ANNUAL REPORT

20

OUR PURPOSE

THROUGH SPORT, WE HAVE THE POWER TO CHANGE LIVES

OUR MISSION

TO BE THE BEST SPORTS BRAND IN THE WORLD

OUR ATTITUDE

IMPOSSIBLE IS NOTHING

ADIDAS ANNUAL REPORT 2020

TO OUR SHAREHOLDERS

GROUP MANAGEMENT REPORT
OUR COMPANY

GROUP MANAGEMENT REPORT
FINANCIAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

FINANCIAL HIGHLIGHTS 2020 (IFRS)

Financial Highlights 2020 (IFRS)

	2020	2019	Change
Operating Highlights (€ in millions)			
Net sales	19,844	23,640	(16%)
Gross profit	9,855	12,293	(20%)
Other operating expenses	9,229	9,843	(6%)
EBITDA	2,079	3,845	(46%)
Operating profit	751	2,660	(72%)
Net income from continuing operations	429	1,918	(78%)
Net income attributable to shareholders[1]	432	1,976	(78%)
Key Ratios			
Gross margin	49.7%	52.0%	(2.3pp)
Other operating expenses in % of net sales	46.5%	41.6%	4.9pp
Operating margin	3.8%	11.3%	(7.5pp)
Effective tax rate	25.4%	25.0%	0.3pp
Net income attributable to shareholders in % of net sales[1]	2.2%	8.4%	(6.2pp)
Average operating working capital in % of net sales	23.5%	18.1%	5.4pp
Equity ratio[2]	30.7%	32.9%	(2.2pp)
Adjusted net borrowings/EBITDA	1.5	1.1	n.a.
Financial leverage[2]	48.8%	61.4%	(12.6pp)
Return on equity[1, 2]	6.7%	29.1%	(22.4pp)
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	21,053	20,680	2%
Inventories	4,397	4,085	8%
Receivables and other current assets	3,763	4,338	(13%)
Operating working capital	3,960	4,007	(1%)
Shareholders' equity	6,454	6,796	(5%)
Capital expenditure	442	711	(38%)
Net cash generated from operating activities[1]	1,486	2,819	(47%)
Per Share of Common Stock (€)			
Basic earnings	2.15	9.70	(78%)
Diluted earnings	2.15	9.70	(78%)
Net cash generated from operating activities[1]	7.62	14.26	(47%)
Dividend[3]	3.00	–	n.a.
Share price at year-end	297.90	289.80	3%
Other (at year-end)			
Number of employees[4]	62,285	65,194	(4%)
Number of shares outstanding	195,066,060	195,969,387	0%
Average number of shares	195,155,924	197,606,107	(1%)

1 Includes continuing and discontinued operations.
2 Based on shareholders' equity.
3 Subject to Annual General Meeting approval.
4 2019 figure restated due to inclusion of temporary contracts of up to six months (2019 headcounts excluding temporary contracts of up to six months: 59,333).

ABOUT THIS REPORT

With the Annual Report 2020, adidas communicates financial and non-financial information in a combined publication. The report provides a comprehensive overview of the financial, environmental and social performance of adidas in the 2020 financial year.

We publish our Annual Report exclusively in a digital format. It is available as a PDF and online version. The Online Report can be found at ▸ REPORT.ADIDAS.COM

To enhance readability, registered trademarks as well as references to rounding differences, which may arise in percentages and totals, are omitted in this publication. In addition, we have used the masculine form throughout, although all such references are not intended to be gender-specific. The adidas Annual Report 2020 is available in English and German.

The following symbols indicate important information:

▸ There is more information online or on a different page within the report.

⌜ ⌝ These are parts of the non-financial statement that are covered by a separate limited assurance engagement.

Term underlined in red: There is a detailed definition of this term in the glossary.

Data and financial reporting standards

The reporting period is the financial year from January 1 to December 31, 2020. To ensure this report is as current as possible, it includes all relevant information available up to the date of the Responsibility Statement, February 22, 2021.

The consolidated financial statements and the Group Management Report are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and additional requirements pursuant to the German Commercial Code (Handelsgesetzbuch – HGB).

Internal Control over Financial Reporting (ICoFR) provides reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of ICoFR, accounting-related processes are regularly reviewed.

Independent assurance

The consolidated financial statements prepared by adidas AG, including the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes as well as the Group Management Report have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft. ▸ SEE REPRODUCTION OF THE INDEPENDENT AUDITOR´S REPORT

In addition, this report contains a combined non-financial statement for adidas AG and the Group. The content of the non-financial statement is covered by a separate limited assurance engagement of KPMG AG Wirtschaftsprüfungsgesellschaft. The assurance was conducted using the International Standard on Assurance Engagements ISAE 3000 (Revised). The content of the non-financial statement combined with further information in this report and on our corporate website is prepared with reference to the Global Reporting Initiative's (GRI) Standards 'Core' option. The GRI content index can be found in our Online Report. ▸ SEE NON-FINANCIAL STATEMENT ▸ SEE LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR
▸ REPORT.ADIDAS-GROUP.COM

It was not part of KPMG's engagement to review the Online Report or references to external sources such as our corporate website.

Forward-looking statements

Our Group Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of our company. The outlook is based on estimates that we have made on the basis of all the information available to us at the time of completion of this Annual Report. In addition, such forward-looking statements are subject to uncertainties which are beyond the control of the company. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialize, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. adidas does not assume any obligation to update any forward-looking statements made in the Group Management Report beyond statutory disclosure obligations. ► SEE RISK AND OPPORTUNITY REPORT ► SEE OUTLOOK

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TO OUR SHAREHOLDERS

LETTER FROM THE CEO

KASPER RORSTED

> 2020 was a year like no other. Despite all the challenges, we used this year to make adidas a better company.

DEAR SHAREHOLDERS,

2020 was a year like no other. When we started out, we were looking forward to a great year of sport, with the UEFA EURO 2020 and the Olympic Games in Tokyo at its core. And with the strong development adidas has seen over the last four years, we were well on track to achieving all the long-term targets we had set out in our strategy 'Creating the New'.

Then covid-19 struck the world with full force. The global pandemic presents a crisis on a scale many of us have never experienced before. The toll it has taken on human life is heartbreaking, while it has also caused the largest economic downturn for decades.

Covid-19 first hit adidas in late January in China. By mid-March, Europe, North America and Latin America had also gone into lockdown. Within the space of just three days, 70% of our stores – and those of our partners – had closed. We were suddenly put in a position where we were losing revenue, while our costs continued to roll in. We reacted quickly. There is no blueprint to deal with a crisis like this, but within just a few days we had adjusted our operations to address the situation at hand.

The health and safety of our employees is our top priority

From the very beginning of the pandemic, our focus was squarely upon two things:

- Securing the well-being, health and safety of our own employees, and of our suppliers.
- Steering the company successfully through this unprecedented crisis.

I am proud to report that we achieved both.

We implemented comprehensive hygiene standards across all our locations and provided our employees with clear guidance – including the preventive measures they should take. We also closed stores and offices when required, in line with local regulations. Even today, the vast majority of our employees are working from home, but we reacted quickly to provide them with the tools that would enable them to do so. We also successfully safeguarded jobs throughout the entire year and rewarded our employees with an appreciation payout of € 1,000 each for their extraordinary commitment.

2020 financial results

Despite all the challenges, we used 2020 to make adidas a better company. Our business recovered quickly after having hit the lowest point in the second quarter and returned to growth in the fourth quarter. We connected with more consumers than ever before and expanded our digital capabilities and reach. We continued to invest in sustainability and our people. Last but not least, we increased our operational and financial flexibility. As a result, we are now well positioned to tackle both short-term uncertainty and long-term growth.

Not surprisingly, our financial results were significantly impacted by the negative effects of the coronavirus pandemic. Revenues decreased 14% on a currency-neutral basis due to the widespread store closures and lower traffic once stores reopened. Revenues in Russia/CIS remained flat, while currency-neutral sales were down in all other major market segments. We were able to achieve a gross margin level of 49.7%, limiting the decline to 2.3 percentage points through a disciplined sell-in in a very promotional industry environment. As a result of the revenue shortfall, the company's operating margin decreased 7.5 percentage points to 3.8% and net income from continuing operations decreased 78% to € 429 million.

Exceptional growth in e-commerce

Overall, the global pandemic accelerated our focus on digital. We took decisive actions to focus on digital acceleration by moving available inventory to e-commerce, invested in an agile digital content studio, shifted marketing, resources and tech budget toward digital and made sure our day-to-day decisions are data-driven with a clear focus on consumer insights and trends. As a result, our e-commerce business was up 53% on a currency-neutral basis for the full year, exceeding € 4 billion for the first time in the history of our company.

Consumer at the center of everything we do

Our digital capabilities helped us to put our consumers at the center of everything we do. The lockdown saw the launch of our most successful digital campaign ever: #hometeam. This campaign was seen by more than 400 million people worldwide, with over 3,000 of our athletes and partners getting involved. With sporting events resuming in many regions in the second half of the year, we launched our next successful digital campaign: 'Ready for Sport'. It was great to see our athletes and teams back in action, winning titles and setting records in our innovative products. Kenyan runner Peres Jepchirchir broke the half-marathon world record in our Adizero Adios Pro shoes twice, FC Bayern Munich won the UEFA Champions League, and Dominic Thiem claimed his first Grand Slam title at the US Open, just to mention a few.

Continued investment in sustainability

Sustainability is an integral part of the adidas business philosophy. We continue to invest in sustainability initiatives and, in 2020, we significantly broadened our range of sustainable products and are ahead of our plan to have virgin polyester removed from our products by 2024. As part of our partnership with the environmental organization Parley for the Oceans, we produced 15 million pairs of shoes using recycled plastic waste collected from beaches and coastal regions. We expanded our vegan product offering and completely banned the use of fur.

At our corporate sites, we operate modern facilities to generate environmentally friendly energy. We are also working closely with our suppliers to implement climate and environmental protection measures at their sites. Our objective: to reach climate neutrality by 2050, globally.

Commitment to accelerating diversity and inclusion

In many respects, we are already a company that leads on diversity issues. adidas is international to its very core. People from over 100 nations work at our corporate headquarters in Herzogenaurach alone and the Executive and Supervisory Boards both have strong international representation. We have also made progress in increasing the number of women in leadership positions. Our target for the end of 2020 was to have women make up 32% of our leadership positions. We exceeded this target with 35%.

However, it came to our attention as a result of many individual conversations with our employees – in particular with our Black employees – that diversity and inclusion was not being lived consistently across our company. Many employees told us – and told me personally – that they believe there are not enough equal opportunities for all. This is not acceptable. It is a top priority for us to make adidas an even more diverse and inclusive company. In order to do so, we acted upon the following commitments:

- Establishing a global Committee to Accelerate Inclusion & Equality.
- Signing the Juneteenth Pledge and organizing our first Global Day of Inclusion for all of our employees, which will now become an annual company event.
- Launching a mandatory Diversity and Inclusion training for all employees.
- Setting new targets in the US for increased representation of Black and LatinX people within our US workforce. Our aim is to fill at least 30% of all new positions with Black and LatinX people.
- Funding 50 university scholarships in the US each year for Black and LatinX students.
- Investing $120 million in the US toward ending racism and supporting Black communities through to 2025.

We will continue this important journey – together with our employees and partners – to create an adidas we can all be proud of.

Increased financial flexibility

To successfully navigate the company through 2020, we switched our financial focus entirely onto managing our cash in- and outflows when the covid-19 crisis hit us in March. Our measures included the establishment of strict cost and working capital controls, the reduction of management compensation, the stop of the share buyback program as well as the suspension of dividend payments. In addition, we took further steps to guarantee the company's financial flexibility with approval from the German government for a syndicated credit facility amounting to € 3 billion from a consortium of banks including KfW, Germany's state-owned development bank. This facility helped us to bridge the exceptional circumstances that arose from the coronavirus pandemic.

In August, we received strong first-time investment-grade ratings from the two leading rating agencies – Standard & Poor's ('A+' with a stable outlook) and Moody's ('A2' with a stable outlook). adidas is now one of the highest-ranked companies in the sporting goods industry and in Germany. As a result of these ratings, adidas is well positioned to gain access to the international capital market at any time. In September, we successfully placed two bonds with a total value of € 1 billion as well as our first ever € 500 million sustainability bond. In October, we were able to repay the drawn portion of the KfW loan amounting to € 500 million and, in November, we terminated the KfW loan and replaced it completely.

2021 outlook

We all hope that 2021 will be the year in which the world can leave the coronavirus pandemic behind. For us as a company, it will be a milestone year. adidas will play an integral role in important moments in sport and culture. We firmly believe, that through sport, we have the power to change lives. As you read this, we will have launched our new strategy 'Own the Game'. It clearly articulates the business drivers, categories and markets we will focus on to deliver above industry-average growth and create significant value through to 2025. As part of the development of our new five-year strategy, we have assessed strategic alternatives for Reebok and decided to begin a formal process aimed at divesting the brand. In 2021, we will be fast out of the gate in the first year of our strategic cycle and – in combination with our strong product pipeline – expect to drive strong sales growth across all market segments. Specifically, we expect currency-neutral net sales to increase at a mid- to high-teens rate. Profitability will also see a notable recovery. Our operating margin is projected to increase to a level of between 9% and 10%, driven by the strong sales growth, gross margin improvement and continued strict cost control. As a result, net income from continuing operations is anticipated to increase to a level of between € 1.25 billion and € 1.45 billion.

Thank you

2020 was anything but easy. The only way to get through such a year is by working together as a team. Therefore, I would like to extend my heartfelt thanks to our 62,000 adidas employees. They have demonstrated resilience and shown great commitment in these unprecedented times. And I would also like to say thank you to you, our shareholders, for the trust you have placed in us. We will continue to do everything we can to remain worthy of this trust. I am confident of the attractive prospects the sporting goods industry will continue to present for adidas, especially given that many people have developed an increased appreciation of well-being. They want to stay fit and healthy through sports. At the same time, wearing sportswear is becoming more and more popular, in particular for people working from home. adidas will continue to benefit from these trends. As a global leader in our industry with a strong strategy in place, we are very well positioned for the years ahead.

Please take care and stay healthy.

Sincerely yours,

Kasper Rorsted

CEO

EXECUTIVE BOARD

OUR EXECUTIVE BOARD IS COMPRISED OF SIX MEMBERS. EACH BOARD MEMBER IS RESPONSIBLE FOR AT LEAST ONE MAJOR FUNCTION WITHIN THE COMPANY.

Kasper Rorsted
Chief Executive Officer

Kasper Rorsted was born in Aarhus, Denmark, in 1962 and is a Danish national. He holds a degree in International Business Studies from the Copenhagen Business College, Denmark, from where he graduated in 1985, and completed a series of Executive Programs at Harvard Business School, USA. During his career Kasper Rorsted gained valuable experience in the IT industry through various management positions at Oracle, Compaq and Hewlett Packard. These included Head of Compaq Enterprise Business Group EMEA (1995-2001) and Vice President and General Manager EMEA (2001-2002) based in Germany and Switzerland at Compaq and Senior Vice President and General Manager EMEA (2002-2004) based in Switzerland at Hewlett-Packard, Digital Equipment Corporation. In 2005, Kasper Rorsted joined consumer goods manufacturer Henkel based in Germany as the Executive Vice President of Human Resources Management, Procurement, IT and Infrastructure Services. In 2007, he became the Vice Chairman of the Management Board before he was appointed Chief Executive Officer (CEO) of Henkel in 2008. Since 2016, Kasper Rorsted has been the CEO of adidas AG, Herzogenaurach, Germany.

Mandates:

- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland
- Member of the Supervisory Board, Siemens AG, Berlin and Munich, Germany[1]

1 Since February 3, 2021.

Roland Auschel
Global Sales

Roland Auschel was born in Bad Waldsee, Germany, in 1963 and is a German citizen. After obtaining a bachelor's degree in European Business Studies from the Münster University of Applied Sciences, Germany, and the University of Hull, UK, as well as an MBA from the University of Miami, USA, he joined the adidas team as a Strategic Planner in 1989. During his career with the company, he has held many senior management positions, including Business Unit Manager, Key Account Manager Europe and Head of Region Europe, Middle East and Africa. In 2009, he became Chief Sales Officer Multichannel Markets. In 2013, Roland Auschel was appointed to the Executive Board and is responsible for Global Sales.

Brian Grevy
Global Brands

Brian Grevy was born in Kolding, Denmark, in 1971 and is a Danish citizen. After his studies at the Business School in Vejle, Denmark, he held various leadership positions at adidas and Reebok Nordics between 1998 and 2006. In 2006, he transferred to the adidas headquarters in Herzogenaurach, Germany, to become Director Men's Training and, as of 2010, Senior Vice President Training & Regional Sports. From 2012 to 2014, Brian Grevy acted as General Manager adidas Nordics in Stockholm, Sweden. During the years 2014 to 2016, he led the adidas Business Unit Training as General Manager in Herzogenaurach, Germany. He then joined Gant in Stockholm, Sweden, as Chief Marketing Officer, where he became Chief Executive Officer in 2018. In 2020, Brian Grevy was appointed to the adidas Executive Board and is responsible for Global Brands.

Mandates:
- Member of the Board of Directors, Pitzner Gruppen Holding A/S, Copenhagen, Denmark

Harm Ohlmeyer

Chief Financial Officer

Harm Ohlmeyer was born in Hoya, Germany, in 1968 and is a German national. He holds a degree in Business Studies from the University of Regensburg, Germany, as well as an MBA from Murray State University, USA. Harm Ohlmeyer started his career with adidas in 1998 and gained extensive experience in the areas of Finance and Sales, including responsibility as Senior Vice President Finance TaylorMade-adidas Golf in Carlsbad, USA, Senior Vice President Finance adidas Brand and Senior Vice President Finance for Global Sales (adidas and Reebok). From 2011, he led the company's e-commerce business as Senior Vice President Digital Brand Commerce. From 2014 to 2016, he held additional responsibility as Senior Vice President Sales Strategy and Excellence. In 2017, Harm Ohlmeyer was appointed to the Executive Board and subsequently became Chief Financial Officer and Labor Director.

AMANDA RAJKUMAR[2]

Global Human Resources

Amanda Rajkumar was born in Northampton, UK, in 1972 and is a British national. She holds a Bachelor of Science degree from Goldsmiths College, London University, UK, and began her professional career as a research psychologist before joining the London-based recruitment consultancy JM Management. From 1998 onward, she held various senior HR leadership and managerial positions at JPMorgan Chase. She joined BNP Paribas in 2009, where over eleven years, she was responsible for Global Human Resources for different business divisions based out of Europe and the US. Most recently, she was Chief Human Resources Officer for the Americas region, with responsibility for the Intermediary Holding Company of BNP Paribas in the Americas overseeing the retail and wholesale divisions. At the beginning of 2021, Amanda Rajkumar has been appointed to the adidas Executive Board and is responsible for Global Human Resources.

2 Since January 1, 2021.

Martin Shankland
Global Operations

Martin Shankland was born in Sydney, Australia, in 1971 and is an Australian national. He holds a Bachelor of Commerce degree from the University of New South Wales, Australia, and completed the Professional Year Program at the Australian Institute of Chartered Accountants. He joined adidas in 1997 as Finance Director for adidas Russia/CIS and was Managing Director from 2000 to 2017. From 2017 to 2019, he led adidas Emerging Markets as Managing Director. In 2019, Martin Shankland was appointed to the Executive Board and is responsible for Global Operations.

Member of the Executive Board until June 30, 2020:

Karen Parkin
Global Human Resources

More information on the adidas Executive Board

► ADIDAS-GROUP.COM/EXECUTIVE-BOARD

SUPERVISORY BOARD

THOMAS RABE
CHAIRMAN[3]
residing in Berlin, Germany
born on August 6, 1965
Member of the Supervisory Board since May 9, 2019
Chairman and Chief Executive Officer, Bertelsmann Management SE, Gütersloh, Germany
Chief Executive Officer, RTL Group S.A., Luxembourg, Luxembourg
Membership in comparable domestic and foreign controlling bodies of commercial enterprises

Mandates held in foreign subsidiaries of Bertelsmann SE & Co. KGaA:

- Chairman of the Board of Directors, Penguin Random House LLC, New York, USA[4]
- Member of the Supervisory Board, Majorel Group Luxembourg S.A., Luxembourg, Luxembourg

UDO MÜLLER*
DEPUTY CHAIRMAN
residing in Herzogenaurach, Germany
born on April 14, 1960
Member of the Supervisory Board since October 6, 2016
Manager History Management[5], adidas AG, Herzogenaurach, Germany

IAN GALLIENNE
DEPUTY CHAIRMAN[6]
residing in Gerpinnes, Belgium
born on January 23, 1971
Member of the Supervisory Board since June 15, 2016
Chief Executive Officer, Groupe Bruxelles Lambert, Brussels, Belgium
Membership in comparable domestic and foreign controlling bodies of commercial enterprises:

- Member of the Board of Directors, Pernod Ricard SA, Paris, France
- Member of the Board of Directors, SGS SA, Geneva, Switzerland

Mandates within the Groupe Bruxelles Lambert or in entities under common control with the Groupe Bruxelles Lambert:

- Member of the Board of Directors, Imerys SA, Paris, France
- Member of the Board of Directors, Sienna Capital S.à r.l., Strassen, Luxembourg
- Member of the Board of Directors, Compagnie Nationale à Portefeuille SA, Loverval, Belgium
- Member of the Board of Directors, Frère-Bourgeois SA, Loverval, Belgium
- Member of the Board of Directors, Château Cheval Blanc, Société Civile, Saint-Émilion, France
- Member of the Board of Directors, GBL Advisors Ltd., London, United Kingdom[7]
- Member of the Board of Directors, GBL Development Ltd., London, United Kingdom
- Member of the Supervisory Board, Marnix French ParentCo SAS (Webhelp Group), Paris, France

3 Since August 11, 2020; formerly Deputy Chairman of the Supervisory Board, adidas AG, Herzogenaurach, Germany.
4 Until April 1, 2020.
5 Since September 1, 2020; formerly Director Communication, adidas AG, Herzogenaurach, Germany.
6 Since August 11, 2020.
7 Until January 4, 2020.
* Employee representative.

PETRA AUERBACHER*
residing in Emskirchen, Germany
born on December 27, 1969
Member of the Supervisory Board since May 9, 2019
Project Manager Creative Direction, adidas AG, Herzogenaurach, Germany

ROSWITHA HERMANN*
residing in Erlangen, Germany
born on December 27, 1962
Member of the Supervisory Board since May 9, 2019
Director Projects[8], adidas AG, Herzogenaurach, Germany

HERBERT KAUFFMANN
residing in Stuttgart, Germany
born on April 20, 1951
Member of the Supervisory Board since May 7, 2009
Independent Management Consultant, Stuttgart, Germany

CHRISTIAN KLEIN
residing in Mühlhausen, Germany
born on May 4, 1980
Member of the Supervisory Board since August 11, 2020
Chief Executive Officer, SAP SE, Walldorf, Germany

KATHRIN MENGES
residing in Großenbrode, Germany
born on October 16, 1964
Member of the Supervisory Board since May 8, 2014
Self-employed entrepreneur

ROLAND NOSKO*
residing in Wolnzach, Germany
born on August 19, 1958
Member of the Supervisory Board since May 13, 2004
District Manager of the Industrial Union IG Bergbau, Chemie, Energie (IG BCE), District of Nuremberg, Nuremberg, Germany
Membership in other statutory supervisory boards in Germany:
– Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany
– Member of the Supervisory Board, Plastic Omnium Automotive Exteriors GmbH, Munich, Germany

BEATE ROHRIG*
residing in Glashütten, Germany
born on March 24, 1965
Member of the Supervisory Board since May 9, 2019
State District Manager of the Industrial Union IG BCE, State District Bavaria, Munich, Germany
Membership in other statutory supervisory boards in Germany:
– Member of the Supervisory Board, Evonik Nutrition & Care GmbH, Essen, Germany[9]
– Member of the Supervisory Board, Wacker Chemie AG, Munich, Germany

8 Since July 1, 2020; formerly full-time member of the Works Council Herzogenaurach, adidas AG, Herzogenaurach, Germany.
9 Until June 30, 2020.
* Employee representative.

NASSEF SAWIRIS
residing in London, United Kingdom
born on January 19, 1961
Member of the Supervisory Board since June 15, 2016
Executive Chairman and Member of the Board of Directors, OCI N.V., Amsterdam, The Netherlands
Membership in comparable domestic and foreign controlling bodies of commercial enterprises:
- CEO of Avanti Acquisition Corp., New York, USA[10]

FRANK SCHEIDERER*
residing in Wilhelmsdorf, Germany
born on April 16, 1977
Member of the Supervisory Board since May 9, 2019
Director Head Office – Finance Strategy and Programs[11], adidas AG, Herzogenaurach, Germany

MICHAEL STORL*
residing in Oberreichenbach, Germany
born on July 3, 1959
Member of the Supervisory Board since May 9, 2019
Deputy Chairman of the Works Council Herzogenaurach, adidas AG, Herzogenaurach, Germany

BODO UEBBER
residing in Stuttgart, Germany
born on August 18, 1959
Member of the Supervisory Board since May 9, 2019
Independent Management Consultant
Membership in other statutory supervisory boards in Germany:
- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA/Bertelsmann Management SE, Gütersloh, Germany
- Chairman of the Supervisory Board, Evercore GmbH, Frankfurt/Main, Germany[12]

JING ULRICH
residing in Hong Kong, China
born on June 28, 1967
Member of the Supervisory Board since May 9, 2019
Vice Chairman of Global Banking and Asia Pacific, JPMorgan Chase & Co., New York, USA

GÜNTER WEIGL*
residing in Oberreichenbach, Germany
born on April 14, 1965
Member of the Supervisory Board since May 9, 2019
Senior Vice President Global Sports Marketing & Brand Relations, adidas AG, Herzogenaurach, Germany

10 Since October 1, 2020.
11 Since July 1, 2020; formerly Director Head Office – Brand & Sales Finance, adidas AG, Herzogenaurach, Germany.
12 Since April 16, 2020.
* Employee representative.

SUPERVISORY BOARD MEMBER UNTIL AUGUST 11, 2020:

IGOR LANDAU
CHAIRMAN
residing in Lugano, Switzerland
born on July 13, 1944
Member of the Supervisory Board since May 13, 2004
Pensioner

STANDING COMMITTEES AS OF AUGUST 11, 2020

Steering Committee:
Thomas Rabe (Chairman), Ian Gallienne, Udo Müller*
General Committee:
Thomas Rabe (Chairman), Ian Gallienne, Udo Müller*, Roland Nosko*
Audit Committee:
Bodo Uebber (Chairman), Herbert Kauffmann, Frank Scheiderer*, Günter Weigl*
Nomination Committee:
Thomas Rabe (Chairman), Ian Gallienne, Kathrin Menges
Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG):
Thomas Rabe (Chairman), Ian Gallienne, Roswitha Hermann*, Udo Müller*

STANDING COMMITTEES UNTIL AUGUST 11, 2020

Steering Committee:
Igor Landau (Chairman), Udo Müller*, Thomas Rabe
General Committee:
Igor Landau (Chairman), Udo Müller*, Roland Nosko*, Thomas Rabe
Audit Committee:
Herbert Kauffmann (Chairman), Frank Scheiderer*, Bodo Uebber, Günter Weigl*
Nomination Committee:
Igor Landau (Chairman), Kathrin Menges, Thomas Rabe
Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG):
Igor Landau (Chairman), Roswitha Hermann*, Udo Müller*, Thomas Rabe

Biographical information on our Supervisory Board members is available online

▸ADIDAS-GROUP.COM/SUPERVISORY-BOARD

* Employee representative.

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

2020 was a challenging year for adidas. A year impacted in particular by the unprecedented challenges of the coronavirus pandemic. Broad-based store closures as well as lower consumer traffic had a significant negative impact on the company's business activities. adidas has risen to these challenges. While the health and safety of our employees, partners, and consumers remained a top priority, the company also took advantage of emerging opportunities: The company advanced its digital activities, concluded successful refinancing agreements, and further increased diversity within the company. These achievements help to ensure that adidas goes strengthened and well equipped into the next strategic cycle. Focusing on the most attractive categories, channels, and markets in the global sporting industry, the company's 2025 strategy will allow adidas to gain above-average benefits from structural consumer trends. Against this background, the company is in an excellent position to generate profitable growth also in the new strategic cycle, and to allow shareholders to continue to participate in the company's positive development.

Monitoring and advice in dialogue with the Executive Board

In the year under review, we performed all of our tasks laid down by law, the Articles of Association, the German Corporate Governance Code ('Code') and the Rules of Procedure carefully and conscientiously, as in previous years. We regularly advised the Executive Board on the management of the company and diligently and continuously monitored its management activities. The Executive Board involved us directly and in a timely and comprehensive manner in all of the company's fundamental decisions.

The Executive Board informed us extensively and regularly through written and oral reports. This information covered all relevant aspects of the company's corporate strategy, business planning (including financial, investment, and personnel planning), the course of business, and the company's financial position and profitability. We were also kept up to date on matters relating to accounting processes, the risk situation and the effectiveness and development of the internal control and risk management systems and compliance as well as all major decisions and business transactions. Furthermore, the Executive Board always explained immediately and in detail any deviation in the performance of the business from the established plans. In the year under review, the principal cause of deviation was the coronavirus pandemic, which presented the company with new and unexpected challenges. In order to meet these challenges, we increased the communication between the Executive Board and Supervisory Board through additional meetings and regular written reports. In particular, the Executive Board informed us of the impact of the pandemic on our employees and locations around the world, on our operational performance, and on the liquidity of the company. We supported the Executive Board in an advisory capacity on all of the measures implemented, each of which was intended to promote the long-term prosperity of adidas as well as its employees, consumers, and business partners.

In addition, the Executive Board provided us with regular, comprehensive written reports to assist with preparation for our meetings. We thus always had the opportunity to critically analyze the Executive Board's reports and resolution proposals within the committees and within the entire Supervisory Board and to put forward suggestions before passing resolutions after in-depth examination and extensive consultation. At the Supervisory Board meetings, the Executive Board was available to discuss and answer our questions. In the periods between our meetings, the Executive Board also provided us with extensive monthly reports on the current business situation. We critically examined and challenged the information provided to us by the Executive Board.

Meetings of the Supervisory Board and its committees

In the past financial year, the Supervisory Board primarily exercised its duties in plenary sessions. Members who were unable to participate in the meetings took part in the resolutions by submitting their vote in writing. Given the coronavirus pandemic and in order to protect the safety of all persons involved, most of our meetings were held virtually. The latest video-conferencing technology was used to ensure an open and appropriate discussion between the Executive Board and Supervisory Board within the virtual meetings. Despite the very high number of meetings, the Supervisory Board and its committees had a consistently high participation rate during the year under review, totaling approximately 97% (2019: approximately 96%), which significantly exceeds the targeted minimum participation rate of 75%.

The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, ('KPMG') attended all meetings of the Supervisory Board, with the exception of one extraordinary meeting, insofar as no Executive Board matters or internal matters of the Supervisory Board were dealt with. Furthermore, KPMG attended all meetings of the Audit Committee.

In the periods between meetings, the Supervisory Board Chairman and the Audit Committee Chairman maintained regular contact with the Chief Executive Officer and the Chief Financial Officer, conferring on matters such as corporate strategy, business planning and development, the risk situation, the control and risk management as well as compliance. A key issue during the year under review was the impact of the coronavirus pandemic on the company and the measures taken to mitigate it. In addition, the Supervisory Board Chairman was informed about events of fundamental importance for evaluating the situation, development and management of the company, when necessary also at short notice. The Chairman of the Supervisory Board regularly reported during meetings on discussions with the Executive Board outside the Supervisory Board meetings.

The Supervisory Board also met regularly without the Executive Board members, in particular to discuss internal affairs of the Supervisory Board as well as personnel and compensation matters relating to the Executive Board.

Individual meeting participation of the Supervisory Board members

	Number of meetings	Participation	Participation rate
Members of the Supervisory Board as at December 31, 2020			
Thomas Rabe, Chairman of the Supervisory Board[1]	21	21	100%
Ian Gallienne, Deputy Chairman of the Supervisory Board[1]	16	15	94%
Udo Müller, Deputy Chairman of the Supervisory Board	19	19	100%
Petra Auerbacher	10	10	100%
Roswitha Hermann	10	8	80%
Herbert Kauffmann	15	15	100%
Christian Klein[2]	3	2	67%
Kathrin Menges	12	12	100%
Roland Nosko	19	19	100%
Beate Rohrig	10	10	100%
Nassef Sawiris	10	10	100%
Frank Scheiderer	15	15	100%
Michael Storl	10	10	100%
Bodo Uebber	15	15	100%
Jing Ulrich	10	10	100%
Günter Weigl	15	15	100%
Members of the Supervisory Board until the end of the Annual General Meeting on August 11, 2020			
Igor Landau, Chairman of the Supervisory Board	12	12	100%

1 Chairman or Deputy Chairman of the Supervisory Board from the end of the Annual General Meeting on August 11, 2020.
2 Member of the Supervisory Board from the end of the Annual General Meeting on August 11, 2020. Christian Klein was unable to attend one Supervisory Board meeting in the year under review due to an excused absence. Due to his shorter term of office in the year under review and the lower number of meetings (three meetings), this resulted in a relatively low attendance rate of 67%, which is not representative.

Tasks and topics for the entire Supervisory Board

In the year under review, there were ten meetings of the entire Supervisory Board (2019: eight meetings). One resolution was passed by way of a circular resolution.

The following subject areas were presented to us in detail by the Executive Board for regular discussion at Supervisory Board meetings: the development of sales and earnings, the employment situation as well as the financial position of the company and the business development of the company's individual operations, brands, and markets. In addition, we focused on the serious impact of the ongoing coronavirus pandemic on the global economy and on the company. From the outset, our top priority was the health and safety of our employees, shareholders, consumers, and partners. In addition, we examined in detail the considerable decline in sales, profit and cash flow from operating activities as well as the associated liquidity management within the company. We also considered the rapidly accelerating top-line growth in our e-commerce channel. The Executive Board provided regular reports on the implementation of measures aimed at promoting diversity, equality, and inclusion at adidas. Finally, we discussed the annual and multi-year planning of the Executive Board. In particular, we examined the development of the new long-term strategy that will run from the 2021 to 2025 financial years. In our meetings, the Executive Board provided regular reports on the status of development and consulted extensively with the Supervisory Board.

In accordance with statutory regulations or the Rules of Procedure, certain transactions and measures by the Executive Board require the prior approval of the Supervisory Board. The Supervisory Board discussed transactions requiring approval as and when they arose and gave its approval to resolution items after detailed reviews, in some cases after preparation by the relevant committees. In addition, the Supervisory

Board regularly discussed personnel and compensation matters with respect to the Executive Board as well as questions of corporate governance. ► SEE COMPENSATION REPORT ► SEE DECLARATION ON CORPORATE GOVERNANCE

At the February meeting of the Supervisory Board, the Executive Board reported on the company's situation and preliminary financial results for the 2019 financial year as well as the development process for the new strategy. Furthermore, we deliberated on major legal disputes involving adidas as well as business development at Reebok. We also examined the upcoming election of a shareholder representative to the Supervisory Board at the 2020 Annual General Meeting. In addition, we elected Bodo Uebber to the Audit Committee with effect from January 1, 2020, following the departure of Ian Gallienne as Audit Committee member on December 31, 2019. Other topics of discussion included Executive Board compensation and corporate governance. In particular, we addressed the independence of Supervisory Board members as well as the Declaration on Corporate Governance (Corporate Governance Report). In addition, having determined the degree of target achievement and having discussed in detail the individual performance of Executive Board members, we set the short- and long-term variable compensation to be paid to the Executive Board members for the 2019 financial year. We also determined the appropriateness of Executive Board compensation following an internal appropriateness test.

At the balance sheet meeting in March, the Executive Board reported on the financial results for the past financial year as well as on the audit of the 2019 annual financial statements and consolidated financial statements. Before the Supervisory Board passed the resolution, the auditor reported on the material results of the audit, including the results of the examination of the content of the non-financial statement commissioned by the Supervisory Board in accordance with § 111 section 2 sentence 4 of the German Stock Corporation Act (Aktiengesetz – AktG). After in-depth examination of the financial statements and on the basis of the independent auditor's report and the Audit Committee report on the audit results, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the combined Management Report, including the non-financial statement for adidas AG and the adidas Group. The annual financial statements were thus adopted. In addition, the Executive Board explained the current business situation of the company, also in relation to the unforeseeable impact of the coronavirus pandemic. Another topic of discussion was the ongoing development of the long-term strategy. We also approved the merger of the non-operational adidas anticipation GmbH with adidas AG as a measure requiring approval. Furthermore, we approved the Supervisory Board Report to the Annual General Meeting as well as the proposed resolutions to be submitted to the 2020 Annual General Meeting, including the proposal on the appropriation of retained earnings for the 2019 financial year. The Supervisory Board later revoked the resolution on the Annual General Meeting after the Executive Board decided to postpone the 2020 Annual General Meeting from May to August in line with restrictions imposed by the competent German authorities and as a result of the ban on large in-person meetings. In addition, at the March meeting of the Supervisory Board, we determined the criteria and targets for the variable, performance-based compensation of Executive Board members for the 2020 financial year. Given the impact of the coronavirus pandemic on the company's business situation and the importance of securing the company's liquidity, we decided in March, in agreement with the Executive Board, to postpone the payment of the short- and long-term variable compensation for the 2019 financial year. In addition, the Executive Board members agreed to waive the payment of 50% of their contractually agreed fixed salary for an indefinite period.

In April, there were two meetings of the Supervisory Board. Both meetings focused on mitigation of the coronavirus pandemic as well as on liquidity management and the company's financial strategy. Within this framework, we approved a syndicated loan facility for adidas AG from a consortium of banks with participation from KfW. As a liquidity management measure, the Executive Board members waived their annually granted short- and long-term bonuses for the 2020 financial year. In addition, the Executive Board presented the Q1 2020 results and reported on the progress of the digital transformation at adidas.

A further two meetings of the Supervisory Board were held in June. The first of these, at the beginning of the month, focused on the current business situation and, in particular, the impact of the coronavirus pandemic on the operating business and the measures taken to mitigate it. In light of the ongoing coronavirus pandemic, the Supervisory Board members also agreed to donate 30% of their annual compensation in the year under review to SOS Children's Villages and other good causes. In addition, we passed a new resolution on the invitation and agenda for the virtual 2020 Annual General Meeting. The Supervisory Board approved the proposed resolutions to be submitted to the Annual General Meeting of adidas AG on August 11, 2020, including the proposal on the appropriation of retained earnings for the 2019 financial year. At the second of the June meetings, the Supervisory Board approved the termination by mutual agreement of the appointment of Karen Parkin as a member of the Executive Board of adidas AG with effect from June 30, 2020. Furthermore, the termination agreement with respect to Karen Parkin's Executive Board service contract was approved.

The August meeting focused on the Q2 and half-year results for 2020 as well as the financial strategy of adidas AG. With regard to the financial strategy, the Supervisory Board authorized the Executive Board to issue non-share-based bonds and conclude a syndicated revolving loan facility. In addition, we deliberated extensively and in detail on the issues of diversity and inclusion within adidas as well as the development of the new strategy. We also addressed key initiatives in the area of sustainability and agreed to commission KPMG to examine the content of the non-financial statement with limited assurance. In connection with the election of the new Supervisory Board member by the Annual General Meeting on August 11, 2020, we also addressed the composition of the Supervisory Board and its committees. Other topics covered at the meeting included personnel and compensation matters of the Executive Board. After extensive consultation, the Supervisory Board reappointed CEO Kasper Rorsted as a member of the Executive Board of adidas AG for a further five years. In addition, the Supervisory Board confirmed its approval of Brian Grevy's external board of directors mandate at Pitzner Gruppen Holding A/S. We also conducted a horizontal comparison of Executive Board compensation and determined that the compensation provided was appropriate. As the company's liquidity improved, we decided to pay the Executive Board members the fixed compensation that had been deferred since April 2020 and to resume payment of the monthly fixed salary at the contractually agreed amount.

At the September meeting of the Supervisory Board, we discussed succession planning for the Executive Board function Global Human Resources and, after extensive consultation, appointed Amanda Rajkumar as a member of the Executive Board of adidas AG from January 2021. We also approved the Executive Board service contract to be concluded with Amanda Rajkumar.

At the meeting in October, we discussed the preliminary Q3 2020 results and the development process for the new strategy. The Executive Board reported on the financing arrangements, in particular the bonds issued. In addition, we discussed the digital strategy as well as ongoing developments and progress made in our e-commerce channel. The Executive Board then outlined the latest developments in diversity and inclusion at adidas. Furthermore, we approved the potential assumption of Kasper Rorsted's external supervisory board mandate at Siemens AG. We also examined the competency profile for the Supervisory Board, including targets for its composition, and discussed the results of our self-assessment (efficiency examination). Based on these results, we derived selective measures to improve the organization of the Supervisory Board's work. In general, the self-assessment results confirmed the high effectiveness of the work of the Supervisory Board and its committees.

The December meeting focused on the budget and investment planning presented by the Executive Board for the 2021 financial year, which we approved after detailed consultation, as well as the marketing and sponsorship agreements concluded in the year under review. Together with the Executive Board, we discussed in depth the new strategy planned for the 2021 financial year onwards. In addition, following corresponding preparation by the General Committee, we discussed the new compensation system for members of the Executive Board and Supervisory Board, and reviewed and revised the Rules of Procedure of the Supervisory Board and Audit Committee in light of legal changes and the requirements of the Code. In this context, it was also decided to maintain the deductible of at least 10% of the claim in connection with the insurance of Supervisory Board members against risks arising from their professional activities (D&O insurance). Furthermore, we discussed the assessment of the independence of the Supervisory Board members and the Declaration of Compliance with the Code. Finally, we approved Harm Ohlmeyer's honorary executive board mandate at the WHU Foundation.

Tasks and topics for the committees

In order to perform our tasks in an efficient manner, we have established a total of five standing Supervisory Board committees. The committees prepare resolutions and topics for the meetings of the entire Supervisory Board. Within the legally permissible framework and in appropriate cases, we have furthermore delegated the Supervisory Board's authority to pass certain resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. The respective committee chairmen report to the Supervisory Board on their work as well as the content and results of the committee meetings on a regular and comprehensive basis.

The **Steering Committee** did not meet in the year under review.

The **General Committee** held nine meetings during the year under review (2019: six meetings). One resolution was passed by way of a circular resolution. The main task of the General Committee was to prepare resolutions for the entire Supervisory Board on personnel and compensation matters of the Executive Board. In particular, it provided comprehensive advice on the departure of Karen Parkin, the appointment of Amanda Rajkumar, and the reappointment of Kasper Rorsted. The General Committee also dealt with the assumption of company-external mandates by Executive Board members. Regarding Executive Board compensation, the General Committee drafted proposals for resolutions on short- and long-term variable performance-based compensation (targets, target achievement, and amount), and pre-examined the appropriateness of the Executive Board compensation. Furthermore, the General Committee dealt intensively with the development of the new compensation system and long-term succession planning for the Executive Board as well as with the changed requirements of the German Stock Corporation Act and the Code in regard to corporate governance.

The **Audit Committee** held five meetings in the year under review (2019: five meetings). The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.

In addition to the monitoring of the accounting process, the committee's work also focused on the audit of the annual financial statements and the consolidated financial statements for 2019, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports with the auditor, the Audit Committee decided to recommend that the Supervisory Board approve the 2019 annual financial statements and consolidated financial statements. In addition, the Audit Committee prepared the audit of the non-financial statement and resolved to recommend that the Supervisory Board commission KPMG with the examination of the content of the non-financial statement with limited assurance pursuant to § 111 section 2 sentence 4 AktG. Following in-depth discussions, the Audit Committee also made a recommendation to the Supervisory Board regarding the proposal to the 2020 Annual General Meeting for the appointment of the auditor. The Audit Committee declared to the Supervisory Board that the recommendation was free from undue influence by a third party and that no clause of the kind referred to in Article 16 section 6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities was imposed upon it.

In the year under review, the Audit Committee dealt intensively with the continued development and monitoring of the effectiveness of the risk management system, the internal audit system, the internal control system, and the compliance management system. Other matters discussed in detail were the assignment of the audit mandate to the auditor appointed by the Annual General Meeting and the determination of the audit fees and key audit matters. The Audit Committee also monitored the independence and qualification of the auditor as well as the quality of the audit. Finally, the Audit Committee discussed the quarterly financial results and the half-year financial report. In the year under review, the Audit Committee was also heavily occupied with the impending external rotation of the auditor in 2023 and defined the key parameters regarding the tendering process. In addition, the Audit Committee dealt extensively with the audit plan and risk management report. At each committee meeting, the Audit Committee was also informed about the findings and developments of internal audit as well as in the area of compliance.

Furthermore, in the meetings of the Audit Committee topics such as data protection and information security, contract management, and the bank account management system at adidas were discussed. Finally, the Audit Committee discussed the company's internal guidelines for monitoring compliance with the regulations governing transactions with related companies and persons as well as the new EU Taxonomy Regulation.

The **Nomination Committee** held two meetings in the year under review (2019: two meetings). In particular, it prepared the proposals of the Supervisory Board to the 2020 and 2021 Annual General Meeting regarding the election of shareholder representatives. Drawing on the Supervisory Board's own competency profile for members of the Supervisory Board, the Nomination Committee created a requirements profile that it then used to assess the suitability of candidates. The Nomination Committee also advised on the suitability and independence of candidates in relation to the regulatory requirements.

The **Mediation Committee** to be established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz — MitbestG) did not have to be convened in the year under review.

Election and composition of the Supervisory Board

Igor Landau, a long-serving member and Chairman of the Supervisory Board, was elected as a shareholder representative at the Annual General Meeting on May 9, 2019 until the end of the 2020 Annual General Meeting. With Igor Landau's term of office set to expire, the Supervisory Board proposed a new candidate for election to the 2020 Annual General Meeting following detailed consultation and preparation by the Nomination Committee. The 2020 Annual General Meeting approved the Supervisory Board's proposal by a large majority and elected Christian Klein as a new member of the Supervisory Board from the end of the Annual General Meeting of adidas AG on August 11, 2020 until the end of the Annual General Meeting that ratifies the actions of the Supervisory Board for the 2023 financial year. ► SEE SUPERVISORY BOARD

With the expiry of Igor Landau's term of office, it was necessary to amend the composition and memberships of the committees. With effect from the end of the 2020 Annual General Meeting, the Supervisory Board elected Thomas Rabe as Chairman of the Supervisory Board and Ian Gallienne as additional Deputy Chairman. The shareholder representatives on the Supervisory Board elected Ian Gallienne as the new member of the Nomination Committee and Mediation Committee.

Herbert Kauffmann, the long-serving Chairman of the Audit Committee of adidas AG, was elected as a shareholder representative at the Annual General Meeting on May 9, 2019 until the end of the 2021 Annual General Meeting. To ensure a smooth handover of the chairmanship of the Audit Committee, Bodo Uebber, who was appointed to the Audit Committee at the beginning of the year under review, was elected Chairman of the Audit Committee with effect from the end of the 2020 Annual General Meeting.

With Herbert Kauffmann's term of office set to expire, the Supervisory Board will propose a new candidate for election as shareholder representative on the Supervisory Board to the 2021 Annual General Meeting. Prior to the Supervisory Board submitting a proposal, a diligent selection process for suitable candidates takes place. The selection criteria for candidates are determined using a pre-defined requirements profile and are based on the objectives set by the Supervisory Board for the composition of the Supervisory Board, taking into account the competency profile, legal requirements, and applicable recommendations of the Code.

The members of the Supervisory Board are individually responsible for undertaking any necessary training and further education measures required for their tasks. To assist them in their role, the company offered Supervisory Board members who joined the Supervisory Board during the year under review or who assumed new responsibilities within the Supervisory Board an introduction to the work of the Supervisory Board and/or to new areas of responsibility within adidas AG. Furthermore, the company regularly informs the Supervisory Board about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature.

Changes to the Executive Board

In September 2020, the Supervisory Board appointed Amanda Rajkumar as a new member of the Executive Board with responsibility for Global Human Resources, effective January 2021. Amanda Rajkumar succeeds Karen Parkin, who left the Executive Board on June 30, 2020. In addition, we extended the mandate of CEO Kasper Rorsted by a further five years until 2026. ► SEE EXECUTIVE BOARD

Corporate Governance

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the recommendations of the Code. The General Committee and the entire Supervisory Board discussed in their meetings the changed requirements of the German Stock Corporation Act and the Code in regard to corporate governance. Further detailed information on corporate governance within the company can be found in the Declaration on Corporate Governance. ► SEE DECLARATION ON CORPORATE GOVERNANCE

Following an in-depth discussion, the current Declaration of Compliance pursuant to § 161 AktG was resolved upon by the Executive Board and Supervisory Board of adidas AG in December 2020 and was made permanently available on our website. ► ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE

In the year under review, there were no conflicts of interest among the members of either the Supervisory Board or the Executive Board.

Examination of the annual financial statements and consolidated financial statements

The 2020 Annual General Meeting elected KPMG as auditor and Group auditor for the 2020 financial year as proposed by the Supervisory Board and recommended by the Audit Committee. Prior to this, KPMG had confirmed to both the Supervisory Board and Audit Committee that there are no circumstances which could prejudice its independence as auditor or which could cast doubt on KPMG's independence. In this respect, KPMG also declared to which extent non-audit services were rendered for the company in the previous financial year or are contractually agreed upon for the following year.

KPMG audited the 2020 consolidated financial statements prepared by the Executive Board in accordance with § 315e of the German Commercial Code (Handelsgesetzbuch – HGB) in compliance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union, and issued an unqualified opinion thereon. This also applies to the 2020 annual financial statements of adidas AG, prepared in accordance with the requirements of the German Commercial Code, and the combined Management Report of adidas AG and the adidas Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement. The financial statements, the proposal on the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner.

The financial statements were examined in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 8, 2021 and at the balance sheet meeting of the Supervisory Board on March 9, 2021, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported on the material results of the audit, inter alia with regard to the focus points agreed and the key audit matters and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. Prior to the passing of the resolution, the auditor reported on the results of the examination of the non-financial statement as commissioned by the Supervisory Board in accordance with § 111 section 2 sentence 4 AktG. In addition, the Supervisory Board discussed in depth and approved the Executive Board's proposal concerning the appropriation of retained earnings for the 2020 financial year.

Based on our own audits of the annual and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. Following the recommendation of the Audit Committee, the Supervisory Board therefore approved the audit results and the financial statements prepared by the Executive Board, including the non-financial statement for the 2020 financial year. The annual financial statements were thus adopted. The annual financial statements are signed by the auditors Haiko Schmidt as the responsible audit partner since the 2017 financial year and Prof. Dr. Kai Andrejewski since the 2019 financial year.

KPMG has been acting as auditor and Group auditor for adidas AG since the 1995 financial year. On the basis of the transitional periods of Article 41 Regulation (EU) No. 537/2014, KPMG may not be reappointed as auditor after June 17, 2023. For this reason, an external rotation shall be conducted for the audit of the adidas AG financial statements for the 2023 financial year. Drawing on recommendations from the Audit Committee, the Supervisory Board will submit to the 2023 Annual General Meeting its proposal for a new auditor to audit the annual and consolidated financial statements of adidas AG as well as a possible review of the half-year financial report following a selection process that takes into account the criteria of Article 16 section 3 of the EU Auditors' Regulation. The Audit Committee discussed in detail the key data and criteria of the selection process in accordance with the requirements of Article 16 section 3 of the EU Audit Regulation and decided to conduct the tendering and selection process for the new auditor during the 2021 financial year.

Expression of thanks

On behalf of the entire Supervisory Board, I would like to thank Igor Landau, long-serving member and Chairman of the Supervisory Board who departed during the year under review, for his enormous commitment to the company and exceptional achievements in office. Furthermore, I wish to thank the current Executive Board, the departed Executive Board member Karen Parkin as well as all employees around the world for their great personal dedication and their ongoing commitment in these challenging times. I would also like to express my thanks for the enduring trust and cooperation between the employee and shareholder representatives on the Supervisory Board.

For the Supervisory Board

THOMAS RABE
CHAIRMAN OF THE SUPERVISORY BOARD

March 2021

DECLARATION ON CORPORATE GOVERNANCE

Corporate Governance stands for responsible and transparent management and corporate control oriented toward a sustainable increase in value. We are convinced that good corporate governance is an essential foundation for sustainable corporate success and enhances the confidence placed in our company by our shareholders, business partners, and employees, as well as the financial markets.

Declaration of the adidas AG Executive Board and Supervisory Board on the German Corporate Governance Code pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)

The adidas AG Executive Board and Supervisory Board issued the last Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 AktG in December 2019. Insofar as it is related to the past, the following declaration refers to the recommendations of the 'Government Commission on the German Corporate Governance Code' as of February 7, 2017, published in the Federal Gazette on April 24, 2017 and May 19, 2017 (corrected version) ('Code 2017'); as far as it is related to the present and future, the following declaration refers to the recommendations in the version as of December 16, 2019, published in the Federal Gazette on May 20, 2020 ('Code 2019' or 'Code').

1. The adidas AG Executive Board and Supervisory Board declare that since the last declaration, the recommendations of the Code 2017 have been met with the following exception:

Recommendation 5.4.5 Section 1 Sentence 2 Code 2017

One member of the Supervisory Board, Ian Gallienne, holds more than three mandates in supervisory bodies of non-Group companies which are listed at a stock exchange or have similar requirements. Ian Gallienne is Chief Executive Officer of Groupe Bruxelles Lambert ('GBL'). GBL is a holding company that is regularly represented in the supervisory bodies of portfolio companies as an institutional investor, inter alia by its Chief Executive Officer. All companies (apart from adidas AG) in which Ian Gallienne is a member of the supervisory body are portfolio companies or subsidiaries of GBL or are under joint control of GBL and therefore belong to the same group of companies. They have to be attributed to his main occupation as Chief Executive Officer of GBL.

We are of the opinion that in accordance with its rationale, the recommendation 5.4.5 section 1 sentence 2 Code 2017 is thus not applicable to Ian Gallienne. For precautionary reasons, however, a deviation is declared. The Supervisory Board has also assured itself that Ian Gallienne has sufficient time to duly perform his duties as a member of the Supervisory Board of adidas AG.

2. The adidas AG Executive Board and Supervisory Board also declare that the recommendations of the Code 2019 have been and are met with the following deviations:

Recommendation C.5 Alternative 1 Code 2019

With regards to the mandates held by Ian Gallienne, reference is made to the above explanations. We are of the opinion that in accordance with its rationale, the recommendation C.5 alternative 1 Code 2019 is also not applicable to Ian Gallienne. However, a deviation is declared for precautionary reasons.

Recommendation C.5 Alternative 2 Code 2019

The Chairman of the Supervisory Board, Thomas Rabe, also is Chief Executive Officer of the listed company RTL Group S.A., Luxembourg. In this respect, the company deviates from recommendation C.5 alternative 2. However, the Supervisory Board is convinced that the mandate of Thomas Rabe at RTL Group S.A. does not affect the due performance of his duties as Chairman of the Supervisory Board. In particular, the Supervisory Board has assured itself that Thomas Rabe has sufficient time to perform his duties.

Recommendations G.1 and G.10 Sentence 2 Code 2019
In comparison to the Code 2017, the Code 2019 contains modified recommendations for the Executive Board compensation. The current Executive Board compensation system, as resolved by the Supervisory Board and approved by the Annual General Meeting of adidas AG on May 9, 2018, does not fully comply with the new recommendations G.1 and G.10 sentence 2 Code 2019. The Supervisory Board will propose a modified Executive Board compensation system to the 2021 Annual General Meeting which fully complies with the recommendations of the Code 2019.

Herzogenaurach, December 2020

For the Executive Board
KASPER RORSTED
Chief Executive Officer

For the Supervisory Board
THOMAS RABE
Chairman of the Supervisory Board

The aforementioned Declaration of Compliance has been published on and can be downloaded from our website. ► ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE

Dual board system
As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is subject to, inter alia, the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and monitoring of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated both in terms of members and competencies. However, both boards cooperate closely in the interest of the company.

Composition and working methods of the Executive Board
The composition of our Executive Board, which consists of six members, reflects the international character of our company. The Executive Board is responsible for independently managing the company, determining the Group's strategic orientation, agreeing the strategy with the Supervisory Board, and ensuring its implementation. Further, it defines business targets, company policy, and the organization of the Group. The Executive Board is in charge of preparing the quarterly statements, the half-year report, and the annual financial statements and consolidated financial statements as well as the combined Management Report of adidas AG and the Group. Moreover, it prepares a combined non-financial statement for the company and the Group. Additionally, the Executive Board ensures appropriate risk management and risk controlling as well as compliance with statutory regulations and internal guidelines. In this regard, the Executive Board is responsible for implementing an adequate compliance management system which meets the requirements of the company's risk situation. It is bound to the company's interest and obligated to strive for a sustained increase in company value.

Notwithstanding the Executive Board's overall responsibility, its members are individually responsible for managing their respective operations in accordance with the Business Allocation Plan for the Executive Board. There are no Executive Board committees. The Chief Executive Officer is responsible for lead management and development of the company, including the coordination of the operations, brands, and markets. The members of the Executive Board keep each other informed regularly and comprehensively about all significant developments in their business areas and align on all cross-functional measures. Collaboration within the Executive Board is further governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

The Executive Board and Supervisory Board cooperate closely for the benefit of the company. The Executive Board reports to the Supervisory Board regularly, extensively, and in a timely manner on all matters relevant to the company's strategy, planning, business development, financial position, and compliance as well as on material business risks. Fundamental questions related to the corporate strategy and its implementation are thoroughly discussed and agreed with the Supervisory Board.

The Executive Board is appointed by the Supervisory Board. The Supervisory Board is committed to promoting a culture of diversity and inclusion at adidas. Diversity is understood in the broadest sense, including age, gender, cultural origin, nationality, educational background, professional qualifications, and experience. Greater diversity on the Executive Board will help secure the long-term success of adidas by taking diverse perspectives into account. In addition, the Supervisory Board has agreed upon an age limit of 65 years for Executive Board members.

The General Committee of the Supervisory Board already accounts for diversity when selecting candidates for Executive Board positions. Every decision by the Supervisory Board on the composition of the Executive Board is made in the best interests of the company and with due consideration of all the circumstances in each individual case. In the opinion of the Supervisory Board, the current composition of the Executive Board meets the diversity requirement outlined above.

No member of the Executive Board has accepted a Supervisory Board chair or more than two Supervisory Board mandates in non-group listed companies or in supervisory bodies of non-group companies with comparable requirements. ► SEE EXECUTIVE BOARD

Composition and working methods of the Supervisory Board

Our Supervisory Board consists of 16 members. It comprises eight shareholder representatives and eight employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG). The shareholder representatives are elected by the shareholders at the Annual General Meeting, and the employee representatives by the employees. ► SEE SUPERVISORY BOARD

The most recent regular elections to the Supervisory Board were held in the 2019 financial year. In the 2020 financial year, the Annual General Meeting appointed Christian Klein to the Supervisory Board as a shareholder representative. This by-election was required as the term of office of Igor Landau, the former Chairman of the Supervisory Board, ended at the conclusion of the 2020 Annual General Meeting. The departure of Igor Landau also necessitated a new Chairman of the Supervisory Board. The Supervisory Board elected Thomas Rabe to this role with effect from the end of the 2020 Annual General Meeting. The terms of office of the current members of the Supervisory Board end at the conclusion of the 2024 Annual General Meeting – with the sole exception of Herbert Kauffmann, whose term ends at the conclusion of the 2021 Annual General Meeting.

In order to increase the efficiency of its work and to deal with complex topics, the Supervisory Board has formed five permanent committees from within its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. At present, these committees are as follows:

Committee	Members
Steering Committee	Thomas Rabe (Chairman) Ian Gallienne Udo Müller
General Committee	Thomas Rabe (Chairman) Ian Gallienne Udo Müller Roland Nosko
Audit Committee	Bodo Uebber (Chairman) Herbert Kauffmann Frank Scheiderer Günter Weigl
Nomination Committee	Thomas Rabe (Chairman) Ian Gallienne Kathrin Menges
Mediation Committee (§27 paragraph 3 MitbestG)	Thomas Rabe (Chairman) Ian Gallienne Roswitha Hermann Udo Müller

The tasks, responsibilities, and work processes of the committees are in line with the requirements of the German Stock Corporation Act and the Code. The Chairmen of the committees report to the Supervisory Board on the results of the committee work on a regular basis. Further information on the committees can be found on the company's website. ▸ ADIDAS-GROUP.COM/S/SUPERVISORY-BOARD-COMMITTEES

Objectives for the composition of the Supervisory Board

In its meeting in October 2020, the Supervisory Board agreed upon the objectives for its composition (including the competency profile for the entire Supervisory Board), taking into account the recommendations of the Code. These objectives are published on our website. According to these objectives, the Supervisory Board should be composed in such a way that qualified monitoring of and advice to the Executive Board are ensured. Its members as a whole are expected to have the knowledge, skills, and professional experience required to properly perform the tasks of a supervisory board in a capital market-oriented international company in the sporting goods industry. To this end, it is ensured that the Supervisory Board as a whole possesses the competencies considered essential in view of adidas' activities. This includes, in particular, in-depth knowledge and experience in the sporting goods and sports- and leisurewear industry, in the business of fast-moving consumer-oriented goods and in the areas of digital transformation and information technology (including IT security), production, marketing, and sales, in particular in the e-commerce and retail sector. Moreover, the Supervisory Board is expected to possess knowledge and experience in the markets relevant to adidas, in particular the Asian and US markets, and in the management of a large international company. Furthermore, the Supervisory Board as a whole must possess knowledge and experience in the areas of business strategy development and implementation, human resources planning and management, accounting and financial reporting, controlling/risk management, governance/compliance, corporate social responsibility, and sustainability. At least one member of the Supervisory Board must have expertise in the areas of accounting or auditing of annual accounts. Additionally, the Supervisory Board members as a whole are expected to be familiar with the sporting goods industry. ▸ ADIDAS-GROUP.COM/S/BODIES

Regarding the independence of its members, the Supervisory Board considers the following provisions to be appropriate: More than half of the Supervisory Board members should be independent within the meaning of the Code, whereby it is assumed that the independence of employee representatives is not impaired either by their role as employee representatives or their status as adidas employees. If we consider shareholder representatives and employee representatives separately, more than half of the Supervisory Board members in each of these groups must be independent. From the company's view and following the regulations of the German Corporate Governance Code, Supervisory Board members are to be considered independent if they have no personal or business relationship with the company or its Executive Board that may cause a substantial, and not merely temporary, conflict of interest.

More than two-thirds of the shareholder representatives must be free of any potential conflicts of interest. This applies in particular to potential conflicts of interest that may arise as a result of an advisory or board role among customers, suppliers, lenders, or other third parties. As a rule, members of the Supervisory Board should not have a board-level or advisory role with any key competitor and should not have a personal relationship with any key competitor.

Furthermore, the Supervisory Board is committed to a diverse composition in terms of age, gender, cultural origin, nationality, educational background, professional qualifications, and experience. An adequate number of the shareholder representatives should have long-standing international experience. In addition, each Supervisory Board member must ensure that they have sufficient time to properly perform the tasks associated with the mandate. In general, the age limit for the Supervisory Board should be 72 years at the time of their appointment. As a rule, the length of membership in the Supervisory Board should not exceed 15 years or three terms of office.

In the Supervisory Board's assessment, the Supervisory Board as a whole in its current composition fulfills the objectives stated and the competency profile. With Bodo Uebber, Chairman of the Audit Committee, at least one member of the Supervisory Board has proven expertise in the areas of accounting or auditing of annual accounts. The names of the independent shareholder representatives are set out in the overview of all Supervisory Board members in this Annual Report. In the opinion of the Supervisory Board, all shareholder representatives qualified as 'independent' in the year under review. ▶ SEE SUPERVISORY BOARD

The Supervisory Board's election proposals to the Annual General Meeting are always prepared by the Nomination Committee. They take into account the objectives regarding the Supervisory Board's composition resolved upon by the Supervisory Board and are aimed at fulfilling the competency profile developed by the Supervisory Board for the Board as a whole. The Supervisory Board pays attention to a balanced composition to ensure that the required know-how is represented on as broad of a scale as possible. Moreover, the Supervisory Board ascertains that each proposed candidate has sufficient time to perform their mandates. ▶ SEE SUPERVISORY BOARD

Tasks of the Supervisory Board

The Supervisory Board monitors and advises the Executive Board on questions relating to the management of the company. The Executive Board regularly, expeditiously, and comprehensively reports on business development and planning as well as on the company's risk situation including compliance and coordinates the strategy of the company and its implementation with the Supervisory Board. The Supervisory Board examines and approves the annual financial statements and consolidated financial statements as well as the combined Management Report of adidas AG and the Group, taking into consideration the auditor's reports, and resolves upon the proposal of the Executive Board on the appropriation of retained earnings. Additionally, it resolves upon the Supervisory Board's resolution proposals to be presented to the Annual General Meeting. Moreover, the Supervisory Board examines the combined non-financial statement for the company and the Group. Certain business transactions and measures of the Executive Board with fundamental significance are subject to prior approval by the Supervisory Board or by a Supervisory Board committee. The respective details are set out in § 9 of the Rules of Procedure of the Supervisory Board of adidas AG. Furthermore, the requirement of prior Supervisory Board approval is stipulated in some resolutions by the Annual General Meeting.

The Supervisory Board is also responsible for the appointment and dismissal of the Executive Board members as well as for the allocation of their areas of responsibility. The respective proposals are prepared by the General Committee. When appointing new Executive Board members, the Supervisory Board aims to select candidates with a wide range of complementary skills to ensure the best possible Executive Board composition for the company, keeping long-term succession planning in mind. The Supervisory Board takes a structural approach in its succession planning for the Executive Board. This is based on multiple planning horizons. Accordingly, the company has established a number of management groups (Core Leadership Group [CLG], Extended Leadership Group [ELG], and High Potentials). This ensures a sustainable approach to identifying and evaluating successor candidates for Executive Board positions, while also accommodating the company's diversity concept. The Supervisory Board discusses succession planning on a regular basis.

Furthermore, the Supervisory Board determines the Executive Board compensation system, examines it regularly and decides on the individual overall compensation of each Executive Board member. Further information on Executive Board compensation is compiled in the Compensation Report. ► **SEE COMPENSATION REPORT**

Further information on Corporate Governance

More information on topics covered in this report can be found on our website, including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board committees (composition and tasks)
- CVs of Executive Board members and Supervisory Board members
- Objectives of the Supervisory Board regarding its composition (including competency profile for the full Supervisory Board)

► **ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE**

Apart from the individual skills expected of the members, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the tasks and responsibilities as well as the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The Supervisory Board Report provides information on the activities of the Supervisory Board and its committees in the year under review. ► **SEE SUPERVISORY BOARD REPORT**

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and are supported by adidas AG in this regard. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature. In this regard, the Supervisory Board was also informed about the latest corporate governance developments and dealt extensively with the new version of the German Corporate Governance Code, which came into force during the year under review.

In addition, the Supervisory Board as well as the Audit Committee, General Committee, and Nomination Committee regularly review the efficiency of their work. After an external review was last conducted in 2018 the Supervisory Board and the aforementioned committees again conducted an internal self-assessment review in the year under review as well as in the previous year. The members of the Supervisory Board found the work of the Supervisory Board as a whole and of the individual committees to be efficient and agreed specific measures aimed at improving the organization of the Supervisory Board's work.

The compensation of the Supervisory Board members is set out in the Compensation Report.

► SEE COMPENSATION REPORT

Commitment to the promotion of equal participation of women and men in leadership positions

When filling leadership positions in the company, the Executive Board takes diversity into account and aims for an appropriate consideration of women in particular. The Supervisory Board is also convinced that an increase in the number of women in leadership positions within the company is necessary to ensure that, in the future, a larger number of suitable female candidates are available for Executive Board positions. The Executive Board and Supervisory Board therefore recognize the enormous importance of the company's initiatives to foster diversity and inclusion and to promote women to leadership positions.

► SEE OUR PEOPLE

In August 2017, the Supervisory Board set a target for female representation on the Executive Board of 1/7 (14.29%), with a deadline of June 30, 2022. That target is met as a result of Amanda Rajkumar joining the Executive Board.

In addition, the Executive Board has set targets and deadlines for female representation in the first two management levels of adidas AG. The targets are 24.2% for the first management level below the Executive Board and 30% for the second management level. The deadline for both targets is December 31, 2021.

On the first management level below the Executive Board, the percentage share of women amounted to 18% at the balance sheet date. The target figure was thus not achieved. In this respect, it must be noted that adidas AG has only a small number of leadership positions on this management level; therefore, minor changes already result in considerable changes in percentage numbers. The missing of the defined target figure is particularly attributable to unplanned departures from the company in the year under review and partly also to replacements that only take effect in the following year. Due to the coronavirus pandemic, fewer replacements or personnel measures than originally planned were realized. On the second management level below the Executive Board, the percentage share of women amounted to 27% at the balance sheet date. The target figure was thus not achieved. This slight shortfall is also particularly attributable to unplanned departures from the company in the year under review and to the exceptional circumstances caused by the coronavirus pandemic. As at balance sheet date, female representation in leadership positions on a global level however amounted to 35.2%. The target figure of 32% for the year 2020 was thus clearly exceeded. The company will continue to intensify its efforts to remain an attractive employer in the future, with a particular focus on a long-term approach for equal participation in leadership positions – both through recruitment and through appropriate talent and succession planning management.

In accordance with § 96 section 2 sentence 1 AktG, at least 30% of the members of the Supervisory Board have to be female and at least 30% have to be male. In the year under review, the shareholder representatives and the employee representatives each resolved in accordance with § 96 section 2 sentence 3 AktG that this minimum quota shall be fulfilled separately for the shareholder representatives and the employee representatives. As at December 31, 2020, altogether five of the 16 Supervisory Board mandates of the company were held by women, two on the shareholder representative side and three on the employee representative side. The minimum quota required is thus fulfilled on both sides.

Avoiding conflicts of interest

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without delay. Substantial transactions between the company and members of the Executive Board or related parties of the Executive Board require Supervisory Board approval. Contracts between the company and members of the Supervisory Board also require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, the members of the Executive Board and the members of the Supervisory Board did not face any conflicts of interest. ► SEE SUPERVISORY BOARD REPORT

Share transactions conducted by the Executive Board and Supervisory Board

An overview of the transactions of the Executive Board and the Supervisory Board pursuant to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation) notified to adidas AG in 2020 is published on our website. ► ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS

Relevant management practices

Our business activities are oriented toward the legal systems in the various countries and markets in which we operate. This implies a high level of social and environmental responsibility. Further information on company-specific practices which are applied in addition to statutory requirements, such as our Code of Conduct ('Fair Play'), on compliance with working and social standards within our supply chain, environmentally friendly resource management in our manufacturing processes and our social commitment, is available in this Annual Report and on our website. ► SEE OUR PEOPLE ► SEE SUSTAINABILITY ► ADIDAS-GROUP.COM/SUSTAINABILITY

Compliance and risk management

Compliance with laws, internal and external provisions, and responsible risk management are part of corporate governance at adidas. Our compliance management system is linked to the company's risk and opportunity management system. As part of our global 'Fair Play Concept', the compliance management system establishes the organizational framework for company-wide awareness of our internal rules and guidelines and for the legally compliant conduct of our business. It underscores our strong commitment to ethical and fair behavior in our own organization and also sets the parameters for how we deal with others. The principles of our compliance management system are set out in the Risk and Opportunity Report. The risk and opportunity management system ensures risk-aware, opportunity-oriented, and informed actions in a dynamic business environment in order to guarantee the competitiveness and sustainable success of adidas. ► SEE RISK AND OPPORTUNITY REPORT

Transparency and protection of shareholders' interests

It is our goal to inform all institutional investors, private shareholders, financial analysts, business partners, employees, and the interested public about the company's situation, at the same time and to an equal extent, through regular, transparent, and up-to-date communication. We publish all essential information, such as ad hoc announcements, press releases, and voting rights notifications as well as all presentations from roadshows and conferences, all financial reports, and the financial calendar on our website. With our Investor Relations activities, we maintain close and continuous contact with our current and potential shareholders. ► ADIDAS-GROUP.COM/S/INVESTORS ► SEE OUR SHARE

In addition, we provide all documents and information on our Annual General Meeting on our website. The shareholders of adidas AG exercise their shareholders' rights at the Annual General Meeting. Each share grants one vote. Our shareholders are involved in all fundamental decisions at the Annual General Meeting through their participation rights. The company is committed to supporting our shareholders in exercising their rights at the Annual General Meeting.

Further information on the principles of our management

More information on topics covered in this report can be found on our website, including:

- Code of Conduct
- Sustainability
- Social commitment
- Risk and opportunity management and compliance
- Information and documents on the Annual General Meeting
- Managers' transactions
- Accounting and annual audit

▸ ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE

Share-based programs

A long-term incentive plan, which is part of the remuneration for senior executives of adidas, applies. Based on this plan, the plan participants receive virtual shares (Restricted Stock Units). As per their contracts, each Executive Board member is entitled to participate in the Long-Term Incentive Plan (LTIP) established for Executive Board members. The adidas shares purchased are subject to a multi-year lock-up period. ▸ SEE NOTE 30 ▸ SEE OUR PEOPLE ▸ SEE COMPENSATION REPORT

Employees of adidas AG and its affiliated companies are able to participate in an employee stock purchase plan, under which they can acquire adidas AG shares with a discount and benefit, on a prorated basis, from free matching shares. ▸ SEE NOTE 28

Accounting and annual audit

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and German Stock Corporation Act (AktG). The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor for the 2020 annual financial statements and consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence. ▸ SEE REPRODUCTION OF THE INDEPENDENT AUDITOR'S REPORT

COMPENSATION REPORT

For adidas, transparent and comprehensible reporting on the compensation of the Executive Board and Supervisory Board is an essential element of good corporate governance. The Compensation Report is a component of the combined Management Report and outlines the principles of the compensation system for the members of the Executive Board and Supervisory Board as well as the level and structure of the compensation system in accordance with the legal requirements and the recommendations of the German Corporate Governance Code ('Code').

COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

The compensation system which has been applicable for the members of the Executive Board since the 2018 financial year was adopted by the shareholders at the Annual General Meeting on May 9, 2018.

In view of the Act on the Implementation of the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – 'ARUG II') and the new version of the German Corporate Governance Code, structural changes to the compensation system for the Executive Board members will become necessary. The new compensation system, revised in accordance with these requirements, will be presented for approval at the 2021 Annual General Meeting. The new compensation system will take also into account the new long-term strategy applicable from the 2021 financial year, and the short-term and long-term performance-related compensation components for Executive Board members will reflect the operational and strategic goals of the company outlined in the new strategy. Finally, our shareholders' expectations regarding the further development of the compensation system will also be taken into account.

The details on the revised compensation system are provided in the invitation to the 2021 Annual General Meeting, which is expected to be published in March 2021.

COMPENSATION SYSTEM

Principles of the compensation system

The compensation system for Executive Board members, which is applicable until the end of the 2020 financial year, is geared toward creating an incentive for successful, sustainable, and long-term corporate management and development. The compensation is therefore structured with an appropriate balance of fixed non-performance-related components and variable performance-related components. The variable performance-related components are based mainly on forward-looking, multi-year performance criteria. They are designed in such a way that both positive and negative developments are considered. Moreover, the incentive to achieve the long-term targets that determine the multi-year variable performance-related compensation component is higher than the incentive to achieve the targets that determine the one-year variable performance-related compensation component. To promote the execution of the corporate strategy, the performance targets selected for the variable performance-related compensation are derived from the operational and strategic goals. Therefore, at least 80% of the variable performance-related compensation is directly linked to the short- and long-term sales and profitability targets externally communicated, thus bringing the compensation of the Executive Board members directly in line with the interests of the shareholders. ► SEE SECTION 'VARIABLE PERFORMANCE-RELATED COMPONENTS'

When designing the compensation system and determining the Executive Board compensation, the Supervisory Board takes into account the size and global orientation, the economic situation, the success, and the outlook of the company. Compared with competitors, the compensation should be attractive, offering incentives to attract qualified members to the Executive Board and retain them on a long-term basis within the company. In addition, when determining the compensation, the complexity and importance of the tasks as well as the experience of the respective Executive Board member (especially with new appointments) and their contribution to the company's success are taken into consideration. The variable performance-related compensation is measured based on the achievement of ambitious, pre-agreed targets; subsequent changes to performance targets or comparison parameters are not permitted. The compensation system aims to appropriately remunerate exceptional performance, while diminishing performance-related compensation when targets are not met.

Procedure for establishing, implementing, and reviewing the compensation system

Following preparation by the General Committee, the compensation system for the Executive Board and the total compensation of each member of the Executive Board is determined and regularly reviewed by the entire Supervisory Board. The topics dealt with by the Supervisory Board and General Committee in the year under review are described in detail in the Supervisory Board Report. ► SEE SUPERVISORY BOARD REPORT

Horizontal (external) comparison

When determining the compensation of the Executive Board, the Supervisory Board takes into account current market compensation levels, especially among companies listed in the German share index (DAX) as well as other selected national and international companies in the sporting goods and textile industries. The Supervisory Board conducts regular horizontal comparisons to ascertain the appropriateness and competitiveness of the Executive Board compensation in relation to the economic situation of the company. In the appropriateness test carried out in the year under review, in addition to the companies listed in the German share index (DAX), the following national and international companies in particular were used for comparison purposes: Nike, Under Armour, VF, Puma, Lululemon, Skechers, Anta, H&M and Inditex.

Vertical (internal) comparison

The Supervisory Board also takes into account the company's internal compensation structure and levels when determining the Executive Board compensation. In this context, the Executive Board compensation is compared to that of senior management and employees overall in Germany, also with regard to development over time.

Pay ratios

In the 2020 financial year, the ratio of the target direct compensation (sum of the annual fixed compensation and the annual bonus target amounts for the short- and long-term variable compensation) of the Chief Executive Officer to the target direct compensation of the senior management was 11.8 (2019: 11.6) and of the employees overall in Germany was 81.9 (2019: 81.8). The ratio of the average target direct compensation of the ordinary Executive Board members to the target direct compensation of the senior management was 4.8 (2019: 4.6) and of the employees overall in Germany was 33.3 (2019: 32.6).

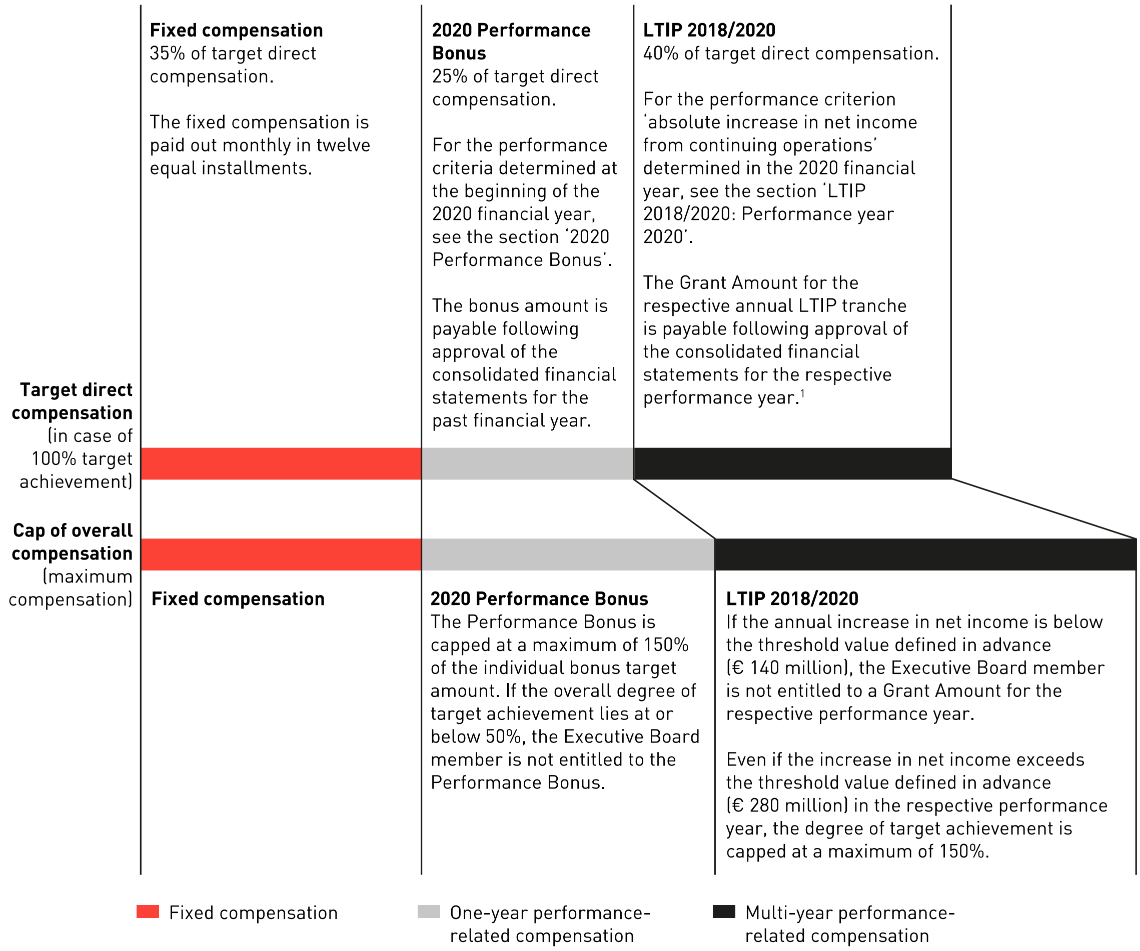
Overall, the Supervisory Board believes that the compensation system is clear and easy to understand and makes use of transparent performance criteria. Due to the fact that the target direct compensation consists predominantly of variable components which are directly linked to the short- and long-term objectives of the company and due to the share-based long-term compensation of the Executive Board members, the interests of the Executive Board are aligned with the interests of the shareholders. The Supervisory Board is also of the opinion that the compensation of Executive Board members is appropriate.

COMPENSATION STRUCTURE

The total annual compensation of the Executive Board members is composed of a fixed compensation, an annual cash bonus ('Performance Bonus'), a long-term share-based bonus (Long-Term Incentive Plan – 'LTIP Bonus') as well as pension benefits (service costs) and other benefits. In case of 100% target achievement, the target direct compensation (total annual compensation without pension benefits and other benefits) is composed of

- 35% fixed compensation,
- 25% Performance Bonus, and
- 40% LTIP Bonus.

Compensation system for the Executive Board members



1 The LTIP Payout Amount must be invested by the Executive Board members in the acquisition of adidas AG shares, which are subject to a lock-up period.

FIXED NON-PERFORMANCE-RELATED COMPONENTS

Fixed compensation

The fixed compensation consists of an annual fixed salary. In principle, it is paid in twelve equal monthly installments and generally remains unchanged during the term of the service contract. The fixed compensation corresponds to 35% of the target direct compensation of the respective Executive Board member.

Other benefits

Other regular benefits for Executive Board members include payment for, or providing the monetary value of, non-cash benefits such as premiums or contributions to insurance schemes in line with market practice, the provision of a company car or the payment of a car allowance, reimbursement of costs for a regular health check, reimbursement of work-related moving costs, and, if Executive Board members are also subject to taxation abroad, the costs for the tax consultant selected by adidas. The total amount of other benefits is capped at 5% of the total amount of the fixed compensation and Performance Bonus granted in the respective financial year ('Benefit Cap').

Defined contribution pension plans

The current members of the Executive Board have defined contribution pension plans. Each year, as part of the pension commitments, the virtual pension account of each Executive Board member is credited with an amount which equals a percentage determined by the Supervisory Board and which is related to the Executive Board member's individual annual fixed compensation. The appropriateness of the percentage is regularly assessed by the Supervisory Board. When making its decision, the Supervisory Board takes into account the targeted individual pension level – also based on the length of service on the Executive Board – and the resulting annual and long-term expenses for the company. The percentage most recently determined by the Supervisory Board amounts to 50%. The pension assets on the virtual pension account at the beginning of the respective calendar year yield a fixed interest rate of 3% p.a., however for no longer than until the pension benefits first become due. Entitlement to the pension benefits becomes vested immediately.

Entitlements to pension benefits comprise pensions to be received upon reaching the age of 65, or, on application, early retirement pensions to be received upon reaching the age of 62 or disability and survivors' benefits.

On occurrence of the pension-triggering event, the pension benefits generally correspond to the balance of the pension account including accumulated interest on that date. In case of invalidity or death prior to reaching the age of 62, for the minimum coverage, the Executive Board member's virtual pension account will be credited with the outstanding pension contributions for the time until the Executive Board member would have reached the age of 62, but for no longer than 120 months (without interest accrual).

At the option of the Executive Board member or the surviving dependents, the payout of all pension benefits is made either as a one-time payment or in up to ten equal annual installments. As a rule, in case of a payout in annual installments, the installments are due in January of the respective year.

VARIABLE PERFORMANCE-RELATED COMPONENTS

Performance Bonus

As the annual variable performance-related component, the Performance Bonus serves as compensation for the Executive Board's performance in the past financial year in line with the short-term development of the company. At the beginning of the financial year, the Supervisory Board establishes the respective weighted performance criteria. In case of 100% target achievement, the target amount of the Performance Bonus corresponds to 25% of the target direct compensation of the respective Executive Board member.

The amount of the Performance Bonus is determined based on the achievement of, generally, four weighted criteria. Two of these criteria are the same for all Executive Board members and are overall weighted at 60%. These criteria are directly linked to the annual guidance externally communicated and, at the same time, follow directly from the – also externally communicated – long-term growth targets of adidas. The other two criteria, which are also in line with the company's short- and long-term targets and reflect priorities of the respective Executive Board function also taking into account non-financial aspects, are determined on an individual basis for the respective Executive Board member and are overall weighted at 40%.

All criteria are designed in such a way that target achievement may also be zero. If the overall degree of target achievement (sum of all degrees of target achievement) is greater than 150%, the Performance Bonus Amount is limited to 150% of the individual Performance Bonus target amount. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the Performance Bonus. Therefore, the Performance Bonus may be omitted entirely if targets are clearly not met.

At the end of the financial year, the precise target achievement of each Executive Board member, which is, in principle, based on a comparison of the predefined target values with the values achieved in the year under review, is assessed by the Supervisory Board ('target/actual comparison'). The Supervisory Board determines the factor by which the Performance Bonus target amount is multiplied by adding up these degrees of target achievement ('overall degree of target achievement'). The result is the individual amount of the Performance Bonus to be paid ('Performance Bonus Amount'). When determining the degrees of target achievement and thus when determining the Performance Bonus Amount, the Supervisory Board may, at its equitable discretion in justified special cases, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board. If there are extraordinary developments that at Supervisory Board´s equitable discretion necessitate an adjustment, these developments will be explained in detail and with transparency in the annual Compensation Report.

The Performance Bonus Amount is payable following approval of the consolidated financial statements of the past financial year.

Performance Bonus

Performance criteria	consideration of both financial and non-financial targets
	two shared criteria (overall weighting 60%): directly linked to the annual guidance externally communicated and, at the same time, following directly from the – also externally communicated – long-term growth targets of adidas
	two individual criteria: related to the respective Executive Board function (overall weighting 40%)
Transparency of the performance criteria	two shared criteria are transparent and, in case of 100% target achievement, are in line with the guidance externally communicated at the beginning of the financial year
	two individual criteria will be explained ex post in the Compensation Report in order not to disclose strategic projects that may be relevant to competitors ex ante
Determining overall target achievement	target/actual comparison; comparison of target value with value achieved in performance period
	total target achievement for all individual criteria taking into account predefined weightings
Cap	overall target achievement is limited to a maximum of 150%
	if the overall target achievement is 50% or less, no payout is made

Long-Term Incentive Plan 2018/2020 ('LTIP 2018/2020')

The LTIP 2018/2020 aims to link the long-term performance-related compensation of the Executive Board to the company's performance and thus to the interests of the shareholders. Therefore, the LTIP 2018/2020 is share-based. It consists of three annual tranches (2018, 2019, and 2020), and each tranche is assessed based on a period of approximately four and a half years. Each of the three annual LTIP tranches consists of a performance year and a subsequent lock-up period of slightly more than three years. In case of 100% target achievement, the LTIP target amount for each of the LTIP tranches corresponds to 40% of the target direct compensation of the respective Executive Board member.

At the beginning of 2018, the Supervisory Board determined for each of the three performance years (2018, 2019, and 2020) the absolute increase in net income from continuing operations compared to the respective previous year as a performance criterion. The target values for the annual LTIP tranches followed directly from the externally published long-term net income growth targets of the company. For instance, if net income from continuing operations had been increased by a total of € 630 million (100% target achievement) in the three-year period from 2018 to 2020, net income from continuing operations would have amounted to € 2,060 million in 2020. Compared to 2015 (basis of adidas' corporate strategy 'Creating the New', which ended in 2020), this would have corresponded to an average increase in net income of 23% per year, which would have been within the target corridor of 22% to 24%, as defined by adidas for the corporate strategy 'Creating the New'.

LTIP 2018/2020: Growth targets

Performance year	Growth target for net income from continuing operations
2018 (compared to 2017[1])	+ € 210 million
2019 (compared to 2018)	+ € 210 million
2020 (compared to 2019)	+ € 210 million

1 The basis for 2017 is net income from continuing operations in the amount of € 1,430 million (without the negative tax-related one-time effect in the 2017 financial year).

The LTIP 2018/2020 stipulated that if the increase in net income from continuing operations is below € 210 million in the respective performance year, the target value for 100% target achievement must be increased accordingly for the following performance year, unless the Supervisory Board decides otherwise at its equitable discretion. However, if the increase in net income was higher than € 210 million in a performance year, the target for the following performance year remained unaffected.

At the end of the performance year, the Supervisory Board assesses the precise target achievement of the Executive Board members, which is, in principle, based on a comparison of the predefined target value with the value achieved in the performance year ('target/actual comparison'). The degree of target achievement by which the annual LTIP target amount determined for the respective Executive Board member is multiplied is derived from the amount of the actual increase in net income from continuing operations for the respective performance year. In this respect, the Supervisory Board may, at its equitable discretion in justified special cases, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board. If there are extraordinary developments that at the Supervisory Board´s equitable discretion necessitate an adjustment, these developments will be explained in detail and with transparency in the annual Compensation Report.

If the actual increase in net income from continuing operations compared to the previous year is between the predefined threshold values, the degree of target achievement is determined based on a sliding scale. If the annual increase in net income is below € 140 million, the degree of target achievement is zero. Consequently, the LTIP Bonus for the respective LTIP tranche is omitted completely. Furthermore, the degree of target achievement is capped at 150%, even if the increase in net income exceeds € 280 million.

LTIP 2018/2020: Calculation of target achievement

Increase in net income from continuing operations compared to the previous year	Degree of target achievement
≥ + € 280 million	150%
+ € 210 million	100%
+ € 140 million	50%
< + € 140 million	0%

By multiplying the degree of target achievement thus calculated with the annual LTIP target amount determined for the respective Executive Board member based on 100% target achievement, the Grant Amount is determined, which is paid out to the Executive Board member for the respective annual LTIP tranche following the approval of the consolidated financial statements for the performance year. The Executive Board members have to invest the full Grant Amount which remains after deducting applicable taxes and social security contributions ('LTIP Payout Amount') into the acquisition of adidas AG shares. The shares purchased are subject to a lock-up period. The lock-up period ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The Executive Board members may only dispose of the shares after expiry of the lock-up period.

LTIP 2018/2020: Annual LTIP tranches

LTIP tranche	2018	2019	2020	2021	2022	2023	2024
2018	1	2	3	4	5		
2019		1	2	3	4	5	
2020			1	2	3	4	5

Performance year   Lock-up period

1 Performance year: Determination of LTIP target amount in case of 100% target achievement.
2 Determination of the degree of target achievement, LTIP Payout Amount payable following approval of the consolidated financial statements for the past performance year and investment in adidas AG shares. Start of lock-up period.
3 Lock-up period.
4 Lock-up period.
5 End of lock-up period upon expiry of the month in which the Annual General Meeting of adidas AG takes place.

Due to this mechanism, the compensation which the Executive Board members eventually receive from each of the LTIP tranches is also directly dependent on the share price performance during the respective lock-up period of slightly more than three years and is thus dependent on the long-term performance of the company. The Executive Board members are entitled to any dividends distributed in connection with these shares during the lock-up period.

Furthermore, to ensure sustainable management and development of the company, the terms and conditions of the LTIP 2018/2020 contain malus and clawback provisions; until expiry of the lock-up period (malus) and beyond (clawback), these provisions allow the Supervisory Board at its equitable discretion, under certain circumstances, to partially or completely reduce the compensation from the LTIP 2018/2020 or to reclaim part or all of the variable compensation already paid. Such circumstances are, for instance, material misstatements in the financial reports, serious compliance violations and violations of duty as well as breaches of the company-internal rules of conduct by the Executive Board member which, in any such case, would lead to an unjustified bonus payment in the context of the LTIP 2018/2020. Moreover, in the event of violations of duty by Executive Board members, the respective claims for damages under stock corporation law are applicable.

LTIP 2018/2020

Performance criterion	one shared criterion: absolute increase in net income from continuing operations
Transparency of the performance criterion	criterion for the respective performance year is transparent and, in case of 100% target achievement, is in line with the long-term growth targets externally communicated
	externally communicated threshold values which are defined in advance
Determining target achievement	target/actual comparison; comparison of target value with value achieved in performance year
Cap	target achievement is limited to a maximum of 150%
	no payout in case of result below the threshold value defined in advance
Clawback/malus	yes
Share-based	yes
Time period	approx. 4.5 years
Compensation of Executive Board and senior management aligned	yes

The compensation system for the Executive Board allows the Supervisory Board, at its equitable discretion and in rare, justified special cases, to grant a special bonus in case of extraordinary performance by an Executive Board member. If such special bonus is granted, it is capped at a maximum of 100% of the annual fixed compensation of the financial year for which the special bonus is granted. If a special bonus is granted, it is reported in detail and with transparency in the annual Compensation Report.

Share ownership

40% of the target direct compensation of the Executive Board members is granted based on the long-term performance-related compensation component LTIP 2018/2020. To promote sustainable development of the company, the Executive Board members are obligated in the context of the LTIP 2018/2020 to invest the full Payout Amount into the acquisition of adidas AG shares. The shares purchased are subject to a lock-up period of slightly more than three years. If an LTIP Bonus is granted annually, the number of adidas AG shares directly held by the Executive Board members increases on an annual basis to a multiple of their fixed compensation.

Commitments to Executive Board members upon termination of tenure

Unless otherwise agreed upon in the individual case, if the service contract ends upon the Executive Board member reaching the age of 65 or upon non-renewal of the service contract, the Executive Board member is entitled to receive annual fixed compensation on a pro rata basis up to the date on which they leave office as well as a potential prorated Performance Bonus and a potential prorated LTIP Bonus.[13] In principle, Executive Board members are furthermore subject to a post-contractual competition prohibition of two years. As consideration, for the duration of the competition prohibition, the Executive Board members generally receive a monthly compensation amount totaling 50% of the monthly fixed compensation last received, subject to offsetting (e.g. of income from other use of their work capacity). If the departed Executive Board member receives pension payments from the company, this compensation is offset against any pension benefits owed by the company during the period of the competition prohibition.

In case of premature termination of tenure in the absence of good cause, the Executive Board service contracts cap potential severance payments at a maximum of twice the total annual compensation, not exceeding payment claims for the remaining period of the service contract ('Severance Payment Cap'). If the service contract is terminated due to a change of control, a possible severance payment is limited to 150% of the Severance Payment Cap. The Executive Board member does not receive a severance payment if they terminate tenure prematurely at their own request or if there is good cause for the company to terminate the employment relationship. The service contracts concluded with Executive Board members newly appointed with effect from January 1, 2020, generally stipulate that compensation for periods of competition prohibition possibly paid on a monthly basis to departing Executive Board members is offset against any severance payments potentially paid by adidas.

Sideline activities of Executive Board members

Executive Board members may only take on sideline activities with or without remuneration, in particular supervisory board mandates in group-external companies, with the prior approval of the Supervisory Board. Group-internal mandates are deemed covered by the contractually agreed Executive Board compensation. The Supervisory Board decides whether or not compensation for group-external mandates is credited to the Executive Board compensation. ► SEE EXECUTIVE BOARD

13 In the case of Executive Board member Roland Auschel, the company has agreed upon a follow-up bonus of 75% of the Performance Bonus granted to him for the last full financial year. This follow-up bonus is payable in two tranches, twelve and 24 months following the end of the contract.

EXECUTIVE BOARD COMPENSATION 2020

2020 Performance Bonus

As in previous years, for the 2020 financial year, the Supervisory Board has in general determined the following performance criteria:

- currency-neutral sales growth,
- an increase in the operating margin and
- two criteria relating to the individual performance of the Executive Board members.

The Performance Bonus targets determined were based on the company forecast communicated at the beginning of the 2020 financial year before the global outbreak of the coronavirus pandemic. When setting the targets for the 2020 financial year, the initial impact of the coronavirus pandemic was becoming apparent and mainly affecting the operating business in Asia, especially in Greater China. Under these circumstances, the Supervisory Board decided that the operating business in Greater China should not be taken into account when determining the criteria and targets for the 2020 Performance Bonus. At the same time, to strengthen the market position in the important chinese market, the Supervisory Board set an additional performance criterion for the Executive Board – aimed at increasing market shares in Greater China compared to the previous year – and adjusted the weighting of each performance criterion accordingly.

2020 Performance Bonus: Shared criteria – target achievement

Performance criterion	Weighting		0% target value	100% target value	150% target value	Actual value 2020	Degree of target achievement
Currency-neutral sales growth[1]	15%	Increase by	≤ 2.8%	7.0%	9.1%	(13.1%)	0%
Operating margin increase[1]	15%	Increase to	≤ 4.2%	5.0%	5.4%	(2.8%)	0%
Increase in market shares in Greater China	30%	Increase by	≤ -2.0pp	0.0pp – 0.5pp	+ 1.5pp	+ 0.4pp	100%

1 Without Greater China.

In the 2020 financial year, the individual criteria relating to the respective Executive Board function focused on, in particular, development of the new strategy valid from 2021, succession planning, commercial success of key sales channels, marketing, and operating efficiency.

2020 Performance Bonus: Individual criteria – target achievement

	Weighting	Performance criterion	Degree of target achievement
Kasper Rorsted	20%	Development of strategy	100%
	20%	Management of impact of the coronavirus pandemic	100%
Roland Auschel	20%	Success of the direct-to-consumer business	0%
	20%	Success of the wholesale business	50%
Brian Grevy[1]	20%	Marketing campaigns	83%
	20%	Marketing effectiveness	50%
Harm Ohlmeyer	20%	Financial planning	90%
	20%	Cost management	0%
Martin Shankland	20%	Supply chain efficiency	87%
	20%	Manufacturing efficiency	109%
Karen Parkin[2]	20%	Performance management within the company	100%
	20%	Succession planning	123%

1 Executive Board member with effect from February 1, 2020.
2 Executive Board member until June 30, 2020.

The shared and individual criteria established at the beginning of the financial year were not adjusted during the financial year in light of further developments of the coronavirus pandemic. Due to the unforeseeable, serious impact of the ongoing coronavirus pandemic on the company, the targets and the target values for the 2020 Performance Bonus set by the Supervisory Board at the beginning of the financial year did not adequately reflect the actual course of business. The achievement of the shared financial targets (currency-neutral sales growth and increase in operating margin) was 0% in each case, while the target achievement for the increase in market shares in Greater China was 100%. The achievement of the individual targets varied considerably from 0% to 123%, which is attributable in particular to the different degrees of impact of the coronavirus pandemic on the respective individual criteria, which could not be considered adequately at the time of target setting. For example, the target achievement for Roland Auschel's individual criterion 'success of the direct-to-consumer business' was 0% despite a very successful increase in e-commerce sales (currency-neutral net sales growth of 53% compared to the previous year), as the material revenue decline in the physical sales channels could only partially be offset. The same applies to the target achievement of Harm Ohlmeyer's individual criterion 'cost management', as operating overhead expenses increased as a percentage of sales, although the company's liquidity situation was stabilized in the course of the coronavirus pandemic also due to a very successful cost discipline.

Due to the inadequately set performance criteria in view of the unforeseeable impact of the coronavirus pandemic, the minimum overall degree of target achievement of over 50% required for a payout was only achieved by some of the Executive Board members.

2020 Performance Bonus: Individual overall degrees of target achievement

Kasper Rorsted	70%
Roland Auschel	40%
Brian Grevy[1]	57%
Harm Ohlmeyer	48%
Martin Shankland	69%
Karen Parkin[2]	75%

1 Executive Board member with effect from February 1, 2020.
2 Executive Board member until June 30, 2020.

As a liquidity management measure, the Executive Board had already decided in April 2020 to waive the Performance Bonus for the 2020 financial year. As a result, a Performance Bonus will also not be paid to those Executive Board members who have achieved an overall target achievement of over 50%.

LTIP 2018/2020: Performance year 2020

In the 2018 financial year, the Supervisory Board determined as a performance criterion for each of the three performance years (2018, 2019, and 2020) the absolute increase in net income from continuing operations compared to the respective previous year.

At the time the targets were set for the 2020 financial year, the initial impact of the coronavirus pandemic was becoming apparent and mainly affecting the operating business in Asia, especially in Greater China. Under these circumstances, the Supervisory Board decided that the operating business in Greater China should not be taken into account when determining the target value for the 2020 LTIP tranche. The annual performance criterion 'absolute increase in net income from continuing operations' was therefore set at a target value of € 170 million (instead of € 210 million).

LTIP 2018/2020: Target achievement in the performance year 2020

Performance criterion	0% target value	100% target value	150% target value	Actual value 2020	Degree of target achievement
Increase in net income from continuing operations compared to the previous year[1]	< + € 100 million	+ € 170 million	≥ + € 240 million	(€ 928 million)	0%

1 Without Greater China.

The target value established at the beginning of the financial year was not adjusted during the financial year despite of further developments of the coronavirus pandemic. Due to the unforeseeable, serious impact of the ongoing coronavirus pandemic on the company, the target value established for the 2020 LTIP tranche by the Supervisory Board at the beginning of the financial year therefore did not reflect the actual course of business adequately. Against this background, the target value set for the 2020 LTIP tranche could not be met by the Executive Board members. The degree of target achievement for all Executive Board members during the year under review was 0%.

Furthermore, as a liquidity management measure, the Executive Board had already decided in April 2020 to waive the LTIP Bonus for the 2020 financial year. This means that Executive Board members will not acquire any adidas AG shares in the context of the 2020 LTIP tranche.

As at December 31, 2020, the total number of adidas AG shares acquired in the context of the LTIP 2018/2020 and which are subject to a lock-up period, amounts to 40,371 shares (2019: 21,451 shares). The lock-up period for the adidas AG shares purchased in the 2018 LTIP tranche expires on May 31, 2022 and for the adidas AG shares purchased in the 2019 LTIP tranche on May 31, 2023. The number of the adidas AG shares purchased by the Executive Board members in the context of the LTIP 2018/2020 are set out individually in the following.

LTIP 2018/2020: Acquisition of shares in the context of the LTIP 2018/2020 in €

	Kasper Rorsted		Roland Auschel		Brian Grevy[2]	
LTIP tranche	2019	2018	2019	2018	2019	2018
Grant amount	3,154,285	3,405,714	1,450,972	1,566,629	–	–
Payout amount	1,656,788	1,788,851	762,125	822,873	–	–
Purchase price[1]	255.00	219.20	255.00	219.20	–	–
Number of purchased shares	**6,497**	**8,160**	**2,988**	**3,753**	**–**	**–**

LTIP 2018/2020: Acquisition of shares in the context of the LTIP 2018/2020 in €

	Harm Ohlmeyer		Martin Shankland[3]	
LTIP tranche	2019	2018	2019	2018
Grant amount	1,083,852	1,170,246	894,469	–
Payout amount	569,295	614,670	469,821	–
Purchase price[1]	255.00	219.20	255.00	–
Number of purchased shares	**2,232**	**2,804**	**1,842**	**–**

LTIP 2018/2020: Acquisition of shares in the context of the LTIP 2018/2020 in €

	Karen Parkin[4]		Eric Liedtke[5]	
LTIP tranche	2019	2018	2019	2018
Grant amount	1,083,852	1,170,246	1,577,143	1,702,857
Payout amount	538,849	581,974	828,394	894,425
Purchase price[1]	255.00	219.20	255.00	219.20
Number of purchased shares	**2,113**	**2,654**	**3,248**	**4,080**

1 Purchase price as at April 1, 2019 (2018 LTIP tranche) and September 1, 2020 (2019 LTIP tranche) respectively. As a liquidity management measure in light of the coronavirus pandemic, the LTIP Payout Amount for the 2019 LTIP tranche was paid in August 2020.
2 Executive Board member with effect from February 1, 2020. First-time participation in the LTIP 2018/2020 in the 2020 financial year (2020 LTIP tranche).
3 Executive Board member with effect from March 4, 2019. Prorated participation in the LTIP 2018/2020 in the 2019 financial year (2019 LTIP tranche).
4 Executive Board member until June 30, 2020.
5 Executive Board member until December 31, 2019.

Share ownership 2020

The share ownership of the Executive Board members incumbent as at December 31, 2020 in relation to their individual annual fixed compensation is disclosed individually in the following.

Share ownership in the 2020 financial year in €

Executive Board members incumbent as at December 31, 2020	2020 fixed compensation	Total number of shares as at December 31, 2020	Share price as at December 31, 2020	Total value of adidas AG shares	% of fixed compensation
Kasper Rorsted	2,000,000	14,657	297.90	4,366,320	218%
Roland Auschel	920,000	6,741	297.90	2,008,144	218%
Brian Grevy[1]	733,333	–	–	–	-
Harm Ohlmeyer	846,806	5,036	297.90	1,500,224	177%
Martin Shankland[2]	687,225	1,842	297.90	548,732	80%
Total	**5,187,365**	**28,276**		**8,423,420**	

1 Executive Board member with effect from February 1, 2020. First-time participation in the LTIP 2018/2020 in the 2020 financial year (2020 LTIP tranche).
2 Executive Board member with effect from March 4, 2019. Prorated participation in the LTIP 2018/2020 in the 2019 financial year (2019 LTIP tranche).

Special bonus

The compensation system for the Executive Board allows the Supervisory Board, at its equitable discretion and in rare, justified special cases, to grant a special bonus in case of extraordinary performance by an Executive Board member. If such special bonus is granted, it is capped at a maximum of 100% of the annual fixed compensation of the financial year for which the special bonus is granted.

Due to the unforeseeable, serious impact of the ongoing coronavirus pandemic on the company, the target values for the 2020 Performance Bonus and 2020 LTIP tranche set by the Supervisory Board at the beginning of the financial year did not adequately reflect the actual course of business. The target values were not adjusted during the financial year despite further developments of the coronavirus pandemic. As a result, the target values set by the Supervisory Board at the beginning of the financial year could predominantly not be met by the Executive Board members. Furthermore, as a liquidity management measure, the Executive Board had already decided in April 2020 to waive the 2020 Performance Bonus and the 2020 LTIP Bonus. Against this background, the 2020 Performance Bonus will also not be paid to those Executive Board members who have achieved an overall target achievement of over 50%.

In the Supervisory Board's opinion, all members of the Executive Board have demonstrated outstanding performance in leading the company in times of the coronavirus pandemic with a sole focus on the long-term prosperity of adidas and the health of its global employees, consumers and partners. Not only were coronavirus pandemic-related employee layoffs avoided entirely, the company's liquidity position was also stabilized due to strict cost discipline and a strong increase in the share of e-commerce sales through consistent investment in digital capabilities and marketing. Furthermore, following a series of successful financing activities, the syndicated revolving loan facility with the participation of the state-owned development bank KfW was redeemed ahead of schedule in November 2020. The € 500 million share of the loan utilized in July 2020 was repaid in October 2020 including agreed-upon market interest and fees. At the same time, the share price of adidas AG has stabilized again and at € 297.90 at the end of the year under review (Xetra closing price as at December 30, 2020) was back at the level before the start of the coronavirus pandemic. In addition, in view of the stabilization of the liquidity situation and management's confidence in the company's long-term growth potential, the Executive Board and the Supervisory Board of adidas AG intend to propose to the Annual General Meeting on May 12, 2021 a dividend of € 3.00 per dividend-entitled share for the 2020 financial year. Against this background, the Supervisory Board considers it appropriate to grant a special bonus for the first time to the Executive Board members incumbent as at December 31, 2020.

The special bonus is payable following approval of the 2020 consolidated financial statements and amounts to 25% of the LTIP target amount determined for the 2020 financial year for each Executive Board member. This establishes consistency with the granting of an LTIP Bonus to senior management in the corresponding amount of 25%. The special bonus is granted share-based and shall therefore be invested by the Executive Board members into the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions in full. The shares purchased are subject to a lock-up period of slightly more than three years which ends upon expiry of the month in which the Annual General Meeting of adidas AG for the 2024 financial year takes place. As a result, the special bonus granted to the members of the Executive Board is also aligned with the performance of the company and thus with the interests of the shareholders.

The granting of the special bonus represents an absolutely exceptional case in light of the unprecedented and serious impact of the coronavirus pandemic, in order to ensure fair and equal treatment of the members of the Executive Board. This approach follows the overall concept of the company to grant its employees worldwide a bonus payment that is appropriate in view of all circumstances for their outstanding performance in the 2020 financial year.

Pension commitments

The service costs for the pension commitments granted to the Executive Board members and the cash values of the vested rights in the 2020 financial year are set out individually in the following.

Pension commitments in the 2020 financial year in €

	Service costs		Defined benefit obligation for pension commitments	
Executive Board members incumbent as at December 31, 2020	**2020**	**2019**	**2020**	**2019**
Kasper Rorsted	1,111,383	856,807	4,950,191	3,872,421
Roland Auschel	472,699	321,247	3,399,789	2,874,476
Brian Grevy (since February 1, 2020)	386,686	-	468,855	-
Harm Ohlmeyer	500,435	395,186	2,109,847	1,444,973
Martin Shankland (since March 4, 2019)	405,281	355,518	769,776	355,518
Total	**2,876,484**	**1,928,758**	**11,698,458**	**8,547,388**
Former members of the Executive Board				
Karen Parkin (until June 30, 2020)	229,080	374,370	-	1,247,607
Eric Liedtke (until December 31, 2019)	-	345,945	-	2,836,852
Gil Steyaert (until February 26, 2019)[1]	-	672,276	-	1,498,021
Total	**229,080**	**1,392,591**	**-**	**5,582,480**

1 The service costs 2019 for Gil Steyaert comprise the gross contribution contractually agreed upon due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for early termination of the Executive Board mandate. The accumulated pension obligation for Gil Steyaert's pension commitment corresponds to the gross contribution credited by adidas AG during the time of his Executive Board mandate to the special account opened for him.

Overall compensation 2020

Based on the Supervisory Board's aforementioned determination, the overall compensation of the Executive Board for the 2020 financial year amounts to € 11.376 million. This represents a decrease of approximately 49% compared to previous year (2019: € 22.361 million). Of this overall compensation, € 1.482 million was attributable to the special bonus granted for the first time for the 2020 financial year. The Executive Board members did not receive any further one-year or multi-year performance-related compensation.

Benefits granted

In the following table, the individual compensation components for Executive Board members in case of 100% target achievement of the performance-related compensation are disclosed for each Executive Board member individually, including other benefits and service costs, and also including the maximum and minimum achievable compensation.

Benefits granted in €

	Kasper Rorsted Chief Executive Officer				Roland Auschel Global Sales			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed compensation	2,000,000	2,000,000	2,000,000	2,000,000	920,000	920,000	920,000	920,000
Other benefits	26,417	31,417	31,417	31,417	19,165	24,572	24,572	24,572
Total	**2,026,417**	**2,031,417**	**2,031,417**	**2,031,417**	**939,165**	**944,572**	**944,572**	**944,572**
One-year variable compensation	1,428,571	1,428,571	0	2,142,857	657,143	657,143	0	985,715
Multi-year variable compensation	2,285,714	2,285,714	0	3,428,571	1,051,429	1,051,429	0	1,577,144
LTIP 2018/2020 (2020 tranche)	-	2,285,714	0	3,428,571	-	1,051,429	0	1,577,144
LTIP 2018/2020 (2019 tranche)	2,285,714	-	-	-	1,051,429	-	-	-
Other	-	-	-	-	-	-	-	-
Total	**5,740,702**	**5,745,702**	**2,031,417**	**7,602,844**	**2,647,737**	**2,653,144**	**944,572**	**3,507,430**
Service costs	856,807	1,111,383	1,111,383	1,111,383	321,247	472,699	472,699	472,699
Overall compensation	**6,597,509**	**6,857,085**	**3,142,800**	**8,714,227**	**2,968,984**	**3,125,843**	**1,417,271**	**3,980,129**

Benefits granted in €

	Brian Grevy[1] Global Brands since February 1, 2020				Harm Ohlmeyer Chief Financial Officer			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed compensation	-	733,333	733,333	733,333	687,225	846,806	846,806	846,806
Other benefits	-	106,499	106,499	106,499	19,684	27,687	27,687	27,687
Total	**-**	**839,833**	**839,833**	**839,833**	**706,909**	**874,493**	**874,493**	**874,493**
One-year variable compensation	-	523,810	0	785,715	490,875	604,862	0	907,293
Multi-year variable compensation	-	838,096	0	1,257,144	785,400	967,778	0	1,451,667
LTIP 2018/2020 (2020 tranche)	-	838,096	0	1,257,144	-	967,778	0	1,451,667
LTIP 2018/2020 (2019 tranche)	-	-	-	-	785,400	-	-	-
Other	-	1,000,000	0	1,000,000	-	-	-	-
Total	**-**	**3,201,739**	**839,833**	**3,882,692**	**1,983,184**	**2,447,133**	**874,493**	**3,233,453**
Service costs	-	386,686	386,686	386,686	395,186	500,435	500,435	500,435
Overall compensation	**-**	**3,588,425**	**1,226,519**	**4,269,378**	**2,378,370**	**2,947,568**	**1,374,928**	**3,733,888**

Benefits granted in €

	Martin Shankland[2] Global Operations since March 4, 2019				Karen Parkin[3] Global Human Resources until June 30, 2020			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed compensation	567,145	687,225	687,225	687,225	687,225	361,344	361,344	361,344
Other benefits	118,164	33,334	33,334	33,334	18,692	15,642	15,642	15,642
Total	**685,309**	**720,559**	**720,559**	**720,559**	**705,917**	**376,986**	**376,986**	**376,986**
One-year variable compensation	405,104	490,875	0	736,313	490,875	258,102	0	387,154
Multi-year variable compensation	648,166	785,400	0	1,178,100	785,400	412,964	0	619,446
LTIP 2018/2020 (2020 tranche)	-	785,400	0	1,178,100	-	412,964	0	619,446
LTIP 2018/2020 (2019 tranche)	648,166	-	-	-	785,400	-	-	-
Other	-	-	-	-	-	-	-	-
Total	**1,738,579**	**1,996,834**	**720,559**	**2,634,972**	**1,982,192**	**1,048,053**	**376,986**	**1,383,586**
Service costs	355,518	405,281	405,281	405,281	374,370	229,080	229,080	229,080
Overall compensation	**2,094,097**	**2,402,115**	**1,125,840**	**3,040,253**	**2,356,562**	**1,277,133**	**606,066**	**1,612,666**

Benefits granted in €

	Eric Liedtke[4] Global Brands until December 31, 2019				Gil Steyaert[5] Global Operations until February 26, 2019			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed compensation	1,000,000	-	-	-	114,538	-	-	-
Other benefits	26,935	-	-	-	15,146	-	-	-
Total	**1,026,935**	**-**	**-**	**-**	**129,683**	**-**	**-**	**-**
One-year variable compensation	714,286	-	-	-	-	-	-	-
Multi-year variable compensation	1,142,857	-	-	-	-	-	-	-
LTIP 2018/2020 (2020 tranche)	-	-	-	-	-	-	-	-
LTIP 2018/2020 (2019 tranche)	1,142,857	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	**2,884,078**	**-**	**-**	**-**	**129,683**	**-**	**-**	**-**
Service costs	345,945	-	-	-	672,276	-	-	-
Overall compensation	**3,230,023**	**-**	**-**	**-**	**801,959**	**-**	**-**	**-**

1 Contractually agreed upon Performance Bonus target amount 2020 and LTIP bonus target amount 2018/2020 (2020 tranche) due to intra-year appointment of Brian Grevy (with effect from February 1, 2020) to the Executive Board. Service costs 2020 stated pro rata temporis. Brian Grevy additionally received a compensation for a bonus forfeited at his former employer in the amount of € 1,000,000.
2 Contractually agreed upon Performance Bonus target amount 2019 and LTIP bonus target amount 2018/2020 (2019 tranche) due to the intra-year appointment of Martin Shankland (with effect from March 4, 2019) to the Executive Board. Service costs 2019 stated pro rata temporis.
3 Executive Board compensation stated pro rata temporis due to intra-year termination of Karen Parkin's Executive Board mandate. Due to her departure, Karen Parkin additionally received a contractually agreed upon severance payment in the amount of € 5,341,367. This compensation is set out in the Compensation Report in the overall payments to former Executive Board members.
4 Due to his departure, Eric Liedtke additionally received a contractually agreed upon severance payment in the amount of € 5,428,572. This compensation is set out in the Compensation Report in the overall payments to former Executive Board members for the 2019 financial year.
5 Executive Board compensation stated pro rata temporis due to intra-year termination of Gil Steyaert's Executive Board mandate. Gil Steyaert's service contract terminated with effect from February 28, 2019. Until that date, Gil Steyaert was paid his full monthly fixed salary. Due to his departure, Gil Steyaert additionally received a contractually agreed upon severance payment in the amount of € 3,422,316. This compensation also comprises the services costs stated herein and is set out in the Compensation Report in the overall payments to former Executive Board members for the 2019 financial year. For Gil Steyaert, the service costs 2019 comprise the gross contribution contractually agreed upon due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for an early termination of the Executive Board mandate. Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs correspond to the gross contribution credited by adidas AG for the respective financial year to the special account opened for him.

Allocation

In the following table, the individual compensation components of the Executive Board members are disclosed as an allocation for the financial year in which the compensation was granted, with the service costs not constituting an actual allocation to the Executive Board members.

Allocation in €

	Kasper Rorsted Chief Executive Officer		Roland Auschel Global Sales		Brian Grevy[5] Global Brands since February 1, 2020	
	2020	2019	2020	2019	2020	2019
Fixed compensation	2,000,000	2,000,000	920,000	920,000	733,333	-
Other benefits	31,417	26,417	24,572	19,165	106,499	-
Total	**2,031,417**	**2,026,417**	**944,572**	**939,165**	**839,833**	**-**
One-year variable compensation[1]	0	1,200,000	0	492,857	0	-
Multi-year variable compensation[1, 2]	0	3,154,285	0	1,450,972	0	-
LTIP 2018/2020 (2020 tranche)	0	-	0	-	0	-
LTIP 2018/2020 (2019 tranche)	-	3,154,285	-	1,450,972	-	-
Other[3]	571,429	-	262,857	-	1,209,524	-
Total[4]	**2,602,845**	**6,380,702**	**1,207,430**	**2,882,994**	**2,049,357**	**-**
Service costs	1,111,383	856,807	472,699	321,247	386,686	-
Overall compensation	**3,714,228**	**7,237,509**	**1,680,129**	**3,204,241**	**2,436,043**	**-**

Allocation in €

	Harm Ohlmeyer Chief Financial Officer		Martin Shankland[6] Global Operations since March 4, 2019		Karen Parkin[7] Global Human Resources until June 30, 2020	
	2020	2019	2020	2019	2020	2019
Fixed compensation	846,806	687,225	687,225	567,145	361,344	687,225
Other benefits	27,687	19,684	33,334	118,164	15,642	18,692
Total	**874,493**	**706,909**	**720,559**	**685,309**	**376,986**	**705,917**
One-year variable compensation[1]	0	373,065	0	340,287	0	525,236
Multi-year variable compensation[1, 2]	0	1,083,852	0	894,469	0	1,083,852
LTIP 2018/2020 (2020 tranche)	0	-	0	-	0	-
LTIP 2018/2020 (2019 tranche)	-	1,083,852	-	894,469	-	1,083,852
Other[3]	241,945	-	196,350	-	-	-
Total[4]	**1,116,437**	**2,163,826**	**916,909**	**1,920,065**	**376,986**	**2,315,005**
Service costs	500,435	395,186	405,281	355,518	229,080	374,370
Overall compensation	**1,616,872**	**2,559,012**	**1,322,190**	**2,275,583**	**606,066**	**2,689,375**

Allocation in €

	Eric Liedtke[8] Global Brands until December 31, 2019		Gil Steyaert[9] Global Operations until February 26, 2019	
	2020	2019	2020	2019
Fixed compensation	-	1,000,000	-	114,538
Other benefits	-	26,935	-	15,146
Total	**-**	**1,026,935**	**-**	**129,683**
One-year variable compensation[1]	-	642,857	-	-
Multi-year variable compensation[1, 2]	-	1,577,143	-	-
LTIP 2018/2020 (2020 tranche)	-	-	-	-
LTIP 2018/2020 (2019 tranche)	-	1,577,143	-	-
Other[3]	-	-	-	-
Total[4]	**-**	**3,246,935**	**-**	**129,683**
Service costs	-	345,945	-	672,276
Overall compensation	**-**	**3,592,880**	**-**	**801,959**

1 As a liquidity management measure, the Executive Board had already decided in April 2020 to waive the Performance Bonus and LTIP Bonus for the 2020 financial year.
2 The Grant Amount which remains for the respective annual LTIP tranche after deduction of applicable taxes and social security contributions ('LTIP Payout Amount') must be invested in the acquisition of adidas AG shares. These shares are subject to a lock-up period which ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The LTIP Payout Amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board. As a liquidity management measure, the Executive Board had already decided in April 2020 to waive the LTIP Bonus for the 2020 financial year. This means that Executive Board members will not acquire any adidas AG shares in the context of the 2020 LTIP tranche.
3 First-time granting of a special bonus to members of the Executive Board incumbent as at December 31, 2020 for their outstanding performance in leading the company in times of the coronavirus pandemic. The special bonus amounts to 25% of the LTIP target amount determined for the 2020 financial year for each Executive Board member. The special bonus is granted share-based and shall therefore be invested into the acquisition of adidas AG shares after deducting applicable taxes and social security contributions. The shares purchased are subject to a lock-up period which ends upon expiry of the month in which the Annual General Meeting of adidas AG for the 2024 financial year takes place. The Payout Amount of the special bonus is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board.
4 The compensation components outlined above constitute the overall payments to be set out individually in accordance with commercial law both in the 2020 financial year and in the previous year.
5 Contractually agreed upon Performance Bonus target amount 2020 and LTIP bonus target amount 2018/2020 (2020 tranche) due to intra-year appointment of Brian Grevy (with effect from February 1, 2020) to the Executive Board. Service costs 2020 stated pro rata temporis. Brian Grevy additionally received a compensation for a bonus forfeited at his former employer in the amount of € 1,000,000.
6 Contractually agreed upon Performance Bonus target amount 2019 and LTIP bonus target amount 2018/2020 (2019 tranche) due to the intra-year appointment of Martin Shankland (with effect from March 4, 2019) to the Executive Board. Service costs 2019 stated pro rata temporis.
7 Executive Board compensation stated pro rata temporis due to intra-year termination of Karen Parkin's Executive Board mandate. Due to her departure, Karen Parkin additionally received a contractually agreed upon severance payment in the amount of € 5,341,367. This compensation is set out in the Compensation Report in the overall payments to former Executive Board members.
8 Due to his departure, Eric Liedtke additionally received a contractually agreed upon severance payment in the amount of € 5,428,572. This compensation is set out in the Compensation Report in the overall payments to former Executive Board members for the 2019 financial year.
9 Executive Board compensation stated pro rata temporis due to the intra-year termination of Gil Steyaert's Executive Board mandate. Gil Steyaert's service contract terminated with effect from February 28, 2019. Until that date, Gil Steyaert was paid his full monthly fixed salary. Due to his departure, Gil Steyaert additionally received a contractually agreed upon severance payment in the amount of € 3,422,316. This compensation also comprises the services costs stated herein and is set out in the Compensation Report in the overall payments to former Executive Board members for the 2019 financial year. For Gil Steyaert, the service costs 2019 comprised the gross contribution contractually agreed upon due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for an early termination of the Executive Board mandate. Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs corresponded to the gross contribution credited by adidas AG for the respective financial year to the special account opened for him.

Commitments to Executive Board members upon termination of tenure

Termination of Karen Parkin's tenure effective June 30, 2020:

In connection with the termination of her Executive Board mandate, Karen Parkin received a severance payment of € 5,341,367.

As regards the post-contractual competition prohibition, Karen Parkin has received monthly compensation to the amount of € 37,500 since July 1, 2020, payable for a total period of 24 months. This corresponds to 50% of the last fixed monthly salary. If the compensation paid for the post-contractual competition prohibition and any potential income from other employment in total exceed the monthly fixed salary last received by Karen Parkin before her departure, any income from other employment will be offset against the compensation paid for the post-contractual competition prohibition. The overall maximum compensation for the post-contractual competition prohibition payable to Karen Parkin therefore amounts to € 900,000.

Overall payments to former members of the Executive Board and their surviving dependents

In the 2020 financial year, overall payments to former members of the Executive Board and their surviving dependents amounted to € 10.641 million (2019: € 14.567 million).

Provisions were created for pension entitlements for former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents, amounting to € 45.799 million in total as at December 31, 2020 (2019: € 46.326 million). There are pension commitments toward six former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 48.549 million (2019: € 46.216 million) arise for adidas AG, for which no provisions were created due to financing through the pension fund and pension trust fund. For two former members of the Executive Board who resigned on or before December 31, 2019, there are pension commitments amounting to € 3.971 million.

Miscellaneous

The Executive Board members do not receive any additional compensation for mandates within adidas. The Executive Board members have not received any loans or advance payments from adidas AG. Furthermore, no Executive Board member received any payments or promises of payments from third parties with regard to their work at adidas.

COMPENSATION OF THE SUPERVISORY BOARD MEMBERS

The compensation system that has been applicable for the members of the Supervisory Board since July 1, 2017 was adopted by the shareholders at the Annual General Meeting on May 11, 2017. The compensation system is set out in § 18 of the Articles of Association of adidas AG.

COMPENSATION SYSTEM

With respect to the monitoring and advising of the Executive Board, the compensation received by Supervisory Board members reflects the responsibility involved as well as their individual workload and time required. When determining the compensation, particular consideration is given to ensure that it is appropriate and in line with current market levels in order to attract suitable candidates, also in an international context. This contributes to the execution of the corporate strategy and promotes the long-term development of the company.

The compensation for Supervisory Board members consists of a fixed compensation for their work on the Supervisory Board ('base amount') and an additional compensation for committee work. The Supervisory Board members are not granted performance-related compensation. In addition, the Supervisory Board members receive attendance fees and are reimbursed for expenses they incur in their role.

Compensation for Supervisory Board function

Each Supervisory Board member receives fixed compensation for their work on the Supervisory Board, which is paid following the end of the respective financial year. The Chairman of the Supervisory Board and his two deputies receive higher fixed compensation in light of their additional responsibilities.

Compensation for Supervisory Board function

Membership	Deputy Chairman	Chairman
€ 80,000	€ 160,000	€ 240,000
Base amount	200% of the base amount	300% of the base amount

Additional compensation for membership in a committee

Furthermore, the Supervisory Board members receive additional compensation for membership in certain committees; in this regard, too, compensation is increased if the chairmanship of a committee is assumed. The amount of the respective additional compensation is based on the base amount determined for the Supervisory Board members and depends on the tasks and responsibilities connected with the respective committee membership.

Compensation for membership in a committee

General Committee		Audit Committee	
Membership	Chairman	Membership	Chairman
€ 40,000	€ 80,000	€ 80,000	€ 160,000
50% of the base amount	100% of the base amount	100% of the base amount	200% of the base amount

The compensation paid for a committee chairmanship also covers the membership in such a committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee, and committees which are established ad hoc do not receive additional compensation. If a Supervisory Board member is a member of more than one committee, the member only receives compensation for their function in the committee with the highest compensation.

Reduced compensation in case of membership for part of financial year

If a member belongs to the Supervisory Board or a committee for only part of a financial year, the fixed compensation for Supervisory Board membership and additional compensation for membership in a committee are reduced accordingly on a pro rata temporis basis.

Attendance fee

For each personal attendance of meetings of the Supervisory Board and/or its committees requiring such personal attendance, Supervisory Board members receive an additional attendance fee of € 1,000. Members of committees that are formed on an ad hoc basis do not receive an attendance fee. If several meetings take place on one day, the attendance fee is only paid once.

Expenses

The Supervisory Board members are reimbursed for necessary expenses and travel expenses incurred in connection with their mandates as well as for the VAT potentially payable on their compensation or reimbursement of expenses.

SUPERVISORY BOARD COMPENSATION 2020

Fixed compensation and attendance fee

The total compensation paid to the Supervisory Board in the 2020 financial year amounted to € 2.20 million (2019: € 2.20 million). In light of the ongoing coronavirus pandemic, the Supervisory Board members decided to donate 30% of this compensation to SOS Children's Villages and other good causes. In addition, attendance fees totaling € 28,000 (2019: € 167,000) were paid. The considerable reduction in attendance fees is due to the fact that the meetings of the Supervisory Board and its committees were mostly held virtually in order to protect the persons involved during the coronavirus pandemic.

Miscellaneous

The Supervisory Board members have not received any loans or advance payments from adidas AG.

Compensation of Supervisory Board members in €

	2020				2019			
Supervisory Board members incumbent as at December 31, 2020	**Supervisory Board function**	**Committee function**	**Attendance fee**	**Total**	**Supervisory Board function**	**Committee function**	**Attendance fee**	**Total**
Thomas Rabe, Chairman of the Supervisory Board[1]	191,038	55,519	2,000	**248,557**	103,452	25,863	8,000	**137,315**
Ian Gallienne, Deputy Chairman of the Supervisory Board[2]	111,038	15,519	1,000	**127,557**	80,000	80,000	11,000	**171,000**
Udo Müller, Deputy Chairman of the Supervisory Board[3]	160,000	40,000	2,000	**202,000**	131,726	25,863	11,000	**168,589**
Petra Auerbacher[4]	80,000	-	1,000	**81,000**	51,726	-	6,000	**57,726**
Roswitha Hermann[4]	80,000	-	1,000	**81,000**	51,726	-	3,000	**54,726**
Herbert Kauffmann[5]	80,000	128,962	3,000	**211,962**	80,000	160,000	14,000	**254,000**
Christian Klein[6]	31,038	-	-	**31,038**	-	-	-	**-**
Kathrin Menges	80,000	-	1,000	**81,000**	80,000	-	8,000	**88,000**
Roland Nosko	80,000	40,000	2,000	**122,000**	80,000	40,000	14,000	**134,000**
Beate Rohrig[4]	80,000	-	1,000	**81,000**	51,726	-	5,000	**56,726**
Nassef Sawiris	80,000	-	1,000	**81,000**	80,000	-	9,000	**89,000**
Frank Scheiderer[4]	80,000	80,000	4,000	**164,000**	51,726	51,726	9,000	**112,452**
Michael Storl[4]	80,000	-	1,000	**81,000**	51,726	-	6,000	**57,726**
Bodo Uebber[7]	80,000	111,038	2,000	**193,038**	51,726	-	3,000	**54,726**
Jing Ulrich[4]	80,000	-	-	**80,000**	51,726	-	5,000	**56,726**
Günter Weigl[4]	80,000	80,000	4,000	**164,000**	51,726	51,726	9,000	**112,452**
Supervisory Board members until the end of the Annual General Meeting on August 11, 2020								
Igor Landau, Chairman of the Supervisory Board	146,885	48,962	2,000	**197,847**	240,000	80,000	14,000	**334,000**
Supervisory Board members until the end of the Annual General Meeting on May 9, 2019								
Sabine Bauer, Deputy Chairwoman of the Supervisory Board	-	-	-	-	56,548	14,137	5,000	**75,685**
Willi Schwerdtle, Deputy Chairman of the Supervisory Board	-	-	-	-	56,548	14,137	5,000	**75,685**
Dr. Frank Appel	-	-	-	-	28,274	-	1,000	**29,274**
Dieter Hauenstein	-	-	-	-	28,274	-	3,000	**31,274**
Dr. Wolfgang Jäger	-	-	-	-	28,274	28,274	5,000	**61,548**
Katja Kraus	-	-	-	-	28,274	-	2,000	**30,274**
Hans Ruprecht	-	-	-	-	28,274	28,274	5,000	**61,548**
Heidi Thaler-Veh	-	-	-	-	28,274	-	3,000	**31,274**
Kurt Wittmann	-	-	-	-	28,274	-	3,000	**31,274**
Total	**1,600,000**	**600,000**	**28,000**	**2,228,000**	**1,600,000**	**600,000**	**167,000**	**2,367,000**

1 Chairman of the Supervisory Board from the end of the Annual General Meeting on August 11, 2020. Member of the Supervisory Board and Deputy Chairman from the end of the Annual General Meeting on May 9, 2019.
2 Deputy Chairman from the end of the Annual General Meeting on August 11, 2020.
3 Deputy Chairman from the end of the Annual General Meeting on May 9, 2019.
4 Member of the Supervisory Board from the end of the Annual General Meeting on May 9, 2019.
5 Chairman of the Audit Committee until the end of the Annual General Meeting on August 11, 2020.
6 Member of the Supervisory Board from the end of the Annual General Meeting on August 11, 2020.
7 Chairman of the Audit Committee from the end of the Annual General Meeting on August 11, 2020. Member of the Supervisory Board from the end of the Annual General Meeting on May 9, 2019.

OUR SHARE

Global stock markets were very volatile throughout the year and ended 2020 with mixed results. While the DAX 30 was up 4%, the EURO STOXX 50 decreased by 5%. The MSCI World Textiles, Apparel & Luxury Goods Index was up 21%. The adidas AG share performed in line with the DAX 30 and ended 2020 with an increase of 3% compared to the prior year.

adidas share in line with DAX 30

In 2020, global stock markets ended a very volatile year with mixed results. Fears around the impact of the coronavirus pandemic, especially during the first half of the year, were addressed by governments through various monetary measures. As a result, the DAX 30 was up 4%, while the EURO STOXX 50 decreased by 5%. The MSCI World Textiles, Apparel & Luxury Goods Index closed the year with a 21% increase. The adidas AG share closed the year at € 297.90 and thus 3% above the prior year-end level.

Level 1 ADR outperforms common stock

Our Level 1 ADR closed 2020 at US $ 182.99, representing an increase of 12% versus the prior year level (2019: US $ 162.80). The more pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the depreciation of the US dollar versus the euro in 2020. The number of Level 1 ADRs outstanding decreased to 8.9 million at year-end 2020 compared to 10.4 million at the end of 2019. The average daily trading volume increased to around 55,500 ADRs in 2020 (2019: around 43,000). Further information on our ADR program can be found on our website. ▸ ADIDAS-GROUP.COM/ADR

adidas AG share included in STOXX Europe 50 Index

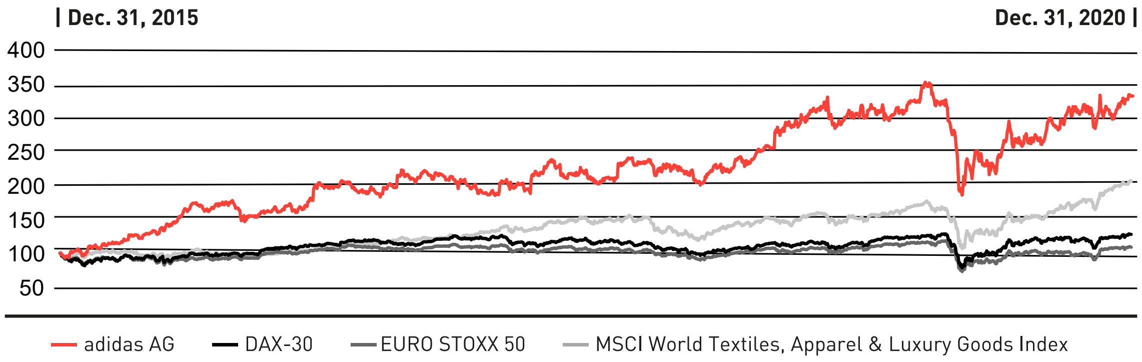
The adidas AG share is part of a variety of high-quality indices around the world. In addition to being part of the DAX 30, the EURO STOXX 50 Index as well as the MSCI World Textiles, Apparel & Luxury Goods Index, since September 2020, the adidas AG share is part of the STOXX Europe 50 Index, one of Europe's leading blue chip indices. At December 31, 2020, our weighting in the DAX 30, which is calculated on the basis of free float market capitalization and twelve-month share turnover, increased slightly to 5.04% (2019: 4.99%). Our higher weighting compared to the prior year was due to the increase in market capitalization of adidas AG. Within the DAX 30, we ranked 6 on market capitalization (2019: 7) and 9 on turnover (2019: 9) at year-end 2020.

Performance of the adidas AG share and important indices at year-end 2020 in %

	1 year	3 years	5 years	10 years
adidas AG	3	78	231	509
DAX 30	4	6	28	98
EURO STOXX 50	(5)	1	9	27
MSCI World Textiles, Apparel & Luxury Goods Index	21	57	106	187

Source: Bloomberg.

Five-year share price development [1]



1 Index: December 31, 2015 = 100. Source: Bloomberg.

The adidas AG share

		2020	2019
Number of shares outstanding at year-end[1]	shares	195,066,060	195,969,387
Basic earnings per share[2]	€	2.15	9.70
Diluted earnings per share[2]	€	2.15	9.70
Year-end price	€	297.90	289.80
Year high	€	316.05	296.35
Year low	€	166.92	183.95
Market capitalization[3]	€ in millions	58,110	56,792
Dividend per share	€	3.00[4]	–
Dividend payout	€ in millions	585[5]	–
Shareholders' equity per share[3]	€	33.09	34.68
Price-earnings ratio at year-end[6]	x	138.8	29.9
Average trading volume per trading day[7]	shares	808,394	638,854

Important indices

- DAX 30
- STOXX Europe 50
- EURO STOXX 50
- MSCI World Textiles, Apparel & Luxury Goods
- MSCI World ESG Leaders Index
- Deutsche Börse Prime Consumer
- FTSE4Good Index Series

1 All shares carry full dividend rights, excluding treasury shares.
2 Based on net income from continuing operations.
3 Based on number of shares outstanding at year-end, excluding treasury shares.
4 Subject to Annual General Meeting approval.
5 Based on the number of shares outstanding at the date of preparation of the Consolidated Financial Statements.
6 Based on basic EPS from continuing operations.
7 Based on number of shares traded on all German stock exchanges.

adidas intends to resume dividend payments

At the beginning of 2020, the adidas AG Executive and Supervisory Boards intended to recommend paying a dividend of € 3.85 per dividend-entitled share to shareholders at the 2020 Annual General Meeting, as a result of the strong operational and financial performance in 2019, the company's robust financial position, and Management's confidence in our long-term growth aspirations. In April 2020, adidas then took decisive steps to safeguard the company's financial flexibility to bridge the unprecedented situation caused by the global coronavirus pandemic. The decision to take on a syndicated revolving loan facility under the participation of KfW, Germany's state-owned development bank, resulted in a de facto suspension of dividend payments for the duration of the facility. The syndicated loan was fully replaced in November 2020.

The adidas AG Executive Board decided in February 2021 to resume the company's dividend payments. Subject to the approval by the Supervisory Board, the company will propose paying a dividend of € 3.00 per dividend-entitled share for the financial year 2020 to adidas shareholders at the Annual General Meeting on May 12, 2021. The dividend proposal, which reflects the company's strengthened financial profile as well as Management's positive outlook for the current year, would result in a total dividend payout of € 585 million.

The decision follows a series of financing measures, including obtaining strong investment-grade ratings, issuing bonds worth € 1.5 billion and securing a new syndicated loan of € 1.5 billion with partner banks, that adidas had successfully completed throughout the past year.

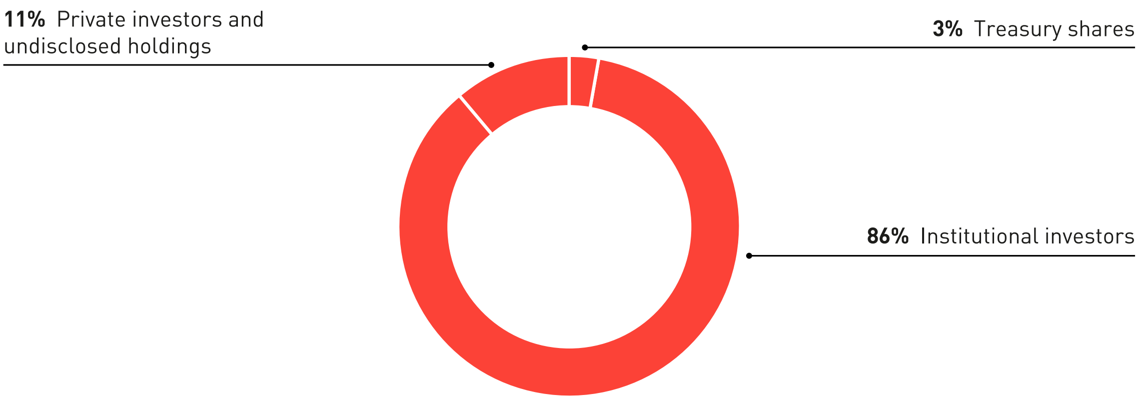
adidas stops share buyback program in March 2020

As a result of the high level of economic uncertainty caused by the dynamic developments related to the coronavirus outbreak especially during the first half of the year, the adidas Executive Board decided to proactively adopt a conservative approach to liquidity management. In order to preserve the company's financial flexibility in this environment, the company halted the share buyback program. After already temporarily suspending the 2020 tranche of its current multi-year share buyback program on March 17, 2020, immediately after retail closures across Europe and North America started to come into effect, the Executive Board decided on March 31, 2020, to formally stop the repurchasing of adidas shares for the remainder of the year. Consequently, the company did not deploy the amount of up to € 1.0 billion that was initially planned for the repurchase of own shares in 2020. Between January 7, 2020, and March 16, 2020, the company bought back 1.0 million shares, corresponding to 0.48% of the company's stock capital, for a consideration of € 257 million. The average purchase price per share was € 269.19. A total of 8.8 million treasury shares have been canceled since the start of the current program, reducing the company's share count and stock capital correspondingly.

Strong international investor base

Based on our share register, we estimate that adidas AG currently has more than 115,000 shareholders (2019: more than 90,000). In our latest ownership analysis conducted in January 2021, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 86% of shares outstanding (2019: 89%). Private investors and undisclosed holdings account for 11% (2019: 9%). Lastly, adidas AG currently holds 3% of the company's shares as treasury shares (2019: 2%).

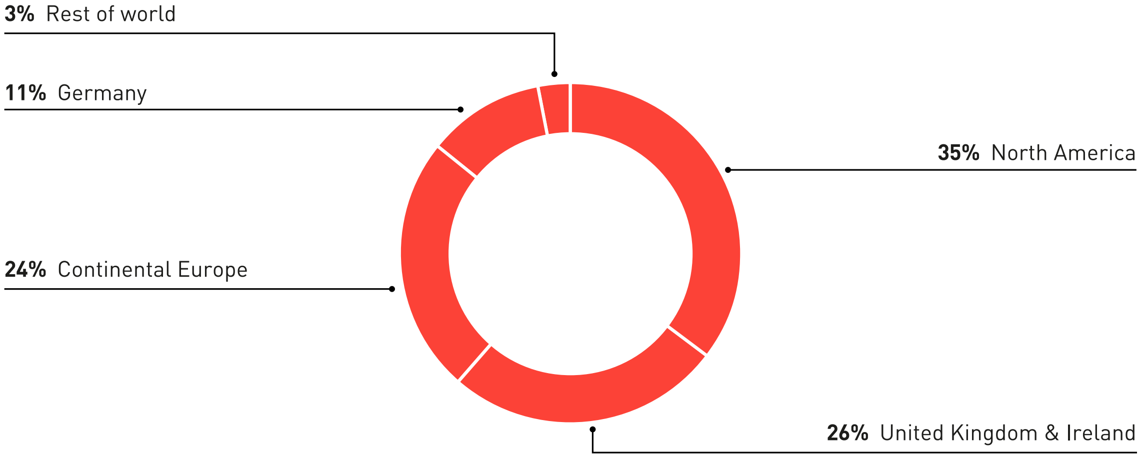
Shareholder structure by investor group[1]



1 As of January 2021.

In terms of geographical distribution, the North American market currently accounts for 35% of institutional shareholdings (2019: 43%), followed by the UK and Ireland with 26% (2019: 21%). Identified German investors hold 11% of institutional shareholdings (2019: 10%). Institutional investors from other continental European countries account for 24% (2019: 22%) and 3% of institutional shareholders were identified in other regions of the world (2019: 4%).

Shareholder structure by region[1,2]

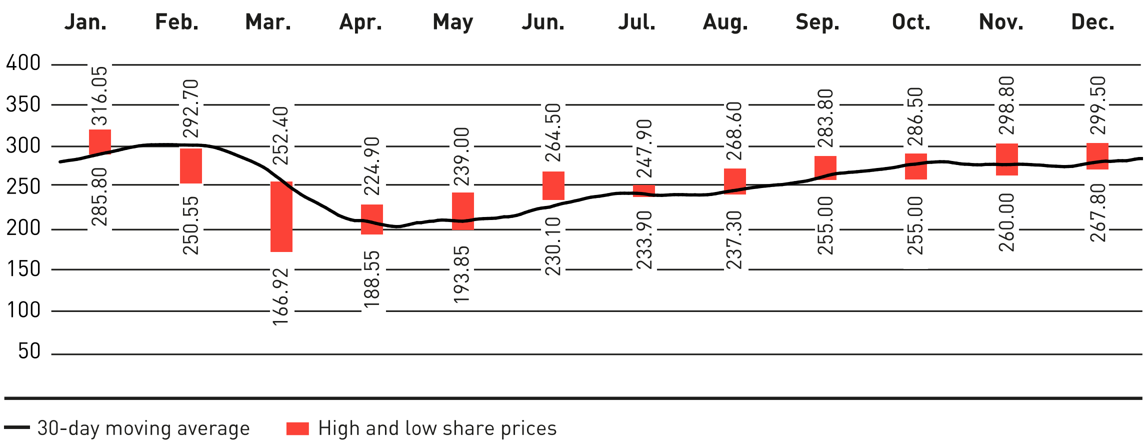


1 As of January 2021.
2 Reflects institutional investors only.

Majority of analysts with a neutral rating of adidas AG share

Around 40 analysts from investment banks and brokerage firms regularly publish research reports on adidas. Given the strong recovery of the adidas AG share following the drop during the early stages of the coronavirus pandemic in spring 2020, the majority of analysts now have a neutral view on our share. This is reflected in the recommendation split for our share as at December 31, 2020. 37% of analysts recommended that investors buy our share (2019: 33%), 46% advised investors to hold our share (2019: 57%), and 17% recommended selling our share (2019: 10%).

adidas AG high and low share prices per month[1] in €



1 Based on daily Xetra closing prices. Source: Bloomberg.

Voting rights notifications published

All voting rights notifications received in 2020 in accordance with §§ 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) (§§ 21 et seq. German Securities Trading Act old version) are published on our corporate website. Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report. ► ADIDAS-GROUP.COM/S/VOTING_RIGHTS_NOTIFICATIONS

Managers' transactions reported on corporate website

Managers' transactions involving adidas AG shares (ISIN DE000A1EWWW0) or related financial instruments, as defined by Article 19 of the European Market Abuse Regulation (MAR), conducted by members of our Executive or Supervisory Boards, or by any person in close relationship with these persons, are reported on our website. ► ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS

2

GROUP MANAGEMENT REPORT
OUR COMPANY

STRATEGY

With sport playing an increasingly important role in more and more peoples' lives, both on and off the field of play, we operate in a highly attractive industry. Based on our deep understanding of our consumer and the authenticity of the adidas brand, we push the boundaries of products, experiences and services. We do so according to our strategy, which allows us to fully capitalize on the acceleration of favorable long-term structural trends.

Review of strategy: 'Creating the New'

'Creating the New' was our strategy for the period from 2015 to 2020. Our ambition to drive top- and bottom-line growth by significantly increasing brand desirability was at the core of 'Creating the New' – a strategy that proved to be very successful.

We were firmly on track to deliver on our 2020 financial ambition, having raised our targets twice during the strategic cycle. This is reflected by the company's results for the period from 2015 to 2019, prior to the coronavirus pandemic:

- **Net sales:** Currency-neutral net sales increased at a rate of 12% per annum on average between 2015 and 2019, in line with our ambition from March 2018 of between 10% and 12% between 2015 and 2020 (initial ambition from March 2015 was high-single-digit growth).

- **Operating margin:** Reached a level of 11.3% in 2019, in line with our ambition from March 2018 of up to 11.5% by 2020 (initial ambition from March 2015 was around 10%).

- **Net income from continuing operations:** Grew at a rate of 28% per annum on average between 2015 and 2019, ahead of our ambition from March 2018 of between 22% and 24% between 2015 and 2020 (initial ambition from March 2015 was around 15%).

Ultimately, the financial ambitions for 2020 were not met due to the impact of the global coronavirus pandemic. Aside from financials, we executed on the three strategic choices of 'Creating the New' as introduced in March 2015 – Speed, Cities, and Open Source – all the way to the finish line of the strategic cycle. As a result, we not only established new iconic product franchises, such as Ultraboost and NMD, but also built and scaled innovative capabilities, many of which did not previously exist in our industry. These include the groundbreaking partnerships with Parley for the Oceans and Carbon, the creative collaborations with Kanye West, Pharrell Williams and Beyoncé, the shortening of lead times through speed-enabled ranges, and the creation of end-to-end consumer ecosystems in global megacities.

The execution of our Creating the New 'Acceleration Plan', which was introduced in March 2017, yielded the profitability turnaround of Reebok and the divestiture of CCM Hockey, the significant strengthening of adidas' positioning in North America, the relentless standardization of processes under ONE adidas, and the successful digital transformation of our company. The latter resulted in overproportionate growth in the company's e-com business, which generated more than € 4 billion in net sales in 2020 – more than twice the initial ambition from March 2015.

The many achievements resulting from these initiatives form the foundation upon which we have built our new strategy for the period until 2025, grounded in our purpose, mission, and attitude.

Our purpose: Through sport, we have the power to change lives

We will always strive to expand the limits of human possibilities, to include and unite people in sport and to create a more sustainable world.

Our mission: To be the best sports brand in the world

We are the best when we are the credible, inclusive, and sustainable leader with a first or second position regarding market share in each strategic category in the long term.

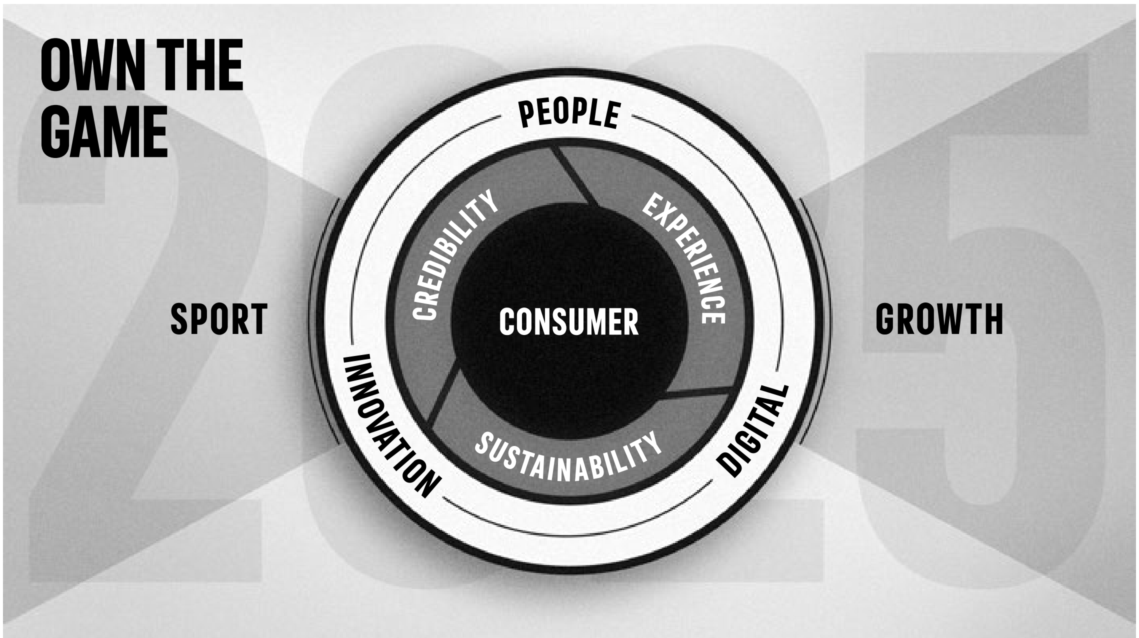
Our attitude: Impossible is nothing

We are rebellious optimists driven by action, with a desire to shape a better future together. We see the world of sport and culture with possibility where others only see the impossible.

New strategy 'Own the Game' for the period until 2025

'Own the Game' is our strategy that guides us through to 2025 – a plan rooted in sport. Sport is adidas' past, present and future. 'Own the Game' puts the consumer at the heart of everything we do and is brought to life by our people. Our strategic focus is on increasing brand credibility, elevating the experience for our consumer and pushing the boundaries in sustainability. The execution of our strategy is enabled by a mindset of innovation across all dimensions of our business as well as our digital transformation. We own the game and will drive significant growth.

'Own the Game' is our strategy for the period until 2025



Consumer

Our consumers are at the heart of 'Own the Game'. Consumers drive structural trends in our industry through their preferences and behaviors. They strive to live active and healthy lives, they wish to blend sport and lifestyle, and they are digital by default as well as sustainable by conviction. 'Own the Game' will be ready to capture those consumer-driven opportunities and carve out new ones for their benefit. In 2025, 'Own the Game' will not only have delivered overproportionate growth for adidas, but also deepened relationships with our consumer, as we continue to actively live our purpose 'through sport, we have the power to change lives.'

People

To successfully deliver on our five-year strategy, we will support our people to truly own the game. We will make sure we have the relevant capabilities to tackle our business needs and seize opportunities as we attract, grow and retain talent. We will ensure there is a level playing field for all as we continue our diversity and inclusion journey. Furthermore, we will leverage our unique workplace that has the consumer at the heart of everything we do.

Credibility

We are a leading brand thanks to our credibility in both sport and culture. To continue to excite our consumers with innovative concepts that support our mission, we will sharpen our brand, refine our product offering and leverage partnerships to further enhance our credibility with consumers.

- **Sport:** We will focus on the most important sport categories: Football, Training, Running, and Outdoor. Football is the biggest sport in terms of viewership, while Running, Training, and Outdoor are the biggest participation sports. Our products in these categories are built for sport and worn for sport.

- **Lifestyle:** To tap into the biggest commercial opportunity for our brand, we will sharpen our brand architecture by introducing a new consumer proposition called Sportswear. These products are born from sport and worn for style. At the same time, we will extend Originals, which is inspired by sport and worn on the street, into the premium segment through top-quality manufacturing processes and materials.

- **Women:** We will execute on a cross-category plan to achieve product excellence and elevate the women's experience through our membership program to become *her* indispensable sports brand. Our goal is to grow currency-neutral net sales for our Women's business at a mid-teens rate per annum on average until 2025, thereby significantly increasing the Women's share of our overall business.

- **Partnerships:** We will amplify our credibility through our partnerships by leveraging their power, authenticity, and reach. We will expand our portfolio of partners, which already includes Beyoncé, Kanye West, Stella McCartney and Pharrell Williams, all of whom will continue to play a significant role in wowing our consumer on the lifestyle side. Likewise, we will continue to leverage our partnerships with the biggest symbols in sport, be it with teams like Bayern Munich or Real Madrid, athletes like Lionel Messi or Mikaela Shiffrin, or events like the Boston and Berlin Marathons.

Experience

To grow long-term relationships with our consumer, we excite and empower them by creating personalized experiences in both digital and physical spaces. With this in mind, we will accelerate our transformation into a direct-to-consumer-led (DTC-led) business built around membership.

- **Membership:** With the launch of our membership program in 2018, we laid the foundation for offering personalized experiences to our most valuable consumers. We are now ready to take this to the next level with the goal of increasing our member base to around 500 million by 2025. Through membership, we reward engagement and purchasing activity by offering exclusive hype products, access to launches and special events, and more.

- **DTC-led:** E-com continues to be our most important store. Both adidas.com and the adidas app will see enhancements across the entire consumer journey. By 2025, our e-com business is expected to account for between € 8 billion and € 9 billion of our company's net sales. While e-com is the pinnacle of our retail strategy, our physical stores will continue to play a crucial role in creating a physical and emotional connection with our brand. Retail formats will be digitized with fully-fledged omnichannel capabilities. The DTC business, comprising our e-com as well as our physical stores, is projected to account for around half of the company's net sales by 2025. We will also continue to leverage our strong relationships with strictly selected wholesale partners and 'win-with-the-winners' to ensure a holistic experience for the consumer no matter the point of sale.

- **Key Cities:** We are building on our Key Cities portfolio of London, Los Angeles, New York, Paris, Shanghai and Tokyo, by adding Mexico City, Berlin, Moscow, Dubai, Beijing and Seoul. These cities represent the beating heart of our global consumer experience and exert influence on the rest of the world, while at the same time offering commercial opportunities as urbanization continues.

- **Strategic markets:** We will double down on Greater China, North America and EMEA to bring exciting consumer experiences to life, pursuing a tailored approach that appeals to local trends. Our ambition is to gain market share in all three strategic markets.

Sustainability

Our commitment to sustainability is truly holistic and deeply embedded into how we have done business for over two decades. Its rooted in our purpose that, through sport, we have the power to change lives. As we continue to pioneer in sustainability, we will move from strong stand-alone initiatives to a scaled and comprehensive sustainability program.

- **What we offer:** We keep pushing the boundaries of our sustainable offering, so that our consumer will be able to choose from a uniquely comprehensive range. By 2025, nine out of ten of our articles will be sustainable. How we will do this revolves around how we expand and innovate our 3-loops: made from recycled materials, made to be remade, or made with natural and renewable materials. We define products as sustainable when they show environmental benefits versus conventional products due to the materials used or their respective production technologies.

- **What we do:** We are committed to reducing the CO_2 footprint of our product offerings as we work to reach climate neutrality by 2050. We will achieve this through initiatives such as driving zero-carbon within our own operations and promoting environmental programs along our entire value chain in close cooperation with our suppliers.

- **What we say:** We will be vocal about our efforts that focus on creating low-impact products that are made to be remade. To guide our consumer to make more sustainable choices, we will also simplify our labelling strategy and scale up our product takeback program.

Innovation and Digital

Two enablers will set us up for success. The first is applying a mindset of deep and broad innovation across all dimensions of our business. The second is using the speed and agility of Digital throughout our entire value chain. These enablers will be particularly powerful when it comes to executing on the three strategic focus areas – Credibility, Experience, and Sustainability – that support us in intensifying our focus on the consumer and driving growth.

Financial ambition for 2025

'Own the Game' is designed to yield growth in terms of revenue, profitability and cash generation, which in turn creates long-term value for our shareholders. Therefore, we are focused on rigorously driving execution and managing all of the factors under our control, which will enable us to:

- **Achieve top-line growth above industry average:** We aim to increase currency-neutral revenue at a rate of between 8% and 10% per annum on average in the four-year period between 2021 and 2025.

- **Further expand both gross and operating margin:** We expect to expand our gross margin to a level of between 53% and 55% and our operating margin to a level of between 12% and 14% by 2025.

- **Grow our bottom-line sustainably:** We plan to grow our net income from continuing operations by an average of between 16% and 18% per annum in the four-year period between 2021 and 2025.

- **Invest into future organic growth:** We are committed to reinvesting between 3% and 4% of net sales into our business by means of annual capital expenditure.

- **Deliver attractive cash return to shareholders:** Based on the material growth in terms of revenue and profitability, we will generate substantial cumulative free cash flow until 2025. The majority of it – between € 8 billion and € 9 billion – will be made available and distributed to shareholders through a consistent dividend pay-out in a range between 30% and 50% of net income from continuing operations, complemented by share buybacks.

Given the prevailing uncertainties related to the further development of the coronavirus pandemic, our financial ambition for 2025 has 2021 – rather than 2020 – as a baseline. However, this does not apply to the strategy as such, which will be executed throughout the entire five-year strategic cycle.

As a global leader in our industry with a strong strategy in place, we are very well positioned for the years ahead.

GLOBAL BRANDS

THE CONSUMER AT THE HEART OF EVERYTHING WE DO

Global Brands oversees the innovation, design, development and marketing of the company's sports and lifestyle offerings. By constantly developing desirable products and providing inspiring experiences, the function strives to build a strong image as well as trust and loyalty with consumers to capitalize on growth opportunities in the sporting goods industry.

adidas brand

The adidas brand has a long history and deep-rooted connection with sport. Its broad and diverse portfolio in both the Sport Performance and Sport Inspired categories ranges from major global sports to regional heartbeat sports and local sneaker culture. This has enabled the brand to transcend cultures and become one of the most recognized and iconic, on and off the field of play. adidas is positioned as a premium sportswear brand that caters to all, from elite professional athletes and teams to any individual who wants to make sport part of their lives, spanning footwear, apparel, and accessories and gear. Driven by a relentless pursuit of innovation as well as decades spent accumulating sports science expertise, the brand helps athletes of all levels to make a difference – in their game, in their life, in their world. This is anchored in our company's purpose that, through sport, we have the power to change lives. In 2020, the adidas brand accounted for 91% of the company's sales.

Reebok brand

Reebok is an American-inspired global brand with a deep fitness heritage and continues to merge its iconic past with new technologies that revolutionize both sports and lifestyle products. Reebok is positioned at the intersection of fitness and fashion as boundaries continue to blur. Reebok's Sport category combines product divisions focused on specialized fitness activities such as running and training, with functional innovation and a focus on style. These products are at the forefront of fitness and true to the culture and communities that Reebok consumers train, run, and live in. Reebok's second category, Classics, reinforces the brand's deep roots in fitness and pop culture across multiple iconic silhouettes and trend-oriented lifestyle products. In 2020, the Reebok brand accounted for 7% of the company's sales. As part of the development of its new five-year strategy, the company has decided to begin a formal process aimed at divesting Reebok.

Iconic product franchises

We are convinced that footwear has the highest influence on brand perception among product categories and our potential to grow market share. Access to athlete data and an archive that is unrivaled in the industry provide deep insights and ample opportunity to add chapters to our brands' rich heritage. At the same time, we have a clear strategy to reduce the number of footwear models, putting a stronger focus on key franchises. These footwear franchises aim at shaping sport as well as influencing culture and are built to create trends, rather than follow them. Through uncompromised functionality, iconic design, and unique stories, they directly root from and are targeted at the athlete with the potential to be iterated and expanded over time. Their life cycles are tightly managed to ensure longevity and relevance. Key footwear franchises for the adidas brand include, among others, Ultraboost, Predator, and Superstar. On the apparel side, the brand continued to build out franchises such as the MyShelter Jacket, the Tiro Pant, and the Z.N.E. Hoodie. In 2020, key footwear franchises of the adidas brand represented at least 34% of its footwear business.

Brand desirability fueled by innovation and creative collaborations

In addition to leveraging iconic product franchises, creating innovative concepts to meet the needs of athletes and consumers is a prerequisite to strengthening our market position in the sporting goods industry and a premise to being the best sports brand in the world. We remain highly committed to maintaining a full and innovative concept pipeline, bringing new ground-breaking technologies and processes to life, investing into sustainability, and exploring all possibilities of digitalization. The modern innovation landscape extends beyond product and increasingly requires innovation teams to consider the development of experiences and services, as well as the provision of greater levels of transparency and direct integration of our consumer through co-creation. In partnership with our Trend & Cultural Insights teams, foresight and trend analysis are shared on an ongoing basis, documenting shifts in society and culture. True to the vision of creative collaboration, our innovation approach is widely based on this open source mindset, which provides the starting point to build concepts of relevance.

We seek to create value together with high-profile individuals and brands such as Beyoncé, Kanye West, Pharrell Williams, Yohji Yamamoto, Stella McCartney, and Prada. But we also collaborate with athletes and consumers, universities, and innovative companies as well as national and international governments and research organizations. In addition, we have been inspired by the input from knowledgeable partners such as BASF (e.g. Boost), Carbon (e.g. 4D), and Parley for the Oceans (e.g. Primeblue) for many years. In 2020, we set out on a joint mission with San Francisco-based footwear start-up Allbirds to create a high-performance sports shoe with the lowest carbon emissions by exploring innovations that span everything from manufacturing and supply chain to transportation methods.

Commercialize innovations

We believe developing industry-leading technologies, materials and consumer experiences is only one aspect of being an innovative leader. Equally important is the successful commercialization of those innovative concepts.

Analogous to prior years, the majority of sales were generated with products newly introduced in the course of 2020. At the adidas brand, products launched during the year accounted for 68% of brand sales (2019: 77%), while only 2% of sales were generated with products introduced three or more years ago (2019: 3%). At the Reebok brand, 67% of footwear sales were generated by products launched in 2020 (2019: 67%), while 11% of footwear product sales relate to products introduced three or more years ago (2019: 11%).

We have a long heritage of innovation and strive to provide athletes with the best by creating high-performance and competitive products. In 2020, we continued to serve consumers with innovative technologies and sustainable concepts built into our products:

- **adidas 4D:** The adidas 4D concept features midsoles crafted with light and oxygen using Digital Light Synthesis, a unique technology developed by Carbon, to produce high-performance footwear. The midsole pioneers a digital footwear component creation process that eliminates the necessity of traditional prototyping or molding. With the new technology, adidas brings additive manufacturing in the sports industry into a new dimension. In the past three years, adidas 4D has gone from a conceptual innovation to a running shoe made available in large quantities and multiple variations and will be continued to be scaled further.

- **EnergyRODS:** Our latest running technology is designed to mimic the foot's metatarsals, which deliver an anatomically driven transition from heel to toe, limiting energy loss and providing a propulsive feeling. In comparison to carbon plates, EnergyRODS enable the foot to move more naturally and are featured in our pinnacle running product offer, such as the Adizero Adios Pro. Our latest adidas high-performance running franchise is created for elite athletes and combines EnergyRODS, a responsive foam, and a lightweight mesh upper. We celebrated the first success of the franchise when Peres Jepchirchir set a new half marathon world record in a women-only race in September 2020.

- **Futurecraft.Strung:** Strung is an industry-first textile and creation process that allows adidas to input athlete data into the precision placement of each thread on the upper of shoes. Futurecraft.Strung is the first product concept designed to illustrate Strung's capability and was created to provide a new feeling and experience of fast short-distance running specifically.

- **Made to be Remade:** When it comes to dealing with plastic waste, just moving it to another place is the problem, not the solution. Therefore, we started the Futurecraft.Loop journey in 2019, as we drive forward our ambition to end plastic waste. In 2020, we introduced Loop Generation 3 as we took our latest Futurecraft.Loop shoe to consumers during adidas Creators Club Week in October, where we made the shoes available to the public for the first time and invited 1,500 Creators Club members to take part in a beta test of a specially designed digital experience through the adidas app. This was a cornerstone of the full commercial release of the sustainable franchise in 2021.

In the same way, we continued the development of innovative materials to create relevant products for our consumers:

- **Lightstrike:** Lightstrike is a super-light EVA foam cushioning technology that provides extreme comfort and the perfect balance between light weight and responsiveness. It is featured across multiple running franchises and caters to the needs of runners at any level, from beginners to world-class marathoners.

- **Parley Ocean Plastic:** Products made of Parley Ocean Plastic focus both on the needs of our athletes, by living up to their performance promise, and on the needs of the world, by helping to protect our oceans from plastic pollution. We have taken sustainability to the product level and continue to roll it out across our product portfolio. In 2020, we made more than 15 million pairs of shoes containing Parley Ocean Plastic, which means that by the end of 2020 adidas made in total more than 30 million pairs of shoes with Parley Ocean Plastic.

- **Primeblue/Primegreen:** Primeblue is a recycled technical material made in part with Parley Ocean Plastic – upcycled plastic waste, intercepted on remote islands, beaches, coastal communities and shorelines, preventing it from polluting our oceans. It is now included in some of adidas' most iconic and visible performance franchises, like Ultraboost, and in the jerseys of some of the biggest leagues and teams in the world. Primegreen, made from recycled ingredients, is a series of high-performance materials targeted to end the use of virgin plastics. Both materials played a significant role in adidas reaching more than 70% total volume of recycled polyester at the end of 2020.

- **RDY:** RDY is an apparel performance concept that combines a series of technologies to serve for all weather conditions: insulating, moisture-managing COLD.RDY, breathable, air-cooling HEAT.RDY; wind-resistant, water-repellent WIND.RDY; waterproof, windproof RAIN.RDY; and moisture-absorbing AEROREADY. The concept enables simplified storytelling to the consumer and has been rolled out across multiple categories and products.

Beyond innovative technologies, sustainable concepts and materials, key products and collaborations of the 2020 business year include:

- **aSMC Urban Extreme:** adidas x Stella McCartney represents the combination of eco-consciousness and sustainable fashion with performance sportswear. Urban Extreme ranges across all product categories and is elevated by tactical outerwear pieces combined with RDY innovations.

- **Clean Classics:** Clean Classics is a series of vegan versions of a few of the best-selling adidas sneakers, such as the Stan Smith, Superstar, Supercourt and Continental 80. The series re-emphasizes adidas' commitment to sustainability by including a sustainable compound as well as a new pattern-cutting process to use less material and create less waste.

- **Reebok Forever Floatride Grow:** Forever Floatride Grow is the Reebok brand's first plant-based performance running shoe and latest example of sustainable innovation. The shoe is made with castor beans, algae, eucalyptus trees and natural rubber and thus builds on Reebok's Cotton + Corn lifestyle collection of footwear.

- **Tech Rock:** The Tech Rock jacket is deeply rooted in athletes' insights and features the advanced three-layer waterproof, breathable and durable fabric GORE-TEX Pro. The jacket offers best-in-class protection to consumers adventuring in vertical terrain and potential challenging conditions but looking for modern expression of technical wear.

- **X – Ghosted:** The first football boot available at scale with the integration of a dynamic carbon plate and a vacuum-fit experience that supports players' explosive moves thanks to its proximity to the contours of the foot.

Effective marketing investments

An additional important building block of creating brand desirability and winning the consumer are our marketing investments. adidas is focused on creating inspirational and innovative concepts that drive consumer advocacy and build brand equity. The company historically spends almost half of its marketing investment on partners, with the remainder spent on brand marketing activities such as digital, advertising, point-of-sale and grassroots activations. In addition, the company will further consolidate and focus resources to create powerful brand statements overarching several categories under one narrative. This will be achieved by focusing on two priorities:

- **Brand drivers:** Brand campaigns are at the pinnacle of our communication strategy. They demonstrate the brand belief, conveying to consumers what adidas stands for and drive a consistent positioning globally. Furthermore, brand campaigns support brand priorities by establishing an emotional connection through the brand narrative. adidas also authenticates the brand in using sport moments as platforms to drive sports credibility by enabling athlete and event activations. Lastly, we leverage our partnerships, for example with Beyoncé, Kanye West and Pharrell Williams to drive brand heat and freshness in lifestyle through partner activation and special product executions.

- **Commercial drivers:** Product campaigns are created to focus on a specific product franchise (e.g. Ultraboost) or a technology platform (e.g. RDY or 4D). These campaigns are driven by a clear performance or style benefit and are expressed through storytelling around products' unique selling propositions. Additional commercial content is driving conversion at the point of sale (in-store and online) by highlighting a product feature or benefit for key items, volume drivers and key franchises.

In 2020, adidas achieved activations of sports marketing partners and entertainment influencers under single narratives and across categories globally:

- **Creators Club Week:** In October 2020, adidas launched its first seven-day digital festival, the 'Creators Club' Week. During the week, members saw our biggest-ever drop of exclusive and limited-edition shoes with more than 70 new designs making their debut over the course of the event. The week also featured appearances from global celebrities talking about important topics such as ending plastic waste, celebrating culture and innovation. To kick off the week, model Karlie Kloss launched the next chapter of Futurecraft.Loop and members had the chance to earn one of the 1,500 pairs available.

Throughout the week, a series of over 40 surprise raffles took place where members won unique creations, such as a piece of art from designer Paolina Russo or signed adidas Predator boots from FIFA World Cup winner Paul Pogba.

- **#hometeam campaign:** Following the emergence of covid-19, adidas pivoted in real-time to create and launch a brand campaign that offered help, hope and connection to the world during the pandemic. #hometeam was a global movement spearheaded and created by our partners and the content they created. Over 3,000 athletes, artists and influencers supported the moment making it the biggest-ever adidas campaign in terms of partner activation and involvement. #hometeam content was viewed close to 400 million times and is one of the most watched and positively received campaigns in the brand's history.

- **Ready for Sport:** Following the success of #hometeam during the global pandemic in spring 2020, the 'Ready for Sport' campaign was a motivating call and a celebration of sport. The series harnessed adidas' purpose that 'through sport we have the power to change lives' in a co-creative approach seeking to reveal first-person stories of 20 of adidas' leading athletes who shared how sport became their fuel during the covid-19 crisis to stay ready for the comeback of their craft, bringing joy and optimism to all. The campaign was launched on adidas' owned and partner social media channels and was endorsed by over 1,000 adidas athletes. Overall, the 'Ready for Sport' campaign generated more than 500 million video views, becoming adidas' most-watched social campaign to date.

In terms of partners and athletes, while reducing the ratio of marketing spend and the number of partnerships, we will nonetheless continue to bring our products to the biggest stages in the world through:

- **Events with global reach:** FIFA Women's World Cup, Rugby World Cup, the UEFA Champions League, and the Boston and Berlin Marathons, among others.

- **High-profile teams:** National association football teams of Argentina, Belgium, Colombia, Germany, Japan, Mexico, and Spain, as well as top football clubs such as Arsenal London, Bayern Munich, Flamengo Rio de Janeiro, Juventus Turin, Manchester United and Real Madrid, the New Zealand All Blacks in rugby, and American universities such as University of Miami, Arizona State University and Texas A&M University.

- **High-profile individuals:** Football stars Lionel Messi, Jürgen Klopp, Mohamed Salah, Paul Pogba, Toni Kroos, Heung-min Son, Vivianne Miedema and Wendie Renard. Basketball stars Candace Parker, Damian Lillard, Donovan Mitchell, James Harden, and Liz Cambage; American football players Aaron Rodgers, JuJu Smith-Schuster, and Patrick Mahomes; baseball athletes Aaron Judge and Carlos Correa, as well as tennis stars Alexander Zverev, Angelique Kerber, Dominic Thiem, Garbiñe Muguruza, Stefanos Tsitsipas, and alpine skier Mikaela Shiffrin.

GLOBAL SALES

TRANSFORMING THE MARKETPLACE

Our Global Sales function drives the commercial performance of the company by converting brand desire into profitable and sustainable business growth. It is our ambition to deliver the best shopping experience within the sporting goods industry across all consumer touchpoints. We strive to transform the marketplace by actively shaping and accelerating the growth of our profitable and integrated trade network. Our objective is to establish scalable business solutions in order to deliver premium experiences, thereby meeting and surpassing consumer expectations with an integrated brand offering.

While 2020 saw a reduction of distribution points due to market consolidation and the impact of the coronavirus pandemic on retailers, we continue to leverage a consistent global framework with more than 2,500 own-retail stores and our own e-commerce channel, our single biggest store available to consumers in over 50 countries.

Impact of the coronavirus pandemic

The global outbreak of the coronavirus in 2020 led to a significant number of temporary store closures – both own and partner-operated – and a pronounced traffic reduction within the remaining store fleet, with a corresponding negative impact on our sales development. At the peak of the worldwide lockdown measures in April, more than 70% of our global store fleet were closed. Where and when possible, we began executing our store reopening plan in accordance with the decisions taken by local authorities. While store traffic remained below prior year levels, we registered an increase in conversion rates, as consumers that visited our stores tended to have a clearer buying intent.

To meet the challenges we had to face in our business, we focused on e-commerce, as it was the only fully operational store and our fastest-growing channel. Through targeted consumer marketing, exclusive product launches and prioritized supply chain management we achieved an outstanding global e-commerce sales growth in 2020. In response to this, the supply chain organization adapted capacities at our distribution centers to accommodate more e-commerce inventory. ► SEE GLOBAL OPERATIONS

Within own-retail, we focused on limiting the direct impact of the crisis on employees and consumers with strong crisis management and a holistic approach to reopening our stores. During store closures, we focused on staff engagement and development through 100% virtual training sessions. Also, we deployed our store staff to support our e-commerce business leveraging their product knowledge to service consumers. With digital being on top of the agenda for 2020, we drove a rapid acceleration of digital tools and omnichannel services. Starting while retail stores were still closed, 'Ship from store' was enhanced to support online order fulfillment. We also leveraged our digital capabilities to allow for safe and convenient shopping experiences when stores began to reopen. 'Wait less, shop more' in our adidas app enabled consumers to book an appointment in store to reduce waiting time. Health and safety guidelines and processes were introduced to protect our staff and consumers and to ensure our consumers feel safe upon returning to our stores. Finally, our factory outlet stores played a critical role in reducing increased inventory levels, while maintaining the brand perception as well as health and safety standards.

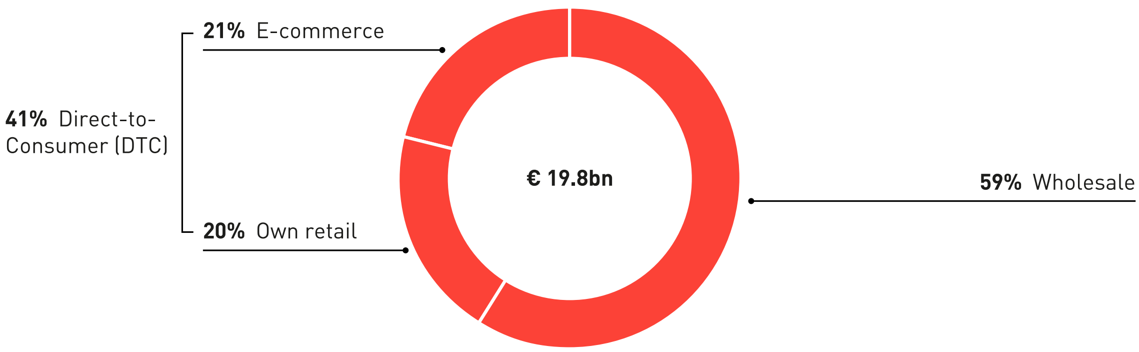
In our wholesale channel, we radically changed the focus toward cash flow management in collaboration with our key accounts. We proactively managed our orderbook to make stock accessible to all channels and customers, in particular pure players and omni-channel accounts. We transferred physical sell-in meetings to remote, virtual sessions leveraging our digital tools and infrastructure. We partnered closely with our key accounts to build virtual sales events to increase demand for our product among consumers. To support our online business, team members from wholesale were temporarily reassigned to digital wholesale.

Overall, the global pandemic accelerated our focus on digital and our own direct-to-consumer (DTC) channels. Our 'Creators Club' membership program more than doubled its size in 2020 and is currently reaching 165 million members across 15 countries, enabling us to build direct relationships with our consumers. Our own-retail stores are the physical touchpoint with our consumers and allow us to offer premium and personalized experiences, acquire new members and intensify relationships with our consumers. Moreover, long-term investments into strategic partnerships with our key accounts enable us to reach even more consumers where they shop, on- and offline.

2020 channel mix

We are actively driving the shift from wholesale to DTC channels. Selling directly to the consumer is beneficial to our top- and bottom lines and delivers deep consumer insights. In 2020, the share of DTC business, consisting of own-retail and e-commerce sales, increased significantly to 41% (2019: 33%). Wholesale accounted for 59% of total net sales (2019: 67%).

Net sales by channel



E-commerce

In e-commerce, we showcase our brand differentiators such as exclusive product or engaging member experiences. Through scaling and expanding our e-commerce platform, we create business impact and efficiencies. Our 2020 ambition for sales through our own e-commerce platforms was increased from up to € 4 billion to more than € 4 billion, as we accelerated our digital transformation while retail stores were closed due to the coronavirus pandemic. We achieved our target through balancing short-, mid- and long-term opportunities. We took radical actions to focus on digital acceleration by moving available inventory to e-commerce, invested into an agile digital content studio, shifted our marketing and tech budget toward digital and made sure our day-to-day decisions are data-driven with clear focus on consumer insights and trends.

We continued the work toward premium, connected and personalized experiences that enable direct relationships with our consumers. In addition to our adidas e-commerce platform, which is available in over 50 countries, our adidas app strategy continued to fuel our mobile and member focus and has reached over 40 countries across all major markets, achieving a significant share of business in the adidas digital ecosystem. The adidas app is where we amplify our key brand territories such as sustainability and innovation. It is our gateway between online and offline and it provides a premium experience with immersive storytelling, personalized content, frictionless checkout, seamless order tracking, and access to our 'Creators Club' membership program. Members collect points from interactions across all our touchpoints (.com, apps, retail stores), climbing up different levels and unlocking rewards including personalized experiences, such as participation into a trivia around sustainability during our first-ever 'Creators Club' Week to win a pair of Futurecraft.Loop, our first 100% recyclable performance running shoe. As 2020 saw the highest-ever sports engagement with our adidas Running and Training apps, these apps contribute to amplifying our purpose 'through sport we have the power to change lives'. adidas is the only sports brand that rewards both physical and purchasing activity through membership points. The success of our Creators Club program is visible in key metrics such as increased consumer satisfaction as well as more than twice as high consumer lifetime value compared to non-members.

In addition to the growth of existing touchpoints, we launched the Confirmed app in August as our new, most premium channel for sneakerheads and style in the US. We expanded the app to China in October. This app brings the best from the brand to our consumers, our most coveted and premium product in the easiest, fairest and most elevated way.

Retail

Our more than 2,500 own-retail stores are a vital part of the consumer journey. They are the best place for our consumers to directly interact with our brand, product and teams, and to touch and try our products, feel inspired by our stories and experience what we stand for as a brand. Through premium experiences and the human connection with our teams and communities we aim to build brand loyalty and increase consumer lifetime value. With our fleet of brand flagship stores focusing on premium experiences, concept stores with a more commercial focus and factory outlet stores for the value-seeking consumer, we provide an environment to satisfy all of our consumers' needs when shopping our product and connecting with the essence of our brand.

In 2020, we focused on ensuring a profitable business through optimizing the store fleet, accelerating digital tools and creating a premium consumer experience. We increased the number of flagship stores and brand centers with a clear focus on digitalization, personalization, and a seamless consumer experience across all touchpoints. At the other end of the scale, we solidified our foundation to shift our factory outlet business from a clearance-focused channel to a commercial engine driving the profitability of the fleet that also showcases our product and brand storytelling.

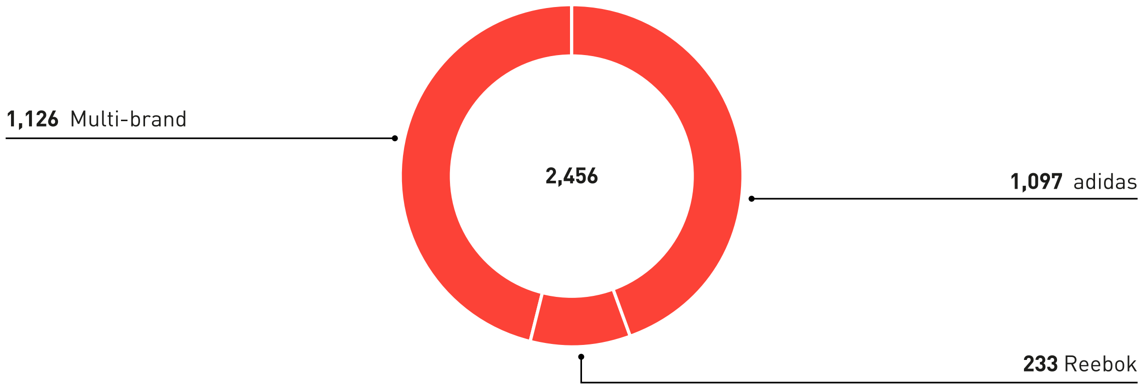
We made important investments to sharpen the top of the pyramid of our store fleet and strengthen our retail presence in key cities across our markets. In Europe, for example, we extended our flagship fleet by reopening the first-ever adidas Originals flagship store in Berlin and opening a new adidas Originals flagship store on Carnaby Street in London. Our renewed flagship store in Berlin is equipped with a design concept that promotes the store as the go-to destination for sought-after fashion collections and hyperlocal product launches. With the adidas Originals flagship store on Carnaby Street in London, we opened the first-ever gender-neutral store, which will house exclusive product, act as a community space and continue to showcase our strong focus on creating a more sustainable future.

Wholesale
In 2020, the majority of consumers shopped sporting goods in a multi-brand wholesale environment. Wholesale is an important channel for our brand to reach consumers, authenticate and grow key categories for our business. Our main objective in wholesale is to win market share in critical consumer touchpoints on- and offline, especially in key trade zones and high streets. To do so, we identified our most important multi-brand and franchise customers and involved them in range and product development. Through leveraging our strong cross-functional partnerships with key wholesale partners in sales and activation, we see considerable success in landing our products, services, and stories. This is critical to ensure a holistic consumer journey.

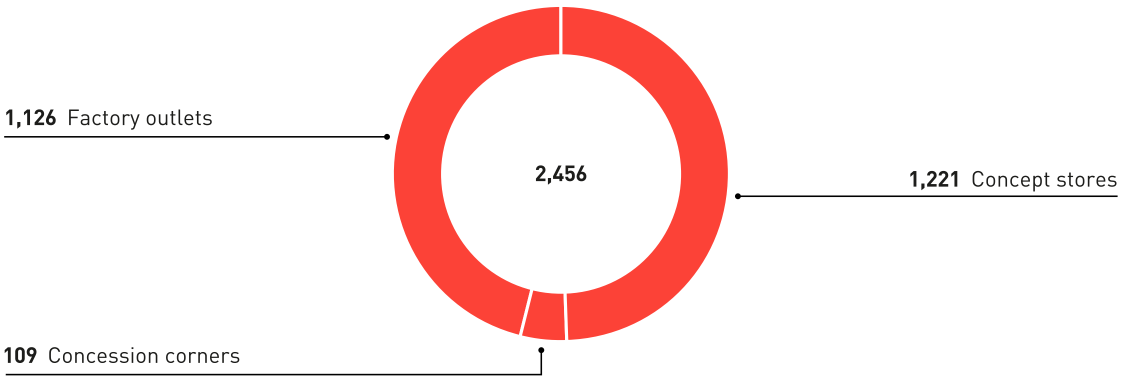
We continued our focus on and investments into digital capabilities to team up with our accounts to win online together. Our Partner Program platform brings us one step closer to where the consumer shops by providing strategic partners with unprecedented access to our products by connecting our systems to their digital platforms so they can gain access to our inventory. 2020 saw Partner Program roll out to new partners and locations, enabling us to fill gaps in their size availability and offer an extended range of products to their consumer. Furthermore, our investments into digital capabilities have allowed us to deliver an enhanced and consistent shopping experience in digital wholesale by making our product images and descriptions flow seamlessly into their systems to power their website and app experiences.

We have additionally invested into digitalizing our sales processes. In 2020, we continued our investments into the development of digital commerce tools, such as 'Click,' our self-service B2B platform 'S.Core,' our sales planning tool, and the 'Digital Showroom'. In 2020, we went from 40% remote, virtual sell-in to over 90% with 'Click' and 'Digital Showroom' being rolled out in Europe, Latin America and Emerging Markets. 'Digital Showroom' allowed us to design our virtual sell-in meetings in a much more engaging way and even helped to improve our orderbook compared to previous years. Starting in 2021, we will continue to roll out our digital commerce tools to North America and Asia-Pacific to harmonize processes and drive efficiencies while offering a complete service model.

Stores by brand



Stores by concept type

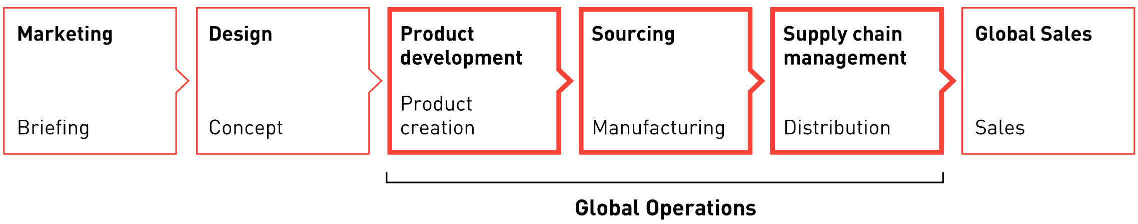


GLOBAL OPERATIONS

Global Operations manages the development, production planning, sourcing, and distribution of our company's products. The function strives to increase efficiency throughout the company's supply chain and ensures the highest standards in product quality, availability, and delivery. With the consumer in mind, we deliver competitively priced products in a sustainable manner, when and where they are wanted.

Global Operations delivers upon our company's mission to be the best sports brand in the world. The function creates the best products by establishing state-of-the-art infrastructure, processes, and systems that enable us to focus on innovative and sustainable materials and manufacturing capabilities. Moreover, Global Operations is focused on delivering the best services through flexible and agile distribution capabilities by enabling product availability through an omni-channel approach. Thereby, Global Operations contributes to delivering the best experience to our customers and consumers in a sustainable way.

Global Operations in go-to-market process



In 2020, our Tech and Non-Trade Procurement teams joined Global Operations and are now reporting into the Executive Board Member responsible for Global Operations.

Production through independent manufacturing partners

To keep our production costs competitive, we outsource almost 100% of our production to independent manufacturing partners. While we provide our manufacturing partners with detailed specifications for production and delivery, they possess excellent expertise in cost-efficient, high-volume production of footwear, apparel, and accessories and gear.

In 2020, we worked with 132 independent manufacturing partners (2019: 138) that were producing in 277 manufacturing facilities (2019: 304)[14]. The majority (68%) of our independent manufacturing partners are located in Asia (2019: 73%).

We value long-term relationships: 61% of our independent manufacturing partners have worked with adidas for at least ten years, and 30% have a tenure of more than 20 years.

14 The 2019 Annual Report quoted 336 manufacturing partners, of which 32 were Tier 1 subcontractors. These subcontractors will not be included in the calculation in the future, and have therefore been removed for reasons of better comparison to the current year.

Relationships with independent manufacturing partners

	Total	Footwear	Apparel	Accessories & Gear
Number of independent manufacturing partners	132	25	70	37
Average years as independent manufacturing partner	13.6	15.3	12.6	14.2
Relationship < 10 years	39%	48%	37%	35%
Relationship 10 – 20 years	31%	20%	33%	38%
Relationship > 20 years	30%	32%	30%	27%

Relationships >20 years

30%

Overall, our independent manufacturing partners produced 943 million pieces of apparel, footwear and accessories and gear in 2020 (2019: 1,103 million pieces).

All our manufacturing partners are subject to specific performance criteria which are regularly measured and reviewed by Global Operations. To ensure the high quality that consumers expect from our products, we enforce strict control and inspection procedures of our manufacturing partners and in our own factories. Effectiveness of product-related standards is constantly measured through quality and material claim procedures. In addition, we track social and environmental performance criteria of our suppliers through the compliance and environmental KPI (C-KPI and E-KPI) tracking system. Adherence to social and environmental standards is promoted throughout our supply chain. The current list of our independent manufacturing partners can be found on our website. ▸ ADIDAS-GROUP.COM/S/SUPPLY-CHAIN-APPROACH ▸ SEE SUSTAINABILITY

Impact of the coronavirus pandemic on our manufacturing partners

Due to the global outbreak of the coronavirus, our independent manufacturing partners had to deal with facility closures, reduced working hours, and changes in operating procedures to implement social distancing and necessary safety measures. We reduced our production volumes to meet the lower global demand. At the same time, to keep the production volume relatively stable, we managed factory fill rates by pulling forward demand and production of 'evergreen' products, such as Adilette slides, that are usually not subject to seasonal or trend-related change. We kept in touch with our manufacturing partners throughout the crisis and did not terminate any relationship due to the pandemic in 2020.

Vietnam remains largest footwear sourcing country

97% of our total 2020 footwear volume was produced in Asia (2019: 98%). Vietnam represents our largest sourcing country with 42% of the total volume (2019: 43%), followed by Indonesia with 29% (2019: 28%), and China with 15% (2019: 16%). In 2020, our footwear manufacturing partners produced approximately 379 million pairs of shoes (2019: 448 million pairs). Our largest footwear factory located in Vietnam produced approximately 8% of the footwear sourcing volume (2019: 8%).

Cambodia remains largest source country for apparel

In 2020, we sourced 93% of the total apparel volume from Asia (2019: 91%). Cambodia is the largest sourcing country, representing 22% of the produced volume (2019: 23%), followed by Vietnam with 21% (2019: 19%), and China with 20% (2019: 19%).

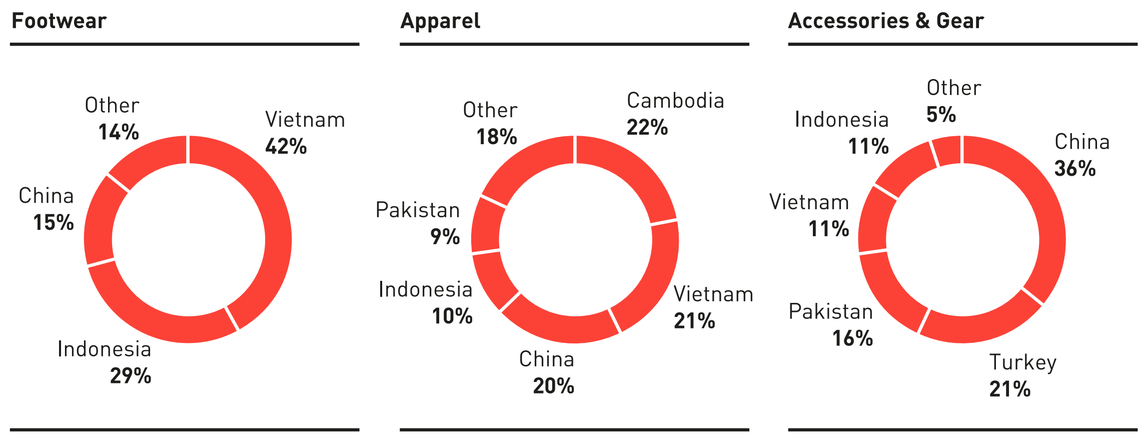
In total, our manufacturing partners produced approximately 465 million units of apparel in 2020 (2019: 528 million units). The largest apparel factory, which is in China, produced approximately 11% of this apparel volume (2019: 9%). Overall, apparel production is more fragmented than footwear.

China remains main source country for accessories and gear

In 2020, 77% of our accessories and gear, such as balls and bags, were produced in Asia (2019: 81%). China remained our largest sourcing country, accounting for 36% of the sourced volume (2019: 37%), followed by Turkey with 21% (2019: 18%) and Pakistan with 16% (2019: 22%).

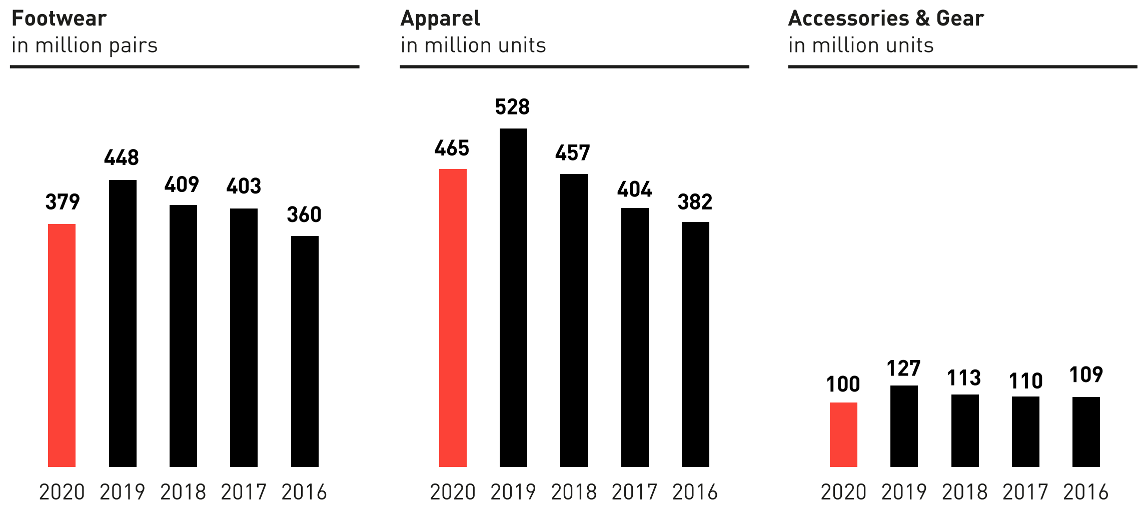
The total accessories and gear sourcing volume was approximately 100 million units (2019: 127 million units), with the largest factory accounting for 21% of production (2019: 16%) located in Turkey.

Worldwide production volumes by country[1]



1 Figures include the adidas and Reebok brands.

Total production volumes by category[1]



1 Figures include the adidas and Reebok brands.

On-time in-full delivery to our customers

Global Operations strives to develop, produce, source, and distribute ordered articles on time and in full. Therefore, a non-financial KPI 'On-Time In-Full' (OTIF) measures on-time and in-full delivery of our products toward the desired customer date for our wholesale and franchise customers as well as own-retail stores.

At the outset of the coronavirus crisis, beginning of 2020, the factory shutdowns in Asia impacted our ability to provide the highest product availability in our distribution centers. For the most part, as of March, the closure of our wholesale customer stores affected our capability to deliver products on time, despite sufficient product availability in our distribution centers. As our wholesale customers could not receive our products, our outflows were reduced, thereby creating congestion in our distribution centers. This negatively impacted our on-time and in-full deliveries from April onward, before recovery began in August, after stores and businesses had reopened for a longer period. At that time our global demand began to increase, and the flow of goods normalized again. In 2020, adidas delivered 76% of its adidas and Reebok brand products on time and in full (2019: 79%), missing its OTIF ambition of 82%.

Agile and efficient distribution center network

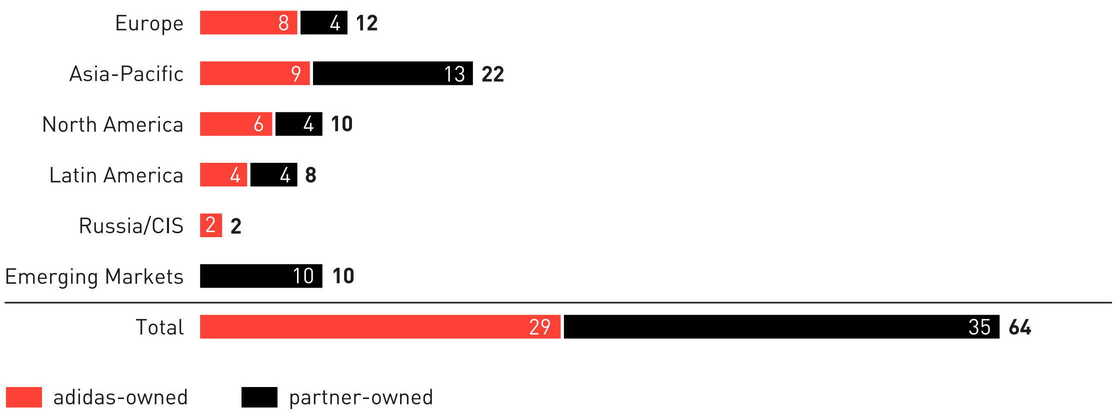
By following a clear strategic framework, we enhanced our distribution center landscape in 2020 through process automation, system upgrades, and distribution center capacity expansion. These enhancements helped enable us to improve e-commerce service levels and provide more delivery choices with an overall broader product availability.

Overall, our global distribution network consists of 64 distribution centers, enabling us to efficiently and effectively service our global demand. We operate distribution centers in all our markets with twelve distribution centers in Europe, 22 in Asia-Pacific including one newly opened this year, ten in North America, eight in Latin America, two in Russia/CIS, and ten in Emerging Markets.

Through own and partnership best-in-class execution, Global Operations ensures that the health and safety of both employees and consumers are maintained equally. Of the 64 distribution centers that make our global network, 29 are owned and operated by adidas, and 35 are owned and operated by logistics partners, allowing for the operational flexibility and agility to best service our customers and consumers.

To enable a broader range of products to be available at the point of sale, 17 of our distribution centers are set up to serve all our channels, 38 are specialized to serve our retail and wholesale customers, and nine are solely dedicated to servicing our e-commerce consumers. This diverse combination of distribution centers allows us to be agile and efficient in distributing our products to our customers and consumers across the globe.

adidas vs. partner-owned and -operated distribution centers per region



Impact of the cornavirus pandemic on our supply chain

Global Operations responded with speed and agility to address the challenges emanating from the outbreak of the coronavirus. Our supply chain organization took several measures to synchronize demand and supply in a cost-conscious manner: We reduced our production volumes to avoid excess supply, while ensuring our suppliers' production capacities were maintained for upcoming seasons. Additionally, we mitigated the impact of further inventory build-up through effectively managing our existing inventory levels across our supply chain. We delayed the flow of in-transit goods and secured temporary overflow storage in our markets for goods that were not immediately needed by our customers. These actions mitigated congestion at our distribution centers allowing us to make in-demand products available at our distribution centers for on-time delivery to our customers and consumers around the globe.

Positive impact on e-commerce volume growth

While the coronavirus pandemic negatively impacted our demand in our retail and wholesale channels, it had a significant positive impact on our e-commerce channel. For example, in Europe, our distribution centers processed daily volumes equivalent to peak e-commerce events such as Cyber Week. To secure this spike in our e-commerce demand and minimize shipping delays to our consumers, we immediately increased our e-commerce distribution center capacities. At the same time, we maintained operations by implementing protocols for security and safety measures during the coronavirus crisis. To further support our future e-commerce growth, we are continuing to invest into our warehouse footprint and improve our omni-channel fulfillment capabilities. ▸ SEE STRATEGY

OUR PEOPLE

At adidas, we believe that our people are the key to the company's success. Their performance, well-being and knowledge have a significant impact on brand desire, consumer satisfaction and, ultimately, our financial performance. Fostering a culture of diversity and inclusion for our people is therefore key to successfully execute our new strategy 'Own the Game'. In the area of people and culture, we focus our efforts on the following fundamentals: the attraction and retention of the right talents, role model leadership, diversity and inclusion, as well as the creation of a unique corporate culture. ► SEE STRATEGY ► ADIDAS-GROUP.COM/S/EMPLOYEES

Measuring the success of our people initiatives

Until 2020, our HR function measured the success and the effectiveness of the company's efforts with regard to its people initiatives through two people KPIs: employee experience as an internal measure and employer rankings as an external measure. With the launch of the new strategic five-year cycle in 2021, we will revise this approach.

Employee engagement

We are convinced that our employees' feedback will play a crucial role in our pursuit of creating a desirable employee experience and continuing to attract and retain top talent. We can only tell if we are successful by asking our people, hence we empower them to share their feedback on a regular basis. In support of this thinking, we launched 'People Pulse' – our approach and system platform for measuring the level of employee satisfaction with the experience adidas provides as an employer – for all office employees with an email account.

People Pulse allows for the measurement of the employee Net Promoter Score (eNPS). The calculation logic of the eNPS is identical to that of the brand NPS: Based on the main question 'On a scale of 0 to 10, how likely are you to recommend adidas as a place to work?', the total share of detractors (responses below 7) is deducted from the total share of promoters (responses scoring 9 and 10), producing the eNPS. This approach as well as a focus on collecting open-comment feedback from employees on a regular basis allowed the reduction of the questionnaire to a short pulse check of seven questions maximum, with the aforementioned eNPS question at the center.

In 2020, we saw the People Pulse continue to be leveraged as an important feedback channel from corporate employees to the company. We conducted a survey in September and saw an increase in employee NPS results – especially of favorable ratings – compared to the last survey conducted in 2019. At 63%, the participation rate remained at a stable level. Reports with detailed results and scores were provided to the Executive Board and leaders down to Board –4 level as long as they have at least 15 members on their team. Employees have access to the overall company results via our global intranet. Result recipients continued to review, cascade and openly discuss the results and drive action on identified areas of improvement.

Attraction and retention of talent

Our 'employer of choice' status continues to garner worldwide recognition and helps us to attract, retain and engage industry-leading talent to sustain the company's success and growth. In 2020, adidas locations around the world leveraged our employer value proposition for attraction, retention and engagement strategies. Among professionals, this work contributed to top rankings, including Forbes' 'The World's Best Employers 2020' and Universum's 'World's Most Attractive Employers' rankings among business and IT students worldwide. adidas offices across Europe and Asia qualified for the certification by Top Employers Institute for their efforts to provide an exceptional work environment for our people.

Among other things, the certification recognized the company's Learning and Development Framework, which encourages different kinds of learning and the career management model.

We offer a range of entry-level programs to ensure future employees can have the best possible start, choose between a wide variety of learning opportunities, build on their strengths and improve their professional skills.

- **Apprenticeship and Dual Study Program:** The adidas 'Apprenticeship Program' offers pupils who want to join our company directly out of school, the opportunity to gain business experience in a two- to three-year rotation program. In cooperation with various universities, the 'Dual Study Program' for young school graduates offers theoretical and practical experience at adidas, including at least one three- to six-month international rotation. In 2020, we offered programs in several business areas, such as digital e-commerce, digital media, finance, IT, retail, logistics, shoe finishing, textile laboratory or textile and fashion tailoring. At the end of 2020, we employed 49 apprentices in Germany (2019: 50) and 38 Dual Study Program students (2019: 49). As part of our 'Integration Program', we also hired diverse future talents in 2020, for instance students with disabilities.

- **Global Trainee Program:** The 'Functional, Digital and Design Trainee Program' is an 18- to 24-month program providing graduates with an international background and excellent educational credentials the opportunity to start a functional career within adidas. At year-end 2020, we employed 38 participants in our Global Trainee Program (2019: 67).

- **Internships:** Our internship program offers students three to six months of work experience within adidas. In 2020, we employed 114 interns in Germany (2019: 216).

Role model leadership

Our learning and development offerings focus on developing the leadership behaviors and essential skills needed to ensure our continued success. Our ambition is to inspire and nurture talented and diverse leaders who exemplify our leadership behaviors.

Leadership groups

We have four standing groups to ensure leadership excellence and develop future leaders. The first two groups, the Core Leadership Group (CLG) and the Extended Leadership Group (ELG) focus on excellence in execution of our strategy and ensuring global consistency. The other two groups focus on developing global, regional and functional succession pipelines.

- The **Core Leadership Group** (CLG) is made up of approximately 20 members of our senior leadership population. Members of this group jointly represent critical positions and roles across our company worldwide. This group partners with the Executive Board in leading the execution of our business strategy. The CLG is also responsible for developing and inspiring the next generation of leaders. In addition, selected members of this group are potential successors for the Executive Board.

- The **Extended Leadership Group** (ELG) has approximately 110 members. The ELG collaborates across markets and functions to lead the execution of our strategic initiatives and to drive continuous improvement and consistency throughout the organization. The ELG also mentors and sponsors the Global and Local High Potential Groups. In addition, selected members are potential successors for the CLG.

- The **Global High Potential Group** (GHIPO) enables us to identify and develop global high-potential leaders who have the ability to take on more complex, demanding and higher-level responsibilities at an executive level. In 2019, the second GHIPO generation started their development experience, with approximately 40 members and a balanced gender split. They will conclude their development experience in the first quarter of 2021. At the end of 2020, nearly three-quarters made positive career movements through either a promotion to the next level or a lateral, cross-cultural or cross-functional moves.

- The **Local High Potential Group** (LHIPO) was formed in 2019 and enables us to identify and develop local high-potential leaders who have the ability to take on more complex, demanding and higher-level responsibilities at a global or regional leadership level. The program is designed to build peer relationships and to give participants cross-functional and cross-cultural exposure. The first LHIPO generation, consisting of approximately 120 leaders of 30 different nationalities, concluded their development experience in the first quarter of 2020. In the fourth quarter of 2020, the second LHIPO generation started their 12-month development experience with approximately 180 members of 41 different nationalities representing all markets and functions. 55% of the members of this group are female.

Leadership development experiences

To drive clarity and accountability, we worked on further activating our global Leadership Framework in 2020 by embedding it in our leadership groups and development experiences. The Leadership Framework is based on three critical behaviors – Creativity, Collaboration and Confidence (the '3Cs'). The 3Cs define the behaviors that are expected of employees at adidas. The framework provides a global and universal language that is inclusive, reduces the need for local interpretations, and outlines concrete behaviors that serve as a measure of leadership effectiveness. Creativity, Collaboration and Confidence serve as the foundation for the way we hire, promote and evaluate performance.

We offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. These include the Manager Development Experience (MDE), Director Development Experience (DDE) and Executive Development Experience (EDE). These interactive learning experiences support the development of leadership skills that are directly linked to the participants' current roles and responsibilities. In 2020, 1,277 employees activated their MDE or DDE experience, with 933 graduates and of those 768 employees graduating the programs through the virtual experience.

Succession management

Our succession management approach aims to ensure stability and certainty in business continuity through the development of strong internal pipelines of talent for critical leadership positions. We achieve this through a globally consistent succession process that identifies these critical leadership positions within the organization and matches top talent as successors for these roles. Furthermore, we drive the translation of succession planning into realizable development plans to prepare successors for their next steps. The leadership groups we have established serve as succession pools for the executive roles of our organization.

Activating our purpose

'Through sport, we have the power to change lives' is our company's purpose. Together with our employees, partners, communities, and consumers, we act on that purpose by fostering a culture of inclusion, impact, and shared opportunity on and off the field of play. We focus our activation efforts on four areas: 'She Breaks Barriers', which is aimed at getting girls to join and stay in sport, 'One Starting Line', which is aimed at increasing inclusivity for all in sport and sports culture, 'End Plastic Waste, which is aimed at protecting the world's oceans for future generations, and 'Diversity and Inclusion'. To maximize impact, we leverage brand moments to raise awareness of these topics and create opportunities to engage and get involved, such as by providing volunteering opportunities for our employees. All of our initiatives and activities in this area are centrally managed by a dedicated 'Global Purpose' team, reporting into the Executive Board Member responsible for Global Human Resources. Since 2020 was a year of unprecedented adversity around the world, many of our actions were in response to these events.

In the wake of the global covid-19 pandemic, we took several actions to help communities worldwide weather the crisis – from fundraising and donations to mask production and employee engagement. In addition, there were numerous activities and measures taken at the local level around the world.

- **Fundraising and donations:** We donated to the World Health Organization's 'Covid-19 Solidarity Response Fund' and to the 'China Youth Development Foundation', and, together with our consumers and employees, raised and donated funds through e-commerce giveback programs and the #hometeamhero challenge – a digital challenge that encouraged physical activity through the 'adidas Running' and 'adidas Training' apps as well as partner apps, with a donation made by the company per every hour of activity.

- **Mask production and donation:** In April 2020, we partnered with Carbon, a 3D-printing technology company, and produced face shields that were donated to hospitals, healthcare organizations, and various medically focused non-profit organizations. In total, 75,000 face shields were made and donated.

- **Employee volunteering:** Using the community impact platform DEED, which we have rolled out to employees in several markets around the world in 2020, we created a country-specific covid-19 fundraiser for the US and Canada, Germany, Peru, Brazil, Argentina, Mexico, Colombia, Chile, Panama, Turkey, Israel, India, and South Africa. In addition, we coordinated volunteering opportunities for our employees across North America, Latin America, and Germany.

In addition to our efforts to help cope with the covid-19 crisis, we supported other disaster-relief actions in 2020. For example, together with contributions from our employees, we donated funds to support wildfire relief in Australia and North America, as well as to help the people of Beirut following the port explosion in August 2020.

Diversity and inclusion

We strongly believe that diversity, inclusion, and equality are key to the success of our company. To be the best sports brand in the world, we need the best diverse talent that reflects the diversity of our customers and consumers. We celebrate this diversity as it helps us better serve the communities we work in, while also providing a competitive business advantage.

United against racism – our commitments

We have always been and will always be against discrimination in all forms and stand united against racism. To emphasize this principle, we shared a list of global commitments in June 2020. They describe how we aim to contribute to creating lasting change. The commitments include, among others, investing $ 120 million in the US toward ending racism and supporting Black communities through to 2025, and funding 50 university scholarships in the US each year for Black and LatinX students. We also set new targets for increased representation of Black and LatinX people within our US workforce. Our aim is to fill at least 30% of all new positions in the US with Black and LatinX people. The commitments further encompass establishing a global committee to accelerate inclusion and equality, strengthening our global anti-discrimination and non-retaliation policy, reforming our hiring and career development processes, signing the Juneteenth Pledge, and increasing support for BIPoC communities.

We already took action on several of these commitments in the latter half of 2020:

- We funded scholarship programs for Black and LatinX students and made an initial contribution to the National Association for the Advancement of Colored People (NAACP) as part of singer and adidas partner Beyoncé's 'BeyGOOD' fund to support Black-owned small businesses.
- The 'Committee to Accelerate Inclusion & Equality' has been put in operation. Sponsored by adidas CEO Kasper Rorsted, it focuses on the advancement of underrepresented groups and drives companywide change. The committee includes company decision makers as well as representatives from all adidas regions and people from different racial and ethnic backgrounds.
- Our talent acquisition and key talent management processes are currently under review to validate opportunities to further strengthen our inclusive talent processes for hiring, talent management and succession decisions.
- We updated our 'Global Policy on Anti-Harassment and Anti-Discrimination' in September. The framework details how adidas prevents, detects, and responds to all forms of discrimination and harassment with very clear messaging on our zero-tolerance approach.
  ▸ ADIDAS.COM/US/LASTING_CHANGE

Furthermore, we provided our employees with a platform on our intranet to support and promote dialogue around our anti-racism and anti-discrimination work. Throughout the company, we continue to support and grow our 'Employee Resource Groups' – these are specific networks that give employees from various walks of life a voice and serves members by fostering a diverse inclusive workplace. We now have more than 40 of these groups around the globe with different focuses on diversity dimensions such as People of Color, Women, LGBTQ+, Experienced Generation, Faith, and Disability and Mental Health. Participation in the groups is voluntary and open to all employees.

Diversity & Inclusion framework

In 2020, we redefined our framework for diversity and inclusion with a clear definition of what diversity and inclusion mean to us as a company: They mean championing individual uniqueness, and cultivating a culture of belonging so that everyone can create at their best. The framework highlights our approach both internally and externally which is why we defined three strategic focus areas:

- **Workplace:** We want to create a work environment where all employees feel like they belong, are valued and are engaged to produce exceptional results.
- **Workforce:** We want to attract, recruit, promote, and retain the best talent and maintain a diverse workforce at all levels and areas of the business.
- **Marketplace:** We want to represent the diverse communities we serve through our communications, products, partnerships, and investments.

As part of the three focus areas, we have made global internal commitments to promote inclusion and equality at adidas. These commitments are supported by specific actions with clear timelines, and progress is communicated internally. This action plan underpins our stance against discrimination and microaggressions.

One of the commitments we made was the introduction of a global anti-racism and unconscious-bias training – the 'Creating a Culture of Inclusion (CCI) Team Workout'. The training, which was mandatory for all employees, was rolled out globally in the third quarter of 2020 and completed in early 2021. The program consisted of six modules which focused on topics such as diversity dimensions, privilege, and inclusive team behaviors. The content was aimed at educating teams on diversity and inclusion topics that may impact performance and the sense of belonging, both individually and as a team.

In addition, we held a virtual 'Global Day of Inclusion' in September 2020, which offered employees an opportunity to reflect, learn, and celebrate inclusion. The day was about taking the time to embrace the various backgrounds, experiences and perspectives of all our communities by exploring different stories through a business panel, an athlete panel, and more.

Female leadership

We are convinced that mixed leadership teams have a competitive advantage and are drivers of business success. adidas is committed to ensuring equitable representation across all diversity dimensions in leadership positions, which includes enhancing our current focus on gender equality. A prerequisite for increasing the number of women at the highest levels of management is the general promotion of women within the company worldwide at all levels. We have various initiatives in place to guarantee that our succession pipeline is balanced, including mentoring of female talent as well as an equal gender split in our Global and Local High Potential programs.

By the end of 2020, the company had recorded a total of 35% of women globally in management positions (2019: 34%), exceeding the 2020 target of 32%. Our ambition is to further increase the share of women in leadership positions globally from 2021 onward. Pursuant to the German Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, the adidas AG Supervisory Board determined target figures for the percentage of female representation on the Executive Board, including corresponding deadlines for their achievement.The Executive Board determined such target figures for the first two management levels below the Executive Board, including deadlines for their achievement, for adidas AG. ► SEE DECLARATION ON CORPORATE GOVERNANCE

Women in management positions

35%

CULTURE

It is our goal to develop a culture that cherishes creativity, collaboration and confidence as well as high performance, the behaviors we deem to be crucial to the successful delivery of our strategy. In fact, our culture and people are a key to our new strategy 'Own the Game'.

Work-life integration

We aim to harmonize the commercial interests of the company with the professional, private and family needs of our employees. Our Work-Life Integration initiatives and programs include the provision of flexible working times and locations, personal development and leadership competence related to work-life integration, as well as family-oriented services:

- **Childcare:** In addition to providing flexible working opportunities such as work from home and sabbaticals, we cater for a family-friendly environment and infrastructure. At our headquarters in Herzogenaurach, we offer parent-child offices, and provide for a childcare facility, the 'World of Kids'. It offers space for 270 children and includes an outdoor group and ad-hoc childcare to support parents in emergency situations or during transition phases and short-term assignments. During school holidays, kids' camps are usually very popular and offered at various locations across the globe. Due to the coronavirus pandemic, however, we were forced to cancel these and other offers in 2020. Instead, new solutions were implemented to assist parents working from home in challenging times while catering for childcare and home-schooling. These included coronavirus hotlines for parents and caregivers, interactive online sessions, and presentations from experts as well as tutoring for pupils and digital offerings for kids with focus on movement, nature, and craft.

- **Parental leave**: For parental leave and re-entry, programs are in place to provide employees with advice early on and options for their return to work, also taking into consideration flexible working hours and work locations. In Germany, we guarantee our employees on parental leave their positions, which are only filled temporarily. In the US, in addition to regular parental leave for new parents (up to 10 weeks at home, 70% of their salary), adidas offers an extra two weeks of paid parental leave for parents. Furthermore, adidas' special parental bonding leave provides parents with the opportunity to stay home for up to six months within the first twelve months after the child's birth or placement. While unpaid, it offers parents the opportunity to stay home longer and take care of their new arrival and new life together. Latin America has made significant amendments to improve work-life integration across the market. This includes an extended parental leave approach where mothers will be provided 24 paid weeks in total to spend with their children, and fathers/partners will be provided 20 paid days in total. On top of this, mothers are allowed to work fewer hours one month before and after their maternity leave period.

- **Flexible work**: Continuing in Germany in 2020, every employee with an adidas AG contract whose working tasks can be carried out independently of campus facilities, campus equipment, and personal interaction on-site is eligible to work 20% of their total working time off-campus. This policy and agreement is based on our belief that results can be achieved in the same quality and quantity, regardless of people's location. Positive feedback motivated us to roll out the approach globally and with Asia having joined in 2020, all markets are now fully on board. With this worldwide off-campus-working approach in place, adidas was well prepared and equipped for the transition to home-office mode during the pandemic.

Health management

We support our employees by aiming to provide the best possible conditions to ensure that they feel good and stay healthy. Our holistic approach includes people's physical, mental, and social well-being, and focuses on four pillars: mindset, nutrition, movement and medical services. We provide employees access to various sports activities and facilities. Also, lockers and showers in many office buildings allow people to run or cycle to work. Employees in Herzogenaurach, Portland, Boston, Moscow, Gurgaon and Manchester, and at other locations across the globe, have access to a corporate gym. However, the coronavirus pandemic required us to close gyms, stop programs and focus on alternatives. Thus, digital offers were designed for employees to support a healthy lifestyle at home. This included an online sports program as well as broad virtual offerings on nutrition, mental health, and resilience. We offer Employee Assistance Programs in many countries (for instance in the US, Germany, and the UK). In 2020, Latin America introduced an equivalent program across the market.

Navigating through the coronavirus pandemic

Since the beginning of the covid-19 crisis, the safety and well-being of our employees, consumers and partners has been our top priority. In our offices, stores and warehouses around the globe, we have installed a variety of measures to ensure the ongoing safety of our people and limit the risk of infections at the workplace or while traveling. These measures include the extension of our hygiene concepts, the continuous monitoring of the development of the situation, transparent communication to our employees, and the establishment of strict rules of conduct. For example, we have increased workplace flexibility and temporarily given our employees theo opportunity to work up to 100% of their time remotely, depending on the development of cases in the respective countries.

- **Crisis management team:** To be able to monitor and assess the impacts and potential spread of the coronavirus globally, we set up a dedicated Steering Committee in February. The task of this HR-led, cross-functional team is to provide guidance to our markets on emerging issues, standards and company policies to ensure alignment in the response to covid-19. The team also tracks internal covid-19 cases globally, and reports these to the Executive Board. This measure enables us to determine any actions needed at all locations globally. The Steering Committee meets up to three times per week to review employee case numbers, impacts to the business, emerging issues, and review current policies, guidelines and direction to the business and our workforce. Updates are provided to the Executive Board on a regular basis, at least twice per month.

- **HR training and alignment:** To enable our HR Business Partners to report on cases, conduct contact tracing and manage any employee-related crisis issues, we introduced global trainings for our HR Business Partners. These trainings are repeated as often as necessary to ensure our partners are able to act upon the most recent developments at any time. To create alignment and awareness of new processes or emerging situations in the markets, we have also set up a weekly call for market HR leaders. In this meeting, any employee- and covid-19-related issues are discussed and decisions are made on necessary actions.

- **Retail:** In our own-retail stores, hygiene concepts encompass distancing rules and the installation of plexiglass screens. Our retail staff was trained on hygiene measures, contact tracing and case reporting to guarantee sufficient response actions to ensure the safety of all employees and customers. In addition, we created so-called ‚Retail Response Teams' to ensure the implementation of regulations and standards in our stores.

Learning

We are convinced that employee development enables a high-performance culture. To achieve this, we offer employees a wide range of learning and development opportunities. These include online learning resources and interactive learning experiences that are designed to increase the personal and professional effectiveness of our employees.

In 2020, we saw a sharp increase in the use of our digitally enabled learning tools with an increase in utilization of 162% of our LinkedIn Learning offerings and 158% for our Leadership Library offerings compared to last year. In response to the changes in the workplace, we transformed our in-person development trainings into interactive virtual learning experiences. As a result, we increased the number of virtual offerings by 258% which tripled the participation in virtual offerings compared to 2019.

Performance management

#MYBEST is the global performance development approach at adidas and is a key enabler of a high-performance culture. The four elements of #MYBEST encourage regular high-quality conversations between the employee and the line manager, provide a framework for regular upward and peer feedback exchange, and ensure goals are set and reviewed quarterly. A formal performance evaluation takes place twice a year[15], and development is the focus of every monthly 'Touch Base' conversation. The voice of employees is critical in the evolution of #MYBEST. In 2019, the global #MYBEST survey was run for the second year in a row. The results confirmed the positive impact of the previous year's enhancements and were also used to inform decisions about interventions supporting the full utilization of the #MYBEST approach. In 2020, we ensured that the organization has clarity regarding meaningful performance conversations while navigating the constantly changing environment. We also launched a series of global virtual events to provide practical tips and company best practice examples to all employees on impactful feedback and development conversations. To reduce the risk of potential bias in performance evaluations, we provided tools and guidance for all line managers to use when preparing for their regular Performance Standard conversations.

Rewards

We are committed to rewarding our employees with compensation, benefit and incentive programs that are inclusive, competitive in the marketplace and aligned with our culture of 'rewarding for performance'. Remuneration throughout the company comprises fixed and variable monetary compensation, non-monetary rewards, and other intangible benefits. Important cornerstones of our rewards program are our Job Architecture and our Global Salary Management System which are used as a basis for establishing and evaluating the value of employees' positions and salaries in a market-driven and performance-oriented way.

The various variable compensation and benefits components we offer our employees include:

- Bonus program – Short-Term Incentive (STI) program
- Profit participation program – 'Champions Bonus' (Germany)
- Long-Term Incentive (LTI) Plan for senior management
- 401-K Retirement Plan (US), Long-Term Working Time Account and adidas Company Pension Plan (Germany)
- adidas Stock Purchase Plan

15 Employees in Germany continue to have four evaluations based on the current company agreement.

We are continuously improving our remuneration approach and have therefore been investing in a number of projects and initiatives to increase the significance of our remuneration programs and to ensure we balance our investment in our employees with regard to performance, potential and market-oriented compensation. One of the improvements we made was an overhaul of our compensation management approach in Germany and the US throughout the last three years, which is designed to enable educated compensation decisions based on external market reference and internal equity. It is based on a higher level of detail for external market data and addresses internal pay gaps. We developed a monitoring approach to identify potential pay gaps and work continuously to improve and close these gaps on a country-by-country basis. To further enhance our efforts and transparency on this topic we support initiatives such as 'Lean In'. The latest internal report from 2019 regarding the Equal Pay Gap shows an overall balanced picture on pay between female and male employees, based on a weighted average calculation between the salary grade levels.

In addition, we further improved transparency and governance for senior management remuneration and created higher transparency about remuneration as well as internal and external positioning of compensation and benefits packages. The aim was to ensure objective decision-making for management remuneration, and to continue standardizing our pay structures.

We rolled out a global Long-Term Incentive Plan for senior management over the past few years, which is in place for all employees down to director level globally. This program provides Restricted Stock Units (RSUs), linked to our earnings per share (EPS) targets and our share price performance. It closely links the goals of our senior management with those of our shareholders – sustainable success and long-term growth – and fosters a company ownership mentality.

Our subsidiaries also grant a variety of benefits to employees, depending upon locally defined practices and country-specific regulations and norms.

Stock Purchase Plan

Participation in the Stock Purchase Plan is provided to employees in China, Hong Kong, Taiwan, the Netherlands, the US and Germany, offering almost half of our employees globally (excluding retail) the opportunity to participate. Around 5,400 employees participated in the program in 2020 (2019: 5,000).

Global employee population

On December 31, 2020, the company had 62,285 employees (2019: 65,194). Thereof, 7,694 were employed at adidas AG (2019: 7,978). On a full-time equivalent basis, our company had 54,722 employees on December 31, 2020 (2019: 55,819), thereof 6,963 at adidas AG (2019: 7,238). The 2019 employee figures on a headcount as well as full-time equivalent basis were restated due to the inclusion of temporary contracts of up to six months. In 2020, personnel expenses decreased slightly to € 2.483 billion (2019: € 2.720 billion), representing 13% of sales (2019: 12%). ► SEE TEN-YEAR OVERVIEW ► SEE NOTE 42

Employees worldwide

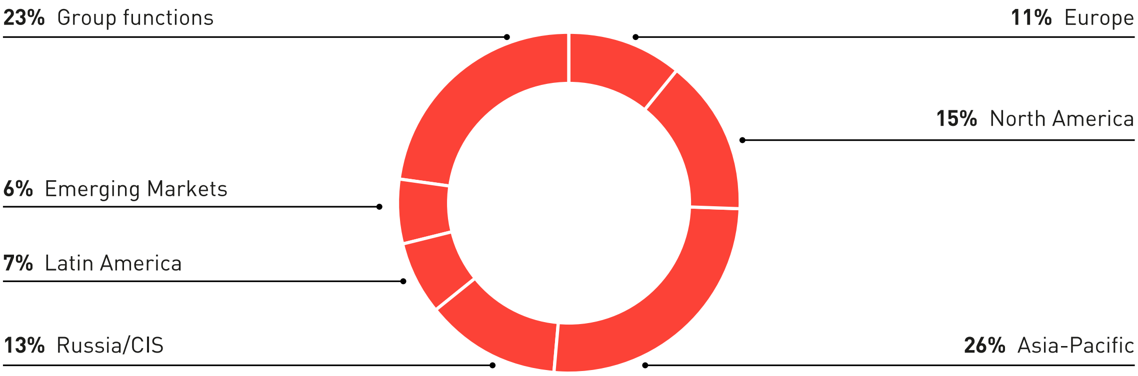
62,285

Employee statistics[1]

	2020	2019
Total number of employees[2]	62,285	65,194
Total employees		
Male	45%	48%
Female	55%	52%
Management positions[3]		
Male	65%	66%
Female	35%	34%
Average age of employees (in years)	31	31
Average length of service (in years)	4	4

1 At year-end. Number of employees on a headcount basis.
2 2019 figure restated due to inclusion of temporary contracts of up to six months (2019 headcounts excluding temporary contracts of up to six months: 59,333).
3 Calculated in accordance with German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector in Germany.

Employee split[1]



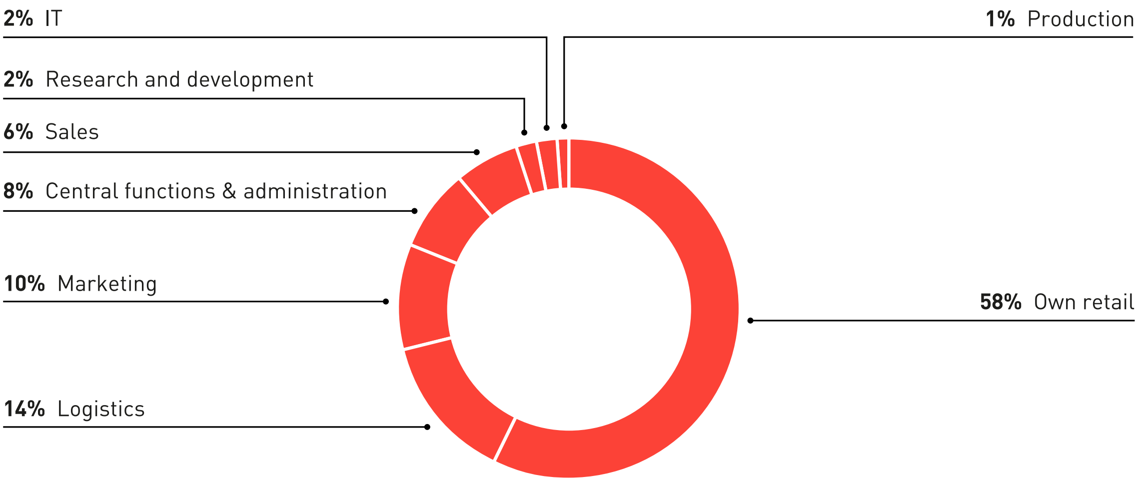
1 At year-end.

Number of employees by function[1]

	Employees[2,3]		Full-time equivalents[3]	
	2020	2019	2020	2019
Own retail	35,910	38,023	29,384	29,711
Sales	3,709	3,740	3,617	3,640
Logistics	8,548	8,366	8,225	8,059
Marketing	6,028	6,119	5,766	5,901
Central administration	5,143	5,733	4,909	5,421
Production	521	621	499	608
Research and development	973	1,033	903	964
IT	1,453	1,559	1,417	1,516
Total	**62,285**	**65,194**	**54,722**	**55,819**

1 At year-end.
2 Number of employees on a headcount basis.
3 2019 figure restated due to inclusion of temporary contracts of up to six months.

Employees by function[1]



1 At year-end.

SUSTAINABILITY

Being a sustainable business is about striking a balance between shareholder expectations and the needs and concerns of our employees, consumers, and communities, as well as the workers in our supply chain and the environment. We believe that acting as a responsible company will contribute to lasting economic success.

OUR APPROACH

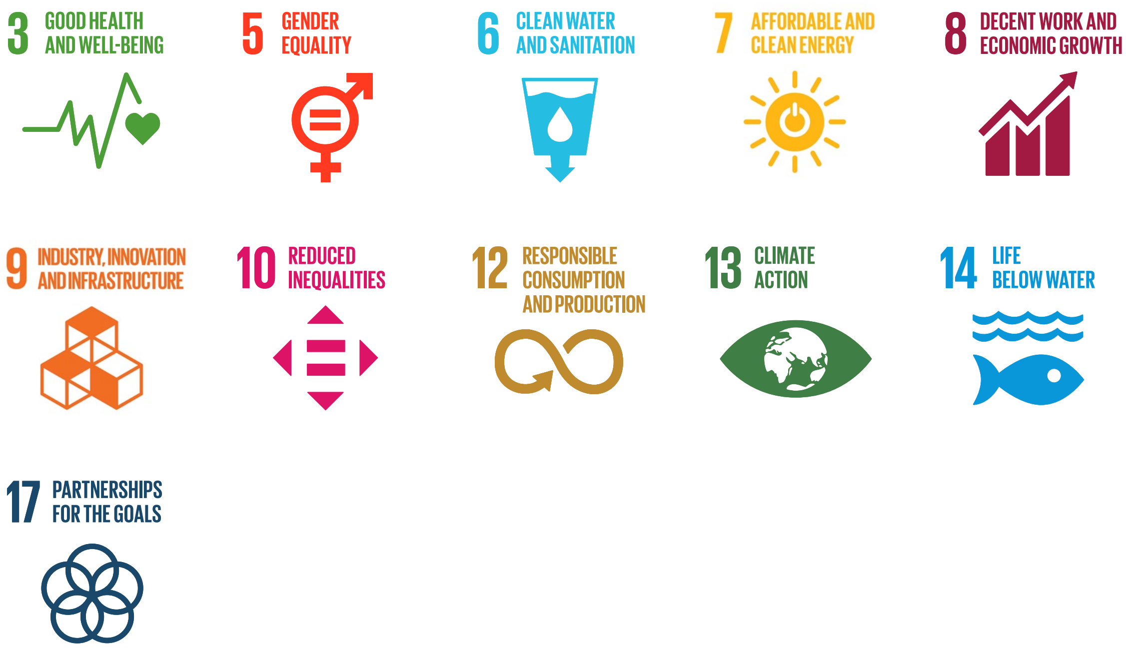
Our holistic approach to sustainability responds to the challenges that endanger our planet and people. Consequently, sustainability is an integral component of our strategy 'Own the Game' and we have a clear roadmap for 2025 and beyond. It tackles the topics that are most material to our business and our stakeholders, and translates our overall sustainability efforts into tangible goals. ► ADIDAS-GROUP.COM/SUSTAINABILITY ► SEE STRATEGY

Material topics

We seek to ensure that we address the topics that are most salient to our business and our stakeholders, and the challenges ahead. To identify these topics, we openly engage with our stakeholders and consider their views and opinions in decisions that shape our day-to-day-operations. In addition, we regularly conduct formal materiality exercises to confirm the selection of our material topics. We use insights gained from past assessments, categorize potential new topics and seek to validate these through in-depth discussions with experts and stakeholders across the entire business. Ultimately, we want to better understand the importance a topic has for our business performance and stakeholders but also gain more visibility about the impact we have on these topics. As a result of this ongoing exercise, tax has emerged as an addition to this list of topics in 2020.

We also make use of external frameworks to help support our selection of material topics. One of these frameworks is the UN Sustainable Development Goals (SDGs) which represents a global call to action to promote prosperity for all while protecting the planet. We see a clear correlation between the SDGs and our own commitment to sustainable development and human rights. Consequently, we have been able to link prioritized SDGs with both the environmental priorities related to the selection of materials, manufacturing, use and disposal of our products, and the needs and concerns of people in the adidas value chain. ► SEE NON-FINANCIAL STATEMENT

Correlation between UN Sustainable Development Goals and our sustainability roadmap



Stakeholder dialogue and transparency

Engaging openly with stakeholders and establishing ways to increase transparency and disclosure has long been central to our approach. Our stakeholders are those people or organizations who affect or are affected by our operations, including our employees, consumers, suppliers and their workers, customers, investors, media, governments, and NGOs. The adidas Stakeholder Relations Guideline specifies key principles for the development of stakeholder relations and details the different forms of stakeholder engagement.

adidas participates in a variety of industry associations, multi-stakeholder organizations, and non-profit initiatives. Through these memberships, we work closely with leading companies from different sectors to develop sustainable business approaches and to debate social and environmental topics on a global and local level. We use collaborations and partnerships to build leverage for systemic change in our industry, such as for strengthening chemical management practices and raising standards in the cotton supply chain. In addition, we build awareness, capacity, and knowledge of laws and rights among factory management and workers by partnering with leading providers such as the International Labour Organization's (ILO) Better Factories Cambodia program, as well as with the United Nation's International Organization for Migration with the objective to ensure that the labor rights of foreign and migrant workers are upheld in the adidas supply chain. ▸ ADIDAS-GROUP.COM/S/PARTNERSHIPS

Key memberships:

- Better Cotton Initiative (BCI)
- Zero Discharge of Hazardous Chemicals (ZDHC) working group
- Fashion Pact
- Leather Working Group (LWG)
- Apparel and Footwear International RSL Management (AFIRM) working group
- World Federation of the Sporting Goods Industry (WFSGI)
- Fair Factories Clearinghouse (FFC)
- Fair Labor Association (FLA)
- German government-led Partnership for Sustainable Textiles ('Textilbündnis')
- The Accord on Fire and Building Safety in Bangladesh
- United Nations Fashion Industry Charter for Climate Action

We believe transparent communication with our stakeholders is critical. For that reason, we regularly disclose information to public-facing social and environmental benchmarks and reporting platforms, and publish important sustainability updates about our work throughout the year on our corporate channels including our corporate website. A key element is the publication of our global supplier factory lists which are updated twice a year. In addition, we disclose the names of the factories of suppliers that process materials for our primary suppliers and subcontractors, where the majority of wet processes are carried out.

Governance structure

A robust governance structure ensures timely and direct execution of programs that drive the achievement of our set goals for 2020 as well as of our new set of targets for 2025. The head of Sustainability is responsible for the development, coordination and execution of our sustainability strategy and reports to the member of the Executive Board responsible for Global Operations. He or she also leads the sustainability Sponsor Board, which is composed of senior representatives from Global Brands, Global Operations, Digital, Sales, Finance, Corporate Communication, and other relevant functions across the company. The Sponsor Board ensures cross-functional alignment, transparent end-to-end management and execution of agreed-upon sustainability goals within their functions. This includes rewiewing and signing-off on policies as required. We also maintain a separate compliance function which is operated as the Social & Environmental Affairs Team (SEA) to evaluate supplier-facing social and environmental compliance performance and human rights impacts, reporting, through the General Counsel, to the CEO.

External recognition

adidas continuously receives positive recognition from international institutions, rating agencies, NGOs and socially responsible investment analysts for its sustainability initiatives. In 2020, the company was again represented in high-profile sustainability indices and subject to comprehensive corporate sustainability assessments. ► SEE OUR SHARE

In the annual assessment of the Carbon Disclosure Project (CDP), adidas was again awarded with a B score for its climate change approach (2019: B), and for its approach to water management (2019: B) and an A- score for its supplier engagement approach related to climate change (assessed through the Supplier Engagement Rating). In the annual Green Supply Chain Corporate Information Transparency Index (CITI), which assesses brands on the environmental management of their supply chains in China, adidas ranked number four in the textile industry with its green supply chain program in China, and achieved first place in the newly added Supply Chain Climate Action Index (SCTI), sharing the position with another company. adidas further maintained its leadership position in the Corporate Human Rights Benchmark (CHRB) evaluation in 2020, coming in first in our industry and fourth overall across all industries assessed. ► ADIDAS-GROUP.COM/S/RECOGNITION

OUR PROGRESS

Following our ambition to be transparent toward stakeholders for years, adidas has regularly reported on our sustainability performance by measuring and disclosing the progress made toward our targets. The following presents the list of material topics within our programs and details the progress made and challenges faced. Although 2020 was a difficult year due to the coronavirus pandemic, making it necessary to adhere to local regulations such as store closures and travel bans, we were, overall, able to advance our initiatives and deliver against our targets.

ENVIRONMENTAL IMPACTS

Managing the environmental impacts at our own sites and along the value chain is a key focus of our work. We have developed an approach to address water efficiency and quality and are committed to steadily increasing the use of more sustainable materials in our production, products and stores while driving toward circular business solutions. We are committed to reducing our absolute energy consumption and CO_2 emissions, transitioning to clean energy and looking into energy-harvesting opportunities.

To be able to quantify our environmental impact along the value chain, we developed an internal Environmental Footprint Tool (EFT). This tool uses data from various IT systems and departmental sources to calculate a monetized environmental footprint that accounts for the complete value chain from raw material production to product use and disposal. Currently, the EFT is primarily used for measurement as well as internal and external reporting. As such, it provided key insights for the development process of our new strategy 'Own the Game'. A future objective is to directly interface the adidas systems with the EFT to enable real-time simulations to support business decision-making and further sustainability reporting.

Measuring and optimally managing our environmental footprint in our own operations and across our supply chain is only one way to respond to climate change. In addition, we are proactively addressing the impacts of climate change by supporting global initiatives that aim to drive change for our industry. For example, in the past two years, we signed the Fashion Pact presented at the 2019 G7 Summit and the UN Fashion Industry Charter for Climate Action. In addition, we committed to the Science Based Targets initiative in 2020 and are preparing to have our targets approved. adidas has been a member of the UN Climate Neutral Now Initiative since 2015 and is committed to the continued estimation and reduction of our emissions. It is our goal to reduce emissions across our entire value chain by 30% by 2030 (baseline 2017), thus paving the way for climate neutrality by 2050.

Mitigating climate change: Targets for 2025 and beyond

Target year	Area	Target	Baseline
2025	Own operations	Achievement of carbon neutrality	
	External supply chain		
	Energy	Adoption of renewable energy at strategic Tier 1 and Tier 2 supplier facilities to keep emissions flat	(baseline 2017)
	Chemicals	80% of supplier facilities that manage chemicals in their production process to achieve Level 3 compliance with 'Manufacturing Restricted Substances List' from ZDHC	
	Water	40% reduction in water consumption at Tier 2 supplier facilities	(baseline 2017)
	Wastewater	80% of applicable suppliers that operate on-site effluents plants to achieve 'ZDHC Wastewater Foundational Level'	
	Decarbonization	15% reduction of CO_2 emissions per product	(baseline 2017)
2030	Value chain (from raw material production to own operations)	30% reduction of CO_2 emissions	(baseline 2017)
2050		Achievement of climate neutrality	

2030 goal: Reduction of CO_2 emissions by

30%

Own operations

Back in 2008, adidas introduced a program called 'Green Company' to drive continuous improvement and savings in energy, water and waste at its own sites globally. The program covers administrative offices, production facilities and distribution centers, equaling more than 97% of our global employee base in 2020 (excluding own retail). In 2015, we presented targets to be achieved by 2020 that centered around carbon emissions and water use reduction. These were calculated considering a scientific and context-based methodology.

One essential driver to achieve these targets is the implementation of environmental standards at our highest-consuming locations. adidas has successfully applied an Integrated Management System (IMS) which helps us to gain certification for key locations for their environmental management (ISO 14001), health and safety management (ISO 45001) and energy management (ISO 50001). Building on an overarching corporate IMS policy, adidas aims to further expand these certifications to more key sites every year and have them verified through both external and internal audits. By the end of 2020, 42 sites globally held an ISO 14001 certification, 39 sites held an ISO 45001 certification, and 53 sites held an ISO 50001 certification. Due to the coronavirus pandemic, the IMS implementation, as well as internal and external audits were mostly done remotely for the first time.

In 2020, we were able to cumulatively reduce our combined net emissions by 55% compared to 2015. This is a result of our energy saving initiatives, the use of Energy Attribute Certificates (EACs) at central sites, a company-wide energy monitoring systems, and the installation of photovoltaic systems at various locations. On top we offset the carbon footprint of our gas consumption for all our facilities in Germany. To calculate the overall footprint of all other sites, globally, we take the location-based emission factor provided by the Greenhouse Gas Protocol. In 2020, the lockdown due to the coronavirus pandemic also had a positive impact on the energy and water consumption at our sites. As a result, in 2020 our accumulated water savings amounted to 48% per employee compared to 2008. With these results, we have overachieved our targets of the last strategic cycle.

By 2025, we aim to achhieve carbon neutrality for our corporate and own-retail sites through implementing on-site energy production, improving energy use efficiency, sourcing renewable energy, and balancing our emissions through various partnership methods. We will also continue to monitor and improve the water efficiencies at our biggest consuming sites. We will further strengthen our sustainability foundation by increasing the environmental performance data coverage. Furthermore, we will continue to push implementing eco-efficiency standards through the IMS at key sites.

The progress toward all Green Company targets is tracked through an environmental data reporting system and is disclosed in detail in our annual Green Company Report, available on our corporate website as of spring 2021. ▸ ADIDAS-GROUP.COM/S/ENVIRONMENTAL-APPROACH

Own operations: Progress toward 2020 targets

2020 Targets		2020	2019	2018	2017
Emissions	3% absolute annual reduction in CO_2 Scope 1 and Scope 2 net emissions[1] (baseline 2015)	(55%)	(52%)	(24%)	(29%)
Water	35% reduction in water consumption per employee (baseline 2008)	(48%)	(37%)	(31%)	(27%)

1 Scope 1: Emissions that arise directly from sources that are owned or controlled by adidas entities, such as fuels used in our boilers; Scope 2: Emissions generated by purchased electricity consumed by adidas entities.

Supply chain

As our production is fully outsourced, a substantial portion of our environmental impact occurs, at different intensities, throughout the supply chain. Therefore, for adidas, sourcing is not only about ensuring high product quality and timely delivery, it also means working with our suppliers to ensure they are continuously reducing their environmental footprint by measuring their monthly progress toward yearly reduction targets for energy, water and waste. One way we provide support is to develop comprehensive policies and guidelines such as the newly added 'Rooftop Solar Guideline' and 'Waste Co-processing Due Diligence'.

Already in 2019, we started to support our suppliers in scaling the adoption of on-site renewable energy in our supply chain. adidas funded and provided technical expertise for solar rooftop feasibility studies in key sourcing countries such as Vietnam, Cambodia, China, Indonesia and Myanmar, covering approximately 80% of our strategic suppliers. Even though 2020 was a challenging year due to the pandemic, we were able to intensify our efforts and have already seen the first positive results. In 2020, we confirmed that additional 27 MWp rooftop solar systems had been installed by our strategic suppliers.

We want to ensure that our suppliers are a part of our low-carbon journey and have therefore actively supported our global suppliers by engaging experts, providing hands-on training and developing multiple tools and guidelines over the past years. The 'adidas Environmental Good Practice Guide & Toolkit' covers over 60 efficiency measures and provides good practices for identifying environmental impacts and carbon reduction opportunities within the factory's operations.

Furthermore, adidas is working closely with key suppliers in Vietnam, providing the technical guidance and expertise to enrol and access the first off-site renewable energy pilot. The pilot program features direct power purchase agreement (DPPA) mechanisms between renewable energy developers/power generation companies and private power buyers/consumers. DPPA mechanisms are surging around the world as a new driver and catalyst for renewable energy projects.

We are co-developing an online climate action training program with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) which will be made available to all of the UNFCCC signatory brands and their supply chain. The aim is to upskill the fashion supply chain on greenhouse gas emissions, and how to set targets and identify reduction measures such as adopting renewable energy and improving energy efficiency.

Through our collective measures and technical support, our suppliers were able to exceed our five-year environmental targets on energy, water and waste.

Supply chain: Progress toward 2020 targets

2020 Targets[1]		2020	2019	2018	2017
Water	20% reduction in water consumption at strategic Tier 1 supplier facilities	(36%)	(29%)	(24%)	(15%)
	35% reduction in water consumption at strategic Tier 2 apparel material supplier facilities	(43%)	(34%)	(27%)	(24%)
Energy	20% reduction in energy consumption at strategic Tier 1 supplier facilities and strategic Tier 2 apparel material supplier facilities	(23%)	(22%)	(15%)	(7%)
Waste	20% reduction in waste volume at strategic Tier 1 supplier facilities and strategic Tier 2 apparel material supplier facilities	(30%)	(30%)	(22%)	(10%)

1 Table shows aggregated reduction results for all categories (apparel, footwear and accessories and gear). Baseline year 2014. Results show externally verified data for the previous year.

As we accelerate our sustainability efforts, we continue to support our supplier partners to improve their performance and ensure that this is underpinned by sound environmental management systems and accurate data disclosure. In 2020, for example, 98% of our footwear sourcing volume was produced in factories that have been certified in accordance with the International Environmental Standards ISO 14001 and/or the Workplace Health and Safety Management Standards OHSAS 18001 (2019: 98%).

In 2021, we will transition to a set of environmental targets that are in line with our public commitment of reducing absolute CO_2 emissions by 30% by 2030 and our broader sustainability strategy. For the supply chain, we will focus on transitioning from energy efficiency to end-to-end carbon management, expanding on Tier 2 water savings, and driving further adoption of ZDHC-qualified chemicals and the delivery of cleaner effluent.

Supply chain targets for 2025

- **Water:** We have met and exceeded our previous five-year target on water savings for strategic Tier 1 and Tier 2 suppliers. We are expanding our water reduction efforts to include additional Tier 2 suppliers. Through the application of new technologies, our aim is to achieve a 40% reduction in water consumption against the 2017 baseline year by 2025.

- **Chemicals:** Building on our long-standing collaboration with ZDHC, which promotes sustainable chemistry, we aim to have 80% of supplier facilities that manage chemicals in their production process to achieve Level 3 compliance with the Manufacturing Restricted Substances List (MSRL) from ZDHC for their input chemicals by 2025.

- **Wastewater:** Pollution abatement is critically important for the textile industry and a basic compliance expectation. We aim for 80% of applicable suppliers that operate on-site effluents plants to achieve a 'ZDHC Wastewater Foundational Level' (direct discharge) by 2025.

- **Energy:** As part of our 2021 carbon priorities and goals, adidas aims to accelerate initiatives that drive low-carbon manufacturing within its supply chain. That is why, in 2021, we will focus on scaling the adoption of renewable energy at existing Tier 1 and Tier 2 facilities. Through the adoption and scalability of renewable energy and coal replacement, our aim is to keep our emissions flat against the 2017 baseline year by 2025.

Chemical management

Contributing to a better environment and a safer living space, adidas has been building and implementing a leading chemical management program in its supply chain for years. We have defined an end-to-end-approach spanning the management of chemical input, monitoring the chemical management in our supply chain, and reporting supplier performance data publicly to controlling the finished end product. ► ADIDAS-GROUP.COM/S/CHEMICAL-FOOTPRINT

Driving effective and sustainable solutions, it requires a strong collaboration with different stakeholders, including industry federations and chemical experts. Together with all industry partners, we continued to contribute to the development and updating of both the ZDHC Manufacturing Restricted Substances List (MRSL) and the ZDHC Chemical Management Guidance Framework (CMS). The publication of ZDHC CMS provides a critical link between controlling chemical input and monitoring output. It supports our supply chain chemical management program and helps to avoid hazardous chemicals entering the production processes.

We further improved our chemical input management, recording 83% of auxiliaries volume and 91% of dyestuffs volume from our strategic apparel suppliers as bluesign-approved in 2020. We also continued to be 99% free of poly- and perfluorinated substances (PFCs) in our products for the fall/winter 2021 season.

We believe establishing a sustainable chemical management in our supply chain has a material impact and requires strong competence and skilled personnel retained in production facilities. This year, we partnered with SGS Group to co-develop and roll out the adidas Chemical Management Academy (aCMA) to upskill our business partners on evaluating chemical hazards, and identifying the qualified chemicals to secure the foundation of chemical management systems in the facilities.

Even though 2020 was a challenging year due to the pandemic, our supply chain partners continued to regularly disclose chemical data and accept independent testing of their waste discharges. According to the latest results, the majority of our suppliers' facilities meet national permitting requirements and 52% of the direct discharge facilities meet the ZDHC foundational level, an industry wastewater standard.

Transportation

We regularly track the environmental impact related to the transport of our goods. Compared to the previous year, performance remained relatively stable. As in previous years, the vast majority of our transportation takes place via sea freight.

Freight types used to ship adidas and Reebok products[1] in % of products shipped

Apparel	2020	2019
Truck	**6**	8
Sea freight	**91**	84
Air freight	**3**	8

Footwear	2020	2019
Truck	**1**	1
Sea freight	**98**	92
Air freight	**1**	6

Accessoires & Gear	2020	2019
Truck	**19**	18
Sea freight	**80**	80
Air freight	**0**	2

2020 2019

1 Figures are expressed as a percentage of the total number of products transported. Data covers products sourced through Global Operations, excluding local sourcing.

Sustainable materials and processes

We are committed to steadily increasing the use of more sustainable materials in our production, products and stores. We push toward sustainable innovation and circular business solutions.

Synthetic fibers are widely used in our industry due to their unique performance properties such as elasticity, light weight, and high durability. We are aware that products made out of synthetic fibers can have a negative environmental impact during their use phase and acknowledge microfiber pollution as a complex challenge for our industry – one we are proactively addressing. We have established a cross-functional working group and closely collaborate with our suppliers and research institutes to raise awareness of the issue and drive joint solutions toward a global testing standard. adidas is co-founder of The Microfibre Consortium (TMC), which is operational as of 2019, and among others develops tools to minimize shedding and the release of microfibers into the environment, for example via a testing method that enables us to obtain results about the shedding potential of our materials. ► ADIDAS-GROUP.COM/S/PRODUCT-MATERIALS

Sustainable cotton

adidas has steadily increased the sourcing of cotton according to the Better Cotton Initiative throughout the last several years and already managed to source 100% sustainable cotton by the end of 2018. In 2020, we continued to source all cotton globally as more sustainable cotton. The Better Cotton Initiative aims to reduce the use of pesticides, promotes efficient water use, crop rotation and fair working conditions, and strives to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.

Sourcing of sustainable cotton

100%

Recycled polyester

Using more recycled polyester is yet another way we seek to improve our environmental footprint while still making high-performance products for the athlete. Polyester is the most common single-used material in adidas products and, by 2024, we aim to replace all virgin polyester with recycled polyester in all products where a solution exists. We set clear internal milestones for product creation teams and have seen great progress throughout the last several seasons. In 2020, 71% of all polyester used for our apparel and footwear ranges was already recycled polyester. With that, we are ahead of our plan to use only recycled polyester from 2024 onward. The 'Primeblue' and 'Primegreen' labels, which were introduced in 2020, mark products made with recycled materials. While offering full functionality and durability in sports, they avoid waste and preserve natural resources.

Share of recycled polyester

71%

Parley Ocean Plastic

Since 2015, adidas has partnered up with the environmental organization ‚Parley for the Oceans' and uses Parley Ocean Plastic as an eco-innovative replacement for virgin plastic. We continued to roll out Parley Ocean Plastic across key categories and introduced our own label in 2020 for products that contain a certain amount of Parley Ocean Plastic: Primeblue. In 2020, we produced more than 15 million pairs of shoes containing Parley Ocean Plastic. Our target for 2021 is to produce 17 million pairs of such shoes.

► SEE GLOBAL BRANDS ► ADIDAS-GROUP.COM/S/SUSTAINABILITY-INNOVATION

Pairs of shoes containing Parley Ocean Plastic

> 15m

Waste and packaging

We are committed to reducing our plastic footprint globally and are proud of the success we have seen in recent years, such as the phase-out of plastic bags in our own retail stores globally in 2016 and the elimination of single-use plastics across the majority of adidas locations worldwide as of 2018. Where the use of plastics is still unavoidable, for example in transport packaging, adidas is working to find sustainable alternatives. For example, together with the global innovation platform 'Fashion for Good', the company is exploring the development of a recycling infrastructure for used polybags as well as innovative recycling processes for polybags, testing the technical feasibility of polybag circularity. In addition, the company aims to reduce its use of virgin plastic and is well on track to meet its goal to transition to the use of 100% recycled LDPE polybags by 2021.

Circular business solutions

adidas takes responsibility for the entire life cycle of a product and follows a clear game plan for moving toward a circular business model. Already in 2019, we successfully showcased proof-of-concept products against circular and regenerative loops by presenting our first fully recyclable and biofabricated products. Futurecraft.Loop is our first 100% recyclable performance shoe made entirely from one material (TPU), using no glue or solvent. To continue this journey, in 2020 we launched the Ultraboost DNA Loop as an evolution of the Futurecaft.Loop model and allocated 1,500 pairs to Creators Club members to help us develop the shoe further. The gained insights will help us refine the commercial launch of our first 'made to be remade' products in 2021. In addition, adidas is exploring infrastructure for product take-backs and recycling with partners and governmental bodies. ► SEE GLOBAL BRANDS ► ADIDAS-GROUP.COM/S/ PRODUCT-END-OF-LIFE

Product safety and integrity

Product safety is an imperative. As a company we have to manage the risk of selling defective products that may result in injury to consumers or impair our image. To mitigate this risk, we have company-wide product safety policies in place that ensure we consistently apply physical and chemical product safety and conformity standards. ► ADIDAS-GROUP.COM/S/PRODUCT-SAFETY

The creation of respective adidas standards and policies is mostly a collaborative, cross-functional approach involving experts from the corporate Legal and Global Operations departments to ensure all aspects of a specific product are covered. This includes subsequent updates and training activities. Application and monitoring are ensured through our Global Operations function.

One of these policies is the Restricted Substances Policy ('A-01' Policy) that we pioneered in 1998. It covers the strictest applicable local requirements and includes best-practice standards as recommended by consumer organizations. The policy is updated and published internally and externally at least once a year based on findings in our ongoing dialogue with scientific organizations, and it is mandatory for all business partners. To ensure successful application of the policy across the business, we have established a Product Safety and Compliance workspace that serves as a platform for all employees involved in product creation by providing them with the necessary information and guidance to develop, produce and distribute products according to international regulations and best-practice standards. Both our own quality laboratories and external institutes are used to constantly monitor material samples for compliance with our requirements. Materials that do not meet our standards and specifications are rejected. As a result of our ongoing efforts, we did not record any product recalls in 2020.

Over the last several years, we have substantially contributed to the AFIRM Restricted Substances List, which harmonizes restricted substances lists across the industry. While the uptake of the list as an industry best practice matured further, an assessment approach was initiated in cooperation with international third-party labs in 2020, to evaluate the testing performance and accreditation level of the labs we work with. This approach will ultimately also be made available to other customers of the labs. These are for instance companies from the textile and sporting goods industry and their suppliers. We also continued our participation in several major public stakeholder consultation processes initiated by the European Commission (e.g. European Chemicals Agency) and US state legislative initiatives to inform governmental entities on implications and opportunities of drafted legislation.

SOCIAL IMPACTS

Through economic activities related to our business model, we create value that we need to balance with our environmental impact. However, being a company of our scale and global presence, we also have a social impact on our communities. adidas recognizes its responsibility to respect human rights and the importance of managing the appropriate due diligence to fulfill this obligation as a business. We do this by striving to operate responsibly along the entire value chain, by safeguarding the rights of our own employees and those of the workers who manufacture our products through our Workplace Standards, and by applying our influence to effect change wherever human rights issues are linked to our business activities. ► SEE OUR PEOPLE

Another aspect that we consider to be material in this context is our responsibility regarding tax. Through taxes, governments have the monetary ability to pursue their objectives and take on the responsibility of further developing their countries.

Human rights

Since its inception in 1997, our human and labor rights program for our supply chain has been built on the back of intense stakeholder outreach and engagement, seeking to understand and define the most salient issues to address as a company. We continue to support improvements in the ongoing and independent accreditation of our own social compliance program by the Fair Labor Association (FLA). We have also maintained our commitment to the 'Sporting Chance Principles' and our place on the Advisory Council for the Centre for Sports and Human Rights. In 2020 we continued to hold a seat on FIFA's Independent Advisory Board on Human Rights, providing input and recommendations to FIFA on the hosting of the 2022 FIFA World Cup in Qatar.

Over the past year, increased attention has been given to potential forced labor risks linked to China's Xinjiang Uyghur Autonomous Region (XUAR). Several Western governments held hearings targeting business entities operating in the XUAR; the United States even imposed sanctions. Through its Modern Slavery Statement and other public disclosures, adidas shared the actions it has taken to address forced labor in its global supply chain. With respect to Xinjiang, adidas confirmed that it has never manufactured products in that region. As early as spring 2019, the company had already called on all Tier 2 material suppliers to stop sourcing cotton yarn from the XUAR. Furthermore, adidas supported the Better Cotton Initiative (BCI), which is the primary source of adidas' cotton, in its decision to no longer certify cotton that comes from Xinjiang.

Five years after the launch of the modern slavery outreach program, we have reached an increased understanding of the potential risks associated with modern slavery in our upstream supply chain. In this time, we have engaged extensively on human rights and forced labor industry benchmarks and have identified and filled gaps in our policies and practices, which has led us to secure the highest ratings in those benchmarks. Through 2020, we strengthened engagement with our Tier 2 suppliers, employing foreign migrant workers as part of our Responsible Recruitment partnership with the International Organization for Migration and led joint remediation efforts at shared supplier sites with leading apparel and footwear brands. adidas was part of a twelve-member expert task force on forced labor and Decent Work, set up to provide recommendations to improve the Better Cotton Initiative's effectiveness in identifying, preventing, mitigating, and remediating forced labor risks at the cotton farm level. In a multi-stakeholder initiative from 2019 to 2020, we, along with other international brands, supported the FLA and International Organization for Migration in undertaking a supply chain mapping and labor rights assessment of the natural rubber sector in Vietnam. ADIDAS-GROUP.COM/S/HUMAN-RIGHTS

Our approach to tax

We are committed to being compliant with all tax regulations in all jurisdictions in which we operate. We consider the interests of our stakeholders in the business decisions we make in order to ensure the lasting success of our company.

We do not operate through artificial structures or structure our business in ways that are intended to result in tax avoidance. Where we have a presence in so-called low-tax jurisdictions, this is related to our business activities in those jurisdictions, and is not created for the purpose of minimizing our tax burden. While tax is among the many considerations in making business decisions, it is not the main driver in our decision-making process.

Tax management and governance

Given the range of activities and locations we operate in, adidas is subject to a wide range of taxes across the world, including corporate income tax; VAT/GST; employee-related taxes, such as payroll and fringe benefit tax; withholding taxes; property taxes; stamp duties and other taxes. The purpose of our tax function is to support and enable business objectives while ensuring compliance and preventing or minimizing tax risks.

The approach to tax is defined by the Vice President Corporate Tax and is reflected in the tax strategy, objectives, policies, and internal controls. Economic and social impacts are considered in developing and executing our tax strategy. The Corporate Tax team reviews our tax strategy on an annual basis, with significant changes being approved by our Chief Financial Officer (CFO). The CFO is ultimately accountable for compliance with our tax strategy.

Pursuant to our tax policies, the local Directors and Management of each legal entity are responsible for ensuring compliance with tax regulations. The local teams are supported by the company's Corporate Tax team and tax advisors. The Corporate Tax team exercises global governance and is accountable for our approach to tax. Its main responsibility is to provide global tax advisory, to identify and manage opportunities and risks and ensure tax compliance worldwide. Through partnering with business functions, the Corporate Tax team aims to understand the needs and perspectives of various stakeholders internally and externally and to support business objectives while ensuring continued compliance with tax regulations. Enquiries from and communication with external stakeholders regarding our tax affairs are managed in accordance with our Global Communication Guidelines.

Our Executive Board is updated on tax matters periodically, including a risk review process every six months that also forms part of our tax governance framework. Our CFO and/or the Executive Board, advised by the Corporate Tax team, is ultimately responsible for decisions on topics such as entering into significant or one-off transactions that may give rise to an increase in tax risk (e.g. mergers and acquisitions).

Our 'Fair Play Code of Conduct' sets out the options available to employees who detect unlawful or unethical behavior, including anonymous notification or whistleblowing procedures. The adidas AG audit includes the audit of disclosures in respect to tax. ► ADIDAS-GROUP.COM/S/CODE-OF-CONDUCT

Interactions with tax authorities

We seek a cooperative relationship with tax authorities. We respond to information requests, whether formal or informal, and, on a case-by-case basis decide whether to take the initiative in communicating business developments of particular significance to the local tax authorities. During 2020, we were not involved in the public policy regarding tax law or tax law changes in any of the jurisdictions we operate in.

Tax planning

We ensure that the tax profile of our activities is aligned with the substance of the operating structures of our business. Accordingly, transactions have commercial and economic substance and we do not put in place arrangements that are contrived or artificial. Our 'Transfer Pricing Policy' requires that intragroup transactions be carried out on an arm's-length basis. As a result, our profits are derived and taxed in the jurisdictions where value is created.

WORKING CONDITIONS IN OUR SUPPLY CHAIN

Managing the impact of covid-19

From the very outset, adidas has sought to mitigate the impact of the coronavirus pandemic on the workers in its global supply chain, providing guidance on infectious disease control, occupational safety and workers' welfare. The company continued to uphold its standard manufacturing terms, including worker rights protection, and assisted key suppliers in securing bank financing to help them weather the covid-19 crisis. Ensuring business continuity and a functioning supply chain has kept workers in jobs, with the vast majority of our supplier factories having retained their workforce, albeit with reduced working hours due to lockdowns or suspensions. adidas continued to be committed to ensuring legal compliance in terms of pay and benefits for all workers and tracked the working conditions in each and every factory. Where we have seen factory downsizing, we ensured that laid-off workers received their legal severance and other entitlements in full.

We recognized that these actions alone would not be enough and endorsed the International Labour Organization's (ILO) Call to Action to address the impact of coronavirus pandemic on the garment industry. The ILO convened a global working group, charged with securing funding to ensure business continuity, payment of wages, income support and job retention initiatives sufficient to protect garment workers' income, health, and employment. The effort included a commitment to support the development and expansion of social protection systems for workers and employers in the garment industry, consistent with recommendation ILO 202.

adidas' covid-19 response was assessed by the labor rights advocacy community, which includes the Worker Rights Consortium and duly recognized in Baptist World Aid Australia's '2020 Covid Fashion Report' which surveyed close to 100 brands on their commitment to address the covid-19 crisis in their supply chain.

Our approach to working conditions in our supply chain

Our commitment to ensuring fair labor practices and safe working conditions in factories throughout our global supply chain is fundamental to our human rights approach. Our active efforts are guided by the adidas Workplace Standards, our supply chain code of conduct. The standards form a contractual obligation under the manufacturing agreements we sign with our suppliers to ensure workers' health and safety and environmentally sound factory operations by following ILO and United Nations conventions relating to human rights and employment practices, as well as the model code of conduct of the World Federation of the Sporting Goods Industry (WFSGI). We also seek to extend our reach by cascading responsibilities to our partners, to capture and address potential and actual risks related to possible labor rights violations upstream and downstream of our product creation. Specific reference to the code provisions of the ILO core labor conventions is provided in the adidas Guidelines on Employment Standards. The Sourcing and Social & Environmental Affairs (SEA) senior management reviews and approves all policies and implementation processes of the labor rights program.

Our social compliance program continues to evolve, and is built around three core concepts:

- **Performance:** In 2021, we will transition from our compliance benchmark (C-KPI), which is focused on management systems and supplier self-governance, to a new set of social indicators (S-KPI) that measure outcomes such as reduced accident rates, higher retention levels, or improved worker satisfaction. Through our new S-KPI tool, we will report annually on workplace conditions, including the effectiveness of our worker empowerment initiatives. The targets for 2025 will be defined in 2021.
- **Transparency:** As part of our broader risk management processes, we will increase the scope and application of Human Rights Due Diligence (HRDD) efforts. Our 2025 ambition is to achieve a 100% coverage of all 'at risk' activities, ensuring HRDD compliance is embedded across the organization. 'At risk' activities are those activities identified in our annual human rights risk mapping and flagged as having potential adverse human rights impacts that require prevention or mitigation.
- **Fairness:** The focus lies on gender equality, pay equity and responsible sourcing practices that support fair compensation for workers. Our ambition is to see progressive improvement across all fair compensation benchmarks and achieve gender wage parity for workers and their supervisors in each of our strategic Tier 1 suppliers by 2025.

Factory performance

We regularly assess factories on their ability to provide fair, healthy and environmentally sound workplace conditions by conducting announced and unannounced audits through our own team and accredited external auditors. We use a KPI rating system for social compliance (C-KPI) and attach scores between '1' and '5', with '1' being the worst and '5' being the best. According to the results, our sourcing and SEA teams jointly decide the course of action, ranging from trainings to enforcement actions, such as sending warning letters or hiring external consultants to help improve their program.

Any cases of non-compliance identified during audits are given a certain time frame for remediation. Potential new factories are assessed in a similar way and orders can only be placed if approval by the SEA team has been granted. We operate several grievance channels allowing workers or third parties to submit complaints about violations of the Workplace Standards and human rights generally. All third-party complaints are reviewed and investigated, and the outcome is reported on our corporate website. Factory conditions are also inspected by independent auditors through our participation in the Fair Labor Association (FLA), which we joined as a founding member in 1999, demonstrating our commitment to independent and unannounced factory inspections and external verification of our programs. Since then, our program has been accredited three times by the FLA.

At the end of 2020, adidas worked with 520 independent supplier facilities[16] (2019: 631) that manufacture products for our company in 49 countries (2019: 52). The decrease is due to our overall ambition to further consolidate our supply chain, mostly in South Korea in 2020. Our intention is to work with fewer factories, forming long-term partnerships and provide them with more orders. 66% of our suppliers' factories (2019: 69%) are located in the Asia-Pacific region. The number of licensees we worked with declined slightly compared to 2019, with 56 licensees (2019: 62) that manufactured products in 375 factories (2019: 372) across 37 countries (2019: 38).

Onboarding

In 2020, our primary focus has been on maintaining partnerships with our existing suppliers rather than onboarding new ones. We conducted initial assessments, the first approval stage for a new entry into our supply chain or, in the case of existing sites, where there is the construction of new facilities, in 112 factories (2019: 143). Of these, 31 factories (2019: 49 factories) were either rejected directly after the initial assessment identified zero-tolerance issues, or were 'rejected with a second visit' due to identification of one or more threshold issues, which means they were rejected but given the chance to remediate the non-compliance issues within a specific timeframe. The vast majority (94%) of all initial assessments were undertaken in Asia (2019: 84%), with China accounting for 50% (2019: 38%).

Worldwide rejections after initial assessment due to compliance problems

	2020	2019
Total number of first-time rejections[1]	31	49
First-time rejection rate	28%	34%
Total number of final rejections[2]	2	6
Final rejection rate	2%	4%

1 Factories that were directly rejected after the first visit, i.e. with no chance of being visited a second time, and factories that were rejected after initial assessments but which were given a chance for a second visit.
2 Factories that were directly rejected after the first visit, i.e. with no chance of being visited a second time, and factories that were rejected after being visited a second time.

Overall, at the end of 2020, the 'first-time rejection rate' of 28% of all new factories visited was slightly lower than in the previous year (2019: 34%). Onboarding fewer factories, and providing focused support to those we have onboarded, has aided us in also lowering the 'final rejection rate', to below 2% in 2020. The remediation of factory issues is beneficial for workers as it raises the bar in terms of better and timelier pay, improved benefits, reduced hours, and the legal protection of formal employment contracts, and it results in significant improvements in basic health and safety within the workplace. Suppliers that have threshold issues are normally given three months to remediate those issues before being re-audited for final acceptance.

Worker engagement and empowerment

Since 2017 we have reduced our reliance on local worker hotlines as a complaint mechanism, by building an application-based 'Workers Voice' platform: a bespoke, factory-based digital grievance channel for workers. We have progressively improved and expanded the use of this operational grievance mechanism and in 2020 almost 450,000 workers employed in 111 factories across twelve countries had access to this system. Due to the covid-19 pandemic, two strategic suppliers had to postpone the implementation of the platform, which is why we missed our 2020 target of having the 'Workers Voice' platform implemented at 100% of our strategic suppliers.

16 Independent supplier facilities refer to individual Tier 1 facilities (factories) of our manufacturing partners (suppliers) that adidas has a manufacturing agreement with, and their Tier 1 subcontractor facilities, excluding own factories and licensee facilities. Facilities that work with our licensees are reported separately. Some of these facilities may produce both for adidas directly and for licensees.

A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Access to a digital complaint mechanism proved invaluable during covid-19, with a 128% increase in worker grievances being reported. Close to 46,000 human and labor rights complaints were filed in 2020. The top three types of complaints were related to concerns over benefits, general facilities and communication. 98% of these complaints were successfully resolved by the factory management.

Responses received through the 'Workers Voice' platform are carefully tracked by adidas, using KPIs and dashboard reviews, case satisfaction ratings and on-site worker interviews. This allows us to evaluate the efficacy of the grievance channels, see major cases in real time and undertake timely interventions, where necessary. It also helps us understand the main challenges and labor rights issues in a factory and track how the factory management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the factory's overall social compliance score. adidas provides ongoing capacity building to enhance the factory teams' capability to improve the effectiveness of the grievance mechanism. It is notable that the case satisfaction rate, which allows workers to input their level of satisfaction with the resolution of complaints, has risen steadily from 39% in 2019 to 58% in 2020.

Grievance application

2020 Target	2020	2019	2018
Implementation of 'Workers' Voice' grievance platform at strategic suppliers: 100%	98%	98%	97%

Complementing the various grievance channels, we rolled out the 'Worker Pulse' project in 2020, a digitalized short survey to capture workers' perception and awareness of their labor rights on focused areas such as communication, harassment and abuse and grievance systems. We undertook these digital surveys in 63 factories across nine countries, with more than 22,000 workers voluntarily participating. The survey was conveyed to the workers through a mobile-phone-based application.

Of the participating workers, 78.6% reported their willingness to recommend their workplaces to their friends and relatives as a favorable place to work, and 77% believed that complaints raised through the grievance mechanisms are taken seriously by factory management. Factories are required to develop and track workplace improvement plans, based on the feedback received from the 'Worker Pulse'.

The 'Worker Pulse' builds on our existing Worker Satisfaction Survey (WSS) process, which was first launched in 2016. WSS is a comprehensive survey consisting of around 60 questions that helps suppliers gain insights into the workplace environment, from both a worker's and a supervisor's perspective, and target those areas requiring improvement. For example, workers are asked for their feedback on the effectiveness and performance of their factory grievance mechanisms, which in turn helps inform ways to improve and further refine those systems.

Alongside factory-led training, we have also offered tailored training under our Women Leadership Program (WLP), first launched in 2016. As of the end of 2019, more than 1,300 workers had participated in this program. The WLP provides training and skill-sharing sessions, managed through a Women Supervisor Forum (WSF): a platform for female supervisors to upgrade their knowledge, learn best practices, and gain support, information and guidance on a range of topics to improve their abilities as a supervisor. With the arrival of the global pandemic, opportunities for face-to-face training in the factories were severely constrained. As a result, only 195 supervisors were able to take part in the WLP skills training program in 2020, and the expanded rollout of the WSF had to be paused.

2020 also saw the successful launch of our mobile-phone-based 'Digital Training' project, which was successfully rolled out in 43 factories across Cambodia, China, Indonesia, and Vietnam. The digital tool assesses workers' awareness of their labor rights and remedies, e.g. harassment and abuse, fire safety and use of grievance channels. Of the 11,000 workers who took part in 2020, 83% secured a 75% pass rate in the post-test questions.

Factory engagements and training sessions

In 2020, just as our ability to conduct onsite audits was restricted by the pandemic, so was our capacity to engage in onsite visits and training sessions at our suppliers. We addressed this by increasing our levels of remote, or virtual engagements throughout the year, increasing from 426 individual factory engagements in 2019, to 644 in 2020. In addition to our continuous tracking of covid-19 impacts on suppliers' operations, these engagements covered monitoring of remediation activity, KPI improvement plans, grievance investigations and worker satisfaction surveys, as well as our regular supplier training programs, where it was practical to do so. Nevertheless, some of our programs could not continue at the same levels, in the absence of face-to-face training workshops. In total, through our fundamental, performance, and sustainability training sessions, we conducted 61 training sessions and workshops for suppliers, licensees, workers and adidas employees (2019: 123). Where virtual training sessions could be held, we were able to attract larger audiences, reaching a total of 1,497 people, only slightly down from the 2019 figure of 1,697.

Number of training sessions by region and type[1]

Region	Type and number of training sessions							
	Fundamental[2]		Performance[3]		Sustainability[4]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	13	33	18	16	12	17	43	66
Americas	12	37	2	3	1	7	15	47
EMEA	–	9	2	–	1	1	3	10
Total	**25**	**79**	**22**	**19**	**14**	**25**	**61**	**123**
In %	41	64	36	15	23	20	100	100

1 Training sessions conducted for factory management, workers, licensees, agents and adidas employees.
2 Fundamental training covers Workplace Standards and SEA introduction, FFC training as well as SEA policies and standard operating procedures.
3 Performance training covers specific labor, health, safety and environmental issues.
4 Sustainability training covers management systems and KPI improvements as well as factories' internal monitoring programs.

As part of our forced labor risk assessment and trainings for Tier 2 material suppliers that employ foreign migrant labor, we engaged remotely with many suppliers covered under the umbrella of our partnership on responsible recruitment with the International Organisation for Migration. These engagements and trainings ranged from desktop reviews to online supplier trainings on labor recruiter due-diligence via the International Organization for Migration's e-campus foundation course on ethical recruitment.

As part of our efforts to scale the adoption of renewable energy within our supply chain, we conducted an extensive training on 'How to perform a solar PV rooftop feasibility study and installation' (also known as 'Rooftop Solar Guideline') which was translated into four languages. The training provided a comprehensive overview for suppliers to facilitate the transition to renewable energy, reducing scope 1 and 2 emissions, and eventually supporting commitments to the UNFCCC targets. The objectives of the training were to ensure consistency across the entire adidas supply chain, provide guidance on how to select a vendor, or conduct feasibility studies, among others. It covered two main sections: the feasibility study and the installation process.

Also in 2020, adidas launched the adidas Chemical Management (aCM) training, conducting 15 training sessions in China and Taiwan with 141 participants. Through this chemical management academy our aim is to:

- ensure facilities have the right competence and responsibility on site to manage the facilities' operation
- enable facilities to implement a chemical management system in the production process on a long-term basis
- share best practice/available technology among industry peers, and
- drive continuous improvement

Monitoring

We audit our suppliers regularly against our Workplace Standards. In 2020, however, we had to adjust our monitoring approach to accommodate covid-19 lockdowns and travel restrictions. Where possible, we continued to follow our regular onsite assessments, including wastewater testing, while also piloting the use of remote 'Desktop Assessments'. Of the total 921 social compliance audits and environmental assessments conducted in 2020 (2019: 1,191), 128 were conducted remotely. Despite the constraints imposed by covid-19, we successfully completed 256 test assessments according to the ZDHC Wastewater Guidelines (2019: 234), which also count toward our environmental assessments.

In 2020, 88 self-governance audits and collaboration audits (2019:102) were conducted. When a factory reaches a compliance maturity level of 4C or above, we empower the supplier to conduct their own self-governance audits and develop appropriate remediation plans, which we periodically review. Collaboration audits are conducted in partnership with other brands, or as part of joint remediation exercises. The number of audits in factories manufacturing goods for licensees decreased slightly from 317 in 2019 to 278 in 2020.

Our audits help us rate our suppliers according to their social and environmental compliance performance with a C-KPI and E-KPI rating tool, respectively. As we continue to increase our focus on added-value advisory services and empowerment projects, which go beyond our regular audit routine, the number of audits conducted by our own in-house team has decreased to 251 in 2020 (2019: 299). Similarly, audits conducted by third-party monitors also decreased to 612 at the end of 2020 (2019: 658).

- **Audit coverage:** A total of 48% (2019: 49%) of all direct and licensee facilities were audited in 2020. 'High-risk' locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2020, with an audit coverage close to 64% (2019: 75%). As a general principle, factories located in high-risk countries are 100% covered in our auditing scope, which means they receive audits annually (unless they are rated as 'self-governing', in which case they are subject to audits every two years), while low-risk countries with strong government enforcement and inspectorate systems, such as Germany, are considered out of scope for our audit coverage.

- **Audit results:** In 2020, 91% of our strategic factories achieved a rating of 4C or better, compared to 54% of all direct factories. This exceeded our 2020 target, which called for 80% of our strategic suppliers to reach 4C or above. As such, these higher ratings show that our strategic suppliers have continued to strengthen their compliance performance, despite the headwinds created by covid-19. Some 12% of our strategic suppliers' factories have progressed even further, achieving a 5C rating, which shows that they have mature social compliance governance systems and practices in place.

Number of audits by region and type

Region	Initial assessment[1]		Performance audit[2]		Environmental assessment[3]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	120	159	311	511	420	384	851	1,054
Americas	5	20	12	38	18	19	35	77
EMEA	2	10	20	35	13	15	35	60
Total[4]	**127**	**189**	**343**	**584**	**451**	**418**	**921**	**1,191**

1 Every new factory has to pass an initial assessment to prove compliance with the Workplace Standards before an order is placed. The data includes both initial assessments and initial assessment follow-ups.
2 Audits conducted in approved factories that have passed the initial assessment.
3 Includes environmental assessments, SAC HIGG data verification and wastewater test assessments according to the ZDHC Wastewater Guidelines.
4 Includes audits done in licensee factories.

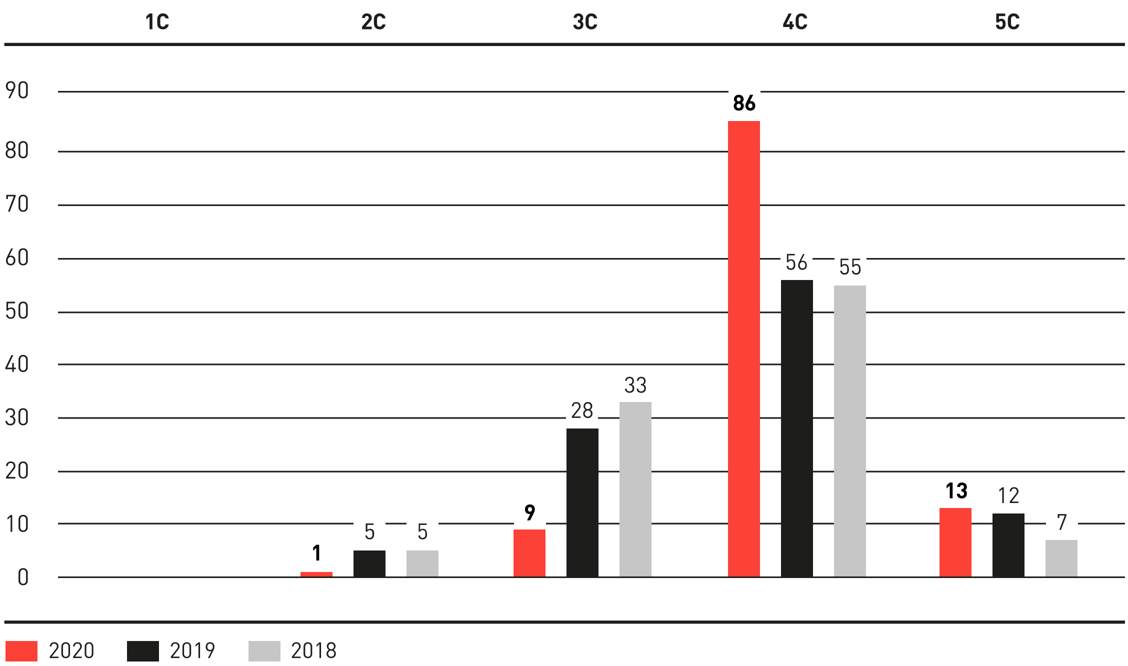
Supply chain: Progress toward 2020 targets

2020 Targets		2020	2019	2018
Strategic Tier 1 suppliers[1]	80% to reach at least 4C rating	91%	68%	62%
	10% to reach 5C rating	12%	12%	7%
Strategic licensees	80% to achieve 80% or above in Score Card reports	82%	86%	80%
	10% to achieve Sustainability Leadership	14%	14%	20%

1 Strategic factories are responsible for around 90% of our global production volume.

Of our strategic licensees, 82% successfully embedded effective governance systems, supply chain management, purchasing practices and product safety compliance requirements into their business practices. 14% achieved a 'Sustainability Leadership' level, signaling that, in addition to achieving high scores in other sections, they also scored above 80% in the sustainability section of their annual report card, which measures the existence of policies and implementation, stakeholder engagement, public reporting and communication.

Social compliance performance rating of strategic supplier factories by C-KPI rating

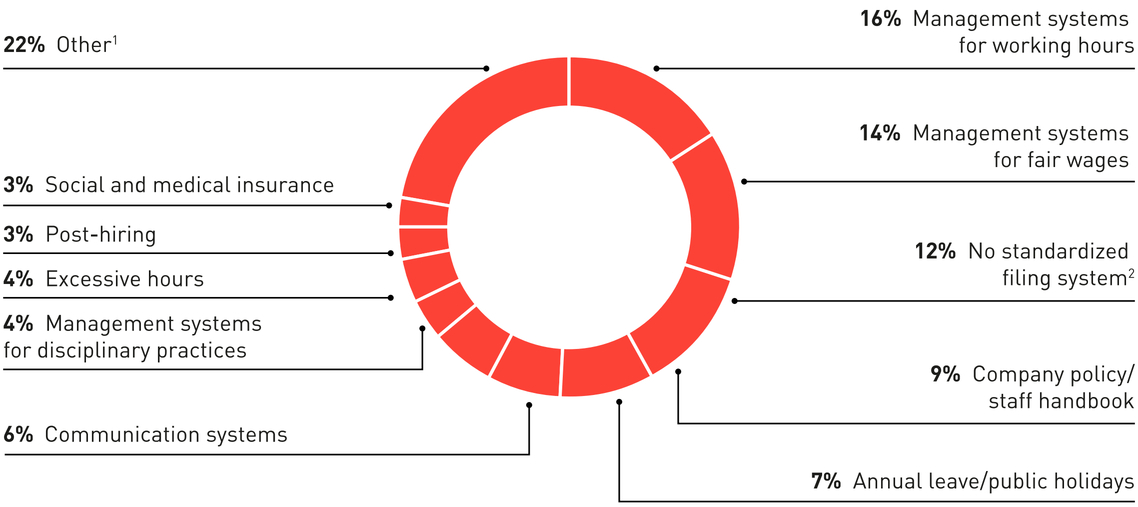


Non-compliances identified in active factories

Our suppliers' factories are evaluated against a number of critical compliance issues. While threshold issues are considered serious but correctable non-compliances that can be addressed in a specified timeframe through remedial action, zero-tolerance issues – such as forced labor, child labor practices and critical life-threatening health, safety and environment conditions – immediately trigger a warning and potential disqualification of a supplier. Over the course of each year, we continuously track the non-compliance findings identified through suppliers' performance audits, collaboration audits, self-governance assessments and, as of 2020, Social & Labor Convergence Program (SLCP) assessments. We follow up on all cases of non-compliance and require our suppliers to remediate open issues within a specified timeframe. As can be seen below, the identified issues in 2020 remained largely the same as those reported in 2019.

- **Non-compliances in the area of labor:** Besides identifying non-compliances with the Workplace Standards, our team focuses on the use and effectiveness of the factories' HR management systems, including any gaps in policies and procedures, related to specific risk areas, such as forced labor, child labor, freedom of association or discrimination. As a result, the percentages shown indicate the systemic shortcomings of active factories, rather than the confirmed presence of a specific case of non-compliance.

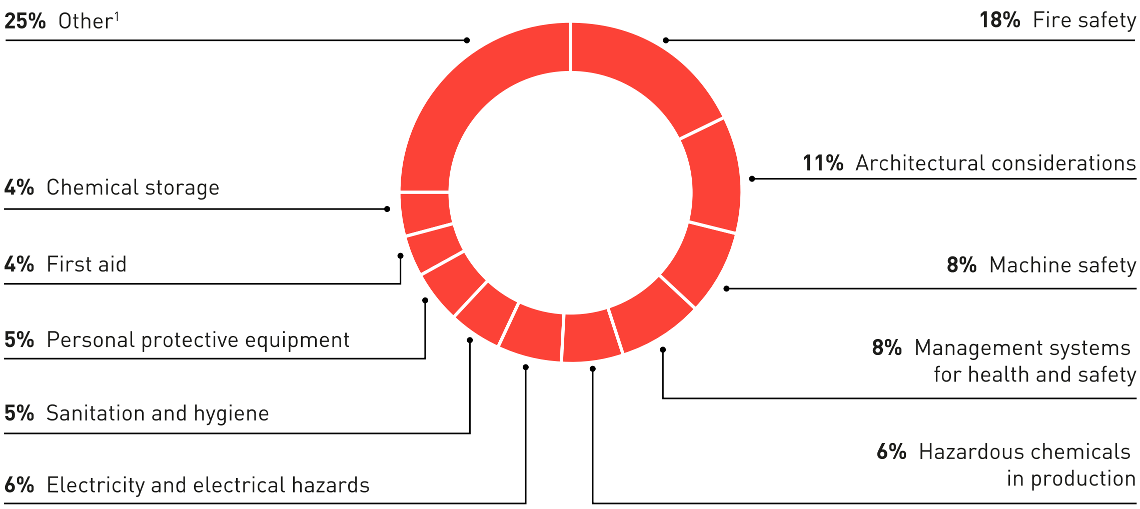
Top 10 shortcomings in the area of labor identified during audits in 2020



1 'Other' includes, for example, freedom of association issues.

- **Non-compliances in the area of health and safety:** Fire, electrical and machine safety are critical areas for existing factories and together accounted for 32% of the non-compliances identified in 2020. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 10% of non-compliance findings reported. A further 8% of the findings related to management systems, policies and procedures, and specifically a lack of compliance with our Workplace Standards and expectation for effective health and safety systems, including the recruitment and retention of qualified safety staff.

Top 10 shortcomings in the area of health and safety identified during audits in 2020



1 'Other' includes, for example, housekeeping, occupational hazard risk assessment, and ergonomics.

Independent FLA audits

Due to covid-19 related restrictions, unannounced and independent assessments by the Fair Labor Association (FLA) were heavily limited resulting in one Sustainable Compliance assessment for the year for adidas. Nevertheless, FLA focused its efforts on:

- supporting company affiliates' ability to manage covid-19-related risks by issuing various guidance notes to address labor and health- and safety-related risks resulting from the pandemic,
- continuing capacity building on responsible recruitment and forced labor,
- issuing guidance to prevent forced labor risks and issuing statements on sourcing in Xinjiang, and
- completing a comprehensive review and update to the FLA Compliance Benchmarks.

Enforcement

Warning letters are an essential part of our enforcement efforts and are triggered when we find ongoing serious non-compliance issues that need to be addressed by our suppliers' factories. We work closely with our suppliers to help them improve their performance. However, where we face situations of severe or repeated non-compliance, we do terminate business relationships with factories.

- **Warning letters:** In 2020, our close engagement with our supplier' factories has helped reduce the number of active warning letters to 22 (2019: 41) across ten countries. Compared to the previous year, the overall number of active first-warning letters decreased significantly, from 34 in 2019 to 19 in 2020; the total number of second warnings also decreased to 3 in 2020 (2019: 6). Factories that receive second-warning letters are only one step away from being notified of possible termination of the manufacturing agreement and are subject to focused monitoring by our SEA team. No third-warning letters (which result in factory terminations) were issued to our suppliers in 2020 (2019: 1).
- **Terminations:** In 2020, we had no terminations of supplier agreements for social or environmental compliance reasons (2019: 2).

Number of warning letters by region[1]

Region	1st warning		2nd warning		3rd and final warning		Total warning letters	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	16	27	2	5	–	1	18	33
Americas	2	4	–	–	–	–	2	4
EMEA	1	3	1	1	–	–	2	4
Total	**19**	**34**	**3**	**6**	**–**	**1**	**22**	**41**

1 Includes warning letters issued by licensees and agents, but excluding warnings to factories for the non-disclosure of subcontractors, which are issued either directly through business entities, or by the adidas Legal department where there is a breach of contract obligations under a manufacturing agreement. A third and final warning results in a recommended termination.

Number of business relationship terminations due to compliance problems

Region	2020	2019
Asia	0	2
Americas	0	0
EMEA	0	0
Global	0	2

NON-FINANCIAL STATEMENT

In accordance with §§ 315b, 315c HGB in combination with §§ 289b to 289e HGB, adidas publishes a combined non-financial statement for adidas AG and the Group in this combined Management Report. The content of the non-financial statement can be found throughout the entire combined Management Report, with relevant parts being indicated by this symbol: ⌜ ⌝. These parts are not covered by the Audit of the Con-solidated Financial Statements and of the Group Management Report, as they were subject to a separate limited assurance engagement of KPMG AG Wirtschaftsprüfungsgesellschaft. Links and references are not part of the non-financial statement and have not been assessed. ▸ SEE LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

adidas applied the Global Reporting Initiative (GRI) guidelines as an external reporting framework. The content of the non-financial statement combined with further information in this report and on our corporate website is prepared with reference to the GRI Standard 'Core' option. The GRI content index can be found online. ▸ REPORT.ADIDAS-GROUP.COM

Description of business model

▸ SEE GLOBAL SALES
▸ SEE GLOBAL OPERATIONS

Environmental approach

– Sustainable materials and processes
▸ SEE SUSTAINABILITY

– Water consumption (supply chain)
▸ SEE SUSTAINABILITY

– Carbon footprint (supply chain)
▸ SEE SUSTAINABILITY

– Waste volume (supply chain)
▸ SEE SUSTAINABILITY

Product responsibility

– Product safety and integrity
▸ SEE SUSTAINABILITY

Human Rights

– Fair labor conditions
▸ SEE SUSTAINABILITY

– Fair labor conditions (supply chain)
▸ SEE SUSTAINABILITY

– Supplier relationships
▸ SEE GLOBAL OPERATIONS

Employee matters

– Wages and benefits
▸ SEE OUR PEOPLE

– Development and training
▸ SEE OUR PEOPLE

– Employee engagement
▸ SEE OUR PEOPLE
▸ SEE INTERNAL MANAGEMENT SYSTEM
▸ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

– Diversity
▸ SEE OUR PEOPLE

Consumer matters

– Consumer satisfaction
▸ SEE INTERNAL MANAGEMENT SYSTEM

Anti-bribery and corruption

– Ethical business practices
▸ SEE RISK AND OPPORTUNITY REPORT

Tax

– Our approach to tax
▸ SEE SUSTAINABILITY

3

GROUP MANAGEMENT REPORT
FINANCIAL REVIEW

INTERNAL MANAGEMENT SYSTEM

We are committed to generating shareholder value. We strive to create value by converting sales and profit growth into strong operating cash flow, while at the same time managing our asset base proactively. Our company's planning and controlling system is therefore designed to provide a variety of tools to assess our current performance and to align future strategic and investment decisions to best utilize commercial and organizational opportunities in the interest of our shareholders. While this focus on creating shareholder value will remain, the launch of our new strategy 'Own the Game' for the period until 2025 will have an impact on the internal management system, which will be adjusted accordingly in the course of 2021. ► SEE STRATEGY

Impact of the covid-19 pandemic

In 2020, adidas faced serious challenges arising from the global outbreak of the coronavirus pandemic. Throughout the year, sports events were canceled, a significant number of stores were closed and many of our employees were confined to working from home. We saw a material decline in sales from our physical channels and a corresponding reduction in cash. This unprecedented situation led to a temporary adjustment of our internal management system and required a strong focus on the most important priorities:

- Ensuring the health and safety of our employees, consumers, wholesale customers and partners.
- Safeguarding the liquidity of our company through a strict focus on cash flows and financing activities.
- Doubling down on our e-commerce business to drive net sales and cash generation in times of store closures and reduced retail traffic.

Internal management system designed to drive shareholder value

In order to drive and steer the creation of shareholder value, the company's Management focuses on a set of major financial Key Performance Indicators (KPIs). Sales and operating profit growth, paired with a focus on management of operating working capital, are the main contributors to operating cash flow improvements. At the same time, value-enhancing capital expenditure benefits future operating profit and cash flow development. In addition, the development of the company's net income from continued operations position as well as of earnings per share (EPS) is of high importance as it directly drives returns in the interest of our shareholders. Our strong focus on shareholder value creation is reflected in the fact that our Management's variable compensation is closely linked to the company's growth in sales, profitability and net income from continued operations. ► SEE COMPENSATION REPORT

Operating margin as major KPI for operational progress

Operating margin (defined as operating profit as a percentage of net sales) is one of our company's major KPIs to drive and improve our operational performance. It highlights the quality of our top line and operational efficiency. The primary drivers to enhance operating margin are as follows:

- **Sales and gross margin development:** Management focuses on identifying and exploiting growth opportunities that not only provide for future top-line improvements, but also have potential to increase our gross margin. Major levers for enhancing our sales and gross margin include:
    - Planning pricing and clearance activities according to market realities.
    - Optimizing our product and channel mix.

  - Improving the quality of distribution, with a particular focus on our direct-to-consumer business.

- **Operating expense control:** Management puts high emphasis on tightly controlling operating expenses to leverage sales growth through to the bottom line. This requires a particular focus on ensuring flexibility in the company's cost base. This flexibility helped us in managing through the covid-19 pandemic in 2020, where we adopted a disciplined approach to both marketing and operating overhead expenses. More broadly, marketing expenditure is one of our largest operating expenses and at the same time one of the most important mechanisms for driving brand desirability and top-line growth sustainably. Therefore, we are committed to improving the efficiency of our marketing investments. This includes concentrating our communication efforts on key global brand initiatives and focusing our promotion spend on well-selected partnerships with top events, leagues, clubs, federations, athletes, and artists. We also aim to increase operational efficiency by tightly managing operating overhead expenses. In this respect, we regularly review our operational structure – harmonizing business processes, standardizing systems, eliminating redundancies, and leveraging the scale of our organization.

Tight cash flow and operating working capital management

In 2020, with at times a large portion of our own as well as our wholesale customers' store fleet closed, a clear focus on liquidity, cash flow and operating working capital was even more important compared to a normal business environment. This required a close monitoring of the cash and working capital situation and disciplined execution of mitigation measures to manage the company through the crisis. Generally, due to a comparatively low level of fixed assets required in our business, the efficiency of the balance sheet depends to a large degree on our operating working capital management. Operating working capital comprises accounts receivable plus inventories minus accounts payable. ► SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

In this context, our key metric is average operating working capital as a percentage of net sales. Monitoring the development of this metric facilitates the measurement of our progress in improving the efficiency of our business cycle.

We strive to proactively manage our inventory levels to meet market demand and ensure fast replenishment. Inventory aging is controlled carefully to reduce inventory obsolescence and to minimize clearance activities. As a result, Inventory Days Lasting (IDL) is monitored and assessed regularly as it measures the average number of days goods remain in inventory before being sold, highlighting the efficiency of capital locked up in products. To optimize capital tied up in accounts receivable, we strive to improve collection efforts in order to reduce the Days of Sales Outstanding (DSO) and improve the aging of accounts receivable. Likewise, we strive to optimize payment terms with our suppliers to best manage our accounts payable.

Capital expenditure targeted to maximize future returns

Improving the effectiveness of capital expenditure is another major lever to maximize our operating cash flow. We control capital expenditure with a top-down, bottom-up approach. In a first step, Management defines focus areas within the framework of our strategy and an overall investment budget based on investment requests from various functions within the organization. Then, in a second step, our operating segments align their initiatives within the scope of assigned priorities and available budget. We evaluate potential return on planned investments utilizing the net present value method. Risk is accounted for, adding a risk premium to the cost of capital, and thus reducing our estimated future earnings streams where appropriate. By means of scenario planning, the sensitivity of investment returns is tested against changes in initial assumptions. For large investment projects, timelines and deviations versus budget are monitored on a monthly basis throughout the course of the project. In addition to optimizing return on investments, we evaluate larger projects upon completion and document learnings for future capital expenditure decisions.

Focus on net income in the interest of our shareholders

Beyond our ambition to maximize operating cash flow, we are committed to a continuous improvement in the company's bottom line. Management closely monitors the development of both net income from continued operations and earnings per share (EPS) and executes against these two KPIs. Our strong focus on driving sustainable expansion to the company's bottom line is also reflected in the fact that, as part of the Long-Term Incentive Plan 2018/2020, the variable compensation for our Management is directly linked to the growth of the company's net income from continued operations.

Non-financial key performance indicators

In addition to the major financial KPIs to assess the performance and operational success of our company, as outlined above, we have identified a set of non-financial KPIs that help us track our progress in areas that are critical for our long-term success but are not directly reflected in the financial statements. These non-financial KPIs are assessed on a regular basis and managed by the respective business functions. Non-financial KPIs which we are closely monitoring include, among others, market share, backlogs and sell-through data as well as our customer delivery performance (On-Time In-Full), employee engagement and a set of KPIs in the area of our sustainability performance.

Net Promoter Score (NPS): Maintaining and enhancing brand desirability through the creation of strong brand identities is crucial for sustaining and driving profitable growth. Therefore, mainly on a market and category level, we invest in primary qualitative and quantitative research such as trend scouting and consumer surveys to determine brand loyalty and brand strength. Measures that are tracked include brand awareness, likeability, and purchase intent.

Furthermore, within the framework of 'Creating the New', we have implemented an NPS system, which strengthened our capabilities to more carefully review brand advocacy as NPS tells us how likely it is that consumers will recommend our brands. Our efforts around NPS (both our own NPS as well as the NPS of our major competitors) are driven by an independent agency and monitored by our internal global consumer insights teams on a regular basis. In addition, NPS is measured across many of our own-retail stores as well as our own e-commerce platform.

Given the exceptional circumstances in 2020, NPS has only served as a KPI until the end of the first quarter. Amid a global pandemic and with a new strategic cycle ahead, the company decided to stop gathering NPS data through our external provider.

Market share: To measure the operational performance of our brands relative to our major competitors, we continuously collect, on a market and category level, market share data. The findings provide detailed insights for our senior management team regarding in which markets and categories we have been able to gain market share relative to our peers, enabling us to leverage those insights across the organization. In addition, the results help us to define clear roles and responsibilities for each of our markets and categories within our long-term strategic aspirations, based on their overall positioning within the sporting goods industry. ► SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

Backlogs and sell-through data: To manage demand planning and better anticipate our future performance, backlogs comprising orders received up to nine months in advance of the actual sale are monitored closely. However, due to the growing share of own retail (including our own e-commerce channel) in our business mix, fluctuating order patterns among our customers as well as an increasing part of our business being realized under significantly shortened lead times, orders received from our retail partners are less indicative of anticipated revenues for adidas compared to the past. Therefore, qualitative feedback from our retail partners on the sell-through success of our products at the point of sale as well as such data received from our own-retail activities is becoming increasingly important.

On-Time In-Full (OTIF): OTIF measures the company's delivery performance toward customers and our own-retail stores. Managed by our Global Operations function, OTIF assesses to what degree customers received what they ordered and if they received it on time. It helps us to investigate improvement potential in the area of order book management and logistics processes. It therefore also helps us to improve our delivery performance, which is a major aspect when it comes to customer satisfaction. The OTIF assessment covers most of our key markets. ▶ SEE GLOBAL OPERATIONS

Employee engagement: To measure the level of engagement and motivation of our employees, adidas carries out employee engagement surveys. These surveys aim to provide key insights into how well we, as an employer, are doing in engaging our employees. They thus enable us to develop the right focus and future people strategies across our organization, helping us to create a world-class employee experience and continue to attract and retain top talent. ▶ SEE OUR PEOPLE

Sustainability performance: We have a strong commitment to enhance the social and environmental performance of our company. By doing so, we firmly believe we will not only improve the company's overall reputation, but also increase its economic value. We therefore follow a comprehensive roadmap with clear targets and regularly track our progress toward these targets. A major focus lies on measuring the environmental footprint of our own sites globally as well as monitoring and rating our supplier factories with regard to social and environmental compliance with our Workplace Standards. We have a strong track record in sustainability disclosure, providing regular updates about our sustainability performance in this Annual Report as well as on our corporate website. ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK ▶ SEE SUSTAINABILITY ▶ ADIDAS-GROUP.COM/S/SUSTAINABILITY-REPORTS

Structured performance measurement system

We have developed an extensive performance measurement system, which utilizes a variety of tools to measure the company's performance. Key performance indicators as well as other important financial metrics are regularly monitored and compared against initial targets as well as rolling forecasts on a monthly basis. When negative deviations exist between actual and target numbers, we perform a detailed analysis to identify and address the cause. If necessary, action plans are implemented to optimize the development of our operating performance. To assess current sales and profitability development, Management continuously analyzes the performance of our operating segments. We also benchmark our financial results with those of our major competitors on a regular basis.

Taking into account year-to-date performance as well as opportunities and risks, the company's expected full-year financial performance is assessed on a monthly basis. In this respect, backlogs and sell-through data as well as feedback from customers and own-retail stores are also assessed where available. Finally, as a further early indicator for future performance, the results of any relevant recent market and consumer research are assessed as available.

In view of the covid-19 pandemic, the situation required that we adjusted to the greater information needs of senior management within this time of uncertainty through e.g. more frequent forecasts to ensure the quality of decision making. In 2020 overall, our performance management system has proven to be effective.

BUSINESS PERFORMANCE

While adidas recorded strong operational improvements in 2020, exceptional growth in e-commerce could only partially compensate for temporary physical store closures. Revenues decreased 14% on a currency-neutral basis, reflecting double-digit declines at both the adidas and Reebok brands. Revenues in Russia/CIS remained flat, while currency-neutral sales were down in all other major market segments. The gross margin decreased 2.3 percentage points to 49.7%. Other operating expenses as a percentage of sales were up 4.9 percentage points to 46.5%, predominantly due to higher operating overhead expenses as a percentage of sales. The company's operating margin decreased 7.5 percentage points to 3.8%, reflecting the decrease in both gross margin and other operating expenses as a percentage of sales. The financial results were significantly impacted by the negative effects of the coronavirus pandemic. Net income from continuing operations decreased 78% to € 429 million. This translates into basic EPS from continuing operations of € 2.15, representing a decrease of 78% versus the prior year period.

ECONOMIC AND SECTOR DEVELOPMENT

Global economy slumps in 2020 due to coronavirus pandemic[17]

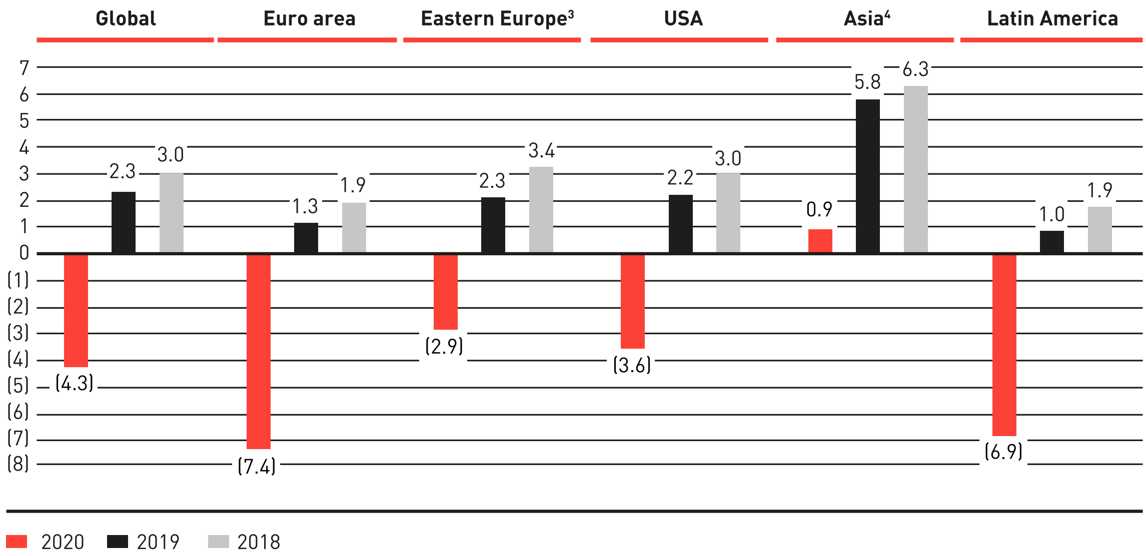
The global economy slipped into a recession in 2020, with global gross domestic product (GDP) contracting 4.3%. Despite recent progress in the development of effective vaccines, the spread of the coronavirus continued to overwhelm policy makers and health care systems alike. Far-reaching lockdown measures and other restrictions to slow the spread of the virus led to a contraction in output, consumption, and trade. Developed economies declined 5.4% in 2020 mainly driven by sharp declines in the demand and supply of services, despite unprecedented fiscal and monetary policy accommodation. Developing economies in aggregate were down 2.6% amid a slump in private consumption and retail sales. Furthermore, consumer confidence plummeted amid falling labor incomes and rising unemployment rates. Across the globe, risks of re-escalating trade tensions and a delay in the pandemic recovery remain.

Sporting goods industry negatively impacted in 2020

The global sporting goods industry was adversely affected by lockdown and quarantine measures across many parts of the world for the majority of 2020. Demand for sporting goods was pressured amid disturbed consumer purchasing behavior due to the drop in economic activity, cancellations of major sports events and physical stores partially closed. Even as stores re-opened, traffic rates remained below prior year levels due to necessary hygiene and safety measures. These adverse impacts were partially compensated by the acceleration of existing global trends such as increasing penetration of sportswear ('athleisure') as well as rising awareness for health and wellness. Moreover, purchasing behavior continued to shift toward online channels and sustainability remained a predominant theme. Ultimately, the evolution of digital platforms, such as social fitness or membership programs with seamless personal experiences, facilitated consumer dialogue and brand building in times of social distancing. For the sporting goods industry, too, risks of re-escalating trade tensions and a delay in the pandemic recovery remain.

17 Source: World Bank Global Economic Prospects.

Regional GDP development[1, 2] in %



1 Real change in percent versus prior year; 2019 and 2018 figures restated compared to prior year.
2 Source: World Bank.
3 Includes Emerging Europe and Central Asia.
4 Includes East Asia and Pacific.

INCOME STATEMENT

Coronavirus pandemic weighs on adidas' performance in 2020

In 2020, revenues decreased 14% on a currency-neutral basis. In euro terms, revenues were down 16% to € 19.844 billion from € 23.640 billion in 2019. From a market perspective, currency-neutral sales decreased in all segments except for Russia/CIS, where revenues remained flat. Currency-neutral sales were down at double-digit rates in Europe, Asia-Pacific, Latin America and Emerging Markets, while decreasing at a high-single-digit rate in North America. ► SEE BUSINESS PERFORMANCE BY SEGMENT

Net sales

–14% C.N.

€ 19.844 bn

adidas brand revenues decline at a double-digit rate

Currency-neutral revenues for the adidas brand decreased 13%, with double-digit sales declines in both Sport Inspired and Sport Performance. In euro terms, adidas brand revenues were down 16% to € 18.095 billion compared to € 21.505 billion in 2019. Currency-neutral Reebok brand sales decreased 16% versus the prior year, as revenues declined at double-digit rates in both Sport and Classics. In euro terms, Reebok sales decreased 19% to € 1.409 billion (2019: € 1.748 billion).

adidas brand net sales

–13% C.N.

€ 18.095 bn

Reebok brand net sales

–16% C.N.

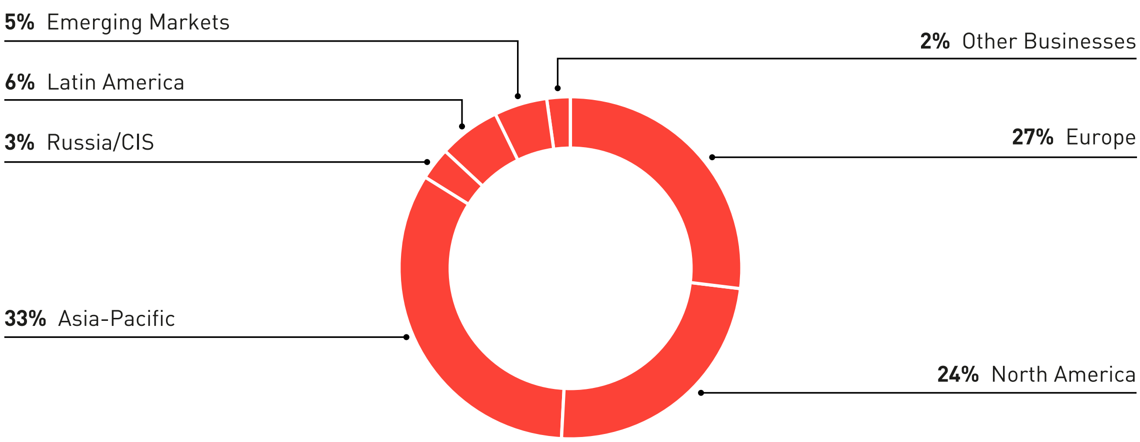
€ 1.409 bn

Net sales € in millions

Net sales by segment € in millions

	2020	2019	Change	Change (currency-neutral)
Europe	5,320	6,071	(12%)	(12%)
North America	4,762	5,313	(10%)	(9%)
Asia-Pacific	6,546	8,032	(18%)	(17%)
Russia/CIS	584	658	(11%)	0%
Latin America	1,158	1,660	(30%)	(16%)
Emerging Markets	998	1,302	(23%)	(18%)
Other Businesses	476	605	(21%)	(20%)
Total	**19,844**	**23,640**	**(16%)**	**(14%)**

Net sales by segment in % of net sales



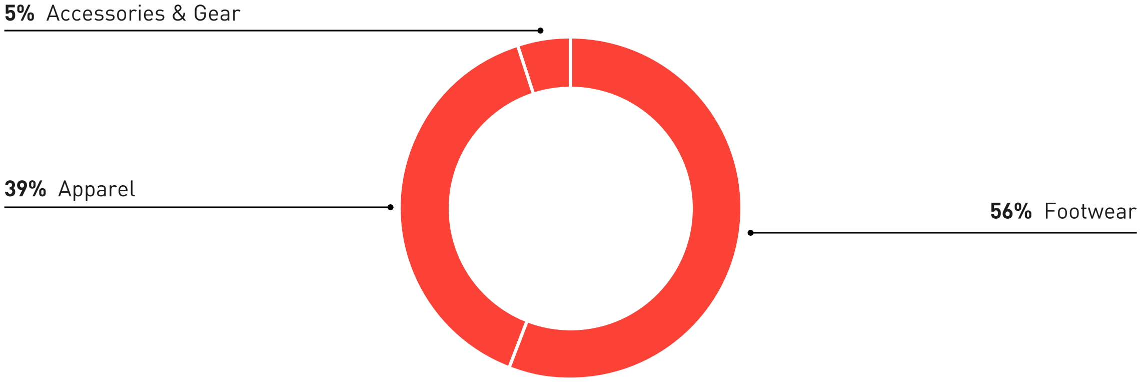
Sales declines in footwear and apparel

Currency-neutral footwear sales were down 15% in 2020 as a result of double-digit sales declines in both Sport Inspired and Sport Performance. Apparel revenues decreased 12% on a currency-neutral basis reflecting double-digit sales declines in both Sport Inspired and Sport Performance. Currency-neutral accessories and gear sales were down 8%.

Net sales by product category € in millions

	2020	2019	Change	Change (currency-neutral)
Footwear	11,128	13,521	(18%)	(15%)
Apparel	7,687	8,963	(14%)	(12%)
Accessories & Gear	1,028	1,156	(11%)	(8%)
Total	**19,844**	**23,640**	**(16%)**	**(14%)**

Net sales by product category in % of net sales



Cost of sales decreases in line with net sales

Cost of sales is defined as the amount we pay to third parties for expenses associated with producing and delivering our products. In addition, own-production expenses are also included in the cost of sales. However, these expenses represent only a very small portion of total cost of sales. In 2020, cost of sales was € 9.990 billion, representing a decrease of 12% compared to the prior year level of € 11.347 billion. This development mainly reflects the revenue shortfall due to the coronavirus pandemic.

Gross margin down 2.3 percentage points

In 2020, gross profit decreased 20% to € 9.855 billion from € 12.293 billion in 2019, representing a gross margin decrease of 2.3 percentage points to 49.7% (2019: 52.0%). While a more favorable channel mix due to the exceptional e-commerce growth as well as lower sourcing costs had a positive effect on gross margin, a less favorable pricing mix due to increased promotional activity and negative currency fluctuations weighed on the development in 2020. In addition, an increase in inventory allowances as well as purchase order cancellation costs related to the coronavirus pandemic had a negative impact on the gross margin development.

Gross margin[1] in %

1 Gross margin = (gross profit / net sales) × 100.

Royalty and commission income and other operating income decrease

In 2020, royalty and commission income decreased 46% to € 83 million (2019: € 154 million). Other operating income was down 25% to € 42 million from € 56 million in 2019.

Other operating expenses as a percentage of sales up 4.9 percentage points

Other operating expenses, including depreciation and amortization, mainly consist of marketing and point-of-sale, distribution and selling as well as general and administration expenses. In 2020, other operating expenses were down 6% to € 9.229 billion (2019: € 9.843 billion). As a percentage of sales, other operating expenses increased 4.9 percentage points to 46.5% from 41.6% in 2019. Marketing and point-of-sale expenses amounted to € 2.573 billion in 2020 compared to € 3.042 billion in the prior year, representing a decrease of 15% compared to the 2019 level. As a percentage of sales, marketing and point-of-sale expenses increased 0.1 percentage points to 13.0% (2019: 12.9%). Distribution and selling expenses decreased 1% to € 4.962 billion in 2020 from € 4.997 billion in the prior year, due to lower personnel costs as a result of temporary store closures, as well as lower travel and entertainment expenses. As a percentage of sales, distribution and selling expenses increased 3.9 percentage points to 25.0% from 21.1% in 2019. General and administration expenses were down 12% to € 1.461 billion (2019: € 1.652 billion), due to lower personnel costs as well as lower software licensing fees. As a percentage of sales, general and administration expenses increased 0.4 percentage points to 7.4% (2019: 7.0%). ▸ SEE NOTE 32

Other operating expenses[1] in % of net sales

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

Marketing and point-of-sale expenses[1] in % of net sales

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

EBITDA decreases 46%

Earnings before interest, taxes, depreciation and amortization, as well as impairment losses/reversal of impairment losses on property, plant and equipment, right-of-use and intangible assets (EBITDA) decreased 45.9% to € 2.079 billion in 2020 versus € 3.845 billion in 2019. Total depreciation and amortization as well as impairment losses/reversal of impairment losses for tangible and intangible assets increased 15.9% to € 1.364 billion in 2020 (2019: € 1.177 billion).

EBITDA[1, 2] € in millions

1 EBITDA = income before taxes (IBT) + net interest expenses + depreciation and amortization + impairment losses - reversal of impairment losses.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

Operating margin decreases to 3.8%

Operating profit declined 72% to € 751 million in 2020 versus € 2.660 billion in 2019. The operating margin decreased 7.5 percentage points to 3.8% compared to the prior year level of 11.3%. This development was due to the gross margin decrease and the increase in other operating expenses as a percentage of sales.

Operating Margin

3.8%

-7.5 PP

Operating profit[1] € in millions

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

Operating margin[1, 2] in %

1 Operating margin = (operating profit / net sales) × 100.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

Net financial result decreases

Financial income decreased 55% to € 29 million in 2020 (2019: € 64 million), while financial expenses were up 23% to € 204 million compared to € 166 million in 2019. As a result, the company recorded a net financial result of negative € 176 million, compared to negative € 102 million in 2019. ▸ SEE NOTE 34

Net financial result[1] € in millions

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

Tax rate increases 0.3 percentage points to 25.4%

The company's tax rate increased 0.3 percentage points to 25.4% in 2020 (2019: 25.0%). ▸ SEE NOTE 36

Net income from continuing operations down 78% to € 429 million

Net income from continuing operations decreased 78% to € 429 million versus € 1.918 billion in the prior year. Basic earnings per share (EPS) from continuing operations decreased 78% to € 2.15 from € 9.70 in 2019. Diluted EPS from continuing operations was down 78% to € 2.15 in 2020 (2019: € 9.70).

Net income from continuing operations

–78%

€ 429 m

Net income from continuing operations[1,2] € in millions

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
2 2017 excluding negative one-time tax impact of € 76 million.

Basic earnings per share[1,2,3] in €

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
2 Figures reflect continuing operations.
3 2017 excluding negative one-time tax impact of € 76 million.

The total number of shares outstanding decreased by 903,327 shares to 195,066,060 at the end of 2020. This development was a result of shares repurchased as part of the company's share buyback program. Consequently, the average number of shares used in the calculation of basic earnings per share (EPS) was 195,155,924 (2019: 197,606,107).

Gains from discontinued operations amount to € 13 million

In 2020, adidas incurred gains from discontinued operations of € 13 million, net of tax, mainly related to the remeasurement of outstanding earn-out components in connection with the divestiture of the TaylorMade business in 2017 (2019: gains of € 59 million).

Net income attributable to shareholders decreases 78% to € 432 million

The company's net income attributable to shareholders, which in addition to net income from continuing operations includes the gains from discontinued operations, declined 78% to € 432 million (2019: € 1.976 billion). As a result, basic EPS from continuing and discontinued operations decreased 78% to € 2.21 versus € 10.00 in 2019. Diluted EPS from continuing and discontinued operations declined 78% to € 2.21 (2019: € 10.00).

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

Assets

At the end of December 2020, total assets were up 2% to € 21.053 billion versus € 20.680 billion in the prior year, as the increase in cash and cash equivalents more than offset the decrease in right-of-use assets from leasing agreements due to planned depreciation and amortization.

Structure of statement of financial position[1] in % of total assets

	2020	2019
Assets (€ in millions)	21,053	20,680
Cash and cash equivalents	19.0%	10.7%
Accounts receivable	9.3%	12.7%
Inventories	20.9%	19.8%
Fixed assets[2]	34.0%	39.2%
Right-of-use assets (IFRS 16)[3]	33.8%	36.2%
Other assets	16.9%	17.7%

Total current assets increased 11% to € 12.154 billion at the end of December 2020 compared to € 10.934 billion in 2019. Cash and cash equivalents were up 80% to € 3.994 billion at the end of December 2020 from € 2.220 billion in the prior year with one main reason being the cash generated through the placement of bonds in the amount of € 1.500 billion. Currency effects had a negative impact on cash and cash equivalents in an amount of € 75 million. Inventories increased 8% to € 4.397 billion at the end of December 2020 from € 4.085 billion in 2019. ▸ SEE NOTE 09

Inventories € in millions

On a currency-neutral basis, inventories increased 14%, reflecting the inevitably lower-than-expected product sell-through caused by the temporary broad-based store closures as well as traffic remaining below prior year levels after stores reopened temporarily. Accounts receivable decreased 26% to € 1.952 billion at the end of December 2020 (2019: € 2.625 billion), reflecting fewer product shipments, the company's efforts to focus on cash collection during the coronavirus pandemic and higher bad debt allowances. On a currency-neutral basis, receivables were down 21%. Other current financial assets increased to € 702 million (2019: € 544 million), mainly due to an increase in custom claims and short-term deposits. Other current assets were down 7% to € 999 million at the end of December 2020 (2019: € 1.076 billion). ▸ SEE NOTE 07 ▸ SEE NOTE 08 ▸ SEE NOTE 10

Accounts receivable € in millions

Total non-current assets decreased 9% to € 8.899 billion at the end of December 2020 from € 9.746 billion in 2019, mainly related to lower right-of-use assets from leasing agreements as well as other intangible assets. Fixed assets decreased 12% to € 7.149 billion at the end of December 2020 versus € 8.100 billion in 2019, as right-of-use assets decreased 17% to € 2.430 billion (2019: € 2.931 billion) due to depreciation, as well as impairment losses and negative currency effects. Other non-current financial assets decreased 8% to € 414 million from € 450 million at the end of 2019. Deferred tax assets were up 13% to € 1.233 billion from € 1.093 billion in 2019, due to the recognition of deferred tax assets on tax losses and movements in taxable and deductible temporary differences. ▸ SEE NOTE 36

Liabilities and equity

Total current liabilities increased 1% to € 8.827 billion at the end of December 2020 from € 8.754 billion in 2019. Short-term borrowings increased to € 686 million at the end of December 2020 (2019: € 43 million), mainly reflecting the reclassification of a eurobond (nominal value € 600 million) due to its maturity in 2021. Accounts payable were down 12% to € 2.390 billion at the end of December 2020 versus € 2.703 billion in 2019, mainly reflecting the company's effective cost control measures as total operating expenses decreased. On a currency-neutral basis, accounts payable decreased 10%. Current lease liabilities decreased 23% to € 563 million at the end of December 2020 versus € 733 million in 2019, due to currency effects and temporary broad-based store closures. Other current financial liabilities were up 90% to € 446 million from € 235 million in 2019, mainly as a result of an increase in the fair value of financial instruments. Other current provisions increased 11% to € 1.609 billion at the end of December 2020 versus € 1.446 billion in 2019, mainly due to an increase in the provision for returns. Current accrued liabilities were down 11% to € 2.172 billion at the end of December 2020 from € 2.437 billion in 2019, mainly as a result of reduced accruals for personnel costs as well as outstanding invoices. Other current liabilities were down 26% to € 398 million at the end of December 2020 from € 538 million in 2019. ▸ SEE NOTE 22 ▸ SEE NOTE 23

Structure of statement of financial position[1] in % of total liabilities and equity

	2020	2019
Liabilities and equity (€ in millions)	21,053	20,680
Short-term borrowings	3.3%	0.2%
Accounts payable	11.4%	13.1%
Long-term borrowings	11.8%	7.7%
Other liabilities	41.8%	44.9%
Current and non-current lease liabilities (IFRS 16)[2]	30.9%	33.8%
Total equity	31.8%	34.1%

1 For absolute figures see adidas AG Consolidated Statement of Financial Position.
2 As a percentage of other liabilities.

Accounts payable € in millions

Total non-current liabilities increased 14% to € 5.535 billion at the end of December 2020 from € 4.868 billion in the prior year, reflecting various bond placements in the second half of the year. Consequently, long-term borrowings were up 56% to € 2.482 billion at the end of December 2020 from € 1.595 billion in the prior year. Non-current lease liabilities decreased 10% to € 2.159 billion at the end of December 2020 from € 2.399 billion in the prior year, due to temporary store closures as well as currency effects. Other non-current financial liabilities were up 24% to € 115 million at the end of December 2020 from € 92 million in the prior year. Other non-current provisions decreased 11% to € 229 million at the end of December 2020 from € 257 million in the prior year, mainly as a result of reduced provisions for personnel. ► SEE NOTE 24

Shareholders' equity decreased 5% to € 6.454 billion at the end of December 2020 versus € 6.796 billion in 2019, mainly due to the share repurchases at the beginning of the year. Consequently, the equity ratio decreased to 30.7% compared to 32.9% in the prior year. ► SEE NOTE 27

Equity ratio[1, 2] in %

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
2 Based on shareholders' equity.

Operating working capital

Operating working capital decreased 1% to € 3.960 billion at the end of December 2020 compared to € 4.007 billion in 2019. On a currency-neutral basis, operating working capital was up 8%. Average operating working capital as a percentage of sales increased 5.4 percentage points to 23.5% (2019: 18.1%), as a result of temporary store closures which led to a revenue decline and corresponding higher inventory.

Average operating working capital[1] in % of net sales

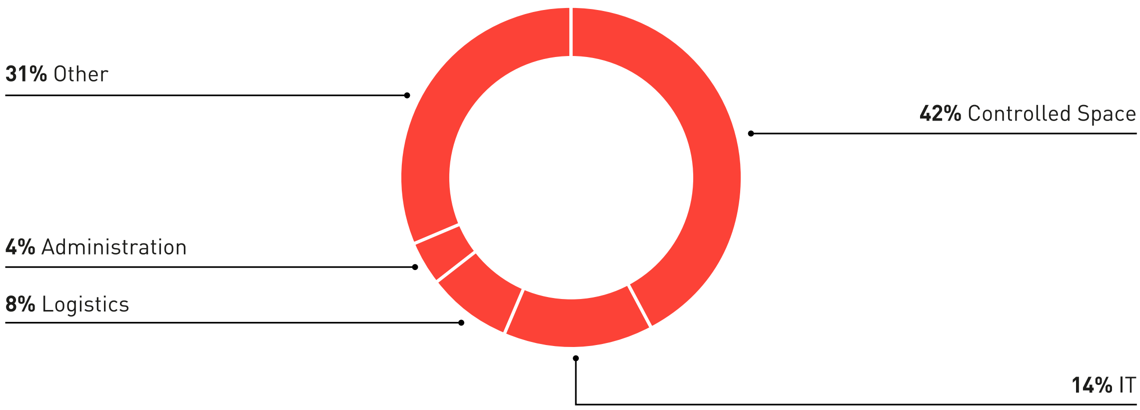
1 Average operating working capital = sum of operating working capital at quarter-end/4. Operating working capital = accounts receivable + inventories - accounts payable.

Investment analysis

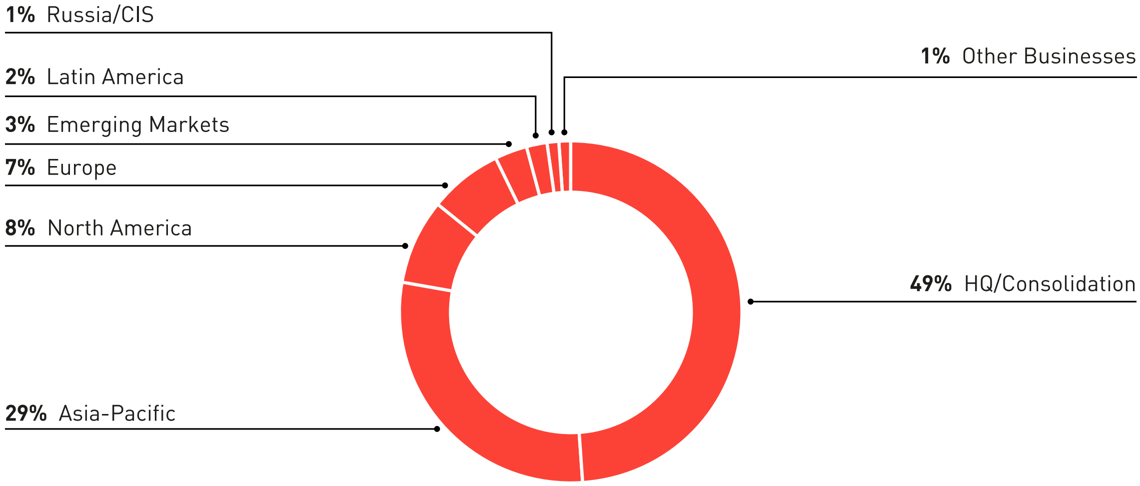
Capital expenditure is defined as the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions and right-of-use assets according to IFRS 16). Capital expenditure decreased 38% to € 442 million (2019: € 711 million). Capital expenditure for property, plant and equipment was down 37% to € 378 million compared to € 599 million in the prior year. The company invested € 64 million in intangible assets, representing a 43% decrease compared to the prior year (2019: € 112 million). Depreciation and amortization, excluding impairment losses and reversal of impairment losses of tangible and intangible assets, increased 10% to € 561 million in 2020 (2019: € 511 million).

Controlled space initiatives, which comprise investments in new or remodeled own-retail and franchise stores as well as in shop-in-shop presentations of our brands and products in our customers' stores, accounted for 42% of total capital expenditure (2019: 47%). Expenditure for IT and logistics represented 14% and 8%, respectively (2019: 13% and 6%, respectively). In addition, expenditure for administration accounted for 4% (2019: 7%). Other investments mainly reflected the further development of our corporate facilities in Portland. These represented 31% of total capital expenditure (2019: 26%). From a segmental perspective, the majority of the capital expenditure was recorded centrally at headquarter level, which accounted for 49% (2019: 44%). In addition, capital expenditure in Asia-Pacific accounted for 29% (2019: 24%) of the total capital expenditure, followed by North America with 8% (2019: 9%), Europe with 7% (2019: 12%), Emerging Markets with 3% (2019: 3%) as well as Latin America with 2% (2019: 5%) and Russia/CIS with 1% (2019: 2%).

Capital expenditure by type in % of total CAPEX



Capital expenditure by segments in % of total CAPEX



Liquidity analysis

In 2020, net cash generated from operating activities decreased to € 1.486 billion (2019: € 2.819 billion). Net cash generated from continuing operating activities decreased to € 1.489 billion (2019: € 2.828 billion). This decrease was due to significantly lower income before taxes as a result of the coronavirus pandemic.

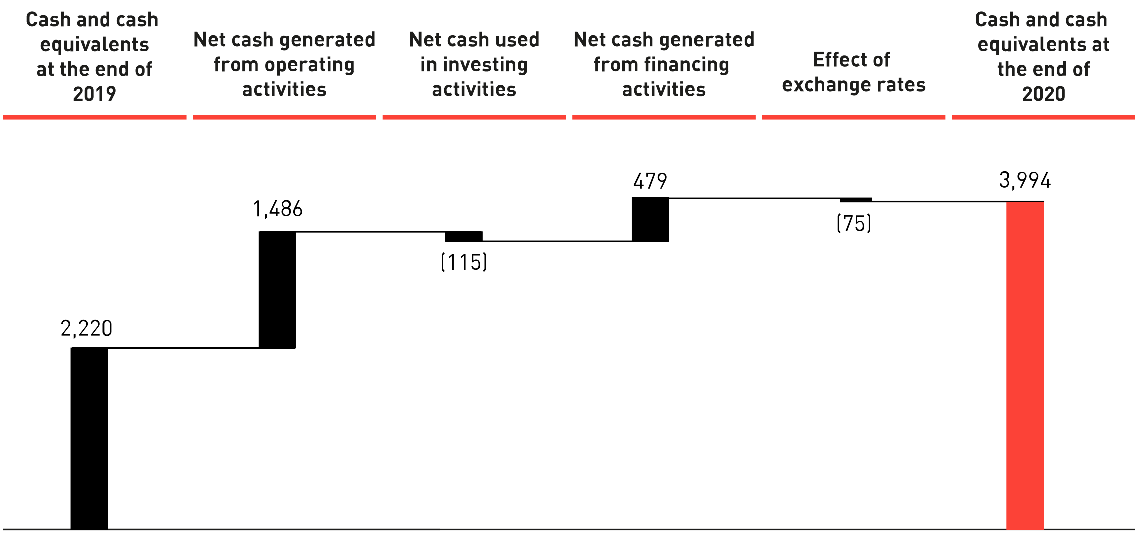
Net cash used in investing activities and net cash used in continuing investing activities decreased to € 115 million each (2019: € 925 million). This development was mainly due to reduced investing activities in 2020 related to expenditures for property, plant and equipment, such as investments in controlled space initiatives and IT systems, and proceeds from the sale of short-term financial assets in 2020 compared to investments in 2019. Net cash generated from financing activities and net cash generated from continuing financing activities amounted to € 479 million each (2019: € 2.273 billion net cash used). This development was mainly due to the placement of two bonds in an amount of € 500 million each, the placement of a sustainability bond in an amount of € 500 million and the suspension of both the dividend payment and the share buyback program in 2020.

Exchange rate effects negatively impacted the company's cash position by € 75 million (2019: € 30 million).

As a result of all these developments, cash and cash equivalents increased by € 1.774 billion to € 3.994 billion at the end of December 2020 compared to € 2.220 billion at the end of December 2019.

Adjusted net borrowings at December 31, 2020 amounted to € 3.148 billion, compared to € 4.173 billion in 2019. The company's ratio of adjusted net borrowings over EBITDA amounted to 1.5 at the end of December 2020 (2019: 1.1). In 2020, the definition of the ratio net borrowings over EBITDA was changed to adjusted net borrowings over EBITDA to reflect changes in the company's Financial Policy. The most significant difference between the previous net debt definition and the new adjusted net borrowing definition is the inclusion of the present value of future lease and pension liabilities. ▸ SEE TREASURY

Change in cash and cash equivalents € in millions



Adjusted net borrowings/EBITDA[1,2] € in millions

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
2 First-time application of adjusted net borrowings as of 2020. Only figure for 2019 restated.

Off-balance-sheet items

The company's most significant off-balance-sheet items are commitments for promotion and advertising as well as other contracts. These contracts are related to short-term leases as well as leases for offices and warehouses, which are not yet considered according to IFRS 16. Minimum future payments for other contracts were € 323 million at December 31, 2020, compared to € 318 million at the end of December 2019, representing an increase of 2%. At the end of December 2020, financial commitments for promotion and advertising decreased 13% to € 5.948 billion in 2020 (2019: € 6.808 billion). ▸ SEE NOTE 39 ▸ SEE NOTE 40

TREASURY

Corporate financing policy

In order to be able to meet the company's payment commitments at all times, the major goal of our financial policy is to ensure adidas' solvency, to limit financing risks and to balance financing costs with financial flexibility. The operating activities of our segments and the resulting cash inflows represent the company's main source of liquidity. Liquidity is planned on a rolling quarterly basis under a multi-year financial and liquidity plan.

Treasury policy and responsibilities

Our Treasury Policy governs all treasury-related issues, including banking policy and approval of bank relationships, financing arrangements and liquidity/asset management, currency, interest, commodity and equity risk management as well as the management of intercompany cash flows. Responsibilities are arranged in a three-tiered approach:

- The Treasury Committee consists of members of the Executive Board and other senior executives who decide on the Treasury Policy and provide strategic guidance for managing treasury-related topics. Major changes to our Treasury Policy are subject to the prior approval of the Treasury Committee.

- The Treasury department is responsible for specific centralized treasury transactions and for the global implementation of our Treasury Policy.

- On a subsidiary level, where applicable and economically reasonable, local managing directors and finance directors are responsible for managing treasury matters in their respective subsidiaries. Controlling functions on a corporate level ensure that the transactions of the individual business units are in compliance with our Treasury Policy.

Centralized treasury function

In accordance with our Treasury Policy, all worldwide credit lines are directly or indirectly managed by the Treasury department. Portions of those lines are allocated to our subsidiaries and sometimes backed by adidas AG guarantees. As a result of this centralized liquidity management, the company is well positioned to allocate resources efficiently throughout the organization. The company's debt is generally unsecured and may include standard covenants, which are reviewed on a quarterly basis. We maintain good relations with numerous partner banks, thereby avoiding a high dependency on any single financial institution. Banking partners of the company and our subsidiaries are required to have at least a BBB+ long-term investment grade rating by Standard & Poor's or an equivalent rating by another leading rating agency. We authorize our companies to work with banks with a lower rating only in very exceptional cases. To ensure optimal allocation of the company's liquid financial resources, subsidiaries transfer excess cash to our headquarters in all instances where it is legally and economically feasible. In this regard, the standardization and consolidation of our global cash management and payment processes, including automated domestic and cross-border cash pools is a key priority for our centrally managed Treasury department. Effective management of our currency exposure and interest rate risks are additional goals and responsibilities of the department. ► SEE NOTE 02

Standard covenants

In the case of our committed credit facilities, we have entered into various legal covenants. These legal covenants may include limits on the disposal of fixed assets, the amount of debt secured by liens, cross-default provisions and change of control. However, our financial arrangements do not contain any financial covenants. If we fail to meet any covenant and were unable to obtain a waiver, borrowings would become due and payable immediately. As at December 31, 2020, we were in full compliance with all our covenants.

We are fully confident we will continue to be compliant with these covenants going forward. We believe that cash generated from operating activities, together with access to internal and external sources of funds, will be sufficient to meet our future operating and capital needs.

New syndicated credit facility

In 2020, adidas has taken several steps to considerably strengthen its financial profile. On November 10, 2020, adidas entered into a new € 1.5 billion syndicated credit facility with 12 of its partner banks. The new syndicated credit facility has a maturity in November 2025 with an extension option after year one and year two, respectively. This new syndicated credit facility replaced the temporary syndicated loan facility under participation of KfW, Germany's state-owned development bank. In April 2020, the company had received the approval of the German government for the participation of KfW in the syndicated loan amounting to a total of € 3.0 billion to bridge the unprecedented situation caused by the global coronavirus pandemic.

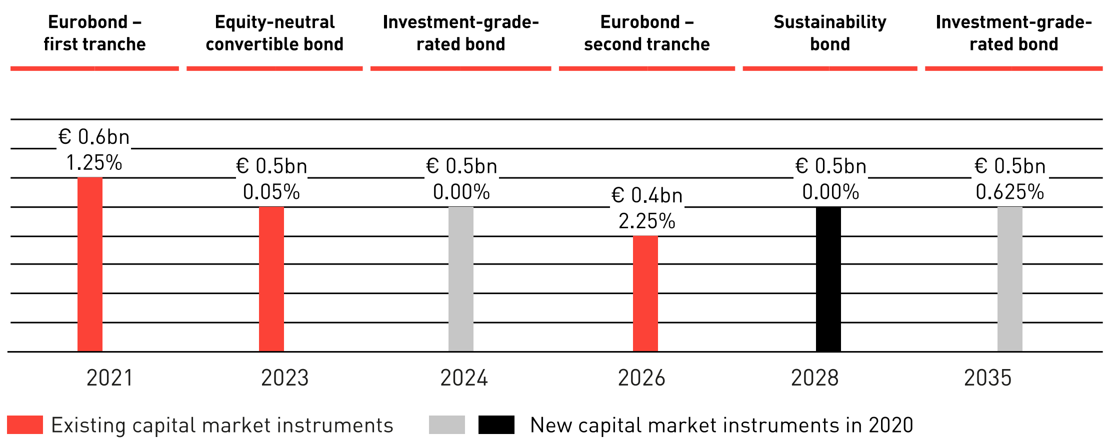
Bond placements and credit ratings

On September 1, 2020, adidas successfully placed two bonds amounting to € 1 billion in total. The four-year bond of € 500 million matures in September 2024 and has a coupon of 0.00%, while the 15-year bond of € 500 million matures in September 2035 and has a coupon of 0.625%. The bonds have been listed on the Luxemburg Stock Exchange and have denominations of € 100,000 each.

On September 29, 2020, adidas successfully placed its first sustainability bond as the company continued to execute on its ambitious long-term sustainability roadmap while at the same time further optimizing its capital structure and financing costs. The € 500 million bond has a term of eight years and a coupon of 0.00%. It has been listed on the Luxembourg Stock Exchange and has denominations of € 100,000.

These transactions followed after adidas had received strong first-time investment-grade ratings by both S&P and Moody's in August. While Standard & Poor's rated adidas 'A+,' Moody's granted the company an 'A2' rating. The outlook for both ratings is 'stable.' The company's strong credit metrics, robust liquidity profile and conservative financial policies are recognized by both agencies. The ratings make adidas one of the highest-rated companies both in Germany and in the global sporting goods industry.

Maturity profile of borrowings



Outstanding bonds

On top of the above-mentioned placements in 2020, the company has two outstanding bonds, both issued in 2014, and one outstanding equity-neutral convertible bond, which was issued in 2018. The seven-year bond of € 600 million matures on October 8, 2021 and has a coupon of 1.25%. The twelve-year bond of € 400 million matures on October 8, 2026 and has a coupon of 2.25%. The equity-neutral convertible bond of € 500 million was issued on September 5, 2018, with a coupon of 0.05% and is due on September 12, 2023. ► SEE OUR SHARE ► SEE NOTE 18

Issued bonds at a glance € in millions

	Volume	Coupon	Maturity
Eurobond	€ 600	fixed	2021
Eurobond	€ 500	fixed	2024
Eurobond	€ 400	fixed	2026
Eurobond	€ 500	fixed	2035
Sustainability bond	€ 500	fixed	2028
Equity-neutral convertible bond	€ 500	fixed	2023

Additional credit lines

In addition to the new syndicated credit facility and improved access to bond markets following the strong investment-grade ratings, the company's financial flexibility is ensured by the availability of further credit facilities. At the end of 2020, committed and uncommitted credit lines, including the syndicated loan facility, amounted to € 4.274 billion (2019: € 2.105 billion), of which € 4.085 billion was unutilized (2019: € 1.940 billion). Committed and uncommitted credit lines represent approximately 38% and 62% of total credit lines, respectively (2019: 46% and 54%, respectively). In addition, we have an unused multi-currency commercial paper program in the amount of € 2.0 billion available (2019: € 2.0 billion). We monitor the ongoing need for available credit lines based on the current level of debt as well as future financing requirements.

Gross borrowings increase

The company's gross borrowings, the vast majority of which are denominated in euro, are composed of bank borrowings as well as the outstanding bonds and the equity-neutral convertible bond. Gross borrowings increased 93% to € 3.168 billion at the end of 2020 from € 1.638 billion in the prior year. The total amount of bonds outstanding at the end of 2020 was € 2.978 billion (2019: € 1.473 billion). Bank borrowings amounted to € 189 million compared to € 165 million in the prior year.

Financing structure € in millions

	2020	2019
Cash and short-term financial assets	**3,994**	**2,511**
Bank borrowings	189	165
Eurobonds	2,488	986
Equity-neutral convertible bond	491	487
Gross total borrowings	**3,168**	**1,638**
Net cash	**826**	**873**

Extended debt maturity profile

Over the course of 2020, the company's financing maturity profile has been extended by new bond maturities until 2035 and the new syndicated credit facility maturing in 2025. In 2021, assuming unchanged maturities, debt instruments of € 686 million will mature. This compares to € 43 million which matured during the course of 2019.

Remaining time to maturity of gross borrowings € in millions

	2020	2019
< 1 year	**686**	43
1 to 3 years	**528**	636
3 to 5 years	**538**	525
> 5 years	**1,416**	434
Total	**3,168**	1,638

2020 2019

Adjusted net borrowings of € 3.148 billion

Adjusted net borrowings on December 31, 2020 amounted to € 3.148 billion, compared € 4.173 billion in 2019. In 2020, the definition of net borrowings was changed to adjusted net borrowings to reflect changes in the company's Financial Policy. The most significant difference between the previous net debt definition and the new adjusted net borrowing definition is the inclusion of the present value of future lease and pension liabilities.

(Adjusted net borrowings)/net cash[1,2] € in millions

2020	**(3,148)**
2019	(4,173)
2018	959
2017	484
2016	(103)

1 Adjusted net borrowings = short-term borrowings + long-term borrowings and future cash used in lease and pension liabilities – cash and cash equivalents and short-term financial assets.
2 First-time application of adjusted net borrowings as of 2020. Only 2019 figure was restated.

Interest rate decreases

The weighted average interest rate on the company's gross borrowings decreased to 1.0% in 2020 (2019: 1.5%). This development was mainly due to the issuance of the € 1.5 billion bonds in 2020. Fixed-rate financing represented 98% of total gross borrowings at the end of 2020 (2019: 99%). Variable-rate financing accounted for 2% of total gross borrowings at the end of the year (2019: 1%).

Interest rate development[1] in %

1 Weighted average interest rate of gross borrowings.

Effective foreign exchange management a key priority

As a globally operating company, adidas is exposed to currency risks. Therefore, effective currency management is a key focus of our Treasury department, with the aim of reducing the impact of currency fluctuations on non-euro-denominated net future cash flows. In this regard, hedging US dollars is a central part of our program. This is a direct result of our Asian-dominated sourcing, which is largely denominated in US dollars. In 2020, our Treasury department managed a net deficit of around US $ 6.1 billion related to operational activities (2019: US $ 7.1 billion). Thereof, around US $ 4.8 billion was against the euro (2019: US $ 4.7 billion). As governed by our Treasury Policy, we have established a hedging system on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. In rare instances, hedges are contracted beyond the 24-month horizon. We had largely covered our anticipated hedging needs for 2021 as of the end of 2020. At the same time, we have already started hedging our exposure for 2022. The use or combination of different hedging instruments, such as forward exchange contracts, currency options and swaps, protects us against unfavorable currency movements.

► SEE GLOBAL OPERATIONS ► SEE RISK AND OPPORTUNITY REPORT ► SEE NOTE 30

FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF ADIDAS AG

adidas AG is the parent company of the adidas Group. It includes operating business functions, primarily for the German market, as well as corporate headquarter functions such as Marketing, IT, Treasury, Taxes, Legal, and Finance. adidas AG also administers the company's shareholdings.

Operating activities and capital structure of adidas AG

The majority of the operating business of adidas AG consists of the sale of merchandise to wholesale partners and own-retail activities.

In addition to its own trading activities, the results of adidas AG are significantly influenced by its holding function for the company as a whole. This is reflected primarily in currency effects, transfer of costs for services provided, interest result and income from investments in related companies.

The opportunities and risks as well as the future development of adidas AG largely reflect those of the company as a whole. ► SEE OUTLOOK ► SEE RISK AND OPPORTUNITY REPORT

The asset and capital structure of adidas AG is significantly impacted by its holding and financing function for the company. For example, 40% of total assets as at December 31, 2020 related to financial assets (2019: 44%), which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 21% of total assets (2019: 32%) and 36% of total equity and liabilities as at December 31, 2020 (2019: 42%).

Preparation of accounts

Unlike the consolidated financial statements, which are in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union as at December 31, 2020, the following financial statements of adidas AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch – HGB).

Income statement

Statement of income in accordance with HGB (condensed) € in millions

	2020	2019
Net sales	3,991	4,444
Change in inventory	1	–
Total output	**3,992**	**4,444**
Other operating income	986	590
Cost of materials	(1,466)	(1,611)
Personnel expenses	(655)	(796)
Depreciation and amortization	(127)	(120)
Other operating expenses	(2,564)	(2,337)
Operating profit	**166**	**170**
Financial result	585	1,938
Taxes	(77)	(161)
Net income	**674**	**1,947**
Retained earnings brought forward	828	41
Allocation to other revenue reserves	(336)	(750)
Utilization for the repurchase of adidas AG shares	–	(410)
Retained earnings	**1,166**	**828**

adidas AG net sales € in millions

	2020	2019
Royalty and commission income	2,010	2,209
adidas Germany	1,216	1,275
Foreign subsidiaries	35	48
Central distribution	119	191
Other revenues	611	721
Total	**3,991**	**4,444**

Net sales decrease 10%

Sales of adidas AG comprise external revenues generated by adidas Germany with products of the adidas and Reebok brands as well as revenues from foreign subsidiaries. Revenues of adidas AG also include royalty and commission income, mainly from affiliated companies, revenues from central distribution, and other revenues. In 2020, adidas AG net sales decreased 10% to € 3.991 billion compared to € 4.444 billion in the prior year. This decline was mainly due to the coronavirus pandemic and the lockdown measures resulting in temporary closures of our own stores as well of our wholesale customers' stores.

Other operating income up 67%

In 2020, other operating income of adidas AG increased 67% to € 986 million (2019: € 590 million). This development was primarily due to positive currency effects.

Other operating expenses increase 10%

In 2020, other operating expenses for adidas AG rose 10% to € 2.564 billion (2019: € 2.337 billion). This was largely attributable to higher currency losses as well as an increase in service costs.

Depreciation and amortization up 6%

Depreciation and amortization for adidas AG rose 6% to € 127 million in 2020 (2019: € 120 million), mainly as a result of an increase in depreciation and amortization of software.

Operating result slightly below prior year level

In 2020, adidas AG generated an operating profit of € 166 million despite the drop in sales (2019: operating profit of € 170 million).

Financial result declines

The financial result of adidas AG decreased 70% to € 585 million in 2020 (2019: € 1.938 billion). The decrease was attributable to lower income from dividends, partly offset by higher profit transfers from affiliated companies under profit and loss transfer agreements.

Net income below prior year level

Net income, after taxes of € 77 million (2019: € 161 million), amounted to € 674 million in 2020 and was thus 65% below the prior year level (2019: € 1.947 billion).

Balance sheet

Balance sheet in accordance with HGB (condensed) € in millions

	Dec. 31, 2020	Dec. 31, 2019
Assets		
Intangible assets	154	188
Property, plant and equipment	683	706
Financial assets	4,839	4,427
Fixed assets	**5,676**	**5,321**
Inventories	40	37
Receivables and other assets	2,698	3,365
Cash and cash equivalents, securities	3,449	1,197
Current assets	**6,187**	**4,599**
Prepaid expenses	96	150
Total assets	**11,959**	**10,070**
Equity and liabilities		
Shareholders' equity	3,533	3,107
Provisions	686	728
Liabilities and other items	7,740	6,235
Total equity and liabilities	**11,959**	**10,070**

Total assets above prior year

At the end of December 2020, total assets grew 19% to € 11.959 billion compared to € 10.070 billion in the prior year. This development was mainly a result of increases in cash and cash equivalents as well as securities, partly offset by the decline in receivables and other assets.

Shareholders' equity up 14%

Shareholders' equity rose 14% to € 3.533 billion at the end of 2020 (2019: € 3.107 billion). The equity ratio decreased to 29.5% (2019: 30.9%).

Provisions decrease 6%

Provisions were down 6% to € 686 million at the end of 2020 (2019: € 728 million). The decrease primarily resulted from lower provisions for personnel.

Liabilities and other items up 24%

At the end of December 2020, liabilities and other items increased 24% to € 7.740 billion (2019: € 6.235 billion) due to newly issued bonds.

Cash inflow from financing activities reflects change in cash and cash equivalents

adidas AG has a syndicated credit facility of € 1.5 billion and additional bilateral credit lines of € 1.3 billion. In addition, the company has a multi-currency commercial paper program in an amount of € 2.0 billion.

► SEE TREASURY

In 2020, operating activities of adidas AG resulted in a cash outflow of € 703 million (2019: € 468 million). The change versus the prior year was a result of the decrease in net income, partly offset by lower receivables from affiliated companies. Net cash inflow from investment activities was € 160 million (2019: € 1.776 billion). This was primarily attributable to lower dividend income and capital expenditure for financial assets. Financing activities resulted in a net cash inflow of € 1.162 billion (2019: net cash outflow of € 1.546 billion). The net cash inflow from financing activities mainly relates to the issuance of bonds, fewer repurchases of adidas AG shares and the fact that no dividends were paid out. As a result of these developments, cash and cash equivalents of adidas AG increased to € 1.256 billion at the end of December 2020 compared to € 636 million at the end of the prior year.

In 2020, the company changed the allocation of dividends received as well as interest paid and received in accordance with the provisions of DRS 21 (Deutsche Rechnungslegungs Standards – German Accounting Standards). Comparative information for the 2019 financial year was adjusted.

adidas AG is able to meet its financial commitments at all times.

DISCLOSURES PURSUANT TO § 315A SECTION 1 AND § 289A SECTION 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

Composition of subscribed capital

The nominal capital of adidas AG amounts to € 200,416,186 (as at December 31, 2020) and is divided into the same number of registered no-par-value shares with a notional pro rata amount in the nominal capital of € 1 each. The nominal capital and the number of shares did not change in the 2020 financial year. The shares are fully paid in. Any claim on the part of the shareholders to the issuance of individual share certificates is generally excluded pursuant to § 4 section 9 of the Articles of Association unless such issuance is required in accordance with the regulations applicable at a stock exchange where the shares are admitted. Pursuant to § 67 section 2 German Stock Corporation Act (Aktiengesetz – AktG), in relation to adidas AG, only a person who is registered as such in the share register shall be deemed a shareholder. Each share grants one vote at the Annual General Meeting and determines the shareholders' share in the company's profit. All shares carry the same rights and obligations. The shareholders' individual rights and obligations follow from the provisions of the German Stock Corporation Act, in particular from §§ 12, 53a et seq., 118 et seq. and 186 AktG. As at December 31, 2020, adidas AG held 5,350,126 treasury shares in total, which do not confer any rights to the company in accordance with § 71b AktG. ► SEE NOTE 27

In the USA, adidas AG has issued American Depositary Receipts (ADRs). ADRs are deposit certificates of non-US shares that are traded instead of the original shares on US stock exchanges. Two ADRs equal one adidas AG share. ► SEE OUR SHARE

Restrictions on voting rights or transfer of shares

We are not aware of any contractual agreements with adidas AG or other agreements restricting voting rights or the transfer of shares. Based on the Code of Conduct and internal guidelines of adidas AG and based on Article 19 section 11 of the Regulation (EU) No 596/2014 (Market Abuse Regulation), however, particular trade prohibitions do exist for Executive Board members with regard to the purchase and sale of adidas AG shares, in connection with the (time of) publication of half-year or year-end financial reports.

In addition, restrictions of voting rights may exist pursuant to, inter alia, § 136 AktG or for treasury shares pursuant to § 71b AktG as well as due to capital market regulations, in particular pursuant to §§ 33 et seq. German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The shares that were issued in the context of the Stock Purchase Plan to employees of adidas AG and employees of subsidiaries participating in the Stock Purchase Plan are not subject to any lock-up periods, unless such a waiting period is stipulated in locally applicable regulations. Employees who hold the shares which they purchased themselves (investment shares) for at least one year will subsequently receive one share for every six investment shares without having to pay for these shares (matching share) if they are still adidas employees at that point in time. If employees transfer, pledge or hypothecate investment shares in any way during the one-year vesting period, the right to receive matching shares ceases.

Shareholdings in share capital exceeding 10% of voting rights

We have not been notified of, and are not aware of, any direct or indirect shareholdings in the share capital of adidas AG reaching or exceeding 10% of the voting rights.

Shares with special rights

There are no shares bearing special rights. In particular, there are no shares with rights conferring powers of control.

Voting right control if employees have a share in the capital

Like all other shareholders, employees who hold adidas AG shares exercise their control rights directly in accordance with statutory provisions and the Articles of Association. The shares which employees acquire in the context of the Stock Purchase Plan are held in trust centrally by a service provider on behalf of the participating employees. As long as the shares are held in trust, the trustee shall take reasonable measures to enable participating employees to directly or indirectly exercise their voting rights in respect of the shares held in trust.

Executive Board appointment and dismissal

Pursuant to § 6 of the Articles of Association and § 84 AktG, the Supervisory Board is responsible for determining the exact number of members of the Executive Board, for their appointment and dismissal as well as for the appointment of the Chief Executive Officer (CEO). The adidas AG Executive Board, which, as a basic principle, comprises at least two members, currently consists of the CEO and five further members. Executive Board members may be appointed for a maximum period of five years. Such appointments may be renewed and the terms of office may be extended, provided that no term exceeds five years. ► SEE EXECUTIVE BOARD

The Supervisory Board may revoke the appointment of an individual as member of the Executive Board or CEO if there is good cause, such as gross negligence of duties or a vote of no confidence by the Annual General Meeting.

As adidas AG is subject to the regulations of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), the appointment of Executive Board members and also their dismissal require a majority of at least two thirds of the Supervisory Board members (§ 31 MitbestG). If such a majority is not established in the first vote by the Supervisory Board, the Mediation Committee has to present a proposal which, however, does not exclude other proposals. The appointment or dismissal is then made in a second vote with a simple majority of the votes cast by the Supervisory Board members. Should the required majority not be established in this case either, a third vote, again requiring a simple majority, must be held in which the Chairman of the Supervisory Board has two votes.

If the Executive Board does not have the required number of members, the competent court must, in urgent cases, make the necessary appointment upon application (§ 85 section 1 AktG).

Amendments to the articles of association

Pursuant to §§ 119 section 1 number 5, 179 section 1 sentence 1 AktG, the Articles of Association of adidas AG can, in principle, only be amended by a resolution passed by the Annual General Meeting. Pursuant to § 21 section 3 of the Articles of Association in conjunction with § 179 section 2 sentence 2 AktG, the Annual General Meeting of adidas AG principally resolves upon amendments to the Articles of Association with a simple majority of the votes cast and with a simple majority of the nominal capital represented when passing the resolution. If mandatory legal provisions stipulate a larger majority of voting rights or capital, this is applicable. When it comes to amendments solely relating to the wording, the Supervisory Board is authorized to make these modifications in accordance with § 179 section 1 sentence 2 AktG in conjunction with § 10 section 1 sentence 2 of the Articles of Association.

Authorizations of the Executive Board

The authorizations of the Executive Board are regulated by §§ 76 et seq. AktG in conjunction with §§ 7 and 8 of the Articles of Association. The Executive Board is responsible, in particular, for managing the company and represents the company judicially and extra-judicially.

Authorization of the Executive Board to issue shares

The authorization of the Executive Board to issue shares is regulated by § 4 of the Articles of Association and by statutory provisions:

Authorized Capital

- Until June 14, 2021, the Executive Board is authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 4,000,000 altogether (Authorized Capital 2016). Any repurchased treasury shares of the company which are used by the company for employee stock purchase plans during the term of this authorization shall be attributed to the maximum number of 4,000,000 shares. Shareholders' subscription rights shall be excluded. The new shares may only be issued to (current and former) employees of the company and its affiliated companies as well as to (current and former) members of management bodies of the company's affiliated companies ('eligible persons').

- Until June 7, 2022, the Executive Board is authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether (Authorized Capital 2017/I). The Executive Board may, subject to Supervisory Board approval, exclude residual amounts from shareholders' subscription rights.

- Until June 7, 2022, the Executive Board is authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2017/III). The Executive Board may, subject to Supervisory Board approval, exclude residual amounts from shareholders' subscription rights. Additionally, the Executive Board may, subject to Supervisory Board approval, exclude shareholders' subscription rights when issuing the new shares at a price not significantly below the stock market price of the company's shares already quoted on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange. The authorization to exclude subscription rights pursuant to the previous sentence may, however, only be used to the extent that the pro rata amount of the new shares in the nominal capital together with the pro rata amount in the nominal capital of other shares which have been issued by adidas AG since May 11, 2017, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorized capital or following a repurchase, or for which subscription or conversion rights or subscription or conversion obligations have been granted since May 11, 2017, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded pursuant to § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization into the commercial register or – if this amount is lower – on the respective date on which the resolution on utilization of the authorization is adopted. The overall volume of the shares issued based on this authorization with the exclusion of subscription rights – together with shares issued against contributions in kind with the exclusion of subscription rights from the Authorized Capital 2017/II – must not exceed 10% of the nominal capital existing at the date of the respective issuance. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights.

- Until June 13, 2024, the Executive Board is authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind once or several times by no more than € 16,000,000 altogether (Authorized Capital 2019). The Executive Board may, subject to Supervisory Board approval, exclude shareholders' subscription rights. The overall volume of the shares issued with the exclusion of subscription rights based on this authorization must not exceed 10% of the nominal capital existing at the point in time when this authorization becomes effective or, in case this amount is lower, at the date of the respective issuance. The nominal capital which is attributed to the shares to be issued to service option or conversion rights or option or conversion obligations from bonds, debt securities or participation rights to the extent that they are issued during the term of the authorization until the date of the respective exercise of this authorization with the exclusion of subscription rights, or which is attributed to shares which are issued or sold during the term of the authorization until the date of the respective exercise of this authorization with the exclusion of subscription rights, has to be included in the aforementioned limit of 10%. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights. The Authorized Capital 2019 must not be used to issue shares within the scope of compensation or participation programs for Executive Board members or employees or for members of the management bodies or employees of subsidiaries. ▸ SEE NOTE 27

Contingent Capital

The nominal capital of the company is conditionally increased by up to € 12,500,000 (Contingent Capital 2018). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued based on the resolution of the Annual General Meeting on May 9, 2018 subscription or conversion rights relating to no more than a total of 12,500,000 shares in compliance with the corresponding conditions of the bonds. Based on the authorization granted by the Annual General Meeting on May 9, 2018, the Executive Board is authorized to issue bonds with warrants and/or convertible bonds in an aggregate nominal value of up to € 2,500,000,000 with or without a limited term against contributions in cash once or several times until May 8, 2023, and to guarantee bonds issued by subordinated Group companies. The Executive Board is also authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights for residual amounts and to exclude shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of previously issued bonds are entitled. Finally, the Executive Board is authorized, subject to Supervisory Board approval, to also exclude shareholders' subscription rights if the issue price of the bonds is not significantly below the hypothetical market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. Treasury shares which are or will be sold with the exclusion of subscription rights in accordance with § 71 section 1 no. 8 in conjunction with § 186 section 3 sentence 4 AktG between the starting date of the term of this authorization and the issuance of the respective bonds shall be attributed to the aforementioned limit of 10%. Shares which are or will be issued, subject to the exclusion of subscription rights pursuant to § 186 section 3 sentence 4 AktG or pursuant to § 203 section 1 in conjunction with § 186 section 3 sentence 4 AktG between the starting date of the term of this authorization and the issuance of the respective bonds in the context of a cash capital increase shall also be attributed to the aforementioned limit of 10%. Finally, shares for which there are option or conversion rights or obligations or a right to delivery of shares of the company in favor of the company due to bonds with warrants or convertible bonds issued by the company or its subordinated Group companies, subject to the exclusion of subscription rights in accordance with § 221 section 4 sentence 2 in conjunction with § 186 section 3 sentence 4 AktG during the term of this authorization based on other authorizations shall be attributed to the aforementioned limit of 10%. Notwithstanding the Supervisory Board's right to determine further approval requirements, the Executive Board requires the Supervisory Board's approval for the issuance of bonds with warrants and/or convertible bonds based on this authorization of the Annual General Meeting on May 9, 2018 with the exclusion of shareholders' subscription rights.

The Executive Board has so far not utilized the authorization to issue bonds with warrants and/or convertible bonds granted by the Annual General Meeting on May 9, 2018.

Authorization of the Executive Board to repurchase shares

The authorizations of the Executive Board to repurchase adidas AG shares arise from §§ 71 et seq. AktG and, as at the balance sheet date, from the authorization granted by the Annual General Meeting on May 12, 2016.

Until May 11, 2021, the Executive Board is authorized to repurchase adidas AG shares amounting to a total of 10% of the nominal capital at the date of the resolution (or, as the case may be, a lower amount of nominal capital at the date of utilization of the authorization) for any lawful purpose and within the legal framework. The authorization may be used by the company but also by its subordinated Group companies or by third parties on account of the company or its subordinated Group companies or third parties assigned by the company or one of its subordinated Group companies.

The repurchase can be carried out via the stock exchange, through a public invitation to submit sale offers, through a public repurchase offer, or through granting tender rights to shareholders. The authorization furthermore sets out the lowest and highest nominal value that may be granted in each case.

The purposes for which treasury shares repurchased based on this authorization may be used are set out in the resolution on Item 9 of the Agenda for the Annual General Meeting held on May 12, 2016. The shares may in particular be used as follows:

- They may be sold on the stock exchange or through a public offer to all shareholders in relation to their shareholding quota; in case of an offer to all shareholders, subscription rights for residual amounts are excluded. The shares may also be sold differently, provided the shares are sold in exchange for a cash payment and at a price that, at the time of the sale, is not significantly below the stock market price of the company's shares with the same features; the prorated amount of the nominal capital which is attributable to the aggregate number of shares sold under this authorization may not exceed 10% of the nominal capital. The prorated amount of the nominal capital attributable to new shares issued between May 12, 2016 and the sale of the shares based on an authorized capital with the exclusion of shareholders' subscription rights pursuant to § 203 section 1 in conjunction with § 186 section 3 sentence 4 AktG shall be attributed to the limit of 10%. Likewise, the prorated amount of the nominal capital that is attributable to shares which may be issued due to bonds with warrants and/or convertible bonds which are linked to subscription or conversion rights or obligations or the company's right to delivery of shares, provided these bonds are issued on the basis of authorizations pursuant to §§ 221 section 4, 186 section 3 sentence 4 AktG between May 12, 2016 and the sale of the shares, shall also be attributed to the limit of 10%.

- They may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies, participations in companies or other economic assets or within the scope of company mergers.

- They may be offered and sold as consideration for the acquisition of industrial property rights or intangible property rights or for the acquisition of licenses relating to such rights, also through subordinated Group companies.

- They may be used for purposes of meeting the subscription or conversion rights or obligations or the company's right to delivery of shares arising from bonds with warrants and/or convertible bonds issued by the company or its subordinated Group companies.

- In connection with employee stock purchase plans, up to 4,000,000 shares may be issued in favor of (current and former) employees of the company and its affiliated companies as well as in favor of (current and former) management bodies of the company's affiliated companies. The number of shares the company issues to eligible persons by partially utilizing the Authorized Capital 2016 shall be attributed to the maximum number of 4,000,000 shares.

- They may be canceled without such cancelation requiring an additional resolution of the Annual General Meeting.

Furthermore, the shares may be promised or assigned to members of the Executive Board as compensation by way of a stock bonus subject to the provision that resale by the Executive Board members shall only be permitted following a retention period of at least three years from the date of assignment. Responsibility in this case lies with the Supervisory Board.

In case of utilization of shares for the aforementioned purposes, except for the cancelation of shares, shareholders' subscription rights are excluded.

The Supervisory Board may determine that transactions based on this authorization may only be carried out subject to the approval of the Supervisory Board or one of its committees.

In the 2018, 2019 and 2020 financial years, the Executive Board partly utilized the authorization to repurchase adidas AG shares through the share buyback program 2018 – 2021. In the financial year 2018, in a first tranche, adidas AG bought back 5,089,879 adidas AG shares. In the financial year 2019, in a second tranche, 3,223,214 adidas AG shares were repurchased. In a third tranche, adidas bought back another 953,018 adidas shares in the year under review. In each case, the share buyback took place via the stock exchange. ▸ SEE NOTE 27

In the scope of the authorization resolved upon by the Annual General Meeting on May 12, 2016, the Executive Board is furthermore authorized to conduct the share buyback also by using equity derivatives which are arranged with a credit institution or financial services institution in close conformity with market conditions. adidas AG may acquire call options issued for physical delivery and/or sell put options or use a combination of call and put options or other equity derivatives if the option conditions ensure that the shares delivered for these equity derivatives were purchased in compliance with the principle of equal treatment. All share purchases using the aforementioned equity derivatives are limited to a maximum value of 5% of the nominal capital existing at the date on which the resolution was adopted by the Annual General Meeting (or, as the case may be, a lower amount of nominal capital at the date of utilization of the authorization). The term of the options may not exceed 18 months and must furthermore be chosen in such a way that the shares are acquired upon the exercise of the options no later than May 11, 2021. The authorization furthermore sets out the lowest and highest nominal value that may be granted in each case.

For excluding subscription rights, the use and cancelation of shares purchased using equity derivatives, the general provisions adopted by the Annual General Meeting (set out above) are applicable accordingly.

Change of control/compensation agreements

Substantial agreements that provide for regulations in the case of a change of control are the material financing agreements of adidas AG. In the case of a change of control, these agreements, as is customary in the market, entitle the creditor/bondholder to termination and early calling-in.

No compensation agreements were entered into with members of the Executive Board or employees relating to the event of a takeover bid.

BUSINESS PERFORMANCE BY SEGMENT

adidas has divided its operating activities into the following operating segments: Europe, North America adidas, North America Reebok, Asia-Pacific, Russia/CIS, Latin America, Emerging Markets, adidas Golf, Runtastic and Other centrally managed businesses. While the operating segments Europe, Asia-Pacific, Russia/CIS, Latin America, and Emerging Markets are reported separately, North America adidas and North America Reebok are combined to the reportable segment North America. Each reportable segment comprises all wholesale, retail and e-commerce business activities relating to the distribution and sale of products of the adidas and Reebok brands to retail customers and end consumers. The remaining operating segments are aggregated under Other Businesses due to their relatively lesser significance.

All markets significantly impacted by global coronavirus pandemic

The global spread of the coronavirus during 2020 led to a significant number of temporary store closures, with a corresponding negative impact on adidas' top-line development in all market segments. Exceptional e-commerce growth could only partially offset the material revenue decline in the physical channels. In most segments, a more favorable channel mix due to the exceptional e-commerce growth had a positive effect on the gross margin development. However, this was more than offset by a less favorable pricing mix due to increased promotional activity and negative currency fluctuations in most segments. At the same time, operating expenses declined in all segments as a result of the company's decision to proactively reduce costs in light of the coronavirus pandemic.

Europe

In 2020, sales in Europe declined 12% on a currency-neutral basis as well as in euro terms to € 5.320 billion from € 6.071 billion in 2019. adidas brand revenues were down 12% on a currency-neutral basis, due to declines in both Sport Inspired and Sport Performance. Reebok brand revenues in Europe decreased 16% on a currency-neutral basis, due to declines in both Sport and Classics.

Net sales in Europe

-12% C.N.

€ 5.320 bn

Europe at a glance € in millions

	2020	2019	Change	Change (currency-neutral)
Net sales	5,320	6,071	(12%)	(12%)
adidas brand	4,925	5,599	(12%)	(12%)
Reebok brand	395	471	(16%)	(16%)
Gross margin	49.3%	51.5%	(2.2pp)	–
Segmental operating profit	947	1,408	(33%)	–
Segmental operating margin	17.8%	23.2%	(5.4pp)	–

Gross margin in Europe decreased 2.2 percentage points to 49.3% from 51.5% in 2019, as a more favorable channel mix was more than offset by a less favorable pricing mix due to increased promotional activity, negative currency developments and purchase order cancellation costs. Operating expenses were down 2% to € 1.681 billion versus € 1.722 billion in 2019, reflecting a decline in marketing expenditure. Operating expenses as a percentage of sales were up 3.2 percentage points to 31.6% (2019: 28.4%). As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin was down 5.4 percentage points to 17.8% (2019: 23.2%). Operating profit in Europe declined 33% to € 947 million versus € 1.408 billion in the prior year.

North America

Revenues in North America declined 9% on a currency-neutral basis and 10% in euro terms to € 4.762 billion from € 5.313 billion in 2019. adidas brand sales decreased 8% on a currency-neutral basis, with declines in both Sport Inspired and Sport Performance. Reebok brand revenues in North America were down 17% on a currency-neutral basis, due to declines in both Sport and Classics.

Net sales in North America

-9% C.N.

€ 4.762 bn

North America at a glance € in millions

	2020	2019	Change	Change (currency-neutral)
Net sales	4,762	5,313	(10%)	(9%)
adidas brand	4,365	4,828	(10%)	(8%)
Reebok brand	397	485	(18%)	(17%)
Gross margin	42.5%	40.0%	2.5pp	–
Segmental operating profit	606	715	(15%)	–
Segmental operating margin	12.7%	13.5%	(0.7pp)	–

Gross margin in North America increased 2.5 percentage points to 42.5% (2019: 40.0%). A more favorable channel and category mix as well as lower sourcing costs more than offset purchase order cancellation costs. Operating expenses were down 2% to € 1.461 billion versus € 1.493 billion in 2019, reflecting a decrease in marketing expenditure. Operating expenses as a percentage of sales increased 2.6 percentage points to 30.7% (2019: 28.1%). As the higher gross margin was more than offset by higher operating expenses as a percentage of sales, operating margin declined 0.7 percentage points to 12.7% from 13.5% in 2019. Operating profit in North America decreased 15% to € 606 million from € 715 million in 2019.

Asia-Pacific

Sales in Asia-Pacific declined 17% on a currency-neutral basis. In euro terms, sales in Asia-Pacific were down 18% to € 6.546 billion from € 8.032 billion in 2019. adidas brand revenues decreased 17% on a currency-neutral basis. This development was due to declines in both Sport Inspired and Sport Performance. Reebok brand sales in Asia-Pacific decreased 15% on a currency-neutral basis, due to declines in both Sport and Classics.

Net sales in Asia-Pacific

-17% C.N.

€ 6.546 bn

Asia-Pacific at a glance € in millions

	2020	2019	Change	Change (currency-neutral)
Net sales	6,546	8,032	(18%)	(17%)
adidas brand	6,298	7,736	(19%)	(17%)
Reebok brand	249	296	(16%)	(15%)
Gross margin	51.8%	57.0%	(5.2pp)	–
Segmental operating profit	1,617	2,703	(40%)	–
Segmental operating margin	24.7%	33.7%	(9.0pp)	–

Gross margin in Asia-Pacific decreased 5.2 percentage points to 51.8% (2019: 57.0%), as a more favorable channel and category mix as well as lower sourcing costs were more than offset by a less favorable pricing mix due to increased promotional activity and purchase order cancellation costs. Operating expenses were down 5% to € 1.789 billion versus € 1.891 billion in 2019, mainly driven by lower marketing expenditure. Operating expenses as a percentage of sales were up 3.8 percentage points to 27.3% (2019: 23.5%). As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin was down 9.0 percentage points to 24.7% versus 33.7% in 2019. Operating profit in Asia-Pacific declined 40% to € 1.617 billion from € 2.703 billion in 2019.

Russia/CIS

Sales in Russia/CIS were flat on a currency-neutral basis. In euro terms, sales in Russia/CIS declined 11% to € 584 million from € 658 million in 2019. adidas brand revenues were up 3% on a currency-neutral basis. While sales in Sport Inspired grew at a mid-single-digit rate, revenues in Sport Performance increased at a low-single-digit rate. Reebok brand revenues in Russia/CIS decreased 9% on a currency-neutral basis, due to declines in both Sport and Classics.

Net sales in Russia/CIS

+0% C.N.

€ 584 m

Russia/CIS at a glance € in millions

	2020	2019	Change	Change (currency-neutral)
Net sales	584	658	(11%)	0%
adidas brand	448	490	(8%)	3%
Reebok brand	135	168	(20%)	(9%)
Gross margin	61.1%	61.7%	(0.6pp)	–
Segmental operating profit	162	167	(3%)	–
Segmental operating margin	27.8%	25.4%	2.4pp	–

Gross margin in Russia/CIS decreased 0.6 percentage points to 61.1% from 61.7% in 2019, due to an unfavorable channel and pricing mix as well as negative currency developments. Operating expenses were down 19% to € 194 million (2019: € 239 million), reflecting a decline in both operating overhead costs and marketing expenditure. Operating expenses as a percentage of sales decreased 3.1 percentage points to 33.2% versus 36.3% in the prior year. As the lower gross margin was more than offset by lower operating expenses as a percentage of sales, operating margin improved 2.4 percentage points to 27.8% from 25.4% in 2019. Operating profit in Russia/CIS declined 3% to € 162 million versus € 167 million in 2019.

Latin America

Revenues in Latin America decreased 16% on a currency-neutral basis. In euro terms, sales in Latin America declined 30% to € 1.158 billion from € 1.660 billion in 2019. adidas brand sales were down 16% on a currency-neutral basis, with declines in both Sport Inspired and Sport Performance. Reebok brand sales in Latin America were down 14% on a currency-neutral basis, due to declines in both Sport and Classics.

Net sales in Latin America

-16% C.N.

€ 1.158 bn

Latin America at a glance € in millions

	2020	2019	Change	Change (currency-neutral)
Net sales	1,158	1,660	(30%)	(16%)
adidas brand	1,033	1,490	(31%)	(16%)
Reebok brand	125	170	(26%)	(14%)
Gross margin	44.3%	44.5%	(0.2pp)	–
Segmental operating profit	95	295	(68%)	–
Segmental operating margin	8.2%	17.8%	(9.6pp)	–

Gross margin in Latin America decreased 0.2 percentage points to 44.3% (2019: 44.5%), as a more favorable channel and pricing mix was more than offset by negative currency developments. Operating expenses were down 6% to € 418 million from € 444 million in 2019, reflecting a decline in both operating overhead costs and marketing expenditure. Operating expenses as a percentage of sales increased 9.3 percentage points to 36.1% (2019: 26.7%). As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin declined 9.6 percentage points to 8.2% from 17.8% in 2019. Operating profit in Latin America decreased 68% to € 95 million versus € 295 million in 2019.

Emerging Markets

Revenues in Emerging Markets were down 18% on a currency-neutral basis. In euro terms, sales in Emerging Markets declined 23% to € 998 million from € 1.302 billion in 2019. adidas brand revenues decreased 16% on a currency-neutral basis, with declines in both Sport Inspired and Sport Performance. Reebok brand revenues in Emerging Markets were down 28% on a currency-neutral basis, due to declines in both Sport and Classics.

Net sales in Emerging Markets

-18% C.N.

€ 998 m

Emerging Markets at a glance € in millions

	2020	2019	Change	Change (currency-neutral)
Net sales	998	1,302	(23%)	(18%)
adidas brand	892	1,146	(22%)	(16%)
Reebok brand	106	156	(32%)	(28%)
Gross margin	46.4%	52.3%	(5.9pp)	–
Segmental operating profit	185	367	(50%)	–
Segmental operating margin	18.5%	28.2%	(9.7pp)	–

Gross margin in Emerging Markets decreased 5.9 percentage points to 46.4% (2019: 52.3%), as a more favorable channel mix was more than offset by a less favorable pricing mix due to increased promotional activity, negative currency developments and purchase order cancellation costs. Operating expenses were down 11% to € 279 million versus € 314 million in 2019, reflecting a decline in both operating overhead costs and marketing expenditure. As a percentage of sales, operating expenses increased 3.8 percentage points to 27.9% from 24.2% in 2019. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin was down 9.7 percentage points to 18.5% (2019: 28.2%). Operating profit in Emerging Markets declined 50% to € 185 million versus € 367 million in 2019.

OUTLOOK

In 2021, we expect a robust recovery of the global economy and consumer spending. While uncertainty due to prolonged adverse effects of the coronavirus pandemic remains high, we anticipate the global sporting goods industry to recover notably in 2021. Besides structural industry tailwinds, the execution of our new strategy 'Own the Game' as well as our strong product pipeline are forecast to lead to currency-neutral net sales growth in a mid-to high-teens range. Gross margin is expected to almost fully recover to the pre-covid-19 level and to reach around 52%. Operating margin is anticipated to increase to a level of between 9% and 10%. As a result, net income from continuing operations is forecast to increase to a level of between € 1.25 billion and € 1.45 billion. All expectations stated in this outlook exclude contributions from the Reebok brand.

SUBSEQUENT EVENTS

Intended divestiture of Reebok

As part of the development of its new strategy 'Own the Game', adidas has concluded its assessment of strategic alternatives for Reebok. As a result of this review, the company decided in February 2021 to begin a formal process aimed at divesting Reebok. Accordingly, adidas is going to report the Reebok business as discontinued operations from the first quarter 2021 onward. Immediately before the reclassification to discontinued operations, an impairment test according to IAS 36 was conducted and no impairment or write-up was required. On the initial classification as discontinued operations, the measurement at fair value also did not lead to an impairment. The table further below in this chapter shows the major line items in the consolidated income statement for the year 2020 under the assumption that the Reebok business activities had been represented as discontinued operations on January 1, 2020.

OUTLOOK

Forward-looking statements

This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of our company. The outlook is based on estimates that we have made on the basis of all the information available to us at the time of completion of this Annual Report. In addition, such forward-looking statements are subject to uncertainties which are beyond the control of the company. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialize, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. adidas does not assume any obligation to update any forward-looking statements made in this Management Report beyond statutory disclosure obligations.

►SEE RISK AND OPPORTUNITY REPORT

Changes to segmental reporting

At the beginning of 2021, we launched our new strategy 'Own the Game' for the period until 2025. As part of this strategy, we focus our growth efforts on the three strategic markets Greater China, North America and EMEA. In these markets, we will bring exciting consumer experiences to life by pursuing a tailored approach that appeals to local trends. In order to be able to execute this strategy successfully, adidas has changed its organizational structure. Since January 1, 2021, adidas manages Greater China as a separate market. The remaining Asia-Pacific (APAC) market now comprises Japan, South Korea, Southeast Asia and the Pacific region. The change reflects the increasing importance of Greater China as a growth market for the company. In addition, adidas created the EMEA (Europe, Middle East and Africa) market. To better leverage economies of scale, the company has integrated the former markets Europe, Russia/CIS and Emerging Markets into the newly formed EMEA market. The markets North America and Latin America remain unchanged.

Global economic growth to recover in 2021[18]

Global GDP is expected to grow 4.0% in 2021, while uncertainty due to prolonged adverse effects of the coronavirus pandemic remains high. Output, consumption, and trade are forecast to gradually improve amid effective pandemic management as well as continued monetary policy accommodation. Nevertheless, delays in the development and issuance of vaccines and extended lockdown measures remain existing downside risks to the economic recovery. In addition, differences in the pace of growth between developed and developing economies affect the global GDP projection. Developed economies are forecast to see an increase of growth to 3.3%, underlined by widespread vaccination as well as consumer confidence, consumption and trade gradually improving. Growth in developing economies is projected at 5.0%, reflecting a rebound in industrial production, retail sales and trade. On a global level, additional downside risks include a re-escalation of trade tensions and lengthy setbacks in containing the pandemic.

Sporting goods industry to recover notably in 2021

In the absence of any delay in the pandemic recovery or other macroeconomic shocks, we expect the global sporting goods industry to recover notably in 2021. Consumer confidence is forecast to rebound amid widespread vaccination and effective pandemic management as well as major sports events returning to the global stage. While extended lockdown periods, quarantine measures and physical store closures are still forecast to have an adverse impact in the short term, the sporting goods industry is projected to remain fundamentally attractive in the long term, as existing global trends are accelerating. Sports-inspired apparel and footwear ('athleisure') keeps evolving as a structural component of the broader fashion landscape, complemented by increasing sports participation rates as well as rising awareness for health and wellness. In addition, sustainability is expected to further gain in importance amid growing environmental awareness of consumers. Moreover, purchasing behavior is forecast to further shift toward online and social channels, and consumer insights generation along with the creation of premium shopping experiences become increasingly important. For the sporting goods sector too, risks related to re-escalating trade tensions and a delay in the pandemic recovery, remain.

18 Source: Worldbank Global Economic Prospects.

2021 Outlook[1]

	2020 excluding Reebok	2021 Outlook
Net sales (€ in billions)	18.435	to increase at a mid- to high-teens rate[2]
EMEA	6.308	mid- to high-teens increase[2]
North America	4.519	high-single-digit increase[2]
Greater China	4.342	20% – 30% increase[2]
Asia-Pacific	2.083	20% – 30% increase[2]
Latin America	1.035	20% – 30% increase[2]
Gross margin	50.0%	to increase to a level of around 52%
Operating margin	4.0%	to increase to a level of between 9% and 10%
Net income from continuing operations (€ in billions)	0.46	to increase to a level of betweeen € 1.25 billion and € 1.45 billion
Average operating working capital (in % of sales)[3]	–	to decrease to a level of below 20%
Capital expenditure (€ in millions)[3]	–	to increase to a level of around € 700 million

1 Excluding Reebok.
2 Currency-neutral.
3 Base value for 2020 excluding Reebok not available at time of closing of this report.

Currency-neutral sales to increase in the mid- to high-teens in 2021

After the significant revenue decline experienced in 2020 due to the global outbreak of the coronavirus, we expect a strong recovery in terms of currency-neutral sales in 2021. Despite continued lockdown measures in certain parts of the world and uncertainties regarding the global economic outlook, the company's sales development will be favorably impacted by long-term industry growth drivers such as increasing sports participation, the growing penetration of sports-inspired apparel and footwear ('athleisure') and digitalization. Beyond these structural industry tailwinds, the execution of our new strategy 'Own the Game' as well as our strong product pipeline are expected to drive strong sales growth. Specifically, we expect sales to increase at a mid- to high-teens rate on a currency-neutral basis. Similar to 2020, currency headwinds are forecast to persist, resulting in lower sales growth in reported terms.

Currency-neutral revenues to increase in all market segments

In 2021, we expect currency-neutral revenues to increase in all market segments. The markets that were impacted the most in 2020 by the coronavirus pandemic are anticipated to also show the strongest recovery in 2021. Consequently, Greater China, Asia-Pacific and Latin America are all projected to grow currency-neutral net sales in a range of between 20% and 30%. EMEA is expected to record growth in the mid- to high-teens. And North America, the market that was least impacted in 2020, is forecast to expand currency-neutral revenues at a high-single-digit rate.

Gross margin expected to recover almost fully to around 52%

The gross margin was also negatively impacted by the coronavirus pandemic in 2020. In 2021, gross margin is expected to almost fully recover to the pre-covid-19 level and to reach a level of around 52%. Unfavorable currency developments will continue to weigh on gross margin development, especially in the first half of the year. These will be more than compensated in particular by an improved pricing mix, as discount levels normalize.

Operating margin to expand to a level of between 9% and 10%

In 2021, the operating margin is projected to increase significantly to a level of between 9% and 10%. After deleverage in 2020, the significant recovery in net sales is expected to lead the margin recovery. Additional support will come from the improvement in gross margin and continued strict cost control. Net income from continuing operations is projected to increase to a level of between € 1.25 billion and € 1.45 billion.

Average operating working capital as a percentage of sales to decrease

During the coronavirus pandemic, average operating working capital as a percentage of sales increased as a result of prolonged temporary store closures and reduced sell-through. Already toward the end of 2020, we were able to normalize inventory levels. In 2021, we will continue this development and bring average operating working capital as percentage of sales back to below 20%.

Capital expenditure to increase to around € 700 million

In order to execute our growth strategy, we will continue to invest into our business. Consequently, capital expenditure is expected to increase to a level of around € 700 million in 2021. Investments into our own-retail stores as well as into digital, including e-commerce, will make up the biggest part of capital expenditure.

Management proposes to resume dividend payments

The adidas Executive Board decided to resume the company's dividend payments. Subject to the approval by the Supervisory Board, the company will propose paying a dividend of € 3.00 per dividend-entitled share for the financial year 2020 to adidas shareholders at the Annual General Meeting on May 12, 2021. The dividend proposal, which reflects the company's strengthened financial profile as well as Management's positive outlook for the current year, would result in a total dividend payout of € 585 million. ► SEE OUR SHARE

RISK AND OPPORTUNITY REPORT

In order to remain competitive and ensure sustainable success, adidas consciously takes risks and continuously explores and develops opportunities. Our risk and opportunity management principles and system provide the framework for our company to conduct business in a well-controlled environment.

Risk and opportunity management principles

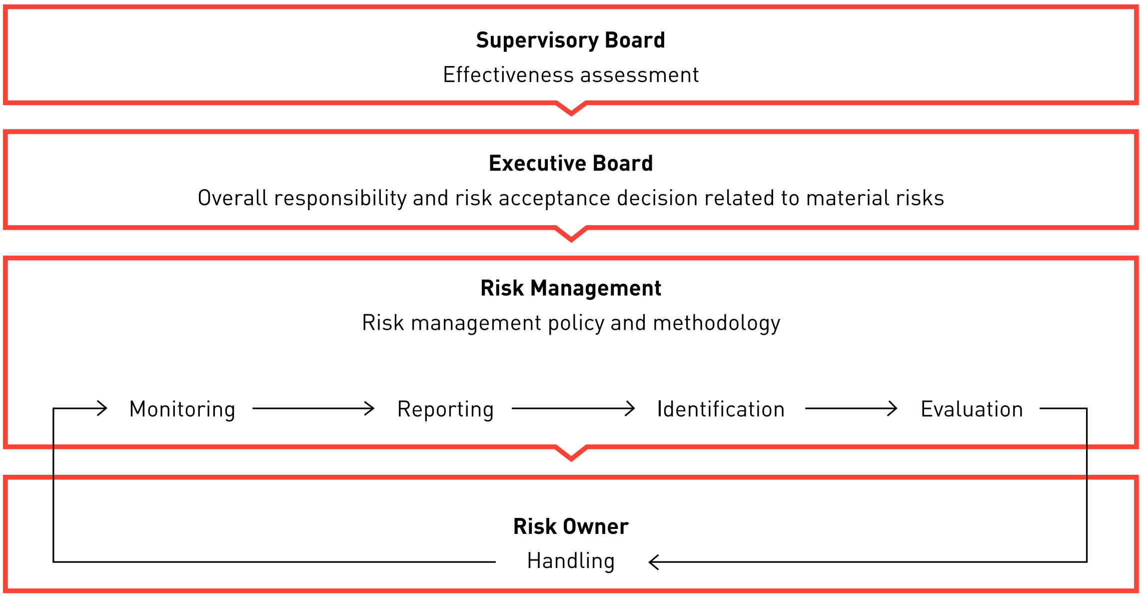
The key objective of the risk and opportunity management is to support business success and protect the company as a going concern through an opportunity-focused but risk-aware decision-making framework. Our Risk Management Policy outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements and communication timelines within our company. Risk and opportunity management is a company-wide activity which utilizes key insights from the members of the Executive Board as well as from global and local business units and functions. We define risk as the potential occurrence of an external or internal event (or series of events) that may negatively impact our ability to achieve the company's business objectives or financial goals. Opportunity is defined as the potential occurrence of an external or internal event (or series of events) that can positively impact the company's ability to achieve its business objectives or financial goals.

Risk and opportunity management system

The Executive Board has overall responsibility for establishing a risk and opportunity management system that ensures comprehensive and consistent management of all material risks and opportunities. The Risk Management department governs, operates, and develops the company's risk and opportunity management system and is the owner of the centrally managed risk and opportunity management process on behalf of the Executive Board. The Supervisory Board is responsible for monitoring the effectiveness of the risk management system. These duties are undertaken by the Supervisory Board's Audit Committee. Working independently of all other functions of the organizations, the Internal Audit department provides objective assurance to the Executive Board and the Audit Committee regarding the adequacy and effectiveness of the company's risk and opportunity management system on a regular basis. In addition, the Internal Audit department includes an assessment of the effectiveness of risk management processes and compliance with the company's Risk Management Policy as part of its regular auditing activities with selected adidas subsidiaries or functions each year.

Our risk and opportunity management system is based on frameworks for enterprise risk management and internal controls developed and published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Additionally, we have adapted our risk and opportunity management system to more appropriately reflect the structure as well as the culture of the company. This system focuses on the identification, evaluation, handling, systematic reporting and monitoring of risks and opportunities.

Risk and opportunity management system



In 2020, we modified our risk and opportunity management process.

Old vs. new risk and opportunity management process

	Old process	New process
Risk and opportunity identification	Identification by risk owners	Identification via survey of members of Core Leadership Group (CLG), Extended Leadership Group (ELG) and Global High Potential (GHIPO) program, and by Risk Management based on internal/external data
Risk and opportunity evaluation	Evaluation by risk owners, oversight and support by Risk Management, validation with Executive Board members per area of responsibility	Evaluation by Risk Management as well as validation of evaluation in workshops with Executive Board members, and senior leaders per area of responsibility
Risk ownership	Direct reports of the Executive Board members	Appointed by Risk Management and Executive Board members based on identified risks and opportunities

Our risk and opportunity management process comprises the following steps:

- **Risk and opportunity identification:** adidas continuously monitors the macroeconomic environment and developments in the sporting goods industry as well as internal processes to identify risks and opportunities as early as possible. On a semi-annual basis, the Risk Management department conducts a survey with all members of the Core Leadership Group (CLG), Extended Leadership Group (ELG) and Global High Potential Group (GHIPO) to ensure an effective bottom-up identification of risks and opportunities. Risk Management has also defined 25 categories to help identify risks and opportunities in a systematic way. In addition, adidas uses various instruments in the risk and opportunity identification process, such as primary qualitative and quantitative research including trend scouting and consumer surveys as well as feedback from our business partners and controlled space network. These efforts are supported by global market research and competitor analysis. Through this process, we seek to identify the markets, categories, consumer target groups and product styles which show most potential for future growth at a local and global level. Equally, our analysis focuses on those areas that are at risk of saturation or exposed to increased competition or changing consumer tastes. Furthermore, as part of our identification process, we monitor physical risks related to climate change as well as risks and opportunities resulting from the transition to a low-carbon economy. Our risk and opportunity identification process is however not only limited to external risk factors or opportunities, it also includes an internal perspective that considers company culture, processes, projects, human resources and compliance aspects.

- **Risk and opportunity evaluation:** we assess identified risks and opportunities individually according to a systematic evaluation methodology, which allows adequate prioritization as well as allocation of resources. Risk and opportunity evaluation is part of the responsibility of the Risk Management department supported by subject matter experts as well as internal and external data. The Risk Management department also conducts workshops with the Executive Board members and senior leaders to validate the evaluation of risks and opportunities.

  According to our methodology, risks and opportunities are evaluated by looking at two dimensions: the potential impact and the likelihood that this impact materializes. Based on this evaluation, we classify risks and opportunities into three categories: minor, moderate, and major.

  The potential impact is evaluated using five categories: marginal, low, medium, high, and significant. These categories represent financial or equivalent non-financial measurements. The financial measurements are based on the potential effect on the company's net income. Non-financial measurements used are the degree to which the company's reputation, brand image and employer value proposition are affected. Moreover, the degree of damage to people's health and safety and the degree of legal and judicial consequences at the corporate and personal level can be considered. Likelihood represents the possibility that a given risk or opportunity may materialize with the specific impact. The likelihood of individual risks and opportunities is evaluated on a percentage scale divided into five categories.

Risk evaluation categories

	Marginal	Low	Medium	High	Significant
Financial equivalent[1]	€ 1 million - € 10 million	€ 10 million - € 35 million	€ 35 million - € 60 million	€ 60 million - € 100 million	> € 100 million
Qualitative equivalent	Marginal impact on reputation, e.g. growing negative consumer reactions locally & slightly impaired bargaining power with partners & lower ranking in employer ratings. Minor harm to employees or third parties such as consumers, customers, vendors, athletes that doesn't require medical treatment. Internal corrective actions required.	Low impact on reputation, e.g. strong increase of negative consumer reactions globally & impaired bargaining power with partners & weaker results in important non-financial external ratings. Minor harm to employees or third parties such as consumers, customers, vendors, athletes that requires medical treatment. Judicial investigations leading to no direct sanctions but requiring internal corrective actions, including dismissal of employees.	Medium impact on reputation, e.g. rejection by specific consumer groups & termination or renegotiation of partnerships & profit warnings. Harm to employees or third parties such as consumers, customers, vendors, athletes that leads to hospitalization. Judicial investigations leading to imprisonment of employees and/or business interruption.	High impact on reputation, e.g. regional consumer boycotts & termination of key partnership & downgrade of credit and analyst ratings & temporary local employee strikes. Serious, life-changing harm to employees or third parties such as consumers, customers, vendors, athletes. Judicial investigations leading to imprisonment of senior leadership and/or significant business interruption including due to ongoing investigations.	Significant impact on reputation, e.g. persisting global consumer boycott & termination of multiple key partnerships & exclusion from key stock indices & long-lasting global employee strikes. Fatalities of employees or third parties such as consumers, customers, vendors, athletes. Litigation (including class action), imprisonment of Board member(s), monitorship and/or cessation of business operations due to court order.

Potential impact

Risk classification: Minor Moderate Major

1 Based on net income.

When evaluating risks and opportunities, we also consider the speed of materialization (velocity). In this respect, we differentiate between risks and opportunities that could materialize within six months, within a time period of six to twelve months and after twelve months.

We consider both the gross and the net risk in our risk assessments. While the gross risk reflects the inherent risk before any mitigating action, the net risk reflects the residual risk after all mitigating action. On the one hand, this approach allows for a good understanding of the impact of mitigating action taken; on the other hand, it provides the basis for scenario analysis. Our assessment of risks presented in this report only reflects the net risk perspective. We measure the actual financial impact of the most relevant risks and opportunities that materialized against the original assessment on a yearly basis ('back-testing'). In this way, we ensure continuous monitoring of the accuracy of risk and opportunity evaluations across the company, which enables us to continuously improve evaluation methodology based on our findings.

In assessing the potential effect from opportunities, each opportunity is appraised with respect to viability, commerciality and potential risks. This approach is applied to longer-term strategic prospects but also to shorter-term tactical and opportunistic initiatives at the corporate level as well as at the market and brand level. In contrast to the risk evaluation, only the net perspective exists for assessing opportunities.

- **Risk and opportunity handling:** Risks and opportunities are treated in accordance with the company's risk and opportunity management principles as described in the Risk Management Policy. Risk Owners are in charge of developing and implementing appropriate risk-mitigating action within their area of responsibility. In addition, the Risk Owners need to determine a general risk-handling strategy for the identified risks, which is either risk avoidance, risk reduction with the objective to lower impact and/or likelihood, risk transfer to a third party or risk acceptance. The decision on the implementation of the respective risk-handling strategy also takes into account the costs in relation to the benefit of any planned mitigating action if applicable. The Risk Management department works closely with the Risk Owners to monitor the continuous progress of planned mitigating action and assess the viability of already implemented mitigating action. Depending on the risk class determined by the risk and opportunity evaluation, the authority to make decisions to accept risks resides with the Executive Board, leaders reporting directly to an Executive Board member and the operational management on the next hierarchical level. The decision to accept material risks without taking additional mitigating action can only be made by the entire Executive Board.

- **Risk and opportunity monitoring and reporting:** Our risk and opportunity management system aims to increase the transparency of risks and opportunities. As both risks and opportunities are subject to constant change, Risk Owners not only monitor developments but also the adequacy and effectiveness of the current risk-handling strategy on an ongoing basis.

  Regular risk reporting takes place half-yearly and consists of a five-step reporting stream:

- Risk Management identifies risks and opportunities (with a potential effect on net income higher than € 1 million) by conducting a survey of CLG, ELG and GHIPO members as well as utilizing available information concerning the internal and external environment of the company. Risk Management evaluates, consolidates and aggregates the identified risks and opportunities ('bottom-up assessment').

- Risk Management discusses the assessment of substantial risks and opportunities with the members of the Executive Board and leaders directly reporting to them. The Executive Board members and their direct reports validate the assessment of risks and opportunities in their respective area of responsibility ('top-down assessment').

- Risk Management provides a consolidated report to the Executive Board summarizing the results of both bottom-up and top-down assessment. The Executive Board reviews the report, jointly agrees on a final company assessment of risks and opportunities, and decides if Risk Owners are required to take further action.

- Based on the Executive Board's decision, Risk Management creates the final risk and opportunity report that is also shared with the CLG.

- The Executive Board in collaboration with Risk Management presents the final risk and opportunity assessment results to the Audit Committee of the Supervisory Board.

Material changes in previously reported risks and opportunities and/or newly identified material risks and opportunities as well as any issues identified which, due to their material nature, require immediate reporting, are also reported outside the regular half-yearly reporting stream on an ad hoc basis to the Executive Board.

Compliance management system (adidas Fair Play Compliance Framework)

We consider compliance with the law as well as with external and internal regulations to be imperative. The Executive Board sets the tone right from the top – every employee is required to act ethically and in compliance with the law as well as with external and internal regulations while executing the company's business. We believe our Compliance Management System will prevent the majority of potential compliance issues. For that reason, we have specific measures to detect and respond to any concerns. We realize, however, that no compliance system can eliminate all violations.

The adidas Chief Compliance Officer oversees the company's Fair Play Compliance Framework. We see compliance as all-encompassing, spanning all business functions throughout the entire value chain. Our central Compliance team works closely with Regional Compliance Managers and Local Compliance Officers to conduct a systematic assessment of key compliance risks on a yearly basis. In addition, the central Compliance team regularly conducts compliance reviews within selected entities.

The company's Compliance Management System (CMS) is based on the OECD Principles of Corporate Governance. It refers to the OECD Guidelines for Multinational Enterprises, and is designed to:

- support the achievement of qualitative and sustainable growth through good corporate governance;
- reduce and mitigate the risk of financial losses or damage caused by non-compliant conduct;
- protect and further enhance the value and reputation of the company and its brand through compliant conduct; and
- preserve diversity by fighting harassment and discrimination.

The adidas Fair Play Code of Conduct is accessible on our website, includes guidelines for employee behavior in everyday work, and is applicable globally for all business areas. In 2020, we revised the Code of Conduct to ensure it remains up to date and reflects our business environment. ► ADIDAS-GROUP.COM/S/CODE-OF-CONDUCT

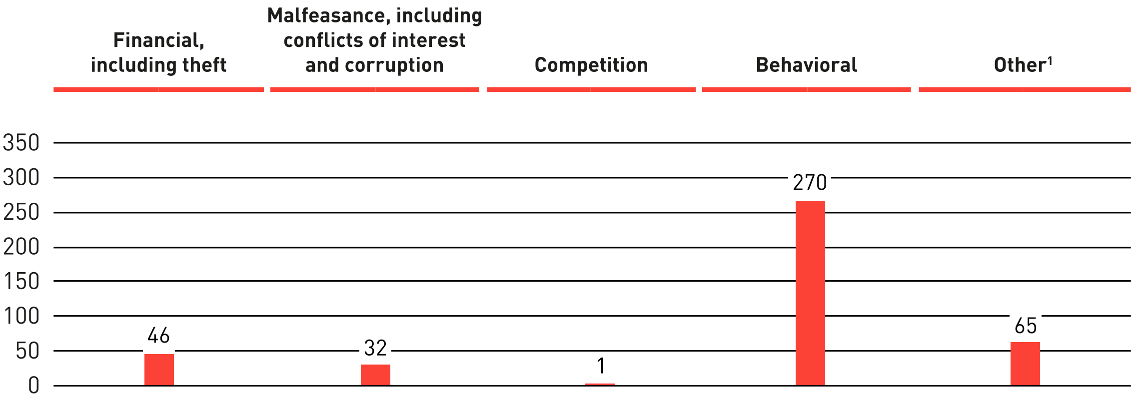
The Code of Conduct and our CMS are organized around three pillars: prevent, detect, and respond.

- **Prevention:** The Compliance team regularly reviews and updates our Compliance Management System as necessary. In addition to the revised Code of Conduct mentioned above, we also introduced an Anti-Harassment and Anti-Discrimination Policy in September 2020, emphasizing adidas' renewed initiative to prevent and fight harassment and discrimination in the workplace. Management also shares compliance-related communication, and the Compliance department provides mandatory training to all employees globally during onboarding and in regular, repeated cycles. The Compliance team and partners also provide targeted in-person compliance training as appropriate with senior management and newly promoted or hired senior executives across the globe in order to further enhance the compliance 'tone from the top', as well as the 'tone from the middle'. We closely monitor the completion rates for these training measures and continuously update our web-based training. In 2020, the company launched trainings on several topics, including information security, procurement, and diversity & inclusion. We also focused on strengthening cooperation between the Compliance team and the Internal Audit, the Group Policies & Internal Controls, and the Risk Management departments.

- **Detection:** adidas has whistleblowing procedures in place to ensure timely detection of potential infringements of statutory regulations or internal guidelines. Employees can report compliance concerns internally to their supervisor, the Chief Compliance Officer, Regional Compliance Managers or Local Compliance Officers, the relevant HR Manager, or the Works Council. Employees can also report externally via the independent, confidential Fair Play hotline and website which also allow for anonymous complaints. The Fair Play hotline and website are available at all times worldwide, including the services of interpreters, if required. It is promoted digitally and with posters to reach all our locations around the world. The company's continuous work to identify potential compliance violations has accelerated in 2020 through several initiatives related to the Global Diversity & Inclusion Program. Among others, we reemphasized our Fair Play hotline in retail, warehouses, and corporate offices worldwide.

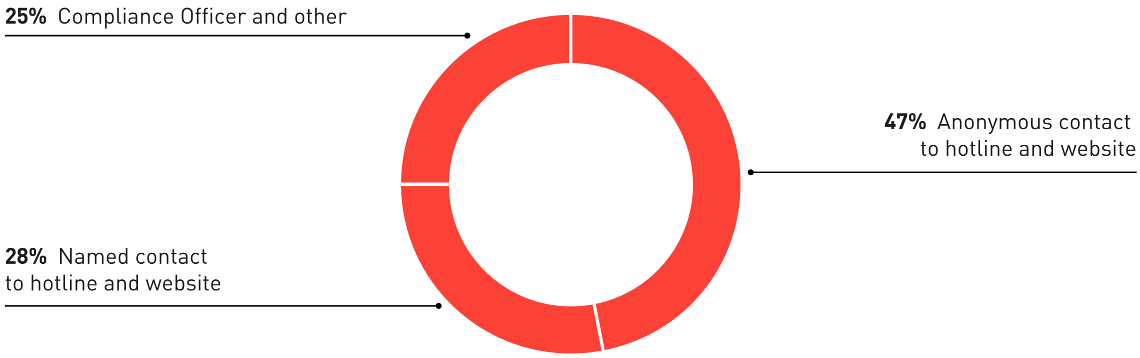
- **Response:** Appropriate and timely response to compliance violations is essential. The Chief Compliance Officer leads all investigations in cooperation with an established team of Regional Compliance Managers and a global network of Local Compliance Officers. We track, monitor, and report potential incidents of non-compliance worldwide. In 2020, we recorded 414 potential compliance violations (2019: 514). Most importantly, insights gained from the investigation of past violations are used to continuously improve the CMS. Where necessary, we react promptly to confirmed compliance violations, through appropriate and effective sanctions ranging from warnings to termination of employment contracts. Furthermore, in 2020 the Compliance team strengthened its relationship with the HR organization, a key partner in many compliance matters, including those related to harassment and discrimination.

Potential compliance violations



1 Includes payroll issues, intellectual property, and leaks of confidential information, inter alia.

Reporting of potential compliance violations in %



The company's Chief Compliance Officer regularly reports to the Executive Board on the further development of the compliance program and on major compliance cases. In addition, the Chief Compliance Officer reports to the Audit Committee on a regular basis. In 2020, the Chief Compliance Officer attended five meetings of the Audit Committee of the Supervisory Board to report on the further development of the compliance program, major compliance cases and other relevant compliance topics.

Description of the main features of the internal control and risk management system process pursuant to § 315 section 4 German Commercial Code (Handelsgesetzbuch – HGB)

The internal control and risk management system relating to the consolidated financial reporting process of the company represents a process embedded within the company-wide corporate governance system. It aims to provide reasonable assurance regarding the reliability of the company's external financial reporting by ensuring company-wide compliance with statutory accounting regulations, in particular the International Financial Reporting Standards (IFRS) and internal consolidated financial reporting policies (Finance Manual). We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting and Legal, focusing on the identification, assessment, mitigation, monitoring and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process. In a first step, the internal control and risk management system serves to identify, assess, limit and control risks identified in the consolidated financial reporting process which might result in the consolidated financial statements not being compliant with internal and external regulations.

Internal Control over Financial Reporting (ICoFR) serves to provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of ICoFR, the Group Policies & Internal Controls department and the Internal Audit department regularly review accounting-related processes. Additionally, as part of the year-end audit, the external auditor assesses the effectiveness of selected internal controls, including IT controls. The Audit Committee of the Supervisory Board also monitors the effectiveness of ICoFR. However, due to the limitations of ICoFR, even with appropriate and functional systems absolute certainty about the effectiveness of ICoFR cannot be guaranteed.

All adidas companies are required to comply with the consolidated financial reporting policies (Finance Manual), which are available to all employees involved in the financial reporting process through the company-wide intranet. We update the Finance Manual on a regular basis, dependent on regulatory changes and internal developments. Changes to the Finance Manual are promptly communicated to all adidas companies. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the company. We aim to ensure compliance with the Finance Manual through continuous adherence to the four-eyes principle in accounting-related processes. In addition, the local manager responsible for the accounting process within the respective company and the respective local Managing Director confirm adherence to the Finance Manual and to IFRS in a signed representation letter to the Accounting department semi-annually.

The accounting for adidas companies is conducted either locally or by our Global Business Services. Virtually all of the IT Enterprise Resource Planning (ERP) systems used are based on a company-wide standardized SAP system. Following approval by the Finance Director of the respective adidas company, the local financial statements are transferred to a central consolidation system based on SAP SEM-BCS. At the corporate level, the regularity and reliability of the financial statements prepared by adidas companies are reviewed by the Accounting and Controlling departments. These reviews include automated validations in the system as well as the creation of reports and analyses to ensure data integrity and adherence to the reporting logic. In addition, differences between current-year and prior-year financial data as well as budget figures are analyzed on a market level. If necessary, adidas seeks the opinion of independent experts to review business transactions that occur infrequently and on a non-routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP SEM-BCS. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both manually and system-based, using automatically created consolidation logs. Any inadequacies are remedied manually by systematically processing the individual errors as well as differences and are reported back to the adidas companies. After finalization of all consolidation steps, all items in the consolidated income statement and in the consolidated statement of financial position are analyzed with respect to trends and variances. Unless already otherwise clarified, the adidas companies are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorization concepts, approval concepts and access restrictions. Access authorizations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimized through central control and monitoring of virtually all IT systems, centralized management of change processes and regular data backups.

ILLUSTRATION OF RISKS

This report includes an explanation of financial and non-financial risks that we deem to be most relevant to the achievement of the company's objectives in 2021 and beyond. We consider risks related to the coronavirus pandemic material to the success of our company. In this report, we therefore present a holistic assessment of the risks resulting from the pandemic. In addition, according to our risk assessment methodology, macroeconomic, socio-political, regulatory and currency risks, risks related to consumer demand and product offering, risks related to the competitive and retail environment, business partner risks and personnel risks are classified as material. The risks overview table illustrates the assessment of all risks described below.

Corporate risks overview

Risk categories 2020	Potential impact	Change (2019 rating)	Likelihood	Change (2019 rating)
Risks related to the coronavirus pandemic	Significant		30% – 50%	
Macroeconomic, sociopolitical, regulatory and currency risks	Significant		30% – 50%	↑ (< 15%)
Risks related to consumer demand and product offering	Significant	↑ (High)	15% – 30%	
Risks related to the competitive and retail environment	Significant	↑ (High)	15% – 30%	↓ (30% - 50%)
Business partner risks	Significant		15% – 30%	↑ (< 15%)
Personnel risks	High	↑ (Medium)	30% – 50%	↑ (< 15%)
Risks related to media and stakeholder activities	Medium	↓ (High)	30% – 50%	↑ (< 15%)
IT and cyber security risks	Significant		< 15%	
Project risks	Significant	↑ (High)	< 15%	
Risks related to tax and customs regulations	Significant		< 15%	
Compliance risks	Significant		< 15%	

Risks related to the coronavirus pandemic

The ongoing coronavirus pandemic could substantially impact the company's success in multiple ways, in particular in the short term. Risks related to the coronavirus pandemic include, but are not limited to:

- Wide-spread lockdowns and containment measures across all our markets might result in traffic declines in our own and our retail partners' stores or even require those stores to close. This could have a noticeable negative impact on the company's financial performance as seen in 2020.

- Closures of distribution centers would negatively impact the company's ability to fulfill orders by consumers or retail partners and as a result lead to sales and profit shortfalls, order cancellations or excess inventory.

- Supply chain disruptions such as the closure of factories of our manufacturing partners or the closure of ports in critical sourcing countries could cause production or delivery delays and consequently negatively impact our ability to fulfill consumer demand.

- Major sports events such the Olympic Games in Tokyo or the UEFA Euro 2021 could take place without people in attendance or even be canceled completely. This would result in sales and profit shortfalls and more importantly negatively affect our ability to showcase our brand and new product innovations.

- Wholesale customers may cancel purchase orders or return product to adidas which could result in excess inventory and higher inventory allowances.

- Lower than expected sales and profits in our own retail stores may result in higher impairment charges or inventory allowances and negatively affect the company's bottom line.

- Third-party business partners may partially or completely fail to meet their contractual financial obligations, which could result in higher loss allowances and increased write-offs for accounts receivable.

- A global recession or substantial economic downturns in key markets could lead to rising unemployment, declining disposable incomes and consumer confidence, which could harm the company's financial and business performance.

- Volatile global financial markets might negatively affect the company's access to capital in the future.

- Office locations may temporarily be closed or operate with substantially reduced capacity which could interrupt employee efficiency and productivity and therefore have negative effects on business performance.

To mitigate the effects of the ongoing coronavirus crisis, adidas is taking numerous measures. We are further shifting our focus to our own and our partners' e-commerce and other digital channels with targeted consumer marketing, exclusive product launches and prioritized supply chain management. Through strict cash flow and cost management we ensure the financial stability of our company. In 2020, the company obtained investment grade ratings from Standard & Poor's and Moody's and strengthened its liquidity and financial flexibility. With flexible shifts in our product purchasing in close alignment with our manufacturing partners, a disciplined sell-in and the conscious use of our factory outlets, we reduce negative margin effects and avoid excess inventory. Through strict measures, adidas is safeguarding the health of its employees and other stakeholders. For example, we have increased our workplace flexibility and given our employees the possibility to work remotely, depending on the development of infection rates in the respective countries.

Macroeconomic, sociopolitical, regulatory, and currency risks

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns, financial market turbulence, currency exchange rate fluctuations and sociopolitical factors such as military conflicts, changes of government, civil unrest, pandemics, nationalization, or expropriation, in particular in regions where adidas is strongly represented, therefore could negatively impact the company's business activities and top- and bottom-line performance. A slow recovery of travel activity could negatively affect business in tourist destinations and lead to sales shortfalls, higher inventory in the marketplace, increased clearance activity, and margin pressure.

Currency risks are a direct result of multi-currency cash flows within the company, in particular the mismatch of the currencies required for sourcing our products versus the denominations of our sales. Furthermore, translation impacts from the conversion of non-euro-denominated results into the company's functional currency, the euro, might lead to a material negative impact on our company's financial performance. In addition, substantial changes in the regulatory environment (e.g. trade restrictions, economic and political sanctions, regulations concerning product compliance, environmental, and climate protection regulations) could lead to potential sales shortfalls or cost increases. ► SEE NOTE 30

To mitigate these macroeconomic, sociopolitical, and regulatory risks, adidas strives to balance sales across key regions and also between developed and emerging markets. We continuously monitor the macroeconomic, political and regulatory landscape in all our key markets to anticipate potential problem areas, so that we can quickly adjust our business activities accordingly upon any change in conditions. Potential adjustments may be a reallocation of manufacturing of our products to alternative countries, a reallocation of investments to alternative, more attractive markets, changes in product prices, closure of our own-retail stores, more conservative product purchasing, tight working capital management and an increased focus on cost control.

To mitigate the risk related to fluctuations in currency exchange rates, we utilize a centralized currency risk management system and hedge currency needs for projected sourcing requirements on a rolling basis up to 24 months in advance. In rare instances, hedges are contracted beyond the 24-months horizon.

► SEE TREASURY

By building on our leading position within the sporting goods industry, we actively engage in supporting policymakers and regulators in their efforts to liberalize global trade and curtail trade barriers, and to proactively adapt to significant changes in the regulatory environment.

Risks related to consumer demand and product offering

Our success largely depends on our ability to continuously create new, innovative, and sustainable products. Consumer demand changes can be sudden and unexpected, particularly when it comes to the more fashion-related part of our business Therefore, we face a risk of short-term revenue loss in cases where we are unable to anticipate consumer demand or respond quickly to changes. In addition, creating and offering products that do not resonate with consumers and our retail partners is a critical risk to the success of our brands, especially considering our focus on key product franchises. This risk could be exacerbated if our marketing activities and brand campaigns fail to generate consumer excitement. We consider this risk most relevant in our key markets Europe, North America, and Asia-Pacific. Even more critical in the long term, however, are the risks of continuously overlooking new trends and failing to continuously introduce and successfully commercialize new product innovation.

To mitigate these risks, identifying and responding to shifts in consumer demand as early as possible is a key responsibility of our brand and sales organizations and, in particular, of the respective Risk Owners. Therefore, we utilize extensive primary and secondary research tools as outlined in our risk and opportunity identification process. By putting the consumer at the center of our decision-making, we intend to create higher brand advocacy and to attract new consumers. We continuously expand our consumer analytics efforts to read and quickly react to changes in demand or trend shifts. In addition, direct touchpoints with consumers via our own digital channels and direct communication with consumers on social media platforms strengthen our understanding of consumer preferences and behavior, and, as a result, help us to reduce our vulnerability to changes in demand. Through continuous monitoring of sell-through data and disciplined product lifecycle management, in particular for our major product franchises, we are able to better detect demand patterns and prevent overexposure. By leveraging our promotion partnerships and by carefully orchestrating launch events across markets and channels, we intend to maintain brand desire and consumer demand at a constantly high level. Utilizing external insights and capabilities in product creation helps us strengthen our product offering and drive consumer demand, brand desire, market share and profitability

Risks related to the competitive and retail environment

Changes in the competitive landscape and the retail environment could impact the company's success. Strategic alliances among competitors and/or retailers, the increase in retailers' own private label businesses and intense competition for consumers, production capacity and promotion partnerships between well-established industry peers and new market entrants pose a substantial risk to adidas. This could lead to harmful competitive behavior, such as sustained periods of discounting in the marketplace or intense bidding for promotion partnerships. Failure to recognize and respond to consolidation in the retail industry could lead to increased dependency on particular retail partners, reduced bargaining power and, consequently, margin erosion. Sustained pricing pressure in key markets could threaten the company's financial performance and the competitiveness of our brand. Aggressive competitive practices could also drive increases in marketing costs and market share losses, thus hurting the company's profitability and market position. The inability to adjust our distribution strategy in a timely manner to a changing retail industry, which is experiencing rapid substitution of physical retail stores by digital commerce platforms as well as increasing connectivity between physical and digital retail, could result in sales and profit shortfalls. A decline in the attractiveness of particular shopping locations such as shopping malls could lead to sales shortfalls in our customers' and our own stores, higher inventory in the marketplace, increased clearance activity and margin pressure.

To mitigate these risks, we continuously monitor and analyze information on our competitors and markets in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to such changes. This enables us to proactively adjust our marketing and sales activities (e.g. product launches, selective pricing adjustments) when needed. We also continuously and closely monitor numerous indicators (e.g. order placement, sell-through rates at the point of sale, average selling prices, discounts, store traffic) that help us identify changes in the retail environment and quickly take appropriate action such as closing or remodeling our own stores. We constantly adjust our segmentation strategies to ensure that the right product is sold at the right point of sale to the right consumer at an appropriate price. Continuous investment in research and development ensures that we remain innovative and distinct from competitors. We also pursue a strategy of entering into long-term agreements with key promotion partners such as FC Bayern Munich, James Harden, or Mikaela Shiffrin. In addition, our product and communication initiatives are designed to increase brand desire, drive market share growth, and strengthen our brands' market position.

Business partner risks

adidas interacts and enters into partnerships with various third parties, such as athletes, creative partners, innovation partners, retail partners or suppliers of goods or services. As a result, the company is exposed to a multitude of business partner risks.

We work with strategic partners in various areas of our business (e.g. product creation, manufacturing, research, and development) or distributors in a few selected markets whose approach might differ from our own business practices and standards, which could also negatively impact the company's business performance and reputation. Similarly, failure to maintain strong relationships with our partners could negatively impact the company's sales and profitability. Risks may also arise from a dependence on particular partners. For example, the overdependence on a supplier or customer increases the company's vulnerability to delivery and sales shortfalls and could lead to significant margin pressure. Business partner default (including insolvency) or other disruptive events such as strikes may negatively affect the company's business activities and result in additional costs and liabilities as well as lower sales for the company. Unethical business practices on the part of business partners or improper behavior of individual athletes, influencers or partners in the entertainment industry could have a negative spill-over effect on the company's reputation, lead to higher costs or liabilities or even disrupt business activities.

To mitigate business partner risks, adidas has implemented various measures. For example, we generally include clauses in contractual agreements with partners that allow us to suspend or even terminate our partnership in case of improper or unethical conduct. In addition, we work with a broad portfolio of promotion partners to reduce the dependency on the success and popularity of a few individual partners. We utilize a broad distribution strategy which includes further expansion of our direct-to-consumer business to reduce the risk of overreliance on key customers. Specifically, no single customer accounted for more than 5% of the company's sales in 2020. To reduce risk in the supply chain, we work with suppliers who demonstrate reliability, quality and innovation. Furthermore, in order to minimize any potential negative consequences such as a violation of our Workplace Standards by our suppliers, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain. In addition, we have selectively bought insurance coverage for the risk of business interruptions caused by physical damage to suppliers' premises. To reduce supplier dependency, the company follows a strategy of diversification. In this context, adidas works with a broad network of suppliers in different countries and, for the vast majority of its products, does not have a single-sourcing model.

Personnel risks

Achieving the company's strategic and financial objectives is highly dependent on our employees and their talents. In this respect, strong leadership and a performance-enhancing culture are critical to the company's success. Therefore, ineffective leadership as well as the failure to install and maintain a performance-oriented culture that fosters diversity and inclusion and strong employee engagement amongst our workforce could also substantially impede our ability to achieve our goals. An ineffective, unbalanced, or insufficient allocation of resources to business activities could cause operational inefficiencies and result in lower employee engagement. In addition, global competition for highly qualified personnel remains fierce. As a result, the loss of key personnel in strategic positions and the inability to identify, recruit and retain highly qualified and skilled talent who best meet the specific needs of our company pose risks to our business performance.

To ensure that we maintain a culture that fosters diversity and inclusion, we redefined our framework for diversity and inclusion and launched a global policy on anti-harassment and anti-discrimination in 2020. Our workforce also takes part in global anti-racism and unconscious bias training in diversity and inclusion . To ensure effective leadership across the company, we have established a global Leadership Framework that is inclusive and articulates the behaviors expected of our leaders.

To optimize staffing levels and resource allocation (i.e. having the right people with the right skillsets in the right roles at the right time), we have a dedicated workforce management process in place. We continuously invest in improving employer branding activities and have built a global recruiting organization to enhance our internal and external recruiting services and capabilities. Our global succession management helps create internal talent pipelines for critical leadership positions and therefore reduces succession risk.

Risks related to media and stakeholder activities

The company faces considerable risk if we are unable to uphold high levels of consumer awareness, affiliation, and purchase intent for our products. Adverse or inaccurate media coverage on our products or business practices as well as negative social media discussion may significantly harm the adidas' reputation and brand image, lead to public misperception of the company's business performance and eventually result in a sales slowdown. Similarly, certain activities on the part of key stakeholders (e.g. non-governmental organizations, governmental institutions) could cause reputational damage, distract top management, and disrupt business activities.

To mitigate these risks, we pursue proactive, open communication and engagement with key stakeholders (e.g. consumers, media, the financial community, non-governmental organizations, governmental institutions) on a continuous basis. In addition, we have established clear crisis communication processes to ensure a quick and effective response to adverse developments. We have also strengthened social media capabilities and created various digital newsrooms around the globe that enable continuous monitoring of social media content related to the company's products and activities and allow early management of potentially damaging social media discussion. On a case-by-case basis, we seek external advice from experts in communication and stakeholder management.

IT and cyber security risks

Theft, leakage, corruption, or unavailability of critical information (e.g. consumer data, employee data, product data) and systems could lead to reputational damage, regulatory penalties or the inability to perform key business processes. Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support and financial reporting, are all dependent on IT systems. Significant outages, application failures or cyber security threats to our infrastructure, or that of our business partners, could therefore result in in reputational damage, regulatory penalties or cause considerable business disruption or impact to business-critical data.

To mitigate these risks, our IT organization proactively engages in system preventive maintenance, service continuity planning, adherence to IT policies and maintenance of a comprehensive information security program. Information security governance, data security, security architecture design, continuity management and employee awareness programs help us to protect the company adequately. We have also secured limited insurance coverage for damage resulting from cyber security incidents.

Project risks

To effectively support further business growth and improve efficiency, adidas continuously invests in new projects such as the creation, implementation, expansion, harmonization or modernization of IT systems, distribution centers or office buildings. Ineffective project management could delay the execution of critical projects and lead to higher expenditures. Inadequate project planning and controlling as well as executional mistakes or ineffective change management could cause inefficiencies, delays, or business disruption, resulting in higher costs and sales shortfalls. Inappropriate project governance, prioritization and oversight of the project portfolio may lead to suboptimal resource allocation and undesired project results.

We manage projects utilizing reviews by project teams as well as project steering committees to evaluate the progress, quality, and costs of those projects on a regular basis. This approach allows early detection of project risks and quick implementation of corrective action or timely cancelation of projects with a low chance of success. To ensure true end-to-end management of key projects we have established a network of program and project management departments across all main functions (i.e. Sales, Marketing, Operations, Finance, IT and Human Resources). We also work with external partners for project management support in areas where we do not have the required expertise or experience in-house.

Risks related to tax and customs regulations

Numerous laws and regulations regarding customs and taxes as well as changes in such laws and regulations affect the company's business practices worldwide. Non-compliance with regulations concerning product imports (including calculation of customs values), intercompany transactions or income taxes could lead to substantial financial penalties and additional costs as well as negative media coverage and therefore reputational damage, for example in case of understatements or underpayments of corporate income taxes or customs duties. Changes in regulations regarding customs and taxes may also have a substantial impact on the company's sourcing costs or income taxes. Therefore, we also create provisions in accordance with the relevant accounting regulations to account for potential disputes with customs or tax authorities. Increasingly aggressive positions taken by tax and customs authorities in audits could increase the potential impact of such risks and the likelihood that they materialize.

We seek to manage tax and customs risks in a balanced way that bears an appropriate relationship to the operating structure, commercial and economic substance, and other business risks. To proactively manage such risks, we constantly seek expert advice from specialized independent law and tax advisory firms in areas such as process design, transaction advisory, compliance and tax or customs audits. Processes are in place requiring that attention is regularly directed to potential areas of tax or customs risk (e.g. a quarterly tax risk questionnaire) and the corporate tax and customs teams are involved in critical business transactions. Compliance with global tax and customs policies and controls is monitored by the Corporate Tax and Customs teams, internal controls experts and the Internal Audit department. We closely monitor changes in legislation to properly adopt regulatory requirements regarding customs and taxes, apply any available and applicable guidance from tax authorities and organizations such as the OECD, the World Customs Organization and the World Trade Organization and seek guidance from individual authorities, as appropriate, which for example may include requesting tax rulings from a tax authority. In addition, our internal legal, customs and tax teams advise our operational management teams to ensure appropriate and compliant business practices. Our specialized staff receive adequate training for their role and non-tax or non-customs staff are made aware of potential tax and customs matters relevant to their roles. Furthermore, we work closely with customs authorities and governments worldwide to make sure we adhere to customs and trade regulations at import and export to ensure the availability and obtain the required clearance of products to fulfill sales demand. ► SEE SUSTAINABILITY

Compliance risks

As a globally operating company, adidas is subject to various laws and regulations. Non-compliance with such laws and regulations could lead to penalties and fines and cause reputational damage. For example, non-compliance with laws and regulations concerning data protection and privacy, such as the EU General Data Protection Regulation, may result in substantial fines. In addition, publication of failure to comply with data protection and privacy regulations could cause reputational damage and result in a loss of consumer trust in our brands. We also face the risk that members of top management as well as our employees breach rules and standards that guide appropriate and responsible business behavior. This includes the risks of fraud, financial misstatements or manipulation, anti-competitive business practices, bribery, corruption, discrimination, and harassment in the workplace.

Our Fair Play Compliance Framework helps us to prevent, detect and adequately respond to these risks. Our Global Policy Manual provides a framework for basic work procedures and processes and our Fair Play Code of Conduct stipulates that every employee and our business partners shall act ethically in compliance with the laws and regulations of the legal systems where they conduct company business. In addition, our Regional Compliance Managers and Local Compliance Officers guide and advise our operating managers regarding fraud and corruption topics. Furthermore, we utilize controls such as segregation of duties in IT systems and data analytics technology to prevent or detect fraudulent activities. We are also working with external partners and law firms to ensure we are informed about legal requirements across the globe, and we take appropriate action to ensure compliance. To mitigate the risk of non-compliance with laws and regulations concerning data protection and privacy, we developed a global privacy management framework that introduces the company's privacy principles and provides guidance for the use and deletion of personal information. This framework applies to all adidas businesses worldwide and also sets our expectations of third-party business partners for managing personal information for or on behalf of adidas. Our Global Privacy Officer and the Global Privacy department drive the operational establishment of the framework and monitoring capabilities to track and report its implementation. During the implementation, they are continuously providing further implementation guidance and training.

ILLUSTRATION OF OPPORTUNITIES

In this report, we illustrate financial and non-financial opportunities considered most relevant in 2021 and beyond. According to our assessment methodology, opportunities related to consumer demand and product offering, opportunities related to the distribution strategy as well as opportunities related to data analytics, and opportunities related to a faster-than-expected recovery from the coronavirus pandemic are considered material. The assessment is illustrated in the opportunities overview table.

Corporate opportunities overview

Opportunity categories 2020	Potential impact	Change (2019 rating)	Likelihood	Change (2019 rating)
Opportunities related to consumer demand and product offering[1]	Significant	↑ (High)	30% – 50%	
Opportunities related to the distribution strategy	Significant	↑ (Medium)	30% – 50%	
Opportunities related to data analytics	Significant	↑ (Low)	30% – 50%	↓ (50% – 85%)
Opportunities related to a faster-than-expected recovery from the coronavirus pandemic	Significant		15% – 30%	
Macroeconomic, sociopolitical, regulatory and currency opportunities	Significant		< 15%	↓ (15% – 30%)
Opportunities related to tax regulations	Medium	↓ (Significant)	15% – 30%	↑ (< 15%)
Personnel opportunities	Medium		15% – 30%	

1 Includes opportunities related to sustainability which were shown as a separate category in 2019.

Opportunities related to consumer demand and product offering

Well-executed campaigns and marketing initiatives could increase brand desire and consumer appeal, which may drive full-price sell-through and result in higher-than-expected sales and profit. In addition, outstanding competitive performance of promotion partners such as individual athletes, club teams or national teams may further increase their popularity amongst consumers. As a result, adidas may generate higher sales of signature footwear or licensed apparel and accessories. We believe that our continued focus on product innovation and the ability to fully commercialize such innovation through an attractive product offering that resonates with consumers could provide further upside potential both in terms of sales and profit. In that respect, we see untapped potential particularly in sport-inspired apparel and in our women's and kids' business.

We are also convinced that a continued focus on sustainability represents an opportunity for the company, in particular in the medium to long term. While we have already been very successful with our sustainability efforts, we see further upside potential leveraging our leadership position. Consumers are increasingly looking for products composed of more sustainable materials and manufactured in an innovative and yet socially and environmentally responsible way. By strengthening our sustainability focus in our marketing and product creation activities even further, we may generate additional sales growth and drive profitability improvements. ▸ SEE SUSTAINABILITY

Opportunities related to the distribution strategy

The further expansion of our own e-commerce activities and the amplification of our digital partner commerce business could provide further upside potential in terms of sales and profit. In addition, improving order book conversion in our wholesale channel, where we clearly focus on partners that provide consumers with the best shopping experience and customer service, could result in higher-than-expected sales and profit.

Opportunities related to data analytics

Data and analytics play a crucial role in enabling fact-based decision-making. Therefore, we have a dedicated Data & Analytics team to drive business decision-making by leveraging the power of data. The continuous enhancement of our existing capabilities to build and scale insights-driven use cases and the use of the latest technology could bring value to our business operations across the entire company. As a result, we see the opportunity to become faster and more efficient in our operations. We may increase visibility and understanding of consumer preferences, apply these insights in our product creation and, as a result, increase sales and reduce cost of sales. Leveraging data may also help us optimize order book management, inventory management and purchasing. All of this could result in improved financial performance.

Opportunities related to faster-than-expected recovery from the coronavirus pandemic

Effective measures against the coronavirus pandemic (e.g. improved therapies and vaccination programs) could lead to a faster-than-expected recovery of the economy and the sporting goods industry. This could result in faster-than-expected growth of adidas net sales and profit. Furthermore, the sports industry could benefit from long-term trends amplified by the coronavirus pandemic such as the increasing penetration of sportswear ('athleisure') as well as rising awareness for health and wellness. These trends could positively impact adidas' net sales growth in 2021 and beyond.

Macroeconomic, sociopolitical, regulatory and currency opportunities

Favorable exchange rate developments can potentially have a positive impact on the company's financial results. Translation effects from the conversion of non-euro-denominated results into our company's functional currency, the euro, might also positively impact our company's financial performance. Legislative and regulatory changes such as the elimination of trade barriers due to free trade agreements can create cost savings or potentially open up new channels of distribution and, as a result, positively impact profitability.

Opportunities related to tax regulations

The potential release of valuation allowances on deferred tax assets or the release of tax risk reserves could positively impact income tax expense. In addition, changes in local tax regulations may offer the company the option to realize benefits that could result in a reduction of tax expenses and higher net income.

Personnel opportunities

Creating and managing a performance-oriented culture that fosters diversity and inclusion as well as leadership accountability and clear values in the workplace could lead to increased diversity of thought, increased creativity and innovation and higher employee satisfaction and engagement. This may positively impact the company's financial performance. A workforce that includes diverse talent and reflects the diversity of our customers and consumers, helps us better serve the communities we work in and strengthen brand reputation among our consumers, which could potentially create a competitive advantage and positively impact top- and bottom-line performance.

MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

ASSESSMENT OF PERFORMANCE VERSUS TARGETS

We communicate our financial targets on an annual basis. We also provide updates throughout the year as appropriate. In 2020, financial results were significantly impacted by the negative effects of the coronavirus pandemic. Exceptional growth in e-commerce could only partially compensate for the adverse effects of far-reaching lockdown measures and temporary physical store closures. As purchasing behavior continued to shift toward online channels, our digital platforms facilitated consumer engagement, seamless personal experiences and brand building even in times of social distancing. Against this backdrop, accelerating global trends such as the increasing penetration of sportswear ('athleisure') and rising awareness for health and wellness further supported the company's sequential recovery throughout the year. As uncertainties toward the financial impact of the coronavirus pandemic prevailed throughout 2020, especially around the extension of lockdowns and store closures, the company was not able to provide an outlook for the full year 2020 including that impact. Instead, we provided quarterly outlook statements and delivered top- and bottom-line results in line with these guidances.

▸ SEE ECONOMIC AND SECTOR DEVELOPMENT

Company targets versus actual key metrics

	2019 Results	2020 Targets[1]	2020 Results[2]	2021 Outlook[3]
Currency-neutral sales development	6%	to increase at a rate between 6% and 8%	(14%)	to increase at a mid- to high-teens rate
Gross margin	52.0%	to decrease slightly compared to the prior year level of 52.0%	49.7% (2.3pp)	to increase to a level of around 52%
Operating margin	11.3%	to increase between 0.2pp and 0.5pp to a level between 11.5% and 11.8%	3.8% (7.5pp)	to increase to a level of between 9% and 10%
Net income from continuing operations (€ in millions)	1,918	to increase at a rate between 10% and 13% to a level between € 2.10 billion and € 2.16 billion	429 (78%)	to increase to a level of between € 1.25 billion and € 1.45 billion
Average operating working capital in % of net sales	18.1%	slight increase	23.5% 5.4pp	to decrease to a level of below 20%
Capital expenditure[4] (€ in millions)	711	to increase to a level of around € 800 million	442 (38%)	to increase to a level of around € 700 million

1 As published on March 11, 2020 and withdrawn in an ad-hoc announcement on April 14, 2020 due to the unpredictable impacts of the coronavirus pandemic
2 Results 2020 including Reebok
3 Outlook 2021 excluding Reebok; relative increases/decreases disclosed here refer to results 2020 excluding Reebok.
4 Excluding acquisitions and leases.

In 2020, revenues decreased 14% on a currency-neutral basis, due to currency-neutral sales declines across all market segments except for Russia/CIS, where revenues remained flat. Our direct-to-consumer business grew at a high single-digit rate, with e-commerce recording another year of exceptional growth. In the second half of the year, our business started to recover as the company focused on healthy inventories, profitable sell-through and disciplined wholesale sell-in. Accordingly, gross margin ended the year at 49.7%, reflecting a decrease of 2.3 percentage points. A more favorable channel mix driven by exceptional growth in e-commerce and lower sourcing costs partially compensated for a less favorable pricing mix due to increased promotional activity and negative currency developments. As anticipated, the operating result turned positive in the second half of the year while operating profit for the year 2020 as a whole declined 72% to € 751 million. Accordingly, operating margin decreased 7.5 percentage points to 3.8%. Net income from continuing operations decreased 78% to € 429 million. ▸ SEE INCOME STATEMENT

In 2020, average operating working capital as a percentage of sales ended the year at a level of 23.5%, which reflects a year-over-year increase of 5.4 percentage points, despite the company's inventory normalization progressing according to plan in the second half of the year. Capital expenditure decreased 38% to € 442 million in 2020, as the company prioritized short-term financial flexibility amid heightened uncertainty due to the coronavirus pandemic. ▸ SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

Beyond our financial performance, we also actively manage non-financial KPIs.
▸ SEE INTERNAL MANAGEMENT SYSTEM

In 2020 the strength of our brands was mainly reflected in the exceptional growth in e-commerce, while we protected market share gains in a promotional environment in strategic growth markets North America and Greater China. Our diligence and discipline in sustainability matters continues to yield strong results and recognition for our company. In 2020, 71% of all polyester used for our apparel and footwear ranges was already recycled polyester. With that, we are ahead of our plan to use only recycled polyester from 2024 onward. Furthermore, through collective measures and technical support, our suppliers were able to exceed all our five-year environmental targets on energy, water, and waste. In 2020, we continued to leverage People Pulse as an important feedback channel for our corporate employees as we maintained our global approach to measure the level of employee satisfaction. In a survey conducted in September, employee Net Promoter Scores (eNPS) increased compared to the last survey conducted at the end of 2019. Therefore, feedback of the employees was very positive. We continued to openly discuss results and drive areas of improvement, while gaining insights toward the employee experience at adidas. ▸ SEE SUSTAINABILITY ▸ SEE OUR PEOPLE

Finally, despite interruptions in our distribution centers due to the coronavirus pandemic especially in the first half of the year, the on-time in-full (OTIF) deliveries to our customers and own-retail stores were only slightly below the prior year level. ▸ SEE GLOBAL OPERATIONS

ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES

Our Risk Management team aggregates all risks and opportunities identified through the half-yearly risk and opportunity assessment process. Results from this process are analyzed and reported to the Executive Board accordingly. In addition, the Executive Board discusses and assesses risks and opportunities on a regular basis. Compared to the prior year, our assessment of certain risks has changed in terms of likelihood of occurrence and/or potential financial impact. As a result, the overall adidas risk profile has slightly worsened compared to the prior year. However, considering the potential financial impact as well as the likelihood of the risks explained in this report materializing, and considering the strong balance sheet as well as the current business outlook, we do not foresee any material jeopardy to the viability of the company as a going concern. In 2020, the company obtained investment grade ratings from Standard & Poor's and Moody's and strengthened its liquidity and financial flexibility. We remain confident that our earnings strength forms a solid basis for our future business development and provides the resources necessary to pursue the opportunities available to the company.
▸ SEE RISK AND OPPORTUNITY REPORT

ASSESSMENT OF FINANCIAL OUTLOOK

In March 2021, adidas unveiled 'Own the Game', our strategy 2025, which defines strategic priorities and objectives for the period up to 2025. The strategy is focused on capturing consumer-driven opportunities which, in turn, is expected to spur above industry top- and sustainable bottom-line growth.

We project currency-neutral revenues to increase at a rate of between 8% and 10% per annum on average between 2021 and 2025. Our bottom-line is expected to grow sustainably, as we expect net income from continuing operations to increase by an average of between 16% and 18% per annum in the four-year period between 2021 and 2025. ▸ SEE STRATEGY ▸ SEE OUTLOOK

Following the revenue decline experienced in 2020 due to the coronavirus pandemic, we project significant top-line improvements in 2021. In addition, long-term industry trends such as increasing sports participation, the growing penetration of sports-inspired apparel and footwear ('athleisure') and digitalization are set to drive sales growth. As a result, we expect sales to increase at a mid- to high-teens rate on a currency-neutral basis in 2021. An increase in gross margin and continued strict cost control will also drive strong profitability improvements. Supported by operating margin expansion, net income from continuing operations is projected to increase to a level of between € 1.25 billion and € 1.45 billion in 2021. This outlook has been prepared excluding the Reebok business. ► SEE OUTLOOK

We believe our outlook for 2021 realistically describes the underlying development of the company. However, the outlook for 2021 as outlined in this report is subject to change depending on further developments related to the coronavirus pandemic. In addition, ongoing uncertainties regarding the economic outlook and consumer sentiment in both developed and developing economies as well as re-escalating trade tensions represent risks to the achievement of our stated financial goals and aspirations. No other material event between the end of 2020 and the publication of this report has altered our view.

► SEE OUTLOOK

4

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

adidas AG Consolidated Statement of Financial Position (IFRS) € in millions

	Note	Dec. 31, 2020	Dec. 31, 2019	Change in %
Assets				
Cash and cash equivalents	05	3,994	2,220	80
Short-term financial assets	06	0	292	(100)
Accounts receivable	07	1,952	2,625	(26)
Other current financial assets	08	702	544	29
Inventories	09	4,397	4,085	8
Income tax receivables	36	109	94	17
Other current assets	10	999	1,076	(7)
Assets classified as held for sale		0	–	n.a.
Total current assets		**12,154**	**10,934**	**11**
Property, plant and equipment	11	2,157	2,380	(9)
Right-of-use assets	12	2,430	2,931	(17)
Goodwill	13	1,208	1,257	(4)
Trademarks	14	750	859	(13)
Other intangible assets	14	252	305	(18)
Long-term financial assets	15	353	367	(4)
Other non-current financial assets	16	414	450	(8)
Deferred tax assets	36	1,233	1,093	13
Other non-current assets	17	103	103	(1)
Total non-current assets		**8,899**	**9,746**	**(9)**
Total assets		**21,053**	**20,680**	**2**

adidas AG Consolidated Statement of Financial Position (IFRS) € in millions

	Note	Dec. 31, 2020	Dec. 31, 2019	Change in %
Liabilities and equity				
Short-term borrowings	18	686	43	1,483
Accounts payable		2,390	2,703	(12)
Current lease liabilities	21	563	733	(23)
Other current financial liabilities	19	446	235	90
Income taxes	36	562	618	(9)
Other current provisions	20	1,609	1,446	11
Current accrued liabilities	22	2,172	2,437	(11)
Other current liabilities	23	398	538	(26)
Total current liabilities		**8,827**	**8,754**	**1**
Long-term borrowings	18	2,482	1,595	56
Non-current lease liabilities	21	2,159	2,399	(10)
Other non-current financial liabilities	24	115	92	24
Pensions and similar obligations	25	284	229	24
Deferred tax liabilities	36	241	280	(14)
Other non-current provisions	20	229	257	(11)
Non-current accrued liabilities	22	8	9	(9)
Other non-current liabilities	26	17	7	156
Total non-current liabilities		**5,535**	**4,868**	**14**
Share capital		195	196	(0)
Reserves		(474)	45	n.a.
Retained earnings		6,733	6,555	3
Shareholders' equity	**27**	**6,454**	**6,796**	**(5)**
Non-controlling interests	29	237	261	(9)
Total equity		**6,691**	**7,058**	**(5)**
Total liabilities and equity		**21,053**	**20,680**	**2**

CONSOLIDATED INCOME STATEMENT

adidas AG Consolidated Income Statement (IFRS) € in millions

	Note	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019	Change
Net sales	38	19,844	23,640	(16.1%)
Cost of sales		9,990	11,347	(12.0%)
Gross profit		**9,855**	**12,293**	**(19.8%)**
(% of net sales)		49.7%	52.0%	(2.3pp)
Royalty and commission income		83	154	(46.2%)
Other operating income	31	42	56	(24.5%)
Other operating expenses	11, 14, 32, 33	9,229	9,843	(6.2%)
(% of net sales)		46.5%	41.6%	4.9pp
Marketing and point-of-sale expenses		2,573	3,042	(15.4%)
(% of net sales)		13.0%	12.9%	0.1pp
Distribution and selling expenses		4,962	4,997	(0.7%)
(% of net sales)		25.0%	21.1%	3.9pp
General and administration expenses		1,461	1,652	(11.6%)
(% of net sales)		7.4%	7.0%	0.4pp
Sundry expenses		119	134	(11.6%)
(% of net sales)		0.6%	0.6%	0.0pp
Impairment losses (net) on accounts receivable and contract assets		114	18	541.8%
Operating profit		**751**	**2,660**	**(71.8%)**
(% of net sales)		3.8%	11.3%	(7.5pp)
Financial income	34	29	64	(55.2%)
Financial expenses	34	204	166	23.2%
Income before taxes		**575**	**2,558**	**(77.5%)**
(% of net sales)		2.9%	10.8%	(7.9pp)
Income taxes	36	146	640	(77.2%)
(% of income before taxes)		25.4%	25.0%	0.3pp
Net income from continuing operations		**429**	**1,918**	**(77.6%)**
(% of net sales)		2.2%	8.1%	(6.0pp)
Gain from discontinued operations, net of tax	03	13	59	(77.5%)
Net income		**443**	**1,977**	**(77.6%)**
(% of net sales)		2.2%	8.4%	(6.1pp)
Net income attributable to shareholders		**432**	**1,976**	**(78.1%)**
(% of net sales)		2.2%	8.4%	(6.2pp)
Net income attributable to non-controlling interests		**11**	**2**	**540.9%**
Basic earnings per share from continuing operations (in €)	37	**2.15**	**9.70**	**(77.9%)**
Diluted earnings per share from continuing operations (in €)	37	**2.15**	**9.70**	**(77.9%)**
Basic earnings per share from continuing and discontinued operations (in €)	37	**2.21**	**10.00**	**(77.8%)**
Diluted earnings per share from continuing and discontinued operations (in €)	37	**2.21**	**10.00**	**(77.8%)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

adidas AG Consolidated Statement of Comprehensive Income (IFRS) € in millions

	Note	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Net income after taxes		**443**	**1,977**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans (IAS 19), net of tax[1]	25	(15)	(50)
Net (loss) / gain on other equity investments (IFRS 9), net of tax	30	(2)	12
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss		**(17)**	**(38)**
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met			
Net loss on cash flow hedges and net foreign investment hedges, net of tax	30	(100)	(148)
Net gain / (loss) on cost of hedging reserve – options, net of tax	30	7	(7)
Net (loss) / gain on cost of hedging reserve – forward contracts, net of tax	30	(30)	11
Reclassification of foreign currency differences due to dissolution of subsidiaries		–	0
Currency translation differences		(401)	98
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met		**(524)**	**(46)**
Other comprehensive income		**(540)**	**(84)**
Total comprehensive income		**(97)**	**1,894**
Attributable to shareholders of adidas AG		(87)	1,898
Attributable to non-controlling interests		(10)	(4)

1 Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect.
The accompanying Notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

adidas AG Consolidated Statement of Changes in Equity (IFRS) € in millions

	Note	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve options	Cost of hedging reserve forward contracts	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2019		**199**	**887**	**(574)**	**(3)**	**(3)**	**(5)**	**(180)**	**6,054**	**6,377**	**(13)**	**6,364**
Other comprehensive income				104	(147)	(7)	11	(38)		(78)	(6)	(84)
Net income									1,976	1,976	2	1,977
Total comprehensive income				**104**	**(147)**	**(7)**	**11**	**(38)**	**1,976**	**1,898**	**(4)**	**1,894**
Repurchase of adidas AG shares	27	(3)							(806)	(809)		(809)
Repurchase of adidas AG shares due to equity-settled share-based payment	27	(0)							(28)	(28)		(28)
Reissuance of treasury shares due to equity-settled share-based payment	27	0							32	32		32
Dividend payment									(664)	(664)	(2)	(666)
Equity-settled share-based payment	28								(10)	(10)		(10)
First-time consolidation due to obtaining control in accordance with IFRS 10	04										280	280
Balance at December 31, 2019 / January 1, 2020		**196**	**887**	**(470)**	**(150)**	**(10)**	**6**	**(218)**	**6,555**	**6,796**	**261**	**7,058**
Other comprehensive income				(380)	(100)	7	(30)	(17)		(519)	(21)	(540)
Net income									432	432	11	443
Total comprehensive income				**(380)**	**(100)**	**7**	**(30)**	**(17)**	**432**	**(87)**	**(10)**	**(97)**
Repurchase of adidas AG shares	27	(1)							(263)	(264)		(264)
Repurchase of adidas AG shares due to equity-settled share-based payment	27	(0)							(29)	(29)		(29)
Reissuance of treasury shares due to equity-settled share-based payment	27	0							36	36		36
Dividend payment											(17)	(17)
Equity-settled share-based payment	28								2	2		2
First-time consolidation due to obtaining control in accordance with IFRS 10	04										3	3
Balance at December 31, 2020		**195**	**887**	**(850)**	**(250)**	**(3)**	**(23)**	**(235)**	**6,733**	**6,454**	**237**	**6,691**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

adidas AG Consolidated Statement of Cash Flows (IFRS) € in millions

	Note	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Operating activities:			
Income before taxes		575	2,558
Adjustments for:			
Depreciation, amortization and impairment losses	11, 12, 13, 14, 32, 34	1,370	1,214
Reversals of impairment losses	31	(6)	(8)
Interest income	34	(25)	(50)
Interest expense	34	164	160
Unrealised foreign exchange losses/(gains), net		35	(1)
Losses on sale of property, plant and equipment and intangible assets, net		28	11
Other non-cash effects from operating activities	31, 32	2	(12)
Payment for external funding of pension obligations (CTA)		–	(105)
Operating profit before working capital changes		**2,144**	**3,767**
Decrease/(Increase) in receivables and other assets		394	(694)
Increase in inventories		(503)	(505)
(Decrease)/Increase in accounts payable and other liabilities		(141)	951
Cash generated from operations before taxes		**1,893**	**3,519**
Income taxes paid		(404)	(692)
Net cash generated from operating activities – continuing operations		**1,489**	**2,828**
Net cash used in operating activities – discontinued operations		(3)	(9)
Net cash generated from operating activities		**1,486**	**2,819**
Investing activities:			
Purchase of trademarks and other intangible assets		(64)	(110)
Proceeds from sale of trademarks and other intangible assets		4	0
Purchase of property, plant and equipment		(379)	(598)
Proceeds from sale of property, plant and equipment		17	13
Proceeds from sale of a disposal group	03	1	8
Proceeds due to business combinations	04	–	54
Proceeds from disposal of discontinued operations		41	20
Proceeds from/ (Purchase of) sale of short-term financial assets		289	(284)
Purchase of investments and other long-term assets		(49)	(80)
Interest received		25	50
Net cash used in investing activities – continuing operations		**(115)**	**(925)**
Net cash generated from investing activities – discontinued operations		–	–
Net cash used in investing activities		**(115)**	**(925)**
Financing activities:			

adidas AG Consolidated Statement of Cash Flows (IFRS) € in millions

	Note	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Proceeds from issuance of bonds	18	1,490	–
Reverse transaction of buyback of Eurobonds	18	11	–
Interest paid		(157)	(156)
Repayments of lease liabilities		(611)	(597)
Dividend paid to shareholders of adidas AG	27	–	(664)
Dividend paid to non-controlling interest shareholders		(17)	(2)
Repurchase of adidas AG shares	27	(257)	(809)
Repurchase of adidas AG shares due to share-based payments		(29)	(28)
Proceeds from reissuance of treasury shares due to share-based payments		25	24
Proceeds from short-term borrowings	18	543	–
Repayments of short-term borrowings	18	(519)	(42)
Net cash generated from/(used in) financing activities – continuing operations		**479**	**(2,273)**
Net cash generated from financing activities – discontinued operations		–	–
Net cash generated from/(used in) financing activities		**479**	**(2,273)**
Effect of exchange rates on cash		**(75)**	**(30)**
Increase /(Decrease) in cash and cash equivalents		1,774	(410)
Cash and cash equivalents at beginning of year	05	2,220	2,629
Cash and cash equivalents at end of period	**05**	**3,994**	**2,220**

NOTES

adidas AG is a listed German stock corporation and parent of the adidas Group located at Adi-Dassler-Str. 1, 91074 Herzogenaurach, Germany, and is entered into the commercial register at the Local Court of Fürth (HRB 3868). adidas AG and its subsidiaries (collectively 'adidas', 'the Group' or 'the company') design, develop, produce and market a broad range of athletic and sports lifestyle products.

01 GENERAL

The consolidated financial statements of adidas AG as at December 31, 2020 comprise adidas AG and its subsidiaries and are prepared in compliance with International Financial Reporting Standards (IFRS), as to be applied in the European Union (EU) as at December 31, 2020, and the additional requirements pursuant to § 315e section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following new standards and interpretations as well as amendments to existing standards and interpretations are effective for financial years beginning on January 1, 2020 and have been applied for the first time to these consolidated financial statements:

- **Definition of a Business – Amendment to IFRS 3 (EU effective date: January 1, 2020):** The amendment provides additional guidance in order to help entities determine whether they have acquired a business or a group of assets. This amendment did not have an impact on the consolidated financial statements.

- **Interest Rate Benchmark Reform – Amendments to IFRS 9, IFRS 7 and IAS 39 (EU effective date: January 1, 2020):** The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform. The amendments apply for all hedging relationships that are directly affected by the interest rate benchmark reform. During the financial years 2019 and 2020, adidas did not conclude or possess any hedge instruments which were affected by the changes. Therefore, this amendment did not have any impact on the consolidated financial statements.

- **Definition of Material – Amendments to IAS 1 and IAS 8 (EU effective date: January 1, 2020):** The amendment clarifies the definition of 'material' and aligns the definition used in the Conceptual Framework with the accounting standards themselves. This amendment did not have any material impact on the consolidated financial statements.

- **General Amendments – References to the Conceptual Framework (EU effective date: January 1, 2020):** The amendments update references to the Conceptual Framework in individual standards. These amendments did not have an impact on the consolidated financial statements.

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by adidas before the EU effective date.

The following new standards and interpretations and amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB), endorsed by the EU, and which are effective for financial years beginning after January 1, 2020, have not been applied in preparing these consolidated financial statements :

- **Deferral of IFRS 9 – Amendment to IFRS 4 (IASB effective date: January 1, 2021):** The amendment provides two optional solutions to reduce the impact of the differing effective dates of IFRS 9 and IFRS 17. IFRS 4 Insurance Contracts' is currently not applied by the company. Therefore, the amendment is not expected to have any impact on the consolidated financial statements.

- **Interest Rate Benchmark Reform: Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IASB effective date: January 1, 2021):** The amendments offer a practical expedient for financial instrument modifications and lease modifications, specific relief from discontinuing hedging relationships, and the amendment introduces new disclosure requirements. The impacts of the amendment on the consolidated financial statements are currently under evaluation.

- **Covid-19- Related Rent Concessions - Amendment to IFRS 16 (EU effective date: June 1, 2020):** This amendment provides lessees with the choice of an exemption from assessing whether a COVID-19-related rent concessions are to be treated as lease modifications as defined by IFRS 16. If the exemption is applied, the lessee recognizes the effects of the rent concession in the consolidated income statement in the period in which it occurs. adidas has decided not to apply the exemption; thus, the amendment will not have any impact on the consolidated financial statements.

The following new standards and interpretations as well as amendments to existing standards and interpretations were issued by the IASB. These are not yet endorsed by the EU and hence have not been applied in preparing these consolidated financial statements:

- **Insurance Contracts – IFRS 17 including Amendments (IASB effective date: January 1, 2023):** The new standard regulates the recognition, measurement, presentation, and disclosure of certain insurance contracts that influence the entity's financial position, financial performance and cash flows. Insurance contracts which the entity issues, reinsurance contracts the entity holds, and investment contracts with discretionary participation features issued by the entity are all within the scope of the standard. IFRS 17 replaces IFRS 4 'Insurance Contracts', which is currently not applied by the company. Therefore, the standard is not expected to have any impact on the consolidated financial statements.

- **Reference to the Conceptual Framework – Amendment to IFRS 3 (IASB effective date: January 1, 2022):** The amendment updates the references surrounding the *Conceptual Framework* and clarifies that an acquirer does not recognize contingent assets acquired in a business combination. The amendment is not expected to have any material impact on the consolidated financial statements.

- **Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Amendment to IAS 1 (IASB effective date: January 1, 2023):** The amendment clarifies the classification of current and non-current liabilities when presenting amounts in the statement of financial position. This amendment is not expected to have any material impact on the consolidated financial statements.

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendment to IAS 16 (IASB effective date: January 1, 2022):** The amendment prohibits deducting any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating from the cost of an item of property, plant and equipment. These are instead recognized in the income statement as they occur. The amendment is not expected to have any material impact on the consolidated financial statements.

- **Onerous Contracts: Cost of Fulfilling a Contract – Amendment to IAS 37 (IASB effective date: January 1, 2022):** The amendment clarifies the fact that the cost of fulfilling a contract comprises the costs that relate directly to the contract, whether they are incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is not expected to have any material impact on the consolidated financial statements.

- **Annual Improvements to IFRS Standards 2018–2020 (IASB effective date: January 1, 2023):** The annual improvements include minor adjustments relating to the Subsidiary as a First-time Adopter (Amendment to IFRS 1), Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9), Lease Incentives (Amendment to Illustrative Example 13 of IFRS 16) and Taxation in Fair Value Measurements (Amendment to IAS 41). The improvements are not expected to have any material impact on the consolidated financial statements.

The consolidated financial statements have in principle been prepared on the historical cost basis with the exception of certain items in the statement of financial position such as financial instruments, derivative financial instruments and plan assets, which are measured at fair value.

Business development in 2020 was significantly impacted by the effects of the coronavirus pandemic. Estimates and assumptions relevant to the financial statements were made to the best of our knowledge, based on current events and actions. Due to the ongoing situation, it is difficult to predict the impact on assets and liabilities as well as income and expenses. The impact of the coronavirus pandemic is described in the individual Notes to the consolidated financial statements, if relevant, and include in particular accounts receivable, inventories, property, plant and equipment, right-of-use assets, goodwill, trademarks, financial instruments as well as other operating expenses. ► SEE NOTE 7 ► SEE NOTE 9 ► SEE NOTE 11 ► SEE NOTE 12 ► SEE NOTE 13 ► SEE NOTE 14 ► SEE NOTE 30 ► SEE NOTE 32

The consolidated financial statements are presented in euros (€) and, unless otherwise stated, all values are presented in millions of euros (€ in millions). Due to rounding principles, numbers presented may not exactly sum up to totals provided. This can lead to individual amounts rounded to zero.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

The consolidated financial statements include the financial statements of adidas AG and all its direct and indirect subsidiaries, which are prepared in accordance with uniform accounting principles. An entity is considered a subsidiary if it is controlled by adidas AG. Control exists when adidas is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The number of consolidated subsidiaries developed as follows in 2020 and 2019, respectively:

Number of consolidated subsidiaries

	2020	2019
January 1	**125**	**128**
First-time consolidated subsidiaries	–	4
Thereof: newly founded	–	3
Thereof: control obtained in accordance with IFRS 10	–	1
Deconsolidated/divested subsidiaries	(1)	(5)
Intercompany mergers	(3)	(2)
December 31	**121**	**125**

The subsidiaries are held either directly by adidas AG or indirectly via the two holding companies adidas Beteiligungsgesellschaft mbH in Germany or adidas International B.V. in the Netherlands.

A schedule of the shareholdings of adidas AG is shown in Attachment I to the consolidated financial statements. This schedule comprises information about the name, domicile, currency and equity of all consolidated subsidiaries as well as the respective share held in the capital of these subsidiaries. Furthermore, the schedule of the shareholdings of adidas AG is published on the electronic platform of the German Federal Gazette. ► SEE SHAREHOLDINGS

Within the scope of the first-time consolidation, all acquired assets and liabilities are recognized in the statement of financial position at fair value at the acquisition date. A debit difference between the acquisition cost and the proportionate fair value of assets, liabilities and contingent liabilities is recognized as goodwill. A credit difference is recorded in the income statement after a reassessment of the fair value of the assets, liabilities and contingent liabilities has been performed. In cases where not all of the shares in the investment in a subsidiary are acquired, a non-controlling interest measured initially as a proportionate share of net assets is recognized at the date of the first-time consolidation.

Acquisitions of additional investments in subsidiaries which are already controlled are recorded as equity transactions. Therefore, neither fair value adjustments of assets and liabilities nor gains or losses are recognized. Any difference between the cost for such an additional investment and the carrying amount of the net assets at the acquisition date is recorded directly in shareholders' equity.

The financial effects of intercompany transactions as well as any unrealized gains and losses arising from intercompany business relations are eliminated in preparing the consolidated financial statements.

Principles of measurement

The following table includes an overview of selected subsequent measurement principles used in the preparation of the consolidated financial statements.

Overview of selected subsequent measurement principles

	Subsequent measurement principle
Assets	
Cash and cash equivalents	Nominal amount
Cash and cash equivalents (investments in certain money market funds)	Fair value through profit or loss
Short-term financial assets	Fair value through profit or loss
Accounts receivable	Amortized cost
Contract assets	Impairment-only approach
Inventories	Lower of cost and net realizable value
Assets classified as held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant, and equipment	Amortized cost
Right-of-use assets	Amortized cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortized cost
With indefinite useful life	Impairment-only approach
Financial assets	See separate table
Liabilities	
Borrowings	Amortized cost
Accounts payable	Amortized cost
Liabilities/provisions for cash-settled share-based payment arrangements	Fair value
Contract liabilities	Expected settlement amount
Other financial liabilities	Amortized cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

Financial assets are classified and measured according to IFRS 9. All purchases and sales of financial assets, with the exception of trade receivables, are recognized on the trade date and initially measured at fair value. At initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price. Subsequently, a financial asset is measured at amortized cost, fair value through other comprehensive income (debt instrument), fair value through other comprehensive income (equity instrument) or fair value through profit or loss. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss: a financial asset which is held within a business model whose objective is to hold assets to collect contractual cash flows (business model 'Hold to collect') and the financial asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss: financial asset which is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (business model 'Hold to collect and sell') and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In principle, all investments in equity instruments are measured at fair value through profit or loss. At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor a contingent consideration acquired by a purchaser in a business combination. This election is made on an investment-by-investment basis.

All financial assets which are not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets are only reclassified when the business model for managing financial assets is changed, in which case all affected financial assets are reclassified.

The subsequent measurement of financial assets is as follows:

Overview of financial asset subsequent measurement principles according to IFRS 9

IFRS 9 category	Subsequent measurement principle	Subsequent measurement
Fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.	Fair value through profit or loss
Amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.	Amortized cost
Fair value through other comprehensive income (debt instrument)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, accumulated gains and losses are reclassified to profit or loss.	Fair value through other comprehensive income
Fair value through other comprehensive income (equity instrument)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.	Fair value through other comprehensive income

Currency translation

Transactions in foreign currencies are initially recorded in the respective functional currency by applying the spot exchange rate valid at the transaction date to the foreign currency amount.

In the individual financial statements of subsidiaries, monetary items denominated in non-functional currencies of the subsidiaries are generally translated into the functional currency at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recorded directly in the income statement.

Assets and liabilities of the company's non-euro functional currency subsidiaries are translated using closing exchange rates at the balance sheet date into the presentation currency, the euro, which is also the functional currency of adidas AG. For practical reasons, revenues and expenses are translated at average rates for the period which approximate the exchange rates on the transaction dates. All cumulative differences from the translation of equity of foreign subsidiaries resulting from changes in exchange rates are included in a separate item within shareholders' equity without affecting the income statement.

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

Exchange rates

€ 1 equals	Average rates for the year ending Dec. 31,		Spot rates at Dec. 31,	
	2020	2019	2020	2019
USD	1.1410	1.1196	1.2271	1.1234
GBP	0.8889	0.8773	0.8990	0.8508
JPY	121.7887	122.0868	126.4900	121.9400
CNY	7.8717	7.7393	7.9441	7.8057
RUB	82.4398	72.5070	90.6529	69.5449

Hyperinflation

To reflect changes in purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity and comprehensive income of subsidiaries in hyperinflationary economies are restated in terms of a measuring unit current at the balance sheet date. These are indexed using a general price index in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies'. In contrast, no restatement is required for monetary assets and liabilities carried at amounts current at the end of the balance sheet date because they represent money held, to be received or to be paid. ► SEE NOTE 35

Gains and losses from hyperinflation are included in the financial result.

Non-monetary assets that have been restated following the guidance in IAS 29 are still subject to impairment assessment in accordance with the guidance in the relevant IFRS.

Discontinued operations

A component of the company's business whose operations and cash flows can be clearly distinguished operationally and for financial reporting purposes from the rest of the company is classified as a discontinued operation if the component either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of cash flows are restated and presented as if the operation had been classified as such from the start of the comparative year.

Derivative financial instruments

adidas uses derivative financial instruments, such as currency options, forward exchange contracts, stock price options as well as forward stock transactions and currency swaps, to hedge its exposure to foreign exchange and stock price risks. In accordance with its Treasury Policy, the company does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognized in the statement of financial position at fair value, and subsequently also measured at their fair value. The method of recognizing the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, adidas designates derivatives as either a hedge of a forecast transaction (cash flow hedge) or a hedge of a net investment in a foreign operation. In applying cash flow hedge accounting only the spot element of foreign exchange deals and the intrinsic value of currency options are designated (spot-to-spot designation).

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or net investments that are effective as defined in IFRS 9 are recognized in equity.

adidas applies the 'cost of hedging' approach for dedicated cash flow hedges. Changes in the fair value of the time value component of options, as well as the forward element in forward contracts are recognized separately in equity. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognized in the income statement. Accumulated gains and losses in equity are transferred to the income statement in the same periods during which the hedged forecast transaction affects the income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. The effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing are recognized in equity with the exception of the cross-currency basis spread.

Certain derivative transactions, while providing effective economic hedges under the company's risk management policies, do not qualify for hedge accounting under the specific rules of IFRS 9.

adidas documents the relationship between hedging instruments and hedge objects as well as the risk management objectives and strategies for undertaking various hedge transactions at transaction inception. This process includes linking all derivatives designated as hedges to specific firm commitments and forecast transactions. adidas also assesses the effectiveness and possible ineffectiveness of its hedged derivatives by using generally accepted methods of effectiveness testing, such as the 'hypothetical derivative method' or the 'dollar offset method'. The economic relationship between the hedging instrument and hedged item is qualitatively and quantitatively ascertainable and adidas judges the effectiveness of the hedging relationship with the hypothetical derivative method. The main sources of expected ineffectiveness are due to changes in the credit risk and in the timing of the hedged transactions.

The fair values of currency options, forward exchange contracts and forward stock transactions are determined on the basis of market conditions on the reporting date. The fair value of a currency option is determined using generally accepted models. The fair value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base. The company determines fair values taking the counterparty risk into consideration.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand and short-term deposits with maturities of three months or less from the date of acquisition such as commercial papers and investments in money market funds.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Part of cash equivalents includes investments in money market funds. Classification and measurement under IFRS 9 are performed based on the company's business model for managing these financial assets and the contractual cash flow characteristics. Investments in money market funds contain cash flows other than those of principal and interest on principal. As a result, those investments are measured at fair value through profit or loss.

Short-term financial assets

Investments in money market funds which do not fulfill the criteria of cash equivalents are shown under short-term financial assets. These are classified at fair value through profit or loss. Changes in the fair value are recognized in the consolidated income statement as they occur.

Accounts receivable

Accounts receivable are recognized at the transaction price, which represents the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Subsequently, these are measured at amortized cost.

Other financial assets

Other financial assets are classified and measured under IFRS 9 based on the company's business model for managing these assets and the contractual cash flow characteristics. Those other financial assets that give rise to cash flows consisting only of payments of principal and interest and are assigned to the business model 'Hold to collect' are measured at amortized cost. adidas mainly has security deposits and receivables from credit card companies and electronic marketplaces which fall under this category.

Other financial assets which are neither within the business model 'Hold to collect' nor 'Hold to collect and sell' are measured at fair value through profit or loss. This category mainly includes secured promissory notes and earn-out components.

Long-term financial assets

Long-term financial assets are distinguished between debt and equity instruments and classified according to IFRS 9 as follows:

Debt instruments are measured depending on the company's business model for managing financial assets and the contractual cash flows. Only financial assets that are held within the business model 'Hold to collect' with the objective to collect the contractual cash flows which represent solely payments of principal and interest on the principal amount outstanding on a specific date are measured at amortized cost. adidas classifies certain loans within this category. All other financial assets which do not fulfill one of these criteria are measured at fair value – either at fair value through profit or loss or at fair value through other comprehensive income (debt). adidas has no long-term financial assets in the category fair value through comprehensive income (debt instrument) and shows loans which do not fulfill the contractual cash flow characteristics in the category fair value through profit or loss.

Generally, all investments in equity instruments are measured at fair value through profit or loss.

adidas has designated certain investments as equity securities at fair value through other comprehensive income (equity), because these investments represent investments that the company intends to hold for long-term strategic purposes. The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic Management decision.

Inventories

Finished goods and merchandise are valued at the lower of cost or net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are determined using a standard valuation method, the 'average cost method'. Costs of finished goods include cost of raw materials, direct labor and the components of the manufacturing overheads which can be reasonably attributed to finished goods. The allocation of overheads is based on the planned average utilization. The net realizable value allowances are computed consistently throughout the company based on the age and expected future sales of the items on hand.

Assets/liabilities and disposal groups classified as held for sale

Assets/liabilities and disposal groups classified as held for sale are primarily non-current assets and liabilities expected to be realized principally through a sale rather than through continuing use. These are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale are not depreciated on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are measured at amortized cost. This comprises all costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by Management less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized for those assets, with the exception of land and construction in progress, over the estimated useful life utilizing the 'straight-line method' and taking into account any potential residual value, except where the 'declining-balance method' is more appropriate in light of the actual utilization pattern. Parts of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately.

Estimated useful lives are as follows:

Estimated useful lives of property, plant, and equipment

	Years
Land	indefinite
Buildings and leasehold improvements	20 – 50
Furniture and fixtures	3 – 5
Technical equipment and machinery as well as other equipment	2 – 10

Expenditure for repairs and maintenance is expensed as incurred. Renewals and improvements are capitalized and depreciated separately, if the recognition criteria are met.

Impairment losses on non-financial assets

If facts and circumstances indicate that non-current assets (e.g. property, plant and equipment as well as intangible assets including goodwill) might be impaired, the recoverable amount is determined. This is measured at the higher of fair value less costs of disposal (net disposal price) and value in use. Non-financial items measured at the recoverable amount primarily relate to impaired property, plant and equipment being measured based on value in use or on fair value taking unobservable inputs (e.g. profit or cash flow planning) into account. The fair value is measured at Level 3 according to IFRS 13 'Fair Value Measurement'.

An impairment loss is recognized in other operating expenses or reported in goodwill impairment losses if the carrying amount exceeds the recoverable amount.

The impairment test for goodwill is performed based on groups of cash-generating units which represent the lowest level within the company at which goodwill is monitored for internal management purposes. If there is an impairment loss for a group of cash-generating units, first the carrying amount of any goodwill allocated to the group of cash-generating units is reduced. Subsequently, provided that the recoverable amount is lower than the carrying amount, the other non-current assets of the group of cash-generating units are reduced pro rata on the basis of the carrying amount of each asset in the group of cash-generating units. In allocating an impairment loss, the carrying amount of an individual asset is not reduced below its fair value. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the cash-generating unit and groups of cash-generating units.

The impairment test for trademarks with indefinite useful lives is performed on the relevant level of cash-generating units.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life (in particular trademarks) and goodwill acquired in business combinations are tested annually on September 30 for impairment. In the case that indicators for impairment are present at any point in time other than on September 30, these assets are also tested for impairment at this point in time.

An impairment loss recognized in goodwill is not reversible. With respect to all other impaired assets, an impairment loss recognized in prior periods is only reversed affecting the income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

Impairment losses on financial assets

Impairment losses for financial assets measured at amortized cost or at fair value through other comprehensive income (debt instrument) are recognized in accordance with IFRS 9 'Financial Instruments'. The standard requires that not only historical data, but also future expectations and projections are taken into consideration when accounting for impairment losses ('expected credit loss' model).

adidas consistently applies the simplified approach and recognizes lifetime expected credit losses for all accounts receivable. In order to calculate a collective loss allowance, all accounts receivable sharing similar credit risk characteristics are allocated into several portfolios based on geographical regions and macroeconomic indicators. Historical payment and aging patterns for accounts receivable are analyzed individually for each of the portfolios to determine the probability of default which is further adjusted by forward-looking factors derived primarily from the Credit Default Swap (CDS) spreads of the countries where adidas runs its operations and which are impacted by the effects of the coronavirus pandemic as of December 31, 2020. The adjusted probability of default is then applied in combination with a loss given default and exposure at default as a percentage rate to calculate the expected credit loss for each portfolio and aging bucket. The percentage rates are reviewed on a regular basis to ensure that they reflect the latest data on credit risk. In case objective evidence of credit impairment is observed for accounts receivable from a specific customer, a detailed analysis of the credit risk is performed, and an appropriate individual loss allowance is recognized for this customer. Accounts receivable are considered to be in default when it is expected that the debtor will not fulfill its credit obligations toward adidas.

Cash and cash equivalents measured at amortized cost are subject to a general impairment approach under IFRS 9. adidas applies the low credit risk exemption for the majority of such instruments due to the low credit risk for these investments, which is based upon the investment grade of their counterparties (defined by the company as equivalent of BBB+ or higher). A significant increase of credit risk is assumed for cash and cash equivalents when the instruments are more than 30 days past due. adidas monitors the credit risk associated with cash and cash equivalents taking into consideration the economic environment, external credit ratings and/or CDS spreads of counterparty financial institutions and using established exposure limits. Expected credit loss of cash and cash equivalents is calculated based on the probability of default and recovery rates derived from CDS spreads or external credit ratings of the counterparties. Cash and cash equivalents are considered to be in default when they are more than 90 days past due.

Other financial assets within the scope of IFRS 9 impairment analysis include mainly security deposits as well as accounts receivable regarding credit card companies and electronic marketplaces.

Objective evidence that credit impairment of financial assets has occurred includes, for instance, significant financial difficulty of the debtor/issuer, indications of their potential bankruptcy, the deterioration of the market for their products and general macroeconomic problems. The gross carrying amount of financial assets is written off when adidas, based on a case-by-case assessment, assumes that their recovery is no longer possible.

Impairment losses on accounts receivable are presented in the line item 'Impairment losses (net) on accounts receivable and contract assets' while impairment losses on all other financial assets are shown in the line item 'Financial expenses' in the consolidated income statement.

Leases

adidas assesses whether a contract is or contains a lease according to IFRS 16 'Leases' at the inception of the contract. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if the lessee has the right to obtain substantially all the economic benefits from the use of the identified asset (e.g. by having the exclusive right to use the asset throughout that period) and the right to direct the use of the identified asset throughout the period of use.

In its role as a lessee, adidas leases various types of assets, particularly buildings (retail stores, offices, warehouses, etc.), land, technical equipment and machinery (warehouse equipment, production machines, etc.), motor vehicles, computer hardware as well as furniture and fixtures. Lease contracts are typically negotiated for fixed periods of up to 99 years but may include extension or termination options. Lease terms are negotiated individually and may contain a wide range of different terms and conditions.

adidas makes use of the recognition exemption in IFRS 16 to not recognize right-of-use assets and lease liabilities for leases of low-value assets (i.e. value of the underlying asset, when new, is € 5,000 or less) and short-term leases (shorter than twelve months and the agreement does not include a purchase option). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. Real estate and automobile leases are excluded from the classification as 'low-value assets'.

Furthermore, adidas exercises the option for lessees to combine lease payments with payments for non-lease components in the calculation of the lease liability and right-of-use asset for all lease asset classes except for real estate.

adidas recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date. At the commencement date, adidas initially measures the lease liability at the present value of the lease payments that are not paid at that date. This includes fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments based on an index or a rate, amounts expected to be payable by adidas under residual value guarantees, the exercise price of a purchase option if adidas is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Variable lease payments are excluded from the measurement of the lease liability. The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, adidas uses its incremental borrowing rate. Generally, adidas uses the incremental borrowing rate as the discount rate, adjusted to reflect the country-specific risk, the contract currency-specific risk and the lease term.

After the commencement date, lease payments are split into redemption payments and interest payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest cost on the lease liability using the effective interest rate and reducing the carrying amount to reflect the lease payments made. The carrying amount of the lease liability is remeasured provided any reassessments/lease modifications occur (including changes in the assessment of whether an extension or termination option is reasonably certain to be exercised).

At the commencement date, the right-of-use asset is initially measured at cost, which is comprised of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by adidas in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. In principle, the right-of-use asset is depreciated on a straight-line basis over the lease term or the useful life of the leased asset, whichever is shorter.

adidas applies judgment in determining the lease term for lease contracts including extension or termination options. The assessment of whether the options are reasonably certain to be exercised has an impact on the lease term and therefore may significantly affect the measurement of lease liabilities and right-of-use assets, respectively.

Lease contract renegotiations that result in changes to the original contractual conditions, e.g. changes in scope, consideration (including discounts and concessions) or lease term contain judgments and are treated as lease modifications, even if they are a result of the coronavirus pandemic. Depending on the circumstances of the renegotiation, lease modifications are either accounted for as a new separate contract or they trigger a remeasurment of the lease liability using the discounted future lease payments. In the latter case, a corresponding adjustment is made to the right-of-use asset with, in some instances, a difference recognized in profit or loss.

Lease reassessments are the result of changes in assumptions or judgments, such as changes in lease term due to amended estimates surrounding existing extension and termination options.It is necessary to remeasure the lease liability using the discounted or existing future lease payments and make a corresponding adjustment to the right-of-use asset.

In rare cases, adidas acts as a lessor when the company signs sub-leasing contracts for real estate properties with third parties. These contracts are not material to the company's consolidated financial statements.

adidas does not own any investment property.

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. This results when the purchase cost exceeds the fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets received, liabilities and contingent liabilities are treated as assets, liabilities and contingent liabilities of the respective reporting entity, and are translated at exchange rates prevailing at the date of the initial consolidation.

Goodwill is carried in the functional currency of the acquired foreign entity.

Intangible assets (except goodwill)

Intangible assets with indefinite useful lives (in particular trademarks) are recognized at purchase cost and are subject to an impairment test at least on an annual basis ('impairment-only' approach).

Intangible assets with definite useful lives are valued at amortized cost. Amortization is calculated on a straight-line basis over the estimated useful life, taking into account any potential residual value.

Expenditure during the development phase of internally generated intangible assets is capitalized as incurred if it fulfills the recognition criteria under IAS 38 'Intangible Assets'.

Estimated useful lives are as follows:

Estimated useful lives of intangible assets

	Years
Trademarks	indefinite[1]
Software	5 – 7
Patents, trademarks and licenses	5 – 15
Websites	2

1 For exceptions see note 14.

Research and development

Research costs are expensed in full as incurred. Development costs for internally generated intangible assets are also expensed as incurred if they do not meet the recognition criteria of IAS 38 'Intangible Assets', paragraph 57.

Borrowings and other liabilities

Borrowings (e. g. eurobonds) and other liabilities are recognized at fair value using the 'effective interest method', net of transaction costs incurred. In subsequent periods, long-term borrowings are stated at amortized cost using the 'effective interest method'. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the term of the borrowing.

Compound financial instruments (e.g. convertible bonds) are divided into a liability component shown under borrowings and into an equity component resulting from conversion rights. The equity component is included in the capital reserve. The fair value of the liability component is determined by discounting the interest and principal payments of a comparable liability without conversion rights, applying risk-adjusted interest rates. The liability component is subsequently measured at amortized cost using the 'effective interest method'. The equity component is determined as the difference between the fair value of the total compound financial instrument and the fair value of the liability component and is reported within equity. There is no subsequent measurement of the equity component. At initial recognition, directly attributable transaction costs are assigned to the equity and liability component pro rata on the basis of the respective carrying amounts.

Provisions and accrued liabilities

Provisions are recognized where a present obligation (legal or constructive) to third parties has been incurred as a result of a past event which can be estimated reliably and is likely to lead to an outflow of resources, and where the timing or amount is uncertain. Non-current provisions are discounted if the effect of discounting is material.

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Here, however, the timing and amount of an outflow of resources is not uncertain.

Pensions and similar obligations

Provisions and expenses for pensions and similar obligations relate to the company's obligations for defined benefit and defined contribution plans. The obligations under defined benefit plans are determined separately for each plan by valuing the employee benefits accrued in return for their service during the current and prior periods. These benefit accruals are discounted to calculate their present value, and the fair value of any plan assets is deducted in order to determine the net liability. The discount rate is set on the basis of yields of high-quality fixed-rate corporate bonds at the balance sheet date provided there is a deep market for such corporate bonds in a given currency. Otherwise, government bond yields are used as a reference. Calculations are performed by qualified actuaries using the 'projected unit credit method' in accordance with IAS 19 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of adidas. Additionally, contingent liabilities may be present obligations that arise from past events, but which are not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed and explained in the Notes. ► SEE NOTE 40

Treasury shares

When adidas AG shares are repurchased and recognized as treasury shares, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The nominal value of € 1 per treasury share is debited to share capital. Any premium or discount to the nominal value is shown as an adjustment to the retained earnings. If treasury shares are sold or re-issued, the nominal value of the shares will be credited to share capital and the amount exceeding the nominal value will be added to the retained earnings.

Contract assets and contract liabilities

Contract assets and liabilities are recognized in connection with revenues arising from the licensing-out of the right to use the adidas and Reebok brands to third parties. Contract assets represent the company's right to consideration in exchange for rights that adidas has transferred to a third party and contract liabilities represent the company's obligation to transfer rights to a third party for which adidas has already received consideration from the third party. The subsequent measurement of contract assets follows the impairment-only approach for financial assets within the scope of IFRS 9. Contract liabilities are measured at the expected settlement amount.

Revenue

Revenue derived from the sale of goods is recognized when adidas has satisfied the respective performance obligation by transferring the promised goods to the customer. The goods are transferred at the point in time when the customer obtains control of the respective goods. The timing of the transfer of control depends on the individual terms of the sales agreement (terms of delivery).

The amount of recognizable revenue is measured at the fair value of the consideration received or receivable, net of returns, early payment discounts and rebates.

Under certain conditions and in accordance with contractual agreements, the company's customers have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Amounts for estimated returns related to revenues are accrued based on past experience of average return rates and average actual return periods by means of a refund liability. The return assets are measured at the former carrying amount of the inventories/products, less any handling costs and any potential impairment.

Provided that the customers meet certain predefined conditions, adidas grants its customers different types of globally aligned performance-based rebates. Examples include rebates for customers' increasing adidas product sales, for customer loyalty as well as for sell-out support, e. g. through retail space/franchise store management. As soon as it is assumed that the customer fulfills the requirements for being granted the rebate, this amount is accrued by means of an accrued liability for marketing and sales. Customer incentives which were not contractually agreed upon as well as promises that were implied by adidas' customary business practice and did not bear the characteristics of a discount are accounted for as marketing and point-of-sale expenses.

Customer incentives and options as well as any obligation for adidas to pay for the delivery of goods to the customer do not create separate performance obligations under IFRS 15 and are separated from revenue.

In addition, adidas generates revenue from the licensing-out of the right to use the adidas and Reebok brands to third parties. The resulting sales-based royalty and commission income is recognized based on the contract terms on an accrual basis. Contracts with guaranteed minimum income result in contract assets and contract liabilities depending on the timing of yearly payments received from customers. The performance obligation related to these contract assets and liabilities is satisfied over the life of the contract, whereby payments are recorded as arranged in the contract with the customer.

Advertising and promotional expenditure

Advance payments for media campaigns are included in prepaid expenses within other current and non-current assets until the services are received, and upon receipt expensed in full. Significant costs for media campaigns are expensed on a straight-line basis over the intended duration of the media campaign.

Promotional expenses including one-time up-front payments for promotion contracts are principally expensed on a straight-line basis over the term of the agreement.

Interest

Interest is recognized as income or expense as incurred using the 'effective interest method' with the exception of interest that is directly attributable to the acquisition, construction or production of a qualifying asset. This interest is capitalized as part of the cost of the qualifying asset.

Interest paid is presented within the net cash used in financing activities.

Government grants

adidas receives government grants in the form of subsidies, subventions or premiums from local, national or international government authorities such as those of the Free State of Bavaria, the Federal Republic of Germany and the European Union.

Government grants are recognized if there is reasonable assurance that the grants will be received and that the company satisfies the conditions attached.

Government grants are reported in the consolidated income statement as a deduction from the related expenses.

Income taxes

Current income taxes are computed in accordance with the applicable taxation rules established in the countries in which adidas operates.

adidas computes deferred taxes for all temporary differences between the carrying amount and the tax base of its assets and liabilities as well as for tax loss carry-forwards. As it is not permitted to recognize a deferred tax liability for the initial recognition of goodwill, adidas does not compute any deferred taxes thereon.

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

Income tax is recognized in the income statement unless it relates to items recognized directly in equity, in which case it is recognized in equity.

When there is uncertainty over income tax treatments, adidas recognizes and measures current or deferred tax assets or liabilities applying the requirements of IAS 12 and IFRIC 23. On a case-by-case basis, adidas determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, depending on which approach better predicts the resolution of the uncertainty.

Where it is not considered probable that the tax authority will accept an uncertain tax treatment, adidas reflects the effects of the uncertainty by using one of the following methods, depending on which method better predicts the resolution of the uncertainty:

- the single most likely amount
- the expected value based on the sum of the probability-weighted amounts.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profits (tax losses), tax bases, unused tax losses, unused tax credits and tax rates, adidas assumes that a taxation authority will examine amounts it has a right to examine and will have full knowledge of all relevant information when making those examinations.

Share-based payment

The cost of equity-settled share-based payment transactions with employees is determined by the fair value at the grant date using an appropriate valuation model. That cost is recognized in personnel expenses, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. ► SEE NOTE 28

Service and non-market performance conditions are not taken into account when determining the fair value of awards at the grant date, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. If the estimate is changed, even a credit in the income statement for the period can be possible as it reflects the movement in cumulative expenses from the beginning to the end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

Equity-settled share-based payment transactions with parties other than employees are generally measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with all changes in fair value recognized in profit or loss for the period.

Estimation uncertainties and judgments

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on the best of our knowledge of current events and actions, actual results may ultimately differ from these estimates. In 2020 assumptions and estimates were significantly impacted by the coronavirus pandemic and due to the ongoing situation future assumptions and estimates will be impacted by the coronavirus pandemic.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the respective Notes, which include in particular accounts receivable, inventories, right-of-use-assets, goodwill, trademarks, other provisions, pensions, derivatives, income taxes, as well as litigation and other legal risks. ► SEE NOTE 7 ► SEE NOTE 9 ► SEE NOTE 12 ► SEE NOTE 13 ► SEE NOTE 14 ► SEE NOTE 20 ► SEE NOTE 25 ► SEE NOTE 30 ► SEE NOTE 36 ► SEE NOTE 40

Judgments have also been used in determining the lease term for lease contracts as well as in selecting valuation methods for intangible assets. ► SEE NOTE 12 ► SEE NOTE 21

03 DISCONTINUED OPERATIONS

The results of the Rockport, TaylorMade and CCM Hockey operations that were sold in previous periods are shown as discontinued operations in the consolidated income statement.

The net result of discontinued operations presented in the consolidated income statement for the year ending December 31, 2020 mainly relates to a fair value adjustment of the earn-out component as well as actual earn-out received related to the sale of the TaylorMade business. The increase in fair value is attributable to adjusted future EBITDA-value estimates. In 2020, adidas received a cash consideration of US $ 50 million. The fair value of the earn-out component at December 31, 2020 amounts to US $ 15 million (2019: US $ 50 million).

Gains from discontinued operations for the year ending December 31, 2020 in an amount of € 13 million (2019: gains of € 59 million) are entirely attributable to the shareholders of adidas AG. The tax expense in respect of discontinued operations is € 14 million (2019: tax benefit of € 4 million).

Further information about the reporting of the Reebok business from the first quarter 2021 onward is provided in these Notes. ► SEE NOTE 44

04 FIRST-TIME CONSOLIDATION/DISPOSAL OF SUBSIDIARIES AS WELL AS ASSETS AND LIABILITIES

In 2020, no disposals of subsidiaries or first-time consolidation took place.

Effective as of December 2019, an amendment to the contractual arrangements existing between Agron, Inc. and adidas entered into force granting adidas the power to approve key financial and operational targets as well as the organizational structure of Agron, Inc. adidas has the right to, and is exposed to, the returns from its contractual business relations with Agron, Inc., which are dependent on the level of its net sales and overall profitability. As a result of the extended power, adidas has the ability to directly influence the amount of these variable returns and consequently obtained control over Agron, Inc. Therefore, a fair value of its assets and liabilities was consolidated for the first time into the company's consolidated statement of financial position as at December 31, 2019. In addition, starting from January 1, 2020, income and expenses of Agron, Inc. will be included in the company's consolidated income statement. As adidas holds no equity interests of Agron, Inc., both net assets as well as income and expenses are attributable entirely to the non-controlling interest. adidas has not transferred any consideration to the owners of Agron, Inc. in relation to the amendment of the contractual arrangements. The effect of the first-time consolidation was reflected entirely within the equity and neither goodwill nor a gain from a bargain purchase has been recognized.

Agron, Inc. is engaged in the design, development and distribution of sports accessories, primarily under licenses from adidas America, Inc. These products are sold directly by Agron, Inc. to retailers in the USA.

The following assets and liabilities of Agron, Inc. were recognized at the date of first-time consolidation in the company's consolidated statement of financial position based on the fair value calculation:

Net assets of Agron, Inc., at the first-time consolidation date € in millions

	Pre-control carrying amounts	Fair value adjustments	Recognized values due to obtaining control
Cash and cash equivalents	54		54
Accounts receivable	54		54
Inventories	82	21	103
Other current assets	3		3
Property, plant, and equipment	41		41
Other intangible assets	–	87	87
Accounts payable	(1)		(1)
Current provisions	(2)		(2)
Other current liabilities	(54)		(54)
Deferred tax liabilities	–	(2)	(2)
Net assets	**178**	**106**	**284**
Consideration settled in cash			–
Cash and cash equivalents acquired			54
Net cash inflow due to obtaining control			**54**

Loss allowance recognized for accounts receivable amounted to € 3 million.

An increase of the license agreement resulted from the final calculation of the fair values. As the adjustment was immaterial it was recognised in 2020.

The following valuation methods for the recognized assets were applied:

- Inventories: The fair value of inventory was measured using the cost approach. Realized margins were added to the book values to calculate the selling price. Marketing and logistics costs were then deducted from the selling price.

- Other intangible assets: The fair value of the license agreement between Agron, Inc. and adidas America, Inc. was determined by discounting future profits after taxes until the end of the contract term on December 31, 2024.

For the year ending December 31, 2019 no net sales as well as no income and expenses of Agron, Inc. were included in the company's consolidated income statement. If the first-time consolidation had occurred on January 1, 2019, the company's total net sales would have been € 24,055 million while net income attributable to shareholders would have remained unchanged at € 1,976 million for the year ending December 31, 2019.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

05 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held by banks, cash on hand and short-term deposits.

Short-term deposits are only shown as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The credit risk of cash and cash equivalents measured at amortized cost is insignificant due to their short-term maturity, counterparties' investment grade credit ratings and established exposure limits. Therefore, adidas does not recognize any credit impairment losses for these financial assets.

Further information about cash and cash equivalents is presented in these Notes. ▸ SEE NOTE 30

06 SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are classified at fair value through profit or loss. Changes in the fair value are recognized in the consolidated income statement as they occur. The short-term financial assets are marketable securities which are mainly investments in money market funds.

07 ACCOUNTS RECEIVABLE

Accounts receivable consist mainly of the currencies US dollar, euro as well as Chinese renminbi and are as follows:

Accounts receivable € in millions

	Collective loss allowance				Individual loss allowance	Total
	Not yet due	Past due 31 – 90 days	Past due > 90 days			
	Not credit-impaired	Not credit-impaired	Not credit-impaired	Credit-impaired	Credit-impaired	
Dec. 31, 2020						
Accounts receivable, gross	1,699	235	27	55	203	2,219
Weighted average loss rate	0.7%	4.9%	29.0%	61.5%	98.8%	12.0%
Loss allowance	(13)	(12)	(8)	(34)	(201)	(267)
Accounts receivable, net	**1,686**	**224**	**19**	**21**	**2**	**1,952**
Dec. 31, 2019						
Accounts receivable, gross	2,329	286	25	34	139	2,814
Weighted average loss rate	0.7%	4.3%	39.1%	59.5%	92.9%	6.7%
Loss allowance	(17)	(12)	(10)	(20)	(129)	(189)
Accounts receivable, net	**2,312**	**274**	**15**	**14**	**10**	**2,625**

Movement in loss allowances for accounts receivable € in millions

	2020	2019
Loss allowances at January 1	**189**	**193**
Net remeasurement of loss allowances	98	0
Write-offs charged against the loss allowance accounts	(5)	(7)
Currency translation differences	(12)	1
Other changes	(2)	1
Loss allowances at December 31	**267**	**189**

Compared to December 31, 2019, the total loss allowance increased by € 78 million, which is predominantly a consequence of the worldwide coronavirus pandemic. Thereof € 6 million is related to the collective loss allowance mainly due to a deterioration of the accounts receivable ageing structure as well as higher allowance percentages due to an increase in the expected default rates. The individual loss allowance increased by € 72 million to reflect a higher credit risk of specific customers.

As at December 31, 2020, the loss allowance for not credit-impaired accounts receivable in the amount of € 241 million and credit-impaired accounts receivable in the amount of € 1 million was not recognized as adidas holds credit enhancement instruments, mainly in the form of credit insurance and bank guarantees, which mitigate the credit risk of those financial assets.

There are no material balances of accounts receivable written off but subject to enforcement activity.

Further information about credit risks is contained in these Notes. ► SEE NOTE 30

08 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets consist of the following:

Other current financial assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Currency options	8	18
Forward exchange contracts	117	118
Revaluation of total return swap	60	30
Security deposits	36	28
Receivables from credit cards and similar receivables	161	165
Promissory notes	6	34
Receivables from retail business	68	43
Other Investments	55	–
Earn-out components	–	9
Sundry	203	109
Other current financial assets, gross	**715**	**554**
Less: accumulated allowances	(13)	(11)
Other current financial assets, net	**702**	**544**

The line item 'Sundry' mainly relates to customs claims of € 117 million and suppliers with debit balances.

Further information about currency options and forward exchange contracts is contained in these Notes.
► SEE NOTE 30

09 INVENTORIES

Inventories by major classification are as follows:

Inventories € in millions

	Dec. 31, 2020			Dec. 31, 2019		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	3,321	(171)	3,150	2,984	(80)	2,904
Goods in transit	1,239	–	1,239	1,175	–	1,175
Raw materials	8	–	8	6	–	6
Work in progress	0	–	0	0	–	0
Inventories	**4,568**	**(171)**	**4,397**	**4,165**	**(80)**	**4,085**

Goods in transit mainly relate to shipments of finished goods and merchandise from suppliers in Asia to subsidiaries in Europe, North America, Asia and Latin America.

As a result of store closures due to the coronavirus pandemic and resulting low sales, the age structure of inventories deteriorated compared to the previous year. This led to an increase in inventory allowance.

010 OTHER CURRENT ASSETS

Other current assets consist of the following:

Other current assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Prepaid expenses	204	290
Return assets	340	305
Tax receivables other than income taxes	401	343
Contract assets	16	17
Sundry	41	125
Other current assets, gross	**1,003**	**1,080**
Less: accumulated allowances	(4)	(5)
Other current assets, net	**999**	**1,076**

Prepaid expenses mainly relate to promotion and service contracts. The increase in the line item 'Tax receivables other than income taxes' relates mainly to value-added tax.

011 PROPERTY, PLANT, AND EQUIPMENT

The following table presents a reconciliation of the carrying amount of property, plant, and equipment:

Property, plant, and equipment € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Construction in progress	Property, plant, and equipment
Acquisition cost					
January 1, 2019	**1,324**	**357**	**1,808**	**480**	**3,969**
Additions	144	31	303	121	599
Disposals	(42)	(9)	(219)	(3)	(272)
Transfers	347	43	(15)	(380)	(6)
Increase in companies consolidated	40	1	0	–	41
Decrease in companies consolidated	–	–	(2)	–	(2)
Currency translation differences	28	9	35	4	76
December 31, 2019/ January 1, 2020	**1,842**	**432**	**1,910**	**221**	**4,405**
Additions	73	13	165	128	378
Disposals	(32)	(7)	(162)	(4)	(205)
Transfers	51	6	17	(75)	(1)
Currency translation differences	(82)	(28)	(129)	(13)	(251)
Net change due to lease modification / remeasurement	0	–	–	–	0
December 31, 2020	**1,852**	**416**	**1,800**	**258**	**4,326**
Accumulated depreciation and impairment					
January 1, 2019	**412**	**180**	**1,221**	**–**	**1,814**
Depreciation	105	39	288	–	432
Impairment losses	3	1	0	–	5
Reversals of impairment losses	(2)	–	(7)	–	(8)
Disposals	(36)	(9)	(207)	–	(252)
Transfers	31	(5)	(28)	–	(3)
Decrease in companies consolidated	–	–	(2)	–	(2)
Currency translation differences	6	7	25	–	39
December 31, 2019/ January 1, 2020	**520**	**214**	**1,291**	**–**	**2,025**
Depreciation	128	42	287	–	456
Impairment losses	6	0	10	–	16
Reversals of impairment losses	(1)	–	(5)	–	(6)
Disposals	(23)	(6)	(146)	–	(175)
Transfers	21	(0)	(21)	–	–

Property, plant, and equipment € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Construction in progress	Property, plant, and equipment
Currency translation differences	(30)	(19)	(98)	0	(147)
December 31, 2020	**620**	**230**	**1,319**	**0**	**2,169**
Net carrying amount					
January 1, 2019	912	177	587	480	2,155
December 31, 2019/ January 1, 2020	1,322	219	618	221	2,380
December 31, 2020	**1,231**	**185**	**482**	**258**	**2,157**

As a general principle, it is regularly assessed whether there are any indications that property, plant, and equipment might be impaired.

Due to the coronavirus pandemic in 2020, impairment tests were carried out on March 31, June 30 and December 31, 2020, particularly for furniture and fixtures in own-retail stores, taking into account the potential economic impacts of the pandemic.

Irrespective of the existence of such indications, furniture and fixtures in adidas' own-retail stores are tested annually for impairment whereby the recoverable amount is calculated using the 'discounted cash flow method' as part of determining the profitability of the adidas' own-retail stores respectively.

Impairment losses recognized in the presented periods mainly relate to the company's own-retail activities, for which contrary to expectations there will be an insufficient flow of future economic benefits. Further information on the methodology on impairment losses for adidas' own-retail stores is provided in these notes . ► SEE NOTE 12

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ► SEE NOTE 33

In 2019, borrowing costs of € 1 million related to the construction of qualifying assets at adidas AG were capitalized at a rate of 1.3%. In 2020 no borrowing costs were capitalized.

012 RIGHT-OF-USE ASSETS

The company recognized right-of-use assets in an amount of € 2.4 billion (2019: € 2.9 billion). The following table presents a reconciliation of the carrying amount of right-of-use assets:

Right-of-use assets € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Right-of-use assets
January 1, 2020	**2,785**	**100**	**46**	**2,931**
Additions	456	36	14	507
Disposals	(75)	(0)	(8)	(83)
Depreciation	(611)	(48)	(25)	(684)
Impairment losses	(67)	–	(1)	(68)
Currency translation differences	(161)	(0)	(2)	(162)
Other changes	(10)	(0)	(0)	(10)
December 31, 2020	**2,317**	**88**	**25**	**2,430**

Right-of-use assets € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Right-of-use assets
January 1, 2019	**2,751**	**126**	**61**	**2,938**
Additions	672	4	10	686
Depreciation	(596)	(30)	(25)	(651)
Impairment losses	(13)	–	–	(13)
Other changes	(29)	0	(0)	(29)
December 31, 2019	**2,785**	**100**	**46**	**2,931**

As a general principle, it is regularly assessed whether there are any indications that right-of-use assets might be impaired. Irrespective of the existence of such indications, right-of-use assets in adidas' own-retail stores are tested annually for impairment where the recoverable amount is calculated using the 'discounted cash flow method' as part of determining the profitability of the adidas' own-retail stores respectively.

In light of the coronavirus pandemic, facts and circumstances indicated that non-current assets (e.g. property, plant, and equipment, right-of use assets and intangible assets including goodwill) might be impaired. In addition to the impairment testing for individual assets, impairment tests were carried out for all significant non-current assets at the respective level of cash-generating units due to this 'triggering event' and related reassessment of the business development, under consideration of the expected consequences of the coronavirus pandemic on March 31, June 30 and December 31, 2020. These were based on updated financial planning and estimates. Given the unforeseeable future consequences of the coronavirus pandemic, these estimates and judgments are subject to an increased level of uncertainty. However, future changes in expected cash flows and discount rates may lead to (additional) impairments and reversals of impairment losses.

Impairment losses for right-of-use assets recognized in the presented periods mainly relate to the company's own-retail activities for which contrary to expectations there will be an insufficient flow of future economic benefits. The expenses from impairments in 2020 are distributed to Europe with € 31 million; North America with € 16 million; Asia-Pacific with € 19 million and Emerging Markets with € 2 million. Reversals of impairment losses in an amount of € 1 million are represented under impairment losses.

Income from sub-leasing of right-of-use assets recognized in the consolidated income statement in 2020 amounted to € 3.2 million (2019: € 3.3 million).

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ► SEE NOTE 33

013 GOODWILL

Goodwill primarily relates to the acquisitions of the Reebok and Runtastic businesses as well as acquisitions of subsidiaries, primarily in the USA, Australia, New Zealand, the Netherlands, Denmark and Italy.

Goodwill € in millions

	Dec. 31, 2020	Dec. 31, 2019
Goodwill, gross	1,584	1,659
Less: accumulated impairment losses	(376)	(402)
Goodwill, net	**1,208**	**1,257**

The majority of goodwill, which primarily relates to the acquisition of the Reebok business in 2006, is denominated in US dollars. A currency translation effect of negative € 49 million and positive € 12 million were recorded for the years ending December 31, 2020 and 2019, respectively.

adidas determines whether goodwill impairment is necessary on at least an annual basis. The impairment test for goodwill is performed based on groups of cash-generating units which represent the lowest level within the company at which goodwill is monitored for internal management purposes. This requires an estimation of the recoverable amount of the groups of cash-generating units to which the goodwill is allocated. The recoverable amount of a group of cash-generating units is determined based on its value in use. Estimating the value in use requires adidas to make an estimate of the expected future cash flows from the groups of cash-generating units and also to choose a suitable discount rate to calculate the present value of those cash flows.

This calculation uses cash-flow projections based on the financial planning in line with our new strategy 'Own the Game'covering a five-year period in total. The planning is based on long-term expectations of the company and reflects in total for the groups of cash-generating units an average annual mid-single- to low-double-digit sales increase with varying forecast growth prospects for the different groups of cash-generating units. Furthermore, adidas expects the operating margin to expand, primarily driven by an improvement in the gross margin, as well as lower operating expenses as a percentage of sales. The planning for capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the individual groups of cash-generating units. Cash flows beyond this five-year period are extrapolated using steady growth rates of 1.7% (2019: 1.7%). According to the company's expectations, these growth rates do not exceed the long-term average growth rate of the business sector in which the respective group of cash-generating units operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing major competitors for the respective group of cash-generating units. The discount rates used are after-tax rates and reflect the specific equity and country risk of the respective group of cash-generating units.

The groups of cash-generating units are defined as the regional markets which are responsible for the joint distribution of the adidas and Reebok brands as well as the other operating segments adidas Golf and Runtastic. The regional markets are Europe, adidas North America, Reebok North America, Asia-Pacific, Russia/CIS, Latin America, and Emerging Markets. The number of groups of cash-generating units amounted to a total of nine at the end of 2020 and 2019, respectively.

In light of the coronavirus pandemic, there were indications of possible impairment on goodwill during the year ending December 31, 2020. In response to this 'triggering event', and taking into account the potential future impact of the coronavirus pandemic, impairment tests were carried out at the level of the cash-generating units on March 31, June 30, September 30, and December 31, 2020. These tests were based on updated financial planning and estimates. Given the unforeseeable future consequences of the coronavirus pandemic, these estimates and judgments are subject to an increased level of uncertainty. The goodwill impairment tests revealed no need for goodwill impairment for the years ending December 31, 2020 and 2019.

The carrying amounts of acquired goodwill allocated to the respective groups of cash-generating units and the respective discount rates applied to the cash flow projections are as follows:

Allocation of goodwill

	Goodwill (€ in millions)		Discount rate (after taxes)	
	Dec. 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Europe	593	620	8.2%	7.4%
Asia-Pacific	361	379	8.2%	7.4%
adidas Golf	178	179	7.7%	7.0%
Emerging Markets	76	79	10.5%	9.0%
Total	**1,208**	**1,257**		

A change in the discount rate by up to approximately 5.2 percentage points or a reduction of planned free cash inflows by up to approximately 50% would not result in any impairment requirement.

Future changes in expected cash flows and discount rates may lead to impairments of the reported goodwill in the future.

The reconciliation of goodwill is as follows:

Reconciliation of goodwill, net € in millions

	Europe	Asia-Pacific	adidas Golf	Emerging Markets	Total
January 1, 2020	**620**	**379**	**179**	**79**	**1,257**
Currency translation differences	(27)	(18)	(1)	(3)	(49)
December 31, 2020	**593**	**361**	**178**	**76**	**1,208**

014 TRADEMARKS AND OTHER INTANGIBLE ASSETS

Trademarks and other intangible assets consist of the following:

Trademarks and other intangible assets € in millions

	Trademarks	Other intangible assets
Acquisition cost		
January 1, 2019	**1,394**	**912**
Additions	–	112
Disposals	(9)	(26)
Transfers	–	3
Increase in companies consolidated	–	83
Decrease in companies consolidated	–	(1)
Currency translation differences	26	4
December 31, 2019/January 1, 2020	**1,412**	**1,086**
Additions	–	64
Disposals	–	(22)
Transfers	–	1
Increase in companies consolidated	–	3
Currency translation differences	(117)	(26)
December 31, 2020	**1,295**	**1,107**
Accumulated amortization and impairment		
January 1, 2019	**550**	**716**
Amortization	0	78
Impairment losses	–	6
Disposals	(9)	(26)
Transfers	–	2
Decrease in companies consolidated	–	(0)
Currency translation differences	10	5
December 31, 2019/January 1, 2020	**553**	**781**
Amortization	0	104
Impairment losses	41	–
Disposals	–	(12)
Currency translation differences	(48)	(18)
December 31, 2020	**545**	**856**
Net carrying amount		
January 1, 2019	844	196
December 31, 2019/January 1, 2020	859	305
December 31, 2020	**750**	**252**

At December 31, 2020, trademarks, mainly related to the acquisition of Reebok International Ltd. (USA) in 2006 and Runtastic GmbH in 2015, have indefinite useful lives. This is due to the expectation of permanent use of the acquired trademarks Reebok and Runtastic.

Trademarks € in millions

	Dec. 31, 2020	Dec. 31, 2019
Reebok	1,263	1,379
Other	32	34
Trademarks, gross	**1,295**	**1,412**
Less: accumulated amortization and impairment losses	(545)	(553)
Trademarks, net	**750**	**859**

adidas tests at least on an annual basis whether trademarks with indefinite useful lives are impaired based on the value-in-use concept on the basis of the relevant cash-generating units. In light of the coronavirus pandemic, facts and circumstances indicated that trademarks might be impaired. Due to this 'triggering event', impairment tests at the respective level of cash-generating units were carried on March 31, June 30, September 30, and December 31, 2020, taking into consideration the expected consequences of the coronavirus pandemic. These were based on updated financial planning and estimates. Given the unforeseeable future consequences of the coronavirus pandemic, these estimates and judgments are subject to an increased level of uncertainty. In order to reflect the increased uncertainty in assessing the expected consequences of the coronavirus pandemic, planned free cash inflows were subject to additional stress scenarios. In 2020, total impairment losses of € 41 million were recognized for the Reebok trademark within the impairment test of June 30, 2020, and therefore the carrying amount amounts to € 733 million at December 31, 2020.

The impairment test for the Reebok trademark is performed based on Reebok cash-generating units in the individual markets. There has been no change in the methodology compared to 2019. This requires an estimate of the recoverable amount of the Reebok groups of cash-generating units to which the Reebok brand as a corporate asset is allocated based on planned revenues of the respective Reebok markets. The recoverable amount of the respective Reebok markets was determined on the basis of value in use based on the present value of the expected future cash flows. The individual Reebok markets are defined as the regional markets which are responsible for the distribution of the Reebok brand. The regional Reebok markets are Europe, North America, Asia-Pacific, Russia/CIS, Latin America and Emerging Markets. The number of cash-generating Reebok business units amounted to a total of six at the end of 2020 (2019: six).

This calculation uses cash flow projections based on the financial planning covering a five-year period in total. The planning is based on long-term expectations of the company and reflects in total for the Reebok markets an average annual mid-single to-low-double-digit sales increase with varying forecast growth prospects for the different Reebok markets. Furthermore, adidas expects the operating margin to expand, primarily driven by an improvement in the gross margin as well as lower operating expenses as a percentage of sales. The planning of capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the individual Reebok markets. Cash flows beyond the detailed planning period of the respective Reebok markets are extrapolated using a steady growth rate of 1.7% (2019: 1.7%). According to the company's expectations, this growth rate does not exceed the long-term average growth rate of the business sector in the individual markets in which Reebok operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market weighted debt/equity structure and financing costs referencing major competitors for each Reebok market. The discount rates used are after-tax rates and reflect the specific equity and country risk of the relevant Reebok markets. The respective discount rates applied to the cash flow projections of the respective cash-generating Reebok business units range from 7.2% to 11.8% (2019: 6.6% to 9.9%).

A change in the discount rate by approximately 0.1 percentage points or a reduction of planned free cash inflows by approximately 5% would result in an additional impairment requirement of € 15 million. However, future changes in expected cash flows and discount rates may lead to (additional) impairments and reversals of impairment losses of the Reebok trademark.

As part of the impairment tests, the Reebok trademark is allocated on a pro rata basis to the groups of cash-generating units. Thereof, the major shares relate to Europe (€ 307 million), Asia-Pacific (€ 180 million), North America Reebok (€ 160 million), Russia/CIS (€ 50 million) and Emerging Markets (€ 37 million). All other trademarks are part of the respective groups of cash-generating units.

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ▸ SEE NOTE 33

015 LONG-TERM FINANCIAL ASSETS

Long-term financial assets primarily include an 8.33% investment in FC Bayern München AG (2019: 8.33%) of € 87 million (2019: € 84 million). This investment is classified as fair value through profit or loss and recorded at fair value. This equity security does not have a quoted market price in an active market. Therefore, existing contractual arrangements are used in order to calculate the fair value as at December 31, 2020 and 2019.

Other equity investments include minority shareholdings. These shares are unlisted and do not have any active market price. There is currently no intention to sell these shares. Other minority shareholdings include positive fair value adjustments in an amount of € 1 million in 2020 (2019: positive adjustment of € 12 million).

The line item 'Other investments' comprises investments which are mainly invested in insurance products, which are measured at fair value, and securities for long-term variable compensation components. Other investments include positive fair value adjustments in an amount of € 0 million in 2020 (2019: positive adjustment of € 2 million).

Long-term financial assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Investment in FC Bayern München AG	87	84
Other equity investments	84	81
Other investments	183	201
Loans	0	1
Long-term financial assets	**353**	**367**

016 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets consist of the following:

Other non-current financial assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Currency options	19	10
Forward exchange contracts	2	2
Revaluation of total return swap	17	59
Options	85	86
Security deposits	93	110
Earn-out components	12	36
Promissory notes	166	149
Sundry	20	0
Other non-current financial assets	**414**	**450**

Options are related to the hedging of the equity-neutral convertible bond which was issued on September 5, 2018.

Further information about currency options and forward exchange contracts is contained in these Notes. ▸ SEE NOTE 30

Further information about promissory notes and earn-out components is provided in these Notes. ▸ SEE NOTE 30 ▸ SEE NOTE 03

017 OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

Other non-current assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Prepaid expenses	100	101
Sundry	2	3
Other non-current assets	**103**	**103**

Prepaid expenses mainly relate to long-term promotion contracts. ▸ SEE NOTE 40

018 BORROWINGS AND CREDIT LINES

Borrowings are denominated in a variety of currencies in which adidas conducts its business. The largest portions of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2020 are denominated in euro (2020: 98%; 2019: 99%).

The weighted average interest rate on the Group's gross borrowings decreased to 1.0% in 2020 (2019: 1.5%).

As at December 31, 2020, adidas had cash credit lines and other long-term financing arrangements totaling € 7.3 billion (2019: € 3.6 billion); thereof unused credit lines accounted for € 4.1 billion (2019: € 1.9 billion). In addition, as at December 31, 2020, adidas had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.5 billion (2019: € 0.5 billion).

On November 6, 2020, adidas entered into a new syndicated credit facility agreement with 12 banks totaling € 1.5 billion. The credit facility will run until November 2025 and includes two extension options of one year each after year 1 and year 2. It can be drawn in euro and further currencies. The interest bearing is based on a defined margin on a reference rate (€STR or EURIBOR for euro). This new syndicated loan facility transaction replaced the syndicated revolving loan facility under participation of KfW, Germany's state-owned development bank.

The amounts reported as gross borrowings represent outstanding borrowings under the following arrangements with aggregated expiration dates as follows:

Gross borrowings as at December 31, 2020 € in millions

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	87	37	38	27	189
Eurobond	599	–	500	1,389	2,488
Equity-neutral convertible bond	–	491	–	–	491
Total	**686**	**528**	**538**	**1,416**	**3,168**

Gross borrowings as at December 31, 2019 € in millions

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	43	38	38	46	165
Eurobond	–	598	–	388	986
Equity-neutral convertible bond	–	–	487	–	487
Total	**43**	**636**	**525**	**434**	**1,638**

The above table includes five Eurobonds with a total outstanding value of € 2.5 billion.

Two of these eurobonds were issued on October 1, 2014. The seven-year eurobond of € 600 million has a coupon of 1.25% and matures on October 8, 2021. The twelve-year eurobond of € 400 million and a coupon of 2.25% maturing on October 8, 2026. The eurobonds have denominations of € 1,000 each and were priced with a spread of 68 basis points and 100 basis points, respectively, above the corresponding euro mid-swap rate. The issue price was fixed at 99.145% and 99.357%, respectively.

In 2020, adidas issued three rated eurobonds with a size of € 500 million and denominations of €100,000 each. The four-year eurobond maturing on September 9, 2024 with a coupon of 0.00% and the fifteen-year eurobond maturing on September 10, 2035 with a coupon of 0.625% were issued on September 1, 2020. These bonds were priced with a spread of 33 basis points and 63 basis points, respectively, above the corresponding euro mid-swap rate. The issue price was fixed at 100.321% and 99.360%, respectively. In adidas' inaugural sustainability bond issuance on September 29, 2020 an eight-year eurobond was issued with a coupon of 0.00% maturing on October 5, 2028. The sustainability bond was priced with a spread of 40 basis points above the corresponding euro mid-swap rate. The issue price was fixed at 99.410%. Proceeds from the issuance will be used in accordance with adidas' newly created sustainability bond framework. Eligible sustainable projects include investments into sustainable materials and processes, as well as projects with a positive impact on the community. More specifically, this includes the sourcing of recycled materials for sustainably manufactured products, investments into renewable energy production and energy-efficient buildings as well as various initiatives aimed at creating lasting change in underrepresented communities.

On September 5, 2018, adidas AG issued a € 500 million equity-neutral convertible bond with a coupon of 0.05% due on September 12, 2023. The issue price was fixed at 104% of the notional amount, corresponding to an annual yield to maturity of negative 0.73%. The initial conversion price was determined to be € 291.84, a conversion premium of 40% over the reference share price of € 208.46. The economic risk exposure of share price movements was hedged by purchased call options on ordinary adidas AG shares.

Further details on future cash outflows are provided in this Annual Report. ▶ SEE RISK AND OPPORTUNITY REPORT

019 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities consist of the following:

Other current financial liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Forward exchange contracts	282	169
Sundry	164	66
Other current financial liabilities	**446**	**235**

The line item 'Sundry' mainly relates to payables due to customs duties and customers with credit balances.

Further information about forward exchange contracts is contained in these Notes. ▶ SEE NOTE 30

020 OTHER PROVISIONS

Other provisions consist of the following:

Other provisions € in millions

	Jan. 1, 2020	Additions	Usage	Reversals	Increase/ decrease in companies consoli-dated	Transfers	Currency translation differences	Dec. 31, 2020	Thereof non-current
Marketing	16	20	(9)	(1)	–	–	(2)	24	–
Personnel	413	220	(168)	(49)	–	(1)	(17)	398	151
Returns and warranty	725	739	(573)	(45)	–	–	(27)	818	–
Taxes, other than income taxes	42	17	(8)	(1)	–	1	(2)	49	1
Customs	184	2	(4)	–	–	–	–	182	10
Sundry	323	298	(212)	(31)	–	–	(14)	367	67
Other provisions	**1,703**	**1,296**	**(974)**	**(127)**	**–**	**–**	**(62)**	**1,838**	**229**

Marketing provisions mainly consist of provisions for promotion contracts, which are comprised of obligations to clubs and athletes.

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components as well as of provisions for social plans relating to restructuring measures.

Provisions for returns and warranty primarily arise due to the obligation of fulfilling customer claims with regard to the return of products sold by adidas. The amount of the provision follows the historical development of returns and warranty as well as current agreements.

Provisions for taxes other than income taxes mainly relate to value added tax, real estate tax and motor vehicle tax.

Sundry provisions mainly include provisions for onerous contracts as well as for dismantling and restoration costs.

Management follows past experience from similar transactions when assessing the recognition and the measurement of provisions; in particular external legal opinions are considered for provisions for customs risks and for litigation and other legal risks. All evidence from events until the preparation of the consolidated financial statements is taken into account.

021 LEASE LIABILITIES

The company recognized lease liabilities in an amount of € 2.7 billion (2019: € 3.1 billion).

Lease liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Land and buildings	2,611	2,985
Technical equipment and machinery	84	101
Other equipment, furniture and fixtures	26	47
Lease liabilities	**2,722**	**3,133**

The contractual payments for lease liabilities held by adidas as at December 31, 2020 in an amount of € 3.1 billion (2019: € 3.6 billion) mature as follows:

Contractual payments for lease liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Within 1 year	644	723
Between 1 and 5 years	1,641	2,110
After 5 years	789	732
Total	**3,074**	**3,566**

Interest recognized on lease liabilities in 2020 amounted to € 90 million (2019: € 101 million).

Expenses from leases classified as short-term or low-value or variable are excluded from the measurement of the lease liability. Further information on total expenses relating to short-term, low-value, and variable leases is provided in these Notes. ▸ SEE NOTE 33

In 2020, the total cash outflows for leases, including the above-mentioned leases not included in the calculation of the lease liability, amounted to € 854 million (2019: € 874 million).

022 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

Accrued liabilities € in millions

	Dec. 31, 2020	Thereof: non-current	Dec. 31, 2019	Thereof: non-current
Goods and services not yet invoiced	934	2	1,011	1
Marketing and sales	1,037	3	1,018	3
Personnel	181	1	387	0
Sundry	28	2	31	4
Accrued liabilities	**2,180**	**8**	**2,446**	**9**

Accrued liabilities for marketing and sales mainly consist of accruals for distribution, such as discounts, rebates and sales commissions.

Accrued liabilities for personnel mainly consist of accruals for outstanding salary payments, such as bonuses and overtime, as well as outstanding vacation.

Sundry accrued liabilities include accruals for interest.

023 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

Other current liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Tax liabilities other than income taxes	211	296
Liabilities due to personnel	44	49
Liabilities due to social security	20	23
Deferred income	75	63
Contract liabilities	0	0
Sundry	49	107
Other current liabilities	**398**	**538**

024 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities consist of the following:

Other non-current financial liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Forward exchange contracts	17	7
Revaluation of total return swap	9	–
Embedded derivatives	85	86
Sundry	4	0
Other non-current financial liabilities	**115**	**92**

Embedded derivatives relate to the equity-neutral convertible bond which was issued on September 5, 2018.

Further information about forward exchange contracts is provided in these Notes. ▸ SEE NOTE 30

025 PENSIONS AND SIMILAR OBLIGATIONS

adidas has recognized post-employment benefit obligations arising from defined benefit plans. The benefits are provided pursuant to the legal, fiscal and economic conditions in each respective country and mainly depend on the employees' years of service and remuneration.

Pensions and similar obligations € in millions

	Dec. 31, 2020	Dec. 31, 2019
Liability arising from defined benefit pension plans	277	223
Similar obligations	2	2
Pensions and similar obligations	**279**	**225**

Defined contribution pension plans

The total expense for defined contribution pension plans amounted to € 67 million in 2020 (2019: € 74 million).

Defined benefit pension plans

Given the company's diverse subsidiary structure, different defined benefit pension plans exist, comprising a variety of post-employment benefit arrangements. The company's major defined benefit pension plans relate to adidas AG and its subsidiaries in the UK and South Korea. The defined benefit pension plans generally provide payments in case of death, disability or retirement to former employees and their survivors. The obligations arising from defined benefit pension plans are partly covered by plan assets.

In Germany, adidas AG grants its employees contribution-based and final salary defined benefit pension schemes, which provide employees with entitlements in the event of retirement, disability and death. German pension plans operate under the legal framework of the German Company Pensions Act ('Betriebsrentengesetz') and under general German labor legislation. From 2020 onwards, active existing employees and new entrants are entitled to benefits in accordance with the general company agreement 'Core Benefits: adidas company pension plan'. This is a pension plan with a basic employer contribution, possible salary sacrifices and additional matching contribution. Thus, the contributions to this pension plan are partly paid by the employee and partly paid by the employer. The contributions are transferred into benefit components. The benefits are paid out in the form of a pension, a lump sum or installments. The pension plans in Germany are financed using book reserves, a contractual trust arrangement (CTA) and, for certain former members of the Executive Board of adidas AG, a pension fund ('Pensionsfonds') in combination with a reinsured provident fund ('Unterstützungskasse'). Further details about the pension entitlements of members of the Executive Board of adidas AG are provided in this Annual Report. ▸ SEE COMPENSATION REPORT

The final salary defined benefit pension scheme in the UK is closed to new entrants and to future accrual. The benefits are mainly paid out in the form of pensions. The scheme operates under UK trust law as well as under the jurisdiction of the UK Pensions Regulator and therefore is subject to a minimum funding requirement. The Trustee Board is responsible for setting the scheme's funding objective, agreeing the contributions with the company and determining the investment strategy of the scheme.

In South Korea, adidas grants a final salary defined pension plan to certain employees. This plan is open to new entrants. The benefits are paid out in the form of a lump sum. The pension plan operates under the Employee Retirement Benefit Security Act (ERSA). This regulation requires a minimum funding amounting to 90% of the present value of the vested benefit obligation. The annual contribution includes at least the minimum amount in order to meet the funding requirements.

Breakdown of the present value of the obligation arising from defined benefit pension plans in the major countries € in millions

	Dec. 31, 2020			Dec. 31, 2019		
	Germany	UK	South Korea	Germany	UK	South Korea
Active members	318	–	16	281	–	19
Former employees with vested rights	163	55	–	140	57	–
Pensioners	110	7	–	101	8	–
Total	**592**	**62**	**16**	**522**	**64**	**19**

The Group's pension plans are subject to risks from changes in actuarial assumptions, such as the discount rate, salary and pension increase rates, and risks from changes in mortality. A lower discount rate results in a higher defined benefit obligation and/or in higher contributions to the pension funds. Lower than expected performance of the plan assets could lead to an increase in required contributions or to a decline of the funded status.

The following tables analyze the defined benefit plans, plan assets, present values of the defined benefit pension plans, expenses recognized in the consolidated income statement, actuarial assumptions and further information.

Amounts for defined benefit pension plans recognized in the consolidated statement of financial position € in millions

	Dec. 31, 2020	Dec. 31, 2019
Present value of funded obligation from defined benefit pension plans	694	626
Fair value of plan assets	(458)	(442)
Funded status	**236**	**184**
Present value of unfunded obligation from defined benefit pension plans	41	39
Net defined benefit liability	**277**	**223**
Thereof: liability	282	227
Thereof: adidas AG	231	178
Thereof: asset	(5)	(4)
Thereof: adidas AG	–	–

The determination of assets and liabilities for defined benefit plans is based upon actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates or future increases in salaries) and demographic variables (such as mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows.

Weighted average actuarial assumptions in %

	Dec. 31, 2020	Dec. 31, 2019
Discount rate	1.3	1.6
Expected rate of salary increases	3.6	3.8
Expected pension increases	1.6	1.6

The weighted average actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pension expense for the upcoming financial year.

The actuarial assumptions for withdrawal and mortality rates are based on statistical information available in the various countries. In Germany, the Heubeck 2018 G mortality tables are used. In the UK, assumptions are based on the S3 base tables with modified improvement of the life expectancy mortality tables. In South Korea, the KIDI 2019 tables from the Korea Insurance Development Institute are used.

As in the previous year, the calculation of the pension liabilities in Germany is based on a discount rate determined using the 'Mercer Yield Curve (MYC)' approach.

Remeasurements, such as gains or losses arising from changes in the actuarial assumptions for defined benefit pension plans or a return on the plan assets exceeding the interest income, are immediately recognized outside the income statement as a change in other reserves in the consolidated statement of comprehensive income.

Pension expenses for defined benefit pension plans € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Current service cost	49	30
Net interest expense	3	6
Thereof: interest cost	10	12
Thereof: interest income	(7)	(7)
Past service credit	(0)	(0)
Expenses for defined benefit pension plans (recognized in the consolidated income statement)	**52**	**35**
Actuarial losses	36	89
Thereof: due to changes in financial assumptions	39	75
Thereof: due to changes in demographic assumptions	(3)	(1)
Thereof: due to experience adjustments	0	15
Return on plan assets (not included in net interest income)	(13)	(21)
Remeasurements for defined benefit pension plans (recognized as decrease in other reserves in the consolidated statement of comprehensive income)	**23**	**68**
Total	**75**	**103**

Of the total pension expenses recorded in the consolidated income statement, an amount of € 42 million (2019: € 25 million) relates to employees of adidas AG and € 3 million (2019: € 4 million) relates to employees in South Korea. The pension expense is mainly recorded within other operating expenses. The production-related part of the pension expenses is recognized within cost of sales.

Present value of the defined benefit obligation € in millions

	2020	2019
Present value of the obligation from defined benefit pension plans as at January 1	**665**	**547**
Currency translation differences	(7)	4
Current service cost	49	30
Interest cost	10	12
Contribution by plan participants	1	0
Pensions paid	(19)	(17)
Actuarial losses	36	89
Thereof: due to changes in financial assumptions	39	75
Thereof: due to changes in demographic assumptions	(3)	(1)
Thereof: due to experience adjustments	0	15
Past service (credit)/cost	(0)	(0)
Business combinations/transfers/divestitures	0	–
Present value of the obligation from defined benefit pension plans as at December 31	**735**	**665**

In the following table, the effects of reasonably conceivable changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans are analyzed for Germany, the UK and South Korea. In addition, the average duration of the obligation is shown.

Sensitivity analysis of the obligation from defined benefit pension plans € in millions

	Dec. 31, 2020			Dec. 31, 2019		
	Germany	UK	South Korea	Germany	UK	South Korea
Present value of the obligation from defined benefit pension plans	592	62	16	522	64	19
Increase in the discount rate by 0.5%	542	55	15	479	56	18
Reduction in the discount rate by 0.5%	649	70	17	572	74	20
Average duration of the obligations (in years)	18	24	11	18	27	11

Since many pension plans are closed to future accrual, the salary trend plays a minor role in determining pension obligations. Due to the fact that with the introduction of the Core Benefits arrangement, German pension plans are mainly paid as lump sums, the pension increase rate and the mortality assumption have significantly less impact than the discount rate when calculating the pension obligations.

Fair value of plan assets € in millions

	2020	2019
Fair value of plan assets as at January 1	**442**	**303**
Currency translation differences	(4)	3
Pensions paid	(7)	(8)
Contributions by the employer	7	115
Contributions paid by plan participants	1	0
Interest income from plan assets	7	7
Return on plan assets (not included in net interest income)	13	21
Fair value of plan assets as at December 31	**458**	**442**

Approximately 96% (2019: 96%) of the total plan assets are allocated to plan assets in the three major countries: Germany (2020: 79%, 2019: 78%), UK (2020: 13%, 2019: 13%) and South Korea (2020: 5%, 2019: 5%).

Part of the plan assets in Germany is held by a trustee under a Contractual Trust Arrangement (CTA) for the purpose of funding the pension obligations of adidas AG and insolvency insurance with regard to part of the pension obligations of adidas AG. The trustee is the registered association adidas Pension Trust e.V. The investment committee of the adidas Pension Trust determines the investment strategy with the goal to match the pension liabilities as far as possible and to generate a sustainable return. In 2020, no additional employer funding contribution was transferred to the trustee. The plan assets in the registered association are mainly invested in real estate, cash and cash equivalents, equity index funds and hybrid bonds. Another part of the plan assets in Germany is invested in insurance contracts via a pension fund and a provident fund. For this portion, an insurance entity is responsible for the determination and the implementation of the investment strategy.

In the UK, the plan assets are held in an external trust. The investment strategy is aligned with the structure of the pension obligations in these countries. In the rest of the world, the plan assets consist predominantly of insurance contracts.

The expected payments for the 2021 financial year amount to € 19 million. Thereof, € 13 million relate to benefits directly paid to pensioners by the subsidiaries and € 6 million to employer contributions paid into the plan assets. In 2020, the actual return on plan assets (including interest income) was € 19 million (2019: return on plan assets of € 28 million).

Composition of plan assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	43	85
Equity instruments	95	59
Bonds	120	98
Real estate	89	90
Pension plan reinsurance	53	50
Investment funds	56	60
Other assets	2	0
Fair value of plan assets	**458**	**442**

All equities and bonds are traded freely and have a quoted market price in an active market.

At each balance sheet date, the company analyzes the over- or underfunding and, where appropriate, adjusts the composition of plan assets.

026 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

Other non-current liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Deferred income	5	4
Liabilities due to personnel	2	2
Sundry	10	0
Other non-current liabilities	**17**	**7**

027 SHAREHOLDERS' EQUITY

The nominal capital of adidas AG has remained unchanged since December 31, 2019. As at the balance sheet date, it amounted to a total of € 200,416,186 divided into 200,416,186 registered no-par-value shares and was fully paid in.

Each share grants one vote and is entitled to dividends starting from the commencement of the year in which it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). As at the balance sheet date, adidas AG held 5,350,126 treasury shares, corresponding to a notional amount of € 5,350,126 in nominal capital and consequently to 2.67% of the nominal capital.

Authorized Capital

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 90 million in the 2020 financial year.

The authorized capital of adidas AG, which is set out in § 4 sections 2, 3, 4, and 5 of the Articles of Association on the balance sheet date, entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital based on the following authorizations:

Based on the authorization granted by the resolution of the Annual General Meeting of May 11, 2017 until June 7, 2022:

- by issuing new shares against contributions in cash once or several times by no more than € 50 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorized Capital 2017/I);

Based on the authorization granted by the resolution of the Annual General Meeting of May 9, 2019 until June 13, 2024:

- by issuing new shares against contributions in kind once or several times by no more than € 16 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorized Capital 2019);

The overall volume of the shares issued based on this authorization with the exclusion of subscription rights must not exceed 10% of the nominal capital existing at the point in time when this authorization becomes effective or, where this amount is lower, at the date of the respective issuance. The nominal capital which is attributed to the shares to be issued to service option or conversion rights, or option or conversion obligations from bonds, debt securities, or participation rights to the extent that they are issued during the term of the authorization up to the date of the respective exercise of this authorization with the exclusion of subscription rights, or which is attributed to shares which are issued or sold during the term of the authorization up to the date of the respective exercise of this authorization with the exclusion of subscription rights, has to be included in the aforementioned limit of 10%. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights. The Authorized Capital 2019 must not be used to issue shares within the scope of compensation or participation programs for Executive Board members, employees, members of the management bodies or employees of subsidiaries;

Based on the authorization granted by the resolution of the Annual General Meeting of May 11, 2017 until June 7, 2022:

- by issuing new shares against contributions in cash once or several times by no more than € 20 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to exclude shareholders' subscription rights when issuing the new shares at a value not significantly below the stock market price of the adidas AG shares already listed on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the adidas AG shares on a foreign stock exchange (Authorized Capital 2017/III). The authorization to exclude subscription rights pursuant to the previous sentence may, however, only be used to the extent that the pro rata amount of the new shares in the nominal capital together with the pro rata amount in the nominal capital of other shares which have been issued by adidas AG since May 11, 2017, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorized capital or following a repurchase, or for which subscription or conversion rights, or subscription or conversion obligations have been granted since May 11, 2017, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded pursuant to § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization into the commercial register or – if this amount is lower – as of the respective date on which the resolution on utilization of the authorization is adopted;

  The overall volume of the shares issued based on this authorization with the exclusion of subscription rights – together with shares issued against contributions in kind with the exclusion of subscription rights from the Authorized Capital 2017/II (§ 4 section 3 of the Articles of Association) – must not exceed 10% of the nominal capital existing at the date of the respective issuance. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights;

Based on the authorization granted by the resolution of the Annual General Meeting of May 12, 2016 until June 14, 2021:

- by issuing up to 4,000,000 new shares against contributions in cash once or several times by no more than € 4 million and, subject to Supervisory Board approval, to determine the further content of the rights embodied in the shares and the terms and conditions of the share issuance (Authorized Capital 2016). Shareholders' subscription rights shall be excluded. Any repurchased treasury shares of adidas AG which are used by adidas AG for employee stock purchase plans during the term of this authorization shall be attributed to the maximum number of 4,000,000 shares. The new shares may only be issued to (current and former) employees of adidas AG and its affiliated companies as well as to (current and former) members of management bodies of adidas AG's affiliated companies.

Contingent Capital

The following overview of the Contingent Capital is based on § 4 section 6 of the Articles of Association of adidas AG as well as on the underlying resolution of the Annual General Meeting held on May 9, 2018. Additional contingent capital does not exist.

Contingent Capital 2018

The nominal capital is conditionally increased by up to € 12.5 million divided into not more than 12,500,000 registered no-par-value shares (Contingent Capital 2018). The contingent capital increase serves the issuance of registered no-par-value shares when exercising option or conversion rights, fulfilling the respective option and/or conversion obligations, or when exercising the company's right to choose to partially or fully deliver registered no-par-value shares of the company instead of paying the due amount to the holders or creditors of bonds issued by the company, or a subordinated Group company up to May 8, 2023 on the basis of the authorization resolution adopted by the Annual General Meeting on May 9, 2018. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. The contingent capital increase will be implemented only to the extent that holders or creditors of option or conversion rights, or the persons obligated to exercise the option or conversion obligations based on bonds issued by the company, or a subordinated Group company, pursuant to the authorization of the Executive Board granted by the resolution adopted by the Annual General Meeting on May 9, 2018 (Agenda Item 8), up to May 8, 2023 and guaranteed by the company, exercise their option or conversion rights or, if they are obligated to exercise the option or conversion obligations, fulfill their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver adidas AG shares for the total amount or a part amount instead of payment of the amount due and insofar as no cash settlement, treasury shares or shares of another public listed company are used to service these rights. The new shares will carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorized, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

The Executive Board is also authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights for residual amounts and to exclude shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of previously issued bonds are entitled. Finally, the Executive Board is authorized, subject to Supervisory Board approval, to also exclude shareholders' subscription rights if the issue price of the bonds is not significantly below the hypothetical market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. Treasury shares which are or will be sold with the exclusion of subscription rights in accordance with § 71 section 1 no. 8 in conjunction with § 186 section 3 sentence 4 AktG between the starting date of the term of this authorization and the issuance of the respective bonds are attributed to the aforementioned limit of 10%. Shares which are or will be issued, subject to the exclusion of subscription rights pursuant to § 186 section 3 sentence 4 AktG or pursuant to § 203 section 1 in conjunction with § 186 section 3 sentence 4 AktG, between the starting date of the term of this authorization and the issuance of the respective bonds in the context of a cash capital increase are also attributed to the aforementioned limit of 10%. Finally, shares for which there are option or conversion rights or obligations or a right to delivery of shares of the company in favor of the company due to bonds with warrants or convertible bonds issued by adidas AG or its subordinated Group companies, subject to the exclusion of subscription rights in accordance with § 221 section 4 sentence 2 in conjunction with § 186 section 3 sentence 4 AktG during the term of this authorization based on other authorizations are attributed to the aforementioned limit of 10%.

In the period up until the balance sheet date, the Executive Board of adidas AG did not issue any bonds based on the authorization granted on May 9, 2018 and consequently did not issue any shares from the Contingent Capital 2018.

Repurchase of adidas AG shares and use of treasury shares

The Annual General Meeting on May 12, 2016 granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 11, 2021. The authorization may be used by adidas AG, by its subordinated Group companies, by third parties on behalf of adidas AG or its subordinated Group companies, or third parties assigned by adidas AG or one of its subordinated Group companies.

Based on the above-mentioned authorization, the Executive Board of adidas AG commenced a share buyback program on March 22, 2018. Under the authorization granted, adidas AG repurchased a total of 3,223,214 shares for a total price of € 814,826,285 (excluding incidental purchasing costs), i.e. for an average price of € 252.80 per share, in a second tranche between January 1, 2019 and December 18, 2019 inclusive. This corresponded to a notional amount of € 3,223,214 in the nominal capital and consequently to 1.61% of the nominal capital. The sharebuy back program was resumed on January 7, 2020, in the form of a third tranche which was terminated on March 16, 2020. More information on the adidas AG shares repurchased in the 2020 financial year, is set out in the table 'Repurchase of adidas AG shares in the 2020 financial year'.

While the company may use the repurchased shares for all purposes admissible under the authorization granted on May 12, 2016 with the exception of the transfer of shares as a compensation component for its Executive Board members, adidas AG plans to cancel the majority of the repurchased shares. adidas AG reserves the right to continue the share buyback program in the future in alignment with the published parameters. ► SEE DISCLOSURES PURSUANT TO § 315A SECTION 1 AND § 289A SECTION 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

In the 2020 financial year, a total of 49,691 treasury shares were used as consideration for, inter alia, the transfer or licensing of intellectual property rights and intangible property rights due to contractual obligations. Due to the use of treasury shares with the exclusion of subscription rights, adidas AG was able to acquire the intellectual and intangible property rights (or licenses) from their owner at attractive terms while preserving the company's liquidity. Based on the share price at the time of transfer, the 49,691 treasury shares had a value of altogether approx. € 14 million, corresponding to a notional amount of € 49,691 in the nominal capital and consequently to 0.02% of the nominal capital.

Repurchase of adidas AG shares in the 2020 financial year

Month	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %
January	259,148	79,061,929.95	305.08	259,148	0.13
February	408,772	114,323,851.00	279.68	408,772	0.20
March	285,098	63,153,226.31	221.51	285,098	0.14
April	–	–	–	–	–
May	–	–	–	–	–
June	–	–	–	–	–
July	–	–	–	–	–
August	–	–	–	–	–
September	–	–	–	–	–
October	–	–	–	–	–
November	–	–	–	–	–
December	–	–	–	–	–
2020 financial year total[1]	**953,018**	**256,539,007.26**	**269.19**	**953,018**	**0.48**

1 In the period from January 7, 2020 up to and including March 16, 2020.

Employee stock purchase plan

In the 2016 financial year, adidas AG introduced an employee stock purchase plan in favor of employees of adidas AG and its affiliated companies.

In addition to the share buyback program initiated in March 2018, adidas AG purchased adidas AG shares in connection with this employee stock purchase plan in the 2020 financial year. More details on the repurchase of adidas AG shares and use of treasury shares in connection with the employee stock purchase plan in the 2020 financial year are set out in the tables 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020' and 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020/Matching shares'. ▸ SEE DISCLOSURES PURSUANT TO § 315A SECTION 1 AND § 289A SECTION 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT ▸ SEE NOTE 02 ▸ SEE NOTE 28

Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance date to employees
January 8, 2020	21,059	6,232,463.70	295.95	21,059	0.01	January 10, 2020
April 9, 2020	27,861	6,115,018.65	219.48	27,861	0.01	April 15, 2020
July 5, 2020	26,851	6,648,895.64	247.62	26,851	0.01	July 9, 2020
October 8, 2020	23,516	6,565,469.67	279.19	23,516	0.01	October 10, 2020

Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020 /Matching shares

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance date to employees
January 8, 2020	3,771	1,116,036.88	295.95	3,771	0.002	January 10, 2020
April 9, 2020	3,077	675,349.50	219.48	3,077	0.002	April 15, 2020
July 5, 2020	2,746	679,969.74	247.62	2,746	0.001	July 9, 2020
October 8, 2020	2,770	773,360.82	279.19	2,770	0.001	October 10, 2020

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to adidas AG in accordance with § 33 section 1 or section 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) need to be disclosed.

The table 'Notified reportable shareholdings' reflects reportable shareholdings in adidas AG, Herzogenaurach, as at the balance sheet date which have each been notified to adidas AG. In each case, the details relate to the most recent voting rights notification received by adidas AG from the parties obligated to notify. All voting rights notifications disclosed by adidas AG in the year under review are available on the corporate website. ► ADIDAS-GROUP.COM/S/VOTING-RIGHTS-NOTIFICATIONS

Notified reportable shareholdings

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Notification obligations and attributions in accordance with WpHG[1]	Share-holdings in %	Number of voting rights
BlackRock, Inc., Wilmington, DE, USA[2]	September 3, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1, 38 sec. 1 no. 2	6.41	12,799,500
FMR LLC, Wilmington, DE, USA[2]	November 10, 2020	Falling below 3%	§ 34	2.96	5,927,682
Ségolène Gallienne	November 30, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1	6.84	13,714,524
Gérald Frère	November 30, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1	6.84	13,714,524
The Desmarais Family Residuary Trust, Montreal, Canada[2]	November 30, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1	6.89	13,807,393
Elian Corporate Trustee (Cayman) Limited, Grand Cayman, Cayman Islands[2]	December 16, 2016	Exceeding 5%	§§ 21, 25 sec. 1 no. 2	5.71	11,950,482
Capital Research and Management Company, Los Angeles, CA, USA	July 22, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6	3.02	6,325,110
The Capital Group Companies, Inc., Los Angeles, CA, USA	July 22, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2 and 3	3.02	6,325,110

1 The provisions of the WpHG stated refer to the version applicable at the time of publication of the respective individual voting rights notification.
2 Voluntary group notification due to crossing a threshold on subsidiary level.

The details on the percentage of shareholdings and voting rights may no longer be up to date.

Capital management

The company's policy is to maintain a strong capital base so as to uphold investor, creditor and market confidence and to sustain future development of the business.

adidas seeks to maintain a balance between a higher return on equity that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The company further aims to maintain adjusted net borrowings below two times EBITDA over the long term. adidas intends to maintain a continuous rating in the middle of the upper rating class (S&P: A and Moody's: A2). In August, adidas was rated 'A +' by Standard & Poor's and 'A2' by Moody's for the first time. The outlook for both ratings is stable.

Financial leverage amounts to 48.8% (2019: 61.4%) and is defined as the ratio between adjusted net borrowings in an amount of € 3.148 billion (2019: € 4.173 billion) and shareholders' equity in an amount of € 6.454 billion (2019: € 6.796 billion). EBITDA amounted to € 2.079 billion for the financial year ending December 31, 2020 (2019: € 3.845 billion). The ratio between adjusted net borrowings and EBITDA amounted to 1.5 for the 2020 financial year (2019: 1.1).

In 2020, the definition of the ratio net borrowings over EBITDA was changed to adjusted net borrowings over EBITDA to reflect changes in the company's Financial Policy. The most significant difference between the previous net borrowings definition and the new adjusted net borrowings definition is the inclusion of the present value of future lease and pension liabilities. Prior year figures are restated.

Reserves

Reserves within shareholders' equity are as follows:

- **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as the equity component of the issued convertible bond.
- **Cumulative currency translation differences:** comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.
- **Hedging reserve:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges (intrinsic value for options and spot component for forward contracts) related to hedged transactions that have not yet occurred, hedges of net investments in foreign subsidiaries as well as the effective portion of the cumulative net change in the fair value of the total return swap.
- **Cost of hedging reserve – options:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges reflecting cost of hedging of options (time value and premium).
- **Cost of hedging reserve – forward contracts:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges reflecting cost of hedging of forward contracts (forward component).
- **Other reserves:** comprises the remeasurements of defined benefit plans consisting of the cumulative net change of actuarial gains or losses relating to the defined benefit obligations, the return on plan assets (excluding interest income) and the asset ceiling effect, the remeasurement of the fair value of the equity investments measured at fair value through other comprehensive income, expenses recognized for share option plans, effects from the acquisition of non-controlling interests, as well as reserves required by law.
- **Retained earnings:** comprises both amounts which are required by the Articles of Association and voluntary amounts that have been set aside by adidas. The reserve includes the unappropriated accumulated profits less dividends paid, and consideration paid for the repurchase of adidas AG shares exceeding the nominal value. In addition, the item includes the effects of the employee stock purchase plan and the transition effects of the implementation of new IFRSs.

The capital reserve includes restricted capital in an amount of € 4 million (2019: € 4 million). Furthermore, other reserves include additional restricted capital in an amount of € 91 million (2019: € 69 million).

Distributable profits and dividends
Profits distributable to shareholders are determined by reference to the retained earnings of adidas AG and calculated under German Commercial Law.

Based on the resolution of the 2020 Annual General Meeting, retained earnings of € 828 million reported in the adopted annual financial statements of the company as at December 31, 2019 were fully carried forward to new account.

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of € 1.166 billion as reported in the 2020 financial statements of adidas AG for a dividend payment of € 3.00 per share and to carry forward the subsequent remaining amount.

As at February 22, 2021, 195,066,060 dividend-entitled shares exist, resulting in a dividend payment of € 585 million.

028 SHARE-BASED PAYMENT

Equity-settled share-based payment transactions with employees

In 2016, adidas announced the introduction of an open-ended employee stock purchase plan (the 'plan'). The plan is operated on a quarterly basis, with each calendar quarter referred to as an 'investment quarter'.

The plan enables employees to purchase adidas AG shares with a 15% discount ('investment shares') and to benefit from free matching shares. Currently, eligible employees of adidas AG and seventeen other subsidiaries can participate in the plan. Up to two weeks before the start of an investment quarter each eligible employee can enroll for the plan. The company accepts enrolment requests on the first day of the relevant investment quarter. This is the grant date for the investment and matching shares. The fair value at the vesting date is equivalent to the fair value of the granted equity instruments at this date. The employees invest an amount up to 10% of their gross base salary per quarter in the plan. A few days after the end of the investment quarter the shares are purchased on the market at fair market value and transferred to the employees. Thereby the amount invested during the quarter plus the top-up from adidas is used. These shares can be sold at any time by the employee. If the shares are held for a period of one year after the last day of an investment quarter, employees will receive, as a one-off, free matching shares (one matching share for every six adidas AG shares acquired). This plan currently constitutes an equity-settled share-based payment for both elements. For the component of the matching shares relating to the specific period of service an appropriate discount is taken into account. The effects are presented in the following table:

Equity-settled share-based payment transactions with employees

	As at December 31, 2019	As at December 31, 2020				
	13th investment quarter	13th investment quarter	14th investment quarter	15th investment quarter	16th investment quarter	17th investment quarter
Grant date	Oct. 1, 2019	Oct. 1, 2019	Jan. 2, 2020	April 1, 20 20	July 1, 20 20	Oct. 1, 2020
Share price at grant date (in €)	282.20	282.20	291.55	199.85	235.10	278.90
Share price at December 31 (in €)	289.80					297.90
Number of granted investment shares based on the share price as at December 31	21,507					23,474
Number of actually purchased investment shares	–	21,059	27,861	26,851	23,516	–
Number of actually purchased matching shares	–	2,843	–	–	–	–
Outstanding granted matching shares based on the share price as at December 31 or actually purchased investment shares	3,585	–	4,644	4,475	3,919	3,912
Average remaining vesting period in months as at December 31 (in months)	12	–	3	6	9	12

The number of forfeited matching shares during the period amounted to 2,936 (2019: 4,059).

As at December 31, 2020, the total expenses recognized relating to investment shares amounted to € 3.8 million (2019: € 3.1 million).

Expenses recognized relating to vesting of matching shares amounted to € 3.2 million in 2020 (2019: € 2.8 million).

As at December 31, 2020, a total amount of € 6 million (2019: € 5 million) was invested by the participants in the stock purchase plan and was not yet transferred into shares by the end of December 2020. Therefore, this amount has been included in 'Other current financial liabilities'. ► SEE NOTE 19

Further information about the purchase of shares for the employee stock purchase plan is provided in these Notes. ▶ SEE NOTE 27

Equity-settled share-based payment transactions with third parties

In 2016, adidas entered into a promotion and advertising contract which includes a share-based payment transaction with third parties. The contract has a duration of five years and will end in 2022.

The first part of the agreement grants a transfer of basic shares over five years which correspond to a value of US $ 5million each year. Based on the contractual terms, the fourth transfer in 2020 equated to 16,520 shares. The fifth granting for 2021 was transferred in 2020 and equated to 15,764 shares. The shares from the fifth tranche of repurchased shares with an average price of € 198.91 per share were used as a consideration. ▶ SEE NOTE 27

As at January 1, 2020 (grant date), an amount of US $ 5 million was recognized as expenses for basic shares over the vesting period of twelve months.

The second part of the agreement grants bonus shares of US $ 5 million if certain conditions are fulfilled. This option can be granted twice. In 2020 the first bonus shares were granted, hence 17,407 shares were transferred. The shares from the fifth tranche of repurchased shares with an average price of € 198.91 per share were used as a consideration. As at December 31, 2020, it was likely that the second bonus shares will be issued. Therefore, the accrual amounting to € 4 million for the second bonus shares was kept in 2020 (2019: € 4 million).

Cash-settled share-based payment transactions with employees

In 2017, adidas implemented a Long-Term Incentive (LTI) Plan, which is a share-based remuneration scheme with cash settlement. RSUs (Restricted Stock Units) are granted on the condition that the beneficiary is employed for three or four years by adidas AG or one of its subsidiaries in a position where he or she is not under notice during that period. This minimum period of employment pertains to the calendar year in which the RSUs are granted and the three subsequent calendar years.

The total value of the cash remuneration payable to senior management is recalculated on each reporting date and on the settlement date, based on the fair value of the RSUs, and recognized through an appropriate increase in the provision as personnel expenses that are spread over the period of service of the beneficiary. Furthermore, social security contributions are considered in the calculation of the fair value, if appropriate for the respective country regulations and the seniority of the participants. All changes to the subsequent measurement of this provision are reported under personnel expenses.

Once a year, one tranche with a three-year term and another with a four-year term are issued. The number of RSUs granted depends on the seniority of the beneficiaries. In addition, for the four-year plan, the number of RSUs also depends on the achievement of a target figure which is based on the growth of the diluted earnings per share from continuing operations.

The value of one RSU is the average price of the adidas AG share as quoted for the first 20 stock exchange trading days in January of the respective financial year. The effects are presented in the following table:

Cash-settled share-based payment transactions with employees

	As at December 31, 2020							
Plan year	**2017**		**2018**		**2019**		**2020**	
Tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche
Share price as at December 31 (in €)	297.90	–	296.90	297.90	295.53	296.90	292.99	295.53
Number of granted RSUs based on the share price as at December 31 (in €)	206,427	–	214,818	126,594	184,315	212,678	36,286	150,136
Average risk-free interest rate based on the share price as at December 31 (in %)	1.02%	–	0.90%	1.02%	0.84%	0.90%	0.82%	0.84%
Average remaining vesting period as at December 31 (in months)	–	–	12	–	24	12	36	24

Cash-settled share-based payment transactions with employees

	As at December 31, 2019					
Plan year	**2017**		**2018**		**2019**	
Tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche
Share price as at December 31 (in €)	286.09	289.80	281.30	286.09	276.23	281.30
Number of granted RSUs based on the share price as at December 31 (in €)	249,632	300,365	262,940	143,933	212,225	236,158
Average risk-free interest rate based on the share price as at December 31 (in %)	0.70 %	–	0.64 %	0.70 %	0.60 %	0.64 %
Average remaining vesting period as at December 31 (in months)	12	–	24	12	36	24

The fair value is based on the closing price of the adidas AG share on December 31, 2020, adjusted for future dividend payments.

In 2020, this resulted in an expense of € 96 million (2019: € 170 million). The corresponding provision amounted to € 247 million (2019: € 254 million).

029 NON-CONTROLLING INTERESTS

This line item within equity comprises the non-controlling interests in subsidiaries which are not directly or indirectly attributable to adidas AG.

Non-controlling interests are assigned to three subsidiaries both as at December 31, 2020 and as at December 31, 2019. ▸ SEE SHAREHOLDINGS

As a result of obtaining control over Agron, Inc., its net assets, which are attributable entirely to the non-controlling interest, were consolidated for the first-time into the company's consolidated statement of financial position as at December 31, 2019. ▸ SEE NOTE 04

A merger of Reebok Israel Ltd. with adidas Israel Ltd. (formerly: Life Sport Ltd.) was completed in 2019.

Reebok India Company was acquired in connection with the acquisition of Reebok in 2006.

For the following subsidiaries with non-controlling interests the main financial information is presented combined.

Subsidiaries with non-controlling interests

Legal entity name	Principal place of business	Ownership interests held by non-controlling interests (in %)	
		Dec. 31, 2020	Dec. 31, 2019
Agron, Inc.	USA	100%	100%
adidas Israel Ltd. (formerly: Life Sport Ltd.)	Israel	15%	15%
Reebok India Company	India	6.85%	6.85%

The following table presents the main financial information on subsidiaries with significant non-controlling interests before elimination.

Financial information on subsidiaries with non-controlling interests € in millions

	Non-controlling interests			
	Dec. 31, 2020		Dec. 31, 2019	
	Total	Thereof: Agron, Inc.	Total	Thereof: Agron, Inc.
Net sales	517	349	222	–
Net income	**4**	**12**	**14**	**–**
Net income attributable to non-controlling interests	**11**	**12**	**2**	**–**
Other comprehensive income	7	(23)	(8)	(6)
Total comprehensive income	**10**	**(11)**	**6**	**(6)**
Total comprehensive income attributable to non-controlling interests	**(10)**	**(11)**	**(4)**	**(6)**
Current assets	315	185	361	209
Non-current assets	172	119	195	121
Current liabilities	(158)	(53)	(174)	(55)
Non-current liabilities	(28)	(1)	(42)	(2)
Net assets	**301**	**249**	**340**	**274**
Net assets attributable to non-controlling interests according to the consolidated statement of financial position	**237**	**249**	**261**	**274**
Net cash generated from operating activities	65	51	14	–
Net cash (used in) / generated from investing activities	(25)	(20)	0	–
Net cash used in financing activities	(31)	(15)	(11)	–
Net increase of cash and cash equivalents	**9**	**16**	**3**	**–**
Dividends paid to non-controlling interests during the year[1]	**17**	**17**	**2**	**–**

1 Included in net cash used in financing activities.

030 FINANCIAL INSTRUMENTS

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	December 31, 2020					December 31, 2019				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets											
Cash and cash equivalents											
Cash and cash equivalents	Amortized cost	1,762		–	–	–	1,636		–	–	–
Cash equivalents	Fair value through profit or loss	2,232	2,232	–	2,232	–	584	584	–	584	–
Short-term financial assets	Fair value through profit or loss	0	0	–	0	–	292	292	–	292	–
Accounts receivable	Amortized cost	1,952		–	–	–	2,625		–	–	–
Other current financial assets											
Derivatives used in hedge accounting	Hedge accounting	163	163	–	163	–	141	141	–	141	–
Derivatives not used in hedge accounting	Fair value through profit or loss	32	32	–	32	–	25	25	–	25	–
Promissory notes	Fair value through profit or loss	6	6	–	–	6	33	33	–	–	33
Earn-out components	Fair value through profit or loss	–	–	–	–	–	9	9	–	–	9
Other financial assets	Amortized cost	511		–	–	–	336		–	–	–
Long-term financial assets											
Other equity investments	Fair value through profit or loss	89	89	–	–	89	87	87	–	–	87
Other equity investments	Fair value through other comprehensive income	80	80	–	–	80	79	79	–	–	79
Other investments	Fair value through profit or loss	35	37	–	37[1]	–	35	37	–	37[2]	–
Other investments	Amortized cost	149	–	–	–	–	167	–	–	–	–
Loans	Amortized cost	0		–	–	–	1		–	–	–
Other non-current financial assets											
Derivatives used in hedge accounting	Hedge accounting	14	14	–	14	–	62	62	–	62	–
Derivatives not used in hedge accounting	Fair value through profit or loss	99	99	–	99	–	95	95	–	95	–
Promissory notes	Fair value through profit or loss	166	166	–	–	166	149	149	–	–	149
Earn-out components	Fair value through profit or loss	12	12	–	–	12	36	36	–	–	36
Other financial assets	Amortized cost	114		–	–	–	110		–	–	–
Financial assets per level				**–**	**2,577**	**352**			**–**	**1,236**	**392**
Financial liabilities											
Short-term borrowings											
Bank borrowings	Amortized cost	87		–	–	–	43		–	–	–
Eurobond	Amortized cost	599	605	605	–	–	–	–	–	–	–
Accounts payable	Amortized cost	2,390		–	–	–	2,703		–	–	–
Current accrued liabilities	Amortized cost	939		–	–	–	1,017		–	–	–
Current accrued liabilities for customer discounts	Amortized cost	743		–	–	–	740		–	–	–
Other current financial liabilities		–	–	–	–	–	–	–	–	–	–
Derivatives used in hedge accounting	Hedge accounting	258	258	–	258	–	138	138	–	138	–
Derivatives not used in hedge accounting	Fair value through profit or loss	24	24	–	24	–	31	31	–	31	–

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	December 31, 2020					December 31, 2019				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Earn-out components	Fair value through profit or loss	–		–	–	–	–		–	–	–
Other financial liabilities	Amortized cost	164		–	–	–	66		–	–	–
Lease liabilities	n.a.	563		–	–	–	733		–	–	–
Long-term borrowings											
Bank borrowings	Amortized cost	103		–	–	–	122		–	–	–
Eurobond	Amortized cost	1,888	1,987	1,987	–	–	986	1,044	1,044	–	–
Convertible bond	Amortized cost	491	631	631	–	–	487	615	615	–	–
Non-current accrued liabilities	Amortized cost	2		–	–	–	0		–	–	–
Other non-current financial liabilities											
Derivatives used in hedge accounting	Hedge accounting	26	26	–	26	–	7	7	–	7	–
Derivatives not used in hedge accounting	Fair value through profit or loss	85	85	–	85	–	86	86	–	86	–
Other financial liabilities	Amortized cost	4		–	–	–	–		–	–	–
Lease liabilities	n.a.	2,159		–	–	–	2,399		–	–	–
Financial liabilities per level				**3,223**	**393**	**–**			**1,659**	**262**	**–**
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		2,670					1,345				
Thereof: designated as such upon initial recognition (Fair Value Option – FVO)		–					–				
Thereof: held for trading (FAHfT)		87					84				
Financial assets at fair value through other comprehensive income (FVOCI)		80					79				
Thereof: debt instruments		–					–				
Thereof: equity investments (without recycling to profit and loss)		80					79				
Financial assets at amortized cost (AC)		4,489					4,873				
Financial liabilities at fair value through profit or loss (FVTPL)		108					117				
Thereof: held for trading (FLHfT)		–					–				
Financial liabilities at amortized cost (AC)		7,409					6,165				

1 Net gains in the amount of € 0 million and losses in the amount of € 2 million due to currency translation differences were recognized in equity in 2020.
2 Net gains in the amount of € 2 million and gains in the amount of € 0 million due to currency translation differences were recognized in equity in 2019.

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Reconciliation of fair value hierarchy Level 3 in 2020 € in millions

	Fair value Jan. 1, 2020	Additions	Disposals	Realized Gains	Realized Losses	Unrealized Gains	Unrealized Losses	Currency translation	Fair value Dec. 31, 2020
Investments in other equity instruments held for trading (FAHfT)	84	–	–	–	–	2	–	–	87
Investments in other equity instruments (FVTPL)	2	–	–	–	–	–	–	–	2
Investments in other equity instruments (FVOCI)	78	3	–	–	–	–	(2)	–	79
Promissory notes (FVTPL)	182	–	(1)	–	(3)	9	–	(15)	171
Earn-out components – assets (FVTPL)	45	–	(41)	–	–	12	–	(4)	12

Reconciliation of fair value hierarchy Level 3 in 2019 € in millions

	Fair value Jan. 1, 2019	Additions	Disposals	Realized Gains	Realized Losses	Unrealized Gains	Unrealized Losses	Currency translation	Fair value Dec. 31, 2019
Investments in other equity instruments held for trading (FAHfT)	83	–	–	–	–	1	–	–	84
Investments in other equity instruments (FVTPL)	2	–	–	–	–	–	–	–	2
Investments in other equity instruments (FVOCI)	58	8	–	–	–	15	(3)	–	78
Promissory notes (FVTPL)	147	22	(5)	1	–	14	–	3	182
Earn-out components – assets (FVTPL)	21	–	(45)	45	–	24	–	–	45
Earn-out components – liabilities (FVTPL)	15	–	(15)	–	–	0	–	–	0

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, accounts receivable and payable as well as other current financial receivables and payables, their respective fair values equal their carrying amount.

The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities and adjusted by a company-specific credit risk premium.

Fair values of long-term financial assets are based on quoted market prices in an active market or are calculated as present values of expected future cash flows.

adidas designated certain investments as equity securities at fair value through other comprehensive income (equity), because the company intends to hold those investments for the long term in order to gain insights into innovative production technologies and trends. The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic Management decision.

In accordance with IFRS 13, the following tables show the valuation methods used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

During the course of 2020, significant unobservable inputs did not significantly change and there were no reclassifications between levels.

Financial instruments Level 1 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Convertible bond	The fair value is based on the market price of the convertible bond as at December 31, 2020.	Not applicable	Amortized cost
Eurobond	The fair value is based on the market price of the Eurobond as at December 31, 2020.	Not applicable	Amortized cost

Financial instruments Level 2 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Cash equivalents and short-term financial assets (money market funds)	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. Due to their short-term maturities, it is assumed that their respective fair value is equal to the notional amount.	Not applicable	Fair value through profit or loss
Long-term financial assets (investment securities)	The fair value is based on the market price of the assets as at December 31, 2020.	Not applicable	Fair value through profit or loss
Forward exchange contracts	In 2020, adidas applied the par method (forward NPV) for all currency pairs to calculate the fair value, implying actively traded forward curves.	Not applicable	Hedge accounting/fair value through profit or loss
Currency options	adidas applies the Garman-Kohlhagen model, which is an extended version of the Black-Scholes model.	Not applicable	Hedge accounting/fair value through profit or loss
Share option (cash settled)	adidas applies the Black-Scholes model.	Not applicable	Fair value through profit or loss
Total return swap (for own shares)	The fair value is based on the market price of the adidas AG share as at December 31, 2020, minus accrued interest.	Not applicable	Hedge accounting

Financial instruments Level 3 measured at fair value

Type	Valuation method	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Category
Investment in FC Bayern München AG	This equity security does not have a quoted market price in an active market. Existing contractual arrangements (based on the externally observable dividend policy of FC Bayern München AG) are used in order to calculate the fair value as at December 31, 2020. These dividends are recognized in other financial income.	See column 'Valuation method'		Fair value through profit or loss
Earn-out components (assets)	The valuation follows an option price model based on the Monte Carlo method to simulate future EBITDA values. The derived earn-out payments are discounted using a risk-adjusted discount rate. The fair value adjustment is recognized in discontinued operations.	Risk-adjusted maturity-specific discount rate (0.2% – 0.5%), EBITDA values, confidence level	The estimated fair value would increase (decrease) if EBITDA values were higher (lower) or the risk-adjusted discount rate was lower (higher).	Fair value through profit or loss
Promissory notes	The discounted cash flow method is applied, which considers the present value of expected payments discounted using a risk-adjusted discount rate. Fair value adjustments regarding TaylorMade and CCM promissory notes are recognized in discontinued operations. Fair value adjustments regarding the Mitchell & Ness promissory note are recognized in financial result.	Risk-adjusted maturity-specific discount rate (0.6% – 4.5%)	The estimated fair value would increase (decrease) if the risk-adjusted discount rate was lower (higher).	Fair value through profit or loss
Investments in other equity instruments (fair value through profit or loss)	The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The fair value adjustment is recognized in other financial result.	See column 'Valuation method'		Fair value through profit or loss
Investments in other equity instruments (fair value through other comprehensive income)	The option to measure equity instruments at fair value through other comprehensive income upon implementation of IFRS 9 has been exercised. The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The fair value adjustment is recognized in other reserves.	See column 'Valuation method'		Fair value through other comprehensive income
Earn-out components (liabilities)	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value adjustment refers to accretion and is recognized in interest result.	Risk-adjusted discount rate (1.75%)	The estimated fair value would increase (decrease) if the target ratio achievement was higher (lower) or the risk-adjusted discount rate was lower (higher).	Fair value through profit or loss

Net gains/(losses) on financial instruments recognized in the consolidated income statement € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Financial assets classified at amortized cost (AC)	(114)	(18)
Financial assets at fair value through profit or loss (FVTPL)	18	90
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	2	1
Equity instruments at fair value through profit or loss (FVTPL)	–	–
Equity instruments at fair value through other comprehensive income (FVOCI)	–	–
Financial liabilities at amortized cost (AC)	39	29
Financial liabilities at fair value through profit or loss (FVTPL)	–	–
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	–	–

Net gains or losses on financial assets measured at amortized cost comprise mainly impairment losses and reversals.

Net gains or losses on financial assets or financial liabilities classified as fair value through profit or loss include the effects from fair value measurements of the derivatives that are not part of a hedging relationship, and changes in the fair value of other financial instruments as well as interest expenses.

Net gains or losses on equity instruments at fair value through profit or loss mainly include fair value adjustments based on the respective valuation method. ► SEE TABLE 'FINANCIAL INSTRUMENTS LEVEL 3 MEASURED AT FAIR VALUE'

During 2020, no dividends regarding equity instruments at fair value through other comprehensive income were recognized. Net gains or losses on financial liabilities measured at amortized cost include effects from early settlement and reversals of accrued liabilities and refund liabilities.

Net gains or losses on financial liabilities measured at amortized cost include effects from early settlement and reversals of accrued liabilities and refund liabilities.

Notional amounts of all outstanding currency hedging instruments € in millions

	Dec. 31, 2020	Dec. 31, 2019
Forward exchange contracts	13,142	14,697
Currency options	386	920
Total	**13,528**	**15,617**

Fair values € in millions

	Dec. 31, 2020		Dec. 31, 2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward exchange contracts	119	(300)	120	(175)
Currency options	10	–	17	–
Total	**129**	**(300)**	**137**	**(175)**

Notional amounts of outstanding US dollar hedging instruments € in millions

	Dec. 31, 2020	Dec. 31, 2019
Forward exchange contracts	4,968	4,590
Currency options	261	844
Total	**5,229**	**5,434**

FINANCIAL RISKS

Currency risks

Currency risks for adidas are a direct result of multi-currency cash flows within the company. The vast majority of the transactional risk arises from product sourcing in US dollars, while sales are typically denominated in the functional currency of the respective companies. The currencies in which these transactions are mainly denominated are the US dollar, British pound, Japanese yen, and Chinese renminbi.

As governed by the company's Treasury Policy, adidas has established a hedging system on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. In rare instances, hedges are contracted beyond the 24-month horizon.

adidas uses a combination of different hedging instruments, such as forward exchange contracts, currency options, and swaps, to protect itself against unfavorable currency movements. These contracts are generally designated as cash flow hedges.

Furthermore, translation impacts from the conversion of non-euro-denominated results into the company's functional currency, the euro, might lead to a material negative impact on the company's financial performance.

Further information about the accounting and hedge accounting treatment is included in these Notes. ► SEE NOTE 02

Exposures are presented in the following table:

Exposure to foreign exchange risk based on notional amounts € in millions

	USD	GBP	JPY	CNY
As at December 31, 2020				
Exposure from firm commitments and forecast transactions	(5,897)	926	731	1,913
Balance sheet exposure including intercompany exposure	(233)	41	(37)	388
Total gross exposure	**(6,130)**	**967**	**694**	**2,301**
Hedged with currency options	261	(59)	(66)	–
Hedged with forward contracts	4,808	(805)	(542)	(1,645)
Net exposure	**(1,061)**	**103**	**86**	**656**
As at December 31, 2019				
Exposure from firm commitments and forecast transactions	(6,522)	1,061	796	1,497
Balance sheet exposure including intercompany exposure	(274)	(31)	(7)	310
Total gross exposure	**(6,796)**	**1,030**	**789**	**1,807**
Hedged with currency options	844	(23)	(53)	–
Hedged with forward contracts	4,243	(936)	(607)	(1,681)
Net exposure	**(1,709)**	**71**	**129**	**126**

The exposure from firm commitments and forecast transactions was calculated on a one-year basis.

In line with IFRS 7 requirements, the company has calculated the impact on net income and shareholders' equity based on changes in the most important currency exchange rates. The calculated impacts mainly result from changes in the fair value of the hedging instruments. The analysis does not include effects that arise from the translation of the company's foreign entities' financial statements into the company's reporting currency, the euro. The sensitivity analysis is based on the net balance sheet exposure, including intercompany balances from monetary assets and liabilities denominated in foreign currencies. Moreover, all outstanding currency derivatives were re-evaluated using hypothetical foreign exchange rates to determine the effects on net income and equity. The analysis was performed on the same basis for both 2020 and 2019.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2020 would have led to a € 6 million increase in net income.

Sensitivity analysis of foreign exchange rate changes € in millions

	USD	GBP	JPY	CNY
As at December 31, 2020				
	EUR +10%	**EUR +10%**	**EUR +10%**	**EUR +10%**
Equity	(379)	77	55	105
Net income	6	(41)	3	(2)
	EUR -10%	**EUR -10%**	**EUR -10%**	**EUR -10%**
Equity	478	(91)	(66)	(128)
Net income	(11)	5	(4)	7
As at December 31, 2019				
	EUR +10%	**EUR +10%**	**EUR +10%**	**EUR +10%**
Equity	(328)	86	59	99
Net income	6	3	1	(26)
	EUR -10%	**EUR -10%**	**EUR -10%**	**EUR -10%**
Equity	465	(104)	(71)	(122)
Net income	(8)	(3)	(2)	32

The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 379 million. A 10% weaker euro at December 31, 2020 would have led to a € 11 million decrease in net income. Shareholders' equity would have increased by € 478 million. The impacts of fluctuations of the euro against the British pound, the Japanese yen and the Chinese renminbi on net income and shareholders' equity are also included in accordance with IFRS requirements.

However, many other financial and operational variables that could potentially reduce the effect of currency fluctuations are excluded from the analysis. For instance:

- Interest rates, commodity prices and all other exchange rates are assumed constant.
- Exchange rates are assumed at a year-end value instead of the more relevant sales-weighted average figure, which the company utilizes internally to better reflect both the seasonality of its business and intra-year currency fluctuations.
- The underlying forecast cash flow exposure (which the hedge instrument mainly relates to) is not required to be revalued in this analysis.
- Operational issues, such as potential discounts for key accounts, which have high transparency regarding the impacts of currency on our sourcing activities (due to their own private label sourcing efforts), are also excluded from this analysis.
- The credit risk is not considered as part of this analysis.

The company also largely hedges balance sheet risks. Due to its strong global position, adidas is able to partly minimize the currency risk by utilizing natural hedges. The company's gross US dollar cash flow exposure calculated for 2021 was around € 6.1 billion at year-end 2020, which was hedged using forward exchange contracts, currency options and currency swaps.

Credit risks

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. adidas is exposed to credit risks from its operating activities and from certain financing activities. Credit risks arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets, short-term bank deposits and derivative financial instruments. Without taking into account any collateral or other credit enhancements, the carrying amount of financial assets and accounts receivable represents the maximum exposure to credit risk.

At the end of 2020, there was no relevant concentration of credit risk by type of customer or geography. The company's credit risk exposure is mainly influenced by individual customer characteristics. Under the company's credit policy, new customers are analyzed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the company's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses as well as, on a selective basis, credit insurance, the sale of accounts receivable without recourse, and bank guarantees. Further quantitative information on the extent to which credit enhancements mitigate the credit risk of accounts receivable is included in these Notes. ► SEE NOTE 07

At the end of 2020, no customer accounted for more than 10% of accounts receivable.

The Treasury department arranges currency, commodity interest rate and equity hedges, and invests cash with major banks of a high credit standing throughout the world. adidas subsidiaries are authorized to work with banks rated BBB+ or higher. Only in exceptional cases are subsidiaries authorized to work with banks rated lower than BBB+. To limit risk in these cases, restrictions are clearly stipulated, such as maximum cash deposit levels. In addition, the credit default swap premiums of the company's partner banks are monitored on a monthly basis. In the event that the defined threshold is exceeded, credit balances are shifted to banks compliant with the limit. ► SEE TREASURY

adidas furthermore believes that the risk concentration is limited due to the broad distribution of the investment business of the company with more than 20 globally operating banks. At December 31, 2020, no bank accounted for more than 10% of the investments of adidas. Including subsidiaries' short-term deposits in local banks, the average concentration was 2%. This leads to a maximum exposure of € 225 million in the event of default of any single bank. The investment exposure was further diversified by investing into AAA-rated money market funds.

In addition, in 2020, adidas held derivatives of foreign exchange with a positive fair market value in the amount of € 129 million. The maximum exposure to any single bank resulting from these assets amounted to € 42 million and the average concentration was 8%.

In accordance with IFRS 7, the following table includes further information about set-off possibilities of derivative financial assets and liabilities. The majority of agreements between financial institutions and adidas include a mutual right to set off. However, these agreements do not meet the criteria for offsetting in the statement of financial position, because the right to set off is enforceable only in the event of counterparty defaults.

The carrying amounts of recognized derivative financial instruments, which are subject to the agreements mentioned here, are also presented in the following table:

Set-off possibilities of derivative financial assets and liabilities € in millions

	2020	2019
Assets		
Gross amounts of recognized financial assets	309	322
Financial instruments which qualify for set-off in the statement of financial position	–	–
Net amounts of financial assets presented in the statement of financial position	**309**	**322**
Set-off possible due to master agreements	(212)	(160)
Total net amount of financial assets	**97**	**162**
Liabilities	**–**	**–**
Gross amounts of recognized financial liabilities	(393)	(262)
Financial instruments which qualify for set-off in the statement of financial position	–	–
Net amounts of financial liabilities presented in the statement of financial position	**(393)**	**(262)**
Set-off possible due to master agreements	212	160
Total net amount of financial liabilities	**(181)**	**(102)**

Interest rate risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As adidas does not have material variable-interest liabilities, even a significant increase in interest rates should have only slight adverse effects on the company's profitability, liquidity, and financial position.

To reduce interest rate risks and maintain financial flexibility, a core tenet of the company's financial strategy is to continue to use surplus cash flow from operations to reduce short-term gross borrowings. Beyond that, adidas may consider adequate hedging strategies through interest rate derivatives in order to mitigate interest rate risks. ► SEE TREASURY

Share price risks

Share price risks arise due to the Long-Term Incentive Plan (LTIP), which is a share-based remuneration scheme with cash settlement, and the equity-neutral convertible bond with cash settlement. In order to mitigate share price risks, it is company strategy to use swaps and options to hedge against share price fluctuations. Swaps are used to hedge the Long-Term Incentive Plan and are classified as cash flow hedges. The embedded cash option in the convertible bond is fully offset with a call option to mitigate the cash settlement.

In line with IFRS 7 requirements, adidas has calculated the impact on net income based on changes in the company's share price. A 10% increase in the adidas AG share price versus the closing share price at December 31, 2020 would have led to a € 19 million increase in net income and a € 9 million increase in shareholders' equity. Whereas a 10% decrease in the adidas AG share price versus the closing share price at December 31, 2020 would only have led to a € 19 million decrease in net income and would have decreased shareholders' equity by € 9 million.

Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume and currency structure. In addition, the company faces the risk of having to accept unfavorable financing terms due to liquidity restraints. The Treasury department uses an efficient cash management system to manage liquidity risk. At December 31, 2020, cash and cash equivalents together with marketable securities amounted to € 3.994 billion (2019: € 2.511 billion). Moreover, the company maintains € 4.274 billion (2019: € 2.105 billion) in bilateral credit lines, which are designed to ensure sufficient liquidity at all times. On November 6, 2020 adidas entered into a new € 1.5 billion syndicated credit facility with twelve of its partner banks. This new syndicated credit facility replaced the syndicated loan facility under participation of KfW, Germany's state-owned development bank. The company had received the approval from the German government for the participation of KfW in the total € 3.0 billion syndicated loan credit in April 2020 to bridge the unprecedented situation caused by the global coronavirus pandemic. Transaction costs of € 9 million have been booked into profit and loss. ▸ SEE TREASURY

Future cash outflows arising from financial liabilities that are recognized in the consolidated statement of financial position are presented in the table.

Future cash outflows € in millions

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Total
As at December 31, 2020							
Bank borrowings	87	18	19	19	19	27	189
Eurobond[1]	620	12	12	512	12	1,441	2,609
Equity-neutral convertible bond	–	–	491	–	–	–	491
Accounts payable	2,390	–	–	–	–	–	2,390
Other financial liabilities	164	4	–	–	–	–	168
Accrued liabilities[2]	939	–	–	–	–	1	940
Derivative financial liabilities	6,878	983	503	3	3	11	8,381
Total	**11,078**	**1,017**	**1,025**	**534**	**34**	**1,480**	**15,168**
As at December 31, 2019							
Bank borrowings	43	19	19	19	19	46	165
Eurobond[1]	17	616	9	9	9	407	1,067
Equity-neutral convertible bond	–	–	–	487	–	–	487
Accounts payable	2,703	–	–	–	–	–	2,703
Other financial liabilities	66	–	–	–	–	–	66
Accrued liabilities[2]	1,016	–	–	–	–	1	1,017
Derivative financial liabilities	7,497	712	5	503	3	15	8,735
Total	**11,342**	**1,347**	**33**	**1,018**	**31**	**469**	**14,240**

1 Including interest payments.
2 Accrued interest excluded.

This includes payments to settle obligations from borrowings as well as cash outflows from cash-settled derivatives with negative market values. Financial liabilities that may be settled in advance without penalty are included on the basis of the earliest date of potential repayment. Cash flows for variable-interest liabilities are determined with reference to the conditions at the balance sheet date.

adidas ended the year 2020 with an adjusted net borrowings of € 3.148 billion (2019: € 4.173 billion).

In 2020, the definition of the ratio net borrowings over EBITDA was changed to adjusted net borrowings over EBITDA to reflect changes in the company's Financial Policy. The most significant difference between the previous net borrowings definition and the new adjusted net borrowings definition is the inclusion of the present value of future lease and pension liabilities.

Financial instruments for the hedging of foreign exchange risk

As at December 31, 2020, adidas held the following instruments to hedge exposure to changes in foreign currency:

Average hedge rates

	Maturity	
As at December 31, 2020	**short-term**	**long-term**
Foreign currency risk		
Net exposure (€ in millions)	**768**	**614**
Forward exchange contracts		
Average EUR/USD forward rate	1.165	1.216
Average EUR/GBP forward rate	0.887	0.906
Average EUR/JPY forward rate	120.630	126.640
Average EUR/CNY forward rate	8.085	8.328
Option exchange contracts		
Average EUR/USD forward rate	1.200	1.229
Average EUR/GBP forward rate	0.872	0.924
Average EUR/JPY forward rate	122.460	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	**122**	**82**
Total return swap		
Average hedge rate	190.630	298.745

Average hedge rates

As at December 31, 2019	Maturity short-term	Maturity long-term
Foreign currency risk		
Net exposure (€ in millions)	**853**	**360**
Forward exchange contracts		
Average EUR/USD forward rate	1.167	1.142
Average EUR/GBP forward rate	0.899	0.869
Average EUR/JPY forward rate	123.132	117.975
Average USD/CNY forward rate	7.961	8.079
Option exchange contracts		
Average EUR/USD forward rate	1.143	–
Average EUR/GBP forward rate	0.862	1
Average EUR/JPY forward rate	119.913	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	**–**	**118**
Total return swap		
Average hedge rate	–	190.215

The amounts at the reporting date relating to items designated as hedged items were as follows:

Designated hedged items as at December 31, 2020 € in millions

	Change in value used for calculating hedge ineffectiveness	Hedging reserve	Cost of hedging reserve	Balances remaining in the cash flow hedging reserve from hedge relationships for which hedge accounting is no longer applied
Foreign currency risk				
Sales	(87)	89	(48)	–
Inventory purchases	290	(256)	28	–
Net foreign investment risk	**(19)**	**(163)**	**–**	**–**
Equity risk				
Long-Term Incentive Plans	127	10	–	–

Designated hedged items as at December 31, 2019 € in millions

	Change in value used for calculating hedge ineffectiveness	Hedging reserve	Cost of hedging reserve	Balances remaining in the cash flow hedging reserve from hedge relationships for which hedge accounting is no longer applied
Foreign currency risk				
Sales	(59)	(49)	(47)	–
Inventory purchases	(42)	8	59	–
Net foreign investment risk	**(44)**	**(182)**	**–**	**–**
Equity risk				
Long-Term Incentive Plans	(85)	26	–	–

The amounts relating to items designated as hedging instruments and hedged ineffectiveness were as follows:

Designated hedge instruments € in millions

	2020								During the period 2020				
		Carrying amount											
	Nominal amount	Assets	Liabilities	Line item in statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in hedging reserve	Changes in the value of the hedging instrument recognized in cost of hedging reserve	Hedge ineffectiveness recognized in profit or loss	Line item in income statement which includes hedge ineffectiveness	Amount from hedging reserve transferred to inventory	Amount from cost of hedging reserve transferred to inventory	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from cost of hedging reserve to profit or loss	Line item in income statement affected by the reclassification
Foreign exchange contracts – sales	4,436	112	(23)	Other financial assets/ liabilities	87	(134)	–	Cost of sales	–	–	(41)	43	Cost of sales
Foreign exchange contracts – inventory purchases	5,001	9	(265)	Other financial assets/ liabilities	(290)	29	–	Cost of sales	31	107	–	–	Cost of sales
Foreign exchange contracts – net foreign investments	473	6	–	Other financial assets/ liabilities	19	–	–	Financial result	–	–	–	–	Financial result
Total return swap – Long-Term Incentive Plans	205	77	(9)	Other financial assets/ liabilities	(127)	–	–	Financial result	–	–	112	–	Other operating expenses

Designated hedge instruments € in millions

	2019								During the period 2019				
		Carrying amount											
	Nominal amount	Assets	Liabilities	Line item in statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in hedging reserve	Changes in the value of the hedging instrument recognized in cost of hedging reserve	Hedge ineffectiveness recognized in profit or loss	Line item in income statement which includes hedge ineffectiveness	Amount from hedging reserve transferred to inventory	Amount from cost of hedging reserve transferred to inventory	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from cost of hedging reserve to profit or loss	Line item in income statement affected by the reclassification
Foreign exchange contracts – sales	4,606	21	(70)	Other financial assets/ liabilities	59	(126)	–	Cost of sales	–	–	(160)	54	Cost of sales
Foreign exchange contracts – inventory purchases	4,960	40	(32)	Other financial assets/ liabilities	42	(30)	–	Cost of sales	105	117	–	–	Cost of sales
Foreign exchange contracts – net foreign investments	503	–	(2)	Other financial assets/ liabilities	44	–	–	Financial result	–	–	–	–	Financial result
Total return swap – Long-Term Incentive Plans	167	88	–	Other financial assets/ liabilities	85	–	–	Financial result	–	–	61	–	Other operating expenses

Due to the coronavirus pandemic, a material amount of initial planned exposure for purchases and sales in foreign currencies ceased to exist, which led to certain over-hedge positions. In accordance with IFRS 9, hedge accounting was immediately discontinued for hedging instruments that were no longer covered by a purchase or sales transaction, and, at the time the over-hedged status was determined, the fair value was transferred from the hedging reserve to the income statement.

In 2020, a profit of € 29 million was reclassified into the income statement.

In addition, hedging instruments not designated as hedge accounting in accordance with IFRS 9 were canceled to minimize the economic risk.

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

Changes of reserves by risk category € in millions

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2020	**(195)**	**(6)**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	90	40
Foreign currency risk – inventory purchases	(209)	39
Foreign currency risk – net foreign investment	19	–
Amount no longer recognized in OCI:		
Foreign currency risk	10	(150)
Contracts during the year	(17)	48
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	–	–
Tax on movements of reserves during the year	**67**	**5**
Equity hedges		
Changes in fair value:	(127)	–
Amount reclassified to profit or loss	112	–
Balance at December 31, 2020	**(250)**	**(26)**

In order to determine the fair values of its derivatives that are not publicly traded, adidas uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

Changes of reserves by risk category € in millions

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2019	**(20)**	**(11)**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	(158)	32
Foreign currency risk – inventory purchases	(33)	99
Foreign currency risk – net foreign investment	(44)	–
Amount reclassified to profit or loss:		
Foreign currency risk	54	(172)
Contracts during the year	(18)	46
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	–	–
Tax on movements on reserves during the year	**44**	**3**
Equity hedges		
Changes in fair value:	85	–
Amount reclassified to profit or loss	(61)	–
Balance at December 31, 2019	**(150)**	**(3)**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

All figures related to the 2020 and 2019 financial years in the 'Notes to the consolidated income statement' refer to the company's continuing operations unless otherwise stated.

031 OTHER OPERATING INCOME

Other operating income consists of the following:

Other operating income € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Income from release of accrued liabilities and other provisions	18	9
Gains from disposal of fixed assets	3	5
Sundry income	21	42
Other operating income	**42**	**56**

Sundry income mainly relates to income from sublicensees and reimbursements of indirect taxes.

032 OTHER OPERATING EXPENSES

Expenses are presented by function according to the 'cost of sales method' in the income statement with the exception of impairment losses (net) on accounts receivable and contract assets which are disclosed in a separate line item as required by IFRS 9 'Financial Instruments'.

Other operating expenses presented by functions include marketing and point-of-sale expenses, distribution and selling expenses, general and administration expenses as well as sundry expenses less any income from government grants, if applicable.

Marketing and point-of-sale expenses consist of promotion and communication spending such as promotion contracts, advertising, events and other communication activities. However, they do not include marketing overhead expenses, which are presented in distribution and selling expenses.

The distribution and selling expenses consist of sales force and sales administration costs, direct and indirect supply chain costs, marketing overhead expenses, as well as expenses for research and development, which amounted to € 130 million in 2020 (2019: € 152 million).

General and administration expenses include the functions IT, Finance, Legal, Human Resources, Facilities & Services as well as General Management.

Sundry expenses consist mainly of costs for one-time effects as well as losses from disposal of fixed assets.

Income from government grants is reported as a deduction from the related expenses and amounted to € 66 million in 2020 (2019: € 34 million). Income from government grants related to the coronavirus pandemic amounted to € 29 million in 2020.

Further information on expenses by nature is provided in these Notes. ▸ SEE NOTE 33

033 COST BY NATURE

Supplementary information on the expenses by nature is detailed below.

Cost of materials represents the amount of inventories recognized as an expense during the period.

Depreciation of tangible and right-of-use assets, amortization of intangible assets as well as impairment losses and reversals of impairment losses on those assets are primarily included within other operating expenses unless they are directly attributable to the production costs, in which case the expenses are included within the cost of sales. Impairment losses and reversals of impairment losses on goodwill (if applicable) are presented as a separate line item in the consolidated income statement.

Personnel expenses are primarily included within other operating expenses unless they are directly attributable to the production costs, in which case the expenses are included within the cost of sales.

Expenses relating to leases of low-value assets exclude short-term leases of low-value assets.

Expenses by nature € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Cost of materials	**9,945**	**11,296**
Depreciation and amortization	**1,245**	**1,162**
Thereof: included within the cost of sales	45	31
Thereof: included within personnel expenses	12	11
Impairment losses	**125**	**24**
Reversals of impairment losses	**(6)**	**(8)**
Wages and salaries	2,147	2,382
Social security contributions	217	228
Pension expenses	119	109
Personnel expenses	**2,483**	**2,720**
Expense relating to short-term leases	**19**	**38**
Expense relating to leases of low-value assets	**1**	**1**
Expense relating to variable lease payments	**133**	**140**

Further information on expenses by function is provided in these Notes. ▸ SEE NOTE 32

034 FINANCIAL INCOME/FINANCIAL EXPENSES

Financial result consists of the following:

Financial income € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Interest income from financial instruments measured at amortized cost	23	50
Interest income from financial instruments at fair value through profit or loss	–	0
Interest income from non-financial assets	2	0
Net foreign exchange gains	–	–
Other	4	14
Financial income	**29**	**64**

Financial expenses € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Interest expense on financial instruments measured at amortized cost	164	160
Thereof: interest expense on lease liabilities	90	101
Interest expense on financial instruments at fair value through profit or loss	–	0
Interest expense on other provisions and non-financial liabilities	–	0
Net foreign exchange losses	37	5
Other	3	1
Financial expenses	**204**	**166**

Interest income from financial instruments, measured at amortized cost, mainly consists of interest income from bank deposits and loans.

Interest income/expense from financial instruments at fair value through profit or loss mainly includes interest payments from investment funds as well as net interest payments from interest derivatives not being part of a hedging relationship. Unrealized gains/losses from fair value measurement of such financial assets are shown in other financial income or expenses.

Interest expense on financial instruments measured at amortized cost mainly includes interest on lease liabilities as well as interest on borrowings and effects from using the 'effective interest method'. This position includes transaction costs of € 9 million that were incurred as part of the revolving syndicated loan with the participation of Germany's state-owned development bank KfW which were recognized in the income statement in 2020 due to the early redemption.

Interest expense on other provisions, and non-financial liabilities in particular, include effects from the measurement of other provisions at present value and interest on non-financial liabilities such as tax payables.

Information regarding investments, borrowings and financial instruments is also included in these Notes.
► SEE NOTE 06 ► SEE NOTE 15 ► SEE NOTE 18 ► SEE NOTE 30

035 HYPERINFLATION

Due to the rapid devaluation of the Argentinian peso, Argentina is considered as hyperinflationary and as a result the application of IAS 29 was adopted for the first time in the third quarter of 2018. The financial statements of 2018 for those subsidiaries that have the Argentinian peso as a functional currency had been restated for the change in the general purchasing power retrospectively since January 1, 2018. The financial statements are based on a historical cost approach. The prior year figures are stated in terms of the measuring unit current at December 31, 2019.

For translation into the presentation currency (euro), all amounts were translated at the closing rate at December 31, 2020. The net assets in the subsidiary's local financial statements were adjusted for changes in the price level.

The price index at December 31, 2020 was 5,125.55 (2019: 3,767.12).

036 INCOME TAXES

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2020 and 2019, the statutory corporate income tax rate of 15% plus a surcharge of 5.5% thereon is applied to earnings. The municipal trade tax is approximately 11.4% of taxable income.

For non-German subsidiaries, deferred taxes are calculated based on tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The following deferred tax assets and liabilities, determined after appropriate offsetting, are presented in the consolidated statement of financial position:

Deferred tax assets/liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets	1,233	1,093
Deferred tax liabilities	(241)	(280)
Deferred tax assets, net	**992**	**813**

The movement of deferred taxes is as follows:

Movement of deferred taxes € in millions

	2020	2019
Deferred tax assets, net as at January 1	**813**	**410**
Deferred tax income	176	355
Change in consolidated companies[1]	–	(2)
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income[2]	7	18
Change in deferred taxes attributable to the change in the effective portion of the fair value of qualifying hedging instruments recorded in other comprehensive income[3]	24	27
Currency translation differences	(28)	5
Deferred tax assets, net as at December 31	**992**	**813**

1 See Note 04.
2 See Note 25.
3 See Note 30.

Gross company deferred tax assets and liabilities after valuation allowances, but before appropriate offsettings, are attributable to the items detailed in the table below:

Deferred taxes € in millions

	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	512	462
Current assets	345	292
Liabilities and provisions	863	1,018
Accumulated tax loss carry-forwards	102	80
Deferred tax assets	**1,822**	**1,852**
Non-current assets	735	888
Current assets	75	69
Liabilities and provisions	20	82
Deferred tax liabilities	**830**	**1,039**
Deferred tax assets, net	**992**	**813**

Deferred tax assets are recognized only to the extent that the realization of the related benefit is probable. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Deferred tax assets for which the realization of the related tax benefits is not probable decreased from € 488 million to € 386 million for the year ending December 31, 2020. These amounts mainly relate to tax losses carried forward and unused tax credits of the US tax group, which begin to expire in 2028. The remaining unrecognized deferred tax assets relate to subsidiaries operating in markets where the realization of the related tax benefit is not considered probable.

adidas does not recognize deferred tax liabilities for unremitted earnings of non-German subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the company were to sell its shareholdings in the subsidiaries.

Tax expenses

Tax expenses are split as follows:

Income tax expenses € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Current tax expenses	336	996
Deferred tax income	(190)	(355)
Income tax expenses	**146**	**640**

The deferred tax income includes tax income of € 140 million in total (2019: € 388 million) related to the origination and reversal of temporary differences.

The company's applicable tax rate is 27.4% (2019: 27.4%), being the applicable income tax rate of adidas AG.

The company's effective tax rate differs from the applicable tax rate of 27.4% as follows:

Tax rate reconciliation

	Year ending Dec. 31, 2020		Year ending Dec. 31, 2019	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	158	27.4	700	27.4
Tax rate differentials	(27)	(4.7)	(119)	(4.6)
Non-deductible expenses	12	2.0	26	1.0
Losses for which benefits were not recognizable and changes in valuation allowances	(52)	(9.0)	(53)	(2.1)
Changes in tax rates	15	2.6	3	0.1
Other, net	3	0.5	1	0.0
Withholding tax expenses	38	6.5	83	3.2
Income tax expenses	**146**	**25.4**	**640**	**25.0**

In 2020, the effective tax rate was 25.4%. The effective tax rate in 2019 was 25.0%.

The line item 'Non-deductible expenses' includes tax expense/benefits relating to tax-free income, movements in provisions for uncertain tax positions, and tax expense relating to prior periods. In 2020, the tax benefit relating to prior periods is € 64 million (2019: expense of € 134 million).

For 2020, the line item 'Losses for which benefits were not recognizable and changes in valuation allowances' mainly relates to the release of valuation allowances in respect of the US (€ 60 million), and an increase in the valuation allowance in Argentina and Lebanon (€ 7 million). For 2019, this line item mainly related to changes in valuation allowances for the US, Canada, and Argentina.

For 2020, the total tax benefit arising from previously unrecognized tax losses, credits or temporary differences in prior years that is used to reduce current tax expense was € 6 million, mainly relating to the US. (2019: € 26 million).

For 2020, the line item 'Changes in tax rates' mainly reflects the reversal of the previously enacted tax rate reduction in the UK and the tax rate decrease in France. For 2019, this line item mainly reflected tax rate reductions in India and Greece.

037 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income from continuing operations attributable to shareholders by the weighted average number of shares outstanding during the year, excluding ordinary shares purchased by adidas and held as treasury shares.

Earnings per share

	Continuing operations		Discontinued operations		Total	
	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Net income from continuing operations (€ in millions)	429	1,918	–	–	–	–
Net income attributable to non-controlling interests (€ in millions)	11	2	–	–	–	–
Net income attributable to shareholders (€ in millions)	**419**	**1,917**	**13**	**59**	**432**	**1,976**
Weighted average number of shares	195,155,924	197,606,107	195,155,924	197,606,107	195,155,924	197,606,107
Basic earnings per share (€)	**2.15**	**9.70**	**0.06**	**0.30**	**2.21**	**10.00**
Net income attributable to shareholders (€ in millions)	419	1,917	13	59	432	1,976
Interest expense on convertible bond, net of taxes (€ in millions)	–	–	–	–	–	–
Net income used to determine diluted earnings per share (€ in millions)	**419**	**1,917**	**13**	**59**	**432**	**1,976**
Weighted average number of shares	195,155,924	197,606,107	195,155,924	197,606,107	195,155,924	197,606,107
Weighted assumed conversion of the convertible bond	–	–	–	–	–	–
Dilutive effect of share-based payments	5,805	6,426	5,805	6,426	5,805	6,426
Weighted average number of shares for diluted earnings per share	**195,161,729**	**197,612,533**	**195,161,729**	**197,612,533**	**195,161,729**	**197,612,533**
Diluted earnings per share (€)	**2.15**	**9.70**	**0.06**	**0.30**	**2.21**	**10.00**

ADDITIONAL INFORMATION

038 SEGMENTAL INFORMATION

adidas operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

As at December 31, 2020, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments,' ten operating segments were identified: Europe, adidas North America, Reebok North America, Asia-Pacific, Russia/CIS, Latin America, Emerging Markets, adidas Golf, Runtastic and Other centrally managed businesses.

The operating segments adidas North America and Reebok North America have been aggregated to the segment North America.

According to the criteria of IFRS 8 for reportable segments, the operating segments Europe, North America, Asia-Pacific, Russia/CIS, Latin America and Emerging Markets are reported separately. The remaining operating segments are aggregated under Other Businesses due to their only subordinate materiality.

Each market comprises all wholesale, retail and e-commerce business activities relating to the distribution and sale of products of the adidas and Reebok brands to retail customers and end consumers.

adidas Golf comprises the distribution and sale of adidas Golf branded products.

Runtastic operates in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data.

Other centrally managed businesses primarily include the business activities of the Y-3 label.

Certain centralized corporate functions do not meet the definition of IFRS 8 for an operating segment. This includes, in particular, functions such as Global Brands and Global Sales (central brand and distribution management for the adidas and Reebok brands), central treasury, global sourcing as well as other headquarter functions. Assets, liabilities, income and expenses relating to these corporate functions are presented in the reconciliations.

The chief operating decision maker for adidas has been defined as the entire Executive Board of adidas AG.

Net sales represent revenue from contracts with customers. There are no intersegment sales between the reportable segments. Accounting and valuation policies applied for reporting segmental information are the same as those used for adidas. ▸ SEE NOTE 02

The results of the operating segments are reported in the line item 'Segmental operating profit.' This is defined as gross profit minus other operating expenses plus royalty and commission income and other operating income attributable to the segment or group of segments, without considering headquarter costs and central expenditure for marketing.

Segmental assets include accounts receivable as well as inventories. Only these items are reported to the chief operating decision maker on a regular basis. Depreciation, amortization, impairment losses (except for goodwill) and reversals of impairment losses as well as capital expenditure for tangible and intangible assets are part of the segmental reporting, even though segmental assets do not contain tangible and intangible assets. Depreciation and amortization as well as impairment losses and reversals of impairment losses not directly attributable to a segment or a group of segments are presented under line items 'HQ' and 'Consolidation' in the reconciliations.

Segmental liabilities only contain accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision maker.

Interest income and interest expenses as well as income taxes are not allocated to the reportable segments and are not reported separately to the chief operating decision maker.

Segmental information I € in millions

	Net sales (third parties)[1]		Thereof: adidas brand[1]		Thereof: Reebok brand[1]		Segmental operating profit[1]		Segmental assets[2]		Segmental liabilities[2]	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Europe	5,320	6,071	4,925	5,599	395	471	947	1,408	1,596	1,671	137	128
North America	4,762	5,313	4,365	4,828	397	485	606	715	1,532	1,692	99	101
Asia-Pacific	6,546	8,032	6,298	7,736	249	296	1,617	2,703	1,901	1,735	338	340
Russia/CIS	584	658	448	490	135	168	162	167	198	215	9	5
Latin America	1,158	1,660	1,033	1,490	125	170	95	295	500	656	71	111
Emerging Markets	998	1,302	892	1,146	106	156	185	367	418	480	35	55
Reportable segments	**19,368**	**23,035**	**17,961**	**21,288**	**1,407**	**1,747**	**3,612**	**5,655**	**6,145**	**6,449**	**689**	**740**
Other Businesses	476	605	134	217	2	1	44	68	189	191	6	15
Total	**19,844**	**23,640**	**18,095**	**21,505**	**1,409**	**1,748**	**3,656**	**5,723**	**6,334**	**6,640**	**695**	**755**

1 Year ending December 31.
2 At December 31.

Segmental information II € in millions

	Capital expenditure[1]		Depreciation and amortization[1]		Impairment losses and reversals of impairment losses[1]	
	2020	2019	2020	2019	2020	2019
Europe	30	83	155	161	31	3
North America	35	62	133	129	18	6
Asia-Pacific	127	172	363	329	20	5
Russia/CIS	6	17	65	77	–	(0)
Latin America	7	35	55	53	3	(0)
Emerging Markets	15	22	63	60	5	1
Reportable segments	**220**	**391**	**834**	**809**	**77**	**14**
Other Businesses	5	4	11	14	3	6
Total	**225**	**395**	**845**	**824**	**80**	**20**

1 Year ending December 31.

Reconciliations

The following tables include reconciliations of segmental information to the aggregate numbers of the consolidated financial statements, taking into account items which are not directly attributable to a segment or a group of segments.

Net sales (third parties) € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Reportable segments	19,368	23,035
Other Businesses	476	605
Total	**19,844**	**23,640**

Operating profit € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Operating profit for reportable segments	3,612	5,655
Operating profit for Other Businesses	44	68
Segmental operating profit	**3,656**	**5,723**
HQ	(1,909)	(1,997)
Central expenditure for marketing	(878)	(925)
Consolidation	(119)	(141)
Operating profit	**750**	**2,660**
Financial income	29	64
Financial expenses	(204)	(166)
Income before taxes	**575**	**2,558**

Capital expenditure € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Reportable segments	221	391
Other Businesses	5	4
HQ	217	316
Total	**443**	**711**

Depreciation and amortization € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Reportable segments	834	809
Other Businesses	11	14
HQ	400	338
Total	**1,245**	**1,162**

Impairment losses and reversals of impairment losses € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Reportable segments	77	14
Other Businesses	3	6
HQ	(1)	2
Consolidation	40	(7)
Total	**119**	**15**

Assets € in millions

	Dec. 31, 2020	Dec. 31, 2019
Accounts receivable and inventories of reportable segments	6,145	6,449
Accounts receivable and inventories of Other Businesses	189	191
Segmental assets	**6,334**	**6,640**
Non-segmental accounts receivable and inventories	16	70
Current financial assets	4,696	3,055
Other current assets	1,108	1,169
Non-current assets	8,899	9,746
Total	**21,053**	**20,680**

Liabilities € in millions

	Dec. 31, 2020	Dec. 31, 2019
Accounts payable of reportable segments	689	740
Accounts payable of Other Businesses	6	15
Segmental liabilities	**695**	**755**
Non-segmental accounts payable	1,695	1,947
Current financial liabilities	1,695	1,012
Other current liabilities	4,741	5,040
Non-current liabilities	5,535	4,868
Total	**14,362**	**13,622**

Product information

Net sales (third parties) € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Footwear	11,128	13,521
Apparel	7,687	8,963
Hardware	1,028	1,156
Total	**19,844**	**23,640**

Geographical information

Net sales (third parties) are shown in the geographic market in which the net sales are realized. Non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary independent of the segmental structure and consist of tangible assets, goodwill, trademarks, other intangible assets and other non-current assets.

Geographical information by market € in millions

	Net sales (third parties)		Non-current assets	
	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Europe	5,492	6,321	2,951	3,244
North America	4,920	5,501	1,507	1,601
Asia-Pacific	6,686	8,192	1,770	1,917
Russia/CIS	584	658	285	505
Latin America	1,160	1,662	126	183
Emerging Markets	1,002	1,306	261	385
Total	**19,844**	**23,640**	**6,899**	**7,836**

Geographical information by country € in millions

	Net sales (third parties) – continuing operations		Non-current assets	
	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Germany, Europe	1,238	1,298	1,329	1,431
China, Asia-Pacific	4,428	5,278	1,004	1,175
USA, North America	4,577	5,089	1,410	1,475

039 ADDITIONAL CASH FLOW INFORMATION

In 2020, net cash used in operating activities compared to the prior year results was primarily due to a decrease in income before taxes and a decrease in operating working capital requirements which was partly offset by a decrease in income taxes paid.

The decrease in net cash used in investing activities in 2020 mainly results from a decrease in spending on property, plant, and equipment such as investments in the furnishing and fitting of adidas' own-retail stores, in new office buildings and IT systems and from proceeds from sale of short-term financial assets.

Net cash generated from financing activities mainly related to the issuance of three new eurobonds and the proceeds from short-term borrowings including the short-term borrowing of the syndicated loan from the KfW bank. In comparison to prior year the not paid out dividends to shareholders of adidas AG and the stopping of the repurchase of adidas AG shares leads to a higher net cash generated from financing activities compared to net cash used in the prior year. In contrast are the repayments of lease liabilities and the repayment of the pay back for the syndicated loan from the KfW bank.

Net cash (used in)/generated from discontinued operations € in millions

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019
Net cash used in operating activities	(3)	(9)
Net cash generated from investing activities	–	–
Net cash generated from financing activities	–	–
Net cash used in discontinued operations	**(3)**	**(9)**

In 2020, the following changes in financial liabilities impacted the net cash used in financing activities:

Impact of change in financial liabilities on net cash used in financing activities € in millions

			Non-cash effects				
	Jan. 1, 2020	Net (payments) / proceeds in the period	IFRS 16 lease obligations	Fair value adjustments	Other	Effect of exchange rates	Dec. 31, 2020
Short-term borrowings	43	46	–	–	618	(20)	686
Long-term borrowings	1,595	1,500	–	–	(613)	–	2,482
Lease liabilities	3,133	(701)	507	–	(39)	(178)	2,722
Total	**4,771**	**845**	**507**	**–**	**(34)**	**(198)**	**5,890**

040 OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

Other financial commitments

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

Financial commitments for promotion and advertising € in millions

	Dec. 31, 2020	Dec. 31, 2019
Within 1 year	1,202	1,236
Between 1 and 5 years	3,321	3,671
After 5 years	1,425	1,901
Total	**5,948**	**6,808**

Commitments with respect to promotion and advertising contracts maturing after five years have remaining terms of up to eleven years from December 31, 2020.

Compared to December 31, 2019, no new major signings or prolongations for promotion and advertising contracts occurred, hence the decrease for the commitments mainly reflects the yearly amortization.

adidas has other financial commitments for leasing and other rental obligations which mature as follows:

Financial commitments for other contracts € in millions

	Dec. 31, 2020	Dec. 31, 2019
Within 1 year	73	83
Between 1 and 5 years	207	161
After 5 years	42	74
Total	**323**	**318**

The contracts regarding these leases with expiration dates of between one and twelve years partly include renewal options and escalation clauses.

Service arrangements

adidas has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

Financial commitments for service arrangements € in millions

	Dec. 31, 2020	Dec. 31, 2019
Within 1 year	235	242
Between 1 and 5 years	293	190
After 5 years	–	6
Total	**528**	**439**

Litigation and other legal risks

The company is currently engaged in various lawsuits resulting from the normal course of business, mainly in connection with distribution agreements as well as intellectual property rights. The risks regarding these lawsuits are covered by provisions when a reliable estimate of the amount of the obligation can be made. In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the assets, liabilities, financial position and profit or loss of the Group. ► SEE NOTE 20

The company is in dispute with the local revenue authorities in South Africa (SARS) with regard to the customs value of imported products. In June 2018, SARS issued a ruling claiming a customs payment including interest and penalties for the years 2007 to 2013 in an amount of ZAR 1,871 million (€ 104 million). adidas has applied for a suspension of the payment demand and in 2019 instituted legal action against the decision before the High Court in South Africa. In case the court rules in favor of SARS, adidas will appeal against the decision to the Supreme Court of South Africa. Based on external legal opinions, Management currently believes that it is more likely than not that the claim made by SARS will eventually not result in an outflow of resources. Therefore, a provision was not recognized in the consolidated statement of financial position.

In connection with the financial irregularities at Reebok India Company in 2012, various legal uncertainties were identified. The respective remaining risks cannot be assessed conclusively. However, based on legal opinions and internal assessments, Management assumes that the effects will not have any material influence on the assets, liabilities, financial position and profit or loss of the company.

In October 2018, a former employee of the company's US subsidiary was convicted of wire fraud in connection with unauthorized payments to certain college basketball players or their families during the former employee's time at the US subsidiary. The company's US subsidiary, with the full support of the company, has cooperated and continues to cooperate with the prosecutors, including by conducting an internal investigation with the assistance of outside counsel. While Management currently believes that the actions of its former employee will not have any material influence on the assets, liabilities, financial position and profit or loss of the company, actual results may ultimately differ from the current Management assessment. Any additional statements about these matters by the company could compromise the company's position in these proceedings and hence further information is not disclosed.

041 RELATED PARTY DISCLOSURES

According to the definitions of IAS 24 'Related Party Disclosures,' the Supervisory Board and the Executive Board of adidas AG have been identified as related parties who receive remuneration solely in connection with their function as key management personnel. This Annual Report contains detailed information about the remuneration of the Supervisory Board and the Executive Board of adidas AG. ► SEE COMPENSATION REPORT ► SEE NOTE 42

In addition, adidas Pension Trust e.V., a registered association, is regarded as a related party. Based on a Contractual Trust Arrangement, adidas Pension Trust e.V. manages the plan assets in the form of an administrative trust to fund and protect part of the pension obligations of adidas AG. ► SEE NOTE 25 Employees, senior executives, and members of the Executive Board of adidas AG can be members of the registered association. adidas AG has the right to claim a refund of pension payments from adidas Pension Trust e.V. under specific contractually agreed conditions.

042 OTHER INFORMATION

Employees

The average numbers of employees are as follows:

Employees

	Year ending Dec. 31, 2020	Year ending Dec. 31, 2019[1]
Own retail	35,422	35,123
Sales	3,652	3,834
Logistics	8,343	7,246
Marketing	6,147	6,156
Central administration	5,310	5,764
Production	564	646
Research and development	983	1,031
Information technology	1,470	1,523
Total	**61,891**	**61,322**

[1] The figures for 2019 have been adjusted due to a change in the calculation logic.

Accountant service fees for the auditor of the financial statements

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach, as well as all German subsidiaries of adidas AG. In 2020, the expenses for the professional audit service fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft amounted to € 1.8 million (2019: € 1.9 million) thereof related to the prior year € 0.3 million (2019: € 0.2 million).

Expenses for tax consultancy services provided by the auditor, for other confirmation services provided by the auditor and for other services provided by the auditor amounted to € 0.1 million (2019: € 0.1 million), € 0.2 million (2019: € 0.8 million) and € 0.1 million (2019: € 0.2 million), respectively.

Expenses for the audit fees of KPMG AG Wirtschaftsprüfungsgesellschaft were mainly related to the audits of both the consolidated financial statements and the financial statements of adidas AG, as well as the audit of the financial statements of its subsidiary, adidas CDC Immobilieninvest GmbH.

Other confirmation services consist of audits which are either required by law or contractually agreed, such as the European Market Infrastructure Regulation (EMIR) audits according to § 20 WpHG, audits according to the German Packaging Law (Verpackungsgesetz – VerpackG), the issuance of comfort letters and other contractually agreed-upon confirmation services.

The tax consultancy services include support services for transfer pricing.

Other services provided by the auditor consist of supporting services to provide certificates for sales transactions and for legal consultancy services.

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

Supervisory Board

Pursuant to the Articles of Association of adidas AG, the Supervisory Board members' fixed annual payment amounted to € 2.2 million (2019: € 2.2 million). In addition, the members of the Supervisory Board received attendance fees of € 0.03 million (2019: € 0.2 million).

Members of the Supervisory Board were not granted any loans or advance payments in 2020.

Executive Board

In 2020, the overall compensation of the members of the Executive Board totaled € 8.3 million (2019: € 19.0 million), € 6.8 million thereof relates to short-term benefits (2019: € 9.8 million) and € 1.5 million to share-based payment (2019: € 9.2 million). Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totaled € 3.3 million in 2020 (2019: € 2.6 million).

In 2020, payments including pension payments to former members of the Executive Board and their survivors amount in total to € 4.4 million (2019: € 4.1 million). In 2020, € 6.3 million (2019: € 10.5 million) benefits after termination of the employment relationship were granted.

Pension obligations relating to former members of the Executive Board and their survivors amount in total to € 98.3 million (2019: € 92.5 million).

Current members of the Executive Board were not granted any loans or advance payments in 2020.

Further information on disclosures according to § 314 section 1 no. 6a HGB is provided in this Annual Report. ► SEE COMPENSATION REPORT

Companies opting for exemption under § 264 (3) HGB

The subsidiary adidas CDC Imobilieninvest GmbH, Herzogenaurach, is opting for exemption under § 264 (3) HGB.

043 INFORMATION RELATING TO THE GERMAN CORPORATE GOVERNANCE CODE

Information pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)
In December 2020, the Executive Board and Supervisory Board of adidas AG issued an updated Declaration of Compliance in accordance with § 161 AktG and made it permanently available to the shareholders. The full text of the Declaration of Compliance is available on the company's corporate website.

044 EVENTS AFTER THE BALANCE SHEET DATE

In order to be able to successfully execute our new strategy 'Own the Game' for the period until 2025, adidas has changed its organizational structure. Since January 1, 2021, adidas manages Greater China as a separate market and integrated Russia/CIS and Emerging Markets into the European market. The markets North America and Latin America remain unchanged. Due to a change in the composition of the operating segments and associated cash-generating units respectively, adidas performed a reallocation of the carrying amounts of goodwill and an impairment test of the goodwill as of January 1, 2021. In this context, there was no need for impairment.

As part of the development of its new five-year strategy, adidas has concluded its assessment of strategic alternatives for Reebok. As a result of this review in February 2021, the company has decided to begin a process aimed at divesting Reebok. Accordingly, adidas is going to report the Reebok business as discontinued operations from the first quarter 2021 onward.

Immediately before the reclassification to discontinued operations, an impairment test according to IAS 36 was conducted and no impairment or write-up was required. On the initial classification as discontinued operations, the measurement at fair value also did not lead to an impairment.

The following table indicates the impact on the major line items in the consolidated income statement for the year 2020 under the assumption that the Reebok business activities had been represented as discontinued operations on January 1, 2020.

Impact on the major line items in the consolidated income statement € in millions

	adidas group	Reebok	adidas group excluding Reebok
Net Sales	19,844	1,409	18,435
EMEA	6,944	636	6,308
North America	4,916	397	4,519
China	4,428	86	4,342
Asia-Pacific	2,245	162	2,083
Latin America	1,160	125	1,035
Gross Margin	49.7%	44.8%	50.0%
Operating Margin	3.8%	0.4%	4.0%
Net income from continued operations	429	(32)	461

No further company-specific subsequent events are known which might have a material influence on the assets, liabilities, financial position, and profit or loss of the company.

Date of preparation

The Executive Board of adidas AG prepared and approved the consolidated financial statements for submission to the Supervisory Board on February 22, 2021. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval and authorization for issue.

Herzogenaurach, February 22, 2021

The Executive Board of adidas AG

KASPER RORSTED
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

BRIAN GREVY
GLOBAL BRANDS

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

AMANDA RAJKUMAR
GLOBAL HUMAN RESOURCES

MARTIN SHANKLAND
GLOBAL OPERATIONS

SHAREHOLDINGS

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2020

	Company and domicile		Share in capital held by[1]	in %
	Germany			
1	adidas Insurance & Risk Consultants GmbH 2	Herzogenaurach (Germany)	directly	100
2	adidas Beteiligungsgesellschaft mbH 2	Herzogenaurach (Germany)	directly	100
3	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	12	100
4	adidas Verwaltungsgesellschaft mbH	Herzogenaurach (Germany)	68	100
	Europe (incl. Middle East and Africa)			
5	adidas sport gmbh	Lucerne (Switzerland)	directly	100
6	adidas Austria GmbH	Klagenfurt (Austria)	directly	95.89
			5	4.11
7	runtastic GmbH	Pasching (Austria)	9	100
8	adidas France S.a.r.l.	Strasbourg (France)	directly	100
9	adidas International B.V.	Amsterdam (Netherlands)	directly	93.97
			8	6.03
10	adidas International Trading AG	Lucerne (Switzerland)	9	100
11	adidas International Marketing B.V.	Amsterdam (Netherlands)	9	100
12	adidas International Property Holding B.V.	Amsterdam (Netherlands)	77	100
13	adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	9	100
14	adidas Benelux B.V.	Amsterdam (Netherlands)	directly	100
15	adidas Ventures B.V.	Amsterdam (Netherlands)	9	100
16	adidas (UK) Limited	Stockport (Great Britain)	9	100
17	Reebok International Limited	London (Great Britain)	68	100
18	Trafford Park DC Limited	London (Great Britain)	13	100
19	Reebok Pensions Management Limited	London (Great Britain)	17	100
20	Reebok Europe Holdings	London (Great Britain)	17	100
21	Luta Limited	London (Great Britain)	17	100
22	adidas (Ireland) Limited	Dublin (Ireland)	9	100
23	adidas International Re DAC	Dublin (Ireland)	9	100
24	Five Ten Europe NV	Lasne (Belgium)	70	99.95
			directly	0.05
25	adidas España S.A.U.	Zaragoza (Spain)	2	100
26	adidas Finance Spain S.A.U.	Zaragoza (Spain)	68	100
27	adidas Italy S.p.A.	Monza (Italy)	9	100
28	adidas Portugal – Artigos de Desporto, S.A.	Lisbon (Portugal)	9	100
29	adidas Business Services Lda.	Morea de Maia (Portugal)	9	98
			directly	2
30	adidas Norge AS	Oslo (Norway)	directly	100
31	adidas Sverige AB	Solna (Sweden)	directly	100
32	adidas Finance Sverige AB	Solna (Sweden)	68	100
33	adidas Suomi Oy	Helsinki (Finland)	9	100
34	adidas Danmark A/S	Copenhagen (Denmark)	9	100
35	adidas CR s.r.o.	Prague (Czech Republic)	directly	100
36	adidas Budapest Kft.	Budapest (Hungary)	directly	100
37	adidas Bulgaria EAD	Sofia (Bulgaria)	directly	100
38	LLC 'adidas, Ltd.'	Moscow (Russia)	directly	100
39	adidas Poland Sp. z o.o.	Warsaw (Poland)	directly	100
40	adidas Finance Poland S.A.	Warsaw (Poland)	68	100
41	adidas Romania S.R.L.	Bucharest (Romania)	9	100
42	adidas Baltics SIA	Riga (Latvia)	9	100
43	adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	directly	100

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2020

	Company and domicile		Share in capital held by[1]	in %
44	adidas Trgovina d.o.o.	Ljubljana (Slovenia)	directly	100
45	SC 'adidas-Ukraine'	Kiev (Ukraine)	directly	100
46	adidas LLP	Almaty (Republic of Kazakhstan)	directly	100
47	adidas Serbia d.o.o.	Belgrade (Serbia)	9	100
48	adidas Croatia d.o.o.	Zagreb (Croatia)	9	100
49	adidas Hellas A.E.	Athens (Greece)	directly	100
50	adidas (Cyprus) Limited	Nicosia (Cyprus)	directly	100
51	adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	9	100
52	adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	indirectly	51
			8	49
53	adidas Emerging Markets FZE	Dubai (United Arab Emirates)	9	100
54	adidas Levant Limited	Dubai (United Arab Emirates)	53	100
55	adidas Levant Limited – Jordan	Amman (Jordan)	54	100
56	adidas Imports & Exports Ltd.	Cairo (Egypt)	57	99.98
			9	0.02
57	adidas Sporting Goods Ltd.	Cairo (Egypt)	9	90
			directly	10
58	adidas Egypt Ltd.	Cairo (Egypt)	directly	99.13
			8	0.87
59	adidas Israel Ltd.	Holon (Israel)	9	85
60	adidas Morocco LLC	Casablanca (Morocco)	directly	100
61	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	directly	100
	North America			
62	adidas North America, Inc.	Portland, Oregon (USA)	9	100
63	adidas America, Inc.	Portland, Oregon (USA)	62	100
64	adidas International, Inc.	Portland, Oregon (USA)	62	100
65	adidas Team, Inc.	Des Moines, Iowa (USA)	62	100
66	The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	68	100
67	Reebok Securities Holdings LLC	Wilmington, Delaware (USA)	68	100
68	Reebok International Ltd.	Boston, Massachusetts (USA)	62	100
69	adidas Indy, LLC	Wilmington, Delaware (USA)	68	99
			67	1
70	Stone Age Equipment, Inc.	Redlands, California (USA)	63	100
71	Spartanburg DC, Inc.	Spartanburg, South Carolina (USA)	63	100
72	adidas Canada Limited	Woodbridge, Ontario (Canada)	9	100
	Asia			
73	adidas Sourcing Limited	Hong Kong (China)	10	100
74	adidas Hong Kong Limited	Hong Kong (China)	2	100
75	Reebok Trading (Far East) Limited	Hong Kong (China)	68	100
76	adidas (Suzhou) Co. Ltd.	Suzhou (China)	2	100
77	adidas Sports (China) Co. Ltd.	Suzhou (China)	2	100
78	adidas (China) Ltd.	Shanghai (China)	9	100
79	adidas Sports Goods (Shanghai) Co., Ltd	Shanghai (China)	78	100
80	Runtastic Software Technology (Shanghai) Co., Ltd.	Shanghai (China)	9	100
81	Zhuhai adidas Technical Services Limited	Zhuhai (China)	73	100
82	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	13	100
83	adidas Business Services (Dalian) Limited	Dalian (China)	9	100
84	adidas Japan K.K.	Tokyo (Japan)	9	100
85	adidas Korea LLC.	Seoul (Korea)	directly	100
86	adidas Korea Technical Services Limited	Busan (Korea)	73	100
87	adidas India Private Limited	New Delhi (India)	directly	10.67
			9	89.33

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2020

	Company and domicile		Share in capital held by[1]	in %
88	adidas India Marketing Private Limited	New Delhi (India)	87	98.62
			9	1
			directly	0.37
89	adidas Technical Services Private Limited	New Delhi (India)	73	100
90	Reebok India Company	New Delhi (India)	100	93.15
91	PT adidas Indonesia	Jakarta (Indonesia)	9	99.67
			directly	0.33
92	adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	directly	60
			9	40
93	adidas Philippines Inc.	Tagiug City (Philippines)	directly	100
94	adidas Singapore Pte. Ltd.	Singapore (Singapore)	directly	100
95	adidas Taiwan Limited	Taipei (Taiwan)	9	100
96	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	directly	100
97	adidas Australia Pty Limited	Mulgrave (Australia)	9	100
98	adidas New Zealand Limited	Auckland (New Zealand)	directly	100
99	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	9	100
100	Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	68	99.07
			66	0.93
	Latin America			
101	adidas Argentina S.A.	Buenos Aires (Argentina)	9	76.96
			2	23.04
102	Reebok Argentina S.A.	Buenos Aires (Argentina)	directly	96.25
			9	3.75
103	adidas do Brasil Ltda.	São Paulo (Brazil)	2	100
104	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	103	99.99
			directly	0.01
105	Reebok Produtos Esportivos Brasil Ltda.	São Paulo (Brazil)	9	100
106	adidas Chile Limitada	Santiago de Chile (Chile)	directly	99
			1	1
107	adidas Colombia Ltda.	Bogotá (Colombia)	directly	100
108	adidas Perú S.A.C.	Lima (Peru)	directly	99.21
			106	0.79
109	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
110	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	directly	100
111	Reebok de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
112	adidas Latin America, S.A.	Panama City (Panama)	directly	100
113	Concept Sport, S.A.	Panama City (Panama)	9	100
114	3 Stripes S.A.	Montevideo (Uruguay)	directly	100
115	Tafibal S.A.	Montevideo (Uruguay)	directly	100
116	Raelit S.A.	Montevideo (Uruguay)	directly	100
117	adidas Sourcing Honduras, S.A.	San Pedro Sula (Honduras)	68	99.6
			66	0.4
118	adidas Corporation de Venezuela, S.A.	Caracas (Venezuela)	directly	100
119	adisport Corporation	San Juan (Puerto Rico)	9	100
120	adidas Sourcing El Salvador, S.A. de C.V.	Antiguo Cuscatlán (El Salvador)	9	99.95
			directly	0.05

1 The number refers to the number of the company.
2 Profit and loss transfer agreement.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report of adidas AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Herzogenaurach, February 22, 2021

KASPER RORSTED
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

BRIAN GREVY
GLOBAL BRANDS

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

AMANDA RAJKUMAR
GLOBAL HUMAN RESOURCES

MARTIN SHANKLAND
GLOBAL OPERATIONS

REPRODUCTION OF THE INDEPENDENT AUDITOR'S REPORT

Based on the results of our audit, we have issued the following unqualified audit opinion:

Independent Auditor's Report

To adidas AG, Herzogenaurach

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of adidas AG, Herzogenaurach, and its subsidiaries (hereinafter 'adidas' or the 'Group'), which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report ('group management report') of adidas AG, Herzogenaurach, for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the 'Other Information' section of our auditor's report.

The group management report contains cross-references that are not required by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the 'Other Information' section of the auditor's report. The group management report contains cross-references that are not required by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report' section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of the Reebok brand

For the accounting policies used and the disclosures on the judgments applied by the Executive Board and sources of estimation uncertainties please refer to Note 2 and for the disclosures on the measurement of the Reebok brand please refer to Note 14 in the notes to the consolidated financial statements.

The financial statement risk

The Reebok brand was recognized as of December 31, 2020, in the amount of € 733 million.

The Reebok brand is to be tested for impairment at least once a year. To this end, the brand is allocated as a 'corporate asset' pursuant to IAS 36 to the cash-generating Reebok business units at the level of the markets and the value in use of these cash-generating units is compared with the carrying amount of these units. The valuation model used to determine the value in use is complex; the result of this valuation is heavily dependent on the estimate of future net cash flows (taking into account future revenue growth, profit margins, exchange rates and long-term growth rates) and the discount factor used, and is thus subject to considerable uncertainty.

There is the risk for the financial statements that any existing impairment of the Reebok brand as of the reporting date was not identified or that a required reversal of an impairment loss on the brand was not carried out.

Our audit approach

With the involvement of our valuation experts, we assessed the appropriateness of the key assumptions and calculation methods of the Company, among other things. For this purpose, we discussed the expected business and earnings development at the level of the cash-generating Reebok business units to which the brand as corporate asset is allocated and the assumed long-term growth rates with those responsible for planning. Furthermore, we carried out comparisons with other internally available forecasts, e.g. the budget planning for a period of five years prepared by the Executive Board. In addition, we evaluated the consistency of the growth rates used in the budget planning using external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations. Since even minor changes to the discount rate can have a material effect on the results of impairment testing, we compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the discount rate, earnings performance and long-term growth rate on the value in use (sensitivity analysis) by calculating alternative scenarios and comparing these with the values stated by the Company. In addition, we verified the plausibility of the Company's calculations with alternative valuation considerations and data.

Our observations

The calculation method used for impairment testing of the Reebok brand is appropriate and in line with the accounting policies to be applied. The assumptions and data used by the Executive Board are balanced overall.

Accurate recording and assessment of the covid-19-induced changes to leases in accordance with IFRS 16

For the accounting policies used, please refer to Note 2 and to the disclosures on the accounting of leases in Notes 1, 12, 21 and 39 in the notes to consolidated financial statements.

The financial statement risk

As of December 31, 2020, right-of-use assets of € 2,430 million and lease liabilities of € 2,722 million are recognized in the consolidated financial statements of adidas AG. Depreciation of right-of-use assets amounted to € 684 million in financial year 2020. Interest expenses totaled € 90 million.

Due to the impact of the covid-19 pandemic in 2020 and the resulting temporary closure of stores that are the subject of leases, adidas concluded changes to leases with numerous lessors, particularly in Q2 2020, which included changes to lease terms, changes to payment dates and/or the granting of subsidies by the lessor.

These agreements are treated by adidas as lease modifications within the meaning of IFRS 16 and thus trigger a remeasurement of the lease liability and by extension the right-of-use asset using the incremental borrowing rate of adidas, which is to be applied to the property in question at the date of the lease modification.

Due to the large number and various types of lease modifications, the Company has set up group-wide processes and controls to ensure the modified contract data are recorded properly and in compliance with the relevant standards.

There is the risk for the consolidated financial statements that the lease liabilities and right-of-use assets are not properly recorded and measured due to the lease modifications.

Our audit approach

In a first step, we obtained an understanding of the process for recording lease modifications with the adidas Group and assessed the accounting instruction for presenting lease modifications in accordance of IFRS 16.

We assessed the setup and appropriateness of the controls implemented within the adidas Group to ensure the proper determination and recording of the relevant data for measuring the lease liabilities and right-of-use assets in the case of lease modifications. Relevant data are the lease term, the amount and dates of the lease payments and the relevant incremental borrowing rate of adidas for the property in question as well as the subsidies granted by the lessors. Where IT systems were used to determine and collect the relevant data, we tested the effectiveness of the rules and procedures of the underlying accounting-related IT systems, with the involvement of our IT experts.

With the involvement of our valuation experts, we compared the assumptions and data underlying the incremental borrowing rates with our own assumptions and publicly available data. We also assessed the calculation model for the interest rate in terms of appropriateness.

Using a standard report (RECESH) in SAP RE/FX, we were presented with an overview of all lease modifications in financial year 2020. We checked the completeness and accuracy of this SAP report with the help of our IT specialists.

Furthermore, for certain lease modifications that were selected as part of a representative sample or on the basis of risk, we checked whether, based on the inspection of the selected leases, the classification as a 'lease modification' by the local adidas companies is appropriate and the relevant data for measuring the lease liability and the corresponding right-of-use asset were correctly determined and recorded.

With the help of our IT specialists, we satisfied ourselves that the lease modifications are properly measured in SAP RE/FX.

Our observations

The approach for the balance sheet presentation of lease modifications in accordance with IFRS 16 is appropriate and is in line with the accounting policies.

Other Information

The Executive Board or the Supervisory Board is responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the components of the integrated combined non-financial statement, which are marked as unaudited, and
- the corporate governance statement with the corporate governance report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the combined non-financial statement. Please refer to our assurance report dated February 24, 2021, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Executive Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of a group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.

- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Executive Board in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant etchical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the group management report (hereinafter the 'ESEF documents') contained in the file that can be downloaded by the issuer from the electronic client portal with access protection 'adidasAG-2020-12-31 (2).zip' (SHA256-hash value: 713a5cf0ade234ea77e9721a54d87c60db39fafb63a67cce7965af67680629fd) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1, 2020, to December 31, 2020, contained in the 'Report on the Audit of the Consolidated Financial Statements and of the Group Management Report' above.

We conducted our assessment of the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's Executive Board is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.

- Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on August 11, 2020. We were engaged by the Supervisory Board on August 11, 2020. We have been the group auditor of adidas AG without interruption since financial year 1995.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Haiko Schmidt.

Munich, February 25, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Andrejewski	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE COMBINED NON-FINANCIAL STATEMENT [19]

To the Supervisory Board of adidas AG, Herzogenaurach

We have performed an independent limited assurance engagement on the non-financial statement of adidas AG (further 'Company' or 'adidas') according to § 315b of the German Commercial Code (HGB), that is combined with the non-financial statement of the parent company in accordance with § 289b HGB, (further 'combined non-financial statement') for the period from January 1 to December 31, 2020.

As described in the section 'Working conditions in our supply chain' in the Report, 921 social compliance and environmental audits at suppliers were performed by inhouse technical staff as well as external third-party monitors commissioned by adidas business entities and licensees. The reasonableness and accuracy of the conclusions from the performed audit work were not part of our limited assurance engagement.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the combined non-financial statement that is free of – intended or unintended – material misstatements.

Practioner's responsibility

It is our responsibility to express a conclusion on the combined non-financial statement based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined non-financial statement of the Company for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

19 Our engagement applied to the German version of the combined non-financial statement 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for adidas AG
- A risk analysis, including media research, to identify relevant information on adidas AG's sustainability performance in the reporting period
- Reviewing the suitability of internally developed Reporting Criteria
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Tianjin, China and Spartanburg, United States

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and quality assurance on the part of the auditing firm
In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of adidas AG for the period from January 1 to December 31, 2020, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of use/general engagement terms

This assurance report is issued for purposes of the Supervisory Board of adidas AG, Herzogenaurach only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of adidas AG, Herzogenaurach, and professional liability as descriped above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Munich, February 24, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Hell ppa. Auer

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ADDITIONAL INFORMATION

TEN-YEAR OVERVIEW

Ten-year overview

	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013	2012	2011[3]
Income Statement Data (€ in millions)										
Net sales[4, 5]	19,844	23,640	21,915	21,218	18,483	16,915	14,534	14,203	14,883	13,322
Gross profit[4, 5]	9,855	12,293	11,363	10,703	9,100	8,168	6,924	7,001	7,103	6,329
Royalty and commission income[4, 5]	83	154	129	115	105	119	102	103	105	93
Other operating income[4, 5, 6]	42	56	48	17	119	8	37	12	15	9
Other operating expenses[4, 5, 6]	9,229	9,843	9,172	8,766	7,741	7,201	6,102	5,883	6,038	5,478
EBITDA[4, 5]	2,079	3,845	2,882	2,511	1,953	1,475	1,283	1,496	1,445	1,199
Operating profit[4, 5, 7, 8, 9, 10]	751	2,660	2,368	2,070	1,582	1,094	961	1,233	1,185	953
Net financial result[4, 5]	(176)	(102)	10	(47)	(46)	(21)	(48)	(68)	(69)	(84)
Income before taxes[4, 5, 7, 8, 9, 10]	575	2,558	2,378	2,023	1,536	1,073	913	1,165	1,116	869
Income taxes[4, 5, 11]	146	640	669	668	454	353	271	340	327	261
Net income attributable to non-controlling interests	11	2	3	3	2	6	6	3	(2)	(5)
Net income attributable to shareholders[7, 8, 9, 10, 11, 12]	432	1,976	1,702	1,173	1,017	668	568	839	791	613
Income Statement Ratios										
Gross margin[4, 5]	49.7%	52.0%	51.8%	50.4%	49.2%	48.3%	47.6%	49.3%	47.7%	47.5%
Operating margin[4, 5, 7, 8, 9, 10]	3.8%	11.3%	10.8%	9.8%	8.6%	6.5%	6.6%	8.7%	8.0%	7.2%
Interest coverage[4, 5]	5.1	24.3	131.6	55.6	32.7	23.8	19.3	24.0	14.6	12.2
Effective tax rate[4, 5, 7, 8, 9, 10, 11]	25.4%	25.0%	28.1%	29.3%	29.6%	32.9%	29.7%	29.2%	29.3%	30.0%
Net income attributable to shareholders in % of net sales[7, 8, 9, 10, 11, 12]	2.2%	8.4%	7.8%	5.5%	5.5%	4.0%	3.9%	5.9%	5.3%	4.6%
Net Sales by Brand (€ in millions)										
adidas brand	18,095	21,505	19,851	18,993	16,334	13,939	11,774	11,059	11,344	9,867
Reebok brand	1,409	1,748	1,687	1,843	1,770	1,751	1,578	1,599	1,667	1,940
Net Sales by Product Category (€ in millions)										
Footwear[4, 5]	11,128	13,521	12,783	12,427	10,132	8,360	6,658	6,587	6,922	6,242
Apparel[4, 5]	7,687	8,963	8,223	7,747	7,352	6,970	6,279	5,811	6,290	5,733
Accessories and gear[4, 5]	1,028	1,156	910	1,044	999	1,585	1,597	1,806	1,671	1,347
Balance Sheet Data (€ in millions)										
Total assets	21,053	20,680	15,612	14,019	15,176	13,343	12,417	11,599	11,651	11,237
Inventories	4,397	4,085	3,445	3,692	3,763	3,113	2,526	2,634	2,486	2,502
Receivables and other current assets	3,763	4,338	3,734	3,277	3,607	3,003	2,861	2,583	2,444	2,431
Working capital	3,328	2,179	2,979	2,354	2,121	2,133	2,970	2,125	2,504	1,990
(Adjusted net borrowings)/adjusted net cash[13]	(3,148)	(4,173)	959	484	(103)	(460)	(185)	295	448	90
Shareholders' equity	6,454	6,796	6,377	6,032	6,472	5,666	5,624	5,489	5,304	5,137
Balance Sheet Ratios										
Adjusted net borrowings/EBITDA[4, 5, 13]	1.5	1.1	(0.3)	(0.2)	0.1	0.3	0.1	(0.2)	(0.3)	(0.1)
Average operating working capital in % of net sales[4, 5]	23.5%	18.1%	19.0%	20.4%	21.1%	20.5%	22.4%	21.3%	20.0%	20.4%
Financial leverage[13, 14]	48.8%	61.4%	(15.0)%	(8.0)%	1.6%	8.1%	3.3%	(5.4)%	(8.5)%	(1.8)%
Equity ratio[14]	30.7%	32.9%	40.8%	43.0%	42.6%	42.5%	45.3%	47.3%	45.5%	45.7%
Equity-to-fixed-assets ratio[14]	72.5%	69.7%	110.0%	112.2%	102.9%	96.9%	110.9%	115.8%	111.1%	104.6%

Ten-year overview

	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013	2012	2011[3]
Asset coverage I[14]	134.7%	119.7%	151.6%	144.1%	134.0%	136.8%	158.7%	145.0%	152.7%	140.7%
Asset coverage II[14]	90.2%	84.3%	95.1%	85.4%	83.8%	89.3%	105.9%	93.2%	100.4%	93.2%
Fixed asset intensity of investments	42.3%	47.1%	37.1%	38.3%	41.4%	43.8%	40.8%	40.9%	41.0%	43.7%
Current asset intensity of investments	57.7%	52.9%	62.9%	61.7%	58.6%	56.2%	59.2%	59.1%	59.0%	56.3%
Liquidity I	45.3%	28.7%	38.6%	25.5%	22.4%	25.5%	38.6%	34.4%	44.3%	31.6%
Liquidity II	67.4%	58.7%	73.9%	62.3%	54.9%	63.7%	83.0%	72.6%	82.9%	68.3%
Liquidity III	117.2%	105.3%	124.4%	121.0%	110.6%	121.8%	140.7%	128.3%	139.7%	126.0%
Working capital turnover[4, 5]	6.0	10.8	7.4	9.0	8.7	7.9	4.9	6.7	5.9	6.7
Return on equity[12, 14]	6.7%	29.1%	26.7%	18.2%	15.7%	11.2%	8.7%	14.3%	9.9%	11.9%
Return on capital employed[12]	12.7%	45.4%	45.1%	41.2%	24.2%	16.5%	13.8%	23.6%	19.3%	19.9%
Data per Share										
Share price at year-end (in €)	297.90	289.80	182.40	167.15	150.15	89.91	57.62	92.64	67.33	50.26
Basic earnings[4, 5, 7, 8, 9, 10, 11] (in €)	2.15	9.70	8.46	7.05	5.39	3.54	3.05	3.93	3.78	2.93
Diluted earnings[4, 5, 7, 8, 9, 10, 11] (in €)	2.15	9.70	8.45	7.00	5.29	3.54	3.05	3.93	3.78	2.93
Price/earnings ratio at year-end[4, 5, 7, 8, 9, 10, 11]	138.8	29.9	21.6	23.7	27.8	25.4	18.9	23.6	17.8	17.1
Market capitalization at year-end (€ in millions)	58,110	56,792	36,329	34,075	30,254	18,000	11,773	19,382	14,087	10,515
Net cash generated from operating activities[12, 15] (in €)	7.62	14.26	13.31	8.14	6.73	5.41	3.36	3.03	4.50	3.86
Dividend (in €)	3.00[16]	0.00	3.35	2.60	2.00	1.60	1.50	1.50	1.35	1.00
Number of shares outstanding at year-end (in thousands)	195,066	195,969	199,171	203,861	201,489	200,197	204,327	209,216	209,216	209,216
Employees										
Number of employees at year-end[4, 5, 17]	62,285	65,194	57,016	56,888	58,902	55,555	53,731	49,808	46,306	46,824
Personnel expenses[4, 5] (€ in millions)	2,483	2,720	2,481	2,549	2,373	2,184	1,842	1,833	1,872	1,646

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
2 2017 restated according to IAS 8 in the 2018 consolidated financial statements.
3 2011 restated according to IAS 8 in the 2012 consolidated financial statements.
4 2019, 2018, 2017 and 2016 figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.
5 2015, 2014 and 2013 figures reflect continuing operations as a result of the divestiture of the Rockport business.
6 Figures reflect the adjusted consolidated income statement structure introduced in 2018.
7 2015 excluding goodwill impairment of € 34 million.
8 2014 excluding goodwill impairment of € 78 million.
9 2013 excluding goodwill impairment of € 52 million.
10 2012 excluding goodwill impairment of € 265 million.
11 2017 excluding negative one-time tax impact of € 76 million.
12 Includes continuing and discontinued operations.
13 First-time application of adjusted net borrowings as of 2020. Only figure for 2019 restated.
14 Based on shareholders' equity.
15 Since 2018 figures reflect presentation of interest paid within cash flows from financing activities. Prior year figures are not restated.
16 Subject to Annual General Meeting approval.
17 2019 figure restated due to inclusion of temporary contracts of up to six months (2019 headcounts excluding temporary contracts of up to six months: 59,333). Prior year figures are not restated.

GLOSSARY

/ A

Athleisure
The term is composed of the words athletic and leisure. It describes a fashion trend of sportswear no longer being just meant for training but increasingly shaping everyday clothing.

Accessories and gear
A product category which comprises equipment that is used rather than worn by the consumer, such as bags, balls, or fitness equipment

/ B

BIPOC
BIPoC stands for 'Black, Indigenous and People of Color'.

/ C

3Cs
The '3Cs' stand for creativity, collaboration and confidence. It is adidas' goal to develop a culture that cherishes creativity, collaboration and confidence as well as high performance – the behaviors we deem crucial to the successful delivery of our corporate strategy. In fact, our culture and people serve as the foundation and a key enabler of our new strategy 'Own the Game'.

Creators Club
Creators Club is a membership program that helps us deepen the relationship with our consumers. Linking all adidas apps, events, communities and channels into one single profile, the program rewards members with points for interacting with the brand, e.g. when making a purchase or using the 'adidas Running' or 'adidas Training' apps. Depending on the number of points, exclusive benefits are unlocked, including access to hype sneaker and apparel drops or invitations to special events.

Cash pooling
A cash management technique for physical concentration of cash. Cash pooling allows adidas to combine credit and debit positions from various accounts and several subsidiaries into one central account. This technique supports our in-house bank concept where advantage is taken of any surplus funds of subsidiaries to cover cash requirements of other subsidiaries, thus reducing external financing needs and optimizing our net interest expenses.

Controlled space
Includes own-retail business, mono-branded franchise stores, shop-in-shops, joint ventures with retail partners and co-branded stores. Controlled space offers a high level of brand control and ensures optimal product offering and presentation according to brand requirements.

Conversion rate
A key ratio in retail business describing the number of buying customers compared to those who entered the store without buying something; i.e. a 25% conversion rate means that 100 persons entered a store with 25 of them buying something.

/ I

Independent manufacturing partners

We outsource almost 100% of production to independent manufacturing partners. They are defined on a supplier group level, which means one independent manufacturing partner might produce in several manufacturing facilities. The majority of our independent manufacturing partners are located in Asia.

/ L

Leadership framework

The Leadership Framework is based on the three company behaviors creativity, collaboration, confidence (the '3Cs') and articulates the particular behaviors that are expected of leaders at adidas. The framework was developed jointly with employees worldwide who provided feedback on what great leadership within adidas looks like to them. It provides a global and universal language that is inclusive, reduces the need for local interpretations and outlines concrete behaviors that serve as a measure of leadership effectiveness. It is built into the way we hire and promote as well as rate performance.

/ M

Marketing expenditure

Expenditure that relates to point-of-sale and marketing investments. While point-of-sale investments include expenses for advertising and promotion initiatives at the point of sale as well as store fittings and furniture, marketing investments relate to sponsorship contracts with teams and individual athletes as well as to advertising, events and other communication activities. Marketing overhead expenses are not included in marketing expenditure.

/ O

Operating overhead expenses

Expenses which are not directly attributable to the products or services sold, such as distribution and selling as well as general and administration costs, but not including marketing and point-of-sale expenses.

/ P

Parley for the Oceans

Parley for the Oceans is an environmental organization and global collaboration network. Founded in 2012, Parley aims to raise awareness for the beauty and fragility of the oceans, and to inspire and empower diverse groups such as pacesetting companies, brands, organizations, governments, artists, designers, scientists, innovators and environmentalists in the exploration of new ways of creating, thinking and living on our finite, blue planet.

Parley Ocean Plastic

Parley Ocean Plastic is a material created from upcycled plastic waste that was intercepted from beaches and coastal communities before reaching the ocean. Parley for the Oceans works with its partners to collect, sort and transport the recovered raw material (mainly PET bottles) to our supplier who produces the yarn, which is legally trademarked. It is used as a replacement for virgin plastic in the making of adidas x Parley products.

Performance franchises
In the sporting goods industry, performance products relate to technical footwear and apparel used primarily in sports.

Promotion partnerships
Partnerships with events, associations, leagues, clubs and individual athletes. In exchange for the services of promoting the company's brands, the party is provided with products and/or cash and/or promotional materials.

/ R

Recycled LDPE polybags
A type of product transport packaging made of recycled low-density polyethylene (LDPE) that offers a more sustainable option to virgin plastic polybags, as they have a lower environmental footprint than conventional bags and most alternatives. Recycled LDPE polybags meet our quality and performance standards to effectively protect our products during shipping and handling, are available globally and can be recycled via existing waste streams.

/ S

Single-sourcing model
Supply chain activities limited to one specific supplier. Due to the dependency on only one supplier, a company can face disadvantages during the sourcing process.

Sport inspired
'Sport Instands for fashion inspired by sport – also known as 'sports lifestyle'. It draws inspiration from adidas' rich archives and legacy. Sport Inspired stands for Originals, Y-3, Statement and Yeezy.

Sport performance
'Sport Performance' stands for the categories training, running, football, basketball and heartbeat sports such as outdoor, swim, tennis and US sports.

Sustainable cotton
For adidas, sustainable cotton means certified organic cotton or any other form of sustainably produced cotton that is currently available or might be in future, and Better Cotton.

/ W

Wet processes
Wet processes are defined as water-intense processes, such as dyeing and finishing of materials.

DECLARATION OF SUPPORT

adidas AG declares support, except in the case of political risk, that the companies listed below are able to meet their contractual liabilities. This declaration replaces the declaration dated February 27, 2020, which is no longer valid. The declaration of support automatically ceases from the time that a company is no longer a subsidiary of adidas AG.

adidas (China) Ltd., Shanghai, China
adidas (Cyprus) Limited, Nicosia, Cyprus
adidas (Ireland) Limited, Dublin, Ireland
adidas (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia
adidas (South Africa) (Pty) Ltd., Cape Town, South Africa
adidas (Suzhou) Co. Ltd., Suzhou, China
adidas (Thailand) Co., Ltd., Bangkok, Thailand
adidas (UK) Limited, Stockport, Great Britain
adidas America, Inc., Portland, Oregon, USA
adidas Argentina S.A., Buenos Aires, Argentina
adidas Australia Pty Limited, Mulgrave, Australia
adidas Austria GmbH, Klagenfurt, Austria
adidas Baltics SIA, Riga, Latvia
adidas Benelux B.V., Amsterdam, Netherlands
adidas Budapest Kft., Budapest, Hungary
adidas Bulgaria EAD, Sofia, Bulgaria
adidas Business Services (Dalian) Limited, Dalian, China
adidas Business Services Lda., Morea de Maia, Portugal
adidas Canada Limited, Woodbridge, Ontario, Canada
adidas CDC Immobilieninvest GmbH, Herzogenaurach, Germany
adidas Chile Limitada, Santiago de Chile, Chile
adidas Colombia Ltda., Bogotá, Colombia
adidas CR s.r.o., Prague, Czech Republic
adidas Croatia d.o.o., Zagreb, Croatia
adidas Danmark A/S, Copenhagen, Denmark
adidas de Mexico, S.A. de C.V., Mexico City, Mexico
adidas do Brasil Ltda., São Paulo, Brazil
adidas Emerging Markets FZE, Dubai, United Arab Emirates
adidas Emerging Markets L.L.C, Dubai, United Arab Emirates
adidas España S.A.U., Zaragoza, Spain
adidas France S.a.r.l., Strasbourg, France
adidas Hellas A.E., Athens, Greece
adidas Hong Kong Limited, Hong Kong, China
adidas Imports & Exports Ltd., Cairo, Egypt
adidas India Marketing Private Limited, New Delhi, India
adidas Industrial, S.A. de C.V., Mexico City, Mexico
adidas Indy, LLC, Wilmington, Delaware, USA
adidas Insurance & Risk Consultants GmbH, Herzogenaurach, Germany
adidas International B.V., Amsterdam, Netherlands
adidas International Marketing B.V., Amsterdam, Netherlands
adidas International Property Holding B.V., Amsterdam, Netherlands
adidas International Re DAC, Dublin, Ireland

adidas International Trading AG, Lucerne, Switzerland
adidas International, Inc., Portland, Oregon, USA
adidas Israel Ltd., Holon, Israel
adidas Italy S.p.A., Monza, Italy
adidas Japan K.K., Tokyo, Japan
adidas Korea LLC., Seoul, South Korea
adidas Latin America, S.A., Panama City, Panama
adidas LLP, Almaty, Republic of Kazakhstan
adidas Logistics (Tianjin) Co., Ltd., Tianjin, China
adidas Morocco LLC, Casablanca, Morocco
adidas New Zealand Limited, Auckland, New Zealand
adidas Norge AS, Oslo, Norway
adidas North America, Inc., Portland, Oregon, USA
adidas Perú S.A.C., Lima, Peru
adidas Philippines Inc., Pasig City, Philippines
adidas Poland Sp. z o.o., Warsaw, Poland
adidas Portugal - Artigos de Desporto, S.A., Lisbon, Portugal
adidas Romania S.R.L., Bucharest, Romania
adidas Serbia d.o.o., Belgrade, Serbia
adidas Singapore Pte. Ltd., Singapore, Singapore
adidas Slovakia s.r.o., Bratislava, Slovak Republic
adidas Sourcing El Salvador, S.A. de C.V., Antiguo Cuscatlán, El Salvador
adidas Sourcing Limited, Hong Kong, China
adidas Spor Malzemeleri Satis ve Pazarlama A.S., Istanbul, Turkey
adidas sport gmbh, Cham, Switzerland
adidas Sporting Goods Ltd., Cairo, Egypt
adidas Sports Goods (Shanghai) Co., Ltd, Shanghai, China
adidas Sports (China) Co. Ltd., Suzhou, China
adidas Suomi Oy, Helsinki, Finland
adidas Sverige AB, Solna, Sweden
adidas Taiwan Limited, Taipei, Taiwan
adidas Trgovina d.o.o., Ljubljana, Slovenia
adidas Ventures B.V., Amsterdam, Netherlands
adidas Vietnam Company Limited, Ho Chi Minh City, Vietnam
adisport Corporation, San Juan, Puerto Rico
Concept Sport, S.A., Panama City, Panama
LLC 'adidas, Ltd.' , Moscow, Russia
PT adidas Indonesia, Jakarta, Indonesia
Reebok India Company, New Delhi, India
Reebok International Limited, London, Great Britain
Reebok International Ltd., Boston, Massachusetts, USA
SC 'adidas-Ukraine' , Kiev, Ukraine
Spartanburg DC, Inc., Spartanburg, South Carolina, USA
Tafibal S.A., Montevideo, Uruguay
Trafford Park DC Limited, London, Great Britain

FINANCIAL CALENDAR

MAY 7, 2021

First quarter results

MAY 12, 2021

Annual General Meeting

AUGUST 5, 2021

First half results

NOVEMBER 10, 2021

Nine months results

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