity still resonates with consumers today.

The strength of these innovations and the timelessness of their design have given Originals a unique and almost mythical ability to transcend the lines ordinarily drawn between consumer groups. The adidas ORIGINAL division will extend that strength to apparel, drawing on our deep sports heritage to introduce a line of inspirational sportswear that addresses the needs and values of the modern lifestyle consumer.

ORIGINAL Consumers

For the Fall/Winter 2001 launch of the ORIGINAL division, the primary target will be style-setting and style-leading consumers. These groups set the trends which are later picked up by the mass market. Product offerings, particularly at the high end, will be available in limited quantities and via a targeted distribution network. The demand created through this strategy will ultimately create a larger volume opportunity at mainstream distribution outlets in subsequent seasons.

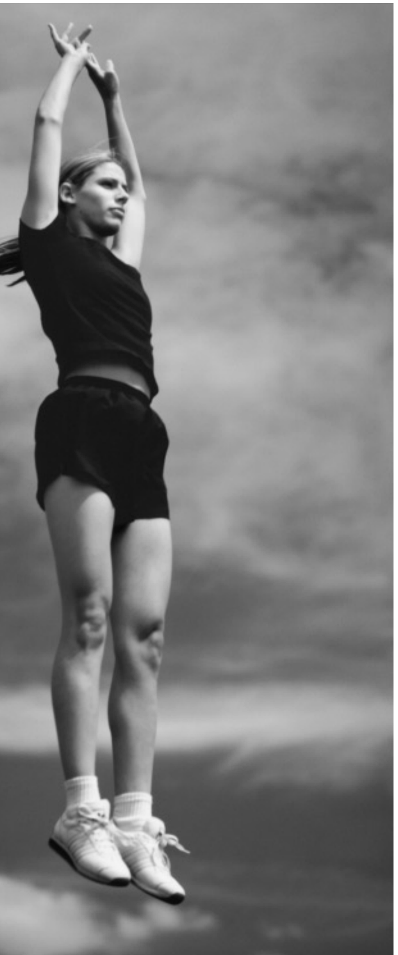
adidas

Product Direction
The Fall/Winter 2001 apparel offering is a collection of individual items rather than matching outfits. An overall feeling of craftsmanship will be central, with strong attention to detail, fabrics and patterns. Products will be sold as packages with frequent roll-out dates to keep the range fresh at retail. Both footwear and apparel offerings will consist of products which are strategically priced, based on distribution and consumer targets.

Distribution
Our distribution strategy for 2001 will focus on trend and lifestyle stores in major markets in Europe, the United States and Japan. About 100 trend shops in major metropolitan areas will carry limited-edition, premium-priced products. Lifestyle shops, which represent a mixture of sport, fashion/denim, and high-end department stores will sell the other product offerings. Additional countries and a wider distribution will follow in 2002.

Outlook
The ORIGINAL division will utilize our competence in sport to extend our lifestyle offering. We will emphasize our unique tradition as the world's oldest and most authentic major sports brand to create up-to-date products for today's consumer. New apparel and accessories will augment our already successful footwear line. As a result, the ORIGINAL division will grow sales at double-digit rates in 2001 and beyond and will contribute 25 to 30% of our sales in the medium term.

adidas EQUIPMENT



adidas has always brought innovation to sport and has delivered superior products to our consumers by listening and responding to their needs. As the industry developed, adidas often broke the rules of what was the industry norm, setting new standards for competitors to follow. This brand strategy required courage to be a leader and not a follower.

As the borders between fashion and style continue to disappear, it is now time to be a trailblazer again. It is time to innovate and create a concept that has its roots in sports performance but combines this with a more forward-thinking design direction. Function and style will be combined to create top-quality products. Conventions will be challenged. EQUIPMENT will give adidas new image dimensions, and push the brand into a new premium segment.

Consumer

There are some things that do not change in the sporting goods industry. Consumers are still impressed and influenced by what elite or professional athletes do and wear. At the same time, athletes have become more stylish and that influence is affecting our consumer base.

These types of consumers extend beyond teenage groups, where the adidas brand is already well known, to the 25- to 40-year-old working professionals who also understand and love sport. This is a group that we will target directly for the first time with EQUIPMENT. In addition to sport, this more mature group has a continuing and growing interest in music, fashion and even design. Their lifestyles are sophisticated and demanding. They, in turn, demand more in terms of performance and aesthetics than other consumers from sporting footwear and apparel. They expect outstanding product quality. For this reason premium brands are highly relevant to these consumers. These consumers care about health and fitness. They are well educated. They enjoy traveling. And they have high disposable incomes, which enable them to purchase exactly the same products and brands that are utilized successfully by top athletes.

Product

The starting point of EQUIPMENT will be footwear. The task is to challenge the conventions of the sporting goods industry while, at the same time, meeting consumer needs. Products will be multi-functional so they can be used for more than one specific sport. We will achieve this through newly developed lasts and other product construction details. Aesthetic needs will be met through a timeless design that focuses on detail and unique color schemes.

EQUIPMENT apparel will follow the same direction and standards that footwear establishes. Apparel will address both the functional and aesthetic needs of the consumer. As in footwear, these products will not compromise in any way on performance or quality. The fabric mix, new cuts and construction details will be top of the line. Design direction and color approaches will be developed in line with footwear in order to best coordinate product offerings.

Together, EQUIPMENT footwear and apparel will give the retailer products that are new, different and at the same time functional. Additional products will be added to the range in later seasons.

Distribution

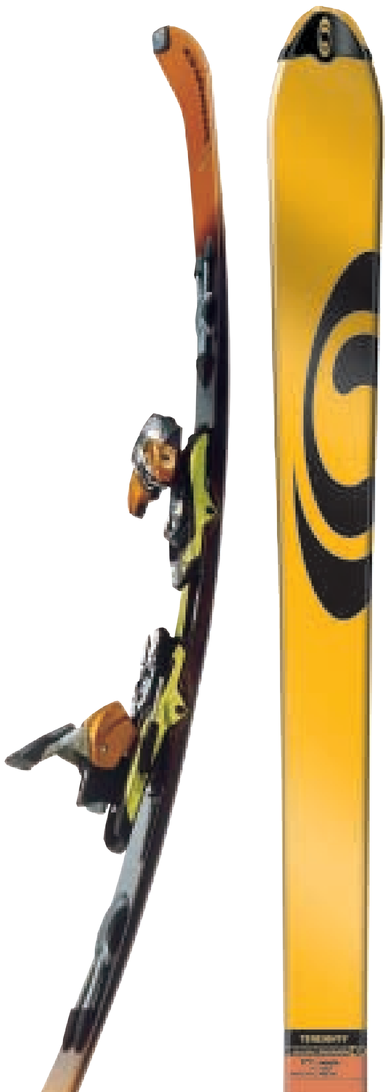
EQUIPMENT will work with premium retailers who understand its concept and are committed to giving it the time and space it will require. Time is needed because we are building a new segment from scratch. A pre-condition for all retail partners will be significant consumer traffic from our target groups. These stores may or may not be within our current distribution channels.

EQUIPMENT will not be an item business. All retailers will display and sell EQUIPMENT only as complete product packages. We will utilize a selective and limited sales approach to stimulate demand, which will be the basis for future growth.

Outlook

Building our overall brand image and our standing in the premium-priced footwear and apparel categories are the primary goals of the EQUIPMENT division. We believe this will extend our platform for the future growth of all categories. In terms of revenue, we intend to grow the business at double-digit rates.

Salomon and Mavic



Salomon
As we mentioned earlier, the consumer of today is changing. New sports have emerged which hardly existed 10 years ago. Salomon's goal is to provide cutting-edge products for *"Freedom Action Sports"* enthusiasts around the world. *Freedom Action Sports* is our name for the individual, "no-rules" sports that are based on unrestricted sensation, style and adventure. Founded in 1950 as a ski brand, Salomon has evolved as the market-place has changed. In the 1990s, it extended this definition to include all mountain sports. Salomon is now the undisputed leader in winter sports. And, in the last four years, it redefined itself again as *The Freedom Action Sports brand*, and is now a market leader in hiking, snowboarding and inline skates.

Salomon Consumers and Products
Our goal is to be inspirational to young consumers. Our focus is clearly on consumers who are inspired by a multi-sport environment, lifestyle and new media.

Our market position and credibility begins with hardware. Continuous innovation and a commitment to performance products are essential. When we have been successful here, Salomon then expands its category growth into footwear and apparel. In 2001, we will introduce our first apparel collection. This will allow us to leverage many of the strengths of the adidas-Salomon Group.

Other important new categories to be developed at Salomon are surfing and skateboarding. These are two markets with huge impact on youth today and our opportunities here are significant.

Salomon Communication
The basis of our communication is through the performance of world-class athletes. Our products are endorsed by male and female world champions in every sport in which we sell products. This was clearly demonstrated at the 2001 skiing World Championships in Austria where Salomon was the top performance supplier, capturing three gold, three silver and two bronze medals.

Our communication also includes support for the evolution of all sports in which we are involved. As an example, three years ago we launched the *X-Adventure event*, innovative in the sense that it mixed a variety of outdoor sports in a unique way. This event was so successful that it has now become the World Cup of adventure racing.

Another exciting initiative is the rapid development of Salomon stations, which showcase our products and provide a full sports experience to *Freedom Action Sports* enthusiasts. We now have more than 20 Salomon stations around the world and we will continue to expand the concept. We also recently created a new event called the *Snow Games* which we plan to expand significantly. In order to maximize the impact of all these grass roots activities, we strive for strong involvement in image development with top film production, television and video games partners.

And lastly, we seek to integrate our web sites, Salomon stations and grass roots activities in a complete package offering our customers the kind of information, experience and service they expect.

Mavic

Mavic is both the reference and leading brand when it comes to high-end rims and wheels for mountain and road racing bikes.

Mavic strategy in the recent years has been to move its product offering from rims to complete wheels. This strategy proved to be successful, with key products such as the *Ksyrium SSC* road wheel and the *Cross-Max* mountain bike wheel clearly leading the market. We are now extending this strategy further to include wheel offerings at mid-range price points, thus attracting leisure cyclists in addition to our already strong base of performance cyclists.

In addition to this product extension, Mavic is utilizing its close relationship with Salomon to make its production and design capacities more efficient. We are currently in the process of moving a significant portion of Mavic production to Romania where Salomon already has established production facilities. In addition, Mavic development teams will be moving to Salomon headquarters in France in 2001. Together, these moves will enable Mavic to benefit from all possible synergies with Salomon in terms of product design, development and marketing.

Salomon and Mavic Outlook

Salomon is the brand in our portfolio with the strongest potential for extension into fast-growing new sports categories. Two examples where we will expand in the near future include skateboarding and water sports. As a result of our strong commitment to innovation, a new, more marketing-oriented approach to the market and promising products in the pipeline, we are confident that Salomon sales will grow at double-digit rates going forward. As a result of its integration into the Salomon organization and its product extension, Mavic will also develop positively.

TaylorMade-adidas Golf

TayorMade-adidas Golf
TaylorMade-adidas Golf offers a full range of golf hardware, footwear, apparel and accessories. These products are offered under uniquely positioned and segmented brands to maximize our appeal to varying consumer groups. All TaylorMade-adidas Golf product lines are high-end, technologically advanced products that provide golfers of all abilities with performance advantages.

TaylorMade revolutionized the golfing world more than two decades ago by popularizing the metalwood with its industry-unique *Pittsburgh Persimmon*™. And in the mid-1990s, the company again shook up the industry, changing the way consumers and pros looked at shafts with the introduction of the *Bubble*™.

In 2000, the brand continued to be a hardware pioneer with its *300 Series*™ driver, disdaining the industry's "one-size-fits-all" philosophy and offering not one but three different titanium drivers in the same model. Each is designed for different swing characteristics and trajectory needs. The clubs have already helped produce big wins for the best players in the world.

Reclaiming Metalwood Market Leadership
TaylorMade pioneered the metalwood concept in 1979. This will be the force behind reclaiming hardware leadership for all product categories in the next few years. The product line that will do this is the *300 Series*™ metalwoods. Already winning over consumers at retail, the *300 Series*™ will serve as a strong platform to grow the company's market position in the iron category. This is a category we will further develop and expand.

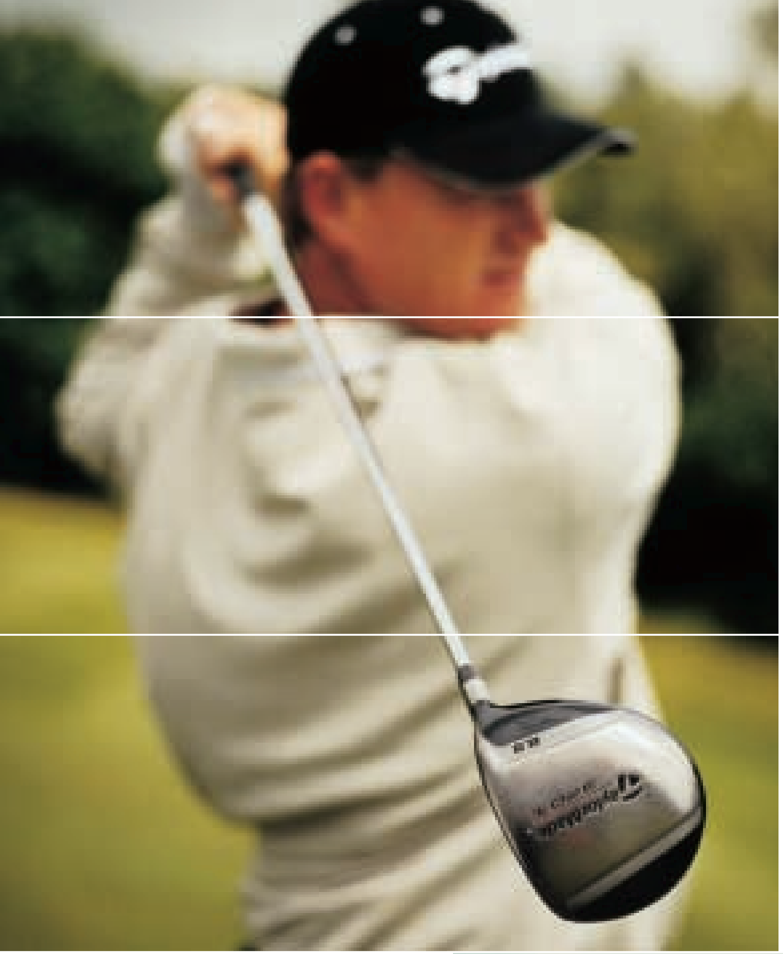
Becoming Number One on Tour Worldwide
From January 2000 to January 2001, TaylorMade's *300 Series*™ driver was the number one driver on the PGA Tour (Darrell Survey). With 27 wins worldwide and 57 top ten finishes on the PGA, the club was also at the top of the European PGA Tour list, often doubling its closest competition, based on number of players who use the product.

With notable stars such as European PGA Tour star Ernie Els, Tom Lehman and Senior PGA Tour Player of the Year (2000) Larry Nelson using our clubs, TaylorMade is gaining visibility with top players around the world. Sergio Garcia is also an important promotional partner for adidas Golf, projecting youth and new conventions.

With innovative technology and people to support this industry-unique product, TaylorMade-adidas Golf is well on its way to becoming the number one golf company in the world for both tour professionals and core golfers.

Becoming One of the Top-Selling Footwear Brands in Golf
adidas Golf footwear has been hugely successful, doubling its sales in 2000 and looking to repeat this in 2001. The brand is one of the most popular in Europe, and is taking considerable steps towards market leadership in the United States and Japan.

Much of this success can be attributed to a combination of adidas' heritage and new technology. The *Traxion*™ technology has been a key factor in improving both the brand's image and sales in the golf market. *Traxion*™ technology is being utilized for a wide variety of products, which fit with TaylorMade-adidas Golf's focus on authentic golfers. One example is the *Tour Traxion*™, which is our best-selling golf shoe of all time.



Reaching Authentic Golfers with Grassroots Marketing Efforts and Technical Innovation

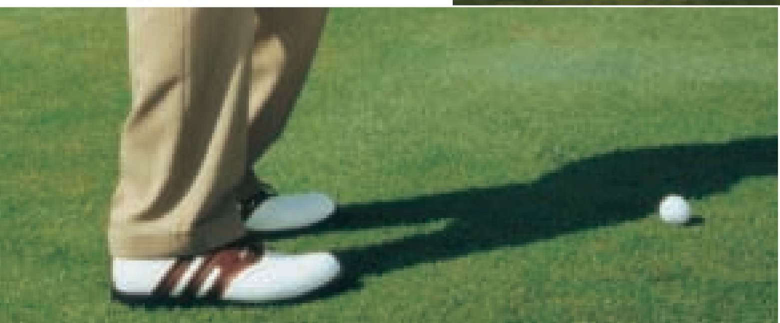
TaylorMade-adidas Golf is introducing some new marketing tools to capture attention and gain sales amongst our core audience in a true one-on-one way.

Investing in on-course educational programs, TaylorMade will give each of its nearly 4,000 major green grass accounts fitting carts for both woods and irons, ensuring the golfer of a “test drive” before purchase. The number of accounts in this channel increased 15% for the Group in 2000 and growth is expected to continue with the utilization of innovative programs such as this one. TaylorMade is also increasing its internet activities to create an interactive relationship between the brand and consumers. Together with car manufacturer BMW, TaylorMade is embarking on a series of golf club trials in United States cities with the largest number of low-handicap golfers.

Through vigorous research and testing, TaylorMade-adidas Golf will continue to develop new products that will shape the way golf is played for the next generation of golfers. In addition to our strong innovation track record, TaylorMade-adidas Golf also has the industry’s leading team of development experts.

Outlook

TaylorMade-adidas Golf has repositioned itself to become the leading golf brand in the world. This will mean double-digit sales growth for the brands going forward and an increased emphasis on the premium player.



Supply Chain Management

Crafting a World-Class Supply Chain
A more aggressive and competitive marketing strategy will mean that global supply chain management is even more critical for the Group's success. At adidas-Salomon the supply chain encompasses the community of people and the associated processes that enable the Group to design, develop, manufacture, sell and deliver products. It includes adidas-Salomon employees, retailers, contract manufacturers, raw material suppliers, freight consolidators, ocean/air transport companies and others responsible for getting our products to the point of sale.

The global supply chain strategy at adidas-Salomon targets timeline improvements in product development and procurement to produce optimal effects in terms of costs and quality. There are two major links in our global supply chain. Product development describes the adidas-Salomon activities from the initial product concept to product offering. Following this process is procurement, which includes ordering, producing and delivering products to retail.

Rather than optimizing a single process or segment of the supply chain, we are targeting improvements throughout the entire supply chain. A shorter product development process will allow us to create products best aligned with current market needs and expectations. Quicker procurement will help us to improve customer service in terms of faster time to market and competitiveness. In this way, inefficiencies will be reduced, quality improved, and costs minimized. Shortening our supply chain timelines also has the potential to impact our cash flow, inventories and overall sales figures.

For us, excellence in supply chain management means more than just higher efficiency. It also means a close synchronization of the supply chain with sales and marketing strategies and strong alliances with all partners across the entire supply chain. Investments in personnel and technology are indispensable in supporting our ambitions. To obtain the benefits in time, cost, and quality, we are planning investments of € 150 million over the next three years.

An example of this alignment is how we deliver customized footwear for the individual soccer enthusiast. Through foot-scanning technology, web-enabled software applications, redefined raw material procurement methods, state-of-the-art manufacturing processes and a new logistics partnership, we are able to deliver style and performance-enhanced shoes within 14 days of order. Although this is a limited-volume project, it shows the kind of innovation we are capable of bringing to the market through supply chain improvements.

The global nature of our business means that our supply chain must have the flexibility to support a wide array of global, regional and national service requirements. Our markets vary dramatically and, in many cases, require tailored solutions. To meet individualized market needs, solid partners with financial strength, global presence and social values are prerequisites to participation. As our supply chain becomes more flexible and sophisticated, the requirements on our partners within the supply network increase. Cooperative planning, real-time

exchange of information and commitment to high service levels are essential for each supply chain partner. To this end, we are constantly re-evaluating our operational partnerships, including our raw material suppliers, manufacturers and logistics providers. We also plan to enhance our partnerships with key retailers to ensure the supply chain is optimized from end-to-end, from raw material supplier to retailer.

Cutting-edge supply chain management technology is another area of major improvement. We are employing enhanced communication capabilities including sophisticated IT systems and web-based B2B solutions. A new information system to support product creation is being developed. This system provides real-time, web-enabled communication of critical design, development, production and sales data to all partners in the supply chain. We are also making important improvements to the information infrastructure, which supports information visibility across the supply chain. This includes the implementation of supply chain planning software.

We have translated these strategic goals into specific performance targets:

- Eliminate ten weeks from the product development and four weeks from the procurement cycle in 2001 (20% lead time reduction versus the 2000 cycle).
- Reduce our time from product concept to retail delivery from the current 18 months to less than nine months over the next three years (50% lead time reduction versus the 2000 cycle).

These targets will be reached through the implementation of lean manufacturing principles and the enhancement of special labeling and retail floor-ready merchandise. Our efforts, however, stretch far beyond footwear. In apparel for example, we have just completed the integration of operational activities of all Group brands.

We have embarked on an ambitious supplier consolidation plan reducing the manufacturing base by over 25% in 2001 and our medium-term goal is to reduce our supplier base by 40%. The consolidation of supply chain partners is also an important step in order to increase our influence and bargaining power with suppliers in the future.

Resources have recently been added to our global supply team to expand the auto-replenishment programs already in place. This will rapidly help to align the supply chain process with our footwear activities.

As we move forward, we will initiate new projects in the areas of common transportation partners, trade exchanges and implementation of a more frequent ordering process. Over the next three years, investments in product creation support systems will allow adidas-Salomon to be closer to the market, creating superior products in less than half the time that it takes today.

adidas-Salomon

adidas-Salomon consolidated net sales increased by 9% in 2000 to € 5.8 billion. The gross margin was maintained at an industry-leading 43.3% despite currency pressure. adidas-Salomon's income before taxes was € 347 million, down 13% over last year. This decline was largely a result of increased operating expenses, which were up 12% to € 2.1 billion. Drivers of the higher operating expenses were the Growth and Efficiency Program, as well as higher marketing spend for the Summer Olympic Games in Sydney and the EURO 2000™ soccer championships. A higher tax rate and increased minority interests pushed net income down to € 182 million or € 4.01 per share. This result is in line with the expectations that the Group first communicated in January 2000.

Economic Climate Develops Negatively

In 2000, negative development characterized many important markets. International stock exchanges had their worst year in over a decade, the US economy began to slow and retail stagnated in Germany. Latest economic data suggests that corporate profits in Europe started to slow in the second quarter of last year. Japanese consumption fell and political pressure continued in the Middle East and Asia.

Sporting Goods Sector Trends are Mixed

Development of the world's sporting goods markets in 2000 was mixed. In Asia and Latin America, markets began to recover overall after several turbulent years. In Europe, solid growth was achieved by most sports companies. In North America, retail space continued its consolidation trend of the last year, ushering in positive improvements and a cautiously optimistic outlook as the year closed.

In all major markets, however, competition from non-industry players increased in 2000. New sports-oriented offerings from fashion houses, vertical suppliers and athletic specialty retailers' own private labels competed head-to-head with our products. Additionally, expenditures for consumer electronics and telecommunications increased as a percentage of disposable income, putting further pressure on the industry.

Sales Reach Record Level of € 5.8 billion

Consolidated net sales for the Group reached € 5.8 billion in 2000, the highest level in the Group's history. This 9% year-over-year improvement is the result of higher sales figures in all brands and regions with the exception of adidas in North America. In particular, adidas in Latin America and Asia delivered very strong improvements, with sales increases of 34% and 29% respectively. The other brands also developed positively. Salomon sales were up 19% and TaylorMade-adidas Golf made big gains with an increase in sales of 35% over last year. Mavic sales increased 25%. Currency-neutral, the overall development improved only slightly over last year.

Licensee Sales Increase

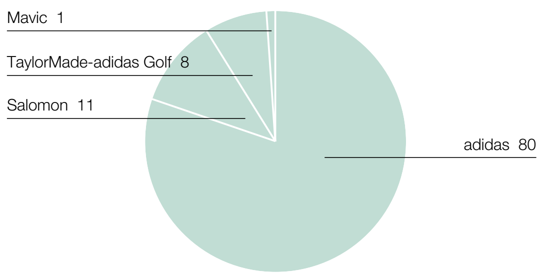
Net licensee sales increased in 2000, up 28% year-over-year to € 616 million. This improvement was due to increased sales by product licensees in Asia and Europe, showing the strength of the adidas brand name.

Net Sales by Region

(euros in millions)	Sales	% of Total
Europe	2,860	49
North America	1,906	33
Asia	875	15
Latin America	171	3
Total*	**5,835**	**100**

* Difference in total due to HQ/Consolidation

Net Sales by Brand
(in %)



Net Sales by Brand and Region

(growth year-over-year in %)	Europe	North America	Asia	Latin America
adidas	3	(1)	29	34
Salomon	17	18	21	n/a
TaylorMade-adidas Golf	14	28	97	–
Mavic	22	36	34	–
Total	**5**	**4**	**32**	**36**

Footwear Division Sales Improve 13%
Net sales of footwear within the adidas-Salomon Group reached € 2.5 billion, up a strong € 283 million or 13% on the previous year. The contribution of the footwear division to total net sales of the Group increased by 1.0 percentage points to 43%. This confirms the strength of footwear in our business.

Apparel Sales Decline Slightly
Apparel sales, in contrast, were impacted by changing consumer preferences and new competitors. Total apparel sales reached € 2.2 billion, which represents a decrease of 1% compared to 1999. Apparel contributed 37% of total Group sales in 2000, down 4.0 percentage points from the previous year.

Hardware Sales Top € 1 billion
Sales in the hardware division, which come primarily from the Salomon and TaylorMade brands, recorded strong growth, up 23% to € 1.1 billion. This represents the first time our sales have passed the € 1 billion mark in this division and confirms our position as the leading supplier of sporting hardware products, as measured by total net sales. Hardware sales now contribute 20% of total Group sales.

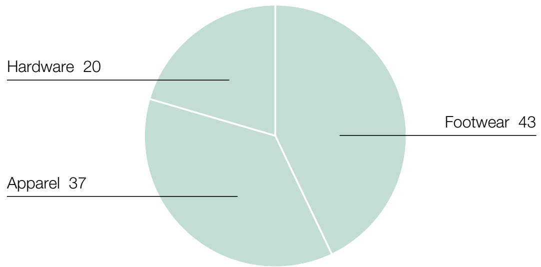
Emerging Markets in Latin America and Asia Achieve Highest Growth Rates
In terms of regional performance, Latin America delivered the highest growth rate in 2000. The increase of 36% to € 171 million was driven primarily by outstanding performance by brand adidas in Brazil, Colombia and Argentina. The Salomon, TaylorMade and Mavic brands had only a minimal presence in Latin America.

In Asia, sales grew 32%. Continued growth at adidas Japan, in its first full year of sales, was the largest component of this growth. TaylorMade-adidas Golf was also extremely successful in the region, with sales up 97% as a result of continued growth in Japan and the introduction of TaylorMade brand products in Korea. All brands achieved more than 20% growth in the region.

In Europe, sales increased 5% and were therefore at the top end of Management's expectations for the year. Brand adidas grew 3%, primarily as a result of strong performance in France, Italy, Spain, Austria and Switzerland. The Salomon, TaylorMade and Mavic brands performed solidly in Europe. TaylorMade-adidas Golf profited from positive overall market development, increasing sales by 14%. Salomon achieved excellent growth rates with both summer and winter products, recording a 17% increase in sales for the full year. And Mavic sales increased 22% following the successful introduction of their new wheel component.

In North America, sales increased 4%. While adidas declined 1% as new product collections received mixed results, the other brands all grew significantly. Salomon sales were up 18% as a result of improved winter sales and an excellent outdoor footwear offering. TaylorMade-adidas Golf recorded a 28% increase in sales on the back of strong product innovations. Without the positive currency effects, however, overall development in the region would have been negative.

Net Sales by Division
(in %)



adidas-Salomon Footwear Sales by Region

(euros in millions)	Sales	% of Total
Europe	1,096	44
North America	954	38
Asia	333	13
Latin America	120	5
Total*	**2,515**	**100**

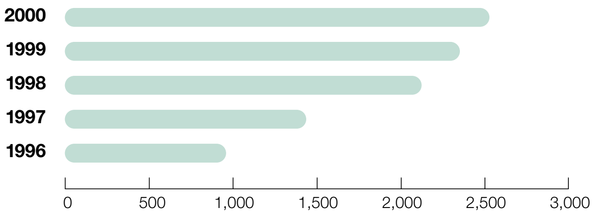
* Difference in total due to HQ/Consolidation

adidas-Salomon Apparel Sales by Region

(euros in millions)	Sales	% of Total
Europe	1,293	59
North America	527	24
Asia	312	14
Latin America	41	0
Total*	**2,175**	**100**

* Difference in total due to HQ/Consolidation

Gross Profit
(euros in millions)

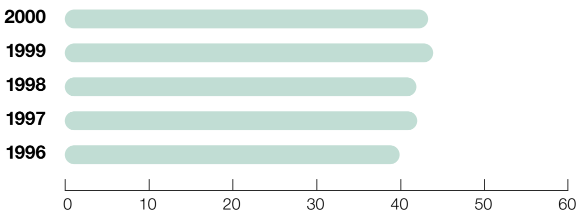


Gross Profit by Brand

(euros in millions)	2000	% of Total
adidas	1,907	75
Salomon	276	11
TaylorMade-adidas Golf	221	9
Mavic	20	1
Total*	**2,528**	**100**

* Difference in total due to HQ/Consolidation

Gross Margin
(in %)



Gross Margin Maintained at 43.3% Despite Currency Pressure

The gross margin for the Group was maintained at an industry-leading 43.3%, despite the negative effects of a strong US dollar. This was above the target range of 41 to 43%, which Management had communicated as an ongoing target for the Group. As a result, gross profit increased 7% to € 2.5 billion, nearly matching sales growth, despite increasing product purchase prices due to currency effects.

These currency effects were compensated for by an increasing percentage of higher-margin own-retail sales and an improved product mix at brand adidas. Salomon contributed a significantly higher margin as a result of new high-technology products and improved production efficiencies. TaylorMade-adidas Golf increased its already very high margin with the successful marketing of new product introductions. Higher sales at adidas Japan, which achieved an above-average margin, also contributed.

Operating Profit Impacted by Growth and Efficiency Program

Operating profit declined by 9% to € 437 million in 2000. This mirrored the adidas brand operating profit development, which also declined 9%. Salomon and TaylorMade-adidas Golf delivered strong improvements, up 82% and 46% respectively. Detailed information on sales and operational performance of the individual brands is presented in the segmental reporting.

Operating expenses, which comprise selling, general and administrative expenses (SG&A) and depreciation and amortization (excluding goodwill), increased by a total of 12% to € 2.1 billion in 2000. As a percentage of net sales, this represents an increase of 0.9 percentage points to 35.8%. Drivers of this increase included spending associated with the Growth and Efficiency Program as well as increased marketing spend for major sporting events in 2000.

The Growth and Efficiency Program, which streamlined our organization, was completed within the targeted spending of approximately € 38 million. Advertising and promotional expenses represented 13.7% of net sales (compared to 13.5% in 1999). Marketing and promotion costs associated with the Summer Olympics in Sydney and the EURO 2000™ soccer championships were the biggest expenditures. Currency also played a negative role in the development as expenses in US dollar-denominated contracts increased due to the continued weakening of the euro throughout the year.

Amortization of Goodwill Unchanged

Amortization of the goodwill relating to the acquisition of the Salomon group remained unchanged at € 29 million, thus representing the largest part of goodwill amortization, which totaled € 40 million.

Royalty and Commission Income Increases
Royalty and commission income increased by 24% to € 43 million. The main driver of this development was a significant increase in sales by our licensees in Europe and Asia.

Financial Result Deteriorates
The financial result in 2000 declined 12% to negative € 94 million, primarily due to increased interest expenses, driven by higher interest rates.

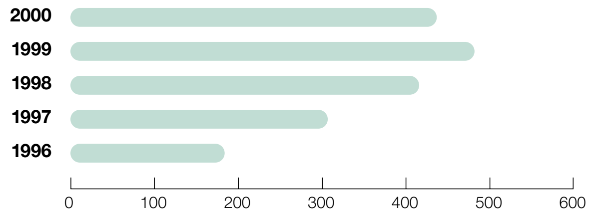
Extraordinary Income Neutral to Results
In 2000, extraordinary income was recorded at a level of € 0.3 million. This was the result of exercised stock options, which were granted in the Special Reward and Incentive Plan (SRIP). These options are exercisable until June 30, 2001 and are neutral to the results as the resulting expenses of the same amount are included in the SG&A expenses.

Income Before Taxes Decreases
In 2000, adidas-Salomon's income before taxes was € 347 million, down 13% over last year. The decrease was a result of the lower operating profit and financial result. This decline is in line with the expectations that the Group communicated throughout the year.

Net Income in Line with Expectations
Net income for the Group decreased 20% to € 182 million. A higher tax rate and higher minority interests were the drivers of this decrease. The increase in the tax rate by 1.9 percentage points was mainly due to two factors: the constant and non-tax-deductible goodwill amortization in connection with a lower income before taxes and foreign withholding tax charges. Minority interests increased as a result of better performance by our joint ventures.

Earnings per share in 2000 were € 4.01, representing a year-over-year decrease of 20%. This result is exactly in line with the expectations that the Group has communicated since January 2000.

Operating Profit
(euros in millions)

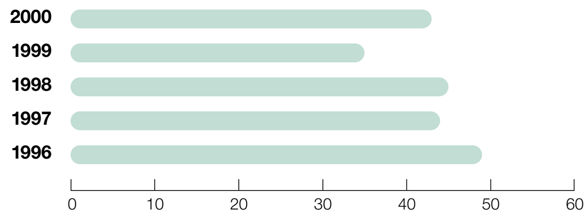


Operating Profit by Brand

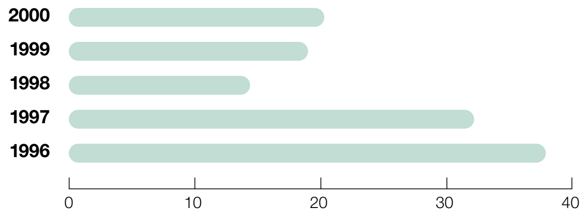
(euros in millions)	2000	% of Total
adidas	391	89
Salomon	57	13
TaylorMade-adidas Golf	44	10
Mavic	4	1
Total*	**437**	**100**

* Difference in total due to HQ/Consolidation

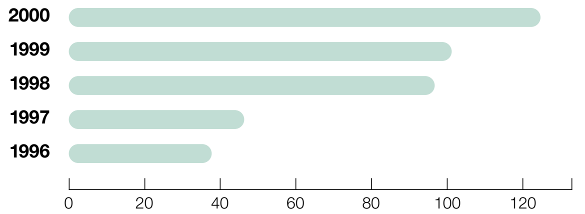
Royalty and Commission Income
(euros in millions)



Equity Ratio
(in % of Total Assets)



Capital Expenditure Development*
(euros in millions)



* Comprises property, plant and equipment expenditures

Total Assets Increase, Equity Ratio Improves

Total assets of the adidas-Salomon Group in 2000 increased by € 431 million or 12%. Inventories showed an over-proportional increase of 24%. This growth was the result of two main factors: higher back orders at Salomon and TaylorMade-adidas Golf as well as our pull-forward efforts to ensure on-time delivery of adidas products, mainly in Europe. Retail expansion and increased re-order business also played a role for brand adidas. Important to note, however, is that the structure of our inventories improved in 2000. Aging was better, due partly to a higher proportion of goods in transit. As a result, provisioning against obsolete inventory also declined.

Year-end trade receivables in 2000 were up 10% compared to the prior year. This improvement was well below the 17% year-over-year increase for the fourth quarter. All brands contributed to this positive development.

The equity base was further strengthened in 2000. Equity rose 20% to € 815 million as the major share of net income was retained within the Group and was thus used to strengthen the equity base. The equity ratio rose by 1.3 percentage points to 20.3%. Financial leverage, the ratio of net borrowings to equity, decreased 14.0 percentage points to 220%.

Investments Increase

Investments in property, plant and equipment within the Group totaled € 125 million, up 23% versus the previous year. The renovation and expansion of adidas America's new headquarter facilities cost € 25 million in 2000. Other major capital expenditure projects included supply chain improvements, IT infrastructure, own-retail expansion and further improvements to the corporate headquarters in Herzogenaurach, Germany.

Financing Instruments Optimized

Net borrowings peaked in August, in line with usual annual patterns, at above € 1.9 billion, and declined steadily during the last four months of the year. As a result, net borrowings were € 1.8 billion at year-end. Credit lines and other financing arrangements, which were available for borrowings, amounted to approximately € 3.6 billion at the end of the year, of which € 1.6 billion were longer-term maturities. The Group's strategy is to gradually reduce its dependence on bank financing and to extend maturities in its longer-term funding arrangements.

In January 2000, the Group introduced a second Commercial Paper Program, in Germany, for an amount of € 750 million. The program performed successfully throughout the year and grew from four initial dealing banks to the current six participating institutions. The maturity of the existing medium-term credit line agreements was extended from 2003 to 2004. To strengthen the longer-term component in our financing arrangements, the Group negotiated additional longer-term financing in the form of Private Placements for the amount of € 91 million, with maturities of five and six years.

In its financing, the Group continued to concentrate on short-term borrowings, taking advantage of the generally lower short-term interest rates. As protection against the risk of rising interest rates, adidas-Salomon utilizes longer-dated interest rate caps. Primarily as a replacement for expiring caps, new caps valued at approximately € 600 million were arranged in 2000. More than 70% of the outstanding caps will expire beyond 2002, with a concentration in 2006. 88% of the outstanding caps protect borrowings in euros and US dollars. The average protected interest rate of all outstanding caps is 6.5%. In 2001, borrowings are protected at 5.75%.

Currency Risk Managed Successfully

The Group's hedging policy is determined by its Treasury Committee, which consists of members of the Executive Board of adidas-Salomon AG, whereas management of the brands and regions is involved in day-to-day hedging decisions. Currency developments for the Group in 2000 were largely negative.

The US dollar-euro relationship is the most important single currency relationship for the Group due to the high share of product purchases in the Far East, which are denominated in US dollars. In 2000, the Group had to buy more than $1.4 billion versus other currencies. European currencies accounted for 75% of this amount. The euro alone accounted for 44% of the US dollar purchases. The euro was under downward pressure for most of the year, falling at one point to a rate below € 0.83 to the US dollar. The average US dollar-euro exchange rate was 0.92 in 2000, compared to 1.07 in 1999. adidas-Salomon's actual conversion rate before option premium incurred was 0.98 in 2000 versus 1.14 in 1999. Though the Group's actual US dollar-euro conversion rate was well ahead of the average market rate in both years, the 0.98 rate for 2000 meant that, on average, the Group spent 19% more euro for every US dollar which was purchased in 2000 versus 1999. Strong product and marketing management was able to compensate for this effect, as evidenced by the stability in the gross margin.

Preparing for IAS 39

Starting in January 2001, adidas-Salomon's accounting and reporting for financial instruments is obliged to comply with the new International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement". IAS 39 requires the presentation of all financial instruments at their fair value in the balance sheet. At the same time, rules for hedge accounting have been tightened. Under previous accounting and disclosure rules, the gains and losses resulting from hedging positions to protect anticipated future transactions could be deferred until the due date of the hedged transactions.

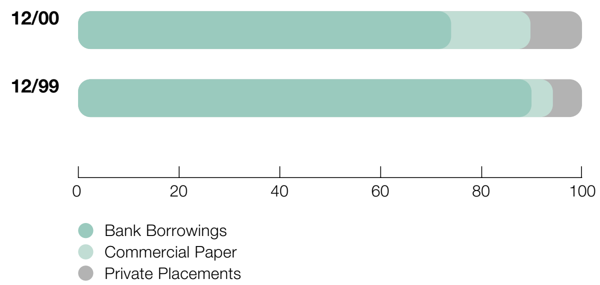
Under IAS 39, hedge accounting for financial instruments which cover anticipated future commercial transactions is still allowed for hedging with forward contracts when certain conditions ("hedge effectiveness test") are met. IAS 39 permits limited hedge accounting when currency options are "in-the-money". No hedge accounting is allowed when options are "out-of-the-money". To limit option premium payments, adidas-Salomon has only engaged in currency options which, at the time of their purchase, were "out-of-the-money".

Changeover to Euro on Track

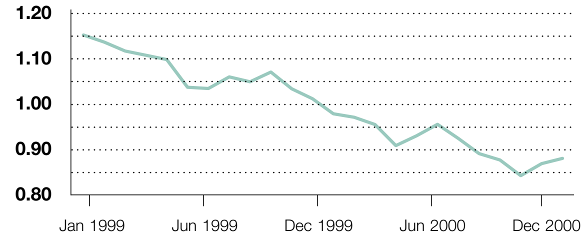
Preparations among Group companies for changing financial and accounting systems to the euro currency are running according to plan. Most organizations will convert systems during the first half of 2001. All figures in this annual report are stated in euros for the first time, being converted at official rates.

Also on schedule, in accordance with initial planning and based on customer requests, pricing will be changed to the euro currency starting with deliveries for the Spring/Summer 2002 season.

Relative Composition of Net Borrowings
(in %)



Average euro/US dollar Rate
(US dollar per euro, monthly averages)



adidas

Sales of the adidas brand increased 6% in 2000. All regions reported improvements with the exception of North America, which declined slightly. The operating profit was negatively impacted by currency effects, the Growth and Efficiency Program and additional marketing expenses associated with the Summer Olympic Games and the EURO 2000™ soccer championships. For 2001, sales are expected to increase in Europe, Asia and Latin America. In North America, backlogs are expected to begin to improve in the second half of the year.

Net Sales Surpass € 4.5 billion for the First Time

In 2000, adidas net sales increased by 6% to € 4.7 billion. Growth came from all regions except North America. Currency effects played a role in this development. Footwear was the most important driver of sales growth, with sales up 12% to € 2.4 billion. Strongest growth came from the basketball and adventure categories, which each increased more than 50%. Hardware sales outpaced total brand sales with an increase of 18% to € 173 million. Sales of apparel declined 2% to € 2.1 billion despite strong growth in the adventure, running and snowboard categories.

The gross margin of the adidas brand declined by 0.3 percentage points to 40.8%. Despite increased own-retail activities and lower clearance sales at higher margins, currency pressure and the difficult retail environment in the United States pushed down the brand margin.

Operating expenses as a percentage of net sales increased by 1.0 percentage points to 32.4%. As a result, operating profit decreased by 9% to € 391 million.

Sales for adidas in Europe Grow in 2000

In 2000, sales increased 3% to € 2.4 billion for brand adidas in Europe. This was the highest sales result ever in the region. Major sports events, including the EURO 2000™ soccer championships and the Summer Olympics had a positive impact on sales figures.

adidas achieved the highest growth in markets where the brand enjoyed strong exposure as a result of the EURO 2000™ soccer championships. These were France, whose national team won the championships, and Benelux, who hosted the event. France was the main growth driver in the region, with sales up 17%. Sales also developed particularly positively in Benelux, Austria, Switzerland, Spain and Italy. Each of these markets was helped by intensified key account activity. In 2000, a joint venture in Finland with the former distributor commenced, which generated new sales.

Sales declined in Germany, the United Kingdom and Norway. In Germany and Norway, the declines were the result of depressed retail conditions that affected all consumer products and brands in 2000. In the United Kingdom, adidas sales declined as fashion-oriented apparel, which makes up the largest portion of our products there, continued to be under pressure.

adidas now holds the market leadership position in many of Europe's largest countries. We are also the undisputed market leader in Central and Eastern Europe.

adidas Footwear and Hardware Increase in Europe

Footwear sales in 2000 were again up on the previous year, showing an increase of 7%. Growth was strongest in France and Italy with improvements of 13% and 12% respectively.

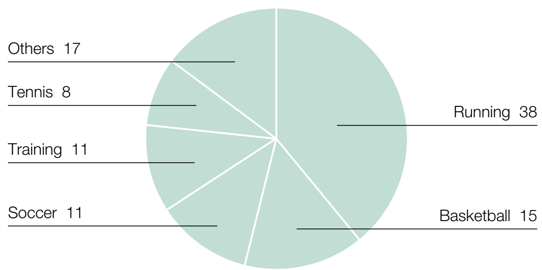
adidas at a Glance

(in euros)	2000	1999	Change year-over-year
Net sales	4.7bn	4.4bn	6%
Gross margin	40.8%	41.1%	(0.3pp)
Operating profit	391m	431m	(9%)
Order backlogs*			1%

* At year-end

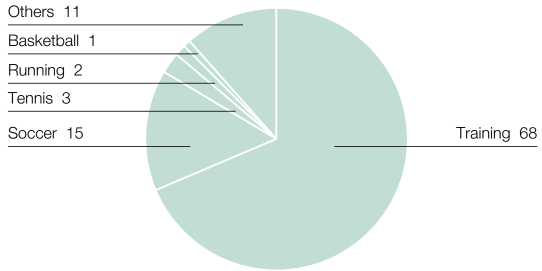
adidas Footwear Sales by Product

(in %)



adidas Apparel Sales by Product

(in %)



Based on market research from Sports Tracking Europe, the adidas brand again increased its share of the total footwear market in 2000 by about 1.0 percentage points to around 27%.

Apparel sales for adidas in Europe were virtually flat at € 1.3 billion. Although the market remains challenging as more and more brands from the leisure and fashion sector enter the market for sports-oriented customers, order backlogs at the end of the year, however, suggest the performance will improve in 2001.

Hardware sales in Europe increased 9% to € 117 million. This increase is typical for years with major sporting events such as the EURO 2000™ soccer championships.

Gross Margin Stable at adidas in Europe

The gross margin in Europe was 42.0%, down only 0.1 percentage points versus 1999 despite strong currency pressure. This high level was maintained as the result of increased own-retail activities as well as lower clearance sales on products with higher margins.

Further Increase in European Sales Anticipated for 2001

Based on the 2000 year-end order situation, which showed a year-over-year improvement of 8%, adidas anticipates single-digit sales growth in Europe for 2001. Order backlogs indicate positive trends in most key countries, led by the United Kingdom, Austria and Switzerland, each with orders up over 15%. Increased segmentation and customized offerings are planned for retail, as well as continued streamlining of organizational structures, processes and systems.

adidas Sales in North America Down Slightly in 2000

2000 sales in North America were € 1.4 billion, down 1% compared to the prior year. This decline, however, would have been greater without positive currency effects. The reasons for the decline were both market and company related. In 2000, adidas was confronted with a difficult retail environment and brand positioning challenges in North America. The floor space consolidation trend among retailers continued in 2000, which hampered demand for adidas and other sports products. While adidas believes this consolidation will continue in 2001, the market appears much healthier than it was a year ago. Reaction to our 2000 collection was mixed, which caused the product to be less competitive in certain categories. On the positive side, adidas own-retail sales increased 41% in 2000 as a result of new store openings.

Footwear sales improved 8% to € 913 million in 2000, despite strong growth from niche brands. While sales actually decreased in currency-neutral terms, the basketball, kids, adventure and cleated categories developed strongly. The negative impact on sales in the North American markets came primarily from apparel. Textile sales declined by 14% to € 505 million, reflecting the shift in consumer demand away from athletic apparel to leisure and fashion-oriented brands. Declines were experienced in all areas except the performance categories for tennis, running and swimming.

Gross Margin Declines in North America

The gross margin in North America fell 2.5 percentage points versus 1999 to 36.1%. This was a result of pricing pressures from the market that could not be fully compensated for by the positive impact from own-retail sales and better clearance margins.

adidas Sales by Region

(euros in millions)	2000	1999	Variance in %
Europe	2,427	2,353	3
North America	1,430	1,444	(1)
Asia	645	500	29
Latin America	169	126	34
Total*	**4,672**	**4,427**	**6**

* Difference in total due to HQ/Consolidation

adidas in Europe

(euros in millions)	2000	Change year-over-year
Net sales	2,427	3%
Gross margin	42.0%	(0.1pp)
Order backlogs*		8%

* At year-end

adidas in North America

(euros in millions)	2000	Change year-over-year
Net sales	1,430	(1%)
Gross margin	36.1%	(2.5pp)
Order backlogs*		(12%)

* At year-end

adidas in Asia

(euros in millions)	2000	Change year-over-year
Net sales	645	29%
Gross margin	46.2%	1.3pp
Order backlogs*		13%

* At year-end

adidas in Latin America

(euros in millions)	2000	Change year-over-year
Net sales	169	34%
Gross margin	42.0%	2.0pp

Recovery of adidas in North America Expected to Begin in the Second Half of 2001

Based on the order situation, sales in the first half of 2001 are expected to remain on the decline. While apparel is beginning to stabilize, demand for footwear is still suffering the effects of the mixed resonance regarding the 2000 and 2001 collections. One important exception is basketball, where the launch of the new premium-priced shoe *The KOBE* has helped drive backlogs for the category up 35% versus the previous year.

In the second half of the year 2001, recovery is expected to begin with our most important athletic specialty retailers. This will be supported by new product initiatives, which target trend-setting urban consumers.

Sales Momentum Continues for adidas in Asia

The adidas brand in Asia delivered strong sales growth in 2000 with sales up 29% to € 645 million despite a difficult macroeconomic environment. The largest driver of this increase was sales improvements at adidas Japan. This represents the second consecutive year of strong growth for the region and further underscores the sound decision to take control of the sales and marketing activities and serve the Japanese market directly. In addition to this growth, Indonesia, China, India and Singapore all had sales improvements of at least 50%. Thailand recovered and Korea, Taiwan, Hong Kong and the Philippines also delivered double-digit increases.

The main growth driver for this region was footwear, which grew 46% over the previous year. Apparel grew by 16%, although strong competition from casual brands was evident.

Gross Margin for adidas in Asia Improves

Gross margin for adidas in Asia improved by 1.3 percentage points to 46.2% of net sales. This rise was the result of continued high margins at adidas Japan and increased own-retail activities.

2001 Outlook for adidas in Asia is Promising

The Asian region will continue as a high growth region for adidas in 2001. Preparing for the 2002 Soccer World Cup in Japan and Korea will be a major priority for the year. This event is an integral part of adidas' strategy to extend our leading global position in soccer. Other focal points of the 2001 strategy in Asia will include positioning the brand to move into a leading position in the running and basketball categories.

Order backlog development suggests growth will continue in 2001. Backlogs are up 13%, which supports the anticipated double-digit growth in the region.

adidas in Latin America Records Strongest Sales Growth

Latin America showed the strongest sales growth for the adidas brand. The 34% increase to € 169 million was largely driven by strong increases in Colombia, Argentina, Mexico and Chile. Sales in Brazil showed triple-digit growth rates throughout the second half of the year, indicating a significant recovery in the demographically strongest market within the region. Part of this increase was attributable to the incorporation of formerly sub-licensed apparel sales. On the regional level these accounted for around 4.0 percentage points of the total 34% increase over the year.

Major Improvements in All Product Divisions in Latin America

adidas apparel sales in Latin America grew by 43% to € 41 million. This was chiefly the result of the incorporation of Brazilian sub-licensee sales. Footwear sales were up 31% to € 119 million. This is due to increased retail presence, both at adidas owned shops as well as those of third parties.

adidas Gross Margin in Latin America at Record Level

The gross margin increased by 2.0 percentage points to reach 42.0%. This is the highest gross margin ever achieved in the region and was driven by increased own-retail sales and reduced clearance sales.

Outlook for adidas in Latin America is Positive

Initial orders and discussions with customers suggest 2001 will again produce double-digit sales growth for adidas in Latin America. The main drivers of this growth will be improved brand positioning in the major markets as well as increased own-retail programs.

Salomon

2000 was another very successful year for the Salomon brand. Net sales grew 19%, with consistently strong growth in all the regions. Salomon improved sales of winter sports products by 19%, proving that the product innovations we introduced were positively accepted by the market. Sales growth of summer products was 20%. The operating result increased 82% to € 57 million. Going forward, we anticipate double-digit sales growth for Salomon and continued margin strength.

Significant Improvements for Winter and Summer Product Sales

Net sales for the Salomon brand increased by 19% from € 543 million in 1999 to € 648 million in 2000. Sales in winter sports increased by 19% to € 492 million, confirming Salomon's clear leadership in this market. In the winter products, the strongest improvements were made in the alpine ski and snowboard categories. Alpine ski equipment (skis, bindings, boots and snowblades) grew 21%, due largely to the success of several high-end products such as the *Pilot* ski and the *X-Wave* ski boot. The 2000 snowboard range was also extremely well received.

Summer products enjoyed another strong year, increasing sales 20% to € 156 million. Inline skate sales grew 19%, despite the 1999 legal settlement in the United States which virtually took our product off this market in 2000. In 2001, this line will be back on the market with new products. Salomon continues to hold the number two position in the high-end segment of this market globally. As a result of this improvement and a healthy 20% increase in the outdoor footwear category, summer products now comprise 24% of the total Salomon sales. It is the medium-term goal of Salomon to create a nearly equal split between summer and winter products to balance the seasonality of the business.

Strong Growth in All Regions

Net sales grew at 21% in Asia, 18% in North America and 17% in Europe. In Asia and in North America, strong currencies helped to bring about these impressive figures. Europe continues to be the most important market for Salomon, accounting for 50% of net sales, although we expect North America to have the strongest growth rates going forward.

Gross Profit Outpaces Sales Growth

The gross profit increased 27% to € 276 million. This is the result of impressive gross margin improvements at Salomon. The margin came in at 42.6%, up 3.0 percentage points from the previous year. This positive development came as a result of productivity improvements in the production of winter products, increased average net selling prices and better close-outs.

Operating Profit at Record Level

The operating profit for Salomon increased a notable 82% to € 57 million, as operating expenses increased more moderately than net sales and gross profits. This improvement was achieved despite increased expenditures for research and development as well as marketing to sustain future growth.

Further Sales and Profitability Improvements Expected for 2001

Net sales of Salomon brand products will continue to increase in 2001, as we expand our successful *Pilot* ski system program, re-introduce our inline skates to the American market and launch our new functional apparel line. Positive developments, particularly in the US market, will ensure double-digit sales growth in 2001. Operating profit will continue to grow, despite increased operating expenses associated with higher marketing expenses to further extend the brand positioning.

Salomon at a Glance

(euros in millions)	2000	1999	Change year-over-year
Net sales	648	543	19%
Gross margin	42.6%	39.6%	3.0pp
Operating profit	57	31	82%

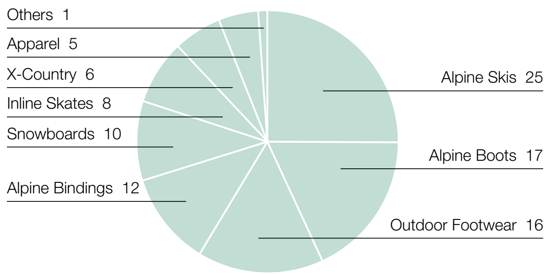
Salomon Sales by Region

(euros in millions)	2000	1999	Variance in %
Europe	325	278	17
North America	175	148	18
Asia	142	117	21
Latin America	2	–	n/a
Total*	**648**	**543**	**19**

* Difference in total due to HQ/Consolidation

Salomon Sales by Product

(in %)



TaylorMade-adidas Golf

In 2000, the golf industry as a whole improved only slightly, but TaylorMade-adidas Golf was able to take advantage of some economic opportunities. With further stabilization in the Asian economy, good weather conditions more conducive to playing golf in the United States and an expanding interest in the game, everything was in place to make 2000 a successful year. With sales up 35%, TaylorMade-adidas Golf delivered the highest percentage improvement in the Group, positively influenced by the strong US dollar. After a successful launch of the *SuperSteel* collection, the introduction of the *300 Series™* metalwood in September led the brand to its highest fourth quarter sales ever.

Group-Leading Sales Increase of 35%

In 2000, sales increased in every major product category. Metalwood sales were up 41% as the result of high sell-throughs of the *FireSole* and *SuperSteel* lines as well as the introduction of the *300 Series™* driver in September. Iron sales increased 22% as the result of our very successful introduction of *SuperSteel* irons. adidas Golf products also contributed strongly, with apparel up 231% and footwear up 32%. This provided evidence of the synergies of combining the global golf activities into one unit, which completed its first full year of combined operations in 2000.

On a regional basis, the largest revenue growth in percent in 2000 came from Asia, where sales were up 97%. This is a result of strong sales growth in Japan and the very successful introduction of TaylorMade products in Korea. Sales in Japan also profited from the strong yen. In America, the largest golf market in the world, sales were up 28%. In Europe, sales increased 14% despite adverse weather conditions.

Gross Margin at Record Level

TaylorMade-adidas Golf's gross margin came in at 49.5%, up 1.1 percentage points from the previous year. Gross profit increased 38% to reach € 221 million. This improvement was driven by increased demand for the company's new products and technologies in 2000. It also reflected strong efficiency gains in the production of TaylorMade clubs as well as newly negotiated contracts with vendors.

Operating Profit up 46%

Operating profit for TaylorMade-adidas Golf increased 46% in 2000. This occurred despite sizable operating expense increases as a result of the Growth and Efficiency Program's focus on sales and marketing for the brand. As part of this program, we increased our sales force by one-third to allow us to better focus on pro shops, where top golf players are most likely to make purchases.

Double-Digit Sales Growth Expected for 2001

TaylorMade-adidas Golf has made significant changes over the last two years, which have repositioned the brand for strong growth going forward. Further, as a result of the new *300 Series™* metalwoods and irons, which are being launched as a full collection in 2001, TaylorMade-adidas Golf expects double-digit sales increases in 2001.

TaylorMade-adidas Golf at a Glance

(euros in millions)	2000	1999	Change year-over-year
Net sales	441	327	35%
Gross margin	49.5%	48.4%	1.1pp
Operating profit	44	30	46%

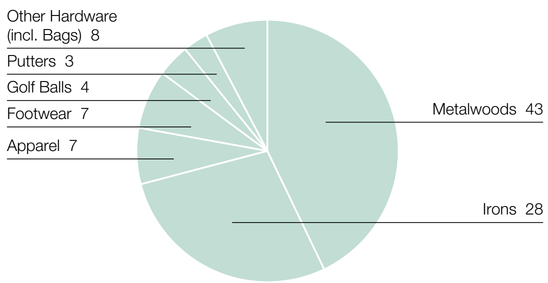
TaylorMade-adidas Golf Sales by Region

(euros in millions)	2000	1999	Variance in %
Europe	66	58	14
North America	289	226	28
Asia	85	43	97
Total*	**441**	**327**	**35**

* Difference in total due to HQ/Consolidation

TaylorMade-adidas Golf Sales by Product

(in %)




MAVIC
MAVIC
MAVIC
MAVIC
9506 VT 01

Mavic

2000 was a year of recovery for the bicycle and bike component industry. On the back of high-profile appearances at the Summer Olympics and the Tour de France, sales increased 25%. The gross margin improved slightly. As a result of relative operating expense decreases, operating profit improved nearly 500% to reach a record € 4 million.

Sales Improve in All Regions

Net sales of the Mavic brand increased by 25% to € 55 million in 2000. The introduction of new wheel products, in particular the *Ksyrium SSC* and *Cosmos* road wheels gained momentum, driving sales for the category up 65%. Rim development was virtually flat. Regionally, sales were up 36% in North America, 34% in Asia and 22% in Europe, the most important market for the brand.

Gross Margin Improves Slightly

Gross margin improved to 36.4%, up 0.1 percentage points over last year. As a result, Mavic's gross profit increased 25% to € 20 million. This increase was driven by an improved product mix as well as supply chain enhancements.

Operating Result Increases Nearly 500%

The operating profit for Mavic increased 487% to € 4 million. This was a result of decreased operating expenses as a percent of net sales. This positive development was driven by increased operating efficiencies, in particular the better utilization of marketing instruments and logistics.

Brand Repositioning to Set Tone for 2001

2001 will be a year in which Mavic undergoes a strategic realignment. Focus will be put on defining the brand, optimizing the supply chain and improving brand communication. Mavic sales will be flat, as the mountain bike business, which makes up 50% of sales, continues to be slow. Improved efficiencies, however, based on synergies gained from Mavic's integration with Salomon, will drive bottom-line improvements for the brand.

Mavic at a Glance

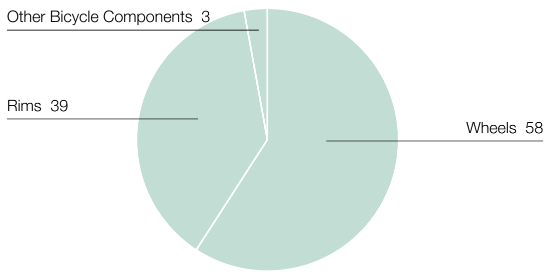
(euros in millions)	2000	1999	Change year-over-year
Net sales	55	44	25%
Gross margin	36.4%	36.3%	0.1pp
Operating profit	4	1	487%

Mavic Sales by Region

(euros in millions)	2000	1999	Variance in %
Europe	42	34	22
North America	11	8	36
Asia	2	2	34
Total	**55**	**44**	**25**

Mavic Sales by Product

(in %)



Our Employees

At December 31, 2000, adidas-Salomon employed 13,362 people, representing a growth of 4% over the previous year. This increase mirrors our strategy of growing the business in a targeted and market-oriented way. One example is the number of employees working for our Company in the retail sector, which increased 19% overall and 54% in the United States in 2000. This sector represented 75% of the total employee growth within our Company and shows our commitment to building up this important channel of distribution. At the same time, we have streamlined and rationalized our organization wherever necessary. Among other areas, this is reflected in the 21.5% reduction in management positions which has taken place since 1997.

Our Culture

adidas-Salomon is multi-cultural. At our headquarters, we have employees from 38 different countries. As a result, we have the ability to draw ideas and inspiration from all over the world. Further, nearly half of our workforce is under the age of 30, ensuring closeness to our target consumers. Most importantly, the employees of adidas-Salomon work together as a team. All of our employees are bound together by their passion for competition and their dedication to a sporting lifestyle.

Our Team

Our employees are unique and that means they deserve both support and opportunities to advance. We are creating programs throughout our Group to support their needs. At our headquarters in Germany, we have created programs such as:

- *Flexitime – A Matter of Trust:* Since the beginning of last year, we have had an advanced flexible working hours program in place, which is based on trust and personal accountability.
- *Programs and infrastructure to support educational and cultural opportunities for new employees and their families:* An international school (FIS), and an association for promoting the integration of families moving into the region (IWG) are just two of the projects initiated and sponsored by adidas-Salomon.

These developments, along with many others, have succeeded because of the ambition, pride and will to win of every single person working in our Company.

Our Rewards System

At adidas-Salomon we believe in rewarding our employees for their competence and contribution. Two major elements of this system are our “pay for performance” bonus program and our management stock option program (MSOP). The “pay for performance” bonus program offers a performance-based component to the salaries of eligible employees in all areas within the Company. 18% of our employees now have a variable salary component, an average of 20% of the remuneration is directly linked to corporate performance. Moreover, the number of our employees participating in our “pay for performance” bonus program has nearly doubled since 1997. In addition to this bonus system, our management stock option program links the compensation of key executives worldwide to the development of our share price. This actively enhances shareholder value by ensuring that management and shareholders have the same goals.

Our Pension Program

It is the policy of the adidas-Salomon Group to contribute actively to pension programs of all our employees. For example, in 2000, adidas-Salomon AG took advantage of the opportunities provided by recent German legislation to introduce a new pension plan called the “PP 2000” for its employees based in Germany. In conjunction with the existing company pension trust fund, it is designed to encourage employees to ensure that their total pension packages are both realistic and sufficient. Participation is on a voluntary basis.

Our Recruitment Policy
A balanced mix of external know-how and internal development has been strengthened through both focused personnel marketing activities and the in-house development of our employees. Exchange of know-how has been enhanced through employee transfers between regions and brands. This has helped us become more inspired, diversified and qualified.

In the recruitment of entry-level positions, our focus is put on utilizing apprentices, trainees and interns. Additionally, we are increasing selective alliances with design colleges and universities as well as boosting our recruitment activities at relevant candidate forums. Our young managers are supported internally through management development programs. One example of this was an internal management academy piloted for adidas Germany in 2000.

Our Future
The success and growth of our Company has come as a direct result of the talents of the people who work for us. While 2000 was a challenging year, it was also a year which will act as a platform for extended growth in the future. Management would like to thank all of our employees for the support, cooperation and commitment that they have shown so strongly.

As the leading sporting goods company in the world, we will continue to focus on finding, developing and retaining the best people for our Company. And we will continue to offer them a working environment in which top performance at all levels and in all disciplines is both fun and financially rewarding.

Social & Environmental Report

Rapid Progress in Social and Environmental Affairs
The adidas-Salomon Group has always been committed to ensuring socially responsible, safe and environmentally sustainable practices both within our Company and our supply chain. This year, we underlined our commitment to these goals by further promoting our “Standards of Engagement” (SOE). These standards lay out our requirements for labor, health, safety and environmental issues in our suppliers’ factories as well as being the basis for our international factory monitoring program.

Complete SOE Team in Place
The SOE program is being implemented by an internal monitoring team made up of 23 people. These individuals come from 13 different countries and have a very broad range of experience in areas such as production and sourcing, chemistry, labor law, manufacturing and environmental management, and non-governmental organizations. They are organized into three regional teams covering Asia, the Americas and Europe. Whenever possible, our field auditors come from the communities in which they are working, which also means that they have first-hand knowledge of local regulations. This enables us to communicate more effectively with both workers and management.

As well as monitoring the status of factories, the key role of the SOE team is to support and train our business partners to continuously upgrade and improve working conditions. This clearly symbolizes our Company’s belief that open and responsible partnerships with our suppliers are the fundamental basis for social, environmental and economic gains in the supply chain.

Highlights in 2000
The “Standards of Engagement” were recently updated, incorporating new research and feedback from key organizations and suppliers, to define more clearly our goals and guidelines. These standards act as a benchmark for the SOE team for factory monitoring and they also provide factory management with concrete starting points for conditions in the workplace.

In 2000, following the formation of the complete SOE team, factory monitoring and training sessions given by the team increased substantially. The majority of factories of our international business partners were visited and action plans for further improvement were developed together with factory management. In the rare cases where indications of serious non-compliance were found and where the management refused to cooperate, business relations were terminated. This course of action is a last resort. adidas-Salomon prefers to stay in partnership and to work from the inside to help encourage factory improvements.

In 2000, the SOE team provided 150 training sessions to suppliers on fire safety, mechanical safety, labor law and environmental management. In 2001 and 2002, this will increase to 200 sessions per year.

As a basis for training, a health, safety and environment manual for the footwear and textile industry was presented to our business partners in April 2000. It provides them with clear and practical advice to help improve working conditions and environmental performance.

adidas-Salomon actively seeks partnerships with a range of organizations in order to improve standards in the workplace and to minimize the environmental impact of factory operations. In Vietnam, for example, we are working with suppliers, trade unions and governmental and non-governmental organizations on a project to improve health and safety in shoe factories.

This project is being coordinated by the Prince of Wales Business Leaders Forum. In addition, together with the Bavarian Ministry for the Environment, we have produced an introductory manual suggesting ways to improve the environmental performance in the textile and garment industry. This manual is available both in English and in German.

Independent Monitoring

Independent checking of factories is a central element of the adidas-Salomon monitoring system. In 2000, independent external auditors continued to monitor the findings of our internal audits to assess factory conditions. Since we are now executive board members of the Fair Labor Association (FLA), a non-governmental organization made up of companies, human rights groups and universities, which verifies the findings of our independent external monitors, even more extensive independent monitoring will be implemented in 2001.

The main objectives of the FLA are:

- To certify whether the applicable brands of the participating companies are producing their products in facilities which are in compliance with the FLA's standards for labor, health, safety and the environment.
- To continuously address questions and issues that can eliminate unsatisfactory working conditions in factories.
- To serve as an information database for consumers about workplace codes, monitoring principles and participating companies.

Social and Environmental Involvement Recognized by the Dow Jones Sustainability Group Index

adidas-Salomon's involvement and progress in social and environmental issues has been recognized by the Dow Jones Sustainability Group Index (DJSGI). The DJSGI, which is based on the Dow Jones Global Index, was the first index to track sustainability-driven companies and is the only index which measures sustainability on a global basis. The DJSGI covers all market sectors and industry groups. Companies included in the DJSGI are considered to be industry leaders on social, environmental and economic issues.

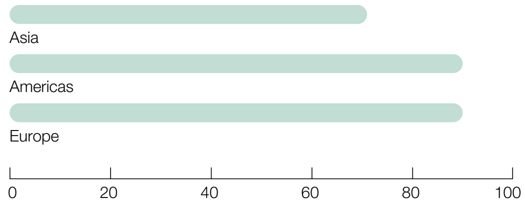
In its annual review 2000, the DJSG analyzed the social, environmental and financial performance of adidas-Salomon and concluded that we are an industry leader on sustainability issues. In particular, the DJSG recognized that we have made significant progress in improving the social and environmental conditions in the factories which supply our products.

In addition, adidas-Salomon has taken an industry lead by establishing an externally certified environmental management system in its own production facility in Germany.

In 2001, adidas-Salomon will be publishing its first social and environmental report. The report will focus on the year 2000 and underlines our openness about and commitment to these critical issues.

Copies of the report will be available from Social and Environmental Affairs, Investor Relations and Public Relations, as well as on our internet site.

International Suppliers Monitored
(Action plans in place in %)



Risk Management Report

As a global company, adidas-Salomon is exposed to a variety of business risks. We define risks as those events internal or external, which can impact the achievement of short-term goals (e.g. earnings targets) or the implementation of long-term strategies and the financial health of our Company. Risks can also impact intangible values such as brand image or our social and environmental record.

At adidas-Salomon, we believe risk sensitivity should not compromise the Company's ability to identify, create and act on promising business opportunities. Within our Group, we strive to make all business decisions opportunity focused, but risk aware. This means we constantly seek an optimal balance between maximizing entrepreneurial opportunities and, at the same time, recognizing and controlling the associated risks. As a result, risk management plays a critical role in the financial and strategic management of our Company.

New Initiatives in 2000

Risk evaluations are standard parts of our budgeting, forecasting and strategic business planning processes. In 2000, adidas-Salomon introduced two new programs to strengthen the Group's risk management. First, was the implementation of formalized risk communication between operating units and Group headquarters. Second, was the preparation of a Group-wide risk management manual. This manual formalizes our compliance with the requirements of the German law regarding transparency and control in stock companies (KonTraG). More importantly, it formally documents adidas-Salomon's risk management system and provides a common framework for all operating entities of the Group concerning risk management values, processes and responsibilities.

Risk Management at adidas-Salomon

As part of our effort to increase risk-aware decision-making throughout the Group, we endeavor to identify potential risks as early as possible and reduce, control and transfer them as appropriate. This has a high priority and is a constantly evolving process within our Company. The following represents a qualitative and quantitative list of the major risk areas we have identified based on our global presence in the sporting goods market:

Sporting Goods Sector Risks

- *Consumer Preferences and Brand Image Risks:* The sale of adidas-Salomon products is dependent both on brand image and on consumer preferences. Changes in consumer sentiment with respect to our brand acceptance, competing products and market trends have the potential to endanger our sales and margins globally or in individual markets. For this reason, our Global Marketing function conducts continuous market and trend research regarding design, quality, image and price point issues. Further, we are committed to continuous technology and design innovation to ensure that new trends are not missed and are managed in a risk-aware manner.
- *Supplier Risks:* adidas-Salomon produces a very limited number of its products directly. Instead, the vast majority of our products are sourced in third-party factories around the world. Their delivery performance, pricing and product quality are critical to adidas-Salomon. To ensure the highest possible quality products, adidas-Salomon employs around 200 quality control officers to monitor factory performance. Detailed product cost analyses are performed both before purchase and historically to ensure competitive pricing and opportunities for further margin improvements. To support best practice standards in all regions, we conduct regular benchmarking analysis of all our suppliers to identify optimal product allocation, cost, quality and delivery performance.

- *Social and Environmental Risks:* Environmental disasters and incidents such as floods, earthquakes, hurricanes, fire or unfavorable weather conditions can affect sourcing and manufacturing in particular. However, they can also impact the distribution of our products. Additionally, social issues such as the working conditions of our employees or those of our suppliers can have a significant impact on our corporate reputation. Our Social & Environmental Affairs Team monitors the factories of adidas-Salomon suppliers to ensure compliance of our products, processes and labor with social, environmental, health and safety standards. If necessary, action plans are then put in place to ensure improvements. The team communicates with stakeholders (including non-governmental organizations and media) to create transparency in areas of potential risk.

Market Risks

- *Financing risks:* Interest rate changes and liquidity developments have a direct impact on our consolidated financial statements. For example, we estimate that a one percentage point increase or decrease in our interest rates would cause our after-tax earnings to change by € 11 million over a 12-month period. Financing as well as currency risk is centrally managed at the Group's headquarters in Germany. To assure best response to changing market conditions, this risk is closely monitored by our Treasury Department. When a relevant risk has been identified, we address it with appropriately structured financing or derivative products. As a result, adidas-Salomon believes that the Group's capital requirements can be covered through our use of current cash balances, existing credit facilities and cash flow from operations, without the need for additional permanent financing.
- *Currency Risks:* Due to the high share of product sourcing, which is invoiced in US dollars, and of sales, which are denominated in other currencies, such as European currencies or the Japanese yen, the Company is exposed to economic risks, including unexpected changes in exchange rates, that have the potential to significantly affect our financial results. The sourcing organization invoices Group companies primarily in their local currencies. As a result, the currency risk is concentrated at the sourcing level. In our efforts to reduce exposure in these areas, we have, wherever possible, pursued natural hedges. For additional protection, common market instruments such as options and forward contracts are used. We employ these instruments in accordance with our risk assessments and we observe the detailed guidelines and rules established by our Treasury Committee.
- *Legal Risks:* As a global corporation, adidas-Salomon observes a wide variety of differing national laws and regulations. Finding solutions for the various legal matters within the Group entails risk, especially in the formulation of contracts, the protection of our trademark rights, the resolution of corporate legal issues and the taking of legal action. In addition to relying on the experience of our in-house legal departments, we consult external specialists as appropriate, in order to optimally manage these tasks and reduce risk.

Risk Management Outlook

Integrated risk management is a critical requirement for sustaining the Company's success in an increasingly volatile business environment. Going forward, adidas-Salomon will continue to further formalize and document our risk management system. We believe that organized risk management across all functions and organizational levels is important and we are committed to constantly enhancing this system. We view this as an important part of our efforts to maximize earnings and enhance shareholder value.

Outlook

International Markets

In 2001, economic trends in the world's major markets appear likely to remain mixed. With global growth having lost momentum in the second quarter of 2000, an economic slowdown is expected, particularly in the United States. In Europe, economic growth also remains a question mark. The current consensus among banks is that real GDP growth in 2001 will be lower than 2000 in all the major European countries, while other economic indicators including unemployment and inflation appear to be moving in a positive direction. Overall consumer confidence increased in the last quarter of 2000 and seems likely to continue on the upswing. The outlook for Asian and Latin American markets is cautiously optimistic. Economic recovery in Japan should continue, and expectations are improving, although there are many negative signals for other countries within the Asian market.

Sporting Goods Sector

Provided there are no major negative macro-economic trends, the sporting goods sector is expected to continue its recovery in 2001. Indicators of this include: strong sales improvements and positive order backlog development for major US sporting goods retailers in the second half of 2000, a move from consolidation to a more appropriate sizing and location of retail space and improved backlogs among competitors, in particular niche brands. In addition, all of the major brands have announced major technology or design innovations to be launched or available at retail during the course of 2001.

As a result, growth is likely to continue in the sector. But there are trends which cause some concern for profitability of the sporting goods sector. In the United States, for example, while the overall footwear market has grown, the average selling price of shoes has declined 3.6% according to the Sports Trend market research. This provides evidence to retailers' commentary about the strong promotional tendencies in the market. In Europe, prices are increasing, in particular for footwear, which is sourced by all major brands in the Far East, meaning the high US dollar of the last year has had a strong effect on the purchase prices. The question for this market will be how successfully the companies are able to pass on their price increases to the market. In Asia, a similar trend to that of the United States is expected, with cautious spending behavior in the recovering economies.

adidas Rejuvenation through Originals, Basketball and New Designs

In the strategy section of this report, we present the new global marketing strategy for the adidas brand. In 2001, the new divisional structure will be in place to start delivering positive results for the Group. In the ORIGINAL division, for example, we anticipate double-digit growth as it expands its offering into the apparel segment.

FOREVER SPORT will also profit from its new, more streamlined business unit structure. By focusing more on our core sports categories, both cost savings and sustainable top-line growth can be achieved. In particular, we are excited about the outlook for our basketball products, which are quickly gaining profile in the global marketplace. Following the introduction of the highly successful and premium-priced *The KOBE* basketball shoe in 2000, the basketball category will release: follow-up colors, *The KOBE 2*, the *Mad Handle* and a variety of other top-end basketball shoes in 2001. These shoes, which have all already been previewed by retailers, have been received very positively and should propel momentum in this important category.

Another essential factor for the adidas brand outlook is the introduction of new designs to the market in the second half of 2001. Over the last year, improving design was given high priority status within adidas. Starting with the Fall/Winter 2001 collection, there is a notably more urban-oriented look and feel to our products that feature muted or less visible three stripes.

Salomon Growth to Continue, Synergies with Mavic to Increase

As a result of the continued innovative strength and the increasing profile of Salomon products, we are currently projecting double-digit growth from the Salomon brand in 2001. On a regional level, the strongest growth will come from North America, where Salomon products are currently less represented than in other major markets, and as a result of the re-introduction of our inline skates.

Strong product categories are likely to be:

- Alpine skis, where our revolutionary *Pilot* ski system will be offered in its next generation and supported by other top-end skis.
- Inline skates, with a broader offering, renewed products and the re-introduction in the United States.
- Apparel, where our first Salomon collection will be available to consumers in Fall/Winter of 2001.

Additionally, the integration of Mavic with Salomon, which began in 2000, will continue in 2001. By utilizing the same design and back-office facilities we expect synergies between the two brands to further increase.

TaylorMade-adidas Golf will Lead Sales Growth for the Group

In 2001, the brand repositioning of TaylorMade will continue. With increased marketing and sales support to target the elite golfer, we anticipate solid growth in all the major golf markets. Central to this development will be strong positive response to our new *300 Series™* golf clubs. Continued growth of the adidas Golf products is also expected.

Gross Margins to Remain within Target Range
For the adidas-Salomon Group, we anticipate keeping gross margins in a range of 41 to 43% during 2001. There are two factors which will negatively affect margins. Increased product purchasing costs will put pressure on margins of products in our largest market, Europe. Additionally, promotional pressure in the United States is likely to impact the prices of our products, thereby pushing down margins. On the positive side, increasing own-retail activities and a better product mix as a result of our new initiatives should contribute to high-level margins in 2001.

Declining Expenses will Lead to Improved Operating Profits
Following the successful implementation of our Growth and Efficiency Program, earnings will improve significantly in 2001 and beyond. In particular, marketing working budget will decline for the adidas brand and consequently for the Group. For brand adidas, we intend to push this figure down significantly in the future to a medium-term target range of between 12 and 13%. We will maintain the flexibility to shift funds within the regions as necessary to appropriately address global marketing priorities. This demonstrates our belief that marketing can be done more efficiently. For the Group we are expecting a small decline in operating expenses, as new efficiencies will be partially compensated for by continued investments in Salomon and TaylorMade to maximize their brand power.

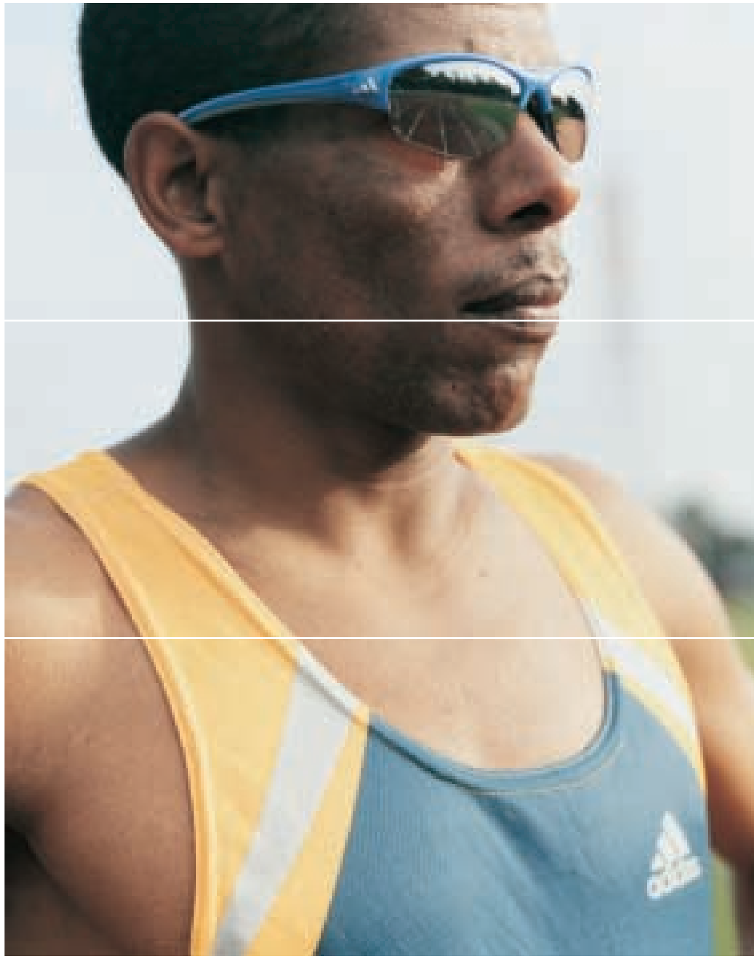
Non-Operating Result will Decline
A decline in the non-operating result is likely in 2001. Stable development of goodwill depreciation as well as royalty and commission income is expected. We also anticipate higher interest expense in 2001 as a result of higher average interest rates compared to 2000.

Net Income to Increase 15%
As a result of increased top-line improvements at all the brands and the decline of our operating expenses as a percent of net sales, we anticipate improving net income for the Group by 15% in 2001. Decreasing minority interests and a small decline in the Group tax rate will also contribute to this increase.

Capital Expenditure will be Stable
In 2001, capital expenditure for the Group will continue at levels consistent with 2000. Major projects for the year include “adidas Village”, our new headquarters for adidas America, and global supply chain improvements, in particular IT hardware and software.

Net cash provided by operating activities will be in excess of the investment volume necessary in 2001. This surplus will be used to reduce our borrowings. It is our goal to decrease net borrowings for the Group by € 100–150 million annually going forward.

Beyond 2001
adidas-Salomon is now poised for the next phase of growth. We have successfully completed the Growth and Efficiency Program, which has prepared our systems and structures for the major changes now underway within the Group. A key driver of growth for brand adidas will be the new marketing strategy. Growth of our other brands will also continue. With a new consumer focus in our designs, technologies and marketing we are confident that double-digit earnings growth for the future years will be possible.



Corporate Governance

Supervisory Board Report

Dear Shareholder,

In the year under review, the Supervisory Board oversaw the management activities of the Executive Board on a regular basis and acted in an advisory capacity. The Supervisory Board was kept informed about the financial position of the Company, corporate policy and matters relating to major business transactions through verbal and written reports from the Executive Board. In five joint meetings with the Executive Board and in three meetings of the General Committee of the Supervisory Board, business development of the adidas-Salomon Group as well as the individual operational units and the major Group companies was reviewed in detail. In addition to the responsibilities laid down by law and the Articles of Association, the Supervisory Board acted in an advisory capacity in important individual matters.

Topics covered by the Supervisory Board in 2000 included:

- The positive results of the Growth and Efficiency Program.
- The new strategy for the adidas brand.
- The development of business in the United States.
- The impact of changes in the exchange rates.

The Supervisory Board also approved the termination of the profit sharing and control agreement between adidas-Salomon AG and erima Sportbekleidungs GmbH and the conclusion of a share purchase agreement. Under the terms of the share purchase agreement, adidas-Salomon AG assigned and sold 49% of its holding in erima Sportbekleidungs GmbH and granted the buyer an option to acquire the remaining 51%.

Additional topics dealt with by the Supervisory Board were:

- The restructuring of the production facilities of Salomon S.A. and Mavic S.A. in France.
- The distribution of the second tranche of the adidas-Salomon AG management stock option plan.
- The global sourcing activities.

The external auditors attended the annual financial statements meeting of the Supervisory Board on March 2, 2000 and subsequent meetings on May 10, August 7 and November 2, 2000. During these meetings, the quarterly financial statements for 2000 were presented.

Examination and Approval of the 2000 Financial Statements
As in the previous year, consolidated financial statements were prepared in compliance with International Accounting Standards (IAS). Under the provisions of § 292a of the German Commercial Code (HGB), these financial statements exempt adidas-Salomon AG from drawing up consolidated financial statements in accordance with German Commercial Law.

The external auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have audited the consolidated financial statements and the Group management report. Additionally, they have audited the financial statements and the management report of adidas-Salomon AG and issued unqualified opinions thereon. In the context of their auditing duties in line with § 317 section 4 HGB, the auditors have looked at the existing adidas-Salomon AG monitoring system for early identification of risk. They concluded that the existing system was appropriate and that the management reports for adidas-Salomon AG and the Group accurately reflected future risk. The financial statements, the management reports and the auditors' reports have been presented to all the members of the Supervisory Board. The year-end statements were discussed in detail at the annual financial statements meeting of the Supervisory Board, during which the auditors were present.

Having examined the consolidated financial statements, the financial statements of adidas-Salomon AG, the management reports and the proposal put forward by the Executive Board regarding the appropriation of retained earnings, the Supervisory Board approved the results of the audit. The Supervisory Board also agreed with the management report and particularly with the outlook for the future development of the Company. Additionally, the proposal put forward by the Executive Board regarding retained earnings was approved.

The financial statements submitted by the Executive Board for the year ending December 31, 2000 were approved by the Supervisory Board.

Committee Activities
In addition to its responsibilities as a whole, the Supervisory Board also has two committees. The General Committee, which deals with personnel matters related to the Executive Board, met on three occasions in 2000.

The Mediation Committee, formed in accordance with § 27 section 3 of the German Co-Determination Act (MitBestG), submits proposals to the Supervisory Board regarding the appointment or dismissal of Executive Board members if the two-thirds Supervisory Board majority necessary for a decision is not achieved. This committee did not meet in 2000.

Changes on the Supervisory and Executive Board
Chief Executive Officer and Chairman Robert Louis-Dreyfus and Deputy Chairman Christian Tourres resigned their mandates on the Executive Board effective March 8, 2001. Also effective March 8, 2001, the Supervisory Board appointed the Deputy Chairman and Chief Operating Officer, Herbert Hainer, as successor to Robert Louis-Dreyfus in the position of CEO and Chairman of the Executive Board.

Furthermore, Robin Stalker, who had held the position of Chief Financial Officer of adidas-Salomon AG since February 1, 2000 was appointed to the Executive Board as Board Member for Finance effective January 30, 2001.

Dr. Thomas Russell has tendered his resignation from the Supervisory Board effective at the end of the Shareholders' Meeting on May 10, 2001. The Supervisory Board thanked him for his many years of dedication and commitment as a member of the Supervisory Board.

The Supervisory Board will propose to the Shareholders' Meeting that Christian Tourres be elected as a member of the Supervisory Board.

Outlook
adidas-Salomon AG took on many challenges in the year under review. Operationally, the targets the Company set for itself have been achieved. The Supervisory Board is confident that the groundwork has been completed to steer adidas-Salomon AG into a positive future.

We appreciate the tremendous work of the Executive Board, the Management Boards of the Group companies, the Works Council and all employees and thank them for their commitment.

The Supervisory Board

Henri Filho
(Chairman)
March 2001

Supervisory Board

Henri Filho
Chairman
69, French
Management Consultant

Member of the Administrative Board,
Sophiabail S.A., Paris, France*
Member of the Administrative Board,
Salomon S.A., Metz-Tessy, France*
Vice-Chairman of the Supervisory Board,
Vendôme Rome Management S.A., Paris, France*
Chairman of the Supervisory Board,
Auguste Thouard et Associés S.A., Levallois-Perret, France*

Dr. Hans Friderichs
Deputy Chairman
69, German
Management Consultant

Chairman of the Supervisory Board,
allit AG, Bad Kreuznach, Germany
Member of the Supervisory Board,
Elf Oil Deutschland GmbH, Berlin, Germany (until 21.06.00)
Chairman of the Supervisory Board,
Goldman Sachs Investment Management GmbH,
Frankfurt am Main, Germany
Chairman of the Supervisory Board,
Sektkellerei C.A. Kupferberg & Cie KGaA, Mainz, Germany
Chairman of the Supervisory Board,
Leica Camera AG, Solms, Germany
Member of the Supervisory Board,
IIC The New German Länder Industrial Investment
Council GmbH, Berlin, Germany*
Chairman of the Supervisory Board,
Pott-Racke-Dujardin GmbH & Co. KG, Bingen, Germany*
Member of the Supervisory Board,
Groupe Schneider S.A., Paris, France*
Chairman of the Supervisory Board,
Swatch Group Deutschland GmbH, Eschborn, Germany*

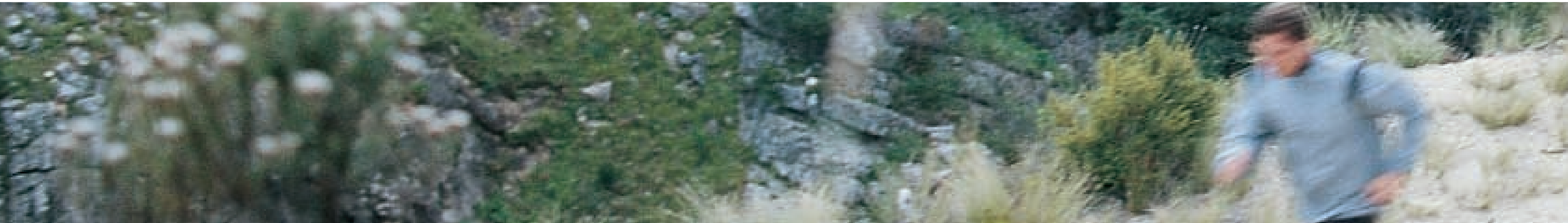
Fritz Kammerer**
Deputy Chairman
55, German
Chairman of the Central Works Council,
adidas-Salomon AG

Sabine Bauer**
37, German
System Manager Footwear Quality, Global Operations,
adidas-Salomon AG

Ulrich Becker**
37, German
Head of Communications, adidas Germany

Gerold Brandt
60, German
Member of the Executive Board,
Bayerische Landesbank Girozentrale, Munich, Germany

Member of the Supervisory Board,
Bayerische Kapitalbeteiligungsgesellschaft mbH,
Munich, Germany
Deputy Chairman of the Supervisory Board,
Bayern Invest Kapitalanlagegesellschaft mbH, Munich, Germany
Member of the Supervisory Board,
Monacensis Beteiligungs AG, Munich, Germany
Member of the Supervisory Board,
BayTech Venture Capital GmbH & Co.KG, Munich, Germany*
Member of the Supervisory Board,
BLB Wachstumskapital Bayern GmbH, Munich, Germany*
Deputy Chairman of the Exchange Council,
Bavarian Stock Exchange, Munich, Germany*
Chairman of the Advisory Council,
Société Générale de Surveillance Holding (Deutschland) GmbH,
Hamburg, Germany*



Chairman of the Advisory Council,
Müller Elmau GmbH, Schloss Elmau, Upper Bavaria, Germany*
Member of the Board of Directors,
Hungarian Foreign Trade Bank, Budapest, Hungary*
Member of the Supervisory Board,
BAWAG, Vienna, Austria*
Chairman of the Administrative Board,
Bayerische Landesbank (Schweiz) AG, Zurich, Switzerland*
Member of the Administrative Board and Member of
the Credit Committee, Bayerische Landesbank International
S.A., Luxembourg*
Chairman of the Administrative Board, Bayern LB International
Fund Management Company S.A., Luxembourg*

David Bromilow
58, British
Executive Director, MediMedia Int'l Ltd., Hong Kong

Herbert Müller**
56, German
Regional Manager, IG BCE Trade Union,
Region Nuremberg, Germany

Deputy Chairman of the Supervisory Board,
Ceramtec AG, Plochingen, Germany
Deputy Member of the Administrative Board,
Allgemeine Ortskrankenkasse Bayern, Munich, Germany

Dr. Thomas Russell
(until May 10, 2001)
69, American
Chairman of the Board of Directors,
Emcore Corporation, Somerset, New Jersey, USA***

Member of the Board of Directors,
Louis Dreyfus Communications, Paris, France*

Charles Thomas Scott
51, British
Chairman of the Board of Directors,
Cordiant Communications Group plc., London, U.K.***

Chairman of the Board of Directors,
Topnotch Health Clubs plc., Brentford, Middlesex, U.K.*
Non-Executive Director,
Massive Ltd., London, U.K.*
Non-Executive Director,
TBI plc., London, U.K.*
Non-Executive Director,
William Hill plc., London, U.K.*
Non-Executive Director,
Kircal Ltd., London, U.K.*

Heidi Thaler-Veh**
38, German
Member of the Central Works Council,
adidas-Salomon AG

Klaus Weiss**
42, German
Trade Union Official, IG BCE Trade Union,
Headquarters Hanover, Germany

Member of the Supervisory Board,
Wohnungsbaugesellschaft "Glück Auf", Brambauer, Germany

* Not relevant for determining the maximum number of Supervisory Board appointments under § 100 Paragraph 2 No. 1 AktG (stock corporation law)

** Employee representative

*** Position and mandate

Executive Board

Robert Louis-Dreyfus
(until March 8, 2001)
Chairman, Chief Executive Officer
54, French

Member of the Board of Directors,
Emcore Corporation, Somerset, New Jersey, USA
Member of the Board of Directors,
Heidrick & Struggles, Atlanta, Georgia, USA
Member of the Advisory Board,
The Parthenon Group, Boston, Massachusetts, USA
President and Chief Executive Officer,
Louis Dreyfus Communications, Paris, France

Christian Tourres
(until March 8, 2001)
Deputy Chairman, Sales and Licensees
62, French

Herbert Hainer
Deputy Chairman, Chief Operating Officer (until March 8, 2001)
Chairman, Chief Executive Officer (as of March 8, 2001)
46, German

Member of the Advisory Committee,
Bayerische Versicherungsbank AG, Munich, Germany

Glenn Bennett
Global Operations
37, American

Dean Hawkins
(until January 31, 2000)
Finance
39, Australian

Manfred Ihle
Legal and Environmental Affairs
59, German

Michel Perraudin
Human Resources
53, Swiss

Member of the Advisory Committee,
Gerling-Konzern Versicherungs-Beteiligungs AG,
Cologne, Germany
Member of the Administrative Board,
Boards & More AG, Zurich, Switzerland
Member of the Administrative Board,
Pictet Leisure Fund, Geneva, Switzerland

Robin Stalker
(as of January 30, 2001)
Finance
42, New Zealander

Erich Stamminger
Global Marketing
43, German

Jan Valdmaa
(until January 5, 2000)
Global Marketing
45, Swedish


adidas
10

Major Subsidiaries

Company	Address	Tel./Fax	Internet	Description
adidas America Inc.	9605 SW Nimbus	+1-503-972-2300	www.adidas.com/us	Markets, merchandises, sells and distributes adidas products
	Beaverton, OR 97006	+1-503-972-2450		in the United States.
	United States			
adidas Australia Pty. Ltd.	767 Springvale Road	+61-3-9256 52 99	n/a	Markets, merchandises, sells and distributes adidas products
	Mulgrave, Victoria 3170	+61-3-9545 30 70		in Australia.
	Australia			
adidas Espana S.A.	P. de la Constitucion 4	+34-976-710 100	www.adidas.es	Markets, merchandises, sells and distributes adidas products
	50008 Zaragoza	+34-976-710 103		in Spain.
	Spain			
adidas International B.V.	Olympic Plaza	+31-20-573-45 00	n/a	Markets adidas trademarks and leads global sports promotion.
	Fred Roeskestraat 123	+31-20-573-45 86		Conducts global communication and advertising.
	1076 EE Amsterdam			Safeguards intellectual property rights.
	Netherlands			
adidas International Trading B.V.	Olympic Plaza	+31-20-573-45 00	n/a	Oversees pan-European logistics and supply chain activities.
	Fred Roeskestraat 123	+31-20-573-45 86		
	1076 EE Amsterdam			
	Netherlands			
adidas Italia s.r.l.	Via Olimpia 3	+39-039-839181	www.adidas.it	Markets, merchandises, sells and distributes adidas products
	20052 Monza	+39-039-324037		in Italy (joint venture).
	Italy			
adidas Japan K.K.	77 Yaraicho	+81-3-5228-8400	www.adidas.co.jp	Markets, merchandises, sells and distributes adidas products
	Shinjuku-ku	+81-3-5228-8405		in Japan.
	Tokyo 162-0805			
	Japan			
adidas Latin America S.A.	Torre Banco Continental Piso 22	+507-215-7447	n/a	Markets, sells and distributes adidas products in Central
	Apartado 55-2124	+507-215-7448		America, the Caribbean, Ecuador, Bolivia and Paraguay.
	Panama			
	Rep. De Panama			

Company	Address	Tel./Fax	Internet	Description
adidas-Salomon International Sourcing Ltd.	17/F Tower 3, China Hong Kong City 33 Canton Road, TST Kowloon Hong Kong China	+852-2302-8888 +852-2302-8866	n/a	Sources and conducts logistics for the adidas-Salomon international range of products from third-party manufacturers with related supporting services.
adidas Sarragan France S.a.r.l.	B.P. 67 Landersheim 67702 Saverne Cedex France	+33-3-88 87 88 00 +33-3-88 69 97 25	www.adidas.fr	Markets, merchandises, sells and distributes adidas products in France.
adidas (U.K.) Ltd.	The adidas Centre Pepper Road, Hazel Grove Stockport, Cheshire SK7 5SD United Kingdom	+44-161 419 2500 +44-161 930 2384	www.adidas.com/uk	Markets, merchandises, sells and distributes adidas products in the United Kingdom.
Salomon S.A.	Lieu dit “La Ravoire” Metz-Tessy 74996 Annecy Cedex 9 France	+33-4-50 65 41 41 +33-4-50 65 42 60	www.salomonsports.fr	Oversees international marketing for the Salomon brand, trademarks and intellectual property, product development and production. Sells and distributes Salomon products in France.
Salomon & Taylor Made Co., Ltd.	2-1-14, Sarugaku-cho Chiyoda-ku Tokyo 101-0064 Japan	+81-3-5281-7150 +81-3-5281-7151	www.salomon-tm.com www.taylormade.co.jp	Markets, merchandises, sells and distributes Salomon, TaylorMade and Mavic products in Japan.
Salomon Taylor Made Ltd.	Annecy House, The Loddon Centrewade Roads Basingstoke, Hampshire RG 24 8FL United Kingdom	+44-1256 479 555 +44-1256 465 562	www.salomonsports.com	Markets, merchandises, sells and distributes Salomon and TaylorMade products in the United Kingdom.
Taylor Made Golf Company, Inc.	5545 Fermi Court Carlsbad, CA 92008 United States	+1-760 918 6000 +1-760 918 6014	www.taylormadegolf.com www.adidasgolf.com	Coordinates worldwide golf operations and global TaylorMade production. Markets, merchandises, sells and distributes TaylorMade and adidas Golf products in the United States.

CONSOLIDATED ACCOUNTS (IAS)

Consolidated Balance Sheets (IAS)

(euros in thousands)	(Note)	Dec. 31 2000	Dec. 31 1999
Cash and cash equivalents	(4)	104,706	69,108
Accounts receivable	(5)	1,133,103	1,032,877
Inventories	(6)	1,294,033	1,045,244
Other current assets	(7)	254,183	201,422
Total current assets		**2,786,025**	**2,348,651**
Property, plant and equipment, net	(8)	310,068	284,196
Goodwill, net	(9)	601,028	635,594
Other intangible assets, net	(10)	77,633	73,399
Deferred tax assets	(24)	131,063	134,349
Other non current assets	(11)	112,643	111,185
Total non current assets		**1,232,435**	**1,238,723**
Total assets		**4,018,460**	**3,587,374**
Short-term borrowings	(12)	279,422	177,086
Accounts payable		532,299	487,801
Income taxes	(24)	76,318	98,212
Accrued liabilities and provisions	(13)	390,250	392,751
Other current liabilities	(14)	90,388	96,479
Total current liabilities		**1,368,677**	**1,252,329**
Long-term borrowings	(12)	1,617,370	1,484,402
Pensions and similar obligations	(15)	85,021	80,267
Deferred tax liabilities	(24)	31,748	11,894
Other non current liabilities	(16)	10,570	15,100
Total non current liabilities		**1,744,709**	**1,591,663**
Minority interests	(17)	89,750	63,425
Shareholders' equity	(18)	815,324	679,957
Total liabilities and shareholders' equity		**4,018,460**	**3,587,374**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statements (IAS)

(euros in thousands)

	(Note)	2000	1999
Net sales		5,834,805	5,353,949
Cost of sales		3,306,886	3,001,883
Gross profit		**2,527,919**	**2,352,066**
Selling, general and administrative expenses	(21)	2,012,321	1,807,255
Depreciation and amortization (excl. goodwill)	(8,10,21)	78,812	63,264
Operating profit		**436,786**	**481,547**
Goodwill amortization	(9)	39,545	39,012
Royalty and commission income		43,073	34,689
Financial expenses, net	(23)	93,954	83,871
Extraordinary income	(29)	260	4,857
Income before taxes		**346,620**	**398,210**
Income taxes	(24)	139,610	152,964
Net income before minority interests		**207,010**	**245,246**
Minority interests	(17)	(25,327)	(17,524)
Net income		**181,683**	**227,722**
Net income per ordinary share (in euros)	*(25)*	*4.01*	*5.02*

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (IAS)

(euros in thousands)	2000	1999
Operating activities:		
Income before taxes	346,620	398,210
Adjustments for:		
Depreciation and amortization (incl. goodwill)	132,704	119,203
Unrealized foreign exchange losses/(gains), net	7,616	(21,985)
Interest income	(12,979)	(7,725)
Interest expense	108,517	84,933
(Gains)/losses on sales of property, plant and equipment, net	(4,440)	2,356
Operating profit before working capital changes	**578,038**	**574,992**
Increase in receivables and other current assets	(115,767)	(123,771)
Increase in inventories	(230,394)	(3,680)
Increase in accounts payable and other current liabilities	8,014	117,632
Cash provided by operations	**239,891**	**565,173**
Interest paid	(105,313)	(84,766)
Income taxes paid	(144,993)	(151,977)
Net cash (used in)/provided by operating activities	**(10,415)**	**328,430**
Investing activities:		
Purchase of goodwill and other intangible assets	(24,562)	(31,187)
Purchase of property, plant and equipment	(124,815)	(101,349)
Proceeds from sale of property, plant and equipment	14,141	18,112
Decrease/(increase) in investments and other long-term assets	1,808	(26,538)
Interest received	12,979	7,725
Net cash used in investing activities	**(120,449)**	**(133,237)**
Financing activities:		
Increase in long-term borrowings, net	132,967	1,236,698
Dividends of adidas-Salomon AG	(41,736)	(38,258)
Dividends to minority shareholders	(2,692)	(551)
Capital contributions by minority shareholders	4,970	3,774
Increase/(decrease) in short-term borrowings, net	71,517	(1,382,239)
Net cash provided by/(used in) financing activities	**165,026**	**(180,576)**
Effect of exchange rates on cash	**1,436**	**2,652**
Net increase in cash and cash equivalents	35,598	17,269
Cash and cash equivalents at beginning of year	69,108	51,839
Cash and cash equivalents at end of year	**104,706**	**69,108**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity (IAS)

(euros in thousands)	Share capital	Capital surplus	Cumulative translation adjustments	Retained earnings	Total
Balance as at December 31, 1998	**115,933**	**7,557**	**(30,180)**	**369,898**	**463,208**
Net income				227,722	227,722
Dividend payment				(38,258)	(38,258)
Currency translation			29,608		29,608
Cumulative effect of the adoption of IAS 19 (revised 1998)				(2,323)	(2,323)
Share capital increase from reserves	161			(161)	0
Balance as at December 31, 1999	**116,094**	**7,557**	**(572)**	**556,878**	**679,957**
Net income				181,683	181,683
Dividend payment				(41,736)	(41,736)
Currency translation			(4,580)		(4,580)
Balance as at December 31, 2000	**116,094**	**7,557**	**(5,152)**	**696,825**	**815,324**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements (IAS)

adidas-Salomon AG, a listed German stock corporation, and its subsidiaries design, develop, produce and market a broad range of athletic and active lifestyle products under the following brand names:

adidas branded products include footwear, apparel and hardware, such as bags and balls. The products are designed and developed by adidas and are almost exclusively manufactured by sub-contractors on behalf of adidas.

Salomon branded products include ski and snowboard equipment (skis, snowboards, boots and bindings) which are designed and manufactured mainly in France and Italy. In addition to these winter activity products the product range was expanded into summer activities such as hiking boots and inline skates.

TaylorMade develops and assembles or manufactures high-quality golf clubs, balls and equipment.

Mavic products include rims and wheels for mountain bikes and road racing.

Other trademarks are **erima** and **Bonfire**, under which apparel is marketed.

The Company's headquarters are located in Herzogenaurach, Germany.

1. General

The accompanying consolidated financial statements of adidas-Salomon AG and its subsidiaries (collectively the "Company" or "adidas-Salomon") are prepared in accordance with accounting principles generally accepted by the International Accounting Standards Committee (International Accounting Standards – "IAS"). The Company applied all International Accounting Standards and Interpretations of the Standing Interpretations Committee "SIC" effective as at December 31, 2000 and 1999, respectively.

The following new standards were adopted effective January 1, 2000:

IAS 16 (revised 1998)	"Property, Plant and Equipment"
IAS 22 (revised 1998)	"Business Combinations"
IAS 36	"Impairment of Assets"
IAS 37	"Provisions, Contingent Liabilities and Contingent Assets"
IAS 38	"Intangible Assets"

All amounts are generally stated in thousands of euros. The translation to euros occured through the initial translation of the annual financial statements, which were generated in the respective local currencies, to German marks (DM). The consolidated financial statements were then translated into euros on the basis of the official DM/euro rate of 1.95583.

New Accounting Standards

As of January 1, 2001 the Company will adopt IAS 39 "Financial Instruments: Recognition and Measurement". This standard requires the presentation of all financial instruments at their fair value in the balance sheet. At the same time, rules for hedge accounting have also been tightened. Under previous accounting and disclosure rules, the gains and losses resulting from hedging positions to protect anticipated future transactions could be deferred until the due date of the hedged transactions.

Under IAS 39, hedge accounting for financial instruments which cover anticipated future commercial transactions will be allowed for hedges with forward contracts when certain conditions ("hedge effectiveness test") are met. IAS 39 permits limited hedge accounting with currency options which are "in-the-money". To limit option premium payments, adidas-Salomon has only engaged in currency options which, at the time of their purchase, were “out-of-the-money”.

Management has decided not to pursue hedge accounting in its use of currency options, but to assess their fair value and record the resulting gains or losses in current income as incurred. The consequence is that such gains or losses will not be recorded at the time of the transactions for which the hedging transaction had been arranged, but already at the time the fair value of the options changes. In recent years, virtually all of adidas-Salomon’s currency hedging for future commercial transactions – except for very short periods – had been done with options. The goal is to limit the potential impact of changes in the fair value of options on the results. Therefore, the Company has decided to focus more on forward contracts.

Equally, the Company discontinues hedge accounting for interest rate caps, which hedge interest rate risk. Through 2000, the premium paid for such caps was amortized over the coverage period of the interest rate cap. From 2001 onwards, the Company will record changes in the fair value of outstanding caps in income as incurred.

The Company believes that the changes through the implementation of IAS 39 will not have any material impact on the Company’s financial position or cash flows and its reporting thereon. However, this changed procedure may cause certain volatilities in earnings reported in the future, when fair value changes are recorded in current income for options arranged as a hedge for future transactions.

In addition, the Company will adopt IAS 40 “Investment Property”. The Company has analyzed the impacts of this standard and it is believed that it will not have any material impact on the Company’s financial position, results of operations or cash flows and its reporting thereon.

German Statutory Reporting

The Company does not prepare consolidated financial statements under accounting principles generally accepted in Germany (German GAAP) pursuant to the exemption in § 292a of the German Commercial Code (HGB). The consolidated financial statements in accordance with § 292a HGB include an explanation of differences between IAS and German GAAP. The consolidated financial statements with this appendix are filed with the Commercial Register at the Local Court in Fürth (Bavaria).

2. Summary of Significant Accounting Policies

The consolidated financial statements are prepared in accordance with the consolidation, accounting and valuation principles described below.

Certain items previously reported in specific financial statement captions have been reclassified to conform to the 2000 presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of adidas-Salomon AG and its significant direct and indirect subsidiaries, which are prepared under uniform accounting principles.

A company is a subsidiary if adidas-Salomon AG controls directly or indirectly the financial and operating policies of the respective enterprise.

The number of consolidated companies evolved as follows for the years ended December 31, 2000 and 1999, respectively:

	2000	1999
January 1	**96**	**98**
Newly founded/ consolidated companies	3	3
Divestments/ exclusion from consolidation	(3)	(1)
Merged companies	(1)	(4)
December 31	**95**	**96**

Ten subsidiaries have not been included in the consolidated financial statements in 2000 (1999: 11 subsidiaries), since they have no or little active business and are insignificant to the financial position, results of operations and cash flows. The shares in these companies are accounted for at the lower of cost or net realizable value.

A schedule of the shareholdings of adidas-Salomon AG is shown in Attachment II to these notes. A collective listing of these shareholdings in accordance with § 285 No. 11 and § 313 section 2 and 3 of the German Commercial Code will be filed with the Commercial Register at the Local Court in Fürth (Bavaria).

Consolidation of equity is made in compliance with the book value method by offsetting the initial investments in subsidiaries against the relevant equity portion at fair value held by the parent company as at acquisition date.

All significant inter-company transactions and accounts are eliminated in consolidation.

Currency Translation

Assets and liabilities of the Company's non-DM functional currency subsidiaries are translated into German marks at closing exchange rates at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the year. All cumulative differences from the translation of equity of foreign subsidiaries resulting from changes in exchange rates are included in a separate caption within shareholders' equity without affecting income.

A summary of exchange rates to the euro for major currencies in which the Company operates is as follows:

	Average rate for the year ended December 31		Spot rate at December 31	
€ 1 equals	**2000**	**1999**	**2000**	**1999**
USD	0.9246	1.0653	0.9305	1.0046
CAD	1.3718	1.5829	1.3965	1.4608
AUD	1.5897	1.6512	1.6770	1.5422
GBP	0.6097	0.6584	0.6241	0.6217
JPY	99.556	121.10	106.92	102.73
KRW	1,045.2	1,264.6	1,177.4	1,136.2

Effective January 1, 1999 the European Monetary Union commenced and the exchange rates between the participating currencies and the euro were irrevocably fixed. One euro equals 1.95583 German marks.

In the individual financial statements of Group companies, monetary items denominated in a foreign currency are generally measured at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recorded directly in income.

Cash and Cash Equivalents
Cash and cash equivalents represent cash and short-term, highly liquid investments with maturities of three months and less.

Receivables
Receivables are stated at nominal amounts less allowances for doubtful accounts. These allowances are determined on the basis of individual risk assessment and past experience of losses.

Inventories
Merchandise and finished goods are valued at the lower of cost or net realizable value. Costs are determined using a standard valuation method which approximates the first-in, first-out method or the average cost method. Costs of finished goods include cost of raw materials, direct labor and manufacturing overheads. The lower of cost or net realizable value allowances are computed consistently throughout the Company based on the age and expected future sales of the items on hand.

Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a declining balance or straight-line basis on useful lives as follows:

	Years
Buildings	10–50
Leasehold improvements	5–20
Equipment, machinery and furniture and fittings	2–10

Expenditures for maintenance and repairs are expensed as incurred. Significant renewals and improvements are capitalized.

Impairment
In the event that facts and circumstances indicate that the costs of long-lived assets are impaired, an evaluation of recoverability is performed. An exceptional write-down is made if the carrying amount exceeds the recoverable amount.

Finance Leases
If under a lease agreement substantially all risks and rewards associated with an asset are transferred to the Company, the asset and the corresponding liability are recognized at the fair value of the asset or the lower net present value of the minimum lease payments.

Goodwill and Identifiable Intangible Assets
Acquired goodwill and intangible assets are valued at cost less accumulated amortization.

Goodwill is the excess of the purchase cost over the fair value of the identifiable assets and liabilities acquired. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities of that foreign entity are treated as assets of the reporting entity and are translated at exchange rates prevailing at the date of the initial consolidation.

Amortization is calculated on a straight-line basis with the following useful lives:

	Years
Goodwill	5–20
Patents, trademarks and concessions	5–10
Software	3–5

Expenditures for internally generated intangible assets are expensed as incurred.

Research and Development
Research costs are expensed as incurred. Development costs are also expensed as incurred and are not capitalized due to the short product life cycle of sporting goods.

The Company spent approximately € 91 million and € 77 million on product research and development for the years ended December 31, 2000 and 1999, respectively.

Liabilities
Liabilities are accrued at their settlement amount.

Provisions
Provisions are recognized where a present – legal or constructive – obligation has been incurred which will probably lead to an outflow of resources which can be reasonably estimated.

Pensions and Similar Obligations
Provisions for pensions and similar obligations comprise the provision obligation of the Company under defined benefit and contribution plans. The obligation under defined benefit plans is determined using the projected unit credit method in accordance with IAS 19 (revised 1998).

Recognition of Revenues
Revenues are recognized when title passes based on the terms of the sale. Sales are recorded net of returns, discounts, allowances and sales taxes.

Advertising and Promotional Expenditures
Production costs for media campaigns are shown under prepaid expenses until the advertising takes place for the first time, after which they are expensed in full. Significant media buying costs (e.g. broadcasting fees) are expensed over the original duration of the campaign on a straight-line basis.

Promotional expenses, including one-time upfront payments for promotional contracts, are generally expensed pro rata over the term of the agreement.

Interest
Interest is recognized as an expense as incurred.

Income Taxes
Current income taxes are computed in accordance with the rules for taxation established in the countries in which the Company operates.

The Company computes deferred taxes for all temporary differences between the carrying amount and the tax basis of its assets and liabilities and tax loss carryforwards.

Deferred tax assets arising from deductible temporary differences and tax loss carryforwards which exceed taxable temporary differences are only recognized to the extent that it is probable that the company concerned will generate sufficient taxable income to realize the associated benefit.

Derivative Financial Instruments
Until the end of December 31, 2000, exchange gains and losses on outstanding forward currency contracts and currency options which hedge anticipated future transactions are deferred and recognized in income when the underlying transaction takes place. Exchange gains and losses on forward contracts and currency options which are discontinued or no longer serve as a hedge for an anticipated future transaction are charged to income as incurred.

Interest rate cap premiums are amortized over the useful life of the caps. Amortized cap premiums are included in interest expenses, as part of the financial result.

See also note 1, chapter “New accounting standards” regarding the treatment of derivative financial instruments under IAS 39, beginning January 1, 2001.

Use of Estimates
The preparation of financial statements in conformity with IAS requires Management to make assumptions and estimates that affect reported amounts and related disclosures. Actual results could differ from those estimates.

3. Acquisitions/Founding of Subsidiaries

adidas Japan K.K., Tokyo (Japan), a wholly owned subsidiary, was founded on February 19, 1998. In the first quarter of 1999 this company took over the distribution of adidas branded products from the former independent distributor and licensee.

adidas International Trading B.V., Amsterdam (Netherlands), a wholly owned subsidiary, was founded on September 7, 1998. This company became operative effective January 1, 1999 and is in the process of assuming full responsibility for European inventory management and global sourcing activities through its subsidiary adidas-Salomon International Sourcing Ltd., Hong Kong. In 1999 this company assumed responsibility for the inventory of the adidas brand in the United Kingdom. During 2000 the legal ownership of the inventories of adidas Spain, Portugal and Germany was transferred.

adidas Suomi OY, Helsinki (Finland), a joint venture with the former distributor and licensee in Finland, was founded on July 27, 1999. Beginning January 1, 2000, this joint venture started its operations.

adidas Village Corporation, Portland (United States), a property investment company, which owns the property of the new office buildings – currently under construction – of adidas America in Portland, was incorporated on September 23, 1999.

Effective March 9, 2000 adidas-Salomon assumed full ownership of its former joint venture company adidas Portugal Lda., Lisbon (Portugal), by acquiring the remaining share of 49%.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Cash at banks and in hand	90,549	66,569
Marketable securities	14,157	2,539
Cash and cash equivalents	**104,706**	**69,108**

The majority of marketable securities relates to commercial papers with a maximum maturity of 90 days.

In addition to short-term cash, adidas Korea has cash accounts with maturities exceeding 12 months in the amount of € 1 million (1999: € 1 million), which are included in other non current assets (see also note 11).

5. Accounts Receivable

Accounts receivable are as follows:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Accounts receivable, gross	1,220,862	1,121,168
Less: allowance for doubtful accounts	87,759	88,291
Accounts receivable, net	**1,133,103**	**1,032,877**

6. Inventories

Inventories by major classification are as follows:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Finished goods and merchandise on hand	917,536	818,664
Goods in transit and advance payments	431,819	313,848
Raw materials	47,881	34,190
Work in progress	11,500	5,631
Inventories, gross	**1,408,736**	**1,172,333**
Less: allowance for obsolescence	114,703	127,089
Inventories, net	**1,294,033**	**1,045,244**

The allowance for obsolescence mainly relates to inventories on hand. Goods in transit relate mainly to shipments from suppliers in the Far East to subsidiaries in Europe and the Americas.

7. Other Current Assets

Other current assets consist of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Prepaid expenses – current portion	88,043	75,572
Taxes receivable	83,871	57,244
Premiums for derivative financial instruments – current portion	16,195	20,883
Security deposits	11,333	11,065
Receivables from affiliated companies	1,657	4,662
Investment property held for sale	15,926	–
Sundry	42,833	35,540
Other current assets, gross	**259,858**	**204,966**
Less: allowance	5,675	3,544
Other current assets, net	**254,183**	**201,422**

Prepaid expenses relate mainly to promotion agreements. Investment property held for sale relates to parts of the land of the new international headquarters “World of Sports” which are owned by the GEV Grundstücksgesellschaft Herzogen-aurach mbH & Co. KG. It is reclassified from property, plant and equipment, as it is planned to be sold.

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Land, land rights and buildings	218,563	188,169
Technical equipment and machinery	112,277	106,909
Other equipment, furniture and fittings	250,242	228,064
	581,082	**523,142**
Less: accumulated depreciation	312,211	263,471
	268,871	**259,671**
Advance payments and construction in progress, net	41,197	24,525
Property, plant and equipment, net	**310,068**	**284,196**

Depreciation expense is € 74 million and € 65 million for the years ended December 31, 2000 and 1999 respectively.

9. Goodwill

Goodwill primarily relates to the Company's acquisitions of the Salomon group and subsidiaries in the United States, Australia/New Zealand and the Netherlands/Belgium.

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Goodwill	746,077	740,419
Thereof relating to the acquisition of the Salomon group	*582,561*	*581,386*
Less: accumulated amortization	145,049	104,825
Goodwill, net	**601,028**	**635,594**

Goodwill amortization expense is € 40 million and € 39 million for the years ended December 31, 2000 and 1999, respectively; thereof € 29 million in each year relate to the acquisition of the Salomon group.

The change in the goodwill for the Salomon group relates to subsequent acquisition costs for the acquisition of Salomon S.A. (see also note 29).

10. Other Intangible Assets

Other intangible assets consist of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Software, patents, trademarks and concessions, gross	142,209	108,343
Less: accumulated amortization	64,585	43,877
	77,624	**64,466**
Advance payments, net	9	8,933
Other intangible assets, net	**77,633**	**73,399**

Intangible asset amortization expense is € 22 million and € 15 million for the years ended December 31, 2000 and 1999, respectively.

11. Other Non Current Assets

Other non current assets consist of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Prepaid expenses – non current portion	67,593	86,940
Financial assets, net	16,388	12,227
Premiums for derivative financial instruments – non current portion	8,555	5,457
Security deposits	3,698	–
Cash deposits	1,468	1,254
Sundry	14,941	5,307
Other non current assets	**112,643**	**111,185**

Prepaid expenses mainly include prepayments for long-term promotional contracts and service contracts (see also note 27 and 19, respectively).

Financial assets include shares in unconsolidated affiliated companies of € 3 million and € 4 million as at December 31, 2000 and 1999, respectively. Financial assets further include investments, which are mainly related to a deferred compensation plan (see also note 15).

Cash deposits with maturities exceeding 12 months relate to adidas Korea.

12. Borrowings and Credit Lines

Short-term borrowings consist of bank borrowings, discounted trade bills and Commercial Papers. Long-term borrowings consist of bank borrowings and Private Placements.

Commercial Papers were issued under a € 750 million German Multi-Currency Commercial Paper Program and a € 300 million Belgian Treasury Notes Program. As at December 31, 2000, Commercial Papers are outstanding in the total nominal amount of € 282 million (1999: € 67 million).

Borrowings are denominated in a variety of currencies in which the Company is doing business. The largest portions of net borrowings as at December 31, 2000 are denominated in euros (55.1%) and US dollars (32.1%) (1999: euros 47.4%, US dollars 38.7%).

Month-end weighted average interest rates on borrowings in all currencies range from 4.3% to 5.7% and from 3.8% to 4.9% for the years ended December 31, 2000 and 1999, respectively.

As at December 31, 2000 the Company has cash credit lines and other long-term financing arrangements in a total amount of € 3.6 billion outstanding (1999: € 3.6 billion); unused credit lines amount to € 2.0 billion (1999: € 2.0 billion). The higher amount of borrowings was mainly arranged with Commercial Papers. In addition, the Company has separate lines for the issuance of letters of credit in an amount of approximately € 0.7 billion (1999: € 0.7 billion).

Short-term borrowings which are backed by committed medium-term credit lines are classified as long-term borrowings. The committed medium-term lines contain a negative-pledge clause and a minimum-equity covenant. As at December 31, 2000, actual shareholders' equity is well above the amount of the minimum-equity covenant.

The amounts disclosed as long-term borrowings represent outstanding borrowings under the following arrangements:

(euros in millions)	Dec. 31 2000	Dec. 31 1999
Committed medium-term lines	1,389	1,339
Long-term loan agreements	45	51
Private Placements	183	92
Other	–	2
Total	**1,617**	**1,484**

The above agreements have aggregated expiration dates as follows:

(euros in millions)	Dec. 31 2000	Dec. 31 1999
Between 1 and 2 years	203	92
Between 2 and 3 years	284	401
Between 3 and 4 years	1,014	874
Between 4 and 5 years	52	91
After 5 years	64	26
Total	**1,617**	**1,484**

Please refer to note 20 for the protection against interest rate risks.

13. Accrued Liabilities and Provisions

Accrued liabilities and provisions consist of the following:

(euros in millions)	Dec. 31 1999	Currency effect	Usage	Release	Additions	Dec. 31 2000
Goods and services not yet invoiced	90	5	76	19	86	86
Marketing	68	3	38	11	58	80
Payroll, commissions and employee benefits	54	2	34	5	45	62
Returns, allowances, warranty	45	2	27	11	31	40
Restructuring	42	-	15	3	18	42
Taxes, other than income taxes	4	-	2	2	8	8
Other	90	-	17	32	31	72
Accrued liabilities and provisions	**393**	**12**	**209**	**83**	**277**	**390**

Provisions for marketing mainly consist of provisions for distribution, such as discounts, rebates and sales commissions, and promotion.

Restructuring provisions relate to restructuring plans in connection with the acquisition of the Salomon group, which focus on the integration of the Salomon group into the adidas structure. The plans include further integration activities and will be completed by the end of the year 2001. In addition, provisions for the reorganization of warehouse capacities in France, Switzerland, Benelux and Portugal were set up in 2000.

Other accrued liabilities and provisions mainly include items not otherwise allocated and also anticipated losses from purchase and other transactions and contingent losses from pending lawsuits.

14. Other Current Liabilities

Other current liabilities consist of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Liabilities due to personnel	12,196	22,155
Tax liabilities other than income taxes	14,985	21,270
Liabilities due to social security	16,644	7,213
Liabilities due to affiliated companies	2,459	1,757
Deferred income	339	1,194
Sundry	43,765	42,890
Other current liabilities	**90,388**	**96,479**

15. Pensions and Similar Obligations

The Company sponsors and/or contributes to various pension plans. The benefits are provided pursuant to the legal, fiscal and economic conditions in each respective country.

The provision for pensions and similar obligations consists of the following:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Defined benefit plans	70,071	68,611
Thereof: adidas-Salomon AG	*60,357*	*54,261*
Similar obligations	14,950	11,656
Pensions and similar obligations	**85,021**	**80,267**

The actuarial valuations of defined benefit plans are made at the end of each reporting period. Similar obligations include mainly long-term liabilities under a deferred compensation plan. The funds withheld are invested by the Company on behalf of the employees in certain securities, which are presented under other non current assets (see also note 11).

The expenses recognized for defined benefit and contribution plans are presented in selling, general and administrative expenses. Pension expenses are as follows:

(euros in thousands)	2000	1999
Defined benefit plans	11,072	16,159
Thereof: adidas-Salomon AG	*7,798*	*10,128*
Defined contribution plans	10,410	9,051
Pension expenses	**21,482**	**25,210**

Defined Benefit Plans

The retirement plans of adidas-Salomon AG cover substantially all employees. They are financed internally through provisions. In 1999 one plan of adidas-Salomon AG was financed, subject to funding limitations in the German tax law, through a legally independent pension fund “Unterstützungseinrichtung der Firma adidas-Salomon AG e.V.”.

adidas-Salomon AG provided for the excess of the obligation arising from this plan over the amounts contributed to the fund pursuant to IAS 19 (revised 1998). Further, adidas-Salomon AG has borrowed approximately € 11 million from this fund as at December 31, 1999, which was included in the provision for pensions. Effective December 31, 2000 all assets and liabilities as well as future obligations from the above mentioned independent pension fund are transferred to adidas-Salomon AG.

Additionally, the Company sponsors various other defined benefit plans outside Germany, which are not significant. The disclosures below relate hence solely to the defined benefit plans of adidas-Salomon AG.

The provision for pensions of adidas-Salomon AG evolved as follows:

(euros in thousands)	
Provision for pensions as at Jan. 1, 1999	**41,453**
Cumulative adjustment due to the adoption of IAS 19 (revised 1998)	3,944
Restated provision for pensions as at Jan. 1, 1999	**45,397**
Pension expense	10,128
Pensions paid	(1,264)
Provision for pensions as at Dec. 31, 1999	**54,261**
Pension expense	7,798
Pensions paid	(1,702)
Provision for pensions as at Dec. 31, 2000	**60,357**

Actuarial assumptions for the defined benefit plans of adidas-Salomon AG are as follows:

(in %)	Dec. 31 2000	Dec. 31 1999
Discount rate	6.25	6.0
Salary increases	1.7 – 3.0	1.7 – 3.0
Pension increases	1.7 – 2.0	1.7 – 2.0

Actuarial assumptions for employee turnover and mortality are based on empirical data, the latter on the 1998 version of the mortality tables of Dr. Heubeck as in the prior year.

The pension obligation of adidas-Salomon AG can be analyzed as follows:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Present value of the defined benefit obligation	57,968	50,284
Unrecognized actuarial gain	2,389	3,977
Provision for pensions	**60,357**	**54,261**

On the basis of the actuarial valuation as at December 31, 2000 and 1999 it is not necessary to recognize the actuarial gain pursuant to the corridor approach of IAS 19 section 92 (revised 1998).

Pension expense attributable to the defined benefit plans of adidas-Salomon AG comprises:

(euros in thousands)	2000	1999
Current service cost	4,599	4,016
Interest cost	3,046	2,490
Past service cost	153	4,134
Release of provision	–	(512)
Pension expense	**7,798**	**10,128**

Past service cost in 2000 relates to an additional pension plan set up at the end of 2000. Past service cost in 1999 relates to plan amendments.

16. Other Non Current Liabilities

Other non current liabilities include mainly obligations under finance leases (see also note 19). Liabilities falling due after more than five years total € 5 million and € 5 million as at December 31, 2000 and 1999, respectively.

17. Minority Interests

Minority interests are attributable to 12 subsidiaries and 11 subsidiaries as at December 31, 2000 and 1999, respectively (see Attachment II to these notes).

These subsidiaries had been mainly set up together with former independent distributors and licensees for the adidas brand. Salomon & Taylor Made Co., Ltd., Tokyo (Japan), is a public company, which is listed on the Tokyo Stock Exchange since 1995.

Minority interests evolved as follows in the years ended December 31, 2000 and 1999, respectively:

(euros in thousands)	2000	1999
Minority interests as at Jan. 1	**63,425**	**38,374**
Currency effect	(1,505)	4,157
Changes in companies consolidated	500	–
Capital injections	344	3,796
Acquisition of minority interests	225	125
Shares sold to third parties	4,126	–
Share in net profit	25,327	17,524
Dividends	(2,692)	(551)
Minority interests as at Dec. 31	**89,750**	**63,425**

18. Shareholders' Equity

The nominal capital amounts to € 116,093,952 and is divided into 45,349,200 no-par-value shares.

By resolution of the Shareholders' Meeting held on May 11, 2000, the shareholders of adidas-Salomon AG approved the cancellation of the authorized capital pursuant to § 4 section 2 and § 4 section 3 of the Articles of Association as well as the creation of the new authorized capital according to § 4 section 2 and § 4 section 3.

The corresponding changes to the Articles of Association were entered into the Commercial Register on July 27, 2000.

By resolution of the Shareholders' Meeting held on May 28, 1997 the shareholders approved the amendment of the authorized capital pursuant to § 4 section 4 (authorized capital III). An action of rescission was filed against this resolution.

The conversion into euros of the authorized capital pursuant to § 4 section 4, being still subject of the action of rescission, was approved by the shareholders by resolution of the Shareholders' Meeting held on May 20, 1999.

The corresponding changes to the Articles of Association were entered into the Commercial Register on October 10, 2000 after the court rejected the action of rescission.

Authorized Capital

Pursuant to § 4 sections 2 to 4 of the Articles of Association of adidas-Salomon AG, the Executive Board shall be entitled, subject to Supervisory Board approval, to increase the nominal capital

until July 26, 2005

- by issuing new shares against contributions in cash once or several times by no more than € 42,800,000 altogether and, subject to Supervisory Board approval, to exclude fractional shares from shareholders' subscription rights (authorized capital I); and

- by issuing new shares against contributions in cash once or several times by no more than € 8,000,000 altogether and, subject to Supervisory Board approval, to exclude shareholders' subscription rights as far as fractional shares are concerned or when issuing new shares at a value not essentially below stock exchange value (authorized capital II); and

until October 9, 2002

- by issuing new shares against contributions in cash or in kind once or several times by no more than € 3,579,043.17 altogether and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (authorized capital III).

Contingent Capital

Pursuant to § 4 section 5 of the Articles of Association the nominal capital shall be increased conditionally by up to € 3,500,000 through the issue of not more than 1,367,187 no-par-value shares (contingent capital) for the granting of stock options to members of the Executive Board of adidas-Salomon AG as well as to Managing Directors/Senior Vice Presidents of its affiliated companies as well as to further senior executives and executives of adidas-Salomon AG and of its affiliated companies.

Distributable Profits and Dividends

Distributable profits to shareholders are determined by reference to the retained earnings of adidas-Salomon AG calculated under German Commercial Law.

The dividend for 1999 was DM 1.80 (€ 0.92) per share. The Executive Board of adidas-Salomon AG recommends a dividend of € 0.92 for 2000, subject to approval of shareholders. The tax credit for domestic shareholders will be € 0.20 per share for 2000 (1999: DM 0.77 (€ 0.39)), which results in a gross dividend of € 1.12 (1999: DM 2.57 (€ 1.31)) per share (see also note 24).

It is proposed accordingly that retained earnings of adidas-Salomon AG as at December 31, 2000 be appropriated as follows:

(euros in thousands)	
Retained earnings of adidas-Salomon AG as at December 31, 2000	41,739
Less: dividend of € 0.92 per ordinary share	41,721
Retained earnings carried forward	**18**

19. Leasing and Service Arrangements

Operating Leases

The Company leases offices, warehouses and equipment under leases expiring between one and eight years. Rent expenses aggregated € 99 million and € 77 million for the years ended December 31, 2000 and 1999, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows:

(euros in millions)	Dec. 31 2000	Dec. 31 1999
Within 1 year	60	58
Between 1 and 5 years	101	89
After 5 years	21	27
Total	**182**	**174**

Finance Leases

Additionally, the Company leases several premises for administration, warehousing, research and development as well as production, which are classified as finance leases.

The net carrying amount of these assets of € 14 million and € 16 million is included in land and buildings as at December 31, 2000 and 1999, respectively. Interest expense is € 1 million and depreciation expense is € 2 million for the year ended December 31, 2000.

The minimum lease payments under these contracts over their remaining terms up to 2008 and their net present value are as follows:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Lease payments falling due:		
Within 1 year	1,952	2,250
Between 1 and 5 years	6,566	6,970
After 5 years	4,297	5,864
Total lease payments	**12,815**	**15,084**
Less: estimated amount representing interest	3,420	4,295
Obligation under finance leases	**9,395**	**10,789**
Thereof: current	*1,219*	*1,370*
non current	*8,176*	*9,419*

The non current portion of the obligation under finance leases includes amounts with terms of more than five years of € 4 million and € 5 million as at December 31, 2000 and 1999, respectively.

Service Arrangements

The Company out-sourced certain logistic and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

(euros in millions)	Dec. 31 2000	Dec. 31 1999
Within 1 year	34	31
Between 1 and 5 years	63	88
Total	**97**	**119**

20. Financial Instruments

The Company uses derivative financial instruments to reduce exposure to market risks resulting from fluctuation in currency exchange and interest rates.

Management of Foreign Exchange Risk
The Company is subject to currency exposure, primarily due to an imbalance of its global cash flows caused by the high share of product sourcing from suppliers in the Far East, which invoice in US dollars, while sales other than in US dollars are invoiced mainly in European currencies, but also in Japanese yen, Canadian dollars and other currencies.

It is the Company's policy to hedge identified currency risks arising from future operations when it becomes exposed. In addition, the Company hedges balance sheet risk selectively.

For the management of its currency risks, the Company uses forward contracts and currency options. The portion of options relative to forward contracts was reduced during 2000.

In 2000, the Company incurred currency option premiums in a total amount of € 14.0 million (1999: € 23.9 million). The total amount of option premiums, which was charged to income in 2000, was € 20.3 million (1999: € 18.9 million). Paid option premiums in an amount of € 12.9 million and € 18.1 million were deferred as at December 31, 2000 and 1999, respectively.

The total amount of US dollar purchases against other currencies was $1.4 billion and $1.0 billion in the years ended December 31, 2000 and 1999, respectively.

The notional amounts of all outstanding currency hedging instruments can be summarized as follows:

(euros in millions)	**Dec. 31 2000**	**Dec. 31 1999**
Forward contracts	800	195
Currency options	544	828
Total	**1,344**	**1,023**

Out of the total amount of outstanding hedges, the following contracts relate to the coverage of the biggest single exposure, the US dollar:

(US dollars in millions)	**Dec. 31 2000**	**Dec. 31 1999**
Forward contracts	330	117
Currency options	466	832
Total	**796**	**949**

The valuation of the above instruments is as follows:

(euros in millions)	**Dec. 31 2000**	**Dec. 31 1999**
Currency options	20	23
Forward contracts	4	2
Fair value	**24**	**25**
Currency options	13	18
Forward contracts	(0)	(0)
Book value	**13**	**18**
Unrecognized gain	**11**	**7**

The book value of the currency options represents capitalized premiums paid.

Management of Interest Rate Risks

The Company is taking advantage of lower short-term interest rates, compared to the available longer-term rates of most leading currencies, but it has limited its exposure with regard to possible future interest rate increases with interest rate cap spreads in a structure which approximates the anticipated currency composition of its worldwide borrowings. These contracts protect the Company's borrowings in a notional amount of € 1.8 billion (1999: € 1.5 billion) against a rise of the weighted average interest rate above 6.5% (1999: 5.6%). Out of this amount, the protection ends for € 1.6 billion (1999: € 1.0 billion) at a weighted average rate of 8.9% (1999: 8.4%).

Supplementary information on interest rate caps is as follows:

(euros in millions)	Dec. 31 2000	Dec. 31 1999
Notional amount	1,789	1,475
Fair value	5	12
Book value	12	8
Unrecognized (loss)/gain	**(7)**	**4**

As at December 31, 2000, the remaining life of these caps is up to 6.0 years (1999: 6.9 years), with a weighted average of 3.6 years (1999: 3.0 years). The interest rate caps expire as detailed below:

(euros in millions)	Dec. 31 2000	Dec. 31 1999
Within 1 year	281	307
Between 1 and 2 years	230	281
Between 2 and 3 years	246	230
Between 3 and 4 years	211	246
Between 4 and 5 years	224	179
Between 5 and 6 years	597	154
Between 6 and 7 years	–	78
Total	**1,789**	**1,475**

Fair Value of Financial Instruments

The carrying amount of cash, cash equivalents and borrowings approximates fair value due to the short-term maturities of these instruments. The fair value of forward exchange contracts and currency options was determined on the basis of the market conditions on the reporting dates. The fair value of the interest rate caps on the reporting date was assessed by the financial institutions through which these caps had been arranged.

Credit Risk

The Company arranges its currency and interest rate hedges, and it invests its cash, with major banks of a high credit standing throughout the world, and in high-quality money-market instruments.

21. Operating Expenses

Operating expenses include expenses for sales, marketing and research and development, as well as for logistics and central finance and administration. In addition they include depreciation on tangible and amortization on intangible assets, with the exception of goodwill amortization.

A significant part of the operating expenses is comprised by the Marketing Working Budget. The Marketing Working Budget consists of promotion and communication spending such as promotion contracts, advertising, retail support, events and other communication activities, however it does not include marketing overhead expenses. For the year 2000, Marketing Working Budget accounted for approximately 38% (1999: 38%) of the total operating expenses.

22. Cost by Nature

Expenses are presented by function in the income statement. Supplementary information on the expenses by nature is detailed below.

Cost of Materials

The total costs of materials are € 3,234 million and € 2,923 million for the years ending December 31, 2000 and 1999, respectively.

Personnel Expenses

Personnel expenses are as follows:

(euros in millions)	**2000**	**1999**
Wages and salaries	533	481
Social security contributions	73	74
Pension expense	24	25
Personnel expenses	**630**	**580**

23. Financial Result

Financial result consists of the following:

(euros in thousands)	**2000**	**1999**
Interest income	12,612	7,284
Interest expense	(108,517)	(84,933)
Interest expense, net	**(95,905)**	**(77,649)**
Income from investments	474	441
Write-up of investments	3,126	–
Option premiums regarding discontinued currency options	1	(2,096)
Other – net, primarily net exchange losses	(1,650)	(4,567)
Financial result	**(93,954)**	**(83,871)**

Please refer also to note 20.

24. Income Taxes

In general, adidas-Salomon AG and its German subsidiaries are subject to corporate tax and trade tax.

For undistributed earnings, a corporate tax rate of 40% (1999: 40%) plus a surcharge of 5.5% (1999: 5.5%) thereon is applied. Upon distribution of domestic earnings, which had been subject to corporate tax at 40%, 10 percentage points of corporate tax and the attributable surcharge thereon are refunded to the Company. Shareholders who are subject to German income tax are further entitled to a tax credit of the remaining 30 percentage points of corporate income tax paid by adidas-Salomon AG.

The municipal trade tax is approximately 15% of taxable income, and is deductible in the determination of income for corporation tax purposes.

Until December 31, 1999 the Company's deferred tax assets and liabilities related to its German operations were measured at a tax rate determined on the basis of the reduced corporate tax rate for distributed earnings. The Company recognized also a deferred tax asset for a corporate income tax refund receivable upon distribution of dividends pursuant to recommendations of German professional bodies on the application of IAS 12 (revised 1996).

As part of the German tax reform, the corporate tax credit and split tax rate system are abolished effective January 1, 2001. The German corporate tax rate will be reduced to 25%.

A transition rule is in place for 2001, which allows the application of the corporate tax credit system on the level of the domestic shareholder for the last time for dividends paid for fiscal 2000. Earnings which are eligible for a corporate tax credit will be fully distributed by adidas-Salomon AG in 2001.

As at December 31, 2000 the Company uses a blended tax rate of 37% for the measurement of future trade and corporate tax (incl. a surcharge of 5.5%) consequences of temporary differences related to its German operations.

Deferred taxes of the Company are attributable to the items detailed in the table below:

(euros in thousands)	**Dec. 31 2000**	**Dec. 31 1999**
Non current assets	9,577	14,540
Current assets	70,889	90,431
Accrued liabilities and provisions	61,649	72,092
Future benefit from dividend distributions	0	6,033
Accumulated tax loss carryforwards	113,022	71,545
Deferred tax assets	**255,137**	**254,641**
Valuation allowances	**(101,156)**	**(87,293)**
Non current assets	18,787	15,278
Current assets	8,752	5,737
Untaxed reserves	26,225	17,306
Accrued liabilities and provisions	902	6,572
Deferred tax liabilities	**54,666**	**44,893**
Deferred tax assets, net	**99,315**	**122,455**

Deferred tax assets are recognized only to the extent that the realization of the related benefit is probable. Based on the past performance and the prospects of the business for the foreseeable future, valuation allowances are established where this criterion is not met.

Valuation allowances refer to deferred tax assets of companies which are operating in the start-up phase or certain emerging markets, since the realization of the related tax benefits is not probable. Further, adidas Salomon North America Inc. has tax loss carryforwards, which can in part only be utilized in limited annual amounts through to 2007, for which a valuation allowance is established for amounts in excess of income projections.

Deferred tax assets and liabilities are offset if they relate to the same fiscal authority. Hence they are presented on the balance sheet as follows:

(euros in thousands)	Dec. 31 2000	Dec. 31 1999
Deferred tax assets	131,063	134,349
Deferred tax liabilities	(31,748)	(11,894)
Deferred tax assets, net	**99,315**	**122,455**

Tax expense is split as follows:

(euros in thousands)	2000	1999
Current tax expense	112,726	159,034
Deferred tax expense	26,884	(6,070)
Income tax expense	**139,610**	**152,964**

The reconciliation of the effective tax rate of adidas-Salomon to the German corporate tax rate of 40% is as follows:

	2000		1999	
	(euros in millions)	(in %)	(euros in millions)	(in %)
Expected income tax expense	138.6	40.0	159.3	40.0
Tax rate differential	(39.0)	(11.3)	(38.6)	(9.7)
Non deductible goodwill amortization	15.7	4.6	15.6	3.9
Other non deductible expenses	17.3	5.0	14.6	3.7
Change in tax rates	(0.7)	(0.2)	–	–
Losses for which benefits were not recognizable and changes in valuation allowances	0.3	0.1	(1.9)	(0.5)
Other, net	2.2	0.6	1.8	0.5
	134.4	**38.8**	**150.8**	**37.9**
Withholding tax expense	5.2	1.5	2.2	0.5
Income tax expense	**139.6**	**40.3**	**153.0**	**38.4**

The Company does not recognize deferred tax liabilities for unremitted earnings of non-German subsidiaries, which are expected to be permanently invested in international operations. The earnings could become subject to additional tax if they were remitted as dividends, or if foreign earnings were loaned to the Company, or if the Company should sell its shareholdings in the subsidiaries.

The Company estimates that the distribution of these earnings would result in € 17 million and € 14 million of additional withholding taxes as at December 31, 2000 and 1999, respectively.

25. Earnings Per Share

Basic earnings per share are computed as follows:

	2000	1999
Net income (in euros)	181,683,000	227,722,000
Weighted number of ordinary shares outstanding	45,349,200	45,349,200
Earnings per share (in euros)	4.01	5.02

Potential dilutive shares may arise under the stock option plan of adidas-Salomon AG, which was implemented in 1999. The calculation of diluted earnings per share is not applicable as at December 31, 2000 and 1999, respectively as none of the required performance criteria for the exercise of the stock options are fulfilled at the balance sheet date (see also note 29).

26. Segmental Information

The Company operates predominately in one industry segment, the design, wholesale and marketing of athletic and lifestyle products. The Company is currently managed by brands and on the basis of a regional structure.

Certain functions of the Company are centralized and an allocation to specific segments is not considered to be meaningful. Assets, liabilities, income and expenses relating to these corporate functions are presented in the Headquarter/Consolidation column together with non-allocable items and the inter-segment elimination.

Information about the Company's segments in accordance with the management approach is presented below:

Segmental Information by Brand

(euros in millions)	adidas		Salomon		TaylorMade-adidas Golf	
	2000	**1999**	**2000**	**1999**	**2000**	**1999**
Net sales third parties	4,672	4,427	648	543	441	327
Gross profit	1,907	1,827	276	217	221	160
in % of net sales	*40.8*	*41.1*	*42.6*	*39.6*	*49.5*	*48.4*
Operating profit	391	431	57	31	44	30
Assets	2,286	1,987	542	509	219	156
Liabilities	946	802	140	159	44	51
Capital expenditure	93	59	23	15	12	10
Amortization and depreciation excluding goodwill amortization	45	49	6	5	4	4

(euros in millions)	Mavic		Headquarter/ Consolidation		adidas-Salomon	
	2000	**1999**	**2000**	**1999**	**2000**	**1999**
Net sales third parties	55	44	19	13	5,835	5,354
Gross profit	20	16	104	132	2,528	2,352
in % of net sales	*36.4*	*36.3*			*43.3*	*43.9*
Operating profit	4	1	(59)	(11)	437	482
Assets	24	24	947	911	4,018	3,587
Liabilities	18	13	1,965	1,819	3,113	2,844
Capital expenditure	1	3	16	45	145	132
Amortization and depreciation excluding goodwill amortization	1	1	23	4	79	63

Segmental Information by Region

(euros in millions)	Europe		North America		Asia	
	2000	1999	2000	1999	2000	1999
Total net sales	2,870	2,889	1,935	1,860	880	666
Inter-segment sales	(10)	(166)	(29)	(34)	(5)	(3)
Net sales third parties	2,860	2,723	1,906	1,826	875	663
Gross profit	1,171	1,133	729	731	416	301
in % of net sales	*40.8*	*41.6*	*37.7*	*40.0*	*47.2*	*45.4*
Operating profit	454	382	177	234	129	96
Assets	1,107	1,167	862	848	455	390
Liabilities	239	390	322	339	215	164
Capital expenditure	55	40	54	26	17	18
Amortization and depreciation excluding goodwill amortization	22	20	16	12	10	5

(euros in millions)	Latin America		Headquarter/ Consolidation		adidas-Salomon	
	2000	1999	2000	1999	2000	1999
Total net sales	171	126	2,797	1,995	8,653	7,536
Inter-segment sales	0	0	(2,774)	(1,978)	(2,818)	(2,182)
Net sales third parties	171	126	23	16	5,835	5,354
Gross profit	72	50	140	137	2,528	2,352
in % of net sales	*42.1*	*39.8*			*43.3*	*43.9*
Operating profit	23	15	(346)	(245)	437	482
Assets	109	75	1,485	1,107	4,018	3,587
Liabilities	38	20	2,299	1,931	3,113	2,844
Capital expenditure	3	3	16	45	145	132
Amortization and depreciation excluding goodwill amortization	2	1	29	25	79	63

Compared to the prior year, the composition of the segments of adidas-Salomon has changed, reflecting the further integration and reorganization of certain central functions. In addition, the management responsibility for adidas Golf products was transferred to TaylorMade. Comparative information has been restated in order to improve comparability.

Net sales to third parties are shown in the geographic market in which the revenues are realized. Inter-segment sales represent sales to operational units not belonging to the same region; the global sourcing function is shown in the Headquarter/Consolidation column.

Transactions between the segments, as well as between legal entities, are based on the dealing-at-arms'-length principle. However, certain charges between legal entities are not reflected in the above reporting format.

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

27. Commitments and Contingencies

Contingent Liabilities

As at December 31, 2000 and 1999, respectively, the Company had bills discounted in the amount of approximately € 9 million and € 5 million. In addition, the Company was contingently liable for guarantees of indebtedness for liabilities due to banks in the amount of approximately € 1 million as at December 31, 1999.

Other Financial Commitments

The Company has other financial commitments for promotion and advertising contracts, which mature as follows:

(euros in millions)	**Dec. 31 2000**	**Dec. 31 1999**
Within 1 year	202	193
Between 1 and 5 years	472	499
After 5 years	103	103
Total	**777**	**795**

Commitments in respect of advertising and promotion maturing after five years have remaining terms of up to eight years from December 31, 2000.

In addition, purchase commitments for property, plant and equipment are € 7 million and € 1 million as at December 31, 2000 and 1999, respectively, which are maturing within one year.

For commitments under lease and service contracts refer to note 19.

Litigation
The Company is currently engaged in various lawsuits resulting from the normal course of business, mainly in connection with license and distribution agreements. The risks regarding these lawsuits were estimated and are included under accrued liabilities and provisions (see also note 13). In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the consolidated financial position of the Company.

28. Related Parties

Robert Louis-Dreyfus and Christian Tourres, members of the Executive Board of adidas-Salomon AG, have indirect influence on the French soccer club Olympique de Marseille. The Company has a promotion contract with this club.

Furthermore, Robert Louis-Dreyfus has indirect influence on the Belgian soccer club Standard Liège. There is also a promotion contract between the Company and this club, which, however, existed prior to the personal engagement of Robert Louis-Dreyfus, and no substantial changes have been made to this contract since then.

The terms of the promotion contracts with both clubs are similar to those with other clubs.

29. Equity Compensation Benefits

Special Reward and Incentive Plan (SRIP)
adidas-Salomon AG implemented a one-time offer share option plan during the second quarter of 1997 for certain key employees and Executive Board members. The options can be exercised at a fixed pre-determined price. The rights and terms governing the exercise are fixed in the option agreement. One half of the options were exercisable immediately after the implementation of the plan. The other options are exercisable in tranches through June 30, 2001. A total of 440,000 options were granted to exercise the equal number of shares.

The option plan is sponsored by two shareholders (Robert Louis-Dreyfus and Christian Tourres) who supply the shares which are required to fulfil the Company's obligation under the plan. The shares are made available at a value equal to the exercise price of the options. The contribution (being the difference between realized share price and exercise price for options exercised) from the two shareholders for the years ended December 31, 2000 and 1999 of € 259,874 and € 4,856,762 respectively is shown as extraordinary income; the respective expenses of the same amounts are included in the selling, general and administrative expenses.

Stock Option Plan
On May 20, 1999, the Ordinary Shareholders' Meeting resolved contingent capital in the amount of € 3,500,000 to grant stock options for no-par-value bearer shares. These stock options were to be granted to the members of the Executive Board of adidas-Salomon AG, to the Managing Directors/Senior Vice Presidents of its affiliated companies as well as to further senior executives and executives of adidas-Salomon AG and its affiliated companies.

Under the adopted stock option plan, the Executive Board has been authorized to issue non-transferable stock options for up to 1,367,187 no-par-value bearer shares to the above mentioned persons until August 27, 2004. The granting of stock options can take place in tranches that shall not exceed 25% of the total volume for each fiscal year.

There is a two-year vesting period for the stock options and a term of approximately three years upon their respective issue. In the reporting year, 329,700 stock options were issued in Tranche II of the program. Of these issued options, 315,350 still exist on the balance sheet date. Of the 263,000 stock options issued in Tranche I, issued in the previous reporting year, 213,050 still exist at year-end 2000.

The stock options can only be exercised subject to the attainment of at least one of the following performance objectives:

(a) Absolute Performance
During the period between the issue and exercise of the stock options, the stock market price for the Company's shares – calculated upon the basis of the Total Shareholder Return Approach – has increased by an annual average of at least 8%.

(b) Relative Performance
During the same period, the stock market price for the Company's shares must have developed by an annual average of 1% more favorably than the stock market prices of the major competitors of adidas-Salomon globally and in absolute terms may not have fallen.

The stock options can only be exercised against payment of the exercise price. The exercise price corresponds to the arithmetical mean of the closing prices of the adidas-Salomon share over the last 20 trading days of the respective exercise period, less a discount, which is composed of the absolute and relative performance components. In any case, the exercise price shall be at least the lowest issue price as stipulated in § 9 section 1 of the German Stock Corporation Act (AktG), currently € 2.56.

The option terms and conditions stipulate that the stock options can be used for existing common shares in lieu of new shares from the contingent capital, or in the place of common shares the discount is paid in cash.

Compensation costs for the difference between the exercise price and the fair value of the shares or the intrinsic value of share options granted will not be recognized in the financial statements.

Other Stock Option Plans
At Salomon S.A., France, a tranche of the existing stock option plan was exercised during the year 2000 by the beneficiaries. As a result of the acquisition of Salomon S.A., this stock option plan was linked with a fixed rate of 0.73 to the price of the shares of adidas-Salomon AG. The effect of this exercise was treated as additional acquisition cost for adidas Salomon France S.A.

Effective January 1, 2000 Taylor Made Golf Co., Inc., United States, implemented a Long-Term Incentive Plan (LTIP) for its key employees. Under the adopted plan, a total of 450,000 stock appreciation rights were granted with a latest exercise date of December 31, 2002. Taylor Made Golf Co., Inc. had issued 371,284 rights by December 31, 2000.

30. Other Information

Employees
The average numbers of employees are as follows:

	2000	**1999**
Sales companies	8,435	8,048
Sourcing/Production	3,224	3,062
Global marketing/Research and development	918	811
Central functions	580	512
Total	**13,157**	**12,433**

Remuneration of the Supervisory Board and Executive Board of adidas-Salomon AG

(euros in thousands)	**2000**	**1999**
Supervisory Board remuneration	217	212
Executive Board remuneration	7,609	10,408
Thereof: SRIP (see note 29)	*0*	*1,523*
Remuneration of former members of the Executive Board	68	66
Thereof: Pension payments to former members of the Executive Board	*68*	*66*
Pension obligations regarding former members of the Executive Board	1,968	1,668

Herzogenaurach, February 16, 2001

The Executive Board of adidas-Salomon AG

Auditors' Report

To the Executive Board and Supervisory Board
adidas-Salomon AG
Herzogenaurach, Germany

We have audited the accompanying consolidated balance sheet of adidas-Salomon AG and subsidiaries as at December 31, 2000 and the related consolidated statement of income, statement of changes in equity and cash flows for the year then ended. These consolidated financial statements in accordance with International Accounting Standards (IAS) are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2000 and the results of their operations and their cash flows for the year then ended in accordance with International Accounting Standards.

Frankfurt am Main, February 16, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dieter Kuhn	Stefan Hegenbarth
Wirtschaftsprüfer	Wirtschaftsprüfer

Statement of Movements of Fixed Assets

(euros in thousands)	Goodwill	Software, patents, trademarks and concessions	Advance payments	Total intangible assets
Acquisition cost				
December 31, 1998	**738,135**	**79,992**	**2,291**	**820,418**
Currency effect	2,351	1,592	1	3,944
Additions	557	24,597	8,234	33,388
Changes in companies consolidated	358	–	–	358
Transfers	–	2,730	(1,593)	1,137
Disposals	(982)	(568)	–	(1,550)
December 31, 1999	**740,419**	**108,343**	**8,933**	**857,695**
Currency effect	1,215	147	–	1,362
Additions	4,812	20,214	9	25,035
Changes in companies consolidated	–	33	–	33
Transfers	–	15,483	(8,874)	6,609
Disposals	(369)	(2,011)	(59)	(2,439)
December 31, 2000	**746,077**	**142,209**	**9**	**888,295**
Accumulated depreciation/amortization				
December 31, 1998	**65,735**	**27,700**	**–**	**93,435**
Currency effect	2,103	695	–	2,798
Additions	39,012	14,711	–	53,723
Changes in companies consolidated	–	–	–	–
Transfers	(1,043)	1,043	–	–
Disposals	(982)	(272)	–	(1,254)
December 31, 1999	**104,825**	**43,877**	**–**	**148,702**
Currency effect	1,035	117	–	1,152
Additions	39,545	21,946	–	61,491
Write-ups	–	–	–	–
Changes in companies consolidated	–	–	–	–
Transfers	13	154	–	167
Disposals	(368)	(1,510)	–	(1,878)
December 31, 2000	**145,049**	**64,585**	**–**	**209,634**
Net carrying amount				
December 31, 1998	672,400	52,292	2,291	726,983
December 31, 1999	635,594	64,466	8,933	708,993
December 31, 2000	**601,028**	**77,624**	**9**	**678,661**

Land, land rights and buildings	Technical equipment and machinery	Other equipment, furniture and fittings	Advance payments/ construction in progress	Total tangible assets	Shares in affiliated companies	Partici- pations	Other financial assets	Total financial assets
177,373	**83,789**	**185,107**	**17,677**	**463,946**	**1,566**	**459**	**2,639**	**4,664**
5,298	5,227	15,782	539	26,846	157	63	3,594	3,814
10,742	21,745	51,294	17,568	101,349	2,406	478	7,155	10,039
–	–	–	–	–	–	–	–	–
3,941	2,235	1,649	(8,962)	(1,137)	–	–	–	–
(9,185)	(6,087)	(25,768)	(356)	(41,396)	(599)	(153)	(21)	(773)
188,169	**106,909**	**228,064**	**26,466**	**549,608**	**3,530**	**847**	**13,367**	**17,744**
563	2,826	4,899	490	8,778	2	28	479	509
14,511	15,150	48,418	46,736	124,815	–	3,000	2,039	5,039
–	–	193	–	193	(573)	–	–	(573)
41,722	(2,747)	(11,855)	(30,256)	(3,136)	–	(3,740)	267	(3,473)
(26,402)	(9,861)	(19,477)	(2,239)	(57,979)	–	–	–	–
218,563	**112,277**	**250,242**	**41,197**	**622,279**	**2,959**	**135**	**16,152**	**19,246**
57,977	**40,789**	**110,341**	**1,084**	**210,191**	**–**	**–**	**1,831**	**1,831**
1,297	2,635	9,983	–	13,915	–	–	3,670	3,670
7,946	19,335	37,326	857	65,464	–	8	8	16
–	–	–	–	–	–	–	–	–
(136)	624	(488)	–	–	–	–	–	–
(2,349)	(1,860)	(19,949)	–	(24,158)	–	–	–	–
64,735	**61,523**	**137,213**	**1,941**	**265,412**	**–**	**8**	**5,509**	**5,517**
166	1,374	2,095	–	3,635	–	1	438	439
11,080	20,920	42,211	100	74,311	–	8	1	9
–	–	–	–	–	–	–	(3,107)	(3,107)
–	–	24	–	24	–	–	–	–
13,027	(3,356)	(8,644)	(1,194)	(167)	–	–	–	–
(7,767)	(7,845)	(14,545)	(847)	(31,004)	–	–	–	–
81,241	**72,616**	**158,354**	**–**	**312,211**	**–**	**17**	**2,841**	**2,858**
119,396	43,000	74,766	16,593	253,755	1,566	459	808	2,833
123,434	45,386	90,851	24,525	284,196	3,530	839	7,858	12,227
137,322	**39,661**	**91,888**	**41,197**	**310,068**	**2,959**	**118**	**13,311**	**16,388**

Shareholdings of adidas-Salomon AG, Herzogenaurach

As at December 31, 2000

	Company	Domicile	Currency	Equity currency units in thousands	Share in capital held by	in %
	Germany					
1	GEV Grundstücksgesellschaft Herzogenaurach mbH & Co. KG	Herzogenaurach (Germany)	DEM	1,553	directly	90
2	GEV Grundstücks-Beteiligungsgesellschaft Herzogenaurach mbH	Herzogenaurach (Germany)	DEM	58	directly	100
3	erima Sportbekleidungs GmbH	Pfullingen (Germany)	DEM	16,466	directly	51
4	adidas Versicherungs-Vermittlungs GmbH	Herzogenaurach (Germany)	DEM	50	directly	100
	Europe (incl. Africa and Middle East)					
5	adidas Sport GmbH	Lindau (Switzerland)	CHF	13,310	directly	100
6	Salomon Schweiz A.G.	Stans (Switzerland)	CHF	2,950	12	100
7	Sarragan S.A. [10]	Fribourg (Switzerland)	CHF	230	directly	100
8	adidas Austria GmbH	Klagenfurt (Austria)	ATS	186,861	directly 5	95.89 4.11
9	Salomon Österreich GmbH	Klagenfurt (Austria)	ATS	36,239	12	100
10	adidas Salomon France S.A.	Metz-Tessy (France)	FRF	3,418,645	directly 17	85.5 14.5
11	adidas Sarragan France S.a.r.l.	Landersheim (France)	FRF	285,044	10	100
12	Salomon S.A.	Annecy (France)	FRF	1,688,961	10	100
13	Salomon IPF SAS [8) 10)]	Metz-Tessy (France)	FRF	254	12	100
14	erima France S.a.r.l.	Landersheim (France)	FRF	1,945	3	100
15	Mavic S.A.	Saint-Trivier-Sur-Moignans (France)	FRF	60,491	12	100
16	LXF S.A. (former Le Coq Sportif International S.A.) [8) 10)]	Landersheim (France)	FRF	(2,343)	directly	100
17	adidas International B.V.	Amsterdam (Netherlands)	USD	407,053	directly 11	96.2 3.8
18	adidas International Trading B.V.	Amsterdam (Netherlands)	NLG	1,112,740	directly	100
19	adidas-Salomon International Finance B.V. [8) 10)]	Amsterdam (Netherlands)	EUR	20	17	100
20	adidas Benelux B.V.	Etten-leur (Netherlands)	NLG	8,334	directly	100
21	adidas Belgium N.V.	Zellik (Belgium)	BEF	87,590	20	100
22	BIG L.A. N.V. [9)]	Houthalen (Belgium)	BEF	6,396	21	50
23	adidas (UK) Ltd. [1)]	Stockport (Great Britain)	GBP	86,988	directly	100
24	adidas (ILKLEY) Ltd. [1) 10)]	Stockport (Great Britain)	GBP	–	23	100
25	Larasport (U.K.) Ltd. [1) 10)]	Stockport (Great Britain)	GBP	–	23	100
26	Sarragan (U.K.) Ltd. [1) 10)]	Stockport (Great Britain)	GBP	–	23	100
27	adidas Trefoil Trading (U.K.) Ltd. [1) 10)]	Stockport (Great Britain)	GBP	–	26	100

As at December 31, 2000

Company		Domicile	Currency	Equity currency units in thousands	Share in capital held by	in %
28	Three Stripes Ltd. 1) 10)	Stockport (Great Britain)	GBP	–	23 24	50 50
29	Salomon Taylor Made Ltd. 7)	Basingstoke (Great Britain)	GBP	(2,045)	30	100
30	Taylor Made Great Britain Ltd. 7) 10)	Basingstoke (Great Britain)	GBP	–	12	100
31	adidas (Ireland) Ltd. 2)	Dublin (Ireland)	IEP	7,280	directly	100
32	Fortstewart Ltd. 2) 10)	Dublin (Ireland)	IEP	–	31	100
33	Three Stripe Exports Ltd. 2) 10)	Dublin (Ireland)	IEP	–	31	100
34	adidas Espana S.A.	Zaragoza (Spain)	ESP	8,052,316	directly	100
35	adidas Italia S.r.l.	Monza (Italy)	ITL	174,525,000	directly	50
36	Salomon Italia S.p.A.	Bergamo (Italy)	ITL	9,077,000	12 37	99.9 0.1
37	Salomon San Giorgio S.p.A.	Treviso (Italy)	ITL	20,675,000	12 36	68.8 31.2
38	adidas Portugal S.A.	Lisbon (Portugal)	PTE	119,221	17	100
39	adidas Norge A/S	Gjovik (Norway)	NOK	139,019	directly	100
40	Salomon Norge A/S	Oslo (Norway)	NOK	2,606	12	100
41	adidas Sverige AB	Hägersten (Sweden)	SEK	55,232	directly	100
42	Salomon Sport AB	Svenljunga (Sweden)	SEK	42,492	12	100
43	adidas Suomi Oy	Helsinki (Finland)	FIM	15,422	17	50
44	Salomon Sport Finland Oy	Helsinki (Finland)	FIM	30,145	12	100
45	adidas CR spol. s.r.o.	Prague (Czech Republic)	CZK	403,170	directly	100
46	adidas Budapest Kft.	Budapest (Hungary)	HUF	2,562,353	directly	85
47	adidas Ltd.	Moscow (Russia)	USD	11,269	8	100
48	Salomon – T.A.K.T. LLC 8) 10)	St. Petersburg (Russia)	RUB	8	12	70
49	adidas Poland Sp. z. o. o.	Warsaw (Poland)	PLN	97,501	directly	100
50	Salomon Romania Srl 8)	Timisoara (Romania)	ROL	25,936,330	12	100
51	adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	SKK	15,536	directly	100
52	SC adidas Ukraine	Kiev (Ukraine)	UAK	(11,381)	directly	100
53	adidas Hellas A.E.	Thessaloniki (Greece)	GRD	3,877,240	directly	50
54	adidas Spor Malzemeleri Satış ve Pazarlama A.Ş.	Istanbul (Turkey)	DEM	25,461	17	51
55	adidas Salomon Middle East L.L.C.	Dubai (United Arab Emirates)	USD	(48)	11 indirectly	49 51
56	adidas Middle East SAL 10)	Beirut (Lebanon)	USD	3,425	11	100

As at December 31, 2000

Company		Domicile	Currency	Equity currency units in thousands	Share in capital held by	in %
57	adidas Lebanon SAL [10]	Beirut (Lebanon)	USD	(89)	11 indirectly	49 51
58	adidas Egypt Ltd. [10]	Cairo (Egypt)	USD	(1,352)	directly	100
59	adidas Israel Ltd.	Tel Aviv (Israel)	USD	495	directly	100
60	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	ZAR	21,266	directly	100
North America						
61	adidas Salomon North America Inc. [3]	Portland, Oregon (United States)	USD	116,615	directly 12	87.18 12.82
62	adidas America Inc. [3]	Spartanburg, South Carolina (United States)	USD	161,168	61	100
63	adidas Promotional Retail Operations Inc. [3]	Portland, Oregon (United States)	USD	–	61	100
64	adidas Sales Inc. [3]	Portland, Oregon (United States)	USD	–	61	100
65	adidas Village Corporation [3]	Portland, Oregon (United States)	USD	–	61	100
66	Taylor Made Golf Co. Inc.	Carlsbad, California (United States)	USD	36,519	61	100
67	Salomon North America, Inc.	Georgetown, Massachusetts (United States)	USD	15,385	61	100
68	Salomon Design Center Inc. [8]	Boulder, Colorado (United States)	USD	0	61	100
69	Bonfire Snowboarding, Inc.	Portland, Oregon (United States)	USD	3,010	61	100
70	Mavic Inc.	Haverhill, Massachusetts (United States)	USD	3,526	61	100
71	LXZA Inc. (former LCS America Inc.) [8] [10]	Spartanburg, South Carolina (United States)	USD	575	directly	100
72	adidas-Salomon Canada Ltd.	Toronto (Canada)	CAD	(1,393)	directly	100
73	Salomon Canada Sports Ltd.	Montreal (Canada)	CAD	7,080	12	100
Asia						
74	adidas-Salomon International Sourcing Ltd. [4]	Hong Kong (China)	USD	178,309	18	100
75	adidas Hong Kong Ltd.	Hong Kong (China)	HKD	48,782	directly	100
76	adidas (Suzhou) Co. Ltd.	Suzhou (China)	CNY	59,227	directly	100
77	adidas China Holding Co. Ltd. [8] [10]	Hong Kong (China)	HKD	(552)	directly	50
78	Guangzhou adi Sporting Goods Ltd. [10]	Guangzhou (China)	CNY	8,366	directly indirectly	90 10
79	Guangzhou Adi Trade & Development Co. Ltd. [10]	Guangzhou (China)	CNY	(69,676)	indirectly 78	50 50
80	adidas Japan K.K.	Tokyo (Japan)	JPY	(526,619)	directly	100
81	Salomon & Taylor Made Co., Ltd.	Tokyo (Japan)	JPY	9,237,721	12	79.74

As at December 31, 2000

Company	Domicile	Currency	Equity currency units in thousands	Share in capital held by	in %
82 adidas Korea Ltd.	Seoul (Korea)	KRW	36,091	directly	51
83 Taylor Made Korea Ltd.	Seoul (Korea)	KRW	(1,992)	66	100
84 adidas India Private Ltd. [5]	New Delhi (India)	INR	76,594	directly 17	99 1
85 adidas India Trading Private Ltd. [5]	New Delhi (India)	INR	–	84	91.4
86 P.T. Trigaris Sportindo (adidas Indonesia)	Jakarta (Indonesia)	IDR	(8,074,230)	indirectly	92
87 adidas Malaysia Sdn. Bhd.	Kuala Lumpur (Malaysia)	MYR	4,224	directly	60
88 adidas Philippines Inc.	Manila (Philippines)	PHP	230,349	directly	100
89 adidas Singapore Pte. Ltd.	Singapore	SGD	1,498	directly	100
90 adidas Taiwan Ltd.	Taipei (Taiwan)	TWD	105,529	directly	100
91 adidas Holding (Thailand) Co. Ltd.	Bangkok (Thailand)	THB	(7,287)	directly indirectly	49 51
92 adidas (Thailand) Co. Ltd.	Bangkok (Thailand)	THB	121,627	indirectly	100
93 adidas Australia Pty. Ltd.	Mulgrave (Australia)	AUD	30,113	directly	100
94 adidas New Zealand Ltd.	Auckland (New Zealand)	NZD	579	directly	100
Latin America					
95 adidas Argentina S.A.	Buenos Aires (Argentina)	ARS	5,984	directly	100
96 adidas do Brasil Ltda.	São Paulo (Brazil)	BRL	229	directly	100
97 ASPA do Brazil Ltda. [4]	São Paulo (Brazil)	BRL	–	74	100
98 adidas Chile Ltda.	Santiago de Chile (Chile)	CLP	2,759,335	directly 4	99 1
99 adidas Colombia Ltda.	Cali (Colombia)	COP	2,943,641	directly	100
100 adidas de Mexico S.A. de C.V. [6]	Mexico City (Mexico)	MXN	73,950	directly	100
101 adidas Industrial S.A. de C.V. [6]	Mexico City (Mexico)	MXN	–	directly	100
102 adidas Latin America S.A.	Panama City (Panama)	USD	9,424	directly	100
103 3 Stripes S.A. (adidas Uruguay)	Montevideo (Uruguay)	UYU	2,183	directly	100
104 adidas Corporation de Venezuela, S.A.	Caracas (Venezuela)	VEB	(658,848)	directly	100
105 adidas Margarita S.A. [8] [10]	Porlamar, Marg. (Venezuela)	VEB	–	104	100

1) Sub-group adidas UK
2) Sub-group Ireland
3) Sub-group United States
4) Sub-group adidas-Salomon International Sourcing
5) Sub-group India
6) Sub-group Mexico
7) Sub-group Salomon UK
8) Nine companies have not been included in the consolidated financial statements of adidas-Salomon AG due to their insignificance.
9) Associated company; due to its insignificance no equity valuation was made.
10) Companies with no active business.

Glossary

Accessories	Includes products such as headwear, socks and non-protective gloves.
Athletic specialty retailers	A major distribution channel for adidas-Salomon products in terms of sales. These stores specialize in merchandising athletic footwear and apparel products to the 12-24 year-old urban consumer group. Key buying motivators for these consumers are design and technology underpinned with strong marketing activities.
Clearance sales	These sales are made outside the course of normal business, arising from a pre-planned commercial decision by Management to make discounts to the list price of articles (normally post-season) in order to clear excess stock. This does not include sales where a price discount is given in the normal course of trading with the client, e.g. volume discounts.
Cleated	Sports category comprising American football, baseball and rugby.
Commercial Paper	Tradable unsecured promissory note issued for purposes of short-term financing. Commercial Paper is issued on an ongoing, revolving basis with maturities typically between seven days and 12 months.
Consumer	The end user of adidas-Salomon's products: the public at large.
Corporate governance	Describes the distribution of rights and responsibilities among different participants in the Company, such as the Supervisory Board, the Executive Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.
Corridor approach	A range of plus or minus 10% around the Company's best estimate of post-employment benefit obligations (IAS 19). Outside that range, it is not reasonable to assume that actuarial gains or losses will be offset in future years.
Customer	All wholesalers, retailers and key accounts to whom the adidas-Salomon sales organizations sell products.
Customization	Customization at adidas-Salomon refers to a pilot program which allows consumers to create their own unique footwear based on personal specifications regarding function, fit and design.
Earnings per share	A performance indicator that expresses the Company's net income in relation to the number of ordinary shares issued.

Emerging markets	Markets of newly industrialized countries, such as in Southeast Asia, Latin America and Eastern Europe.
Equity ratio	Shows the role of shareholders' equity within the financing structure of the Company. It is calculated by dividing shareholders' equity by total assets.
Fair value	Amount at which assets would be traded fairly between business partners. Fair value is often identical to market price.
Financial leverage	This ratio reflects the role of borrowings within the financing structure of the Company. It is calculated by dividing net total borrowings by shareholders' equity.
Forward contract	Agreement to exchange amounts of one currency for another currency at an agreed fixed rate at a future date.
Goodwill	The majority of adidas-Salomon's goodwill resulted from the acquisition of the Salomon group in 1997. Goodwill is the excess of the acquisition cost over the Group's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction.
Hardware	For adidas, this includes bags, balls and protective equipment. For Salomon, hardware refers to skis, ski boots, snowboards, bindings, inline skates, protective equipment and bags. For TaylorMade-adidas Golf, it includes golf clubs, bags, balls, etc.
Hedging	A strategy used to minimize exposure to changes in prices, interest rates or exchange rates by means of derivative financial instruments (options, swaps, forward contracts, etc.).
Interest coverage	Indicates the ability of the Company to cover net interest expenses with income before net interest and taxes. This ratio is calculated by dividing income before net interest and taxes by net interest.
International Accounting Standards	International Accounting Standards (IAS) are established by the International Accounting Standards Committee (IASC), an independent, international organization supported by the professional accountancy bodies. The objective is to achieve uniformity and transparency in the accounting principles that are used by businesses and other organizations for financial reporting around the world.

In-the-money	Describes a call (put) option that has a strike price which is below (above) the price of the underlying asset.
Last	Wood or plastic mold over which the shoe is made and which determines its shape.
Marketing overhead expenses	Incorporates marketing personnel, general and administrative costs.
Marketing working budget	This consists of promotion and communications spending such as promotion contracts, advertising, retail support, events and other communication activities, but excluding marketing overhead expenses.
Merchandising	The process of selling our products to our customers.
Minority interests	That part of net income or equity which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.
NBA	National Basketball Association in the United States.
Option	Financial instrument which involves the right to purchase (call option) or to sell (put option) a particular asset (e.g. shares or foreign exchange) at a pre-determined price (strike price) on or before a specific date.
Order backlogs	The value of orders received for future delivery. At adidas-Salomon, orders are received six to nine months in advance, depending on the season. This information is used by the market as an indicator of future sales performance.
Out-of-the-money	Describes a call (put) option with a strike price above (below) the price of the underlying asset. Even though an out-of-the-money option has no intrinsic value, it may have market value (= time value).
Private labels	Brands that are exclusively offered by one retailer.
Pro shops	Also called green grass shops. These stores target top golf players and are located directly on the golf course.
Projected unit credit method	Provisions for pensions and similar obligations are calculated by this method (IAS 19). It takes into consideration not only the pensions and vested interests accrued as at cut-off date, but also anticipated increases in salaries and pensions.

Return on capital employed	This is an indicator of the Company's profitability related to the total financing. It is calculated by dividing income before taxes, minority interests and the financial and extraordinary results by capital employed (defined as the average of shareholders' equity plus minority interests plus net total borrowings for the year).
Return on equity	This indicates the Company's profitability related to the shareholders' financing. It is calculated by dividing net income by shareholders' equity.
Risk management	The process of analyzing the Company's exposure to risk and determining how to best reduce, control and transfer it as appropriate.
Segmental reporting	Provides information on the financial position, results of operations in individual operating areas and regions (segments). This gives an indication of developments in the individual segments and their contribution to the Group's results.
Shareholder value	Management concept that focuses strategic and operational decision-making on steadily increasing the Company's value for shareholders.
Sourcing	The process of managing our suppliers in order to be able to deliver the final product to our customers.
Standing Interpretations Committee (SIC)	The SIC rules on controversial accounting issues. Its interpretations are approved by the International Accounting Standards Committee (IASC) and, once adopted, are binding on all IAS users.
Supply chain	The process of developing, producing and transporting our products to customers.
Sustainable development	Refers to a business practice which aims to meet the needs of the present without compromising the ability of future generations to meet their own needs.
Vertical retailer	Fully integrated sporting goods supplier, producing goods with genuine concept and design only for own-retail activities.

Financial Highlights: Five Year Overview

(euros in millions)	2000	1999	1998 [2]	1997 [1]	1996 [1]
P&L Data					
Net sales	5,835	5,354	5,065	3,425	2,408
Gross profit	2,528	2,352	2,124	1,437	960
Operating profit	437	482	416	316	192
Royalty and commission income	43	35	45	44	49
Financial result	(94)	(84)	(115)	(16)	(6)
Income before taxes and minority interests	347	398	319	346	227
Income taxes	140	153	105	95	55
Minority interests	25	18	9	14	12
Net income [3]	182	228	205	237	161
P&L Ratios					
Gross margin	43.3%	43.9%	41.9%	41.9%	39.8%
SG&A expenses as a percentage of net sales	34.5%	33.8%	32.7%	31.8%	30.9%
Operating margin	7.5%	9.0%	8.2%	9.2%	8.0%
Effective tax rate	40.3%	38.4%	33.0%	27.5%	24.0%
Net income as a percentage of net sales [3]	3.1%	4.3%	4.0%	6.9%	6.7%
Working capital turnover	4.1	4.9	(15.5)	319.0	8.5
Interest coverage	4.6	6.1	4.8	21.2	14.1
Return on equity [3]	22.3%	33.5%	44.2%	33.0%	32.9%
Return on capital employed [3]	17.0%	20.7%	20.5%	35.8%	35.2%

(euros in millions)	2000	1999	1998 [2]	1997 [1]	1996 [1]
Balance Sheet Data					
Total assets	4,018	3,587	3,206	2,224	1,288
Inventories	1,294	1,045	975	821	556
Receivables and other current assets	1,387	1,234	1,026	592	418
Working capital	1,417	1,096	(327)	11	284
Net total borrowings	1,791	1,591	1,655	738	174
Shareholders' equity	815	680	463	717	489
Balance Sheet Ratios					
Financial leverage	219.6%	234.0%	357.2%	103.0%	35.6%
Equity ratio	20.3%	19.0%	14.4%	32.2%	37.9%
Data Per Share					
Earnings per share [3]	4.01	5.02	4.52	5.22	3.54
Operating cash flow	(0.23)	7.24	2.64	0.88	2.26
Dividend per ordinary share	0.92 [4]	0.92	0.84	0.84	0.56
Number of outstanding shares (in thousands)	45,349	45,349	45,349	45,349	45,349
Employees					
Number of employees at year-end	13,362	12,829	12,036	7,993	6,986
Personnel expenses	630	580	513	331	240

[1] 1997 and 1996 comparatives are restated due to the application of IAS 12 (revised 1996) 'Income Taxes'.

[2] Consolidated financial statements for 1998 include the Salomon group for the first time.

[3] In 1998 before special effect of € 369 million for acquired in-process research and development – expensed.

[4] Dividend proposal – subject to Annual General Meeting approval.

Segmental Information: Three Year Overview*

(euros in millions)

	2000	1999**	1998**
Brands			
adidas			
Net sales	4,672	4,427	4,316
Gross profit	1,907	1,827	1,818
Operating profit	391	431	412
Operating assets	2,286	1,987	1,730
Salomon			
Net sales	648	543	435
Gross profit	276	217	170
Operating profit	57	31	5
Operating assets	542	509	571
TaylorMade-adidas Golf			
Net sales	441	327	263
Gross profit	221	160	118
Operating profit	44	30	20
Operating assets	219	156	99
Mavic			
Net sales	55	44	52
Gross profit	20	16	18
Operating profit	4	1	1
Operating assets	24	24	27

* Three year segmental reporting chosen to coincide with length of adidas-Salomon Group existence.

** 1999 figures are restated due to the transfer of adidas Golf to TaylorMade, 1998 figures are not adjusted.

(euros in millions)	2000	1999	1998
Regions			
Europe			
Net sales	2,860	2,723	2,774
Gross profit	1,171	1,133	1,127
Operating profit	454	382	357
Operating assets	1,107	1,167	1,114
North America			
Net sales	1,906	1,826	1,784
Gross profit	729	731	713
Operating profit	177	234	276
Operating assets	862	848	666
Asia			
Net sales	875	663	383
Gross profit	416	301	156
Operating profit	129	96	26
Operating assets	455	390	201
Latin America			
Net sales	171	126	112
Gross profit	72	50	43
Operating profit	23	15	11
Operating assets	109	75	66

Financial Calendar

Financial Calendar 2001

March 8	2000 Results released Analyst and Press Conferences Conference Call/Webcast
May 3	First Quarter Results released Conference Call/Webcast
May 10	Annual General Meeting (Fürth, Bavaria) Webcast
May 11	Dividend paid*
August 7	First Half Year Results released Conference Call/Webcast
November 6	Nine Months Results released Conference Call/Webcast

* Subject to Annual General Meeting approval.

adidas-Salomon AG
Adi-Dassler-Strasse 1–2
91074 Herzogenaurach
Germany
Tel.: +49 (9132) 84-0
Fax: +49 (9132) 84-2241
Internet: www.adidas.com

Investor Relations:
Tel.: +49 (9132) 84-2920 / 3584
Fax: +49 (9132) 84-3127
Internet: www.adidas.com/investor
e-mail: investor.relations@adidas.de

adidas-Salomon is a member of
DIRK (German Investor Relations Association) and
NIRI (National Investor Relations Institute, USA)

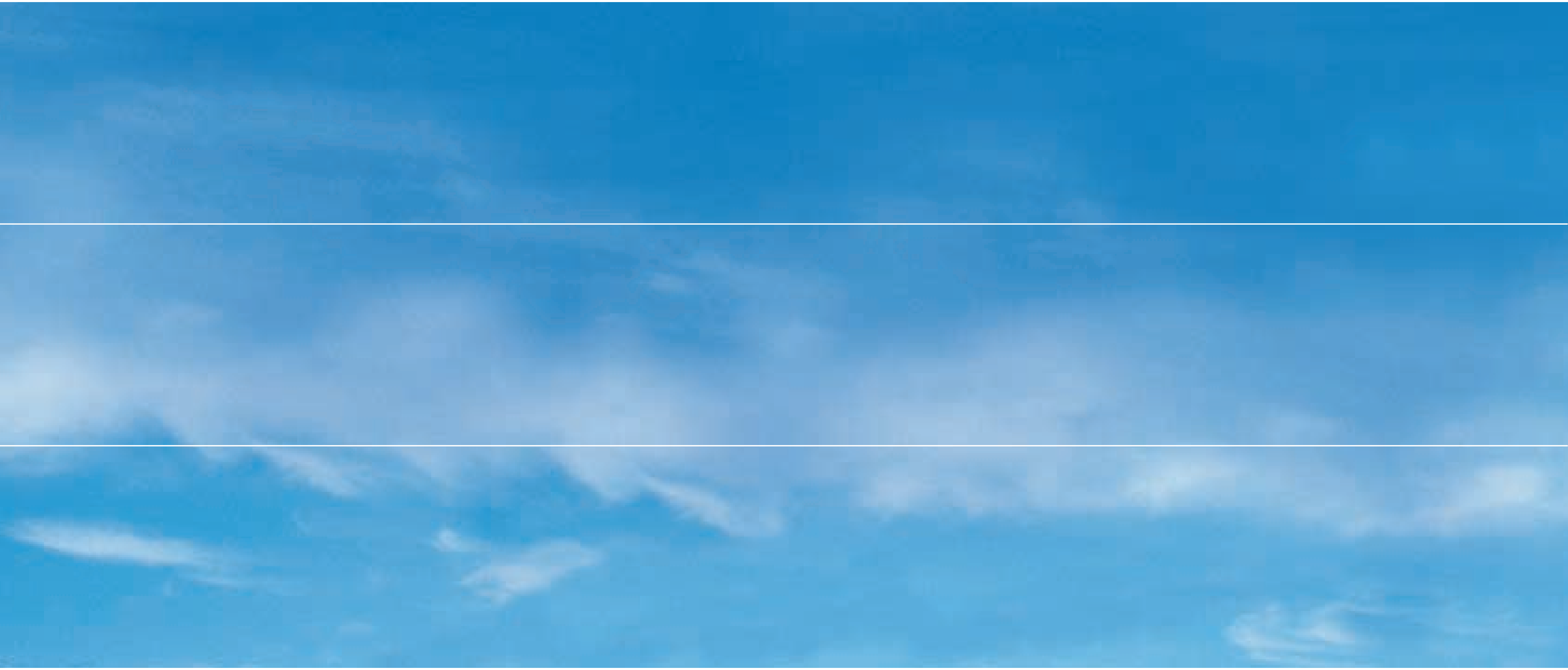
Concept and Design:
külling partner identity

Realization:
Advantage Doremus

Photo Credits:
adidas-Salomon AG
(adidas, Salomon, TaylorMade-adidas Golf, Mavic)
Allsport

Out of concern for the environment, this paper was produced with a non-chlorine bleaching process.

Printed in Germany



adidas adidas adidas EQUIPMENT SALOMON TaylorMade MAVIC