

adidas

HALF YEAR REPORT

JANUARY – JUNE



HALF YEAR REPORT

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To enhance readability, registered trademarks as well as references to rounding differences are omitted in this publication.

FINANCIAL HIGHLIGHTS (IFRS)

	First half year 2021	First half year 2020	Change
Operating Highlights (€ in millions)			
Net sales	10,345	7,733	34%
Gross profit	5,362	3,898	38%
Other operating expenses	4,154	4,156	0%
EBITDA	1,804	425	324%
Operating profit / (loss)	1,248	(215)	n.a.
Net income / (loss) from continuing operations	890	(217)	n.a.
Net income / (loss) attributable to shareholders	955	(264)	n.a.
Key Ratios			
Gross margin	51.8%	50.4%	1.4pp
Other operating expenses in % of net sales	40.2%	53.8%	[13.6pp]
Operating margin	12.1%	[2.8%]	14.8pp
Effective tax rate	24.5%	22.4%	2.1pp
Net income attributable to shareholders in % of net sales	9.2%	[3.4%]	12.6pp
Average operating working capital in % of net sales ¹	21.4%	23.2%	[1.8pp]
Equity ratio ²	32.5%	30.7%	1.8pp
Adjusted net borrowings ³ /EBITDA ⁴	0.9	2.3	[1.4]
Financial leverage	44.3%	80.1%	[35.8pp]
Return on equity ²	13.4%	[4.2%]	17.7pp
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	21,877	20,301	8%
Inventories	4,054	5,213	[22%]
Receivables and other current assets	4,257	3,694	15%
Operating working capital	4,213	4,506	[7%]
Shareholders' equity	7,106	6,230	14%
Capital expenditure	183	217	[16%]
Net cash generated from / (used in) operating activities	1,077	(819)	n.a.
Per Share of Common Stock (€)			
Basic earnings	4.52	(0.97)	n.a.
Diluted earnings	4.52	(0.97)	n.a.
Net cash generated from / (used in) operating activities	5.52	[4.19]	n.a.
Dividend	3.00	-	n.a.
Share price at end of period	313.90	233.60	34%
Other (at end of period)			
Number of employees	58,007	61,445	[6%]
Number of shares outstanding	195,066,060	195,032,889	0%
Average number of shares	195,066,060	195,266,358	0%

1 Twelve-month trailing average.

2 Based on shareholders' equity.

3 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.

4 EBITDA of last twelve months.

All income and expenses of the Reebok business are reported as discontinued operations as of the first quarter 2021. The prior year figures of the consolidated income statement and the consolidated statement of cash flows have been restated to show the discontinued operations separately from continuing operations.

BUSINESS PERFORMANCE

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY RECOVERS IN FIRST HALF OF 2021¹

Around the globe, economies have been recovering from the enormous negative shock the coronavirus pandemic had caused. The pace of this recovery, however, remains uneven. Developed economies have been benefiting from substantial vaccination progress and fiscal support, while world trade continues to be constrained by supply bottlenecks and travel restrictions. Economic activity is being dampened among developing economies by a partial withdrawal of macroeconomic support and somewhat limited access to vaccines amid an emergence of new coronavirus variants. Against this backdrop, consumer confidence rebounded despite elevated unemployment rates and heightened policy uncertainty.

SPORTING GOODS INDUSTRY RETURNS TO GROWTH IN THE FIRST SIX MONTHS OF 2021

In the first half of 2021, the global sporting goods industry recovered from negative impacts caused by lockdown and quarantine measures as a result of the coronavirus pandemic. The return of major amateur and professional sports events, as well as elevated health awareness, drove demand for sporting goods, and consumers returned to retail stores in all parts of the world. The industry also benefited from excess household spending, while coronavirus pandemic-related disruptions, supply chain challenges as well as the geo-political situation weighed on the recovery of the sector.

INCOME STATEMENT

FOCUS ON CONTINUING OPERATIONS

Due to the planned divestiture of the Reebok business, all related income and expenses are reported as discontinued operations at the end of June 2021. All figures related to the 2020 financial year in this report refer to the company's continuing operations unless otherwise stated.

ADIDAS WITH STRONG FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2021

In the first half of 2021, revenues increased 40% on a currency-neutral basis. In euro terms, revenues grew 34% to € 10.345 billion (2020: € 7.733 billion). This growth was achieved against the backdrop of prolonged lockdowns in many parts of the world, industry-wide supply chain challenges and the geo-political situation. From a category perspective, growth was driven by exceptional increases in all strategic performance categories amid the return of major sports events, while the lifestyle category recorded excellent growth as well. From a regional perspective, on a currency-neutral basis, sales were driven by exceptional increases in all strategic growth markets EMEA, North America and Greater China. Both Asia-Pacific and Latin America grew at strong double-digit rates as well.

Gross margin improved 1.4 percentage points to 51.8% in the first six months of 2021 (2020: 50.4%). While negative currency fluctuations as well as the less favorable channel mix weighed on the gross margin development, this was more than offset by a significantly better pricing mix due to lower promotional activity as well as the non-recurrence of last year's inventory allowances and purchase order cancellation costs.

¹ Source: World Bank, Global Economic Prospects.

Royalty and commission income increased 29% to € 31 million (2020: € 24 million), while other operating income declined 50% to € 10 million (2020: € 20 million).

KEY FINANCIAL HIGHLIGHTS

	First half year 2021	First half year 2020	Change
Operating Highlights (€ in millions)			
Net sales ¹	10,345	7,733	34%
Operating profit/(loss) ¹	1,248	(215)	n.a.
Net income/(loss) from continuing operations ¹	890	(217)	n.a.
Net income/(loss) attributable to shareholders ²	955	(264)	n.a.
Key Ratios			
Gross margin ¹	51.8%	50.4%	1.4pp
Other operating expenses in % of net sales ¹	40.2%	53.8%	(13.6pp)
Operating margin ¹	12.1%	(2.8%)	14.8pp
Per Share of Common Stock (€)			
Diluted earnings ²	4.89	(1.35)	n.a.

¹ Figures reflect continuing operations as a result of the planned divestiture of the Reebok business.

² Includes continuing and discontinued operations.

Other operating expenses, including depreciation and amortization, consist of marketing and point-of-sale as well as operating overhead expenses. In the first half of 2021, other operating expenses were flat at € 4.154 billion (2020: € 4.156 billion). As a percentage of sales, other operating expenses decreased 13.6 percentage points to 40.2% (2020: 53.8%). Marketing and point-of-sale expenses amounted to € 1.157 billion (2020: € 1.174 billion), a 1% decline compared to the prior year. The company significantly increased its digital marketing investments to support its DTC storytelling and e-commerce business, while physical activities remained restrained in many parts of the world during a significant portion of the first six months of the year. As a percentage of sales, marketing and point-of sale expenses declined by 4.0 percentage points to 11.2% in the first half of 2021 (2020: 15.2%). Operating overhead expenses remained flat at € 2.997 billion (2020: € 2.983 billion). Efficiency measures and the non-recurrence of extraordinarily high purchase order cancellation costs in the prior year period were offset by increased logistics costs resulting from the significant e-commerce growth as well as temporary stranded costs related to the intended divestiture of Reebok in the amount of around € 120 million. As a percentage of sales, operating overhead expenses decreased 9.6 percentage points to 29.0% (2020: 38.6%). In the first six months of 2021, adidas recorded an operating profit of € 1.248 billion (2020: loss of € 215 million), resulting in an operating margin of 12.1% (2020: -2.8%).

Financial income was down 67% to € 6 million (2020: € 17 million) while financial expenses decreased 9% to € 75 million (2020: € 82 million). Consequently, net financial expenses amounted to € 69 million compared to € 65 million in the prior year's period. The company recorded income taxes of € 289 million resulting in a tax rate of 24.5%. During the six month period, the company incurred net income from continuing operations of € 890 million (2020: loss of € 217 million), resulting in basic and diluted earnings per share (EPS) from continuing operations of € 4.52 (2020: € -0.97). ► [SEE FINANCIAL HIGHLIGHTS](#)

In the first half of 2021, adidas' gain from discontinued operations net of tax amounted to € 72 million (2020: loss of € 74 million). As a result, the net income attributable to shareholders, which, in addition to the net income from continuing operations, includes the gain from discontinued operations, came in at € 955 million (2020: loss of € 264 million). Consequently, both basic and diluted EPS from continuing and discontinued operations were € 4.89 (2020: € -1.35).

The total number of shares outstanding remained stable in the first half of 2021. The average number of shares used in the calculation of EPS was 195,066,060. ► [SEE FINANCIAL HIGHLIGHTS](#)

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

Changes in the statement of financial position are discussed in relation to the respective positions at the end of June 2020.

PLANNED DIVESTITURE OF THE REEBOK BUSINESS IMPACTS BALANCE SHEET ITEMS

At June 30, 2021, all assets and liabilities of the Reebok business are presented as assets and liabilities classified as held for sale due to a concrete plan to sell that business. At the end of the first half of 2021, assets of € 1,674 million and liabilities of € 667 million were allocated to the Reebok business. However, a restatement of the 2020 balance sheet items is not permitted under IFRS.

ASSETS

At the end of June 2021, total assets were up 8% to € 21.877 billion compared to the prior year (2020: € 20.301 billion), mainly driven by an increase in current assets.

Total current assets increased 29% to € 14.136 billion at the end of June 2021 (2020: € 10.931 billion). Cash and cash equivalents were up 106% to € 4.151 billion (2020: € 2.018 billion), as net cash generated from operating activities was only partly offset by net cash used for investing and financing activities. Inventories decreased 22% to € 4.054 billion versus the prior year level of € 5.213 billion. This decline reflects strong sell-through of the company's products and successful inventory management across all markets. On a currency-neutral basis, inventories also decreased 22%. Accounts receivable increased by 24% to € 2.324 billion (2020: € 1.869 billion), reflecting the company's strong top-line growth. On a currency-neutral basis, receivables were up 26%. Other current assets rose 1% to € 1.057 billion (2020: € 1.051 billion). Assets classified as held for sale increased to € 1.674 billion due to the planned divestiture of the Reebok business. ► [SEE NOTE 04](#)

Total non-current assets decreased 17% to € 7.741 billion at the end of June 2021 (2020: € 9.369 billion). Fixed assets were down 19% to € 6.248 billion (2020: € 7.739 billion). Deferred tax assets were down 1% to € 1.154 billion (2020: € 1.166 billion).

STRUCTURE OF STATEMENT OF FINANCIAL POSITION¹ (IN % OF TOTAL ASSETS)

	June 30, 2021	June 30, 2020
Assets (€ in millions)	21,877	20,301
Cash and cash equivalents	19.0	9.9
Accounts receivable	10.6	9.2
Inventories	18.5	25.7
Fixed assets	28.6	38.1
Other assets	23.3	17.1

¹ For absolute figures, see adidas AG Consolidated Statement of Financial Position.

LIABILITIES AND EQUITY

Total current liabilities remained virtually flat at € 9.161 billion at the end of June 2021 (2020: € 9.137 billion). Accounts payable were down 16% to € 2.165 billion (2020: € 2.575 billion), mainly due to the normalization of payment terms. On a currency-neutral basis, accounts payable also decreased 16%. Short-term borrowings declined 44% to € 682 million at the end of June 2021 (2020: € 1,217 million), mainly reflecting lower borrowings compared to prior year, partly offset by the reclassification of a

eurobond (nominal value € 600 million) due to its maturity in October 2021. Liabilities classified as held for sale increased to € 667 million due to the planned divestiture of the Reebok business.

Total non-current liabilities increased 14% to € 5.357 billion at the end of June 2021 (2020: € 4.693 billion). Long-term borrowings increased 55% to € 2.473 billion compared to the prior year (2020: € 1.599 billion), reflecting various bond placements in the second half of 2020. The non-current lease liability declined 7% to € 2.206 billion (2020: € 2.374 billion) mainly due to the reclassification related to the planned divestiture of the Reebok business.

The total number of shares outstanding remained fairly stable and slightly increased by 33,171 shares to 195,066,060 at the end of June 2021 compared to the prior year. ► [SEE FINANCIAL HIGHLIGHTS](#)

Shareholders' equity increased 14% to € 7.106 billion at the end of June 2021 (2020: € 6.230 billion) mainly due to the increase in net income. Consequently, the company's equity ratio increased 1.8 percentage points from 30.7% to 32.5%.

STRUCTURE OF STATEMENT OF FINANCIAL POSITION¹ (IN % OF TOTAL LIABILITIES AND EQUITY)

	June 30, 2021	June 30, 2020
Liabilities and equity (€ in millions)	21,877	20,301
Short-term borrowings	3.1	6.0
Accounts payable	9.9	12.7
Long-term borrowings	11.3	7.9
Other liabilities	42.0	41.6
Total equity	33.6	31.9

¹ For absolute figures, see adidas AG Consolidated Statement of Financial Position.

OPERATING WORKING CAPITAL

Operating working capital decreased 7% to € 4.213 billion at the end of June 2021 (2020: € 4.506 billion). On a currency-neutral basis, operating working capital was down 5%. Average operating working capital as a percentage of sales decreased 1.8 percentage points to 21.4% (2020: 23.2%), reflecting the company's accelerating top-line momentum and focus on tight inventory management. ► [SEE FINANCIAL HIGHLIGHTS](#)

LIQUIDITY ANALYSIS

In the first half of 2021, net cash generated from operating activities was € 1.172 billion (2020 net cash used: € 824 million). This development was driven by the operating profit generated during the period as well as the decrease in operating working capital. Net cash used in investing activities rose to € 86 million (2020 net cash generated: € 51 million). The majority of investing activities in the first half of 2021 related to spending for property, plant and equipment, such as investments into controlled space and the further development of the company's headquarter infrastructure. Net cash used in financing activities totaled € 945 million (2020 net cash generated: € 601 million), mainly due to the dividend paid to shareholders. Also as a result of these developments, cash and cash equivalents increased € 2.133 billion from € 2.018 billion at the end of June 2020 to € 4.151 billion at the end of June 2021. Adjusted net borrowings at June 30, 2021, amounted to € 3.146 billion, representing a decline of € 1.842 billion compared to adjusted net borrowings of € 4.988 billion at the end of June 2020. This development was mainly due to cash generated from operating activities, partly offset by an increase in long-term borrowings. The company's ratio of adjusted net borrowings over EBITDA amounted to 0.9. ► [SEE FINANCIAL HIGHLIGHTS](#)

BUSINESS PERFORMANCE BY SEGMENT

At the beginning of 2021, we launched our new strategy 'Own the Game' for the period until 2025. As part of this strategy, we are focusing our growth efforts on the three strategic markets Greater China, EMEA and North America. 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.

Compared to the first half of 2020 when adidas' top line was negatively impacted by the very large number of temporary store closures as result of the coronavirus pandemic, sales in all segments continued to recover and grew at a double-digit rate in both Performance and Lifestyle in the first half of 2021. In most segments, lower inventory write-offs and a more favorable pricing mix due to less promotional activity had a positive effect on the gross margin development. At the same time, a less favorable channel and category mix, negative currency developments and higher sourcing costs negatively impacted the gross margin development in most segments. Operating expenses as a percentage of sales declined in all segments, resulting in higher operating margins across all segments.

EMEA

Sales in EMEA increased 41% on a currency-neutral basis. In euro terms, sales increased 38% to € 3.680 billion.

Gross margin in EMEA decreased 0.1 percentage points to 50.8%, as lower inventory write-offs and a more favorable pricing mix due to less promotional activity were more than offset by a less favorable channel and category mix, negative currency developments, and higher sourcing costs. Operating expenses grew 3% to € 1.082 billion, reflecting higher marketing expenditure. As a percentage of sales, operating expenses were down 10.1 percentage points to 29.4%. The operating margin increased 10.0 percentage points to 21.5%. Operating profit in EMEA increased 157% to € 792 million.

EMEA AT A GLANCE € IN MILLIONS

	First half year 2021	First half year 2020	Change	Change (currency- neutral)
Net sales	3,680	2,670	38%	41%
Gross profit	1,870	1,360	38%	-
Gross margin	50.8%	50.9%	(0.1pp)	-
Segmental operating profit	792	308	157%	-
Segmental operating margin	21.5%	11.5%	10.0pp	-

NORTH AMERICA

Sales in North America increased 38% on a currency-neutral basis. In euro terms, sales rose 27% to € 2.406 billion.

Gross margin in North America increased 4.2 percentage points to 45.5%. Lower inventory write-offs and a more favorable pricing mix due to less promotional activity more than offset a less favorable channel and category mix, as well as higher sourcing costs. Operating expenses decreased 12% to € 661 million, reflecting a decline in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales decreased 12.0 percentage points to 27.5%. The operating margin increased 16.2 percentage points to 18.6%. Operating profit in North America rose 893% to € 447 million.

NORTH AMERICA AT A GLANCE € IN MILLIONS

	First half year 2021	First half year 2020	Change	Change (currency- neutral)
Net sales	2,406	1,892	27%	38%
Gross profit	1,094	781	40%	-
Gross margin	45.5%	41.3%	4.2pp	-
Segmental operating profit	447	45	893%	-
Segmental operating margin	18.6%	2.4%	16.2pp	-

GREATER CHINA

Sales in Greater China increased 38% on a currency-neutral basis. In euro terms, sales rose 37% to € 2.405 billion.

Gross margin in Greater China was down 2.1 percentage points to 54.0%. Lower inventory write-offs were more than offset by a less favorable channel, category and pricing mix, negative currency developments and higher sourcing costs. Operating expenses were up 21% to € 542 million, reflecting an increase in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales declined 2.9 percentage points to 22.5%. The operating margin increased 0.8 percentage points to 31.5%. Operating profit in Greater China rose 40% to € 758 million.

GREATER CHINA AT A GLANCE € IN MILLIONS

	First half year 2021	First half year 2020	Change	Change (currency- neutral)
Net sales	2,405	1,757	37%	38%
Gross profit	1,299	987	32%	-
Gross margin	54.0%	56.2%	(2.1pp)	-
Segmental operating profit	758	540	40%	-
Segmental operating margin	31.5%	30.7%	0.8pp	-

ASIA-PACIFIC

Sales in Asia-Pacific increased 26% on a currency-neutral basis. In euro terms, sales rose 21% to € 1.135 billion.

Gross margin in Asia-Pacific declined 0.3 percentage points to 52.4%. Lower inventory write-offs were more than offset by a less favorable channel, category and pricing mix, negative currency developments and higher sourcing costs. Operating expenses were down 7% to € 317 million, reflecting a decline in both marketing expenditure and operating overhead costs. As a percentage of sales, operating expenses decreased 8.5 percentage points to 27.9%. The operating margin increased 8.1 percentage points to 25.1%. Operating profit in Asia-Pacific rose 78% to € 285 million.

ASIA-PACIFIC AT A GLANCE € IN MILLIONS

	First half year 2021	First half year 2020	Change	Change (currency- neutral)
Net sales	1,135	939	21%	26%
Gross profit	595	494	20%	-
Gross margin	52.4%	52.6%	[0.3pp]	-
Segmental operating profit	285	160	78%	-
Segmental operating margin	25.1%	17.1%	8.1pp	-

LATIN AMERICA

Sales in Latin America increased 81% on a currency-neutral basis. In euro terms, sales rose 59% to € 645 million.

Gross margin in Latin America increased 1.5 percentage points to 48.2%, as lower inventory write-offs and a more favorable pricing mix due to less promotional activity more than offset a less favorable channel mix, negative currency developments and higher sourcing costs. Operating expenses were down 3% to € 190 million, reflecting a decline in operating overhead costs. Operating expenses as a percentage of sales were down 18.5 percentage points to 29.4%. The operating margin increased 19.1 percentage points to 18.8%. Operating profit in Latin America rose to € 121 million.

LATIN AMERICA AT A GLANCE € IN MILLIONS

	First half year 2021	First half year 2020	Change	Change (currency- neutral)
Net sales	645	406	59%	81%
Gross profit	311	189	64%	-
Gross margin	48.2%	46.7%	1.5pp	-
Segmental operating profit	121	(1)	n.a.	-
Segmental operating margin	18.8%	[0.2%]	19.1pp	-

OUTLOOK²

GLOBAL ECONOMIC GROWTH TO RECOVER IN 2021³

Global GDP is forecast to grow 5.6% in 2021, with the recovery projected to be more robust than initially expected. Due to rapid vaccination progress in major economies, the recovery is expected to be unevenly distributed and, in some cases, delayed. It largely reflects sharp rebounds in some major economies amid highly unequal vaccine access, with many poorer countries facing subdued prospects. The strength of the near-term global recovery is largely attributable to a few major economies, such as the United States and China, with many emerging market and developing economies lagging behind. The United States and China are each expected to contribute over one-quarter of global growth in 2021.

SPORTING GOODS INDUSTRY TO RECOVER NOTABLY IN 2021

In the absence of any major 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, risks related to disruptions caused by the coronavirus pandemic, supply chain challenges, re-escalating trade tensions as well as the geo-political situation remain.

ADIDAS INCREASES OUTLOOK FOR FULL YEAR 2021

While adidas continues to be impacted by Covid-19-related lockdowns, industry-wide supply-chain challenges and the geo-political situation, the company has increased its top- and bottom-line outlook for 2021.

Given the accelerating top-line momentum, the company now expects currency-neutral sales to increase at a rate of up to 20% year-over-year in 2021, driven by strong double-digit improvements in all markets. This new outlook reflects sales growth of up to 7% in the second half of the year compared to the 2020 level, which will be fueled by an array of innovative product releases, including the re-introduction of NMD, one of adidas' most successful franchises in recent history. In addition, the company's Futurecraft 4D

² This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of adidas. 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 First Half Year Report. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report of the adidas 2020 Annual Report 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.

³ Source: World Bank, Global Economic Prospects.

portfolio will be significantly expanded by the introduction of the 4D FWD Pulse. The scaling of the well-established ZX franchise will continue with the introduction of the ZX 5K Boost. The Forum franchise, after having been successfully incubated throughout the first two quarters of the year, will quadruple in size during the second half of the year driven by several iterations as well as dedicated marketing activities. In addition, major sport events, including the Olympic Games in Japan, the start of the club football season in Europe and the kick-off to the NFL season in the US, as well as grassroots activities around the world will provide ideal platforms to tell brand and product stories in front of global and local audiences.

The company's full-year gross margin forecast continues to be for a level of around 52.0%. The operating margin is now expected to increase to a level of between 9.5% and 10% (previously: 9% to 10%). Net income from continuing operations is now projected to increase to a level of between € 1.4 billion and € 1.5 billion (previously: € 1.25 billion to € 1.45 billion). The company's profitability outlook continues to include temporary stranded costs related to the intended divestiture of Reebok. In 2021, these costs are expected to amount to around € 250 million on the operating profit level and to impact net income from continuing operations by approximately € 200 million. The medium-term growth outlook is not impacted by these costs as adidas anticipates that only around 30% of the € 250 million will reoccur in 2022 and that by 2023 the stranded costs will be fully eliminated.

RISKS AND OPPORTUNITIES

Uncertainties regarding the further development of the coronavirus pandemic remain high, in particular in light of rising infection rates in Asia and Europe. Compared to the assessment in the 2020 Annual Report, the company's risk profile has slightly deteriorated due to an increased risk related to consumer demand as a consequence of the geo-political situation and product supply due to additional supply chain challenges. Macroeconomic, regulatory and currency risks could also have a high impact on the company's financial results. While we still see major opportunities related to consumer demand and product offering as well as data analytics in the mid to long term, we consider upside potential related to short-term opportunities as limited.

Nevertheless, given the company's strong risk-bearing capacity due to its current liquidity position and financial health, Management does not foresee any material jeopardy to the viability of the company as a going concern. We remain confident that the earnings strength forms a solid foundation for our business development and provides the necessary resources to pursue future opportunities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ADIDAS AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) € IN MILLIONS

	June 30, 2021	June 30, 2020	Change in %	December 31, 2020
Assets				
Cash and cash equivalents	4,151	2,018	105.7	3,994
Short-term financial assets	-	6	n.a.	0
Accounts receivable	2,324	1,869	24.4	1,952
Other current financial assets	810	653	24.0	702
Inventories	4,054	5,213	(22.2)	4,397
Income tax receivables	66	121	(45.5)	109
Other current assets	1,057	1,051	0.6	999
Assets classified as held for sale	1,674	-	n.a.	0
Total current assets	14,136	10,931	29.3	12,154
	-	-		
Property, plant and equipment	2,065	2,293	(9.9)	2,157
Right-of-use assets	2,430	2,733	(11.1)	2,430
Goodwill	1,199	1,258	(4.7)	1,208
Trademarks	16	820	(98.0)	750
Other intangible assets	261	284	(7.9)	252
Long-term financial assets	276	351	(21.4)	353
Other non-current financial assets	243	340	(28.7)	414
Deferred tax assets	1,154	1,166	(1.0)	1,233
Other non-current assets	96	124	(22.5)	103
Total non-current assets	7,741	9,369	(17.4)	8,899
Total assets	21,877	20,301	7.8	21,053

ADIDAS AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) € IN MILLIONS

	June 30, 2021	June 30, 2020	Change in %	December 31, 2020
Liabilities and equity				
Short-term borrowings	682	1,217	(44.0)	686
Accounts payable	2,165	2,575	(15.9)	2,390
Current lease liabilities	480	639	(24.9)	563
Other current financial liabilities	340	265	28.5	446
Income taxes	686	588	16.5	562
Other current provisions	1,433	1,373	4.3	1,609
Current accrued liabilities	2,260	1,933	16.9	2,172
Other current liabilities	450	547.0	(17.6)	398
Liabilities classified as held for sale	667	-	n.a.	-
Total current liabilities	9,161	9,137	0.3	8,827
Long-term borrowings	2,473	1,599	54.7	2,482
Non-current lease liabilities	2,206	2,374	(7.1)	2,159
Other non-current financial liabilities	98	46	113.0	115
Pensions and similar obligations	234	245	(4.5)	284
Deferred tax liabilities	189	224	(15.7)	241
Other non-current provisions	134	179	(25.4)	229
Non-current accrued liabilities	6	9	(35.4)	8
Other non-current liabilities	18	16	11.9	17
Total non-current liabilities	5,357	4,693	14.2	5,535
Share capital	195	195	0.0	195
Reserves	(190)	(2)	8,799.1	(474)
Retained earnings	7,101	6,037	17.6	6,733
Shareholders' equity	7,106	6,230	14.0	6,454
Non-controlling interests	253	240	5.2	237
Total equity	7,358	6,471	13.7	6,691
Total liabilities and equity	21,877	20,301	7.8	21,053

CONDENSED CONSOLIDATED INCOME STATEMENT

ADIDAS AG CONDENSED CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS¹

	First half year 2021	First half year 2020	Change	Second quarter 2021	Second quarter 2020	Change
Net sales	10,345	7,733	33.8%	5,077	3,352	51.5%
Cost of sales	4,983	3,835	30.0%	2,446	1,631	49.9%
Gross profit	5,362	3,898	37.5%	2,632	1,720	53.0%
(% of net sales)	51.8%	50.4%	1.4pp	51.8%	51.3%	0.5pp
Royalty and commission income	31	24	29.5%	17	9	95.7%
Other operating income	10	20	(50.2%)	2	18	(86.1%)
Other operating expenses	4,154	4,156	(0.0%)	2,107	2,010	4.9%
(% of net sales)	40.2%	53.8%	(13.6pp)	41.5%	60.0%	(18.5pp)
Marketing and point-of-sale expenses	1,157	1,174	(1.4%)	616	525	17.2%
(% of net sales)	11.2%	15.2%	(4.0pp)	12.1%	15.7%	(3.5pp)
Operating overhead expenses ²	2,997	2,983	0.5%	1,492	1,484	0.5%
(% of net sales)	29.0%	38.6%	(9.6pp)	29.4%	44.3%	(14.9pp)
Operating profit / (loss)	1,248	(215)	n.a.	543	(263)	n.a.
(% of net sales)	12.1%	(2.8%)	14.8pp	10.7%	(7.8%)	18.5pp
Financial income	6	17	(67.2%)	4	13	(70.0%)
Financial expenses	75	82	(8.7%)	37	42	(11.0%)
Income / (loss) before taxes	1,179	(279)	n.a.	510	(292)	n.a.
(% of net sales)	11.4%	(3.6%)	15.0pp	10.0%	(8.7%)	18.8pp
Income taxes	289	(63)	n.a.	123	(49)	n.a.
(% of / income / (loss) before taxes)	24.5%	22.4%	2.1pp	24.0%	16.9%	7.1pp
Net income / (loss) from continuing operations	890	(217)	n.a.	387	(243)	n.a.
(% of net sales)	8.6%	(2.8%)	11.4pp	7.6%	(7.2%)	14.9pp
Gain / (loss) from discontinued operations, net of tax	72	(74)	n.a.	20	(74)	n.a.
Net income / (loss)	962	(291)	n.a.	407	(317)	n.a.
(% of net sales)	9.3%	(3.8%)	13.1pp	8.0%	(9.4%)	17.5pp
Income / (loss) attributable to shareholders	955	(264)	n.a.	397	(295)	n.a.
(% of net sales)	9.2%	(3.4%)	12.6pp	7.8%	(8.8%)	16.6pp
Net income / (loss) attributable to non-controlling interests	7	(27)	n.a.	11	(22)	n.a.
Basic earnings per share from continuing operations (in €)	4.52	(0.97)	n.a.	1.93	(1.13)	n.a.
Diluted earnings per share from continuing operations (in €)	4.52	(0.97)	n.a.	1.93	(1.13)	n.a.
Basic earnings per share from continuing and discontinued operations (in €)	4.89	(1.35)	n.a.	2.03	(1.51)	n.a.
Diluted earnings per share from continuing and discontinued operations (in €)	4.89	(1.35)	n.a.	2.03	(1.51)	n.a.

¹ Comparative information for 2020 has been adjusted due to the classification of the Reebok business as discontinued operations.

² Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ADIDAS AG CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) € IN MILLIONS

	First half year 2021	First half year 2020	Second quarter 2021	Second quarter 2020
Net income / (loss) after taxes	962	(291)	407	(317)
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	43	0	6	(19)
Net (loss) / gain on other equity investments (IFRS 9), net of tax	(1)	(2)	3	(2)
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	41	(1)	10	(21)
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met				
Net gain / (loss) on cash flow hedges and net foreign investment hedges, net of tax	100	142	(6)	(120)
Net (loss) / gain on cost of hedging reserve – options, net of tax	(5)	9	(2)	9
Net gain / (loss) on cost of hedging reserve – forward contracts, net of tax	10	(17)	5	23
Currency translation differences	145	(177)	8	(34)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	251	(44)	5	(123)
Other comprehensive income	292	(45)	14	(143)
Total comprehensive income	1,254	(336)	422	(460)
Attributable to shareholders of adidas AG	1,239	(311)	413	(432)
Attributable to non-controlling interests	15	(24)	8	(28)

¹ Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ADIDAS AG CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS) € IN MILLIONS

	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 December 31, 2019	196	887	(470)	(150)	(10)	6	(218)	6,555	6,796	261	7,058
Other comprehensive income			(180)	142	9	(17)	(1)		(48)	3	(45)
Net income								(264)	(264)	(27)	(291)
Total comprehensive income			(180)	142	9	(17)	(1)	(264)	(311)	(24)	(336)
Repurchase of adidas AG shares	(1)							(256)	(257)		(257)
Repurchase of adidas AG shares due to equity-settled share-based payment	(0)							(14)	(14)		(14)
Reissuance of treasury shares due to equity-settled share-based payment	0							17	17		17
Equity-settled share-based payment								(1)	(1)		(1)
First-time consolidation due to obtaining control in accordance with IFRS 10										3	3
Balance at June 30, 2020	195	887	(650)	(9)	(1)	(11)	(220)	6,037	6,230	240	6,471
Balance at December 31, 2020	195	887	(850)	(250)	(3)	(23)	(235)	6,733	6,454	237	6,691
Other comprehensive income			137	100	(5)	10	41		284	9	292
Net income								955	955	7	962
Total comprehensive income			137	100	(5)	10	41	955	1,239	15	1,254
Repurchase of adidas AG shares due to equity-settled share-based payment	(1)							(15)	(15)		(15)
Reissuance of treasury shares due to equity-settled share-based payment	1							14	15		15
Dividend payment								(585)	(585)		(585)
Equity-settled share-based payment								(1)	(1)		(1)
Balance at June 30, 2021	195	887	(712)	(150)	(7)	(14)	(194)	7,101	7,106	253	7,358

CONSOLIDATED STATEMENT OF CASH FLOWS

ADIDAS AG CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) € IN MILLIONS

	First half year 2021	First half year 2020
Operating activities:		
Income / (loss) before taxes	1,179	(279)
Adjustments for:		
Depreciation, amortization and impairment losses	568	645
Reversals of impairment losses	(7)	(1)
Interest income	(5)	(16)
Interest expense	69	77
Unrealized foreign exchange losses, net	9	9
Losses on sale of property, plant and equipment and intangible assets, net	4	3
Other non-cash (income) /expense	(6)	0
Operating profit before working capital changes	1,810	438
(Increase) / decrease in receivables and other assets	(553)	610
Decrease / (increase) in inventories	13	(1,142)
Decrease in accounts payable and other liabilities	(82)	(539)
Cash generated from / (used in) operations before taxes	1,189	(632)
Income taxes paid	(112)	(186)
Net cash generated from / (used in) operating activities – continuing operations	1,077	(819)
Net cash generated from / (used in) operating activities – discontinued operations	95	(6)
Net cash generated from / (used in) operating activities	1,172	(824)
Investing activities:		
Purchase of trademarks and other intangible assets	(53)	(33)
Purchase of property, plant and equipment	(130)	(176)
Proceeds from sale of property, plant and equipment	0	2
Proceeds from sale of a disposal group	12	-
Proceeds from disposal of discontinued operations	29	-
Proceeds from sale of short-term financial assets	0	288
Purchase of investments and other long-term assets	55	(37)
Interest received	5	16
Net cash (used in) / generated from investing activities – continuing operations	(81)	59
Net cash used in investing activities – discontinued operations	(5)	(8)
Net cash (used in) / generated from investing activities	86	51

ADIDAS AG CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) € IN MILLIONS

	First half year 2021	First half year 2020
Financing activities:		
Reverse transaction of buyback of Eurobonds	–	11
Interest paid	(54)	(66)
Repayments of lease liabilities	(267)	(226)
Dividend paid to shareholders of adidas AG	(585)	–
Repurchase of treasury shares	–	(257)
Repurchase of treasury shares due to share-based payments	(15)	(14)
Proceeds from reissuance of treasury shares due to share-based payments	12	12
(Repayments of) / proceeds from short-term borrowings	(17)	1,165
Net cash (used in) / generated from financing activities – continuing operations	(926)	624
Net cash used in financing activities – discontinued operations	(19)	(23)
Net cash (used in) / generated from financing activities	(945)	601
Effect of exchange rates on cash	15	(29)
Increase / (decrease) of cash and cash equivalents	157	(201)
Cash and cash equivalents at beginning of year	3,994	2,220
Cash and cash equivalents at end of period	4,151	2,018

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT JUNE 30, 2021

01 GENERAL

The interim consolidated financial statements of adidas AG and its subsidiaries (collectively 'adidas,' the 'Group' or 'the company') for the first half year ending June 30, 2021, are prepared in compliance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). The company applied all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations of the IFRS Interpretations Committee effective as at June 30, 2021, insofar as they have already been adopted into European law.

These interim consolidated financial statements were prepared in compliance with International Accounting Standard IAS 34 'Interim Financial Reporting.' Accordingly, these interim consolidated financial statements do not include all of the information and notes required for consolidated financial statements at financial year-end. Therefore, these interim consolidated financial statements should be read in conjunction with the 2020 annual consolidated financial statements. The accounting policies as well as principles, practices and presentation applied in the consolidated financial statements for the year ending December 31, 2020, also apply to the interim consolidated financial statements for the first half year ending June 30, 2021.

The following new accounting standards and interpretations as well as amendments to existing standards, which were issued by the IASB and are effective in the EU for financial years beginning on January 1, 2021, have been applied for the first time:

- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9

These do not have any material impact on the interim consolidated financial statements of adidas AG. Further information can be found in the 2020 Annual Report.

New accounting standards and interpretations as well as amendments to existing standards that are not yet effective in the EU or effective for financial years beginning after January 1, 2021, are not expected to have any material impact on the consolidated financial statements.

The amendment to IFRS 16 'Covid-19-Related Rent Concessions' published by the IASB on May 28, 2020, and effective for financial years beginning on or after June 1, 2020, was originally limited to rent concessions that were due on or before June 30, 2021. The IASB has decided to extend the period during which the concessions can be applied to financial years beginning on or after April 1, 2021. This decision will not impact adidas, as adidas has not applied and will not apply the option provided in this amendment regarding the treatment of rent concessions relating to the coronavirus pandemic. The option allows lessees to treat rental concessions in connection with the coronavirus pandemic not as lease modifications within the meaning of IFRS 16 but to realize the effects of the rental concessions in the periods in which they are granted.

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. The first half of 2020 was significantly impacted by the coronavirus pandemic. Further information can be found in Note 8 of the first half year report 2020. Compared to the first half of 2020, business development in the first half of 2021 was less impacted by the effects of the coronavirus pandemic. Nevertheless, due to the ongoing pandemic, it is still difficult to predict the resulting effects on assets and liabilities as well as income and expenses. Estimates and assumptions relevant to the financial statements were made to the best of our knowledge, based on current events and measures. In particular, judgments and discretion are used in assessing the recoverability of deferred tax assets, in impairment tests for non-financial assets, in determining allowances for inventories and accounts receivable, and in the calculation of provisions.

There were no changes in the scope of consolidation in the first half of 2021.

The interim consolidated financial statements and the interim Group management report were not audited in accordance with § 317 German Commercial Code (Handelsgesetzbuch – HGB) nor reviewed in accordance with § 115 section 5 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) by an auditor.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim consolidated financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

The results of operations for the first half year ending June 30, 2021, are not necessarily indicative of results to be expected for the entire year.

The interim 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 sum up exactly to totals provided.

02 REVENUE

The sales of the company in certain product categories are seasonal, and therefore, revenues and attributable earnings may vary within the financial year. In the years before the coronavirus pandemic, sales and earnings tended to be strongest in the first and third quarters of the financial year because these coincided with the launch of the spring/summer and fall/winter collections, respectively. In the first half of 2021, sales stabilized but variations may still occur due to the ongoing coronavirus pandemic. Shifts in the share of sales and attributable earnings of particular product categories or in the regional composition may occur throughout the year. A disaggregation of revenue into product categories is contained in these Notes. ► [SEE NOTE 08](#)

03 DISCONTINUED OPERATIONS

On February 16, 2021, the company decided to begin a formal process aimed at divesting Reebok. Due to the concrete plans to sell Reebok and the approval by the respective committees, the Reebok operating business is reported as discontinued operations and classified as a disposal group held for sale at the end of the first quarter. The fair value was determined based on the basis of existing non-binding purchase price offers at this point of time. The transaction is expected to be completed later in 2021.

Reebok was previously neither classified as assets held for sale nor as discontinued operations. The prior year figures of the consolidated income statement and the consolidated statement of cash flows have been restated to show the discontinued operations separately from continuing operations.

The results of the Reebok operations are shown as discontinued operations in the consolidated income statement:

DISCONTINUED OPERATION REEBOK

€ in millions	First half year 2021	First half year 2020
Operational business		
Net Sales	823	600
Expenses	(666)	(658)
Gain / (loss) from operating activities before taxes	157	(58)
Income taxes	(78)	(12)
Gain / (loss) from operating activities, net of tax	78	(69)
Transaction costs, net of tax	(10)	-
Gain / (loss) from discontinued operations, net of tax	68	(69)
Basic earnings per share from discontinued operations (€)	0.35	(0.36)
Diluted earnings per share from discontinued operations (€)	0.35	(0.36)

Rounding differences may arise in percentages and totals for figures presented in millions as calculation is always based on the figures stated in thousands.

Gains from discontinued operations for the first half year ending June 30, 2021, in an amount of € 72 million (2020: losses of € 74 million) are entirely attributable to the shareholders of adidas AG. The gains from discontinued operations also include besides Reebok an amount of € 4 million (2020: loss € 5 million) relating to divestitures in previous years.

Total net loss of cumulative foreign currency translation differences for discontinued operations reflected within equity amount to € 225 million. For the first half year 2021 the loss within equity amount to € 125 million. For 2020 the gain within equity amount to € 368 million.

The income tax expense related to discontinued operations amounts to € 76 million. This amount includes the revaluation of deferred tax assets and liabilities as a result of the tax rate change in the UK (€ 34 million).

04 ASSETS AND LIABILITIES HELD FOR SALE

At June 30, 2021, the disposal group Reebok was stated at carrying amount and comprised the following major classes of assets and liabilities:

GROUP OF ASSETS AND LIABILITIES

Assets classified as held-for-sale € in millions	June 30, 2021
Accounts receivable	207
Inventories	388
Other current financial assets	36
Other current assets	42
Total current assets	673
Long-term financial assets	12
Property, plant and equipment	66
Right-of-use assets	108
Goodwill	27
Trademarks	757
Deferred tax asset	24
Other non-current financial assets	6
Total non-current assets	1,000
Total assets	1,673
Liabilities classified as held for sale € in millions	June 30, 2021
Accounts payable	174
Current lease liability	29
Other current provisions	60
Other current accrued liabilities	112
Other current financial liabilities	12
Other current liabilities	18
Total current liabilities	405
Non-current lease liability	123
Provision for pensions and similar obligations	6
Deferred tax liability	108
Other non-current provisions	18
Other non-current accrued liabilities	2
Other non-current financial liabilities	4
Other non-current liabilities	2
Total non-current liabilities	263
Total liabilities	667

At June 30, 2021, the company assessed the fair value of the disposal group on the basis of existing non-binding purchase price offers at this point of time. There was no indication for any impairment of the disposal group.

Further information on the allocation of goodwill is contained in these Notes. ► [SEE NOTE 09](#)

05 SHAREHOLDERS' EQUITY

During the period from January 1, 2021, to June 30, 2021, the nominal capital of adidas AG remained unchanged. Consequently, on June 30, 2021, the nominal capital of adidas AG amounted to € 200,416,186 divided into 200,416,186 registered no-par-value shares.

In the 2016 financial year, adidas AG introduced an employee stock purchase plan in favor of employees of adidas AG and its affiliated companies.

adidas AG purchased shares in connection with this employee stock purchase plan in the first six months of the 2021 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 first six months of the 2021 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 2021' and 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2021/matching shares'.

REPURCHASE OF ADIDAS AG SHARES AND USE OF TREASURY SHARES IN THE CONTEXT OF THE EMPLOYEE STOCK PURCHASE PLAN 2021

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, 2021	23,652	6,992,862.30	295.66	23,652	0.01	January 12, 2021
April 9, 2021	24,032	6,757,458.75	281.19	24,032	0.01	April 13, 2021

REPURCHASE OF ADIDAS AG SHARES AND USE OF TREASURY SHARES IN THE CONTEXT OF THE EMPLOYEE STOCK PURCHASE PLAN 2021/ 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, 2021	2,843	840,550.80	295.66	2,843	0.001	January 12, 2021
April 9, 2021	3,817	1,073,286.45	281.19	3,817	0.002	April 13, 2021

On May 12, 2021, the Annual General Meeting of adidas AG approved the proposal of the Executive Board and Supervisory Board on the appropriation of retained earnings for the 2020 financial year in the amount of € 3.00 per share. The dividend was paid on May 18, 2021. Based on the number of dividend-entitled shares at the time of the Annual General Meeting, this results in a dividend distribution of € 585,198,180.

On June 30, 2021 adidas AG held a total of 5,350,126 treasury shares, corresponding to a notional amount of € 5,350,126 in the nominal capital and consequently 2.67% of the nominal capital. In accordance with § 71b German Stock Corporation Act (Aktiengesetz - AktG), the treasury shares held directly or indirectly do not confer any rights to the company.

06 FINANCIAL INSTRUMENTS

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AND THEIR FAIR VALUES INCLUDING HIERARCHY ACCORDING TO IFRS 13 € IN MILLIONS

	Category	June 30, 2021						December 31, 2020				
		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	2,383	-	-	-	-	1,762	-	-	-	-	
Cash equivalents	Fair value through profit or loss	1,768	1,768	-	1,768	-	2,232	2,232	-	2,232	-	
Short-term financial assets	Fair value through profit or loss	-	-	-	-	-	0	0	-	0	-	
Accounts receivable	Amortized cost	2,324	-	-	-	-	1,952	-	-	-	-	
Other current financial assets												
Derivatives used in hedge accounting	Hedge accounting	119	119	-	119	-	163	163	-	163	-	
Derivatives not used in hedge accounting	Fair value through profit or loss	32	32	-	32	-	32	32	-	32	-	
Promissory notes	Fair value through profit or loss	147	147	-	-	147	6	6	-	-	6	
Other financial assets	Amortized cost	511	-	-	-	-	511	-	-	-	-	
Long-term financial assets												
Other equity investments	Fair value through profit or loss	89	89	-	-	89	89	89	-	-	89	
Other equity investments	Fair value through other comprehensive income	73	73	-	-	73	80	80	-	-	80	
Other investments	Fair value through profit or loss	26	25	-	25 ¹	-	35	37	-	37 ²	-	
Other investments	Amortized cost	87	-	-	-	-	149	-	-	-	-	
Loans	Amortized cost	0	0	-	-	-	0	0	-	-	-	
Other non-current financial assets												
Derivatives used in hedge accounting	Hedge accounting	18	18	-	18	-	14	14	-	14	-	
Derivatives not used in hedge accounting	Fair value through profit or loss	108	108	-	108	-	99	99	-	99	-	
Promissory notes	Fair value through profit or loss	-	-	-	-	-	166	166	-	-	166	
Earn-out components	Fair value through profit or loss	-	-	-	-	-	12	12	-	-	12	

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AND THEIR FAIR VALUES INCLUDING HIERARCHY ACCORDING TO IFRS 13 € IN MILLIONS

	Category	June 30, 2021						December 31, 2020				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3	
Other financial assets	Amortized cost	117	-	-	-	-	114	-	-	-	-	
Assets classified as held for sale	Amortized cost	1,674	-	-	-	-	-	-	-	-	-	
Financial assets per level		-	-	-	2,070	309	-	-	-	2,577	352	
Financial liabilities												
Short-term borrowings												
Bank borrowings	Amortized cost	82	-	-	-	-	87	-	-	-	-	
Eurobond	Amortized cost	600	600	600	-	-	599	605	605	-	-	
Accounts payable	Amortized cost	2,165	-	-	-	-	2,390	-	-	-	-	
Current accrued liabilities	Amortized cost	801	-	-	-	-	939	-	-	-	-	
Current accrued liabilities for customer discounts	Amortized cost	801	-	-	-	-	743	-	-	-	-	
Other current financial liabilities												
Derivatives used in hedge accounting	Hedge accounting	157	157	-	157	-	258	258	-	258	-	
Derivatives not used in hedge accounting	Fair value through profit or loss	26	26	-	26	-	24	24	-	24	-	
Other financial liabilities	Amortized cost	158	-	-	-	-	164	-	-	-	-	
Current lease liabilities	n.a.	480	-	-	-	-	563	-	-	-	-	
Long-term borrowings												
Bank borrowings	Amortized cost	91	-	-	-	-	103	-	-	-	-	
Eurobond	Amortized cost	1,889	1,944	1,944	-	-	1,888	1,987	1,987	-	-	
Convertible bond	Amortized cost	493	628	628	-	-	491	631	631	-	-	
Non-current accrued liabilities	Amortized cost	1	0	-	-	-	2	0	-	-	-	
Other non-current financial liabilities				-								
Derivatives used in hedge accounting	Hedge accounting	5	5	-	5	-	26	26	-	26	-	
Derivatives not used in hedge accounting	Fair value through profit or loss	34	34	-	34	-	85	85	-	85	-	
Other financial liabilities	Amortized cost	-	-	-	-	-	4	-	-	-	-	
Non-current lease liabilities	n.a.	2,206	2,206	-	-	-	2,159	-	-	-	-	
Liabilities classified as held for sale	Amortized cost	667	-	-	-	-	-	-	-	-	-	
Financial liabilities per level		-	-	3,172	222	-	-	-	3,223⁰	393	-	
Thereof: aggregated by category according to IFRS 9												
Financial assets at fair value through profit or loss (FVTPL)		2,170					2,670					
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)		-					-					
Thereof: held for trading (FAHfT)		87					87					

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AND THEIR FAIR VALUES INCLUDING HIERARCHY ACCORDING TO IFRS 13 € IN MILLIONS

Category	June 30, 2021						December 31, 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income (FVOCI)	73					80					
Thereof: debt instruments	-					-					
Thereof: equity investments (without recycling to profit and loss)	73					80					
Financial assets at amortized cost (AC)	7,096					4,489					
Financial liabilities at fair value through profit or loss (FVTPL)	119					108					
Thereof: held for trading (FLHfT)	-					-					
Financial liabilities at amortized cost (AC)	7,747					7,409					

1 Net gains in the amount of € 1 million and gains in the amount of € 0 million due to currency translation differences were recognized in equity in 2021

2 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

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		Unrealized		Currency translation	Fair value Dec. 31, 2020
				Gains	Losses	Gains	Losses		
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 2021 € IN MILLIONS

	Fair value Jan. 1, 2021	Additions	Disposals	Realized		Unrealized		Currency translation	Fair value June 30, 2021
				Gains	Losses	Gains	Losses		
Investments in other equity instruments held for trading (FAHfT)	87	-	-	-	-	-	-	-	87
Investments in other equity instruments (FVTPL)	2	-	-	-	-	-	-	-	2
Investments in other equity instruments (FVOCI)	79	1	(6)	-	-	-	(1)	-	73
Promissory notes (FVTPL)	171	-	(20)	-	-	-	(9)	5	147
Earn-out components - assets (FVTPL)	12	-	(21)	9	-	-	-	-	-

The valuation methods used in measuring Level 1, Level 2 and Level 3 fair values remain unchanged and can be found in the Notes to the 2020 consolidated financial statements.

NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT € IN MILLIONS

	Period ending June 30, 2021	Year ending Dec. 31, 2020
Financial assets classified at amortized cost (AC)	(3)	(114)
Financial assets at fair value through profit or loss (FVTPL)	1	18
Thereof: designated as such upon initial recognition	-	-
Thereof: classified as held for trading	-	2
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)	1	39
Financial liabilities at fair value through profit or loss (FVTPL)	-	-
Thereof: designated as such upon initial recognition	-	-
Thereof: classified as held for trading	-	-

07 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. If negative earnings per share are reported, according to IAS 33.41 no anti-dilutive effect may be taken into account.

EARNINGS PER SHARE

	Continuing operations		Discontinued operations		Total	
	First half year 2021	First half year 2020	First half year 2021	First half year 2020	First half year 2021	First half year 2020
Net income / (loss) from continuing operations (€ in millions)	890	(217)	-	-	-	-
Net income / (loss) attributable to non-controlling interests (€ in millions)	7	(27)	-	-	-	-
Net income / (loss) attributable to shareholders (€ in millions)	883	(190)	72	(74)	955	(264)
Weighted average number of shares	195,066,060	195,266,358	195,066,060	195,266,358	195,066,060	195,266,358
Basic earnings per share (€)	4.52	(0.97)	0.37	(0.38)	4.89	(1.35)
Net income / (loss) attributable to shareholders (€ in millions)	883	(190)	72	(74)	955	(264)
Net income / (loss) used to determine diluted earnings per share (€ in millions)	883	(190)	72	(74)	955	(264)
Weighted average number of shares	195,066,060	195,266,358	195,066,060	195,266,358	195,066,060	195,266,358
Dilutive effect of share-based payments	6,163	-	-	-	6,163	-
Weighted average number of shares for diluted earnings per share	195,072,223	195,266,358	195,066,060	195,266,358	195,072,223	195,266,358
Diluted earnings per share (€)	4.52	(0.97)	0.37	(0.38)	4.89	(1.35)

08 SEGMENTAL INFORMATION

adidas operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

As at June 30, 2021, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments,' five operating segments were identified: EMEA, North America, Asia-Pacific, Greater China and Latin America.

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 operating segment Reebok North America which was reported in the internal management reporting until February 16, 2021, is not monitored anymore due to the reclassification of Reebok business as discontinued operations on February 16th, 2021. Therefore the segment North America only includes the business activities of adidas. Comparative segmental information has been retrospectively adjusted. Also the Reebok business activities in the other operating segments have been removed in the segment information for 2021 and 2020.

Each market comprises all wholesale, retail and e-commerce business activities relating to the distribution and sale of products of the adidas brand to retail customers and end consumers.

Other Businesses includes the business activities of the Y-3 label and other subordinated businesses which are not monitored separately by the chief operating decision maker. Also, 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), 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 represents 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.

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, however without considering headquarter costs and central expenses 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.

Segmental liabilities only contain accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision-maker.

SEGMENTAL INFORMATION € IN MILLIONS

	Net sales (third parties) ¹		Segmental operating profit ¹		Segmental assets ²		Segmental liabilities ²	
	2021	2020	2021	2020	2021	2020	2021	2020
EMEA	3,680	2,670	792	308	2,458	2,390	(186)	(176)
North America	2,406	1,892	447	45	1,540	1,555	(51)	(41)
Greater China	2,405	1,757	758	540	1,219	1,240	(230)	(266)
Asia-Pacific	1,135	939	285	160	600	699	(43)	(72)
Latin America	645	406	121	(1)	507	532	(91)	(55)
Reportable segments	10,272	7,665	2,404	1,053	6,325	6,415	(601)	(609)
Other Businesses	73	68	17	10	52	59	8	(2)
Total	10,345	7,733	2,420	1,063	6,377	6,474	(593)	(611)

1 First half year.

2 At June 30.

OPERATING PROFIT € IN MILLIONS

	First half year 2021	First half year 2020
Operating profit for reportable segments	2,404	1,053
Operating profit for Other Businesses	17	10
Segmental operating profit	2,420	1,063
HQ	(745)	(586)
Central expenditure for marketing	(373)	(429)
Consolidation	(54)	(263)
Operating profit/ (loss)	1,248	(215)
Financial income	6	17
Financial expenses	(75)	(82)
Income/ (loss) before taxes from continuing operations	1,179	(279)

NET SALES (THIRD PARTIES) € IN MILLIONS

	First half year 2021	First half year 2020
Footwear	5,766	4,495
Apparel	4,037	2,812
Hardware	542	426
Total	10,345	7,733

09 GOODWILL AND TRADEMARKS

Following the company's internal management reporting by markets, the number of cash-generating units decreased to a total of six, effective January 1, 2021. In the first quarter 2021, the number of cash-generating units further decreased to a total of five as the cash-generating unit North America Reebok is classified as a disposal group and shown in 'Assets/liabilities classified as held for sale.'

Due to the changes in segmental reporting, the carrying amounts of acquired goodwill have been reallocated to the new groups of cash-generating units in the first quarter 2021 as follows:

ALLOCATION OF GOODWILL

	Goodwill (€ in millions)				Jan. 1, 2021
	Dec. 31, 2020	Aggregation EMEA	(Re-) allocation Asia-Pacific	(Re-) allocation adidas Golf	
Europe	593	(593)			n.a.
Emerging Markets	76	(76)			n.a.
EMEA	n.a.	669		25	694
North America	n.a.			77	77
Greater China	n.a.		269	10	280
Asia-Pacific	361		(269)	66	157
adidas Golf	178			(178)	n.a.
Total	1,208	-	-	-	1,208

Due to the change in the composition of the company's operating segments and associated cash-generating units respectively, adidas assessed at January 1, 2021 whether goodwill or Reebok trademark impairments were required. The underlying value drivers and key assumptions for impairment testing purposes remained in principle unchanged compared to the impairment test performed for the consolidated financial statements as at December 31, 2020. In this context, there was no need for goodwill or Reebok trademark impairment.

On February 16, 2021, the company decided to begin a formal process aimed at divesting Reebok. Reebok is reported as discontinued operations and classified as a disposal group held for sale as at June 30, 2021, accordingly. As a result, the goodwill allocated to the group of cash generating units Europe, Middle East and Africa (EMEA), North America, Greater China and Asia-Pacific (APAC) was split and reallocated between adidas and Reebok cash-generating units based on relative values (fair values), respectively.

RECONCILIATION OF GOODWILL, NET € IN MILLIONS

	EMEA	North America	Greater China	Asia-Pacific	Total
January 1, 2021	694	77	280	157	1,208
Reebok Disposal Group	(23)	-	(3)	(1)	(27)
Currency translation differences	11	0	5	2	18
June 30, 2021	682	77	282	158	1,199

In the first quarter 2021, the reallocated goodwill as well as the Reebok trademark in an amount of € 757 million were initially measured according to IAS 36 'Impairment of Assets' and goodwill allocated to Reebok as well as the Reebok trademark were subsequently transferred to 'Assets/liabilities classified as held for sale' due to the concrete plans to divest Reebok.

010 EVENTS AFTER THE BALANCE SHEET DATE

The seven-year € 600 million Eurobond, originally due on October 8, 2021, was already repaid by adidas on July 8, 2021.

With the approval of the Supervisory Board, the Executive Board of adidas AG has decided to launch a new share buyback program in the second half of 2021. Starting on July 1, 2021, the company plans to buy back shares worth up to € 550 million until the end of the year. Until the finalization of these interim consolidated statements on July 26, 2021, adidas AG purchased a total of 226,850 shares for a total price of € 72,683,346.

Besides this, there were no other major events between the end of the first half of 2021 and the finalization of these interim consolidated financial statements on July 26, 2021, that might have a material influence on the assets, liabilities, financial position, and profit or loss of the company.

Herzogenaurach, July 26, 2021

The Executive Board of adidas AG

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report 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 for the remaining months of the financial year.

Herzogenaurach, July 26, 2021



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