

adidas



**ANNUAL
REPORT**

2021

OUR PURPOSE

**THROUGH
SPORT WE HAVE
THE POWER TO
CHANGE LIVES**



OUR MISSION

TO BE THE BEST
SPORTS COMPANY
IN THE WORLD

OUR ATTITUDE

‘IMPOSSIBLE IS NOTHING’

TARGETS - RESULTS - OUTLOOK

TARGETS - RESULTS - OUTLOOK

	2021 Targets ^{1,2}	2021 Results ²	2022 Outlook ²
Currency-neutral sales development	to increase at a mid- to high-teens rate	16%	to increase at a rate between 12% and 14%
Gross margin	to increase to a level of around 52%	50.7% 0.7pp	to increase to a level of between 51.5% and 52.0%
Operating margin	to increase to a level of between 9% and 10%	9.4% 5.3pp	to increase to a level of between 10.5% and 11.0%
Net income from continuing operations (€ in millions)	to increase to a level of between € 1.25 billion and € 1.45 billion	1,492 223%	to increase to a level of between € 1.8 billion and € 1.9 billion
Average operating working capital in % of net sales ³	to decrease to a level below 20%	20.0% [5.3pp]	to decrease to a level below 20%
Capital expenditure (€ in millions) ^{3,4}	to increase to a level of around € 700 million	667	to increase to a level of up to € 900 million

1 As published on March 10, 2021; the outlook was updated over the course of the year.

2 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

3 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

4 Excluding acquisitions and leases.

FINANCIAL HIGHLIGHTS 2021 (IFRS)

FINANCIAL HIGHLIGHTS 2021 (IFRS)

	2021	2020	Change
Operating Highlights (€ in millions)			
Net sales ¹	21,234	18,435	15%
Gross profit ¹	10,765	9,222	17%
Other operating expenses ¹	8,892	8,580	4%
EBITDA ¹	3,066	1,967	56%
Operating profit ¹	1,986	746	166%
Net income from continuing operations ¹	1,492	461	223%
Net income attributable to shareholders ²	2,116	432	390%
Key Ratios			
Gross margin ¹	50.7%	50.0%	0.7pp
Other operating expenses in % of net sales ¹	41.9%	46.5%	(4.7pp)
Operating margin ¹	9.4%	4.0%	5.3pp
Effective tax rate ¹	19.4%	20.2%	(0.8pp)
Net income attributable to shareholders in % of net sales ^{1,2}	10.0%	2.3%	7.7pp
Average operating working capital in % of net sales ^{1,3}	20.0%	25.3%	(5.3pp)
Equity ratio ⁴	34.0%	30.7%	3.3pp
Adjusted net borrowings/EBITDA ^{1,3}	1.0	1.6	n.a.
Financial leverage ^{3,4}	39.4%	48.8%	(9.4pp)
Return on equity ^{2,4}	28.1%	6.7%	21.4pp
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	22,137	21,053	5%
Inventories ³	4,009	4,397	(9%)
Receivables and other current assets ³	4,072	3,763	8%
Operating working capital ³	3,890	3,960	(2%)
Shareholders' equity	7,519	6,454	17%
Capital expenditure ³	667	442	51%
Net cash generated from operating activities ¹	2,873	1,366	110%
Per Share of Common Stock (€)			
Basic earnings ¹	7.47	2.31	223%
Diluted earnings ¹	7.47	2.31	223%
Net cash generated from operating activities ¹	14.79	7.00	111%
Dividend ⁵	3.30	3.00	10%
Share price at year-end	253.20	297.90	(15%)
Other (at year-end)			
Number of employees ⁶	61,401	62,285	(1%)
Number of shares outstanding	191,594,855	195,066,060	(2%)
Average number of shares	194,172,984	195,155,924	(1%)

1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

2 Includes continuing and discontinued operations.

3 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

4 Based on shareholders' equity.

5 Subject to Annual General Meeting approval.

6 Number of employees for 2021 excluding Reebok due to the expected divestiture of the Reebok business.

ABOUT THIS REPORT

With the Annual Report 2021, 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 2021 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-GROUP.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 partially, although all such references are not intended to be gender-specific. The adidas Annual Report 2021 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 green: 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, 2021. To ensure this report is as current as possible, it includes all relevant information available up to the date of the Responsibility Statement, February 21, 2022.

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. The GRI content index can be found in our Online Report.

It was not part of KPMG's engagement to review the Online Report or references to external sources such as our corporate website. ► [SEE NON-FINANCIAL STATEMENT](#) ► [SEE LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR](#)

► [REPORT.ADIDAS-GROUP.COM](#)

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 that 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 OUTLOOK](#) ► [SEE RISK AND OPPORTUNITY REPORT](#)

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TO OUR SHAREHOLDERS

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LETTER FROM THE CEO

KASPER RORSTED



“

MY HEARTFELT THANKS GO OUT TO ALL
OUR EMPLOYEES AROUND THE WORLD.
I AM EXTREMELY PROUD TO BE PART OF
THIS WINNING TEAM.

DEAR SHAREHOLDERS,

I can confidently say that 2021 was a much better year than 2020. On the back of successful vaccination campaigns around the globe, the worldwide economy started to recover. Sport returned to the global stage, with the UEFA EURO 2020 football tournament and the Tokyo 2020 Olympics finally taking place, creating huge excitement around the world. That said, the covid-19 pandemic continued to impact lives and businesses across the globe. At adidas, we delivered a set of strong results despite heavy disruptions in supply and demand, with currency-neutral sales up 16% to more than € 21 billion and a net income from continuing operations of € 1.492 billion – an improvement of more than € 1 billion compared to the previous year. In addition, we launched our new 2025 strategy 'Own the Game' which will set us up for long-term success in this attractive industry.

SPORT BACK ON THE GLOBAL STAGE

Let me stay on the topic of sport because that's what adidas is all about. Sport defines our past, present and future. I was so happy to see football returning to the stadiums – albeit with reduced capacities – at the UEFA EURO 2020 last summer. For the first time, the tournament was played across the entire continent, showcasing the unifying power of sport. For us, it was a particular pleasure to host the German national football team in the newly built 'Home Ground' at our headquarters in Herzogenaurach, Germany. Hosting a world-class team on our premises during such a major tournament was an industry first.

WINS AND WORLD RECORDS

Our campus also provided the backdrop for yet another world-class sporting event: the 'adizero: Road to Records,' a race named after our signature performance running shoe. We invited 90 elite adidas runners to compete in our half-marathon, 10k and 5k races and they didn't let us down, setting new world records in both the 5k and 10k events. Overall, we had a fantastic year in running with more wins, more world records and more podiums at major road races than all other brands combined. Peres Jepchirchir from Kenya led the charge, becoming the first person to win both the Olympic and the New York City marathon in the same year.

STRONG FINANCIAL RESULTS

The success of our athletes, teams and products underlined adidas' credibility as the best sports brand in the world in 2021, which in turn translated into strong financial results. We ended the year with currency-neutral sales up 16%. We saw a particularly strong development in markets that operated without major covid-19 disruptions throughout the year. EMEA, North America, and Latin America recorded currency-neutral sales increases of 24%, 17%, and 47% respectively – a testament to the strong consumer demand for our brand and our products. The challenging market environment in Greater China (+3%) and the extensive covid-19-related restrictions in Asia-Pacific (+8%) weighed on our results in these markets. All markets were negatively impacted by industry-wide supply chain challenges. Combined, all external factors reduced revenue growth for the year by more than € 1.5 billion.

Despite higher supply chain costs and negative currency developments, both our gross margin and operating margin improved significantly year-on-year to 50.7% and 9.4%, respectively. Net income from continuing operations reached € 1.492 billion for the year. Based on our substantial cumulative free cash flow, we returned nearly € 1.6 billion through dividend payments and share buybacks to you, our shareholders.

AGREEMENT TO SELL REEBOK

On top of delivering strong results despite the challenges we faced, we also reached another important milestone in 2021: We signed an agreement to sell the Reebok brand to Authentic Brands Group for a total consideration of up to € 2.1 billion. Reebok has been a valued part of adidas, and we are grateful for the contributions the brand and the team behind it have made to our company. With this change in ownership, we believe the Reebok brand will be well positioned for long-term success.

'OWN THE GAME' STRATEGY PUTS THE CONSUMER FIRST

As for adidas, we will now completely focus our efforts on executing our 'Own the Game' strategy, which we launched in March 2021. 'Own the Game' is a growth and investment strategy, which will lead adidas to future success. Our strategy is deeply rooted in sport, puts the consumer at the heart of everything we do, and is being brought to life by our people. Our strategic focus is on increasing the credibility of the adidas brand, elevating the experience for consumers and pushing the boundaries in Sustainability. To successfully deliver on this strategy, we will invest consistently into our people and our unique workplace. This includes furthering our efforts to ensure there is a level playing field for all, as we continue our Diversity, Equity, and Inclusion journey. Investments into product development, marketing, sponsoring, and digitalization are also set to increase strongly over this strategy cycle.

INCREASE BRAND CREDIBILITY

'Own the Game' is designed to significantly increase sales and profitability, as well as gain market share over the coming years. More than 95% of sales growth is expected to come from five strategic categories: Football, Running, Training, Outdoor, and Lifestyle. We will increase brand credibility by sharpening the edges of adidas on both ends of the spectrum – in sport and in lifestyle. With the introduction of adidas Sportswear as a new consumer proposition, we are addressing the growing relevance of the 'athleisure' trend toward sport-inspired leisurewear.

BUILD BEST-IN-CLASS EXPERIENCES

Our operating model is evolving to build direct relationships with consumers and offer them best-in-class experiences in our stores and online. As a result, our company's direct-to-consumer business is projected to account for around half of the company's total net sales by 2025 and generate more than 80% of the targeted top-line growth. Our e-commerce revenues are forecast to double to between € 8 billion and € 9 billion.

From a market perspective, our primary focus will be on EMEA, North America, and Greater China. Overall, these three strategic markets are expected to account for around 90% of sales growth by 2025.

LEAD IN SUSTAINABILITY

Last, but by no means least, we will expand our leadership position in sustainability. For over two decades, sustainability has been an integral part of adidas' philosophy. A philosophy rooted in our company's purpose 'Through sport, we have the power to change lives.' In the years to come, we will significantly expand our commitment to sustainability and move to a comprehensive consumer-facing program with a sustainable offering at scale: nine out of ten adidas articles will be made from sustainable materials by 2025.

SUBSTANTIAL GROWTH IN SALES, PROFITABILITY, AND CASH FLOW UNTIL 2025

Based on our strategy, we have set ourselves ambitious targets that will be measured against our 2021 financial year as a baseline. We aim to increase sales by an average of between 8% and 10% per year on a currency-neutral basis over the four-year period between 2021 and 2025. Gross margin is forecast to expand to a level of between 53% and 55%, and the operating margin to a level of between 12% and 14% by 2025. Net income from continuing operations is also projected to increase substantially by an average of between 16% and 18% per year over the four-year period between 2021 and 2025. Driven by the significant top-line growth and strong bottom-line expansion, adidas will generate substantial cumulative free cash flow. The majority of this – between € 8 billion and € 9 billion for the five-year period – will be distributed to you, our shareholders, through regular dividend payouts in a range of between 30% and 50% of net income from continuing operations, complemented with share buybacks.

POSITIVE OUTLOOK FOR 2022

I look into 2022 with optimism. We are well prepared to execute our strategic priorities diligently, our product line-up looks great, and we will impactfully demonstrate our brand attitude of 'Impossible is Nothing' throughout the entire year. Consequently, we expect currency-neutral net sales to grow at a rate between 12% and 14% and our gross margin is projected to increase to a level of between 51.5% and 52.0%. Driven by the strong sales growth and the gross margin improvement, we expect an operating margin of between 10.5% and 11.0%. We will grow the bottom line significantly faster than the top line. As a result, net income from continuing operations is anticipated to increase to a level of between € 1.8 billion and € 1.9 billion, making 2022 another successful year for adidas.

TOGETHER WE ARE ADIDAS

2021 threw a variety of challenges at us. I am proud that we mastered these challenges, launched a compelling new strategy, and delivered strong financial results. My heartfelt thanks go out to all our 61,400 employees around the world. They are the ones that serve and delight our consumers every single day by creating, selling, and delivering our products. They are the ones that show incredible commitment, passion, and resilience in times of continued uncertainty. I am extremely proud to be part of this winning team. Together, we are adidas – the best sports brand in the world.

Sincerely yours,



Kasper Rorsted

CEO

EXECUTIVE BOARD

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



More information on the adidas Executive Board

► ADIDAS-GROUP.COM/EXECUTIVE-BOARD

**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, Switzerland¹
- Member of the Supervisory Board, Siemens AG, Berlin and Munich, Germany²

¹ Until April 7, 2022.

² 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 and 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 CFO TaylorMade-adidas Golf in Carlsbad, USA, and Senior Vice President Finance adidas Brand and 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.

MANDATES:

- Member of the Supervisory Board, SV Werder Bremen GmbH & Co. KGaA, Bremen, Germany³

**AMANDA RAJKUMAR****Global Human Resources, People and Culture**

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 was appointed to the adidas Executive Board and is responsible for Global Human Resources, People and Culture. In May 2021, she was appointed as Labor Director.

³ Since October 7, 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.

SUPERVISORY BOARD

THOMAS RABE

CHAIRMAN

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:

- Member of the Supervisory Board, Majorel Group Luxembourg S.A., Luxembourg⁴

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, adidas AG, Herzogenaurach, Germany

IAN GALLIENNE

DEPUTY CHAIRMAN

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, Belgium⁵
 - Member of the Board of Directors, Château Cheval Blanc, Société Civile, Saint-Émilion, France
 - 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
 - Member of the Board of Directors, Financière De La Sambre, Loverval, Belgium⁶
 - Member of the Board of Directors, Carpar SA, Loverval, Belgium⁷

⁴ Until September 17, 2021.

⁵ Until April 20, 2021.

⁶ Since June 30, 2021.

⁷ Since June 17, 2021.

* 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*⁸

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

JACKIE JOYNER-KERSEE

residing in Ballwin, Missouri, USA
born on March 3, 1962
Member of the Supervisory Board since May 12, 2021
CEO Jackie Joyner-Kersee Foundation and Motivational Speaker, East St. Louis, Illinois, USA

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, Wacker Chemie AG, Munich, Germany

⁸ Until December 31, 2021.
* 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

FRANK SCHEIDERER*

residing in Wilhelmsdorf, Germany

born on April 16, 1977

Member of the Supervisory Board since May 9, 2019

Director Finance - Strategy and Programs, 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 Munich, 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
- Non-Executive Director, Levere Holding Corp., Grand Cayman, Cayman Islands⁹

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 and Brand Relations, adidas AG, Herzogenaurach, Germany

⁹ Since March 18, 2021.

* Employee representative.

SUPERVISORY BOARD MEMBER UNTIL MAY 12, 2021

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

SUPERVISORY BOARD MEMBER AS OF JANUARY 1, 2022

BASTIAN KNOBLOCH*

residing in Bramsche, Germany

born on September 12, 1982

Member of the Supervisory Board since January 1, 2022

Chairman of the Works Council Campus North, adidas AG, Rieste, Germany

STANDING COMMITTEES AS OF MAY 12, 2021

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), Kathrin Menges, 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*¹⁰, Udo Müller*

STANDING COMMITTEES UNTIL MAY 12, 2021

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*

Biographical information on our Supervisory Board members is available online

► ADIDAS-GROUP.COM/SUPERVISORY-BOARD

¹⁰ Until December 31, 2021. Replaced by Petra Auerbacher since January 1, 2022.

* Employee representative.

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

With strong top- and bottom-line improvements, 2021 marked a successful start into adidas' new strategic cycle. This was achieved despite several severe challenges the company has been facing. While the global economy started to recover, the coronavirus pandemic continued to impact industries and lives all over the globe. In addition, the challenging market environment in China had an adverse impact on the company's business activities. adidas was able to limit the impact from these headwinds as it quickly implemented effective countermeasures and took advantage of emerging opportunities. In March, the company launched its new strategy 'Own the Game.' Focusing on the most promising categories, channels, and markets in the highly attractive global sporting goods industry, 'Own the Game' is designed to significantly increase sales and profitability, generate substantial free cash flow and create attractive shareholder returns. In 2021 alone, the company returned € 1.6 billion to its shareholders through dividends and share buybacks. At the same time, investments into product development, marketing, sponsoring, sustainability, and digitalization will increase strongly over the next couple of years, laying the foundation for long-term success. Another important milestone in 2021 was the agreement to sell Reebok as it allows the company to focus its efforts on further strengthening the leading position of the adidas brand in the global sporting goods market. Against this background, the company is well positioned to continue generating profitable and sustainable growth in 2022 and beyond.

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 as well as 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. In this context, the focus in the year under review was in particular on the divestiture process of Reebok, which was regularly and extensively discussed by the Supervisory Board. 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 continued to be the unpredictable development of the coronavirus pandemic. Additional challenges included the geopolitical situation in China and extended lockdown measures, including factory closures in Vietnam and Indonesia in particular. The Executive Board reported to us regularly on the measures it had taken to mitigate the negative effects on operational performance. The Executive Board particularly informed us on the impact of the coronavirus pandemic on our employees and locations around the world. 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.

Also for the preparation of our meetings, the Executive Board provided us regularly with comprehensive written reports. 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 ongoing coronavirus pandemic and in order to protect the safety of all persons involved, most of our meetings were held virtually, as in the previous year. The latest videoconferencing technology was used to ensure an open and appropriate discussion between the Executive Board and Supervisory Board within the virtual meetings. Once again, the Supervisory Board and its committees achieved a consistently high participation rate at meetings during the year under review, totaling approximately 98% (2020: approximately 97%).

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. In addition, KPMG attended all meetings of the Audit Committee with the exception of individual agenda items concerning the impending external rotation of the auditor.

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, control and risk management as well as compliance. A key issue during the year under review was the impact of external uncertainties arising from, inter alia, the geopolitical situation in China, the factory closures in Vietnam and Indonesia in particular, the resulting supply chain challenges, and the respective mitigation measures. In addition, the Supervisory Board Chairman and, as applicable, the entire Supervisory Board, were 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, 2021			
Thomas Rabe, Chairman	12	12	100%
Ian Gallienne, Deputy Chairman	12	12	100%
Udo Müller, Deputy Chairman	12	12	100%
Petra Auerbacher	7	6	86%
Roswitha Hermann	7	7	100%
Jackie Joyner-Kersee ¹	4	4	100%
Christian Klein	7	7	100%
Kathrin Menges ²	10	10	100%
Roland Nosko	12	12	100%
Beate Rohrig	7	7	100%
Nassef Sawiris	7	6	86%
Frank Scheiderer	11	11	100%
Michael Storl	7	7	100%
Bodo Uebber	12	12	100%
Jing Ulrich	7	7	100%
Günter Weigl	12	12	100%
Member of the Supervisory Board until the end of the Annual General Meeting on May 12, 2021			
Herbert Kauffmann	5	5	100%

1 Member of the Supervisory Board from the end of the Annual General Meeting on May 12, 2021.

2 Member of the Audit Committee from the end of the Annual General Meeting on May 12, 2021.

TASKS AND TOPICS FOR THE ENTIRE SUPERVISORY BOARD

In the year under review, there were seven meetings of the entire Supervisory Board (2020: ten meetings).

The following subject areas were presented to us in detail by the Executive Board for regular discussion at meetings of the entire Supervisory Board: the development of sales, earnings, and employment situation; the financial position of the company; and the development of the company's individual operations, brands, and markets. In addition, we examined the impact of the ongoing coronavirus pandemic on the global economy and the company. As in previous years, our primary concern was the health and safety of our employees, shareholders, consumers, and partners. Another area of particular focus was the Reebok divestiture process. We also addressed the geopolitical situation and challenging market conditions in China as well as the supply chain disruptions across the industry and, together with the Executive Board, discussed the resulting impacts on the operating business and possible mitigation measures. Additionally, we examined the development of e-commerce sales, the continued expansion of adidas' direct-to-consumer business, and the progress of the company's digital transformation. We also discussed the annual and multi-year planning of the Executive Board. In particular, we examined the implementation of the new long-term strategy 'Own the Game' that will run from the 2021 to 2025 financial years. At our meetings, the Executive Board consulted extensively with the Supervisory Board and gave regular reports on the implementation progress. Finally, the Executive Board provided regular updates on the implementation of measures to promote Diversity, Equity, and Inclusion at adidas – measures that are the basis of our new people strategy.

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 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 results for the 2020 financial year, the communications plan for the new corporate strategy, and the dividend and distribution policy of adidas AG. In addition, the Supervisory Board approved the Executive Board's proposal to examine and implement strategic options for the Reebok business, including the possibility of sale. Following the completion of the review of strategic alternatives for Reebok, the Executive Board decided to initiate a formal process aimed at divesting Reebok. We also examined the upcoming election of a shareholder representative to the Supervisory Board at the 2021 Annual General Meeting. Other topics of discussion included Executive Board compensation and corporate governance. In this context, we discussed the Declaration on Corporate Governance. In addition, having determined the degree of target achievement and having discussed in detail the individual performance of Executive Board members, we set the variable compensation to be paid to the Executive Board members for the 2020 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 2020 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. Thus, the annual financial statements were adopted. In addition, the Executive Board presented the current business situation of the company, the outlook for the 2021 financial year, the communications plan for the long-term corporate strategy, and the key points of the new people strategy. Other topics of discussion included compliance and major legal disputes involving adidas. Additionally, the Supervisory Board approved adjustments to the budget and investment planning for the 2021 financial year in light of the ongoing coronavirus pandemic and the planned divestiture of Reebok. Furthermore, we approved the Supervisory Board Report to the Annual General Meeting as well as the proposed resolutions to be submitted to the 2021 Annual General Meeting, including the proposal on the appropriation of retained earnings for the 2020 financial year. Moreover, at the March meeting of the Supervisory Board, we approved the new compensation system for members of the Executive Board and Supervisory Board based on preparatory work by the General Committee, and determined the key criteria and targets for the variable, performance-related compensation of Executive Board members for the 2021 financial year. Before passing the resolution on the new compensation system for the Executive Board, the level of Executive Board compensation was also reviewed. In this context, the appropriateness of the Executive Board compensation was also determined on the basis of an external appropriateness test.

At the meeting in May, we focused on current business performance, the business situation in China, and the planned divestiture of Reebok. The Executive Board presented the Q1 2021 results and the outlook for the 2021 financial year. We also discussed the development process of the new people strategy. In addition, another focus of the meeting was on personnel matters relating to the Executive Board and Supervisory Board. The service contracts of the current Executive Board members were adjusted in line

with the new compensation system approved at the March meeting. After extensive consultation, the Supervisory Board appointed Martin Shankland as a member of the Executive Board of adidas AG for a further five years. Furthermore, Amanda Rajkumar was appointed as Labor Director at adidas AG. In addition, the Supervisory Board appointed Kathrin Menges as member of the Audit Committee after the previous committee member Herbert Kauffmann departed from the Supervisory Board with effect from the end of the Annual General Meeting on May 12, 2021. Furthermore, the Supervisory Board approved the continuation of an existing brand ambassador agreement between adidas International, Inc., and Jackie Joyner-Kersee following her appointment to the Supervisory Board at the Annual General Meeting on May 12, 2021.

At an extraordinary meeting of the Supervisory Board in June, based on authorization granted by the Annual General Meeting on May 12, 2021, we approved the introduction of a new share buyback program for the 2021 financial year as a measure requiring approval.

At the August meeting, we discussed the Q2 and half-year results for 2021, the business situation in China, the factory closures in Vietnam and Indonesia, and the outlook for 2021. We also examined the Reebok sales process in detail. The Supervisory Board approved the sale of the Reebok business in principle and formed an ad hoc committee that instead of the Supervisory Board was authorized to issue specific approvals on all transactions and measures relating to the sale of Reebok, which require approval by the Supervisory Board. We also consulted extensively and in detail on the people strategy at adidas and on the subject of tech and data, including planned investments in this area. Additionally, we revised the competency profile for the Supervisory Board, including targets for its composition, as well as the Rules of Procedure for the Executive Board and Supervisory Board in light of the new Financial Market Integrity Strengthening Act (Gesetz zur Stärkung der Finanzmarktintegrität – FISG), which came into force on July 1, 2021. We also approved the appointment of Harm Ohlmeyer to the Supervisory Board of SV Werder Bremen GmbH & Co KGaA.

The October meeting focused primarily on the current business situation and the preliminary results for Q3 2021. The Executive Board reported on the planned expansion of the 2021 share buyback program introduced in July 2021, to which we granted our approval. We also approved the proposed cancellation of shares repurchased under the share buyback program and the resulting capital reduction.

At the December meeting, we discussed the Budget and Investment Plan presented by the Executive Board for the 2022 financial year, which we approved after detailed consultation, as well as the marketing and sponsorship agreements concluded in the year under review. In addition, the Executive Board provided an in-depth report on the implementation of the new corporate strategy, 'Own the Game.' In this connection, we also discussed the company's digital activities and key sustainability initiatives. Furthermore, we approved the investment in network expansion at our distribution centers in line with the strategy. Based on the authorization granted at the Annual General Meeting on May 12, 2021, we approved the launch of a new share buyback program for the 2022–2025 financial years as a measure requiring approval. In light of the imminent external rotation of the auditor and on the basis of preparatory work and reporting by the Audit Committee, the Supervisory Board discussed and agreed in detail the proposals for a new auditor for the annual and consolidated financial statements for the 2023 financial year. In addition, we discussed the succession planning for the Executive Board, the assessment of the independence of the Supervisory Board members, and the Declaration of Compliance with the Code. In view of the departure of the previous committee member Roswitha Hermann from the Supervisory Board with effect from December 31, 2021, Petra Auerbacher was elected to the Mediation Committee. Furthermore, it was 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). Finally, the Supervisory Board discussed the implementation status of the proposed changes and improvements from the self-assessment conducted in the 2020 financial year and appointed Kathrin

Menges as ESG representative on the Supervisory Board. At its December meeting, the Supervisory Board also received a detailed presentation on adidas' latest innovations and upcoming products.

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 as well as a dedicated Reebok ad hoc committee in the year under review. 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 four meetings during the year under review (2020: nine meetings). 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 reappointment of Martin Shankland and the appointment of Amanda Rajkumar as Labor Director at adidas AG. In addition, the adjustment of the service contracts of current Executive Board members in line with the new compensation system approved at the March meeting of the Supervisory Board was prepared. Regarding Executive Board compensation, the General Committee drafted proposals for resolutions on the targets, target achievement, and amount of the variable performance-related compensation, and pre-examined the appropriateness of the Executive Board compensation. Furthermore, the General Committee discussed in detail the new compensation system and long-term succession planning for the Executive Board.

The **Audit Committee** held four meetings during the year under review (2020: five meetings). The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail. The auditor was not present, however, during agenda items where we evaluated and agreed on proposals for the external rotation of the auditor for the annual and consolidated financial statements for the 2023 financial year.

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 2020, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the 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 to the Supervisory Board to approve the 2020 annual financial statements and consolidated financial statements. In addition, the Audit Committee prepared the audit of the non-financial statement and resolved to commission KPMG to examine 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 2021 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. In addition, the Audit Committee monitored the independence and qualification of the auditor, while also taking into account the non-audit services provided by the auditor. With regard to the quality of the audit, the Audit Committee determined on the basis of the auditor's report on its own quality assurance system, the findings of the German Auditor Oversight Body (Abschlussprüferaufsichtsstelle – APAS), and its internal quality review, that there were no indications of quality issues in the 2020 audit. Finally, the Audit Committee discussed the quarterly financial results and the half-year financial report. In the year under review, the Audit Committee also dealt intensively with the imminent external rotation of the auditor in 2023, defined the key parameters regarding the tendering process, and prepared election proposals for the Supervisory Board for resolution. The selection process was conducted on the basis of written tenders, presentations from, and direct discussions with the qualified audit firms. The quality, qualifications, and independence of the auditors were examined and evaluated. The Audit Committee also validated the detailed report on the selection process, which provides transparent documentation of the tendering and selection procedures. In addition, the Audit Committee dealt extensively with the audit plan and risk management report during the year under review. 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, the meetings of the Audit Committee covered topics such as data protection and information security, business partner due diligence, adidas Global Business Services as well as tax and sustainability topics (including the Executive Board compensation target 'share of sustainable articles offered') at adidas. Finally, the Audit Committee discussed the requirements of the new Financial Market Integrity Strengthening Act (FISG), the new EU Taxonomy Regulation, and the new Supply Chain Act (Lieferkettengesetz).

The **Nomination Committee** did not meet during the year under review (2020: two meetings). Already in the 2020 financial year, the Nomination Committee used a requirements profile based on the Supervisory Board's own competency profile to assess the suitability of candidates and prepared the Supervisory Board's proposal to the 2021 Annual General Meeting regarding the election of a shareholder representative on the Supervisory Board. The Nomination Committee also advised on the suitability and independence of candidates in relation to the regulatory requirements.

As in previous years, 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.

The **Reebok Ad Hoc Committee**, which was established in the context for the sale of the Reebok business, held one meeting during the year under review. The committee examined the divestiture of Reebok based on the Executive Board's proposal, the details of the proposed transaction and contractual terms as well as the criteria and reasons for the buyer selection. Ultimately, the committee granted its approval to the proposed transaction and to all transactions and measures relating to the sale of Reebok that require the approval of the Supervisory Board.

ELECTION AND COMPOSITION OF THE SUPERVISORY BOARD

Herbert Kauffmann, a long-serving member of the Supervisory Board and former Chairman of the Audit Committee, was elected as a shareholder representative at the Annual General Meeting on May 9, 2019, until the end of the 2021 Annual General Meeting. With Herbert Kauffmann's term of office set to expire, the Supervisory Board proposed a new candidate for election to the 2021 Annual General Meeting following detailed consultation and preparation by the Nomination Committee. The 2021 Annual General Meeting approved the Supervisory Board's proposal by a large majority and elected Jackie Joyner-Kersee as a new member of the Supervisory Board from the end of the Annual General Meeting of adidas AG on May 12, 2021, until the end of the 2024 Annual General Meeting. ► [SEE SUPERVISORY BOARD](#)

The election proposal by the Supervisory Board was preceded by a careful process of selecting suitable candidates. The selection criteria for candidates were determined using a pre-defined requirements profile and were 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.

With the expiry of Herbert Kauffmann's term of office, it was necessary to amend the composition of the Audit Committee. Effective from the end of the 2021 Annual General Meeting, the Supervisory Board elected Kathrin Menges as a new member of the Audit Committee.

In addition, Roswitha Hermann resigned her mandate as employee representative on the Supervisory Board with effect from December 31, 2021. With effect as of January 1, 2022, and for the period until the end of the 2024 Annual General Meeting, Bastian Knobloch was appointed as a new employee representative on the Supervisory Board. This also led to a change in the composition of the Mediation Committee, with Petra Auerbacher being elected as a new member from January 1, 2022.

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. The Supervisory Board members were given detailed resources on the business and subject areas that are relevant to their particular tasks. In addition, the Supervisory Board attended a company presentation that included the latest innovations and new product launches from adidas and its cooperation partners. Furthermore, the company regularly informs the Supervisory Board about current legislative changes and external training opportunities, and provides the Supervisory Board with relevant specialist literature.

CHANGES TO THE EXECUTIVE BOARD

Effective January 1, 2021, Amanda Rajkumar joined the Executive Board with responsibility for Global Human Resources, People and Culture. On May 1, 2021, Amanda Rajkumar also assumed the role of Labor Director from Harm Ohlmeyer, who had held that position since May 2017. In addition, we extended the mandate of Martin Shankland, responsible for Global Operations, for a further five years until 2027.

► [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 Supervisory Board and its committees discussed in their meetings the requirements of the German Stock Corporation Act (Aktiengesetz – AktG) 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 2021 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. In the opinion of the Supervisory Board, the brand ambassador agreement between adidas International, Inc., and Supervisory Board member Jackie Joyner-Kersee does not constitute a conflict of interest with regard to her role on the Supervisory Board.

EXAMINATION OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The 2021 Annual General Meeting elected KPMG as auditor and Group auditor for the 2021 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 2021 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 2021 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 of the annual and consolidated financial statements 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 7, 2022, and at the balance sheet meeting of the Supervisory Board on March 8, 2022, 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 audit focus points agreed as well as 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 with limited assurance as commissioned by the Audit Committee 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 2021 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 2021 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 Angelika Huber-Straßer since the 2021 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. In the 2021 financial year, the Audit Committee already conducted a tendering and selection process for a new auditor for the 2023 financial year in accordance with the requirements of Article 16 section 3 of the EU Audit Regulation. Based on the proposal submitted by the Audit Committee, the entire Supervisory Board agreed to propose to the 2022 Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft be appointed as the auditor and Group auditor for the 2023 financial year. KPMG will again be proposed as auditor of the annual financial statements and consolidated financial statements for the 2022 financial year at the 2022 Annual General Meeting.

EXPRESSION OF THANKS

On behalf of the entire Supervisory Board, I would like to thank Herbert Kauffmann, long-serving member and former Chairman of the Audit Committee who departed during the year under review, for his enormous commitment to the company and exceptional achievements on the Supervisory Board. Furthermore, I wish to thank our former Supervisory Board member Roswitha Hermann, who stepped down on December 31, 2021, as well as the current Executive Board and all our employees around the world for their great personal dedication and ongoing commitment. 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 2022

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)

In December 2020, the adidas AG Executive Board and Supervisory Board issued the last Declaration of Compliance with the German Corporate Governance Code in the versions as of February 7, 2017, and December 16, 2019, pursuant to § 161 AktG. The following declaration solely refers to the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version as of December 16, 2019, as published in the Federal Gazette on May 20, 2020 ('Code').

The adidas AG Executive Board and Supervisory Board declare that since the last Declaration of Compliance, the recommendations of the Code have been and are met with the following exceptions:

Recommendation C.5 Alternative 1

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, recommendation C.5 alternative 1 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.

Recommendation C.5 Alternative 2

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.

Herzogenaurach, December 2021

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 structure of our company. The Executive Board is responsible for independently managing the company with the aim of sustainable value creation in the interests of 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 responsible management of business resources as well as compliance with and observance of statutory regulations and internal guidelines by the Group entities. In addition to a compliance management system based on transparent principles, the Executive Board is responsible for implementing an internal control and risk management system that is suitable, appropriate, and effective with regard to the scope of business activities and the company's risk situation. The Executive Board also provides employees with the opportunity to report, in an appropriate and protected manner, suspected breaches of the law within the company. It is bound to the company's interest and obligated to strive for a sustained increase in company value.

Notwithstanding the Executive Board's joint responsibility for managing the company, the Executive Board 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 represents the Executive Board and the company, and is responsible for lead management and development of the company, including cooperation with the Supervisory Board and coordination and monitoring of the Executive Board functions, operations, brands, and markets. The Executive Board members continuously report to the CEO and to each other about all significant developments in their respective business divisions and coordinate with each other 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 and trustfully 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. For this reason, the Supervisory Board has adopted a diversity concept. In addition, an age limit of 65 years applies 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 circumstances in each individual case. In the opinion of the Supervisory Board, the current composition of the Executive Board meets the diversity concept 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 last regular elections to the Supervisory Board were held in the 2019 financial year. In the 2020 financial year, Christian Klein was appointed as successor to Igor Landau in a by-election. This by-election became necessary as the term of office of Igor Landau, the former Chairman of the Supervisory Board, expired with the end 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. In addition, Jackie Joyner-Kersee was elected to the Supervisory Board as a new shareholder representative in the 2021 financial year. She replaces Herbert Kauffmann, whose 12-year term as Supervisory Board member expired with the end of the 2021 Annual General Meeting in accordance with the recommendations of the Code regarding independence. Eventually, Roswitha Hermann resigned from the Supervisory Board as employee representative with effect from December 31, 2021, and Bastian Knobloch was appointed by court to succeed her. The terms of office of the current members of the Supervisory Board expire at the end of the 2024 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 (until May 12, 2021) Kathrin Menges (as of May 12, 2021) 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 (until December 31, 2021) Petra Auerbacher (as of January 1, 2022) Udo Müller

The tasks, responsibilities, and work processes of the committees are in line with the requirements of the AktG and the Code. The Chairmen of the committees report to the Supervisory Board on the results of the committee work on a regular basis.

In the 2021 financial year, the Supervisory Board aligned the Rules of Procedure of both the Supervisory Board and the Audit Committee with the requirements of the new Financial Market Integrity Strengthening Act (Gesetz zur Stärkung der Finanzmarktintegrität – FISG). This ensures that every member of the Audit Committee can obtain information through the Chairman of the Audit Committee, Bodo Uebber, directly from the heads of those corporate departments of the company which are responsible within the company for the tasks relating to the Audit Committee pursuant to § 107 section 3 sentence 2 AktG. The Chairman of the Audit Committee has to communicate any information obtained to all members of the Audit Committee. If information is obtained in this way, the Executive Board shall be informed thereof without delay.

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 August 2021, the Supervisory Board reviewed the objectives for its composition (including the competency profile for the entire Supervisory Board), taking into account the recommendations of the Code and aligned them with the requirements of the new Financial Market Integrity Strengthening Act. 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 should 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 field of accounting, and at least one further member of the Supervisory Board must have expertise in the field of auditing. All Supervisory Board members 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 should 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 should 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, and Thomas Rabe, Chairman of the Supervisory Board, at least two members of the Supervisory Board have proven expertise in the fields of accounting or auditing. In the opinion of the Supervisory Board, all shareholder representatives qualified as independent in the year under review.

The names of the independent shareholder representatives are set out in the overview of all Supervisory Board members in this Annual Report. ▶ [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 a scale as possible. Moreover, the Supervisory Board ascertains that each proposed candidate has sufficient time to perform their mandates.

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 on 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 and/or any separate non-financial reports. 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 provides for the best possible, diverse and mutually complementary Executive Board composition for the company and, together with the Executive Board, ensures long-term succession planning. 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, regularly examines it, and decides on the individual overall compensation of each Executive Board member. The Supervisory Board, together with the Executive Board, annually a clear and comprehensible report on the compensation granted and due in the previous financial year in accordance with § 162 AktG. Further information on Executive Board compensation, the current compensation system, the compensation report, and the auditor's report in accordance with § 162 AktG can be found on the company's website.

► ADIDAS-GROUP.COM/S/COMPENSATION

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 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 has also examined in detail the latest developments in corporate governance, including, in particular, the requirements of the new Financial Market Integrity Strengthening Act.

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 conducted in 2018 already, the Supervisory Board and the aforementioned committees again conducted an internal self-assessment review in 2020. They 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. In December 2021, the members of the Supervisory Board evaluated the implementation status of measures aimed at improving the efficiency of the Supervisory Board's work and found that these measures had been successfully implemented. In 2022, the Supervisory Board will again conduct an efficiency review.

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 the appropriate participation of women in particular. The Supervisory Board is also confident 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 already met as a result of Amanda Rajkumar joining the Executive Board. This appointment also fulfills § 76 section 3a AktG introduced with the Second Leadership Positions Act (Führungspositionengesetz – FüPoG II), which requires that at least one woman and at least one man be appointed as members of 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. Both targets were met before the deadline of December 31, 2021:

On the first management level below the Executive Board, the proportion of women by the deadline of December 31, 2021, was 38%. Thus, the target figure was significantly exceeded even despite the special circumstances and challenges posed by the coronavirus pandemic.

On the second management level below the Executive Board, female representation amounted to 31% by the deadline of December 31, 2021. The target was thus also exceeded. The proportion of women in leadership positions worldwide on the balance sheet date was 37%. Thus, the target of 35.5% was again clearly exceeded.

The Executive Board has once again determined target figures and implementation deadlines for the percentage of female representation on the first and second management levels below the Executive Board. These target figures are as follows:

The target figure for the first management level below the Executive Board is 39% and 31% for the second management level below the Executive Board. The implementation period for both targets expires on December 31, 2023.

In accordance with § 96 section 2 sentence 1 AktG, at least 30% of the members of the Supervisory Board must be female and at least 30% must be male. As the Supervisory Board had not objected to an overall fulfillment of the aforementioned quota pursuant to § 96 section 2 sentence 3 AktG, the minimum quota must be fulfilled by the Supervisory Board overall, with the numbers of male and female members rounded up or down to full numbers (§ 96 section 2 sentences 2 and 4 AktG). Thus, the Supervisory Board of adidas AG must be composed of at least five women and five men. These minimum quotas were achieved. As at December 31, 2021, six of the company's 16 Supervisory Board mandates were held by women.

Within the framework of the new employee strategy launched in 2021, the company will continue to intensify its efforts for Diversity, Equity, and Inclusion in order to remain an attractive employer in the future. There will be a particular focus on a long-term approach to equity in leadership positions – both through hiring and through appropriate succession planning. ▶ [SEE OUR PEOPLE](#)

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. In connection with the election of Jackie Joyner-Kersee as a member of the Supervisory Board by the Annual General Meeting on May 12, 2021, the Supervisory Board approved the continuation of the adidas brand ambassador agreement with Jackie Joyner-Kersee until June 30, 2023. The Supervisory Board is of the opinion that this does not constitute a conflict of interest. In particular, the brand ambassador agreement does not represent a material business relationship for either adidas or Jackie Joyner-Kersee. The resolution was passed unanimously and without the participation of Jackie Joyner-Kersee. ▶ [SEE SUPERVISORY BOARD REPORT](#)

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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 2021 is published on our website. ► [ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](https://adidas-group.com/s/managers-transactions)

RELEVANT MANAGEMENT PRACTICES

Our business activities are aligned with the legal systems of the various countries and markets in which we operate. We are also aware of our considerable social and environmental responsibility.

As a central part of the new adidas strategy 'Own the Game,' we will significantly increase our commitment to sustainability in the years ahead. In addition to the continued digital transformation of the company, we are working closely with our partners in the global supply chain to reduce energy consumption and to increase the proportion of green energy we use. By 2025, nine out of every ten adidas articles should be made from more sustainable materials, while the carbon footprint per product should be reduced by 15%. adidas aims at operating climate neutral (CO₂e) at its locations by 2025 and at reaching complete climate neutrality by 2050.

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/S/SUSTAINABILITY](https://adidas-group.com/s/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 companywide 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. ► [SEE OUR SHARE](#) ► [ADIDAS-GROUP.COM/S/INVESTORS](https://adidas-group.com/s/investors)

In addition, we provide all documents and information on our Annual General Meeting on our website. This year's Annual General Meeting on May 12, 2021, was held in a virtual format due to uncertainties surrounding the coronavirus pandemic, the continuing ban on large meetings, and our responsibility to protect the health of our shareholders, employees, and other participants. We were determined to allow for our shareholders to participate in the virtual event as comprehensively as possible within the legal framework and the pandemic-related restrictions. As in previous years, coverage of the Annual General Meeting was available to adidas AG shareholders via our shareholder portal and to the general public via

our website. The Executive Board and Supervisory Board provided detailed answers to pre-submitted questions. The content of the CEO's speech was published prior to the Annual General Meeting. Finally, this year's Annual General Meeting was the first in which it was possible to share video messages with all adidas shareholders via the shareholder portal. The measures undertaken were intended to align our shareholders' justified interests in a broadest possible participation in the Annual General Meeting on the one side and the company's responsibility to protect the health of all participants on the other.

► [ADIDAS-GROUP.COM/AGM](#)

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
- Compensation
- Accounting and annual audit

► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](#)

SHARE-BASED PROGRAMS FOR SENIOR EXECUTIVES

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 28](#) ► [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 26](#)

ACCOUNTING AND ANNUAL AUDIT

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the 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 2021 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 INDEPENDENT AUDITOR'S REPORT](#)

COMPENSATION REPORT

For adidas, clear, transparent, and comprehensible reporting on the compensation of the Executive Board and Supervisory Board is an essential element of good corporate governance. This Compensation Report was prepared in accordance with § 162 of the German Stock Corporation Act (AktG) and outlines in accordance with statutory requirements the amount and structure of the compensation granted and due to Executive Board members and Supervisory Board members in and for the 2021 financial year.

COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

The current compensation system for the Executive Board was approved by shareholders at the Annual General Meeting on May 12, 2021, in accordance with § 120a section 4 AktG and applies to all Executive Board service contracts concluded from January 1, 2021. It furthermore generally applies to all previously concluded Executive Board service contracts. The Executive Board compensation system is clear, easy to understand, and uses transparent performance criteria. It meets all requirements of the German Stock Corporation Act and is designed in line with the recommendations of the German Corporate Governance Code. The current compensation system is permanently available on the company's website.

► ADIDAS-GROUP.COM/S/COMPENSATION

The aim of this Compensation Report is to ensure consistent reporting and to disclose clearly and transparently the correlation between the compensation paid for a particular financial year and the achievement of targets set for that financial year, regardless of when the payment is made, in accordance with our 'Pay-for-Performance' approach. Against this background, the achievement of the targets set for the 2021 financial year for the variable performance-related compensation based on the current compensation system is reported in a detailed and transparent manner. The compensation of Executive Board members is presented in accordance with the market-standard based on the compensation tables of the German Corporate Governance Code from February 7, 2017.

For details on the 2021 financial year target achievement and compensation payout: ► **SEE SECTION 'EXECUTIVE BOARD COMPENSATION 2021'**

Regarding the targets for the variable performance-related compensation components of the 2022 financial year: ► **SEE SECTION 'OUTLOOK 2022'**

COMPENSATION SYSTEM

PRINCIPLES OF THE COMPENSATION SYSTEM

The compensation system for members of the Executive Board is geared toward creating an incentive for successful, sustainable, and long-term corporate management and development, whereby the compensation is structured with an appropriate balance of fixed non-performance-related components and variable performance-related components. The variable performance-related compensation is measured based on the achievement of ambitious, pre-agreed targets; subsequent changes to performance targets or parameters are not permitted. By applying a consistent 'Pay-for-Performance' approach, the compensation system aims at appropriately remunerating exceptional performance, while diminishing the variable performance-related compensation when targets are not met. 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.

The implementation of the 'Own the Game' strategy, which applies from the 2021 financial year onward, will be supported by the selection of appropriate performance targets directly derived from the strategy for the variable performance-related compensation. The variable performance-related compensation is therefore directly linked to the externally communicated operating, financial, and strategic short- and long-term targets. Thus, the compensation system for the Executive Board members is directly geared toward providing an incentive for successful, sustainable, and long-term corporate management and development and is in line with the interests of shareholders, employees, consumers, and other stakeholders. In order to achieve a continuous, sustainable increase in company value, the long-term variable compensation also depends on the development of the share price (capital market performance of adidas AG). This results in a harmonization of the interests of the shareholders and the Executive Board.

Another important aspect is the high level of consistency between the Executive Board compensation system and the compensation system of the senior management levels beneath the Executive Board. This ensures that all decision-makers pursue the same targets in order to secure the sustainable long-term success of the Company.

When designing the compensation system, the Supervisory Board has particularly taken into account the following guidelines:

- Promoting the implementation of the long-term strategy, including sustainability targets
- Strong Pay-for-Performance approach and long-term orientation
- Strong focus on shareholder and other stakeholder interests
- Intuitive, clearly comprehensible compensation system and transparent disclosure of performance criteria
- High level of consistency with the compensation system of the senior management levels
- Conformity with applicable regulatory requirements (Stock Corporation Act and German Corporate Governance Code)
- Further development of the market-standard elements of the compensation system for the Executive Board (e.g., malus and clawback provisions as well as Share Ownership Guidelines)

PROCEDURE FOR ESTABLISHING, REVIEW, AND IMPLEMENTATION OF THE COMPENSATION SYSTEM

In accordance with § 87a section 1 AktG, the Supervisory Board resolves upon a compensation system for the Executive Board members. Based on the compensation system, the Supervisory Board determines the specific overall target compensation for the individual Executive Board members. In doing so, 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 significance of the tasks of the respective Executive Board member, their experience (especially for new appointments) and their contribution to the Company's success are taken into consideration. The Supervisory Board regularly reviews the appropriateness of the Executive Board compensation. For this purpose, it uses a horizontal as well as a vertical comparison.

Horizontal (external) comparison

When determining the compensation of the Executive Board, the Supervisory Board takes into account current market compensation levels, especially among the DAX companies as well as comparable other German companies. In addition, the adidas Executive Board compensation is compared with the compensation of selected national and international companies within the sporting goods and textile industry. When selecting these companies, the Supervisory Board also takes into consideration the comparability of the market position and company size. 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. The most recent appropriateness test, conducted in the 2020 financial year, compared the compensation of companies listed in the German Stock Index (DAX) as well as the following national and international companies in particular: 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. Every year, the Executive Board compensation is compared to that of senior management and employees overall in Germany (employees covered by collective agreements as well as employees not covered by collective agreements), also with regard to their development over time.

The Supervisory Board considers the compensation of Executive Board members to be appropriate, also in light of the horizontal and vertical comparisons that were conducted.

COMPENSATION COMPONENTS: OVERVIEW AND STRUCTURE

With effect from January 1, 2021, the Executive Board compensation system contains the following components:

COMPENSATION SYSTEM FOR THE EXECUTIVE BOARD MEMBERS

	Compensation components	Design	Cap	Maximum total annual compensation
Fixed components	Fixed compensation	Payment in twelve equal monthly installments	100%	
	Other benefits	Non-cash benefits granted on a regular and occasion-related basis	up to 3% of the target direct compensation ¹	
	Pension benefit	Pension allowance	maximum of 50% of the fixed compensation	
Cash	Performance Bonus	Two shared criteria: financial	Two individual criteria: financial and non-financial	
		Weighting in total 60% (30% each)	Weighting in total 40% (20% each)	
Variable components	LTIP 2021/2025	One-year performance period Two shared criteria are directly linked to the annual guidance externally communicated. Two individual criteria allow for a differentiation depending on the specific strategic and operational challenges.		Overall target achievement capped at 150% If the overall target achievement is ≤ 50%, no payout is made.
		Financial criterion: increase in net income	ESG criterion: share of sustainable articles	
		Weighting: 80%	Weighting: 20%	
Shares		Five annual tranches, each tranche with a period of five years Criteria and target values for the total duration of LTIP 2021/2025 are determined in advance and transparent and, in case of 100% target achievement, in line with the long-term growth and sustainability targets externally communicated. In case of failure to achieve the target values determined for a performance year, the target values are increased accordingly for the following performance years, which ensures that the Executive Board is sufficiently incentivized to achieve the ambitious long-term growth targets.		Overall target achievement capped at 150% If the overall target achievement is ≤ 50%, no payout is made.
		Share Ownership Guidelines²		
Malus/clawback for variable components				

1 Target direct compensation consisting of fixed compensation, the annual Performance Bonus as well as the share-based LTIP Bonus (in case of 100% target achievement).

2 Target value for the CEO amounts to 300%, for the ordinary Executive Board members to 200% of the annual fixed compensation taking into account a build-up phase of four years.

The compensation of the Executive Board members is made up of non-performance related (fixed) and performance-related (variable) compensation components and consists 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 other benefits and pension benefits.

In case of 100% target achievement, the target direct compensation (total annual compensation without other benefits and pension benefits) is composed of

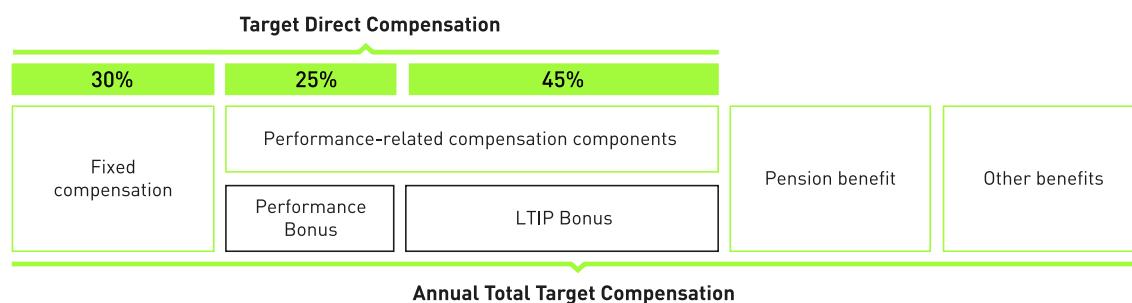
- 30% fixed compensation,
- 25% Performance Bonus, and
- 45% LTIP Bonus.

TOTAL ANNUAL COMPENSATION AND MAXIMUM COMPENSATION

The notional maximum total annual compensation of an individual Executive Board member can be derived from the fixed compensation, the capped variable performance-related compensation components, the other benefits, and the pension benefits. The percentage of the fixed compensation components (fixed compensation, other benefits,¹¹ and pension benefits) amounts to approximately 41% of the target total annual compensation. Based on a 100% target achievement, the percentage of the Performance Bonus amounts to approximately 21% and the percentage of the LTIP Bonus amounts to approximately 38% of the target total annual compensation.

In addition, in accordance with § 87a section 1, sentence 2, no. 1 AktG, the Supervisory Board has determined an absolute amount (in euros) for the annual maximum compensation. The annual maximum compensation amounts to € 11,500,000 for the Chief Executive Officer and € 5,150,000 for each of the ordinary Executive Board members per financial year. The maximum compensation includes all fixed and variable compensation components.

COMPOSITION OF TARGET DIRECT COMPENSATION AND ANNUAL TOTAL TARGET COMPENSATION



FIXED NON-PERFORMANCE-RELATED COMPONENTS

The fixed non-performance-related compensation consists of the fixed compensation, other benefits, and pension benefits.

Fixed compensation

The fixed compensation consists of an annual fixed salary, which is based on the responsibilities and the experience of the individual Executive Board member as well as on market conditions. It ensures an

¹¹ The amounts of other benefits may vary in the individual financial years. In general, a target amount of up to 3% of the target direct compensation is considered. The actual amount may be higher or lower.

adequate income for the Executive Board members and thus avoids the assumption of inadequate risks for the Company. In principle, the fixed compensation is paid in twelve equal monthly installments and generally remains unchanged during the term of the service contract. The fixed compensation constitutes 30% of the target direct compensation of the respective Executive Board member.

Other benefits

The other benefits regularly granted to the Executive Board members serve to offset the costs and economic disadvantages directly connected with the Executive Board mandate. They 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, necessary security installations and services and the costs for a tax consultant selected by adidas.

Pension benefits

Pension benefits serve to provide contributions for adequate private retirement pensions. Executive Board members appointed after January 1, 2021, are not granted benefits under a company pension scheme. Instead, they receive a so-called pension allowance in the form of an adequate lump-sum amount, which is directly paid out to the Executive Board members annually. The pension allowance equals a maximum amount of 50% of the individual fixed compensation.

The current members of the Executive Board have defined contribution pension commitments. Each year as part of the pension commitments, the virtual pension account of each Executive Board member is credited with an amount that equals a percentage determined by the Supervisory Board and is related to the Executive Board member's annual fixed compensation. The appropriateness of the percentage is regularly assessed by the Supervisory Board. 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. Entitlements to the pension benefits become 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.

VARIABLE PERFORMANCE-RELATED COMPONENTS

The variable performance-related compensation is designed to provide the right incentives for the Executive Board to act in the interest of the corporate strategy, the shareholders, and other stakeholders, as well as to ensure a successful, sustainable, and long-term corporate management and development. The level of the variable performance-related compensation is primarily determined by the economic development of adidas and takes into account the performance of the Executive Board members. In this respect, the Supervisory Board follows a consistent 'Pay-for-Performance' approach. In selecting the performance criteria, the Supervisory Board ensures that they are transparent, clearly measurable, and directly promote the implementation of the strategy, also in terms of sustainability. The variable performance-related compensation is therefore directly linked to the externally communicated operating, financial, and strategic short- and long-term targets. This brings the compensation of the Executive Board members directly in line with the interests of shareholders, employees, consumers, and other stakeholders.

The variable performance-related compensation consists of the Performance Bonus and the share-based LTIP Bonus.

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. It incentivizes operational success accompanied by profitable growth within the established strategic framework. 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.

Criteria, weighting, and cap

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% ('shared criteria'). In line with the strategic focus on sustainable growth and profitability, the Supervisory Board has generally established the following financial performance criteria for the two shared criteria:

- Currency-neutral sales growth (weighting: 30%)
- Increase in the operating margin (weighting: 30%)

Both 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 are defined individually for the respective Executive Board member and are overall weighted at 40% ('individual criteria'). These individual criteria allow for a further differentiation depending on the specific operating and strategic challenges of each individual Executive Board function. For the two individual targets, financial as well as non-financial performance criteria may be applied. These are directly related to the corporate strategy and its financial goals of sustainable growth, profitability, and cash flow generation, which are based on the strategic focus on credibility, consumer experience, and sustainability. Furthermore, these criteria are directly related to the defined success factors for the implementation of the strategy: the employees of the Company, a mindset of innovation across all dimensions of our business as well as using the speed and agility of Digital throughout the entire value chain.

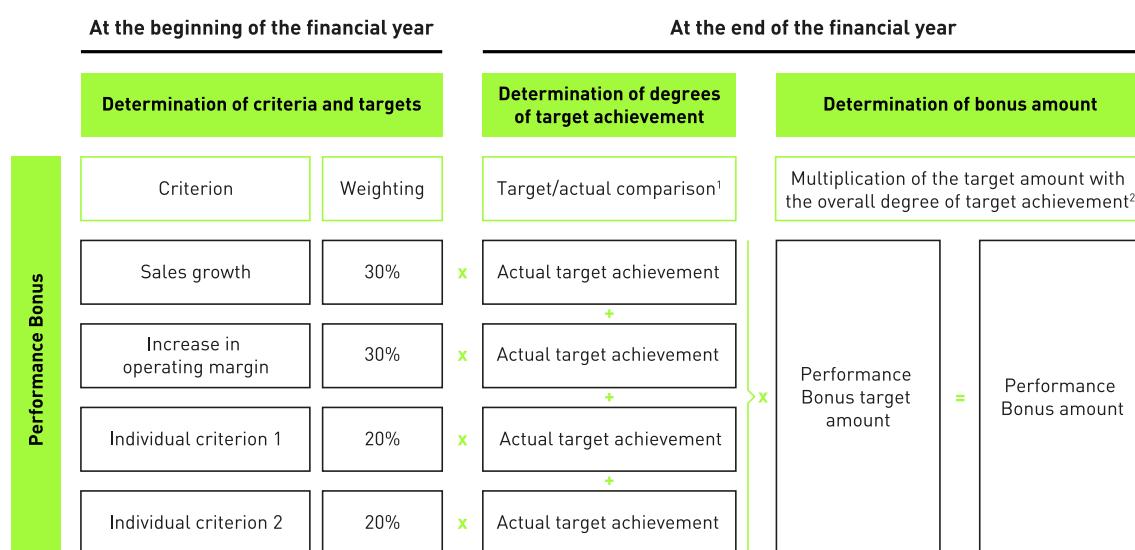
Examples of possible individual criteria deriving therefrom are:

- | | |
|--|--|
| <ul style="list-style-type: none">– Sales growth in business segments/sales channels– Product development and innovation– Success of strategic projects– Brand Health– Efficiency increase– Consumer satisfaction– Diversity, Equity, and Inclusion– Sustainability | <ul style="list-style-type: none">– Business development– Gaining market share– Attracting new members– Cost management– Cash-flow generation– Employee satisfaction– Digitalization– Succession planning |
|--|--|

The overall degree of target achievement (sum of all degrees of target achievement) for the Performance Bonus is capped at a maximum of 150% of the individual Performance Bonus target amount. All criteria are designed in such a way that individual target achievement may also be zero. 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.

Determination of target achievement and bonus amount

At the end of the financial year, the actual target achievement of each Executive Board member, which is 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'). If the target achievement lies between the predefined threshold values, the degree of target achievement is determined based on a sliding scale. Taking into account the predefined weightings, 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'). The payout of the Performance Bonus Amount is due following approval of the consolidated financial statements of the past financial year.

DETERMINATION OF TARGET ACHIEVEMENT AND BONUS AMOUNT WITHIN THE FRAMEWORK OF PERFORMANCE BONUS

¹ Comparison of target values determined at the beginning of the financial year with values achieved in the financial year.

² The individual target amount in case of 100% target achievement is determined in accordance with the applicable compensation structure for each Executive Board member. The overall degree of target achievement is the sum of all degrees of target achievement.

Long-Term Incentive Plan 2021/2025 ('LTIP 2021/2025')

The LTIP 2021/2025 aims to link the long-term performance-related variable compensation of the Executive Board to the Company's performance and thus to the interests of the shareholders. Therefore, the LTIP 2021/2025 is share-based. It consists of five annual tranches (2021 to 2025), each with a term of five years. Each of the five annual LTIP tranches consists of a performance year and a subsequent lock-up period of four years.

LTIP 2021/2025: ANNUAL LTIP TRANCHES

LTIP tranche	2021	2022	2023	2024	2025	2026	2027	2028	2029
2021	1	2	3	4	5				
2022		1	2	3	4	5			
2023			1	2	3	4	5		
2024				1	2	3	4	5	
2025					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 degrees 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 effective 31.12.

In case of 100% target achievement, the LTIP target amount for the respective LTIP tranche corresponds to 45% of the target direct compensation of the respective Executive Board member. The amount of the LTIP Bonus is determined based on the achievement of two uniform criteria for all Executive Board members, which are directly linked to the long-term strategy of adidas.

Criteria, weighting, and cap

For the LTIP 2021/2025, the Supervisory Board has defined the following financial or ESG-related performance criteria linked to the strategic objectives for each of the five performance years (2021 to 2025):

- Financial criterion: Increase in net income from continuing operations compared to the previous year (weighting: 80%)
- ESG criterion: Share of sustainable articles offered (weighting: 20%)

On the one hand, this reflects the strategic target of sustainably increasing net income from continuing operations and thus creating the basis for an attractive return for our shareholders. On the other hand, the key strategic focus for adidas to further drive change in the field of sustainability and to move from stand-alone initiatives to a scaled and comprehensive sustainability program is integrated into the Executive Board compensation. The target values for the annual LTIP tranches follow directly from the externally published long-term net income growth targets of the Company and from the sustainability target for the share of sustainable articles offered.

Increase in net income from continuing operations compared to the previous year

The financial targets of the strategy until 2025 are determined based on the results for the 2021 financial year. In this connection, the aim is to increase net income from continuing operations by an average of 16% to 18% per annum until 2025. For the LTIP 2021/2025, this specifically means that for the 2021 performance year, a target was set based on the externally communicated annual guidance for the

increase in net income from continuing operations compared to the previous year of € 831 million (100% target achievement). At the beginning of the 2022 financial year, based on the actual results for the 2021 financial year, the Supervisory Board set a target value corridor for the increase in net income from continuing operations for each of the performance years of the four-year period 2022 to 2025, in line with the planned growth target to increase net income from continuing operations by an average of 16% to 18% per annum until 2025. When determining the target corridor, an increase in net income from continuing operations by an average of 17% per annum (midpoint of the growth target of an average of 16% to 18% per annum until 2025) was taken as a basis. This corresponds to a total amount of € 1.3 billion over the four-year period and thus to an amount of € 325 million per year. In addition, a spread of ± € 100 million was set around the midpoint in order to be able to take into account the circumstances of the respective financial year. This results in a target corridor of +€ 225 million to +€ 425 million per year for the four-year period from 2022 to 2025.

For the period 2021 to 2025, the Supervisory Board has therefore set the following target value corridors for the increase in net income from continuing operations:

LTIP 2021/2025: FINANCIAL CRITERION

Performance year	Increase in net income from continuing operations
2021 (compared to 2020)	+€ 831 million
2022 (compared to 2021)	+€ 225 million to +€ 425 million
2023 (compared to 2022)	+€ 225 million to +€ 425 million
2024 (compared to 2023)	+€ 225 million to +€ 425 million
2025 (compared to 2024)	+€ 225 million to +€ 425 million

At the beginning of each financial year, the Supervisory Board sets a target value for a 100% target achievement within the framework of the predetermined target value corridors, taking into account the circumstances of the respective financial year. In this way, it can be ensured that the Executive Board is appropriately incentivized to achieve the ambitious financial target of increasing net income from continuing operations by 2025. ► [SEE SECTION 'OUTLOOK FOR 2022'](#)

In case the target set by the Supervisory Board for increasing net income from continuing operations is not met in one of the performance years 2022 to 2025, both the lower and upper limit of the target value corridor will automatically increase by 50% of the amount of the shortfall of the specified target value proportionally over the term of the remaining, subsequent performance years of the LTIP 2021/2025. If the increase in net income from continuing operations in a performance year is above the set target value, both the lower and upper limit of the target value corridor will automatically decrease by 50% of the amount exceeding the set target value proportionally over the term of the remaining, subsequent performance years of the LTIP 2021/2025. This mechanism ensures that in each performance year the Executive Board is adequately incentivized to achieve the ambitious long-term 2025 net income target.

For illustration: If, for example, the increase in net income in the performance year 2022 is € 90 million below the set target for a 100% target achievement, the existing lower and upper limits of the target value corridors for the remaining three performance years will be increased by € 15 million each (50% of the € 90 million shortfall, proportionally allocated over three years). If the increase in net income in the performance year 2023, for example, exceeds the set target for a 100% target achievement by € 40 million, the existing lower and upper limits of the target value corridors for the remaining two performance years will be reduced by € 10 million each (50% of the € 40 million excess, proportionally allocated over two years).

Share of sustainable articles offered

As part of 'Own the Game,' we aim to move to a comprehensive sustainable offering at scale. Our ambition is that 90% of our articles will be sustainable by 2025. We define articles as sustainable when they show environmental benefits versus conventional articles due to the materials used, meaning that they are – to a significant degree – made with environmentally preferred materials. The majority of the environmentally preferred materials currently used are recycled materials and more sustainable cotton. Additionally, innovative materials like biobased synthetics and more sustainably grown natural materials are used in a small scale already and will become increasingly relevant in the future. To qualify as a sustainable article, environmentally preferred materials have to exceed a certain pre-defined percentage of the article weight. The applied criteria for environmentally preferred materials and the percentage of the article weight are defined based on standards reflecting latest developments in our industry, competitor benchmarks, and expert opinions.

When determining the target achievement of the share of sustainable articles offered, only articles for which the material composition could be verified are taken into account. This non-financial performance criterion is part of the combined non-financial statement, which is subject to an audit in accordance with ISAE 3000 by an external auditor. For the 2021 financial year, this audit was commissioned and carried out with limited assurance.

For the 2021 financial year, the Supervisory Board has set a target value of 8 percentage points (100% target achievement) for the increase of the share of sustainable articles offered. The target values for each of the performance years of the four-year period 2022 to 2025 were set by the Supervisory Board at the beginning of the 2022 financial year. From the 2022 financial year, an absolute percentage value will be set as the target value for 100% target achievement. Furthermore, the underlying definition of sustainable articles for the performance years 2022 to 2025 has been adjusted to reflect the latest developments in our industry, competitive benchmarks, and expert opinions. The percentages of the required proportion of environmentally preferred materials of the article weight have been increased significantly, which corresponds to our ambition to significantly expand our commitment to sustainability in the years to come. In this context, we have also decided to define the required proportion of environmentally preferred materials in footwear based on the total shoe weight.

For the period from 2021 to 2025, the Supervisory Board has therefore set the following target values for the share of sustainable articles in our offering:

LTIP 2021/2025: ESG CRITERION

Performance year	Share of sustainable articles offered
2021 ¹	+8pp
2022 ²	70%
2023 ²	78%
2024 ²	84%
2025 ²	90%

¹ Percentage point increase in the share of sustainable articles (by count) offered at the points-of-sale compared with respective previous season (comparison of Spring/Summer 2021 with Spring/Summer 2022). The percentage of sustainable articles (by count) offered at the points-of-sale in Spring/Summer 2021 amounted to 60.6%. The definition of sustainable articles is based on the proportion of environmentally preferred material content. For apparel and accessories/gear, the environmentally preferred material content is based on article weight (at least 25% recycled content or 50% sustainable cotton; excluding trims); for footwear (only upper part) it is based on material components (at least 25% of the components used contain 50% or more recycled content) or article weight (at least 25%). Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

² Percentage of sustainable articles (by count) offered at the points-of-sale [average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year]. The definition of sustainable articles is based on the proportion of environmentally preferred material of the article weight. For apparel (excluding trims), the environmentally preferred material content is required to amount to at least 70%, for accessories/gear (excluding trims) at least 50% and for footwear (full shoe) at least 20% of the article weight. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

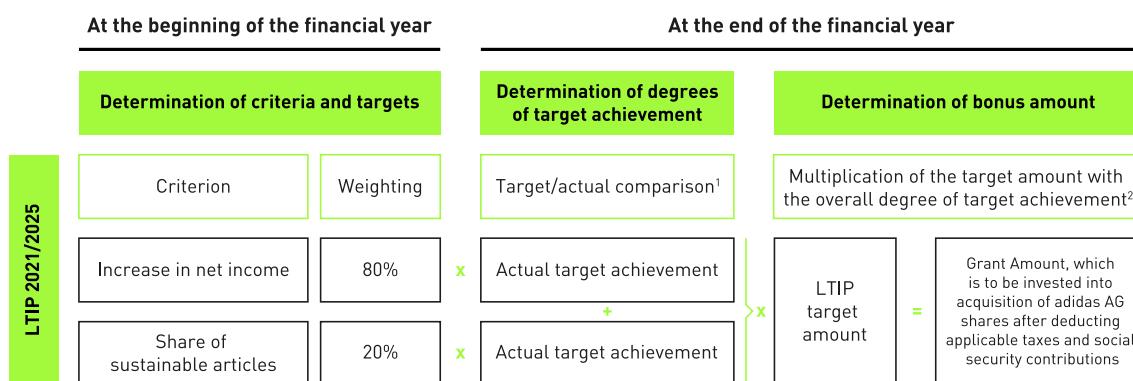
The overall degree of target achievement (sum of all degrees of target achievement) for the LTIP Bonus is capped at a maximum of 150% of the individual LTIP Bonus target amount. Both criteria are designed in such a way that the degree of target achievement may also be zero. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the LTIP Bonus. Consequently, the Bonus for the annual LTIP tranche may be omitted entirely if targets are clearly not met.

Determination of target achievement and bonus amount

At the end of the performance year, the actual target achievement of each Executive Board member, which is based on a comparison of the predefined target values with the values achieved in the performance year, is assessed by the Supervisory Board ('target/actual comparison').

If the actual increase in net income from continuing operations compared to the previous year or the share of sustainable articles offered lies between the predefined threshold values, the degree of target achievement is determined based on a sliding scale. Taking into account the predefined weightings, the Supervisory Board determines the factor by which the LTIP target amount is multiplied by adding up these degrees of target achievement ('overall degree of target achievement'). In this way, the bonus amount of the annual LTIP tranche ('Grant Amount') is determined, which is paid out to the Executive Board member for the respective annual LTIP tranche for the performance year following the approval of the consolidated financial statements of adidas. The Executive Board members have to invest the full Grant Amount 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. This lock-up period expires at the end of the fourth financial year following the performance year. The Executive Board members may only dispose of the shares after expiration of the lock-up period.

DETERMINATION OF TARGET ACHIEVEMENT AND BONUS AMOUNT WITHIN THE FRAMEWORK OF LTIP BONUS



¹ Comparison of target values determined at the beginning of the financial year with values achieved in the financial year.

² The individual target amount in case of 100% target achievement is determined in accordance with the applicable compensation structure for each Executive Board member. The overall degree of target achievement is the sum of all degrees of target achievement.

Due to this mechanism, the compensation which the Executive Board members eventually receive from each of the LTIP 2021/2025 tranches is also directly dependent on the share price development during the respective four-year lock-up period 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.

MALUS AND CLAWBACK PROVISIONS

In order to ensure sustainable management and development of the Company, the terms and conditions of the Performance Bonus and of the LTIP 2021/2025 contain malus and clawback provisions which allow the Supervisory Board at its equitable discretion, under defined circumstances, to partially or completely reduce the variable compensation, or partially or completely reclaim variable compensation already paid. Such circumstances are 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 would lead to an unjustified bonus payment in the context of the Performance Bonus or the LTIP 2021/2025. Moreover, in the event of violations of duty by Executive Board members, claims for damages arise under stock corporation law.

SHARE OWNERSHIP GUIDELINES

In order to further align the interests of the Executive Board with those of the shareholders, Share Ownership Guidelines are in place which require the Executive Board members to build substantial positions in adidas AG shares during their appointment and after a four-years build-up phase. The target for the Chief Executive Officer is a total value of 300% and for the other Executive Board members a total value of 200% of the individually granted annual fixed compensation.

COMMITMENTS UPON COMMENCEMENT OR TERMINATION OF THE EXECUTIVE BOARD MANDATE

Commencement of Executive Board mandate

In exceptional cases, the Supervisory Board is entitled to make payments (in cash or in the form of an additional one-off commitment of a variable compensation, which can be subject to a lock-up period if shares are granted) to newly appointed Executive Board members in order to reimburse them for lost compensation from a previous employment or to cover the costs of relocating, whereby any such payments are limited to the actually incurred compensation losses or costs for relocation. Any such compensation payments granted are disclosed transparently and in detail in the annual Compensation Report.

Termination of Executive Board mandate

Unless otherwise agreed 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 an annual fixed compensation on a pro rata basis as well as a potential prorated Performance Bonus and a potential prorated LTIP Bonus.

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'). 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.

Furthermore, in line with an earlier compensation system, the company has agreed that Executive Board member Roland Auschel will receive a follow-up bonus of 75% of the Performance Bonus granted to him for the last full financial year in the event of termination of his service contract. This follow-up bonus is payable in two tranches, twelve and 24 months following the end of the contract.

Commitments to Executive Board members upon premature termination of tenure due to a change of control are not agreed.

Post-contractual competition prohibition

In principle, Executive Board members are 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 occupations). Taking into account the time limits stipulated in the service contract, the company may waive the post-contractual competition prohibition for the former Executive Board member. If the departed Executive Board member receives pension payments from the Company (based on existing old commitments), this compensation is offset against any pension benefits owed by the Company during the period of the competition prohibition. The compensation for periods of competition prohibition possibly paid on a monthly basis to departing Executive Board members is offset against any severance payments potentially to be 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 compensation for group-external mandates is credited to the Executive Board compensation.

EXECUTIVE BOARD COMPENSATION 2021

ANNUAL TOTAL TARGET COMPENSATION

The following table shows the individual compensation components for each individual Executive Board member under the current compensation system with 100% target achievement of the performance-related compensation. It also includes the maximum and minimum achievable compensation.

TARGET TOTAL ANNUAL COMPENSATION 2021 IN €

	Kasper Rorsted Chief Executive Officer				Roland Auschel Global Sales			
	2021		2021		in % of the target total compensation		in % of the target total compensation	
	in €	in % of the target total compensation	min.	max.	in €	in % of the target total compensation	min.	max.
Fixed non-performance-related compensation	3,394,794	41%	3,394,794	3,394,794	1,490,818	41%	1,490,818	1,490,818
Fixed compensation	2,083,333	25%	2,083,333	2,083,333	920,000	25%	920,000	920,000
Other benefits ¹	208,333	3%	208,333	208,333	92,000	3%	92,000	92,000
Pension benefits (pension expenses) ²	1,103,127	13%	1,103,127	1,103,127	478,818	13%	478,818	478,818
Variable performance-related compensation	4,861,111	59%	0	7,291,667	2,146,667	59%	0	3,220,001
Performance Bonus 2021	1,736,111	21%	0	2,604,167	766,667	21%	0	1,150,001
LTIP 2021/2025 (2021 tranche)	3,125,000	38%	0	4,687,500	1,380,000	38%	0	2,070,000
Target total compensation³	8,255,905	100%	3,394,794	10,686,460	3,637,485	100%	1,490,818	4,710,819

TARGET TOTAL ANNUAL COMPENSATION 2021 IN €

	Brian Grevy Global Brands				Harm Ohlmeier Chief Financial Officer			
	2021		2021		in % of the target total compensation		in % of the target total compensation	
	in €	in % of the target total compensation	min.	max.	in €	in % of the target total compensation	min.	max.
Fixed non-performance-related compensation	1,361,079	42%	1,361,079	1,361,079	1,531,271	42%	1,531,271	1,531,271
Fixed compensation	800,000	25%	800,000	800,000	900,000	25%	900,000	900,000
Other benefits ¹	80,000	2%	80,000	80,000	90,000	2%	90,000	90,000
Pension benefits (pension expenses) ²	481,079	15%	481,079	481,079	541,271	15%	541,271	541,271
Variable performance-related compensation	1,866,667	58%	0	2,800,001	2,100,000	58%	0	3,150,000
Performance Bonus 2021	666,667	21%	0	1,000,001	750,000	21%	0	1,125,000
LTIP 2021/2025 (2021 tranche)	1,200,000	37%	0	1,800,000	1,350,000	37%	0	2,025,000
Target total compensation³	3,227,746	100%	1,361,079	4,161,080	3,631,271	100%	1,531,271	4,681,271

TARGET TOTAL ANNUAL COMPENSATION 2021 IN €

¹ Other benefits may vary in amount in the individual financial years. In general, a target amount of up to 3% of the target direct compensation is considered. The actual amount may be higher or lower.

2 Based on existing commitments, the current members of the Executive Board who were appointed before January 1, 2021, are granted pension benefits in the form of a defined contribution pension plan. The virtual pension account of the respective Executive Board member is credited annually with an amount equal to a percentage set by the Supervisory Board (2021: 50%) based on the individual annual fixed compensation. The pension expenses for the pension benefits are calculated using actuarial calculations and therefore vary individually for each member of the Executive Board.

3 Based on the new compensation system for the members of the Executive Board, the compensation structure and thus the target total annual compensation of the members of the Executive Board was adjusted as of January 1, 2021. Furthermore, a new target direct compensation was set for Kasper Rorsted in connection with his reappointment as member of the Executive Board and Chairman of the Executive Board effective August 1, 2021. The target direct compensation of Martin Shankland was furthermore adjusted as of January 1, 2021, in order to align the compensation levels of the ordinary members of the Executive Board of the adidas AG.

2021 PERFORMANCE BONUS

In accordance with the current compensation system, the Supervisory Board has determined the following performance criteria for the 2021 financial year:

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

The financial targets set for the Performance Bonus were based on the company guidance communicated at the beginning of the 2021 financial year and are therefore in line with the strategic focus on sustainable growth and profitability.

In the 2021 financial year, the individual criteria relating to the respective Executive Board functions focused on, in particular, the commercial success of key sales channels, the increase in market shares and members, Diversity, Equity, and Inclusion, cash flow generation, and operational efficiency. These were thus directly related to the strategy and its financial goals of sustainable growth, profitability, and cash flow generation, which are based on the strategic focus on credibility, consumer experience, and sustainability. Furthermore, these criteria were directly in line with the defined success factors for the implementation of the strategy: the employees of the Company, a mindset of innovation across all dimensions of our business, as well as using the speed and agility of digitalization throughout the entire value chain.

For the 2021 financial year, the following threshold values were defined for the determination of target achievement in respect of currency-neutral sales growth and increasing the operating margin:

PERFORMANCE BONUS: CALCULATION OF THE DEGREE OF TARGET ACHIEVEMENT FOR THE 2021 FINANCIAL YEAR

Currency-neutral sales growth¹	Degree of target achievement
+23.1%	200%
+19.1%	150%
+15.1%	100%
+11.1%	50%
+7.1%	0%
Increase in the operating margin to¹	Degree of target achievement
10.1%	200%
9.6%	150%
9.1%	100%
8.6%	50%
8.1%	0%

¹ Continuing operations.

The shared targets set for Executive Board members in the 2021 financial year were achieved as follows:

2021 PERFORMANCE BONUS: SHARED CRITERIA - TARGET ACHIEVEMENT

Performance criterion	Weighting		100% target value	2021 actual value	Degree of target achievement
Currency-neutral sales growth ¹	30%	Increase by	+15.1%	+16.3%	115%
Increase in operating margin to ¹	30%	Increase to	9.1%	9.4%	130%

¹ Continuing operations.

The individual targets set for Executive Board members in the 2021 financial year were achieved as follows:

2021 PERFORMANCE BONUS: INDIVIDUAL CRITERIA - TARGET ACHIEVEMENT

	Weighting	Performance criterion	Degree of target achievement
Kasper Rorsted	20%	Average target achievement of Success of the direct-to-consumer business and Cash flow	100%
	20%	Average target achievement of Brand Heat, Diversity, Equity, and Inclusion, and logistics efficiency	163%
Roland Auschel	20%	Success of the direct-to-consumer business	0%
	20%	Attracting new members	200%
Brian Grey	20%	Brand heat	95%
	20%	Sales growth of the Women's business	0%
Harm Ohl Meyer	20%	Cash flow	200%
	20%	Cost management	120%
Amanda Rajkumar	20%	Diversity, Equity, and Inclusion	195%
	20%	Succession planning	108%
Martin Shankland	20%	Logistics efficiency	200%
	20%	Cost management in the supply chain	120%

Based on the targets actually achieved, this results in an overall degree of target achievement between 93% and 138% for the individual Executive Board members for the year under review (2020: 40%–75%). The Performance Bonus Amount for 2021 will be paid after approval of the consolidated financial statements in March 2022.

2021 PERFORMANCE BONUS: INDIVIDUAL OVERALL DEGREES OF TARGET ACHIEVEMENT

Kasper Rorsted	126%
Roland Auschel	114%
Brian Grey	93%
Harm Ohlmeyer	138%
Amanda Rajkumar	134%
Martin Shankland	138%

LTIP 2021/2025: 2021 LTIP TRANCHE

As part of the compensation system for Executive Board members, the Supervisory Board has defined the following performance criteria for each of the five performance years (2021 to 2025) of the LTIP 2021/2025:

- absolute increase in net income from continuing operations compared to respective previous year and
- share of sustainable articles offered.

The targets set for the 2021 LTIP tranche were based on the long-term growth targets announced at the beginning of the 2021 financial year as part of the new strategy, 'Own the Game.' On the one hand, this reflected the strategic target of sustainably increasing net income from continuing operations and thus creating the basis for an attractive return for our shareholders. On the other hand, the key strategic focus for adidas to further drive change in the field of sustainability and to move from stand-alone initiatives to a scaled and comprehensive sustainability program has been integrated into the Executive Board compensation.

For the 2021 financial year, the following threshold values were defined for the determination of target achievement of the increase in net income from continuing operations and the share of sustainable articles offered:

LTIP 2021/2025: CALCULATION OF THE DEGREE OF TARGET ACHIEVEMENT FOR THE 2021 FINANCIAL YEAR

Increase in net income from continuing operations compared to the previous year	Degree of target achievement
+€ 1,071 million	200%
+€ 951 million	150%
+€ 831 million	100%
+€ 711 million	50%
+€ 591 million	0%
Share of sustainable articles offered¹	Degree of target achievement
+16pp	200%
+12pp	150%
+8pp	100%
+4pp	50%
+0pp	0%

1 Percentage point increase in the share of sustainable articles (by count) offered at the points-of-sale compared with respective previous season (comparison of Spring/Summer 2021 with Spring/Summer 2022). The percentage of sustainable articles (by count) offered at the points-of-sale in Spring/Summer 2021 amounted to 60.6%. The definition of sustainable articles is based on the proportion of environmentally preferred material content. For apparel and accessories/gear, the environmentally preferred material content is based on article weight (at least 25% recycled content or 50% sustainable cotton; excluding trims), for footwear (only upper part) it is based on material components (at least 25% of the components used contain 50% or more recycled content) or article weight (at least 25%). Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

The strategic targets set for Executive Board members in the 2021 financial year were achieved as follows:

LTIP 2021/2025: TARGET ACHIEVEMENT IN THE PERFORMANCE YEAR 2021

Performance criterion	100% target value	Actual value 2021	Degree of target achievement
Increase in net income from continuing operations compared to the previous year	+€ 831 million	+€ 1,031 million	183%
Share of sustainable articles offered	+8pp	+8.2pp	103%

Based on the actual target achievements, this results in the maximum achievable degree of overall target achievement of 150% (2020: 0%) for each Executive Board member for the performance year 2021. The Executive Board members have to invest the full Grant Amount after deducting applicable taxes and social security contributions ('LTIP Payout Amount') into the acquisition of adidas AG shares. The LTIP bonus for the 2021 LTIP tranche will be paid out to Executive Board members following approval of the consolidated financial statements and invested into the acquisition of adidas AG shares on April 1, 2022. The shares purchased are subject to a lock-up period that ends on December 31, 2025. The Executive Board members may only dispose of the shares after expiration of the lock-up period.

As at December 31, 2021, the total number of adidas AG shares acquired since 2018 in the context of the variable performance-related compensation and that are subject to a lock-up period amounts to 43,243 shares (2020: 40,371 shares). The numbers of adidas AG shares acquired by the respective Executive Board members are shown in the following table.

LTI BONUS: ACQUISITION OF SHARES IN THE CONTEXT OF THE LONG-TERM VARIABLE COMPENSATION IN €

LTIP tranche ¹	Kasper Rorsted			Roland Auschel		
	2020	2019	2018	2020	2019	2018
Grant Amount	571,429	3,154,285	3,405,714	262,857	1,450,972	1,566,629
Payout Amount	300,144	1,656,788	1,788,851	138,065	762,125	822,873
Purchase price ²	270.75	255.00	219.20	270.75	255.00	219.20
Number of purchased shares	1,108	6,497	8,160	509	2,988	3,753
End of lock-up period ³	May 31, 2024	May 31, 2023	May 31, 2022	May 31, 2024	May 31, 2023	May 31, 2022

LTI BONUS: ACQUISITION OF SHARES IN THE CONTEXT OF THE LONG-TERM VARIABLE COMPENSATION IN €

LTIP tranche ¹	Brian Grevy ⁴			Harm Ohlmeyer		
	2020	2019	2018	2020	2019	2018
Grant Amount	209,524	–	–	241,945	1,083,852	1,170,246
Payout Amount	110,052	–	–	127,081	569,295	614,670
Purchase price ²	270.75	–	–	270.75	255.00	219.20
Number of purchased shares	406	–	–	469	2,232	2,804
End of lock-up period ³	May 31, 2024	–	–	May 31, 2024	May 31, 2023	May 31, 2022

LTI BONUS: ACQUISITION OF SHARES IN THE CONTEXT OF THE LONG-TERM VARIABLE COMPENSATION IN €

LTIP tranche ¹	Amanda Rajkumar ⁵			Martin Shankland ⁶		
	2020	2019	2018	2020	2019	2018
Grant Amount	–	–	–	196,350	894,469	–
Payout Amount	–	–	–	103,132	469,821	–
Purchase price ²	–	–	–	270.75	255.00	–
Number of purchased shares	–	–	–	380	1,842	–
End of lock-up period ³	–	–	–	May 31, 2024	May 31, 2023	–

LTI BONUS: ACQUISITION OF SHARES IN THE CONTEXT OF THE LONG-TERM VARIABLE COMPENSATION IN €

	Karen Parkin ⁷			Eric Liedtke ⁸		
	2020	2019	2018	2020	2019	2018
LTIP tranche ¹						
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 ²	–	255.00	219.20	–	255.00	219.20
Number of purchased shares	–	2,113	2,654	–	3,248	4,080
End of lock-up period ³	–	May 31, 2023	May 31, 2022	–	May 31, 2023	May 31, 2022

1 As a liquidity management measure, the Executive Board had decided in April 2020 to waive the LTIP Bonus for the 2020 financial year. Thus, no adidas AG shares were acquired by the Executive Board members as part of the 2020 LTIP tranche. For the 2020 financial year, a special bonus was granted to the 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 amounted to 25% of the LTIP target amount determined for the 2020 financial year for each Executive Board member. The special bonus was granted share-based and invested into the acquisition of adidas AG shares after deducting applicable taxes and social security contributions in line with the conditions of the LTIP 2018/2020. The current compensation system adopted in 2021 no longer permits the granting of special bonuses.

2 Share price at the time of the acquisition of shares. LTIP tranche 2018: Purchase price as at April 1, 2019, LTIP tranche 2019: Purchase price as at September 1, 2020 (as a liquidity management measure in light of the coronavirus pandemic, the LTIP Payout Amount for the LTIP tranche 2019 was paid out in August 2020), special bonus 2020: Purchase price as at April 1, 2021.

3 In accordance with a previous compensation system, the lock-up period of the three annual tranches of the LTIP 2018/2020 expires 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. As of the 2021 financial year and in line with the new compensation system for the members of the Executive Board, the lock-up period of the five annual tranches of the LTIP 2021/2025 expires at the end of the fourth financial year following each performance year.

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

5 Executive Board member with effect from January 1, 2021. First-time participation in the LTIP 2021/2025 in the 2021 financial year (LTIP tranche 2021).

6 Executive Board member with effect from March 4, 2019. Prorated participation in the LTIP 2018/2020 in the 2019 financial year (LTIP tranche 2019).

7 Executive Board member until June 30, 2020.

8 Executive Board member until December 31, 2019.

MALUS AND CLAWBACK PROVISIONS

The Supervisory Board did not make use of the available malus and clawback provisions in the 2021 financial year.

SHARE OWNERSHIP GUIDELINES: SHARE OWNERSHIP IN 2021

The share ownership of the Executive Board members incumbent as at December 31, 2021, in relation to their respective annual fixed compensation is disclosed individually in the following:

SHARE OWNERSHIP IN THE 2021 FINANCIAL YEAR IN €

Executive Board members incumbent as at December 31, 2021	2021 fixed compensation	Total number of shares as at December 31, 2021	Share price as at December 31, 2021	Total value of adidas AG shares	% of fixed compensation	Target in % of fixed compensation	End of build-up phase
Kasper Rorsted	2,083,333	15,765	253.20	3,991,698	192%	300%	April 30, 2025
Roland Auschel	920,000	7,250	253.20	1,835,700	200%	200%	April 30, 2025
Brian Grevy ¹	800,000	406	253.20	102,799	13%	200%	April 30, 2025
Harm Ohlmeyer	900,000	5,505	253.20	1,393,866	155%	200%	April 30, 2025
Amanda Rajkumar ²	800,000	–	–	–	–	200%	April 30, 2025
Martin Shankland ³	800,000	2,222	253.20	562,610	70%	200%	April 30, 2025

1 Executive Board member with effect from February 1, 2020. Prorated participation in the LTIP 2018/2020 in the 2020 financial year (LTIP tranche 2020).

2 Executive Board member with effect from January 1, 2021. First-time participation in the LTIP 2021/2025 in the 2021 financial year (LTIP tranche 2021).

3 Executive Board member with effect from March 4, 2019. Prorated participation in the LTIP 2018/2020 in the 2019 financial year (LTIP tranche 2019).

TOTAL ANNUAL COMPENSATION IN 2021: COMPENSATION GRANTED AND DUE

The following table shows the compensation granted and due in the 2021 financial year to individual Executive Board members incumbent as at December 31, 2021, for which the underlying service has been fully rendered by the balance sheet date on December 31, 2021, or on December 31, 2020. The variable performance-related compensation components for the year under review are payable only following approval of the consolidated financial statements of the past financial year.

Furthermore, in the interest of consistent and transparent reporting, the service costs for the defined contribution pension commitments granted to individual Executive Board members appointed before January 1, 2021, are shown in the following; however, this does not represent an actual allocation to the Executive Board members and does not qualify as compensation granted and due as specified in § 162 AktG.

COMPENSATION GRANTED AND DUE FOR THE EXECUTIVE BOARD MEMBERS IN THE 2021 FINANCIAL YEAR IN €

	Kasper Rorsted Chief Executive Officer				Roland Auschel Global Sales			
	2021		2020		2021		2020	
	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation
Fixed non-performance-related components	2,114,637	24%	2,031,417	78%	944,572	24%	944,572	78%
Fixed compensation	2,083,333		2,000,000		920,000		920,000	
Other benefits	31,303		31,417		24,572		24,572	
Pension allowance	-		-		-		-	
Variable performance-related components	6,875,000	76%	571,429	22%	2,944,000	76%	262,857	22%
Performance Bonus 2021	2,187,500		-		874,000		-	
Performance Bonus 2020	-		0		-		0	
LTIP 2021/2025 (2021 tranche) ¹	4,687,500		-		2,070,000		-	
LTIP 2018/2020 (2020 tranche) ¹	-		0		-		0	
Special Bonus 2020 ²	-		571,429		-		262,857	
Other	-		-		-		-	
Total compensation in acc. with § 162 AktG	8,989,637	100%	2,602,845	100%	3,888,572	100%	1,207,430	100%
Pension benefits (service cost) ³	1,103,127		1,111,383		478,818		472,699	
Total compensation (incl. service cost)	10,092,764		3,714,228		4,367,390		1,680,129	
Maximum compensation in acc. with § 87a AktG	11,500,000		-		5,150,000		-	

COMPENSATION GRANTED AND DUE FOR THE EXECUTIVE BOARD MEMBERS IN THE 2021 FINANCIAL YEAR IN €

	Brian Grevy ⁴ Global Brands			Harm Ohlmeyer Chief Financial Officer				
	2021		2020		2021			
	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation
Fixed non-performance-related components	817,865	25%	839,833	41%	927,687	23%	874,493	78%
Fixed compensation	800,000		733,333		900,000		846,806	
Other benefits	17,865		106,499		27,687		27,687	
Pension allowance	-		-		-		-	
Variable performance-related components	2,420,000	75%	209,524	10%	3,060,000	77%	241,945	22%
Performance Bonus 2021	620,000		-		1,035,000		-	
Performance Bonus 2020	-		0		-		0	
LTIP 2021/2025 (2021 tranche) ¹	1,800,000		-		2,025,000		-	
LTIP 2018/2020 (2020 tranche) ¹	-		0		-		0	
Special Bonus 2020 ²	-		209,524		-		241,945	
Other	-	-	1,000,000	49%	-	-	-	-
Total compensation in acc. with § 162 AktG	3,237,865	100%	2,049,357	100%	3,987,687	100%	1,116,437	100%
Pension benefits (service cost) ³	481,079		386,686		541,271		500,435	
Total compensation (incl. service cost)	3,718,944		2,436,043		4,528,958		1,616,872	
Maximum compensation in acc. with § 87a AktG	5,150,000		-		5,150,000		-	

COMPENSATION GRANTED AND DUE FOR THE EXECUTIVE BOARD MEMBERS IN THE 2021 FINANCIAL YEAR IN €

	Amanda Rajkumar ⁵ Global Human Resources, People and Culture				Martin Shankland Global Operations			
	2021		2020		2021		2020	
	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation
Fixed non-performance-related components	963,445	22%	—	—	829,854	23%	720,559	79%
Fixed compensation	800,000		—	—	800,000		687,225	
Other benefits	163,445		—	—	29,854		33,334	
Pension allowance	—		—	—	—		—	
Variable performance-related components	2,693,333	62%	—	—	2,720,000	77%	196,350	21%
Performance Bonus 2021	893,333		—	—	920,000		—	
Performance Bonus 2020	—		—	—	—		0	
LTIP 2021/2025 (2021 tranche) ¹	1,800,000		—	—	1,800,000		—	
LTIP 2018/2020 (2020 tranche) ¹	—		—	—	—		0	
Special Bonus 2020 ²	—		—	—	—		196,350	
Other	688,311	16%	—	—	—	—	—	—
Total compensation in acc. with § 162 AktG	4,345,089	100%	—	—	3,549,854	100%	916,909	100%
Pension benefits (service cost) ³	500,096		—	—	409,459		405,281	
Total compensation (incl. service cost)	4,845,185		—	—	3,959,313		1,322,190	
Maximum compensation in acc. with § 87a AktG	5,150,000	—	—	—	5,150,000	—	—	—

1 The Grant Amount that remains for the respective annual LTIP tranche after deduction of applicable taxes and social security contributions ('LTIP Payout Amount') has to be invested into the acquisition of adidas AG shares. These shares are subject to a lock-up period.

2 As a liquidity management measure, against the background of the coronavirus pandemic, the Executive Board had decided in April 2020 to waive the Performance Bonus and LTIP Bonus for the 2020 financial year. For the 2020 financial year, a special bonus was granted to the 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 amounted to 25% of the LTIP target amount determined for the 2020 financial year for each Executive Board member. The special bonus was granted share-based and invested into the acquisition of adidas AG shares after deducting applicable taxes and social security contributions in line with the conditions of the LTIP 2018/2020. 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 current compensation system adopted in 2021 no longer permits the granting of special bonuses.

3 Additional disclosure. Neither compensation granted nor due in accordance with § 162 AktG.

4 Contractually agreed Performance Bonus target amount 2020 and LTIP bonus target amount 2018/2020 (2020 tranche) due to intra-year appointment of Brian Grey (with effect from February 1, 2020) to the Executive Board. Service costs 2020 stated pro rata temporis. Brian Grey additionally received a compensation on a like-for-like basis for a bonus forfeited at his former employer in the amount of € 1,000,000.

5 Appointment of Amanda Rajkumar to the Executive Board with effect from January 1, 2021. For a bonus forfeited at her former employer, Amanda Rajkumar received a compensation on a like-for-like basis in the amount of € 688,311.

The total annual compensation of the Executive Board for the 2021 financial year amounts to € 31.513 million. This represents an increase of approximately 177% on the previous year (2020: € 11.376 million). Of this total annual compensation, € 6.530 million was attributable to one-year performance-related compensation (2020: € 0) and € 14.183 million to multi-year performance-related compensation (2020: € 1.482 million). No further one-year or multi-year performance-related compensation was paid to the Executive Board members. The increase in total compensation compared to the previous year is due to the Executive Board's decision in the 2020 financial year to waive the Performance Bonus and LTIP bonus for the 2020 financial year as a liquidity management measure in response to the coronavirus pandemic.

MAXIMUM COMPENSATION

In the year under review, the company adhered to the maximum compensation specified in the compensation system for Executive Board members (€ 11,500,000 for the Chief Executive Officer and € 5,150,000 for each ordinary Executive Board member per financial year). This adherence to the maximum compensation is shown in the table above.

PENSION BENEFITS

The service costs and defined benefit obligation for pension commitments that were granted to individual Executive Board members appointed before January 1, 2021, are shown in the following.

PENSION COMMITMENTS IN THE 2021 FINANCIAL YEAR IN €

Executive Board members incumbent as at December 31, 2021	Service costs		Defined benefit obligation	
	2021	2020	2021	2020
Kasper Rorsted	1,103,127	1,111,383	6,191,418	4,950,191
Roland Auschel	478,818	472,699	3,810,788	3,399,789
Brian Greyv ¹	481,079	386,686	895,932	468,855
Harm Ohlmeyer	541,271	500,435	2,511,708	2,109,847
Amanda Rajkumar ²	500,096	-	484,639	-
Martin Shankland	409,459	405,281	1,380,109	769,776
Total	3,513,850	2,876,484	15,274,594	11,698,458

1 Executive Board member with effect from February 1, 2020.

2 Executive Board member with effect from January 1, 2021.

COMMITMENTS UPON TERMINATION OF THE EXECUTIVE BOARD MANDATE

There were no intra-year changes to the Executive Board during the year under review. The benefits granted to Executive Board members upon termination of tenure are explained in detail in the compensation system. ▶ SEE SECTION 'COMMITMENTS UPON COMMENCEMENT OR TERMINATION OF THE EXECUTIVE BOARD MANDATE'

PAYMENTS TO FORMER MEMBERS OF THE EXECUTIVE BOARD

The following table shows the compensation granted and due in the 2021 financial year to former Executive Board members.

COMPENSATION GRANTED AND DUE IN ACCORDANCE WITH § 162 AKTG IN €

	Karen Parkin Global Human Resources until June 30, 2020		Eric Liedtke Global Brands until December 31, 2019		Gil Steyaert Global Operations until February 26, 2019		Herbert Hainer Chief Executive Officer until September 30, 2016	
	2021		2021		2021		2021	
	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation	in €	in % of the total compensation
Compensation for competition prohibition ¹	450,000	100%	283,602	100%	56,217	100%	-	-
Pension payments ²	-	-	-	-	-	-	662,078	100%
Total compensation	450,000	100%	283,602	100%	56,217	100%	662,078	100%

1 Benefits granted to a departing Executive Board member upon termination of their Executive Board mandate are reported in the compensation report in the total payments to former members of the Executive Board and their surviving dependents as a total amount for the financial year in which the Executive Board member left the company. Compensation for post-contractual competition prohibition constitutes compensation granted to members of the Executive Board in accordance with § 162 AktG. The compensation is paid monthly to the departed former Executive Board members for the duration of the competition prohibition, subject to offsetting (e.g., of income from other use of their work capacity).

2 Individualized disclosure of pension payments to former members of the Executive Board departed after December 31, 2011. Former member of the Executive Board departed prior to December 31, 2011, received pension payments amounting to € 2,289,074 in the financial year 2021.

MISCELLANEOUS

The Executive Board members do not receive any additional compensation for intra-group mandates. 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 January 1, 2021, was adopted by the shareholders at the Annual General Meeting on May 12, 2021, in accordance with § 120a section 4 AktG. The compensation resolved by the Annual General Meeting on May 11, 2017, was thus confirmed without changes. The compensation system for the members of the Supervisory Board is set out in § 18 of the Articles of Association of adidas AG; there are no additional or supplementary agreements. With respect to the monitoring and advising of the Executive Board, the compensation received by adidas AG Supervisory Board members reflects the responsibility involved as well as individual workload and time required. The current compensation system is permanently available on the company's website. ► ADIDAS-GROUP.COM/S/COMPENSATION

COMPENSATION SYSTEM

When determining the compensation, particular consideration is given to ensure that it is appropriate and in line with the current market levels in order to also attract suitable international candidates. 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, as well as an attendance fee. The Supervisory Board members are not granted performance-related compensation. The granting of a fixed compensation corresponds to the prevailing practice in other public listed companies and has proved to be successful. The Executive Board and Supervisory Board are of the opinion that a fixed compensation for the Supervisory Board members is most suitable to strengthen the independence of the Supervisory Board and to take into account the advisory and supervisory function of the Supervisory Board, which have to be performed independently of the company's success.

In addition, the Supervisory Board members are reimbursed for expenses they incur in connection with their role.

COMPENSATION FOR SUPERVISORY BOARD FUNCTION

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

COMPENSATION FOR SUPERVISORY BOARD FUNCTION

Membership	Deputy Chair	Chair
€ 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 committee chair 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	Chair	Membership	Chair
€ 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 shall also cover the membership in such committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee, and committees that are established on an ad hoc basis 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 task in the committee with the highest compensation.

MATURITY AND PRO-RATED GRANTING

The compensation is due after the end of the Company's financial year. The granting of the compensation depends on the duration of the appointment of the Supervisory Board members. 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 shall 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.

UPPER LIMIT

The upper limit for the compensation of the members of the Supervisory Board is determined by the fixed compensation, the amount of which individually depends on the duties assumed on the Supervisory Board or its committees, and the attendance fee, which is determined on the basis of the personal participation in Supervisory Board and committee meetings.

SUPERVISORY BOARD COMPENSATION 2021

FIXED COMPENSATION AND ATTENDANCE FEE

In accordance with the current compensation system, the total compensation paid to the Supervisory Board in the 2021 financial year amounted to € 2.2 million (2020: € 2.2 million). In addition, attendance fees totaling € 31,000 (2020: € 28,000) were paid. To ensure the safety of all persons involved during the ongoing coronavirus pandemic, the Supervisory Board and its committees continued to meet primarily in virtual form during the year under review.

The following table shows the compensation for the individual Supervisory Board members for the 2021 financial year, for which the underlying service has been fully rendered by the balance sheet date on December 31, 2021. The annual fixed compensation for Supervisory Board members is paid at the end of the financial year. Payment may be made in December of the respective financial year or January of the following year. Attendance fees are generally paid in January of the following year, i.e., after the final Supervisory Board meeting in December of the respective financial year.

COMPENSATION GRANTED AND DUE FOR THE MEMBERS OF THE SUPERVISORY BOARD IN THE 2021 FINANCIAL YEAR IN €

Supervisory Board members incumbent as at December 31, 2021	2021						2020					
	Supervisory Board function	Committee function	% of total compensation	Attendance fee	% of total compensation	Total	Supervisory Board function	Committee function	% of total compensation	Attendance fee	% of total compensation	Total
Thomas Rabe, Chairman of the Supervisory Board ¹	240,000	80,000	99%	2,000	1%	322,000	191,038	55,519	99%	2,000	1%	248,557
Ian Gallienne, Deputy Chairman of the Supervisory Board ²	160,000	40,000	99%	2,000	1%	202,000	111,038	15,519	99%	1,000	1%	127,557
Udo Müller, Deputy Chairman of the Supervisory Board	160,000	40,000	100%	1,000	0%	201,000	160,000	40,000	99%	2,000	1%	202,000
Petra Auerbacher	80,000	-	98%	2,000	2%	82,000	80,000	-	99%	1,000	1%	81,000
Roswitha Hermann	80,000	-	98%	2,000	2%	82,000	80,000	-	99%	1,000	1%	81,000
Jackie Joyner-Kersee ³	51,068	-	98%	1,000	2%	52,068	-	-	-	-	-	-
Christian Klein ⁴	80,000	-	99%	1,000	1%	81,000	31,038	-	100%	-	-	31,038
Kathrin Menges ⁵	80,000	51,068	98%	3,000	2%	134,068	80,000	-	99%	1,000	1%	81,000
Roland Nosko	80,000	40,000	98%	2,000	2%	122,000	80,000	40,000	98%	2,000	2%	122,000
Beate Rohrig	80,000	-	98%	2,000	2%	82,000	80,000	-	99%	1,000	1%	81,000
Nassef Sawiris	80,000	-	98%	2,000	2%	82,000	80,000	-	99%	1,000	1%	81,000
Frank Scheiderer	80,000	80,000	98%	3,000	2%	163,000	80,000	80,000	98%	4,000	2%	164,000
Michael Storl	80,000	-	98%	2,000	2%	82,000	80,000	-	99%	1,000	1%	81,000
Bodo Uebber ⁶	80,000	160,000	99%	3,000	1%	243,000	80,000	111,038	99%	2,000	1%	193,038
Jing Ulrich	80,000	-	100%	-	0%	80,000	80,000	-	100%	-	-	80,000
Günter Weigl	80,000	80,000	98%	3,000	2%	163,000	80,000	80,000	98%	4,000	2%	164,000
Supervisory Board member until the end of the Annual General Meeting on May 12, 2021												
Herbert Kauffmann ⁷	28,932	28,932	100%	-	0%	57,863	80,000	128,962	99%	3,000	1%	211,962
Supervisory Board member until the end of the Annual General Meeting on August 11, 2020												
Igor Landau, Chairman of the Supervisory Board	-	-	-	-	-	-	146,885	48,962	99%	2,000	1%	197,847
Total	1,600,000	600,000	99%	31,000	1%	2,231,000	1,600,000	600,000	99%	28,000	1%	2,228,000

¹ Chairman of the Supervisory Board from the end of the Annual General Meeting on August 11, 2020. Deputy Chairman until the end of the Annual General Meeting on August 11, 2020.

² Deputy Chairman from the end of the Annual General Meeting on August 11, 2020.

³ Member of the Supervisory Board from the end of the Annual General Meeting on May 12, 2021.

⁴ Member of the Supervisory Board from the end of the Annual General Meeting on August 11, 2020.

⁵ Member of the Audit Committee from the end of the Annual General Meeting on May 12, 2021.

⁶ Chairman of the Audit Committee from the end of the Annual General Meeting on August 11, 2020.

⁷ Chairman of the Audit Committee until the end of the Annual General Meeting on August 11, 2020.

MISCELLANEOUS

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

RELATIVE DEVELOPMENT OF COMPENSATION

The annual changes in the compensation for members of the Executive Board and the Supervisory Board, in the average compensation for employees in Germany on a full-time equivalent basis, and in the development of the company's earnings, are outlined in accordance with § 162 AktG in the following.

The development of the company's earnings is shown using key indicators that are also relevant for the variable performance-related compensation of Executive Board members. The workforce of adidas AG (including all employee groups) was used as relevant peer group representing all employees. In the 2021 financial year, the average total number of full-time equivalent employees was 7,143 (2020: 7,028). The average employee compensation was calculated on the basis of annual personnel expenses for the peer group. This includes the cost of wages and salaries, short- and long-term variable compensation components, other benefits, employer's social security contributions, and pension expenses.

The following table shows the relative development of total compensation for the active members of the Executive Board during the year under review. The performance-related variable compensation for Executive Board members granted in accordance with the compensation system valid during the year under review is shown for the year for which the compensation was agreed upon, and for which the underlying service has been fully rendered by the balance sheet date on December 31, of the respective financial year. The variable performance-related compensation components granted for the respective financial year are payable only following approval of the consolidated financial statements for the past financial year.

Pension payments to former members of the Executive Board as well as the compensation payments to former members of the Executive Board, which, in addition to the annual Executive Board compensation, also include any severance payments and any compensation owed under the post-contractual competition prohibitions payable by the company on a monthly basis, are shown individually.

The annual service costs for the defined contribution pension commitments granted to active members of the Executive Board appointed before January 1, 2021, are not shown in the following, as these costs do not qualify as compensation granted and due as specified in § 162 AktG.

RELATIVE COMPENSATION DEVELOPMENT: COMPENSATION GRANTED AND DUE FOR THE EXECUTIVE BOARD MEMBERS

	2021		2020		2019		2018		2017 ¹⁰	
	in €/%	Change in %/pp	in €/%	Change in %/pp						
Earnings development € in millions										
Net sales ¹	21,234	7%	19,844	[16%]	23,640	8%	21,915	3%	21,218	-
Gross margin ¹	50.7%	1.0pp	49.7%	[2.3pp]	52.0%	0.2pp	51.8%	14.0pp	50.4%	-
Operating margin ¹	9.4%	5.6pp	3.8%	[7.5pp]	11.3%	0.5pp	10.8%	1.0pp	9.8%	-
Net income from continuing operations ¹	1,492	248%	429	[78%]	1,918	12%	1,709	20%	1,430	-
Net income of adidas AG in accordance with the German Commercial Code (Handelsgesetzbuch – HGB)	1,850	174%	674	[65%]	1,947	37%	1,424	159%	549	-
Average annual compensation of employees in Germany (on a full-time equivalent basis) € in thousands	108	15%	93	[15%]	110	11%	98	2%	96	-
Total annual compensation of Executive Board members € in thousands										
Kasper Rorsted	8,990	245%	2,603	[59%]	6,381	[10%]	7,111	[18%]	8,650	-
Roland Auschel	3,889	222%	1,207	[58%]	2,883	[8%]	3,129	[32%]	4,624	-
Brian Grevy ²	3,238	58%	2,049	-	-	-	-	-	-	-
Harm Ohlmeyer ³	3,988	257%	1,116	[48%]	2,164	[11%]	2,435	18%	2,059	-
Amanda Rajkumar ⁴	4,345	-	-	-	-	-	-	-	-	-
Martin Shankland ⁵	3,550	287%	917	[52%]	1,920	-	-	-	-	-
Payments to former Executive Board members € in thousands										
Karen Parkin ⁶	450	[92%]	5,976	158%	2,315	[4%]	2,401	50%	1,604	-
Eric Liedtke ⁷	284	[43%]	500	[94%]	8,676	153%	3,434	[30%]	4,883	-
Gil Steyaert ⁸	56	[84%]	344	[91%]	3,838	74%	2,207	37%	1,606	-
Herbert Hainer ⁹	662	1%	653	[56%]	1,483	[36%]	2,324	[62%]	6,091	-
Payments to Executive Board members who left before December 31, 2011	2,289	[5%]	2,418	[4%]	2,515	2%	2,467	2%	2,424	-

1 From continuing operations as reported in the Annual Report for the respective financial year. As of the 2021 financial year, Reebok is shown as discontinued operations.

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

3 Executive Board member with effect from March 7, 2017.

4 Executive Board member with effect from January 1, 2021.

5 Executive Board member with effect from March 4, 2019.

6 Executive Board member with effect from May 12, 2017, until June 30, 2020. In addition to the compensation as a member of the Executive Board, the compensation disclosed for Karen Parkin for the 2020 financial year also includes the severance payment granted to her in connection with her departure. From the date of her departure, for the duration of the contractually agreed competition prohibition Karen Parkin receives a monthly compensation amounting to 50% of the last monthly fixed compensation paid.

7 Executive Board member until December 31, 2019. In addition to the compensation as a member of the Executive Board, the compensation disclosed for Eric Liedtke for the 2019 financial year also includes the severance payment granted to him in connection with his departure. From the date of his departure, for the duration of the contractually agreed competition prohibition Eric Liedtke received a monthly compensation amounting to 50% of the last monthly fixed compensation paid.

8 Executive Board member with effect from May 12, 2017, until February 26, 2019. In addition to the compensation as a member of the Executive Board, the compensation disclosed for Gil Steyaert for the 2019 financial year also includes the severance payment granted to him in connection with his departure. From the date of his departure, for the duration of the contractually agreed competition prohibition, Gil Steyaert received a monthly compensation amounting to 50% of the last monthly fixed compensation paid.

9 Chief Executive Officer and Executive Board member until September 30, 2016. The compensation disclosed for Herbert Hainer consists of compensation granted to him in connection with his departure as well as of the monthly compensation paid to him for the duration of the contractually agreed competition prohibition in the amount of 50% of the last monthly fixed compensation. Since 2019, Herbert Hainer receives a monthly pension payment, which is paid against the background of the defined benefit pension plan granted to him and is adjusted annually in the same proportion as well as at the same time as the statutory pensions in Germany.

10 Increased compensation for the 2017 financial year for members of the Executive Board in light of the payout of the three-year LTIP Bonus (LTIP 2015/2017).

RELATIVE COMPENSATION DEVELOPMENT: COMPENSATION GRANTED AND DUE FOR THE SUPERVISORY BOARD MEMBERS

	2021		2020		2019		2018 ⁴		2017	
	in €	Change in %	in €	Change in %	in €	Change in %	in €	Change in %	in €	Change in %
Members of the Supervisory Board as at December 31, 2021 € in thousands										
Thomas Rabe, Chairman of the Supervisory Board ¹	322	30%	249	81%	137	-	-	-	-	-
Ian Gallienne, Deputy Chairman of the Supervisory Board	202	58%	128	(25%)	171	1%	169	29%	131	-
Udo Müller, Deputy Chairman of the Supervisory Board	201	(0%)	202	20%	169	94%	87	22%	71	-
Petra Auerbacher ¹	82	1%	81	40%	58	-	-	-	-	-
Roswitha Hermann ¹	82	1%	81	48%	55	-	-	-	-	-
Jackie Joyner- Kersee ²	52	-	-	-	-	-	-	-	-	-
Christian Klein ³	81	161%	31	-	-	-	-	-	-	-
Kathrin Menges	134	66%	81	[8%]	88	2%	86	24%	69	-
Roland Nosko	122	0%	122	[9%]	134	4%	129	20%	107	-
Beate Rohrig ¹	82	1%	81	43%	57	-	-	-	-	-
Nassef Sawiris	82	1%	81	[9%]	89	2%	87	24%	70	-
Frank Scheiderer ¹	163	(1%)	164	46%	112	-	-	-	-	-
Michael Storl ¹	82	1%	81	40%	58	-	-	-	-	-
Bodo Uebber ^{1,4}	243	26%	193	253%	55	-	-	-	-	-
Jing Ulrich ¹	80	0%	80	41%	57	-	-	-	-	-
Günter Weigl ¹	163	(1%)	164	46%	112	-	-	-	-	-
Member of the Supervisory Board until the end of the Annual General Meeting on May 12, 2021										
Herbert Kauffmann ⁵	58	(73%)	212	(17%)	254	1%	252	30%	193	-

1 Supervisory Board member from the end of the Annual General Meeting on May 9, 2019.

2 Supervisory Board member from the end of the Annual General Meeting on May 12, 2021.

3 Supervisory Board member from the end of the Annual General Meeting on August 11, 2020.

4 Chairman of the Audit Committee from the end of the Annual General Meeting on August 11, 2020.

5 Supervisory Board member until the end of the Annual General Meeting on May 12, 2021. Chairman of the Audit Committee until the end of the Annual General Meeting on August 11, 2020.

6 Increase in Supervisory Board compensation as of July 1, 2017, in light of the adjusted compensation for members of the Supervisory Board resolved by the 2017 Annual General Meeting.

OUTLOOK FOR 2022

In accordance with the compensation system for the Executive Board, the Supervisory Board set the targets and threshold values for the key criteria governing the variable performance-related compensation components at the start of the 2022 financial year.

2022 PERFORMANCE BONUS

The amount of the Performance Bonus is determined based on the achievement of four weighted criteria.

Two of these criteria are the same for all Executive Board members and are overall weighted at 60% ('shared criteria'). In line with the strategic focus on sustainable growth and profitability, the Supervisory Board of adidas AG has established the following financial performance criteria for the two shared criteria for the 2022 financial year:

2022 PERFORMANCE BONUS: SHARED CRITERIA - TARGET FIGURES

Performance criterion	Weighting	100% target value
Currency-neutral sales growth ¹	30%	100% target achievement in line with guidance externally communicated at the beginning of the 2022 financial year
Increase in operating margin ¹	30%	

¹ Continuing operations.

Both performance 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 are defined individually for the respective Executive Board member and are overall weighted at 40% ('individual criteria'). These individual criteria allow for a further differentiation depending on the specific operating and strategic challenges of each individual Executive Board function. For the two individual targets, financial as well as non-financial performance criteria may be applied. These are directly related to the corporate strategy and its financial goals of sustainable growth, profitability, and cash flow generation, which are based on the strategic focus on credibility, consumer experience, and sustainability. Furthermore, these criteria are directly related to the defined success factors for the implementation of the strategy: the employees of the Company, a mindset of innovation across all dimensions of our business as well as using the speed and agility of digitalization throughout the entire value chain.

The individual criteria for the 2022 financial year will be disclosed ex-post in the 2022 Compensation Report in order to avoid communicating competition-relevant operating and strategic considerations in advance. In this Compensation Report, the respective target achievements will be explained transparently, and the concrete calculation of the Performance Bonus Amount will be set out comprehensively.

2022 LTIP TRANCHE

The Supervisory Board has defined the following financial and ESG-related performance criteria linked to strategic objectives for each of the five performance years (2021 to 2025) of the LTIP 2021/2025:

- Financial criterion: Increase in net income from continuing operations compared to the previous year (weighting: 80%)
- ESG criterion: Share of sustainable articles offered (weighting: 20%)

On the one hand, this reflects the strategic target of sustainably increasing net income from continuing operations and thus creating the basis for an attractive return for our shareholders. On the other hand, the key strategic focus for adidas to further drive change in the field of sustainability and to move from effective individual initiatives to a scaled and comprehensive sustainability program is integrated into the Executive Board compensation.

The target values for the annual LTIP tranches follow directly from the externally published long-term net income growth targets of the Company and from the sustainability target for the share of sustainable articles offered. With regard to the increase in net income from continuing operations compared to the previous year, taking into account the expected circumstances of the financial year 2022, in particular the elimination of a large portion of the stranded costs related to the Reebok divestiture, the Supervisory Board has set the target value for 100% target achievement at +€ 375 million and therefore at the upper end of the predetermined target value corridor of +€ 225 million to +€ 425 million.

For the 2022 financial year, the following threshold values were defined for the determination of target achievement of the increase in net income from continuing operations and the share of sustainable articles offered:

LTI P 2021/2025: TARGET FIGURES FOR THE 2022 FINANCIAL YEAR

Increase in net income from continuing operations compared to the previous year	Degree of target achievement
+€ 735 million	200%
+€ 555 million	150%
+€ 375 million	100%
+€ 195 million	50%
+€ 15 million	0%

Share of sustainable articles offered¹	Degree of target achievement
78%	200%
74%	150%
70%	100%
66%	50%
62%	0%

¹ Percentage of sustainable articles (by count) offered at the points-of-sale (average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year). The definition of sustainable articles is based on the proportion of environmentally preferred material content of the article weight. For apparel (excluding trims), the environmentally preferred material content is required to amount to at least 70%, for accessories/gear (excluding trims) at least 50% and for footwear (full shoe) at least 20% of the article weight. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

The target achievement of the performance criteria set for the 2022 financial year and the related determination of the variable performance-related compensation will be disclosed in detail in the 2022 Compensation Report.

For the Executive Board

KASPER RORSTED

CHIEF EXECUTIVE OFFICER

February 2022

For the Supervisory Board

THOMAS RABE

CHAIRMAN OF THE SUPERVISORY BOARD

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON EXAMINATION OF THE COMPENSATION REPORT PURSUANT TO § 162 SECTION 3 AKTG

To adidas AG, Herzogenaurach

OPINION

We have formally examined the compensation report of adidas AG, Herzogenaurach, for the financial year from January 1 to December 31, 2021, to determine whether the disclosures pursuant to § 162 section 1 and 2 AktG have been made in the compensation report. In accordance with § 162 section 3 AktG, we have not examined the content of the compensation report. In our opinion, the accompanying compensation report complies, in all material respects, with the disclosure requirements pursuant to § 162 section 1 and 2 AktG. Our opinion does not cover the content of the compensation report.

BASIS FOR OPINION

We conducted our examination of the compensation report in compliance with § 162 section 3 AktG taking into account the *IDW assurance standard: Examination of the compensation report pursuant to § 162 section 3 AktG (IDW AsS 870 (08.2021))*. Our responsibilities under this regulation and this standard are further described in the 'Our Responsibilities' section of our assurance report. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1). We have complied with our professional duties pursuant to the German Public Accountants Act [WPO] and the Professional Charter for Auditors/Chartered Accountants [BS WP/vBP], including the independence requirements.

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Executive Board and the Supervisory Board are responsible for the preparation of the compensation report, including the related disclosures, in accordance with the requirements of § 162 AktG. The Executive Board and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the compensation report that is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the compensation report complies, in all material respects, with the disclosure requirements pursuant to § 162 section 1 and 2 AktG, and to issue an assurance report that includes our opinion. We planned and performed our examination to obtain evidence about the formal completeness of the compensation report by comparing the disclosures made in the compensation report with the disclosures required by § 162 section 1 and 2 AktG. In accordance with § 162 section 3 AktG, we have not examined whether the disclosures are correct or individual disclosures are complete or whether the compensation report is fairly presented.

Munich, February 25, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber-Straßer
Wirtschaftsprüferin
(German Public Auditor)

Schmidt
Wirtschaftsprüfer
(German Public Auditor)

OUR SHARE

Global stock markets were volatile in 2021 but ended the year with a strong performance. The DAX gained almost 16% and the EURO STOXX 50 increased by 21%, in line with the MSCI World Textiles, Apparel and Luxury Goods Index that was up 22%. Despite the company's strong operational and financial performance, the adidas AG share underperformed the broader stock market and ended 2021 with a decrease of 15% compared to the prior year. As a result of the strong operational and financial performance in 2021 as well as Management's confidence in the strength of the company's financial position and long-term growth aspirations, we will propose a dividend per share of € 3.30 at our 2022 Annual General Meeting.

STRONG STOCK MARKET RECOVERY IN 2021

In 2021, the robust recovery of the global economy supported by strong monetary and fiscal stimulus led to a sturdy rebound of global stock markets. Toward the end of the year, the emergence of new coronavirus variants as well as multi-year high inflation levels left their mark on markets around the world. Nevertheless, the DAX gained almost 16% in 2021, while the EURO STOXX 50 and the MSCI World Textiles, Apparel and Luxury Goods Index increased by 21% and 22%, respectively. Despite the company's strong operational and financial performance, the adidas AG share underperformed the broader stock market and ended 2021 with a decrease of 15% compared to the prior year. The challenging market environment in China, ongoing challenges from the covid-19 pandemic and the impact of supply chain disruptions weighed on the development of the adidas AG share.

LEVEL 1 ADR UNDERPERFORMS COMMON STOCK

Our Level 1 ADR closed 2021 at US \$ 144.00, representing a decrease of 21% versus the prior year level (2020: US \$ 182.99). The more pronounced decrease of the Level 1 ADR price compared to the ordinary share price was due to the valuation of the US dollar versus the euro in 2021. The number of Level 1 ADRs outstanding increased to 10.8 million at year-end 2021 compared to 8.9 million at the end of 2020. The average daily trading volume increased to around 65,000 ADRs in 2021 (2020: around 55,000). Further information on our ADR program can be found on our website. ► ADIDAS-GROUP.COM/ADR

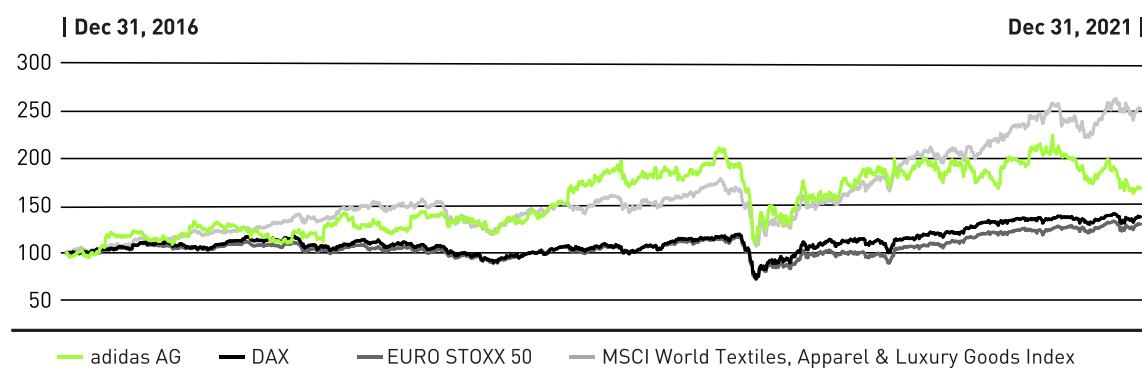
ADIDAS AG SHARE MEMBER OF IMPORTANT INDICES

The adidas AG share is part of a variety of high-quality indices around the world such as the DAX, the EURO STOXX 50 Index as well as the MSCI World Textiles, Apparel and Luxury Goods Index. At December 31, 2021, our weighting in the DAX was 3% (2020: 5% within the DAX 30). Within the DAX, we ranked 12 on market capitalization (2020: 6 within the DAX 30) at year-end 2021. The lower weighting and rank compared to the prior year are mainly related to the expansion of the DAX from 30 to 40 stocks.

PERFORMANCE OF THE ADIDAS AG SHARE AND IMPORTANT INDICES AT YEAR-END 2021 IN %

	1 year	3 years	5 years	10 years
adidas AG	(15)	39	69	418
DAX	16	50	38	130
EURO STOXX 50	21	43	31	54
MSCI World Textiles, Apparel and Luxury Goods Index	22	101	152	249

Source: Bloomberg.

FIVE-YEAR SHARE PRICE DEVELOPMENT¹¹ Index: December 31, 2016 = 100. Source: Bloomberg.**THE ADIDAS AG SHARE**

		2021	2020	Important indices
Number of shares outstanding at year-end ¹	shares	191,594,855	195,066,060	
Basic earnings per share ²	€	7.47	2.31	
Diluted earnings per share ²	€	7.47	2.31	
Year-end price	€	253.20	297.90	
Year high	€	336.25	316.05	
Year low	€	245.00	166.92	
Market capitalization ³	€ in millions	48,512	58,110	— DAX
Dividend per share	€	3.30 ⁴	3.00	— STOXX Europe 50
Dividend payout	€ in millions	632 ⁵	585	— EURO STOXX 50
Dividend payout ratio ²	%	42.4 ⁵	126.8	— MSCI World Textiles, Apparel and Luxury Goods
Dividend yield	%	1.3	1.0	— MSCI World ESG Leaders Index
Shareholders' equity per share ³	€	39.24	33.09	— Deutsche Börse Prime Consumer
Price-earnings ratio at year-end ⁶	x	33.9	128.9	— FTSE4Good Index Series
Average trading volume per trading day ⁷	shares	546,483	808,394	

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 December 31, 2021.⁶ Based on basic EPS from continuing operations.⁷ Based on number of shares traded on all German stock exchanges.

DIVIDEND PROPOSAL OF € 3.30 PER SHARE

As a result of the strong operational and financial performance in 2021, the company's financial position as well as Management's confidence in our long-term growth aspirations, the adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 3.30 per dividend-entitled share to shareholders at the Annual General Meeting on May 12, 2022. This represents an increase of 10% compared to the prior-year dividend (2021: € 3.00). The total payout of € 632 million (2021: € 585 million) reflects a payout ratio of 42.4% of net income from continuing operations based on the number of shares outstanding at December 31, 2021 (2021: 126.8%). This is within the target range of between 30% and 50% of net income from continuing operations as defined in our dividend policy.

ADIDAS RETURNS € 1.6 BILLION TO SHAREHOLDERS IN 2021

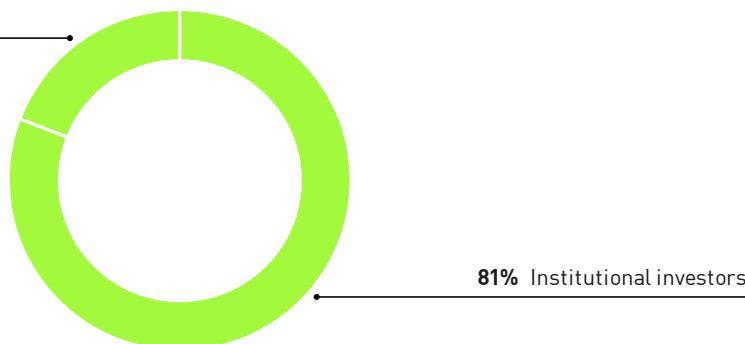
As part of our new strategy 'Own the Game' we plan to share between € 8 billion and € 9 billion with our shareholders in the five-year period between 2021 and 2025 through regular dividend pay-outs in a range of between 30% and 50% of net income from continuing operations and share buybacks. Against this background, the Executive Board decided in June 2021 to start repurchasing shares in the second half of the year. Between July 1 and November 25, 2021, adidas AG bought back 3,471,205 shares for a total amount of € 1 billion. After the completion, adidas decided to cancel a total of 8,316,186 treasury shares, reducing the company's share count and stock capital accordingly. Including the dividend payment of € 585 million in May 2021, adidas AG returned nearly € 1.6 billion to its shareholders in 2021. In addition, the Executive Board decided in December 2021 to launch a multi-year share buyback program. During the course of this program, starting in January 2022, the company plans to repurchase shares in an amount of up to € 4 billion until 2025. Taking the share buyback activity in 2021 into consideration, adidas intends to return up to € 5 billion to its shareholders through regular share buybacks during the five-year strategic cycle.

STRONG INTERNATIONAL INVESTOR BASE

Based on our share register, we estimate that adidas AG currently has more than 125,000 shareholders (2020: more than 115,000). In our latest ownership analysis conducted in January 2022, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 81% of shares outstanding (2020: 86%). Private investors and undisclosed holdings account for 19% (2020: 11%). Lastly, adidas AG currently holds 0.3% of the company's shares as treasury shares (2020: 3%); this decline versus the prior year mainly reflects the cancellation of 8,316,186 treasury shares in November 2021.

SHAREHOLDER STRUCTURE BY INVESTOR GROUP¹

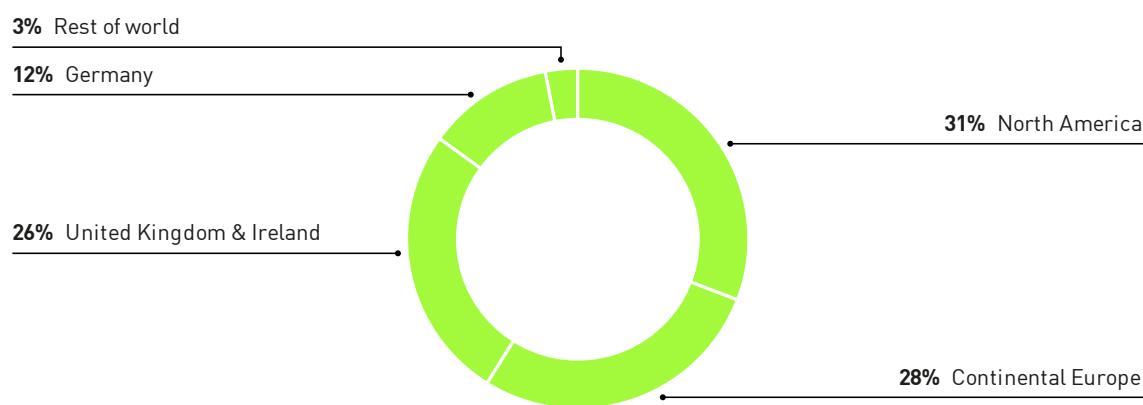
19% Private investors and
undisclosed holdings



¹ As of January 2022.

In terms of geographical distribution, the North American market currently accounts for 31% of institutional shareholdings (2020: 35%), followed by the UK and Ireland with 26% (2020: 26%). Identified German investors hold 12% of institutional shareholdings (2020: 11%). Institutional investors from other continental European countries account for 28% (2020: 24%) and 3% of institutional shareholders were identified in other regions of the world (2020: 3%).

SHAREHOLDER STRUCTURE BY REGION^{1,2}



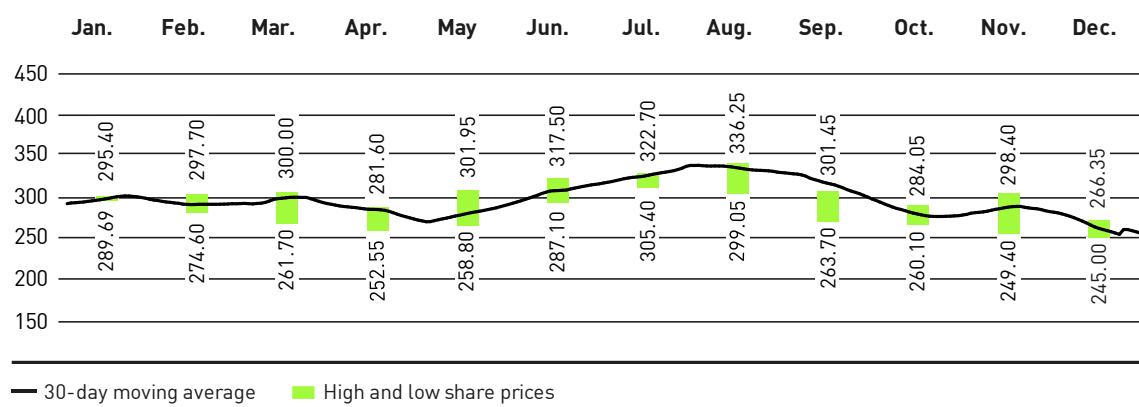
¹ As of January 2022.

² Reflects institutional investors only.

MAJORITY OF ANALYSTS WITH A POSITIVE RATING OF ADIDAS AG SHARE

Around 35 analysts from investment banks and brokerage firms regularly publish research reports on adidas. The majority of analysts recommend to 'buy' our share. This is reflected in the recommendation split for our share as at December 31, 2021. 63% of analysts recommended that investors 'buy' our share (2020: 37%), 31% advised investors to 'hold' our share (2020: 46%), and 6% recommended 'selling' our share (2020: 17%).

ADIDAS AG HIGH AND LOW SHARE PRICES PER MONTH¹ IN €



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

VOTING RIGHTS NOTIFICATIONS PUBLISHED

All voting rights notifications received in 2021 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 ► SEE NOTE 25

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

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STRATEGY

With sport playing an increasingly important role in more and more people's 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 'Own the Game,' which allows us to fully capitalize on the acceleration of favorable long-term structural trends.

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, sustainable leader with a first or second position regarding market share in each strategic category in the long term.

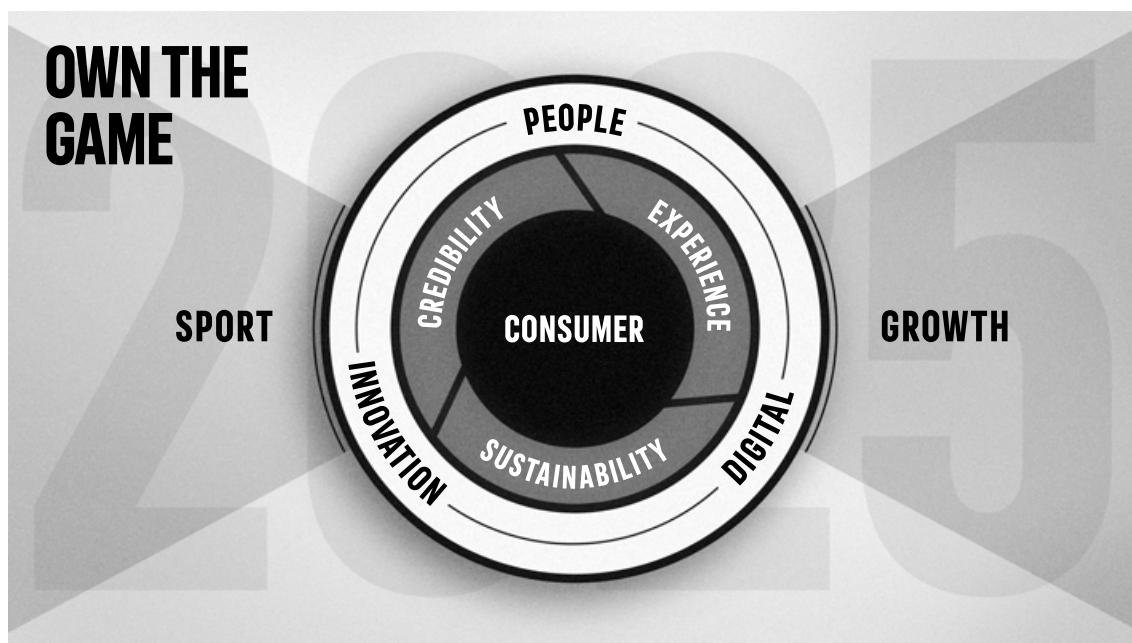
OUR ATTITUDE: IMPOSSIBLE IS NOTHING

We are rebellious optimists driven by action to shape a future together and we see the world with possibilities 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 consumers 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 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' captures those consumer-driven opportunities and carves 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 consumers, 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 empower our people to truly own the game. Our people strategy comprises three key pillars: Leadership, Betterment, and Performance, underpinned by Diversity, Equity, and Inclusion.

- **Leadership:** We grow our people to demonstrate leadership at all levels of the organization, to empower and inspire others, so that everyone can realize their potential in our company. By taking ownership, showing courage and driving innovation our people can own the game.
- **Betterment:** We are committed to building the strategic capabilities required to execute our strategy. We do so by creating an employee experience that attracts talent and provides relevant learning and career-building opportunities to upskill and reskill for the future.
- **Performance:** We evolve our performance management philosophy to clearly articulate our ambition to win, to play by our values, to embed a strong feedback culture, and to recognize both outstanding individual and team results.
- **Diversity, Equity, and Inclusion:** We are committed to providing an equal starting line for all our people, ensuring that everyone has the same career opportunities. One of our commitments is to increase the share of women in management positions (Director level and above) globally to more than 40% by 2025.

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 sharpen our brand, refine our product offering and leverage partnerships to further enhance our credibility with consumers.

- **Sport:** We 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 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 extend Originals, which is inspired by sport and worn on the street, into the premium segment through top-quality materials and craftsmanship.
- **Women:** We execute 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 between 2021 and 2025, thereby significantly increasing the Women's share of our overall business.

- **Partnerships:** We amplify our credibility through our partnerships by leveraging their power, authenticity, and reach. We expand our portfolio of partners, which already includes Beyoncé, Jerry Lorenzo, Kanye West, Pharrell Williams, Stella McCartney, and Yohji Yamamoto, all of whom continue to play a significant role in wowing our consumers on the lifestyle side. Likewise, we 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 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. Through membership, we reward engagement and purchasing activity by offering exclusive hype products, access to launches and special events, and more. 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. In 2021, we reached 240 million members and are well on track to achieve our 2025 ambition.
- **DTC-led:** E-commerce continues to be our most important store. Both adidas.com and the adidas app are seeing enhancements across the entire consumer journey. By 2025, our e-commerce business is expected to account for between € 8 billion and € 9 billion of our company's net sales. In 2021, we reached a level of € 3.942 billion. While e-commerce is the pinnacle of our DTC strategy, our physical stores continue to play a crucial role in creating a physical and emotional connection with our brand. Retail formats will be digitized with fully fledged omni-channel capabilities. The DTC business, comprising our e-commerce as well as our physical stores, is projected to account for around half of the company's net sales by 2025. In 2021, our DTC business accounted for 38% of the company's net sales. We 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 Tokyo, Shanghai, Paris, London, New York and Los Angeles 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 focus 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, which are expected to jointly account for around 90% of net sales growth until 2025.

SUSTAINABILITY

Our commitment to sustainability is truly holistic and deeply embedded into how we have done business for over two decades. It's rooted in our purpose 'Through sport, we have the power to change lives.' As we continue to be pioneers in sustainability, we move from strong stand-alone initiatives to a comprehensive consumer-facing program with a sustainability offering at scale.

- **What we offer:** We keep pushing the boundaries of our sustainable offering, so that our consumers are able to choose from a uniquely comprehensive range. By 2025, nine out of ten of our articles will be sustainable. How we 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 articles as sustainable when they show environmental benefits versus conventional articles due to the materials used, meaning they are – to a significant degree – made with environmentally preferred materials.

- **What we do:** We are committed to reducing the CO₂e footprint of our product offerings as we work to reach climate neutrality by 2050. We 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 are 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 communicate clearly and consistently, with simple measures that make it easy to understand our ambitions and our progress.

INNOVATION AND DIGITAL

Two strategic enablers 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 strategic enablers are 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 enables 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 period between 2021 and 2025, where 2021 is the base year.
- **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 period between 2021 and 2025, where 2021 is the base year.
- **Invest in 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. In 2021, we bought back shares in an amount of € 1 billion. Including the dividend payment of € 585 million in May, we already returned nearly € 1.6 billion to our shareholders during the first year of 'Own the Game.'

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. We believe that through sport, we have the power to change lives. This is our purpose, and we live it every day by expanding the limits of human possibilities, including and uniting people in sport and creating a more sustainable world. For us to continue to transcend cultures and remain one of the most recognized and iconic brands, on and off the field of play, we need to maintain credibility. This means delivering groundbreaking innovations in sports, as well as cutting-edge fashion items that are culturally relevant. As we are continuously sharpening our edges in adidas 'Performance' and 'Lifestyle', we have introduced our new 'Sportswear' proposition as a part of adidas' updated brand architecture.

With the first collection launching in 2022, 'Sportswear' will be the modern product born from sport and worn for style, enabling self-expression and comfort. adidas 'Performance' is built and worn for sport, focusing on providing the athlete with the best product to enable them to perform inside the lines of the playing field. Leading our fashion and luxury segment, adidas Originals is inspired by sport and worn on the streets. The Trefoil will celebrate iconic products that connect to culture, leveraging our exceptional archive, and expanding into new premium segments.

ICONIC PRODUCT FRANCHISES

We are convinced that footwear has the highest influence on brand perception among product categories and is a powerful driver of consumer desire, a proven lever for growing market share. Access to athlete data, cutting-edge technological innovations and an archive that is unrivaled in the industry provide deep insights and ample opportunity to create newness and innovation in footwear, adding new chapters to our brand's 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. Simply put, franchises are our most iconic symbols of sport and culture acting as lighthouses for our brand. Franchises not only shape sport, but also influence culture. They offer the best of adidas to the consumer while creating new trends and building brand equity. They are directly targeted at the consumer through iconic designs, functionality and unique stories, and have the potential to be iterated and expanded over time. Their life cycles are tightly managed to ensure longevity and relevance with the consumer. Key footwear franchises for the adidas brand include, among others, Ultraboost, NMD, and Superstar. In 2021, key footwear franchises of the adidas brand represented more than 35% of its footwear business. On the apparel side, the brand continues to build out franchises such as the MyShelter Jacket, the Tiro Pant, and the Z.N.E. Hoodie.

BRAND DESIRABILITY FUELED BY INNOVATION AND 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 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 groundbreaking technologies and processes to life, investing in sustainability, and exploring all the possibilities of digitalization. Technologies such as Boost, Lightstrike, Repetitor, 4D, and Strung are proof points for our broader technology and innovation approach.

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 analyses 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 also collaborate with athletes and consumers, universities and innovative companies, as well as national and international governments and research organizations. We are enhancing our innovative collaboration with both our established partners such as BASF, Carbon, Parley for the Oceans and Allbirds, whilst simultaneously seeking out new ones such as Pond Biomaterials, Spinnova, and Bolt Threads.

COMMERCIALIZATION OF 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.

We have a long heritage of innovation and strive to provide athletes with the best by creating high-performance, competitive products. In 2021, we continued to serve consumers with innovative technologies, materials and sustainable concepts built into our products:

- **4DFWD:** With this, adidas has accelerated 4D's development from a conceptual innovation to a running shoe available in large quantities and multiple variations that will continue to be scaled further. The adidas 4D concept features midsoles 3D-printed with light and oxygen using Digital Light Synthesis, a unique technology developed by Carbon, to produce high-performance footwear. The new adidas 4DFWD lattice midsole was chosen from one of five million possible structures and is made of 40% bio-based material. The FWDcell redirects vertical impact forces forward leading to a 15% reduction of peak braking force experienced by the athlete. The midsole pioneers a digital footwear component creation process that eliminates the necessity of traditional prototyping or molding.
- **Adizero Adios Pro 2:** The new iteration of our record-breaking elite performance shoe represents the pinnacle of our running product offer. The shoe features two layers of re-sculpted Lightstrike Pro midsole and the signature carbon-infused EnergyRODS. These are designed to mimic the foot's metatarsals, delivering an anatomically driven transition from heel to toe, limiting energy loss and providing a propulsive feeling. Beyond this, we were able to reduce the weight of the midsole, alter the upper for a more natural fit, and add a Continental rubber outsole for better grip. The adizero Adios Pro 2 is a high-performance running shoe created for elite athletes and was developed in collaboration with some of the fastest athletes in the world. Since its launch, our athletes were able to break six world records with this franchise.

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- **Futurenatural:** Foot scans of thousands of basketball athletes worldwide were analyzed to create a new last, or shoe mold that delivers an anatomically correct representation of an athlete's foot. The one-piece shoe mold works with an athlete's natural movement to unlock total freedom of movement and dynamic angles. The first iteration of the technology applied to footwear was featured on James Harden's fifth signature basketball sneaker, the Harden Vol. 5. The textured upper of the shoe is forged using extreme pressure from all directions and then assembled to the outsole creating a seamless design. This offers the athlete a superior stability and full ground contact for a natural feel.
 - **Predator Freak Vegan:** With this, we revealed our first 100% vegan football boot, designed in collaboration with Paul Pogba and Stella McCartney. The limited-edition boot offers the latest performance innovations from the Predator franchise with vegan materials and components that meet the requirements of football players on all levels. adidas Demonskin rubber spikes in signal orange were calibrated by a computer algorithm to afford improved ball control and swerve.
 - **Made To Be Remade (MTBR):** The concept was introduced in 2019 with the Futurecraft.Loop but has come a long way since. In 2021, we have increased our MTBR product line-up and made progress in our efforts toward circularity. Every MTBR product has a QR code attached to it, functioning as a gateway to a digital experience, educating and engaging consumers whilst also enabling them to return the product. We are excited to be scaling MTBR across franchises with the Stan Smith and Terrex Free Hiker having joined the line-up alongside the Ultraboost. Furthermore, our offering was expanded by new MTBR Running and adidas by Stella McCartney apparel. With this, we are offering performance- and lifestyle-focused MTBR footwear and apparel at a greater scale, providing more choice to our consumers.
 - **adidas x Allbirds Futurecraft.Footprint:** Seeing the possibilities of accelerating a carbon-neutral future for sports and style, we teamed up with Allbirds to create a performance running shoe with a carbon footprint of merely 2.94kg (measured against a comparable running shoe: adizero RC3 at 7.86kg CO₂e emission) – a personal best for both brands. It is the result of a collective ambition to make a performance running shoe with no carbon footprint. In under 12 months, we reimaged materials, manufacturing techniques, and even packaging to reach the lowest possible CO₂e impact – whilst chasing the vision for a low-carbon shoe without compromising performance.

Beyond innovative technologies, sustainable concepts, and materials, key products and collaborations of the 2021 business year include:

- **Techfit Period-Proof Tights:** These are part of our commitment to better support the needs of our diverse female community. We set out to create a product that helps athletes stay in sport throughout their cycle by giving them an added layer of protection. After over two years of development and rigorous testing, the Techfit Period-Proof Tights have a set of absorbent layers and a membrane that help protect against leaks thanks to our new Flow Shield technology, giving athletes added confidence whilst training through their period. The Techfit Period-Proof collection was our first step in creating performance wear that supports women during their period, with more to come down the line.
- **Blue Version:** This is the pinnacle of our apparel range as a fashion concept. The collection represents a selection of our most iconic adidas Originals pieces which are authentically premiumized. The products show that Originals – then, now, and in the future – can influence generations through high-quality lifestyle products inspired by sportswear.

- **Forum:** This sneaker shaped basketball culture in the 1980s. Designed to help players improve their game, it dominated the court and later took over the streetwear scene. In 2021, the silhouette was re-introduced to a new generation, supported through many exciting collaborative drops such as the 'Bad Bunny Forum Back to School' sneaker. Here, adidas Originals and rapper Bad Bunny teamed up for a new take on the silhouette.
- **adidas x Marimekko:** In 2021, we unveiled a debut line with Marimekko, marking the first-ever sports apparel collaboration for the iconic Finnish design house. The limited-edition collection featured a lineup of beautiful, bold pieces that blend Marimekko's art of printmaking and functional style with adidas' expertise in sports performance. The collaboration marked a true collision of icons, with a shared history of pushing boundaries of innovation and style for over seven decades. The all-female teams worked side by side to explore Marimekko's vaults to handpick timeless prints for this collection and beyond.

IMPACTFUL AND 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 main drivers:

- **Brand drivers:** Brand campaigns are at the pinnacle of our communication strategy. They demonstrate our purpose 'Through sport, we have the power to change lives,' conveying to consumers what adidas stands for, and driving a globally consistent positioning. Furthermore, brand campaigns support adidas' brand priorities of sport and culture credibility, sustainability, and inclusivity 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 Forum). 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.
- **Impossible is Nothing:** In 2021, adidas (re-)launched the brand campaign 'Impossible is Nothing' to impactfully demonstrate the brand attitude of rebellious optimism told through the stories of sports marketing partners and entertainment influencers across categories globally. 'Impossible is Nothing' was originally introduced in 2004 (with Muhammad Ali) and is now brought to a new generation of athletes, artists, and consumers. When we relaunched our 'Impossible is Nothing' brand campaign in spring 2021, optimism in the world was in short supply. Yet adidas chose to see possibilities. We partnered with athletes and artists around the globe to share their stories of hope, inclusion, sustainability, and belonging, inspiring all people to see their own possibilities. The 'Impossible is Nothing' brand attitude launched in 50 countries resulting in over one billion social media views, garnering over 18 million engagements. The campaign connected with people who see themselves and their own story in the narrative. In fall/winter 2021, our 'Impossible is Nothing' campaign continued with more stories focused on 'innovation' with the adizero franchise, and 'credibility' with Lionel Messi, Peres Jepchirchir, and Candace Parker.

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- **Members Week:** To continue the success of ‘Members Week 2020,’ we held this week-long digital festival twice in 2021 to celebrate the best of adidas, bringing together some of the biggest artists and athletes for consumers. During Members Week in May, an exciting list of raffle opportunities was offered to members to win exclusive products and experiences. Items included digital meet and greets with top athletes such as Dominic Thiem and a giveaway of tickets for the UEFA EURO final and semi-final games. The Members Week in August was kicked off with a celebration of Lionel Messi as well as the Ivy Park Rodeo collection. Synced with Members Week, the celebration was expanded to the Confirmed app for the sneakerheads and streetwear community. Members were eligible to win tickets, which would get them a guaranteed shot at exclusive drops of collaborations with Pharrell Williams, Kerwin Frost, and Jeremy Scott.

In terms of partners and athletes, while being conscious of overall marketing spend, we will continue to bring our products to the biggest stages in the world through:

- **Events with global reach:** FIFA Men’s World Cup, UEFA Women’s EURO, UEFA Champions League (men’s and women’s), 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, national Olympic associations such as the British Olympic Association and German Olympic Sports Confederation as well as American universities such as the University of Miami, Arizona State University, University of Washington, and Texas A&M University.
- **High-profile individuals:** Football stars Lionel Messi, Mo Salah, Paul Pogba, Serge Gnabry, Manuel Neuer, Heung-min Son, Vivianne Miedema, Wendie Renard and Jürgen Klopp; basketball stars Candace Parker, Damian Lillard, Donovan Mitchell, James Harden, Trae Young and Derrick Rose; American football players Patrick Mahomes, Aaron Rodgers, JuJu Smith-Schuster, and Trevor Lawrence as well as tennis stars Garbiñe Muguruza, Alexander Zverev, Dominic Thiem and Stefanos Tsitsipas, alpine skier Mikaela Shiffrin, and outdoor athletes Sasha DiGiulian and Danny MacAskill.

GLOBAL SALES

TRANSFORMING THE MARKETPLACE

Our Global Sales function drives the commercial performance of the company by converting brand desire into profitable and sustained 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 2021 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 nearly 2,200 own-retail stores and our own e-commerce channel, our single biggest store available to consumers in nearly 60 countries.

IMPACT OF THE CORONAVIRUS PANDEMIC

The global outbreak of the coronavirus in 2020 continued to impact our store network in 2021 with a significant number of temporary store closures – both own and partner-operated, with some markets more heavily impacted than others. The pronounced traffic reduction within the store fleet had a negative impact on our sales development.

To meet the challenges we had to face in our business, we continued our focus on e-commerce, as the one fully operational store at all times. Through targeted consumer marketing, exclusive product launches, and prioritized supply chain management we continued our sales efforts to drive continued e-commerce growth even as the overall environment normalized and despite facing significantly higher sales compared to prior year periods. ▶ SEE GLOBAL OPERATIONS

In 2021, we continued the rapid acceleration of digital tools and omni-channel services. We also leveraged our digital capabilities to allow for safe and convenient shopping experiences when stores reopened. Health and safety guidelines and processes were a priority to protect our staff and consumers and to ensure our consumers felt safe upon returning to our stores.

2021 CHANNEL MIX

While we continued to drive the shift from Wholesale to DTC channels, we saw a normalization of the channel mix in 2021. 2020 saw exceptional growth in e-commerce as a result of retail store closures, which was counterbalanced in 2021 when stores reopened. In 2021, the share of DTC business, consisting of own-retail and e-commerce sales, decreased to 38% (2020: 41%). Wholesale accounted for 62% of total net sales (2020: 59%). Our 'Creators Club' membership program has reached 240 million members across 26 countries, enabling us to build direct relationships with our consumers.

NET SALES BY CHANNEL¹

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

E-COMMERCE

In e-commerce, we showcase our brand differentiators such as exclusive products or engaging member experiences. Through scaling and expanding our e-commerce platform, we create business impact and efficiencies. Our own e-commerce grew 4% in 2021 to € 3.942 billion, as we leveraged strong momentum from major sporting events like the UEFA EURO 2020 and Tokyo 2020 Olympics as well as 'Run for the Oceans' and the launch of new product across our key categories. We continued to focus on digital acceleration by moving available inventory to e-commerce, expanding our digital content studio in Amsterdam, Portland, and Shanghai, as well as focusing our marketing and tech budget toward digital, assuring our day-to-day decisions were data-driven with a clear focus on consumer insights and trends.

We continued the work toward premium, connected, and personalized shopping experiences that enable direct relationships with our consumers. In addition to our adidas e-commerce platform, which is available in 58 countries, our adidas app strategy continued to fuel our mobile and member focus and has reached over 45 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 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. One of these experiences is 'Members Week,' a digital week-long activation for members only that we launched in 2020. To continue the success of 'Members Week 2020,' we decided to hold the event twice in 2021. In addition, our sports apps contribute to amplifying our purpose 'Through sport we have the power to change lives,' and sports engagement is proving to drive increased sales and membership. As an example, in 2021, we have set new participation records in engagement activities such as 'Run for the Oceans,' which reached five million participants with our sports apps and connected partners. The success of our membership program is visible in key metrics such as increased consumer satisfaction as well as a consumer lifetime value that is more than twice as high compared to non-members.

As our latest and most premium touchpoint for sneakerheads and style, we expanded the Confirmed app to Europe, Japan, and Canada, continuing its contribution to revenue growth in digital and increased consumer engagement. This app brings our most coveted and premium product to our consumers in the easiest, fairest, and most elevated way.

RETAIL

Our nearly 2,200 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 our consumers' needs when shopping for our product and connecting with the essence of our brand.

In 2021, we again increased the number of flagship stores and brand centers with a clear focus on digitalization, personalization, and a seamless premium consumer experience across all touchpoints. Brand flagship stores continue to be our focus in 'Key Cities.' We continue to elevate these Key Cities with additional flagship stores to drive premium experiences and next-level human connection. The new flagship store in Berlin leads with a strong women focus and an enhanced sustainability area that supports our global sustainability focus. The new flagship store in the center of Moscow will, for the first time, provide dedicated space to our members, connecting the physical and digital space. In Shanghai, we opened our first Terrex flagship store, designed as a destination that integrates sustainable design concept and interactive digital technologies to push the limits of connecting the consumer experience with outdoor adventure. Within our concept stores, we landed our latest retail concept, adidas 'Home of Sport.' We opened our new brand beacon store in Hamburg in November, which celebrates our past and embraces the future in retail. At the other end of the scale, we are working on shifting our factory outlet business from a clearance-focused channel to a commercial engine driving profitability. In North America, we piloted our first factory outlet store with 'The Pulse,' our newly developed retail concept for the value channel, designed to elevate brand storytelling, showcasing our products and integrating omni-channel solutions.

WHOLESALE

In 2021, customers returned to an environment of digitally enabled physical multi-brand stores which led to strong growth in wholesale. 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. We continued to proactively manage our orderbook to make stock accessible to all channels and customers, both online and offline. We invested in further digitalizing our sales processes, leveraging our digital tools and infrastructure to facilitate remote sell-in meetings, and we increased profitability by reducing the number of undifferentiated accounts. We have identified our 80 most important multi-brand and franchise customers. These 'Alliance Accounts' consist of 40 key accounts to deliver consumer reach and 40 influencers to authenticate the brand. Our top Alliance Accounts in North America, EMEA, and Latin America drove the 2021 wholesale growth, and as part of our wholesale transformation, we will elevate our service level towards the accounts to drive even further growth. Through leveraging our strong cross-functional partnerships with the Alliance Accounts 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 invested 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 access to our products by connecting our systems to their digital platforms so they can gain access to our inventory. 2021 saw the roll-out of our 'Partner Program' to new partners, markets, and locations, enabling us to fill gaps in their size availability and offer an extended range of products to their consumers. 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 2021, we have progressed well in making our teams, tools, and processes future-proof to further scale in 2022. We continued to invest into digitalization in wholesale through roll-outs and improvements of tools in new markets like North America and China. There are now five out of six digital tools live and ready to scale: 'Click' – our B2B online shop, 'S.Core' – our one-stop-shop for sales, 'Assist' – our one-stop-shop for customer service, 'Marketing Cloud' – our customer engagement and communication tool and lastly the 'Digital Showroom,' which has allowed us to design our remote sell-in meetings in a much more engaging way using 3D digital samples and even improve our orderbook compared to previous seasons.

STORES BY CONCEPT TYPE¹



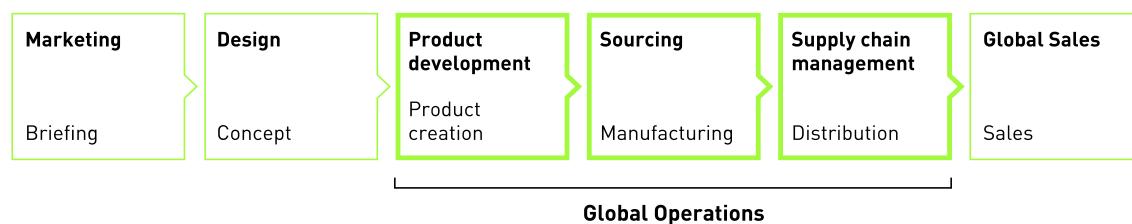
¹ Figures reflect the expected divestiture of the Reebok business.

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 that drive our sustainability ambitions and are available when and where the consumer wants them.

Global Operations delivers upon our 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, enabling product availability through an omni-channel approach. Thereby, Global Operations contributes to delivering the best experience to our customers and consumers.

GLOBAL OPERATIONS IN GO-TO-MARKET PROCESS



IMPACT OF GLOBAL CRISES ON OUR OPERATIONS

Global Operations continued to respond with speed and agility in addressing challenges emanating from the ongoing coronavirus pandemic and inbound supply challenges.

Our manufacturing partners continued to deal with facility closures and reduced working hours due to spikes in coronavirus cases and resulting government-administered lockdowns. The highest impact was seen from closures in Vietnam. We took several measures to secure additional capacity, expedited transit modes to avoid delays and moved production to our other source countries, leveraging the agility of our global supply base. All measures taken maintained our suppliers' production capacities for upcoming seasons and were managed with a cost-conscious view.

We also faced inbound challenges related to availability of shipping containers and port congestions. We acted swiftly, securing air freight and rail capacities, managing ocean freight carriers and adjusting planning processes for early shipments.

Taken together, these actions have limited the negative impact on product availability and consumer delivery time.

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 2021, we worked with 114 independent manufacturing partners (2020: 132) that were producing in 234 manufacturing facilities (2020: 277). The majority (71%) of our independent manufacturing partners are located in Asia (2020: 68%).

We value long-term relationships: 65% of our independent manufacturing partners have worked with adidas for at least ten years and 35% have a tenure of more than 20 years. ►

RELATIONSHIPS WITH INDEPENDENT MANUFACTURING PARTNERS¹

	Total	Footwear	Apparel	Accessories and Gear
Number of independent manufacturing partners ²	114	21	61	33
Average years as independent manufacturing partner	19.6	22.7	18.7	19.2
Relationship < 10 years	35%	38%	29%	43%
Relationship 10 – 20 years	30%	29%	38%	18%
Relationship > 20 years	35%	33%	33%	39%

¹ Figures reflect the expected divestiture of the Reebok business.

² Includes one manufacturing partner who produces both footwear and apparel.

Relationships >20 years

35%

► Overall, our independent manufacturing partners produced 938 million pieces of apparel, footwear, and accessories and gear in 2021 (2020: 943 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 the delivery and efficiency performance of our partners. Adherence to social and environmental standards is also promoted throughout our supply chain. The current list of our independent manufacturing partners can be found on our website. ► ► SEE SUSTAINABILITY

► ADIDAS-GROUP.COM/S/SUSTAINABILITY

INDONESIA BECOMES LARGEST FOOTWEAR SOURCING COUNTRY

► 96% of our total 2021 footwear volume was produced in Asia (2020: 97%). Production volumes in Vietnam declined due to government-mandated covid-19 lockdowns. For that reason, Vietnam was not our largest footwear sourcing country last year. In 2021, Indonesia represented our largest sourcing country with 36% of the total volume (2020: 29%), followed by Vietnam with 30% (2020: 42%) and China with 15% (2020: 15%). In 2021, our footwear manufacturing partners produced approximately 340 million pairs of shoes (2020: 379 million pairs). Our largest footwear factory produced approximately 8% of the footwear sourcing volume (2020: 8%). ►

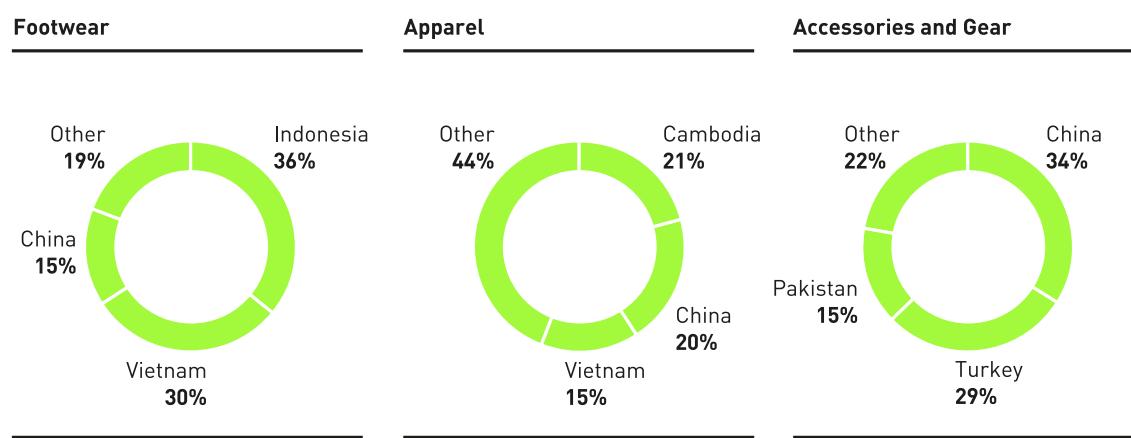
CAMBODIA REMAINS LARGEST SOURCE COUNTRY FOR APPAREL

- In 2021, we sourced 91% of the total apparel volume from Asia (2020: 93%). Cambodia is the largest sourcing country, representing 21% of the produced volume (2020: 22%), followed by China with 20% (2020: 20%) and Vietnam with 15% (2020: 21%).
- In total, our manufacturing partners produced approximately 482 million units of apparel in 2021 (2020: 465 million units). The largest apparel factory produced approximately 11% of this apparel volume (2020: 11%). Overall, apparel production is more fragmented than footwear.

CHINA REMAINS MAIN SOURCE COUNTRY FOR ACCESSORIES AND GEAR

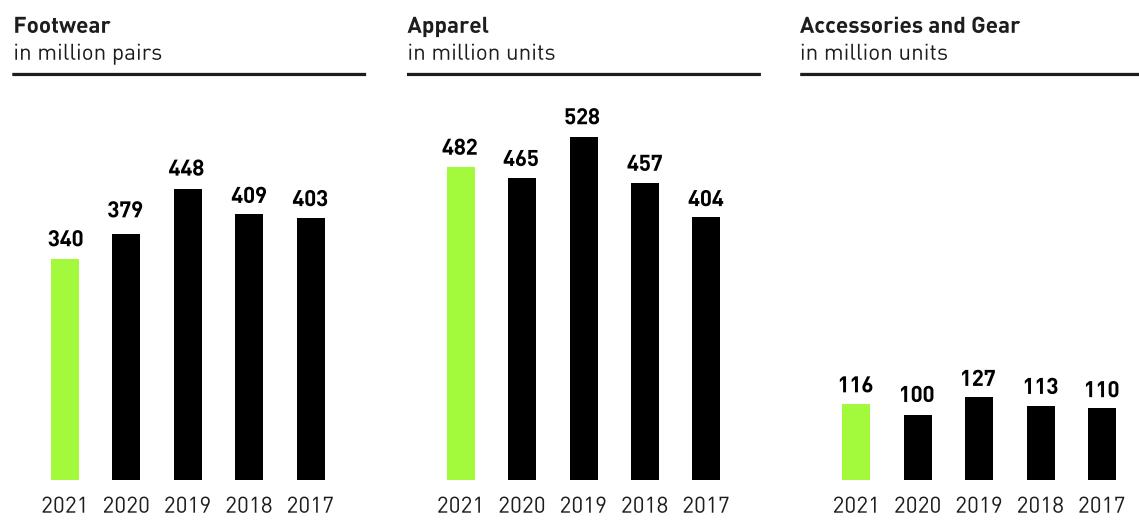
- In 2021, 69% of our accessories and gear, such as balls and bags, were produced in Asia (2020: 77%). China remained our largest sourcing country, accounting for 34% of the sourced volume (2020: 36%), followed by Turkey with 29% (2020: 21%) and Pakistan with 15% (2020: 16%).
- The total accessories and gear sourcing volume was approximately 116 million units (2020: 100 million units), with the largest factory accounting for 21% of production (2020: 21%).

WORLDWIDE PRODUCTION VOLUMES BY COUNTRY¹



¹ Figures reflect the expected divestiture of the Reebok business.

TOTAL PRODUCTION VOLUMES BY CATEGORY¹



¹ 2021 figures reflect the expected divestiture of the Reebok business.

AGILE AND EFFICIENT DISTRIBUTION CENTER NETWORK

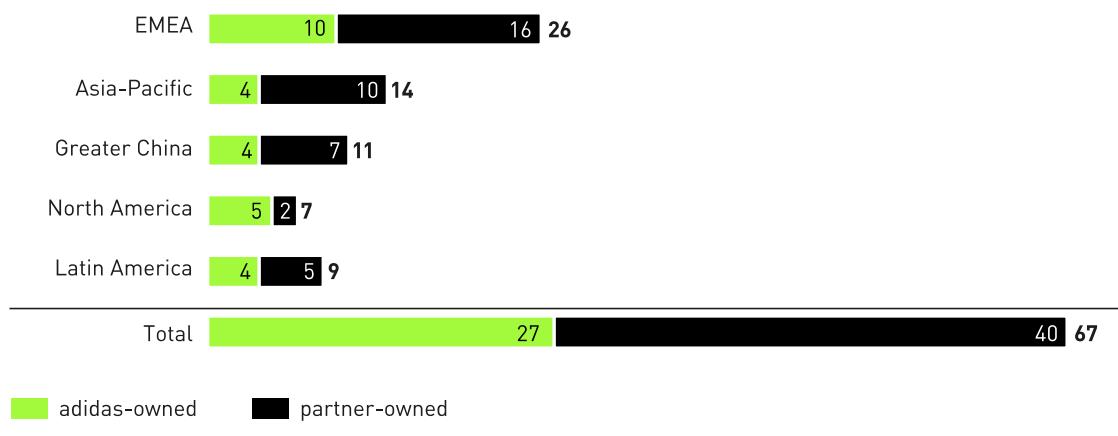
By following a clear strategic framework, we enhanced our distribution center landscape in 2021 through process automation, system upgrades, and distribution center capacity expansion. These enhancements helped us to improve e-commerce service levels and provide more delivery choices with an overall broader product availability.

Overall, our global distribution network consists of 67 distribution centers, enabling us to service our global demand efficiently and effectively. We operate distribution centers in all our markets, with 26 distribution centers in EMEA, eleven in Greater China, 14 in Asia-Pacific, seven in North America, and nine in Latin America.

Through own and partnership best-in-class execution, Global Operations ensures that the health and safety of both employees and consumers is maintained equally. Of the 67 distribution centers that make our global network, 27 are owned and operated by adidas, and 40 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 point of sale, 21 of our distribution centers are set up to serve all our channels, 37 are specialized to serve our retail and wholesale customers, and nine distribution centers 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 REGION¹



¹ Figures reflect continuing and discontinued operations.

ON-TIME IN-FULL DELIVERY TO OUR CONSUMERS

Global Operations strives to develop, produce, source, and distribute ordered articles on time and in full. Therefore, we track two KPIs: 'On-Time-Available' ('OTA') and 'On-Time In-Full' ('OTIF'). OTA measures on-time-available product for both our wholesale customers and own-retail stores. OTIF represents the in-full delivery of our products by the request date of our own-retail stores only, as part of our DTC-led strategy. With the introduction of OTA in 2021, we have changed the scope of OTIF compared to prior years where wholesale and franchise customers were still included.

As a ripple effect of coronavirus restrictions, the factory shutdowns in Asia, container shortages, and port congestions impacted our ability to provide the highest product availability in our distribution centers. This heavily impacted our OTA KPI in the second half of the year as further lockdowns came into force. The effects of these lockdowns could not be entirely mitigated despite diligent management and prioritization in the first half of the year. In 2021, adidas deliveries were 87% on time for adidas brand products (2020: 89%).

Despite availability challenges, OTIF exceeded its ambition through prioritization of product and an aligned planning process. This resulted in stable delivery performance throughout the year of our own-retail stores against the request dates. In 2021, adidas delivered 83% of its adidas brand products on time and in full (2020: 68%), laying a strong foundation for the 2025 OTIF ambition of 90%.

OUR PEOPLE

At adidas, we believe that our people are the key to the company's success. Their performance, well-being, and personal development have a significant impact on brand desire, consumer satisfaction, and, ultimately, our financial performance. To support the execution of our new strategy 'Own the Game,' the people strategy comprises three key pillars: Leadership, Betterment, and Performance, all underpinned by 'Diversity, Equity, and Inclusion' ('DEI').

These pillars seek to focus our efforts on people and culture through:

- attracting and engaging key talent,
- building role model leaders that empower people,
- creating a premier employee experience,
- instilling a mindset of continuous learning,
- recognizing and rewarding both individual and team performance,
- embedding 'DEI' even further into our culture.

▶ SEE STRATEGY ▶ ADIDAS-GROUP.COM/S/EMPLOYEES

MEASURING THE SUCCESS OF OUR PEOPLE INITIATIVES

With the launch of our new people strategy, we have defined primary KPIs by which we will measure its success. These include our progress in relation to women in management positions, top talent turnover, and employee sentiment, among others. Through regular tracking of our KPIs, we are able to remain agile in our approach to initiatives, ensuring that we are responding to the needs of our employees, as well as our business.

EXPERIENCE AND ENGAGEMENT

We are convinced that listening to employees plays a crucial role in our pursuit of creating a best-in-class 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. In support of this thinking, we launched the 'Employee Listening Survey' – our new approach to measure the level of employee engagement and experience that adidas provides as an employer – for all employees in retail and corporate globally, with distribution center employees being integrated in 2022.

Out of the employees asked to participate, 72% completed the survey, with the rate for corporate employees at 75% and retail at 70%. The overall engagement score was 70% favorable and our results showed a high 'intent to stay' of employees, exceeding our external benchmark. Within the survey analysis we were able to examine how experience moments and engagement drivers influence engagement, well-being, inclusion, and intent to stay for our employees. This analysis showed our employees have strong satisfaction with important topics such as the ability to perform their daily role and learning within adidas. At the same time, it also highlighted several areas of opportunity based on which our HR department will build action plans to focus on during 2022. It is our intention to run an annual Employee Listening Survey moving forward.

ATTRACTION AND RETENTION OF TALENT

2021 brought global social and economic changes which also impacted business landscapes and candidate markets. Talent attraction in 2021 intensified with hyper-competitive market conditions. To remain competitive, adidas focused on what makes our company a top place to work, while simultaneously striving to meet the ambitious growth targets set forth by our 2025 'Own the Game' strategy.

Our 'employer of choice' status continues to garner worldwide recognition as we were named in Forbes' 'The World's Best Employers 2021' as top in our category and 14th overall. Additionally, we remain on Universum's 'World's Most Attractive Employers 2021' rankings for Business, IT, and Engineering students worldwide.

Throughout 2021, we focused on embedding 'DEI' into our recruitment processes, through various specialized programs that aim to:

- eliminate hiring bias,
- create employment pathways for retail employees to access corporate career opportunities,
- partner with other organizations and our internal Employee Resource Groups ('ERGs') to drive key messages around inclusive hiring, and
- continue the education of our stakeholders on an inclusive hiring mindset.

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

- **Apprenticeship Program 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' offers students theoretical and practical experience at adidas. It consists of a three- to three-and-a-half-year rotation program, including at least one three- to six-month international rotation.

In 2021, we offered programs in several business areas, such as digital, e-commerce, digital media, visual marketing, finance, IT, retail, logistics, or shoe finishing. At the end of 2021, we employed 47 apprentices in Germany (2020: 49) and 46 dual students (2020: 38). Of these apprentices and dual students, ten were hired as a part of our 'Integration Program,' which provides opportunities for those from underrepresented backgrounds to achieve equal and equitable opportunities in the workplace.

- **Internships:** Our internship programs provide students with a three- to six-month work and developmental opportunity within adidas, accompanied by robust internship programming elements including professional development, mentorship and networking events. Our goal is to ensure we retain top-performing interns and convert them into full-time employees. In 2021, we employed 70 interns based in Germany (2020: 114).

adidas saw multiple markets and functions expand in 2021, resulting in a 136% increase in hires from 2020. We have welcomed 73 executives for senior positions, coming from both internal movements and a variety of companies including Nike, Lululemon, Nestlé, Starbucks, Amazon, Tapestry, Zalando, and BCG.

LEADERSHIP DEVELOPMENT EXPERIENCES

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

We offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. These include the 'People Leader Experience' ('PLE') '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, as well as being aligned to our values. In 2021, 1,885 employees enrolled in 'MDE' or 'DDE,' and of those 1,444 employees graduated the programs through a virtual experience. Additionally, 1,705 people leaders and/or those who aspire to lead people enrolled in 'PLE,' with 1,437 completing the program through a virtual, collaborative experience.

SUCCESSION MANAGEMENT AND LEADERSHIP GROUPS

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.

We have five 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 remaining three groups focus on developing global, regional, local, and functional succession pipelines at different levels.

- The '**Core Leadership Group**' 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**' 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 High Potential Group' and 'Local High Potential Group.' 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. The second 'GHIPO' generation with approximately 40 members and a balanced gender split completed their development experience in the first quarter of 2021. At the end of 2021, 85% of the active and alumni 'GHIPO' participants made positive career movements through either a promotion to the next level or lateral, cross-cultural, or cross-functional moves.
- The '**Local High Potential Group**' ('LHIPO') 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 second 'LHIPO' generation, made up of approximately 170 members of 41 different nationalities, representing all markets and functions, concluded their development journey in the fourth quarter of 2021. 55% of the members of this group are female. By the end of 2021, nearly half of the active and alumni 'LHIPO' participants made positive career movements through either a promotion to the next level or a lateral, cross-cultural, or cross-functional move.

- The '**Future High Potential Group**' ('FHIPO') was formed in the fourth quarter of 2021 and enables us to identify and develop selected employees at an early career stage who show high potential. The twelve-month program is designed to build on participants' skills, further evolve their capabilities, strengthen their behaviors, and expand their business perspective. The first 'FHIPO' generation with approximately 50 members, 60% of whom are female, from all functions is locally driven in Portland. 

COMMITMENT TO IMPACT

 Together with our employees, partners, communities, and consumers, we act on our company purpose by fostering a culture of inclusion, impact, and shared opportunity. To maximize impact, we leverage brand moments to raise awareness and create opportunities for our people to engage and get involved, such as by providing volunteering and donation opportunities.

Volunteering: In 2021, our 'Community Impact Team' organized global volunteering opportunities programmed around key cultural moments such as International Women's Day and 'Pride Month.' Different virtual volunteering activations allowed employees around the world to take collective ownership in fostering 'DEI,' role modelling our values and bringing our purpose to life. Throughout the volunteering programs organized by the Community Impact Team, we achieved the following:

- adidas employees collectively delivered 1,084 volunteering hours.¹²
- 14 non-profit organizations or social ventures received support through volunteering.

Employee donations: Using the community impact platform 'DEED,' whose reach we continued to extend to our global employees in 2021, the Community Impact Team launches and executes fundraising campaigns allowing employee contributions to selected non-profits aligned to key cultural moments. This further demonstrates our collective support as one adidas family. 

DIVERSITY, EQUITY, AND INCLUSION

 'Equity' has been newly added to our diversity and inclusion commitment in 2021. At adidas, we recognize that, historically, we live in a society that has generated an unequal playing field, which we do not want to replicate or sustain. We want to give each of our employees, irrespective of their diversity and intersectionality, the opportunity to be able to perform at their best, be consistently and fairly developed, recognized, and rewarded for their efforts.

We strongly believe that 'Diversity, Equity, and Inclusion' ('DEI') 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. Through embedding 'DEI' across all pillars of our people strategy, we aim to create the most inclusive workplace and ensure that everyone has the same career opportunities by helping to eliminate barriers. 

12 This does not include local, 'ERG' or individual volunteering hours.

ADIDAS 'DEI COUNCIL'

In the fourth quarter of 2021, adidas launched the 'Global DEI Council.' The Council drives the increase of representation, retention, and advancement of diverse talents within our global workforce. It is responsible for business ownership and accountability on global 'DEI' initiatives and leads, advocates, and drives the strategic implementation of adidas' 'DEI' mission.

The Council members will drive 'DEI' change initiatives within their functions and markets and identify, escalate, and remove cross-functional and market-based barriers, while providing the necessary resources for successful 'DEI' strategy implementation. The Council is made up of a diverse group across the organization, including all of the Management Board members and strategic 'DEI' representatives across functions and regions; employee representatives will also actively participate through elected representatives of the 'Global ERG Council' and representatives of the 'Works Council' taking a rotating seat on the 'DEI Council.'

UNITED AGAINST RACISM AND OUR GLOBAL DEI 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.

In 2021, we have made further strides in strengthening our inclusive culture with an increased ownership across our global business functions. This has included:

- Company-wide completion of the nearly 30 hours per employee, team-led 'Creating a Culture of Inclusivity' development program, including expanding it to our Retail and DC employees. This created a level set in our organization to ensure a consistent understanding of 'DEI' terms, concepts, and principles, and the impact they have on workplace culture and individual employee experiences.
- Creation of key learning programs and e-learning modules for new and existing employees. These encompassed, among others, training on what 'DEI' means at adidas, and on our anti-harassment and anti-discrimination policy.
- Formation of the 'United Against Racism Accountability Council' in North America to implement and inform our targets and policy, that hold us accountable and adhere to our financial commitments, and fast-track programs aimed at increasing representation and support of Black and LatinX communities, who represent the consumers we serve.
- Formation of our 'Global DEI Council' to provide strategic 'DEI' direction and ensure Board, functional, and market-level accountability to strengthen our inclusive culture.
- Expansion upon our 2020 Global Day of Inclusion with a Global Week of Inclusion in 2021 that was complemented through the year by other diversity moments, to celebrate and educate our employees on diversity. This included recognizing and supporting employees through Ramadan and Eid al-Fitr, managing mental health and well-being, LGBTQ+ Pride Month activations, International Day of People with Disabilities, Black History Month (US and UK), and International Women's Day.
- Analysis of our overarching strategic approach to supplier diversity including setting targets for diverse supplier representation.

-
- Establishing at our headquarters in Herzogenaurach a Refugee Employment Program to provide employment pathways for political and war-affected refugees.
 - Increasing our focus on delivering 'DEI' change through market-led initiatives. Local 'DEI' market leads are charged with the responsibility of understanding, adapting, and implementing global initiatives into their regional areas, along with supporting the local implementation of DEI activations.
 - Implementation of global and local Cultural Review Teams with an adidas Cultural Guidance Playbook for all branded content creation to ensure we live our values through our partnerships, product, imagery, and messaging.

Throughout the company, we continue to support and grow our Employee Resource Groups (ERGs) – these are specific networks that give employees from various walks of life a voice and serve members by fostering a diverse and inclusive workplace. We now have more than 40 ERGs around the globe, as well as Diversity Ambassador teams, with different focuses on diversity dimensions such as Ethnicity, Gender, LGBTQ+, Experienced Generation, Faith, and Disability and Mental Health. Participation in the groups is voluntary and open to all employees. This year we launched our ERG Framework. Through these guidelines, we assist our ERGs and business leads to understand the important role ERGs play in creating an inclusive culture.

To assist with global coordination and sponsorship of ERGs and to optimize potential for cross-market communication and education, adidas will introduce the ERG Global Council in early 2022. ▶

FEMALE LEADERSHIP AND DIVERSITY OF TALENT

▶ As part of our people strategy, adidas has established a concrete and measurable goal to assist in realizing our DEI ambitions. We have committed to increase the share of women in management positions (Director level and above) globally to more than 40% by 2025. At the end of 2021, that number was 37% for adidas. This new goal also reflects our consumer focus, where women are a priority.

Women in management positions

37%

While we have a clear target for female representation in management positions, we commit to supporting inclusivity across all diversity dimensions and across different intersectionalities, both in our brand offerings and internally. We also plan to significantly increase the diversity of our leadership groups, such as our CLG and ELG. To assist us in understanding the demographics and diversity of our talent across our organization, we will launch a 'Diversity Dimension Data Collection' project in 2022. For adidas AG, we also have legally required target figures for the percentage of female representation on the Executive Board, including corresponding deadlines for their achievement, as well as for the first two management levels below the Executive Board. ▶ **SEE DECLARATION ON CORPORATE GOVERNANCE**

CULTURE

It is our goal to develop a culture that values the experience, well-being, and performance of our employees. Our people and our culture are key to delivering our 'Own the Game' strategy; and one of the ways we are supporting our people is by introducing six new values that will guide our behaviors. Our new values are: Ownership, Courage, and Innovation, as well as Team Play, Respect, and Integrity. In 2022, we will focus on implementing and embedding these values across our people policies and processes, including the way we hire, promote and evaluate performance.

LEARNING

We are convinced that employee development enables a high-performance culture. To achieve this, we offer 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.

This year, we have premiered a platform for employees that provides access to all learning initiatives within adidas. It contains curated content based on employee development needs.

Our investments in learning and development opportunities have focused on access to digital learning content such as LinkedIn Learning, Udemy, Circus Street, and Arizona State University. To pursue our effort of equitable access to career development, we have also invested in a self-directed language platform.

In 2021, we made increasing use of virtual capabilities not only in the delivery of learning content, but also in its development. We have developed and launched a new virtual learning creation that allows rapid design, quick implementation, and delivery of content at scale within a short period of time. With this approach, we were for example able to launch our 'Essentials – Think and Act Sustainably' program, resulting in a registration of more than 4,000 employees in 2021.

Going virtual has not only enabled access to a wider audience across the organization, but also allowed for even more diversity of thought, experience, and knowledge in the learning groups, bringing the learning exchange to all different levels. Consequently, we saw an extended use of our digitally enabled learning tools, but also of other learning offers across adidas, with a significant increase in learning hours.

INFORMAL LEARNING AND MENTORING

Another investment has been in networking and informal learning. For example, we have partnered with 'Ten Thousand Coffees' on an adidas virtual café to enable connection and peer-to-peer learning.

At the beginning of the year, we also relaunched our internal adidas Mentoring Program (aMP) to answer the development needs of our employees. aMP is a self-driven program open to all adidas employees to connect with mentors and mentees outside of their location and/or function, learn from each other, and grow together.

In addition, in 2021 the CEO Mentoring Circle that originally started in 2017 was expanded to become the Board Mentoring Circle. With this program, the adidas Executive Board members are investing their time to support the development of selected and upcoming leaders in our organization.

In 2021, we have also partnered with former track and field athlete Edwin C. Moses to pilot a mentoring experience to help selected employees elevate their ability to reinforce our cultural aspirations. Participants comprised a small and diverse cohort of high-potential leaders across North America. This initiative will be extended to a larger group across the organization in 2022.

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,¹³ and development is the focus of every monthly 'Touch Base' conversation. The voice of employees is critical in the evolution of #MYBEST. In 2021, we introduced new tools to make the performance evaluation and potential assessment processes more equitable and continued to build our line managers' capabilities to engage in meaningful performance standard conversations. In August, our new people strategy was launched, with a key focus on performance. During the fourth quarter of 2021, we initiated a review of our performance development approach to include our new values. This review will continue in 2022 and will focus on the future of performance at adidas. ▶

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 very popular and offered at various locations across the globe. Due to the ongoing coronavirus pandemic throughout 2021, we were forced to adjust well-established offers in many locations. Different 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.
- **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 ten 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 provides for an extended parental leave approach across the market 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.

¹³ Employees in Germany continue to have four evaluations based on the current company agreement.

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- **Flexible work:** Based on the good experience we have made with our worldwide off-campus-working approach, which allows our employees to work up to 40% of their working hours remotely, adidas has been well prepared and equipped for the transition to full home-office mode during the pandemic. At the same time, we experienced the importance of social and personal interaction first-hand during the pandemic. As we think about the future, we want to provide flexibility to support employees' unique needs and experiences. ▶

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, and 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, with the ongoing coronavirus pandemic throughout 2021, we continued to follow a cautious approach and keep programs stopped and gyms closed where necessary. Our focus remained on digital offers 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, remote work, and resilience. In addition, our Employee Assistance Programs were extended over the past months; the offering now fully covers nearly every market, including North and Latin America, Emerging Markets, Asia Pacific, and various countries in Europe.

Mental Health Week 2021: As part of our focus on holistic well-being and an inclusive culture, following World Mental Health Day, we provided employees worldwide with support, tools, and information to proactively recognize and manage their own mental health and that of those around them. 'Mental Health Week 2021' had – based on the motto 'Mind your mind' – a focus on creating productive conversations, showing support, and giving a call to action for prevention and positivity with regard to mental health. ▶

NAVIGATING THROUGH THE CORONAVIRUS PANDEMIC

- ▶ Since the beginning of the covid-19 pandemic, 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.
- **Crisis management team:** To monitor and assess the impacts and potential spread of the coronavirus globally, we have continued to work with a dedicated Steering Committee since February 2020. 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 our response to covid-19. The team also tracks internal covid-19 cases globally on an anonymous basis, 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 two 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 once a month.
 - **Return to the office:** In 2021, we slowly started to re-open some locations, with limited capacity according to local regulations, and attendance on site is on a voluntary basis. All regulations regarding safety protocols were extended, such as wearing masks, social distancing, and meeting room limitations. Additionally, we are continuously monitoring the development of the situation by market and keep transparent communication to our employees every week, as well as reinforcing the strict rules of conduct in place in our workplaces to ensure maximum safety levels.

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- **Vaccination:** We encouraged all employees who can to get vaccinated to protect themselves, our colleagues, families and friends. In Germany, we were able to have our own vaccination centers on site (available for corporate, retail, and distribution center employees) to accelerate the vaccination progress, as well as extending the flu shot campaign in some countries. When governments around the world asked for companies to facilitate and/or fund the vaccination of their employees, we readily did this and funded vaccination for our employees in the United States, Colombia, Russia, Ukraine, and India.
 - **HR training and alignment:** To enable our HR Business Partners to report on covid-19 cases, conduct contact tracing, and manage any employee-related crisis issues, we introduced global trainings for them. These trainings are repeated as often as necessary to ensure our HR Business 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, where any employee- or covid-19-related issues are discussed and decisions are made on necessary actions.
 - **Retail:** In our own-retail stores, safety protocols include social distancing rules and the installation of plexiglass screens. Our retail staff have been trained on these safety 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 in a timely manner. 

REWARDS

 **Principles of our rewards and recognition strategy:** The key focus of the adidas 'Total Rewards and Recognition Strategy' is to attract, retain, and motivate individuals through remuneration, benefits, and recognition programs that are inclusive, fit for purpose, and competitive in the marketplace, enabling the achievement of adidas' strategic objectives. In order to further enhance the rewards and recognition approach at adidas, a comprehensive review will be undertaken in 2022.

Remuneration: Remuneration at adidas has a dual focus of ensuring employees are remunerated fairly and equitably for the role they perform, while also creating a culture of 'rewarding for performance.' This is supported by the adidas Total Compensation Management philosophy, together with the development of an internal Job Architecture, both of which have been designed to enable educated compensation decisions based on external market reference and internal equity, while also taking into account the skills, experience, and responsibility of individuals.

In order to motivate and engage our employees, while also driving performance, adidas offers the following variable compensation plans:

- Short-Term Incentive (STI) programs,
- Profit participation program – 'Champions Bonus' (Germany),
- Long-Term Incentive (LTI) Plan for senior management.

Benefits: At adidas, most benefits are offered on a location-specific basis, driven by local practices or needs, and statutory requirements. This includes a 401-K Retirement Plan (US), Long-Term Working Time Account and the adidas Company Pension Plan (Germany). As a global company, our benefits reflect our cultural diversity. Programs may vary from country to country, but follow a defined global standard to enable a comparable benefits experience, which is enabled through flexibility and technology.

Cross-border employment: adidas is investing in international relocations to fill local skill gaps, enable knowledge transfer, develop talent to build a more diverse workforce, enable location strategy, and to enforce our learning company culture. Our cross-border employment ambition is to enable 'Own the Game' through desired movement of talent that both enhance employee experience and align to business purpose and impact. To support this ambition, in June 2021, adidas launched a new global policy for cross-border employment.

Stock Purchase Plan: Participation in the Stock Purchase Plan is open to employees in Germany, the US, the Netherlands, and Greater China (China mainland, Taiwan, and Hong Kong), offering almost half of our employees globally (excluding retail) the possibility to participate. 5,230 employees participated in the program in 2021 (2020: 5,400). ▶

GLOBAL EMPLOYEE POPULATION

On December 31, 2021, the company had 61,401 employees (2020: 62,285).¹⁴ Thereof, 8,096 were employed at adidas AG (2020: 7,694). On a full-time equivalent basis, our company had 53,870 employees on December 31, 2021 (2020: 54,722), thereof 7,241 at adidas AG (2020: 6,963). In 2021, personnel expenses decreased slightly to € 2.451 billion (2020: € 2.483 billion), representing 12% of sales (2020: 13%). In 2022, adidas plans to hire more than 2,800 new employees. ▶ ▶ SEE TEN-YEAR OVERVIEW ▶ SEE NOTE 40

Employees worldwide

61,401

EMPLOYEE STATISTICS¹

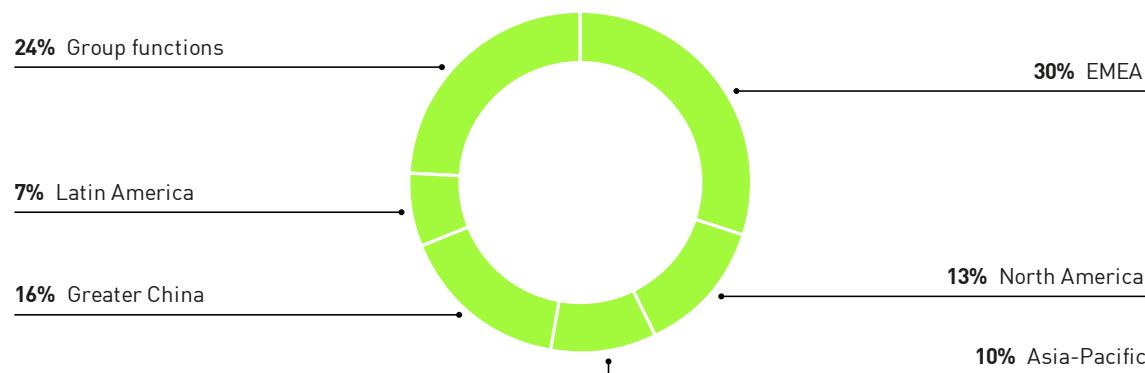
	2021	2020
Total number of employees ²	61,401	62,285
Total employees		
Male	47%	45%
Female	53%	55%
Management positions ³		
Male	63%	65%
Female	37%	35%
Average age of employees (in years)	32	31
Average length of service (in years)	5	4

1 At year-end. 2021 figures reflect expected divestiture of the Reebok business.

2 Number of employees on a headcount basis.

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.

14 The decline in employees is solely related to the expected divestiture of the Reebok business.

EMPLOYEE SPLIT¹

¹ At year-end.

NUMBER OF EMPLOYEES BY FUNCTION¹

	Employees ²		Full-time equivalents	
	2021	in %	2020	2021
Own retail	34,163	56	35,910	28,061
Sales	3,281	5	3,709	3,180
Logistics	8,733	14	8,548	8,359
Marketing	4,633	8	6,028	4,382
Central administration	5,096	8	5,143	4,871
Production	464	1	521	447
Research and development	1,028	2	973	956
IT	4,003	7	1,453	3,614
Total	61,401	100%	62,285	53,870
				54,722

¹ At year-end. 2021 figures reflect expected divestiture of the Reebok business.

² Number of employees on a headcount basis.

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.

SUSTAINABILITY AS STRATEGIC FOCUS AREA

Our commitment to sustainability is embedded into how we have done business for over two decades. It is rooted in our purpose 'Through sport, we have the power to change lives.' In 2021, sustainability was defined as a strategic focus area of our strategy 'Own the Game.'

Consequently, we have doubled down on our commitment to sustainability and defined a roadmap for 2025 and beyond that allows us to create a positive impact across relevant areas, always focusing on the most material topics – for us and our stakeholders. We will move to a comprehensive, consumer-facing sustainable article offering at scale, expand our circular services, and work toward achieving climate neutrality (CO₂e) across our entire value chain. We will empower our employees to become sustainability ambassadors, just as we invite consumers globally to engage and connect with us on the topic of sustainability. Lastly, we aim to uphold the highest social compliance standards in our supply chain.

We believe that moving toward achieving the targets we have defined for 2025 will set us up for future success. Yet we know that we cannot achieve these alone. We will leverage our long-term relationships with suppliers to ensure they can continue moving with us in alignment with our decarbonization efforts, and work closely with partners to scale innovative materials and recycling technologies. The table below provides an overview of the targets we have set for 2025, supporting our drive for positive environmental and social impact. ▶ ▶ SEE STRATEGY ▶ ADIDAS-GROUP.COM/S/SUSTAINABILITY

TARGETS FOR 2025 AND BEYOND: ENVIRONMENTAL IMPACTS

Target year	Area	Target	Baseline
	Own operations		
	Emissions	Achievement of climate neutrality (CO ₂ e)	
	Water	15% consumption reduction (m ³ /m ²)	2019
	Waste	95% diversion rate	2019
	Supply chain		
	Energy	Adoption of renewable energy at strategic Tier 1 and Tier 2 supplier facilities to keep emissions flat	2017
	Water	40% intensity reduction at Tier 2 supplier facilities	2017
2025	Chemicals (Input)	80% of supplier facilities to achieve the highest level of compliance (level 3) with ZDHC 'Manufacturing Restricted Substances List' for 80% of the chemicals used for production	
	Wastewater (Output)	80% of suppliers that operate on-site effluents plants to achieve ZDHC 'Wastewater Foundational Level'	
	Product		
	Sustainable article offering	9 out of 10 articles will be sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials	2020
2030	Decarbonization	15% reduction of GHG emissions per product	2017
2050	Entire value chain (from raw material production to own operations)	30% reduction of GHG emissions Achievement of climate neutrality (CO ₂ e)	2017

TARGETS FOR 2025 AND BEYOND: SOCIAL IMPACTS

Target year	Impact area	Target
		Own operations
2025	Health and Safety	Lost-Time Incident Rate ('LTIR') below industry average ¹ ; Zero fatal accidents; Occupational Illness Frequency Rate ('OIFR'): Zero
	Social impact ('S-KPI')	70% of Tier 1 strategic suppliers achieve at minimum '4S'; 100% of Tier 1 strategic suppliers achieve '3S' or better ²
		Progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers ³
		Achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers ⁴
	Entire value chain (from raw material production to own operations)	System in place to identify and manage high-risk human rights issues in 100% of value chain ⁵
Human Rights and Environmental Due Diligence ('HREDD')		

1 According to 'US Bureau of Labor Statistics Code.'

2 The S-KPI measures a set of social indicators, such as accident rates, worker satisfaction and worker empowerment. The target seeks to achieve 100% adherence to/70% overachievement against these foundational social impact measures, with '3S' being the minimum expected supplier performance.

3 The fair wage benchmarks include industry wages, minimum wages and living wages. These benchmarks are set and tracked through a 'Fair Labor Association Fair Compensation Tool,' which has broad industry adoption and is being rolled out progressively to strategic Tier 1 supplier partners.

4 The measurement of wage parity for production line workers and their immediate supervisors (i.e., line leaders) forms part of a broader gender strategy rollout to applicable Tier 1 strategic partners who complete self-assessments to identify and then close gender gaps in operating practices and procedures.

5 In conducting due diligence we seek to identify, prevent or mitigate potential adverse human rights or environmental impacts, with priority given to addressing the most severe impacts.

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 perform stakeholder consultations to confirm the selection of our material topics. We use insights gained from past assessments and from engagements we hold with multiple organizations throughout the year, review and categorize potential new topics and validate these through 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. There were no material changes in 2021, compared to the list of topics in 2020. ► SEE NON-FINANCIAL STATEMENT

We also make use of the United Nations Sustainable Development Goals (SDGs) as a framework to map their correlation with our own commitment to sustainable development and human rights. We have been able to link prioritized SDGs with both the environmental priorities related to, for example, the selection of materials, manufacturing, use, and disposal of our products, and the needs and concerns of people in the adidas value chain. ►

CORRELATION BETWEEN UN SUSTAINABLE DEVELOPMENT GOALS AND OUR SUSTAINABILITY ROADMAP

3 GOOD HEALTH
AND WELL-BEING**5** GENDER
EQUALITY**6** CLEAN WATER
AND SANITATION**7** AFFORDABLE AND
CLEAN ENERGY**8** DECENT WORK AND
ECONOMIC GROWTH**9** INDUSTRY, INNOVATION
AND INFRASTRUCTURE**10** REDUCED
INEQUALITIES**12** RESPONSIBLE
CONSUMPTION
AND PRODUCTION**13** CLIMATE
ACTION**14** LIFE
BELOW WATER**17** PARTNERSHIPS
FOR THE GOALS**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 efforts to mitigate the carbon footprint in our industry's supply chain, 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 Work' program, as well as with the United Nations International Organization for Migration ('IOM') with the objective to ensure that the labor rights of foreign and migrant workers are upheld in the adidas supply chain.

Key memberships:

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

We believe transparent communication with our stakeholders is critical. For that reason, we use global reporting standards such as the guidelines of the Global Reporting Initiative ('GRI') and the Sustainability Accountability Standards Board ('SASB') to inform our external non-financial reporting. We regularly disclose additional 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 list 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.

We acknowledge the value of climate-related reporting and for many years have been reporting into well-established frameworks. Based on its international accreditation, we are aiming to stepwise include the 'Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations that enable companies to improve reporting of climate-related financial information, especially climate-related risks and opportunities. The TCFD is structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management as well as metrics and targets.

We believe that with our long-standing commitment to and strategic focus on sustainability we are already covering elements of the four thematic areas in various sections of our Annual Report. adidas has chosen sustainability as a focus area in its company strategy 'Own the Game' and therefore a comprehensive roadmap with clear targets is in place. The Sustainability Sponsor Board ensures end-to-end management of this strategy. As part of our risk 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. To further refine and develop the core reporting elements in line with the TCFD recommendations, a cross-functional project team was set up in 2021. This team will proceed with establishing solid governance processes around the TCFD and will particularly focus on establishing climate-related scenario analyses. Given the complex nature of the topic, further preparation will be needed to build more granularity and to ensure high quality for more extensive external reporting. ➔ SEE RISK AND OPPORTUNITY REPORT

GOVERNANCE STRUCTURE

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

We have set up regular sustainability networking calls for all employees involved in sustainability projects and programs in the organization to ensure company-wide alignment on all levels. On top of this, adidas developed a company-wide sustainability training program available to all employees, educating them on how to think and act sustainably, enabling them to become sustainability ambassadors and encouraging everyone to make personal and professional commitments to contribute to a cleaner planet. Thousands of colleagues have gone through the training in 2021. We also initiated sustainability training for our retail colleagues, with the objective of informing, engaging, and inspiring our entire team and all consumers we interact with on a daily basis, around the globe. ► SEE OUR PEOPLE

EXTERNAL RECOGNITION

► adidas continuously receives positive recognition from international institutions, rating agencies, NGOs, and socially responsible investment analysts for its holistic approach to managing sustainability. In 2021, adidas was again subject to comprehensive corporate environmental, social, and governance ('ESG') assessments, and took part in focused thematic disclosure benchmarks for environmental or social performance. As a result, adidas was represented in a number of high-profile sustainability indices, ratings, and disclosure benchmark evaluations.

Notably, following a thorough assessment by rating agency S&P in 2021, adidas was awarded with an overall ESG Evaluation Score of 85, placing us among the top ten in the entire S&P Global Rating Universe. In its comprehensive assessment, S&P emphasized our industry-leading approach to innovation, supply chain management, and consumer engagement. ► SEE OUR SHARE

EXTERNAL RECOGNITION 2021

Environmental, Social, Governance Performance (ESG)	Environmental Performance	Social Performance
MSCI ESG Rating ('AAA,' upper score: 'AAA')	CDP Climate Change ('B' score, upper score: 'A')	Corporate Human Rights Benchmark (first in our industry)
S&P Global ESG Evaluation (85/100, upper score:100)	CDP Water ('B' score, upper score: 'A')	KnowTheChain Benchmark (among top 3 in our industry)
Sustainalytics ESG Risk Rating (13.3/100, upper score: 0)	Corporate Information Transparency Index (among top 10 in our industry)	World Benchmarking Alliance Gender Benchmark (among top 3 in our industry)

ENVIRONMENTAL IMPACTS

Managing the environmental impacts at our own sites and along the entire value chain is a key focus of our work. We are committed to decarbonization by reducing our absolute energy consumption and CO₂e emissions as well as transitioning to clean energy. We are also committed to steadily increasing the use of more sustainable materials in our products and expanding our circular services. We continue to address water efficiency and quality, with an advanced chemical management program in place.

DECARBONIZATION

According to the United Nations, climate change presents the most pressing long-term challenge facing civilization. For that reason, it was critical for us to set science-based decarbonization targets that help limit global temperature rise. adidas committed to achieving climate neutrality (CO₂e) across its own operations by 2025, reducing absolute greenhouse gas (GHG) emissions across its entire value chain by 30% by 2030, measured against a baseline of 2017, and, with that, paving the way for climate neutrality (CO₂e) across its entire value chain by 2050. We support global initiatives that aim to drive change for our industry, such as the Fashion Pact and the UN Fashion Industry Charter for Climate Action ('UNFCCC'). We also committed to the Science Based Targets initiative ('SBTi') in 2020 and received SBTi approval of our targets in spring of 2021.

2030 Goal: GHG emissions reduction across entire value chain by

30%

Moving toward achieving our ambitious target requires reliable data. We developed an 'Environmental Footprint Tool' that enables us to quantify, monitor, and be transparent about our environmental impacts not only across our own operations, but along our entire value chain. This covers all stages from extraction, production and processing of materials, product assembly, own operations, and logistics, to the disposal of our products at the end of their lifetime.

The tool has been instrumental in understanding our impact caused by GHG emissions, and to setting appropriate GHG emission reduction targets. We believe it is essential to thoroughly track and measure our progress toward our targets and to conduct scenario analyses to make fact-based decisions. In 2022, we aim to fully integrate the tool into our existing data-tracking systems to enable real-time simulations. At the same time, we acknowledge that the tool will experience further developments to meet the required, more complex methods to calculate our footprint in the future.

Results for 2021 clearly show that our estimated environmental impacts are distributed somewhat unequally across the value chain, with the most significant impacts generated in the supply chain (more than 90%), particularly raw materials production and processing. Collaborating with our extended supply chain partners to help them reduce their GHG emissions and continuing to seek more sustainable versions of the raw materials that we use for our products has thus become core to our program.

ENVIRONMENTAL FOOTPRINT¹

Environmental impact of adidas throughout the value chain ¹	T4+	T3	T2	T1	Logistics	Own Operations	End of Life	Total 2021
	Raw materials production	Spinning	Manufacturing, dyeing, and finishing processes	Assembling	Inbound and outbound logistics	Offices, distribution centers, own production sites, own retail, and business travel	End-of-life treatments	Including all stages of product life cycle
2021 [MtCO ₂ e]	1.4	0.5	2.9	0.6	0.3	0.1	0.2	6.0
GHGs	 23%	 9%	 49%	 10%	 5%	 2%	 2%	

¹ Values reported cover production seasons SS21 and FW21. Raw materials production and processing (Tier 4+, Tier 3, Tier 2): Impacts are estimated based on quantities of materials and life cycle analysis data. All key production processes are considered. Primary, secondary, and tertiary packaging material quantities are included. The quantities are estimated based on sales volumes, using composition and weight assumptions from the 'Product Environmental Footprint Category Rules' ('PEFCR'). Assembling (Tier 1): Impacts are estimated by applying emission factors to reported energy consumption from Tier 1 strategic suppliers. Sourcing volume data is used to estimate the impact of non-strategic suppliers (<20%). Logistics: Quantities of goods for specified distribution routes are combined with transport emissions factors. Own Operations: Impacts are estimated based on reported environmental quantities in the workplace governance data system and business travel data system. End of Life: Emissions caused by disposal of our products by consumers are estimated based on sales volumes and typical waste disposal routes (e.g., landfill and incineration).

SUPPLY CHAIN

As a substantial portion of environmental impact occurs, at different intensities, throughout the supply chain, sourcing at adidas is not only about ensuring high product quality and timely delivery. It also means working with our suppliers to ensure they are continuously optimizing their environmental footprint in the area of energy use and carbon emissions, water, wastewater, chemicals, and waste. Strategic suppliers at Tier 1 and Tier 2 level producing most of our products and materials are enrolled in our environmental program, which means we partner closely with them and provide suitable training to achieve their targets and progressively improve their footprint.

In 2021, we engaged with our suppliers enrolled in the environmental program and empowered them to develop decarbonization business plans on their own, considering they best understand their respective situation and can find the most appropriate measures for their future GHG emission reduction plans. In addition, we encouraged all suppliers to enroll in the 'UNFCCC Climate Action Training' to equip them with the knowledge they need to effectively mitigate climate change and achieve climate neutrality (CO₂e). Beyond that, we drove various initiatives to help suppliers scale the use of renewable energy and increase their energy efficiency.

- Increasing adoption of renewable energy:** We have seen progress following our 2025 target to keep emissions flat on 2017 levels through increased adoption of renewable energy. After we had conducted feasibility studies with positive results in 2020, we encouraged suppliers in our environmental program to install rooftop solar panels and successfully increased the rooftop solar power in our supply chain to 93 MWp in 2021. We have also contractually secured additional capacity and aim at achieving coverage of 50% of the total potential in 2022. We will continue to identify and strengthen additional potential in 2022 to gradually include more of our Tier 2 suppliers.

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- **Phasing out coal-fired boilers:** Eliminating the use of coal-fired boilers at all direct supplier facilities at Tier 1 and Tier 2 will result in a proportionally high positive environmental impact. We committed to not installing any new coal-fired boilers, heaters, and power generation from 2022 onward, as well as to phasing out existing on-site coal-fired equipment at all direct suppliers at Tier 1 and Tier 2 level by latest 2025. Enforcement methods are in place in case of non-achievement. We are supporting our suppliers with on-site coal-fired equipment for the phase-out by completing feasibility studies, outlining replacement alternatives, and defining a clear roadmap and developing adequate training for 2022.
 - **Preparing suppliers to purchase renewable energy in Vietnam:** adidas has continued to work closely with key suppliers in Vietnam, providing the technical guidance and expertise to enroll and access the first off-site renewable project. Once approved, the pilot program will feature 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.
 - **Continuing to increase energy efficiency:** Further optimizing energy efficiency remains important going forward. We moved to a supplier self-governance model in 2021, which means that suppliers take full responsibility for their efforts and achievements, while adidas keeps tracking and monitoring their energy efficiency performance. We successfully achieved a 3% reduction, comparing to 2019 baseline.
 - **Developing industry-wide training in Asia:** We co-developed an online climate action training program with 'Deutsche Gesellschaft für Internationale Zusammenarbeit' ('GIZ') that was rolled out to all Tier 1 and Tier 2 suppliers covered in our environmental program in 2021. The training's objective is to upskill the fashion supply chain on GHG emissions, show how to set targets, and identify reduction measures such as adopting renewable energy and improving energy efficiency. Through annual on-site audits we will track progress to ensure that the suppliers have qualified staff in place.

In 2021, we expanded on our water reduction efforts to include additional, high-consuming Tier 2 suppliers in our program. Through the application of new technologies, among others, we aim to achieve a 40% reduction in water intensity against the 2017 baseline by 2025. In 2021, Tier 1 suppliers achieved a 15% reduction in water intensity, and Tier 2 suppliers an 18% reduction. We moved toward a supplier self-governance model in 2021, which means that suppliers take full responsibility for their efforts and achievements, while adidas is still tracking and monitoring performance. Guided by our ambition to support our suppliers in the best possible way, we have developed environmental good practice guidelines with water-saving initiatives.

We also continued to work toward optimizing landfill diversion, achieving a 93% waste diversion rate at the end of 2021 for suppliers enrolled in our environmental program. This success was supported, among others, by a program we set up in 2019 in major sourcing countries including Cambodia and Vietnam to use production waste as an energy source in the cement industry. While this solution has its limitations due to a lack of logistics in some countries, it enabled us to identify suppliers that had a low diversion rate, challenging them to engage with service providers for waste processing. adidas has developed a waste management guideline, waste co-processing due diligence guideline and environmental good practices guideline showing how to improve waste segregation to increase its market value, and minimize overall waste generation.

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. 

CHEMICAL MANAGEMENT

- adidas has been building and implementing a holistic 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.
- **Ensuring robust input chemical management:** To avoid hazardous chemicals entering into our supply chain we require our suppliers to increase the usage of chemicals that have achieved the highest level of conformance (level 3) of the Zero Discharge of Hazardous Chemicals ('ZDHC') Manufacturing Restricted Substances List ('MRSL'). In 2021, we guided our suppliers to report their chemical inventory and consumption through a ZDHC-approved third-party online platform on a monthly basis. Suppliers were provided with performance reports through which we could enhance overall visibility on chemical inventory management in our supply chain. By the end of 2021, 42% of supplier facilities achieved chemical use compliant with ZDHC MRSL level 3, taking us closer to our 2025 target of 80% of facilities to be compliant.
 - **Monitoring output chemical management:** Pollution abatement is critically important for the textile industry, which is why we have also set targets for suppliers for managing their wastewater discharge performance. To support facilities in their continuous improvement on wastewater discharge quality, we rolled out an effluent treatment plant evaluation that supports them to strengthen their quality controls on wastewater discharge. We are also partnering with ZDHC to integrate this assessment tool into their industry platform. Despite the challenges our facilities experienced during the pandemic due to country lockdowns and severe disruption of on-site wastewater sampling, we observed a significant improvement with 87% of our suppliers achieving ZDHC Wastewater 'foundational level' in 2021. With that, we have already exceeded our 2025 target of 80% of our suppliers operating on-site effluent plants to achieve ZDHC Wastewater 'foundational level.'
 - **Collaborating with the industry to improve chemical management processes:** Together with industry partners, we supported ZDHC on the development of their technical industry guideline. The publication of this guideline further strengthened industry collaboration on driving one standard on chemical management practice for suppliers. We also joined an industry collaboration to better understand and get more visibility on the hazardous chemicals that may exist in recycled materials.

TRANSPORTATION

We regularly track the environmental impact related to the transport of our goods. Compared to the previous year, performance remained relatively stable. While the use of air freight increased in 2021 as part of our efforts to counterbalance covid-19-related supply chain challenges, the vast majority of our transportation continued to take place via sea freight, with 97% of footwear, 93% of apparel and 72% of accessories and gear being shipped via sea freight in 2021.

MORE SUSTAINABLE MATERIALS

- 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.

As part of 'Own the Game' we aim to move to a comprehensive sustainable offering at scale. Our ambition is that 90% of our articles will be sustainable by 2025. We define articles as sustainable when they show environmental benefits versus conventional articles due to the materials used, meaning that they are – to a significant degree – made with environmentally preferred materials. The majority of the environmentally preferred materials currently used are recycled materials or more sustainable cotton. Additionally, innovative materials such as biobased synthetics, and more sustainably grown natural materials are used on a small scale already and will become increasingly relevant in the future.

To qualify as a sustainable article, environmentally preferred materials have to exceed a certain pre-defined percentage of the article weight. The applied criteria for environmentally preferred materials and the percentage of the article weight are defined based on standards reflecting the latest developments in our industry, competitor benchmarks, and expert opinions: For apparel, the environmentally preferred material content is required to amount to at least 70% of the article weight, for accessories and gear at least 50%, and for footwear at least 20%.¹⁵ This standard will be applied for the years 2022 onwards.

For 2021, the first year of reporting in the new strategic cycle, we applied a different standard¹⁶ and were able to increase the percentage of sustainable articles by eight percentage points for the Spring/Summer 2022 season compared with the Spring/Summer 2021 season.¹⁶

By the end of 2022, we aim to have seven out of ten of our articles sustainable. ▶ [SEE COMPENSATION REPORT](#)

► The following materials build the foundation of the environmentally preferred materials we use:

- **More sustainable cotton:** adidas has steadily increased the sourcing of more sustainable cotton throughout the last several years and already manages to source 100% more sustainable cotton since the end of 2018.
- **Recycled polyester:** To increase the use of recycled polyester is yet another way we seek to improve our environmental footprint while still making high-performance products for athletes. 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 progress throughout the last several seasons. 91% of all polyester used in 2021 was recycled. With that, we are on track to use only recycled polyester from 2024 onward.
- **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 polyester. In 2021, we continued to roll out Parley Ocean Plastic across key categories, both in 'Performance' and 'Lifestyle' products across footwear, apparel, and accessories. In 2021, we produced close to 18 million pairs of shoes containing Parley Ocean Plastic. ▶ [SEE GLOBAL BRANDS](#)

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 the production of materials and their use phase, and acknowledge fiber fragmentation as a complex challenge for our industry – one we are proactively addressing. adidas is co-founder of 'The Microfibre Consortium' ('TMC'), which has developed a test method and in future aims to give guidance to the textile industry to mitigate the impact of fiber fragmentation. ▶

¹⁵ Percentage of sustainable articles (by count) offered at the points-of-sale (average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year). For the calculation of the article weight, trims are excluded for apparel and accessories and gear. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

¹⁶ For apparel and accessories and gear, the environmentally preferred material content is based on the article weight (at least 25% recycled content or 50% sustainable cotton; excluding trims), for footwear (only upper part) it is based on material components (at least 25% of the components used contain 50% or more recycled content) or article weight (at least 25%). The percentage of sustainable articles (by count) offered at the points-of-sale in Spring/Summer 2021 amounted to 60.6%. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

CIRCULAR SERVICES

► In addition to using recycled content or more sustainable material for our products, we steadily expand our circular service offering. Since we introduced Futurecraft.Loop – our first fully recyclable running shoe – as a beta program in 2019, it has developed into a concept within the business that spans multiple categories, and April 2021 saw the first commercial launch with the Ultraboost 'Made To Be Remade' ('MTBR'). The shoe features a prominently displayed QR code that can be scanned using the adidas app and is guiding consumers through the take-back process. Other MTBR models launched this year are the Stan Smith MTBR and Terrex Free Hiker MTBR, and MTBR apparel products for Running and adidas Stella McCartney. Additional products will follow in 2022, such as the Terrex MTBR Anorak.

Complementing its recyclable product offering, adidas innovates with new business models as we expand our take-back services. We introduced 'Choose to Give Back' which is aimed at helping to extend the lifecycle of worn sportswear apparel and footwear. Under this program that started in October 2021 in the United States, products in any condition and made by any brand can be sent in. Products in good condition are resold through our collaborator, thredUP, with the aim of finding a new owner for as many products as possible. Going forward, we will scale the program and roll it out to more markets.

adidas has already made its first prototypes using innovative materials, proving that a reliance on finite fossil fuels, such as crude oil, might be reduced in the future. The adidas Stan Smith Mylo, presented in 2021, is created with a natural, renewable material made from mycelium, developed in collaboration with 'Bolt Threads.' adidas is also collaborating with startups, such as 'Infinited Fiber,' 'Spinnova,' and 'Pond,' to work on materials made of natural resources that we can use in our product. Together, we are striving to substitute fossil-based plastic materials with plant-based raw materials – all without compromising our performance proposition.

In collaboration with US running shoe manufacturer Allbirds, adidas developed its most climate-friendly performance running shoe ever with a carbon footprint (CO₂e) of merely 2.94kg (measured against a comparable running shoe: adizero RC3 at 7.86kg CO₂e emissions), offering a limited number for sale. For example, the upper is made with recycled polyester from adidas and only renewable energy is used to produce the shoe. ► SEE GLOBAL BRANDS

PACKAGING

► We are committed to reducing our plastic footprint globally. 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 explored 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 succeeded in changing practically all of the polybags used to protect finished products during transport from our manufacturing facilities from virgin material to 100% recycled LDPE (low-density polyethylene) polybags by the end of 2021. Most of the few remaining virgin polybags cannot be replaced currently as no alternative is available in the production country and import restrictions are in place. ►

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.

The creation of respective adidas standards and policies is 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 integrated a 'Product Safety and Compliance' workspace into the Global Legal Sharepoint on our intranet which 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 2021.

Over the last several years, we have substantially contributed to the AFIRM 'Restricted Substances List,' which constitutes a harmonized restricted substances list across the industry. While the uptake of the list as an industry best practice matured further, a pilot for an assessment tool was launched in cooperation with international third-party laboratories in 2021, to evaluate the testing performance and accreditation level of the laboratories we work with. This approach will ultimately also be made available to other customers of the laboratories, such as 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. ▶

OWN OPERATIONS

Own operations refer to administrative offices, distribution centers, and production sites, and together with our own retail stores in 2021 equaled a coverage of 3,654,401m² of gross leased area (GLA). Similarly to our supply chain program, we focus on working toward decarbonization, enhancing the efficiency of water use, and aiming for higher waste diversion rates.

2025 Goal for Own Operations

Climate Neutrality (CO₂e)

Our efforts are underpinned by clear targets we have set. By 2025, we aim to achieve climate neutrality (CO₂e) for both own operations and own retail stores. We will also continue to improve the water efficiency at our highest-consuming sites, aiming for a 15% reduction in water consumption per square meter for own operations, measured against 2019, while working to achieve a waste diversion rate of 95% at own operations. We aim to steadily increase our overall environmental performance data coverage and continue to push implementing eco-efficiency standards through a holistic integrated management system (IMS) at key sites. All of these efforts will support us on our way to achieve a 30% reduction of GHG emissions across our entire value chain by 2030, measured against the baseline of 2017.

- **Moving toward decarbonization:** We defined a clear roadmap to achieve our emission reduction targets, including measures such as implementing on-site renewable energy production, improving energy use efficiency, sourcing renewable energy,¹⁷ and renewable energy certificates.¹⁸ In 2021, we kept investing in own operations and offered Green Funds to subsidize local projects to improve energy efficiency as well as on-site renewable energy production. During 2021, we implemented 13 decarbonization initiatives that included, for example, three on-site solar renewable energy projects in Herzogenaurach and Moscow, and energy efficiency projects at distribution centers such as LED retrofit, HVAC (heating, ventilation, and air conditioning) equipment upgrade, and energy monitoring systems. In 2021, for the first time, we collected electricity consumption data for our own retail stores globally. Data coverage with primary data for own operations was 98%, and for own retail 21%. In 2021, total energy consumption across own operations globally was 512,050 MWh, equivalent to a total of 138,411 tCO₂e (12,908 tCO₂e in Scope 1 and 125,502 tCO₂e in Scope 2), equivalent to 0.038 tCO₂e/m² (25,731 tCO₂e for own operations, 112,680 tCO₂e own retail stores [including own showrooms]). We continue our transition toward renewable sources. 100% of our electricity consumption in Europe and North America comes from renewable energy sources in part supported by certificates for renewable energy.
- **Improving water efficiency:** In 2021, we invested in the installation of more efficient sprinkler systems, water submeters, and a wastewater segregation system at our headquarters in Portland. We will keep investing in water efficiency and wastewater projects in the coming years. In 2021, our water consumption at own operations totaled 0.128 m³/m², and we achieved an accumulative water reduction of 34% compared to 2019.
- **Increasing waste diversion rates:** Data collection for waste streams and volumes contributable to adidas remains a challenge, as our offices are mostly located in shared buildings for which we do not have direct control over waste management. As of 2021, 74% of our own operations are monitoring and tracking waste. By the end of 2021, a total of 32,951t waste was generated and we achieved an accumulated diversion rate of 92% for own operations, measured against 2019.
- **Implementing sustainable processes:** The Integrated Management System (IMS) helps us to secure relevant ISO management certifications for key locations, such as environmental management (ISO 14001), health and safety management (ISO 45001), energy management (ISO 50001), and – introduced in 2021 and planned to obtain for 2022 – facility management (ISO 41001). adidas aims to further expand these certifications to more key sites through implementation of the standards and both internal and external audits, as these support us to achieve our energy, water, waste, and health and safety targets. As of 2021, 64 sites were certified for ISO 14001, 63 sites for ISO 45001, 327 sites for ISO 50001 (applies to locations with more than 50 employees or space exceeding 4,500m²).

¹⁷ Renewable energy is accounted for with zero emissions.

¹⁸ Decrease in emissions from electricity consumption in part as a result of the purchase of 'Renewable Energy Certificates.'

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- **Continuing Green Building certification:** ‘Green Building’ certifications are a key enabler to reduce carbon emissions and enhance resource efficiency in the construction of facilities. adidas has been using predominantly ‘LEED’ (‘Leadership in Energy and Environmental Design’) and ‘BREEAM’ (‘Building Research Establishment Environmental Assessment Method’) certifications for new construction and renovations for own retail stores as well as corporate facilities. As ‘Green Building’ certification is used for strategically relevant projects, a set of internal eco-efficiency standards have been implemented for all projects which mirror the priorities of the LEED certification. The ultimate goal is to achieve energy reduction through investment in high energy-efficient equipment and energy monitoring.
 - **Tracking occupational health and safety:** Health and safety, especially regarding the workplace and our people, has always been a priority at adidas. We ensure that our infrastructure, assets, and operations are compliant with the ISO standard 45001, by providing a safe, secure, and healthy work environment. Monitoring our performance closely helps us keep track of our progress and identify areas where we need to increase our efforts. We have implemented training and guidelines and scaled these through the entire organization. In 2021, we recorded zero fatal accidents (2020: 0), a Lost Time Incident Rate of 0.40 for employees (2020: 0.53), and 0.97 for external workforce (2020: 0.67), as well as a zero Occupational Illness Frequency Rate (‘OIFR’). 

SUSTAINABLE FINANCE

The challenges posed by the impact of climate change and social developments in our societies and supply chains are huge. Responding to these will require dedicated funding of sustainability initiatives. In this section of the report we provide an overview on our sustainability bond as well as on our approach to comply with the requirements of the EU Taxonomy that has the objective to channel investments in the right direction.

SUSTAINABILITY BOND

In 2020, adidas successfully placed its first sustainability bond. Proceeds from the offering are used in accordance with our created Sustainability Bond Framework. adidas has committed to provide annual updates on the allocation of proceeds and the impact KPIs driven by the proceeds. ► [SEE TREASURY](#)

The following summary outlines selected environmental and social impact KPIs in accordance with chapter 7 ‘Reporting’ of the ‘adidas Sustainability Bond Framework.’ The proceeds listed in the Allocation Report have contributed to these impact KPIs.

SUSTAINABILITY BOND: IMPACTS

	2021	2020
Eligible category: sustainable materials		
Impact of investment or expenditure into using more sustainable materials		
Percentage of recycled polyester used for adidas apparel and footwear ranges ¹	91	71
Percentage of more sustainable cotton sourced	100	100
Number of pairs of shoes produced containing 'Parley Ocean Plastic'	> 17m	> 15m
Eligible category: sustainable processes		
Impact of investment or expenditure into improving our operations by establishing more sustainable processes		
Absolute annual CO ₂ e Scope 1 and Scope 2 net emissions (in tons) in own operations ²	138,411	– ³
Number of buildings ⁴ of own operations holding certification for environmental management (ISO 14001)/health and safety management (ISO 45001)/energy management (ISO 50001)	64/63/327	42/39/53
Eligible category: community engagement		
Impact of investment or expenditure (on a global and local level) from actively supporting and positively impacting communities		
Number of funded ventures for 'Black Ambition,' a program that supports Black and LatinX entrepreneurs in launching start-up businesses	34	34
Number of grants for Black-owned small businesses as part of 'BeyGOOD,' an initiative aimed at bringing equity to those disproportionately impacted by social and racial injustice	– ⁵	316
Number of scholarships granted to students at adidas' HBCU partner schools as part of adidas' 'United Against Racism' ambition	55	108

1 Percentage share of recycled polyester in 2021 excluding Reebok.

2 Own operations include administrative offices, distribution centers, production sites and retail stores. Excluding Reebok.

3 2020 data not comparable due to new and increased scope in 2021 (addition of retail stores). 2020 absolute annual CO₂e Scope 1 and Scope 2 net emissions in own operations (administrative offices, distribution centers, production sites): 26,756 tCO₂e, including Reebok.

4 At year-end.

5 Grants distribution for Black-owned small businesses as part of 'BeyGOOD' which is managed by a third party postponed to 2022.

EU TAXONOMY

Over the course of 2020 and 2021, the EU has developed and issued the EU Taxonomy Regulation. In order to direct investments toward sustainable projects and activities that support the achievement of the EU's climate and energy as well as the 'European Green Deal' targets, the taxonomy has the objective to provide a common language and a clear definition of what is considered 'sustainable.'

The Delegated Regulation on Article 8 of the taxonomy specifies the content, methodology, and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments, or lending activities.

Based on the current publications, the main economic activities of our industry sector are not classified as taxonomy-eligible¹⁹ with regard to the first two environmental objectives, climate change mitigation and climate change adaptation, as laid out in the Delegated Regulation on Climate. Details on the remaining four environmental objectives are expected to be published in 2022. Due to the first application of the EU Taxonomy Regulation, there are still considerable uncertainties with regard to the interpretation of its components. We are well aware of these circumstances and provide further details on the interpretation

¹⁹ Taxonomy-eligible economic activity' means an economic activity that is described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2), of Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts. 'Taxonomy-non-eligible economic activity' means any economic activity that is not described within these delegated acts. For 2021, adidas is only required to report on the proportion of taxonomy-eligible and non-eligible economic activities of net sales, CAPEX and OPEX.

where necessary. Due to the timing and resources required to create the adidas Annual Report 2021, we have only reflected taxonomy-relevant publications issued before January 31, 2022.

For the year 2021, adidas did not identify any taxonomy-eligible turnover. However, adidas performed an analysis to identify the proportion of taxonomy-eligible (i.e., what has the potential to be classified as 'sustainable') operating expenses ('OPEX') and capital expenditure ('CAPEX') that can be linked to the first two environmental objectives with reference to the total values according to the EU taxonomy definitions. The taxonomy provides different definitions of the terms 'OPEX' and 'CAPEX' than what we are disclosing in this report.

- **'OPEX KPI':** The taxonomy definition of 'OPEX' including expenditure for research and development, short-term leases, maintenance and repair costs as well as other expenditure²⁰ results in a total value of € 692 million (denominator of the 'OPEX KPI') at adidas. In comparison to the disclosed € 21.234 billion of net sales and € 8.892 billion of 'OPEX' in this report, we consider the EU Taxonomy 'OPEX' value as insignificant with regard to our business model. Consequently, and in line with the regulation, we are not publishing the numerator of the 'OPEX KPI.' The information would not add significant value to the reader of this report, as, for example, our expenditure for research and development would not be considered taxonomy-eligible at this point. At the current stage, the numerator would only include activities such as the renovation of buildings and professional services related to the energy performance of buildings, etc. As a result of these considerations, we report an 'OPEX KPI' numerator value of € 0.
- **'CAPEX KPI':** In comparison to the disclosed CAPEX value of € 667 million in this report, the taxonomy definition of 'CAPEX' results in a total value of € 1.188 billion (denominator of the 'CAPEX KPI') at adidas. The denominator contains, in accordance with the definition of the EU Taxonomy and as disclosed in this report, additions to buildings, technical equipment and machinery, other equipment, furniture and fixtures, right-of-use assets, and other intangible assets, before depreciation, amortization and re-measurements. For the calculation of the numerator of the 'CAPEX KPI' we analyzed the additions and allocated them to activities listed in Annex 1 and 2 of the regulation, where eligible. In this process we conducted several control measures such as plausibility checks as well as reconciliations to avoid double-counting of additions. The numerator of the 'CAPEX KPI' amounts to € 604 million and mainly contains eligible expenditure in relation to leasing, the construction and the renovation of buildings, as well as the company car fleet, all related to the first environmental objective 'climate change mitigation' (Annex 1). Consequently, the 'CAPEX KPI' results in 51% of taxonomy-eligible and 49% of non-eligible activities.

Within our strategy 'Own the Game,' sustainability builds a strategic focus area and we are committed to pushing the boundaries going forward, which is reflected in the ambitious targets and numerous initiatives outlined in this report. ▶

²⁰ By 'other expenditure,' we mean expenditure for facility management services, i.e., expenditure relating to the day-to-day servicing of property, plant, and equipment.

SOCIAL IMPACTS

Through our economic activities we create value and contribute positively to society. However, being a company of our scale and global presence, we also have a social impact on 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.

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 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 have fully embraced the need to undertake effective Human Rights and Environmental Due Diligence ('HREDD') across the entire value chain and have defined those areas and assessment processes that need to be evaluated and strengthened in preparation for the implementation of the 'German Act on Corporate Due Diligence Obligations in Supply Chains,' which takes effect in 2023.

We continue to support improvements in the ongoing and independent accreditation of our supply chain-facing social compliance program by the Fair Labor Association (FLA). We have also maintained our commitment to the 'Sporting Chance Principles' and our seat on the Advisory Council for the Centre for Sport and Human Rights.

As a sponsor, we have intensified our engagement with FIFA in 2021 over the hosting of the upcoming 2022 FIFA World Cup in Qatar, paying particular attention to stakeholder concerns over human rights and offering our support for the establishment of a Migrant Workers Information Centre. Separately, we have undertaken due diligence of our planned on-ground activation in Qatar and have mapped our supply chain linked to World Cup 2022 production. In the lead-up to the World Cup we have also consulted with FIFA over effective grievance mechanisms.

For the past five years adidas has partnered with the International Organization for Migration (IOM) through its 'Corporate Responsibility in Eliminating Slavery and Trafficking' ('CREST') initiative to implement responsible recruitment practices in the supply chain. Having identified Indonesia, the Philippines, Thailand, and Vietnam as the key sending countries for foreign migrant workers, in 2021 we provided targeted trainings for private recruitment agencies from these countries to raise their awareness on international standards on responsible recruitment and available certifications. The training was conducted in partnership with IOM, as part of our drive to increase overall awareness of ethical recruitment, improve recruitment fee transparency, and build capability and understanding of the 'International Recruitment Integrity System' ('IRIS'), the global standard for ethical recruitment. We commissioned the IOM in 2021.

Through our annual Modern Slavery Statements, annual progress updates, and other public disclosures, we have shared the actions we have taken to address forced labor in our global supply chain, documenting risks and remedies. 2021 also saw us partnering with the Responsible Sourcing Network for their 'Yarn Ethically and Sustainably Sourced' ('YESS') initiative helping to enable spinners and textile mills to implement effective due diligence to prevent cotton produced with forced labor. This initiative has been piloted in India and Pakistan.

We continued to receive external recognition for our approach to managing Human Rights. We maintained our leadership position on the 2021 'KnowTheChain' forced labor benchmark as the highest-scoring European company in the benchmark, and in the first ever 2021 Gender Benchmark developed by the World Benchmarking Alliance, we ranked in the top three international apparel companies. ▶

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. Inquiries 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. ▶

INTERACTIONS WITH TAX AUTHORITIES

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 improvement of workers' welfare. We continued to uphold our standard manufacturing terms, including worker rights protection, and assisted key manufacturing partners in securing bank financing to help them weather the covid-19 crisis.

TAX PLANNING

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 2021 we were not involved in the public policy regarding tax law or tax law changes in any of the jurisdictions in which we operate.

WORKING CONDITIONS IN OUR SUPPLY CHAIN

MANAGING THE IMPACT OF COVID-19

In 2021, covid-19 continued to impact all segments of society, including our manufacturing partners and especially workers in key sourcing countries in Asia: Cambodia, Indonesia, and Vietnam, all of whose governments, at various points in time, imposed government-mandated lockdowns to prevent the spread of covid-19. The longest lockdown occurred in Vietnam, where many stores and businesses were closed for three months by government order. In response to these challenges, we worked closely with our manufacturing partners to implement covid-19 safety measures and supported them in their vaccination drives, which resulted in high levels of protection for the workers. In Vietnam, we assisted with the supply of covid-19 testing kits and worked with the Vietnamese government, providing input to their guidelines and protocols for the safe reopening of the supplier factories, once the lockdown was lifted.

Ensuring business continuity and a functioning supply chain kept jobs, albeit sometimes with reduced working hours due to government-mandated lockdowns or temporary suspensions. We continued to be committed to ensuring legal compliance in terms of pay and benefits for all workers affected by operational changes due to covid-19 and tracked the working conditions in every manufacturing facility closely. Where we have seen downsizing, we ensured that laid-off workers received their legal severance and other entitlements in full. In 2020, we endorsed the International Labor Organization's ('ILO') 'Call to Action' to address the impact of the coronavirus pandemic on the garment industry, and throughout 2021 we worked closely with the International Organisation of Employers and the ILO Better Work program on the ILO-driven 'Call to Action' plans, with a special focus on social protection mechanisms.

OUR APPROACH TO WORKING CONDITIONS IN OUR SUPPLY CHAIN

Our commitment to ensuring fair labor practices and safe working conditions in our manufacturing facilities 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 that is aligned with the Fair Labor Association's 'Workplace Code of Conduct' and the 'Principles of Fair Labor and Responsible Sourcing.' The standards form a contractual obligation under the manufacturing agreements we sign with our manufacturing partners to ensure workers are employed in fair, safe, and

healthy workplaces which are environmentally sound. Our standards follow 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 supply chain. 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 and 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 began a transition from our compliance benchmark ('C-KPI'), which is focused on management systems and supplier self-governance, to a new social impact KPI ('S-KPI'). The S-KPI measures a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. By 2025, we aim for having 70% of Tier 1 strategic suppliers achieve at minimum '4S,' and 100% of Tier 1 strategic suppliers achieve '3S' or better.
- **Transparency:** As part of our broader risk management processes, we will increase the scope and application of 'Human Rights and Environmental Due Diligence' ('HREDD') efforts. By 2025, we aim to have a system in place to identify and manage high risk human rights issues in 100% of our value chain. In conducting due diligence we seek to identify, prevent or mitigate potential adverse human rights or environmental impacts, with priority given to addressing the most severe impacts. In 2021, we have taken steps towards this ambition by working in partnership with our sourcing organization to enhance our mapping of Tier 1 manufacturing partners' sub-contractors. In 2022, we will build on these actions by assigning accountability to our key Tier 1 manufacturing partners for implementing their own due diligence efforts and will track their implementation via our S-KPI tool. This will include requiring them to commission social compliance audits in their sub-contractor facilities.
- **Fairness:** This concept focuses on responsible sourcing practices, gender equality, and pay equity, that support fair compensation for workers. By 2025, we aim for progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers.²¹ We also strive to achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers.²²

RESPONSIBLE SOURCING PRACTICES

- In addition to regularly monitoring our supply chain to ensure compliance with the 'adidas Workplace Standards,' we invested time in 2021 to review our own purchasing practices. This was done to ensure that such practices were not negatively impacting our manufacturing partners' ability to comply with our standards, in accordance with adidas' 'Responsible Sourcing Policy.' Specifically, in 2021 we published adidas' 'Ten Buyer Commitments' and integrated them into our 'Responsible Sourcing Policy.' We trained more than a hundred senior leaders within our Global Operations department on this policy and our 'Buyer Commitments.' As a subscriber to the Better Buying Institute, we reviewed our 2021 'Better Buying Report' in detail and started internal discussions to further improve our program based on the report's feedback. Finally, we began working with the Better Buying Institute to develop an e-learning training on responsible purchasing practices, which will be deployed to a broader section of adidas' workforce in 2022.

²¹ The fair wage benchmarks include industry wages, minimum wages, and living wages. These benchmarks are set and tracked through a 'Fair Labor Association Fair Compensation Tool,' which has broad industry adoption and is being rolled out progressively to strategic Tier 1 supplier partners.

²² The measurement of wage parity for production line workers and their immediate supervisors (i.e., line leaders) forms part of a broader gender strategy rollout to applicable Tier 1 strategic partners who complete self-assessments to identify and then close gender gaps in operating practices and procedures.

GENDER EQUALITY

► We aim to bring a gender lens to our key manufacturing partners' operations ensuring that all workers enjoy the same opportunities, rights, and obligations.

In 2021, we developed a guidance document for our manufacturing partners, 'Gender Strategy for Business Partners,' which will officially be launched in 2022, to help them develop and implement their own gender strategy within their operations. The guidance document not only references various laws and regulations related to gender equality and non-discrimination, it also highlights six focus areas for action: 'Respectful Workplace,' 'Compensation and Benefits,' 'Gender Based Violence and Harassment,' 'Voice and Representation,' 'Leadership and Skills Development' and 'Health, Safety and Well-being.' To complement our guidance, we selected six manufacturing partners, two from each region, to pilot the International Center for Research on Women's 'Self-Diagnostic Tool' that we plan to rollout across all suppliers in 2022 and 2023. This self-assessment tool helps suppliers identify the gender-based gaps in their operating practices and procedures, and creates the building blocks for the development of their own gender strategy, with supporting improvement plans. Once submitted, we will track each improvement plan to see that gaps are being effectively closed and policies and procedures updated to address the six priority areas for action. ▶

FAIR COMPENSATION

► In 2021, we reviewed and updated our 'Fair Compensation Strategy' identifying five key levers that influence wages: legal obligations; responsible sourcing and purchasing practices; worker productivity; government involvement, and industrial relations.

Going forward, we will prioritize these five levers to influence wage improvements across our supply chain. To support that strategy, we are prioritizing increased tracking of wages and benefits-related findings and their accompanying remediation. As of June 2021, 96% of wages and benefits related threshold issues identified since the beginning of 2018 had been verified as having been remedied in full. Given the complex nature of many wages and benefits-related findings, it can take many months to address open issues in full. We do not characterize issues as 'closed' until the remedy has been verified as having been implemented completely and in a sustainable manner to avoid reoccurrence. As a result, these issues may take a longer period of time to be reflected as 'closed' in our compliance data management systems. In addition, we collected wage data from 50% of our key manufacturing partners in Southeast Asia (Cambodia, Indonesia, and Vietnam), which enable us to review/assess wage progression against credible and publicly available wage benchmarks. The three primary benchmarks considered are the World Bank's published poverty line, government-mandated minimum wages and living wages as defined by the Global Living Wage Coalition. ▶

MANUFACTURING FACILITY PERFORMANCE

► We regularly assess our manufacturing partners 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.

Any cases of non-compliance identified during audits are given a clear time frame for remediation. Potential new manufacturing facilities are assessed in a similar way and orders can only be placed if approval by the Social and Environmental Affairs ('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 received through our grievance channels are reviewed and investigated, and the outcome is reported on our corporate website. Manufacturing facilities' 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 manufacturing facility inspections and external verification of our programs. Since then, our program has been accredited three times by the FLA.

According to the results of our assessments, 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 workplace systems or practices.

At the end of 2021, adidas worked with 509 independent supplier facilities²³ (2020: 520) that manufacture products for our company in 46 countries (2020: 49). These numbers reflect the stability of our supply chain and our strategy to form long-term partnerships with our manufacturing partners. 67% of our manufacturing partners' facilities (2020: 66%) are located in the Asia-Pacific region. The number of licensees we worked with increased slightly compared to 2020, with 60 licensees (2020: 56) that manufactured products in 418 factories (2020: 375) across 39 countries (2020: 37). ▶

ONBOARDING

▶ In 2021, our primary focus has been on maintaining partnerships with our existing manufacturing partners rather than onboarding new ones. At the same time, several existing licensees have expanded their supply chains, to add to those of four newly onboarded licensees. Consequently, 2021 saw 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, conducted in 142 factories (2020: 112). Of these, 48 factories (2020: 31) 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 (86%) of all initial assessments were undertaken in Asia (2020: 94%), with China accounting for 42% (2020: 50%).

Overall, at the end of 2021, the first-time rejection rate of 34% of all new factories visited was slightly higher than in the previous year (2020: 28%). Providing focused support to those factories that we have onboarded, has aided us in maintaining a 'final rejection rate' of under 2% in 2021. The remediation of manufacturing facility issues prior to their onboarding 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. Manufacturing partners that have threshold issues are normally given three months to remediate those issues before being re-audited for final acceptance. ▶

²³ Independent supplier facilities refer to individual Tier 1 facilities (factories) of our manufacturing partners 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.

SUPPLY CHAIN PERFORMANCE DATA

	2021	2020
Onboarding: Worldwide rejections after initial assessment¹ for compliance reasons		
Total number of first-time rejections ²	48	31
First-time rejection rate	34%	28%
Total number of final rejections	2	2
Final rejection rate ³	1%	2%
Worker satisfaction		
Implementation of 'Workers Voice' grievance platform at strategic manufacturing partners ⁴	99%	98%
Satisfaction rate from workers who raised a grievance through 'Workers Voice'	71%	58%
Trainings		
Number of training sessions (fundamental, performance, advanced)	149	61
Monitoring		
Total number of audits (initial assessment, performance audits, environmental assessments) ⁵	1,176	921
Enforcement⁶		
Number of warning letters (first warning)	11	19
Number of warning letters (second warning)	2	3
Number of warning letters (third and final warning)	0	0
Number of business relationship terminations for compliance reasons	1	0

¹ Every new manufacturing facility has to pass an initial assessment to prove compliance with the 'adidas Workplace Standards' before an order is placed. The data includes both initial assessments and initial assessment follow-ups, and from 2021, includes on-site and desktop assessments.

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 initial assessments but which were given a chance for a second visit.

³ 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.

⁴ Strategic manufacturing partners are responsible for around 90% of our global production volume.

⁵ Total number of audits includes audits done in licensee factories. Performance audits conducted in approved factories that have passed the initial assessment (from 2021 onward, this includes on-site and desktop assessments). Environmental assessments include ZDHC wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'

⁶ Includes warning letters issued by licensees excluding warnings to facilities 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.

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, manufacturing facility-based digital grievance channel for workers. We have progressively improved and expanded the use of this grievance mechanism and in 2021 more than 600,000 workers employed in 123 manufacturing facilities across 18 countries had access to this system, reflecting a 99% coverage of strategic manufacturing partners.

A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Access to a digital complaint mechanism has proven invaluable during covid-19. Close to 52,000 human and labor rights complaints (2020: around 46,000) were filed with the facility management teams in 2021, with 99% of these complaints being closed by the end of 2021. The top complaints were related to concerns over general facilities, benefits, health and safety issues associated with covid-19, and communication.

Responses received through the 'Workers Voice' platform are 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 manufacturing facility and track how the facility's management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the facility's overall social compliance score ('C-KPI'/'S-KPI'). adidas provides ongoing capacity building to enhance the facility 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 to 71% in 2021. The increase in satisfaction is partly related to a significant improvement in the response time that it took the factory management to address workers' grievances, which decreased from 49 hours in 2020 to less than 16 hours in 2021 due to improvements in communication and transparency in the workplace. The management teams in the manufacturing facilities have continuously engaged with the facility's workers through e-newsletters and broadcast messages, which improved the workers' engagement and the overall company culture.

Complementing the various grievance channels, we expanded the 'Worker Pulse' project that was launched in 2020, which is a digitalized short survey to capture workers' perception and awareness of their labor rights on focused areas such as communication, harassment, and abuse, as well as grievance systems. It builds on what we learned from a previous survey process we initiated in 2016. In 2021, we undertook these digital surveys in 123 manufacturing facilities (2020: 63) across 16 countries (2020: 9), with more than 66,000 workers participating (2020: 22,000). The survey was conveyed to the workers through a mobile-phone-based application. 

WORKER PULSE SURVEY QUESTIONS: AVERAGE RESPONSES¹

	2021	2020
If my friends or relatives are looking for a new job, I would recommend this factory.	85%	79%
If I have a complaint or suggestion, I am willing to speak up.	84%	78%
If I raise a complaint or suggestion, I think it will be treated seriously by management.	82%	77%
I feel comfortable talking to my direct supervisor.	84%	78%
My workplace is free from abuse and harassment cases.	84%	78%
I know what to do if I experience any abuse or harassment.	81%	75%

1 The percentage figures indicate the average response on a five-point Likert type scale where 100% respresents 'strong agreement' and 0% 'strong disagreement.'

 Significant increases in the workers' positive response rates were identified in all six of the survey's questions across all surveyed workers. This increase in the workers' general satisfaction rates is also a factor in the increase in the average C-KPI score for our manufacturing partners' facilities in 2021. This shows that when workers' voices are being heard and acted upon by the facility's management, it can have an impact in improving the overall working conditions within a manufacturing facility. Manufacturing partners are required to develop and track workplace improvement plans, based on the feedback received from the 'Worker Pulse.'

Alongside facility-led training, we have also offered tailored training under our 'Women Leadership Program,' first launched in 2016. However, due to the constraints imposed by covid-19, this training was initiated only in three countries (China, Indonesia and the Philippines) in 2021.

2021 also saw an expansion of our mobile-phone-based 'Digital Training' project, which was successfully rolled out in 43 manufacturing facilities across Cambodia, China, Indonesia, and Vietnam in 2020. 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 more than 62,000 workers who took part in 2021 (2020: 11,000), they averaged a score of 92 out of 100 in the post-test questions. 

MANUFACTURING FACILITY ENGAGEMENTS AND TRAINING SESSIONS

In 2021, while our ability to physically visit our manufacturing partners continued to be constrained in some locations by the pandemic, in other areas during the year our ability to do so was restored. We used these opportunities to maximize the impact of our facility engagements and training sessions. Through a combination of on-site and remote, or virtual interactions throughout the year, we completed 373 individual facility engagements in 2021 (2020: 644), and 149 training sessions for manufacturing partners, licensees, workers, and adidas employees (2020: 61). Training sessions covered a broad range of topics, from our Workplace Standards, guidelines, and supporting policies, through to targeted training on specific labor, health and safety, and environmental topics. The number of trainings delivered also reflected our focused efforts this year to educate our manufacturing partners on Worker Empowerment projects and the launch of our new 'S-KPI tool.' Where virtual training sessions could be held, we continued to utilize this format to attract larger audiences, reaching a total of 5,321 people, up significantly from the 2020 figure of 1,497.

Wherever possible, we were also able to exchange multiple, shorter virtual interactions, with longer, and more comprehensive, on-site engagements. In addition to our continuous tracking of covid-19 impacts on our manufacturing partners' operations, we used these engagements to monitor remediation activities, KPI improvement plans, grievance investigations, and worker satisfaction surveys.

We continued to work with our licensee partners in 2021 to ensure that they were implementing adidas Workplace Standards into their manufacturing partners' operations in a consistent manner. As in past years, we co-hosted, along with five other brands, a joint 'Licensee Summit' in 2021, providing a forum for discussion on supply chain sustainability challenges and best practice sharing. In addition, we also enabled our licensees to access the Fair Labor Association's ('FLA') e-learning material, offering trainings devoted to Human Rights, Forced Labor, Responsible Manufacturing, and Worker Engagement, among other topic areas. Our team also continued to work within the FLA's Responsible Licensing Principles Working Group that is charged with developing standards that the FLA will use to evaluate its members' licensing and monitoring activities.

Since 2018 we have partnered with the International Organization for Migration ('IOM') to promote fair recruitment practices for foreign migrant labor employed by our Tier 2 materials manufacturing partners. In 2021, this engagement with 'IOM' resulted in a series of virtual trainings that were held with labor recruitment agencies in Indonesia, Thailand, Vietnam, and the Philippines – the main sending countries supplying most migrant workers to Taiwan. Taiwan has been a key focus country for our program. The online training sessions provided an overview of international standards and regulations related to recruitment fees and conveyed to the attendees adidas' zero tolerance policy with regards to human trafficking and forced labor. In addition, the trainings provided a framework for the recruitment agencies, to ensure that they are undertaking a framework implementing the required due diligence, to comply with both adidas' and international standards.

MONITORING

We audit our manufacturing partners regularly against our Workplace Standards. In 2021, in addition to our own audits, we have expanded our use of assessments under the 'Social & Labor Convergence Program' ('SLCP'). As a signatory to the SLCP, we share its vision of industry collaboration and support its efforts to establish a robust methodology for the efficient collection, verification, and sharing of manufacturing facility compliance data. By using the SLCP's Converged Assessment Framework, manufacturing partners are able to share their verified assessments with buyers, thereby helping to reduce duplicative audit activity and facilitate collaboration among stakeholders. In 2021, we have accepted 142 SLCP assessments in lieu of our own Performance Audits. The SLCP, as an industry assessment tool, will continue to evolve as it is adopted more widely across the sector, and its methodology is strengthened. We are pleased to contribute to this evergreening and will continue to test

the tool in different supplier settings in 2022. As part of our ongoing evaluation, we will continue to provide this feedback to the SLCP and collaborate with like-minded industry partners in the pursuit of effective and impactful industry solutions.

With covid-19 continuing to place restrictions in some parts of the world on our ability to conduct our own on-site assessments in 2021, our monitoring approach had to remain agile to accommodate lockdowns and travel restrictions. Where possible, we continued to follow our regular on-site assessments, while also continuing the use of remote desktop assessments first piloted in 2020.

NUMBER OF AUDITS BY REGION AND TYPE

Region	Initial assessment ¹		Performance audit ²		Environmental assessment ³		Total	
	2021		2020		2021		2020	
	2021	2020	2021	2020	2021	2020	2021	2020
Asia	145	120	387	311	511	420	1,043	851
Americas	15	5	33	12	15	18	63	35
EMEA	8	2	40	20	22	13	70	35
Total⁴	168	127	460	343	548	451	1,176	921

1 Every new manufacturing facility has to pass an initial assessment to prove compliance with the 'adidas Workplace Standards' before an order is placed. The data shown includes both initial assessments and initial assessment follow-ups, and from 2021, includes on-site and desktop assessments.

2 Audits conducted in approved factories that have passed the initial assessment (including on-site and desktop assessments as of 2021).

3 Includes environmental assessments and wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'

4 Includes audits done in licensee factories.

A total of 770 social compliance audits (initial assessments, performance audits, and SLCPs) were conducted in 2021 (2020: 624), 67 of which were conducted remotely. Of the 405 on-site Performance Audits conducted, 78% were carried out on an unannounced basis whereby the manufacturing facility is not informed in advance of the exact date of assessment. Our team continued to prioritize not only assessing our manufacturing partners' labor, health and safety, but also their environmental compliance. We established a new Environmental Assurance team in 2021 along with a dedicated set of environmental Zero Tolerance and Threshold Issues pertaining to a manufacturing facility's energy, water, and waste impact and environmental management systems (e.g., chemical, environmental, and wastewater management). Existing manufacturing partners are also being assessed against these environmental standards. In 2021, 204 facilities in 19 countries were assessed and evaluated to these environmental standards, which represented 181 of our key Tier 1 and Tier 2 manufacturing partners, and selected Tier 3 suppliers.

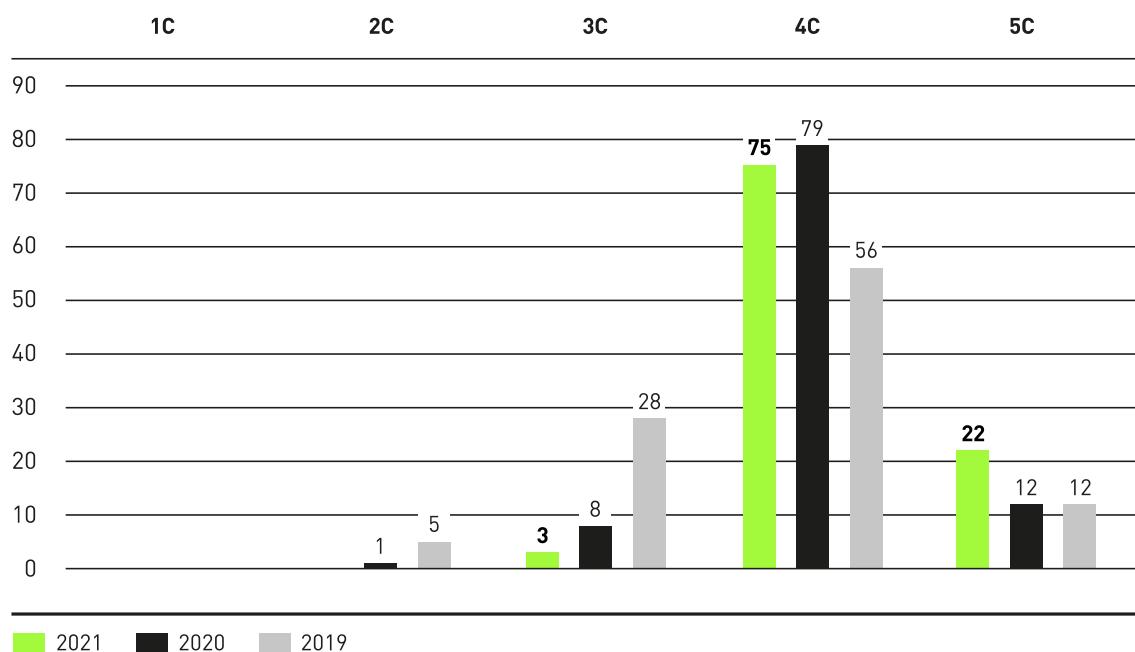
On top of these, in 2021, 78 self-governance audits and collaboration audits (2020: 88) were conducted. Under the C-KPI program, when a manufacturing facility reaches a compliance maturity level of '4C' or above, we empower the supplier to conduct their own self-governance audits and develop appropriate 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 increased from 278 in 2020 to 395 in 2021. This reflects the expanded supply base of some of our licensee partners, as well as the sharing of SLCP assessments with us.

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 233 in 2021 (2020: 251), with 741 assessments performed by third-party monitors (2020: 569).²⁴

²⁴ Including social and environmental assessments, excluding ZDHC wastewater assessments.

- **Audit coverage:** A total of 54% (2020: 49%) of all direct and licensee facilities were audited in 2021. ‘High-risk’ locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2021, with an audit coverage of 70% (2020: 64%). As a general principle, manufacturing facilities 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 2021, 97% of our key manufacturing facilities achieved a rating of ‘4C’ or better (on a rating scale of 1-5 with 5 being the best). These ratings show that our key manufacturing partners have continued to strengthen their compliance performance, despite the headwinds created by covid-19. Some 22% of our key manufacturing partners’ facilities have progressed even further, achieving a ‘5C’ rating, which shows that they have mature social compliance governance systems and practices in place. At the end of 2021, we retired our C-KPI rating system for assessing social compliance in our key manufacturing partners. In its final year of use, and despite the pandemic, the C-KPI scores in 2021 were higher than in 2020. We believe our work on Worker Empowerment projects, and close engagements with our manufacturing partners in preparing them for the new impact-oriented S-KPI tool to be launched in 2022, has helped improve the C-KPI results in this final year. 

SOCIAL COMPLIANCE PERFORMANCE RATING OF STRATEGIC SUPPLIER FACTORIES BY C-KPI RATING IN %



 In 2022, we intend to strengthen our due-diligence practices and coverage by introducing new requirements to ensure that all key Tier 1 manufacturing partners take accountability in conducting annual social compliance audits at their sub-contractor facilities using adidas’ authorized external monitors.

Of our key licensees, 100% achieved a Licensee Compliance Rating (‘LCR’) of at least 4 (on a rating scale of 1-5 with 5 being the best), and of these, 29% received a rating of 5. This rating mechanism mirrors that of our C-KPI applied to manufacturing partners and reflects that these licensees have successfully demonstrated that they have embedded strong governance systems, supply chain management, and

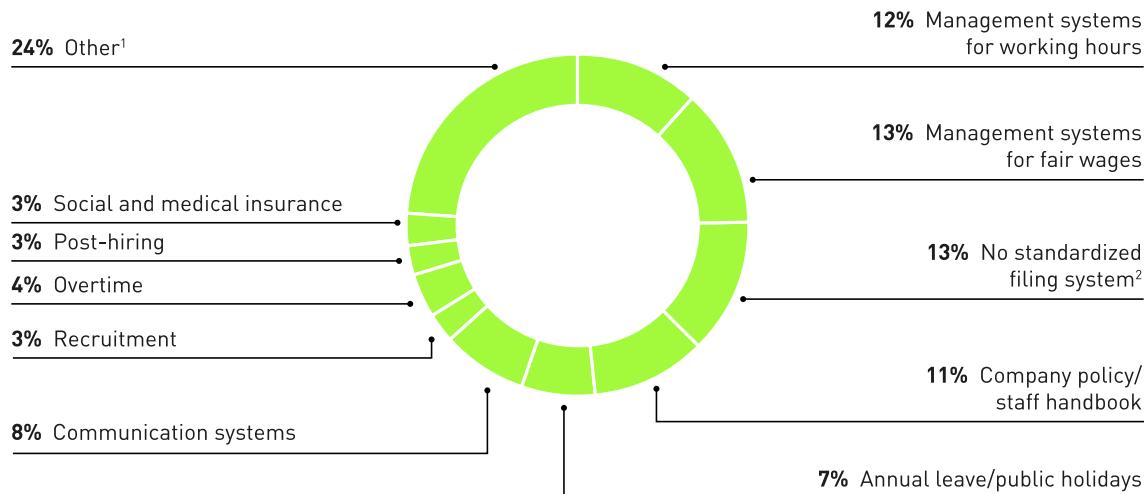
purchasing practices compliance requirements into their business practices. Licensees are also assessed on the existence of policies and systems to address stakeholder engagement, as well as levels of public reporting and communication.

NON-COMPLIANCES IDENTIFIED IN ACTIVE FACTORIES

Our manufacturing partners' facilities 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, or 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 manufacturing partners' performance audits, collaboration audits, self-governance assessments, and, since 2020, SLCP assessments. We follow up on all cases of non-compliance and require our manufacturing partners to remediate open issues within a specified timeframe. The identified issues in 2021 remained largely the same as those reported in 2020.

- 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 facilities' 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 facilities, rather than the confirmed presence of a specific case of non-compliance.

SHORTCOMINGS IN THE AREA OF LABOR IDENTIFIED DURING AUDITS IN 2021

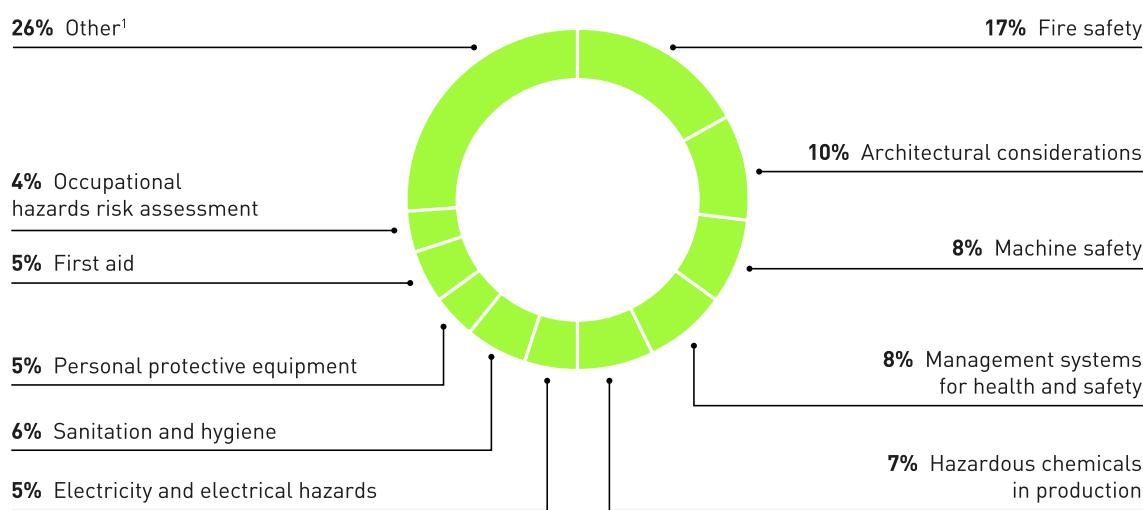


1 'Other' includes, for example, overtime/holiday rate and other benefits/allowances.

2 'No standardized filing' indicates a factory does not keep relevant information/documents and records which demonstrate compliance with laws and regulations.

- **Non-compliances in the area of health and safety:** Fire, electrical, and machine safety are critical areas for existing manufacturing facilities and together accounted for 30% of the non-compliances identified in 2021. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 7% 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. ▶

SHORTCOMINGS IN THE AREA OF HEALTH AND SAFETY IDENTIFIED DURING AUDITS IN 2021



¹ 'Other' includes, for example, material storage, housekeeping, or waste management.

REMEDIATION

- ▶ We follow up on all cases of non-compliance and require our manufacturing partners to remediate open issues within a specified timeframe. As an illustration of our efforts to support this remedy, in the period 2018 to June 2021, 95% of the threshold issues identified during our monitoring assessments have been verified as being remedied in full. A small percentage of issues identified over this period remain open, the majority of which were found during assessments conducted in 2020 and in the first half of 2021. While in many cases the actual issues will have been resolved, our approach is to only 'close' these in our systems when we have verified evidence of completion and established that corrective actions taken are sustainable and sufficient to avoid reoccurrence. ▶

INDEPENDENT FLA AUDITS

- ▶ The Fair Labor Association ('FLA') was able to resume monitoring coverage in 2021 by utilizing a variety of monitoring models (e.g., in-person, virtual, or a hybrid approach of both in-person/virtual), despite the ongoing challenges posed by covid-19. This resulted in adidas receiving four 'Sustainable Compliance Initiative' ('SCI') Assessments from the FLA in 2021. In addition to manufacturing facility monitoring, the FLA focused its efforts on enhancing virtual monitoring methodology; issuing specific country/topical guidance, supply chain mapping, grievance mechanisms; supporting company affiliates with their Fair Compensation Strategy; launching a new e-learning program for business affiliates' manufacturing partners; revising its third-party complaint mechanism; developing responsible termination guidelines; and continuing its work to measure and mitigate impacts of covid-19 on the industry's supply chain. ▶

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 manufacturing partners' facilities. We work closely with our manufacturing partners to help them improve their performance. However, where we face situations of severe or repeated non-compliance, we do terminate business relationships with facilities.
- **Warning letters:** In 2021, our close engagement with our manufacturing partners' facilities has helped reduce the number of active warning letters to 13 (2020: 22) across six countries. Compared to the previous year, the overall number of active first-warning letters decreased significantly, from 19 in 2020 to 11 in 2021; the total number of second warnings also decreased to 2 in 2021 (2020: 3). Manufacturing facilities 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 team. No third-warning letters (which result in manufacturing facility terminations) were issued to our manufacturing partners in 2021 (2020: 0).
- **Terminations:** In 2021, there was one instance of a termination of a supplier agreement for social compliance reasons (2020: 0). ►

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 Consolidated 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 Standards. The GRI content index can be found online. ► REPORT.ADIDAS-GROUP.COM

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- SEE GLOBAL SALES
- SEE GLOBAL OPERATIONS

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- More sustainable materials and circular services
- SEE SUSTAINABILITY
- SEE INTERNAL MANAGEMENT SYSTEM
- SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISK AND OPPORTUNITIES, AND OUTLOOK
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- SEE SUSTAINABILITY
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- SEE INTERNAL MANAGEMENT SYSTEM
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INTERNAL MANAGEMENT SYSTEM

We are committed to significant value creation – for our company and all its stakeholders. 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. As a result of our new strategy 'Own the Game,' our business is becoming significantly more cash generative than ever before. Consequently, we enhanced our internal management system. ▶ SEE STRATEGY

INTERNAL MANAGEMENT SYSTEM DESIGNED TO DRIVE SHAREHOLDER VALUE

In order to drive and steer value creation, 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 continuing operations is of high importance as it directly drives returns in the interest of our shareholders. Our strong focus on value creation is reflected in the fact that our Management's short- and long-term variable compensation is closely linked to the company's growth in sales, profitability, and net income from continuing 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 the major KPIs to drive and improve our company's 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 manage the covid-19 pandemic in 2020 and 2021, when 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. 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 by harmonizing business processes, standardizing systems, eliminating redundancies, and leveraging the scale of our organization.

CASH FLOW AND OPERATING WORKING CAPITAL MANAGEMENT

Actively managing our liquidity, cash flow and operating working capital remains a key focus for us and continues to be monitored closely by Management. 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, the KPI we use 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 minimize the aging of accounts receivable. Likewise, we strive to optimize payment terms with our suppliers to manage our accounts payable in the best possible way.

CAPITAL EXPENDITURE TARGETED TO MAXIMIZE FUTURE RETURNS

Improving the effectiveness of capital expenditure is another major lever to drive our cash flow generation. 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 by 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

We are committed to a continuous improvement in the company's bottom line. Management closely monitors the development of net income from continuing operations and executes against this KPI. Our strong focus on driving sustainable expansion to the company's bottom line is also reflected in the fact that, as the most significant part of the Long-Term Incentive Plan 2021/2025, the variable compensation for our Management is directly linked to the growth of the company's net income from continuing operations. ► [SEE COMPENSATION REPORT](#)

STRATEGIC 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 strategic KPIs that help us track our progress in areas that are critical for our long-term success. The strategic KPIs also play a major role in measuring the success of our strategy 'Own the Game' for the period until 2025. These strategic KPIs are assessed on a regular basis and managed by the respective business functions. Strategic KPIs we are monitoring include, among others, women's business and DTC share of net sales, e-commerce net sales, the development of our member base, our sustainable article offering, employee engagement, and the share of female leadership.

NET SALES

With our strategy 'Own the Game,' we have identified several areas that are of particular strategic relevance in addition to the already existing focus on net sales:

- We aim at driving overproportionate growth in our women's business to increase its overall share.
- Through our focus on DTC, we defined the share of our DTC business in relation to total net sales as our metric to measure the success of our strategy.
- With e-commerce being an integral part of our growth plans, we monitor and assess the absolute net sales amount for this channel on a regular basis. ▶ SEE STRATEGY

MEMBERSHIP

▶ We want to grow long-term relationships with our consumers who are at the center of our strategy 'Own the Game.' Our membership program offers personalized experiences and rewards our most valued consumers' engagement and purchasing activity. Therefore, our goal is to increase the member base over the years, and its growth serves as the metric to measure our success. ▶ SEE STRATEGY

EMPLOYEE ENGAGEMENT AND EXPERIENCE

▶ We are convinced that listening to employees plays a crucial role in our pursuit of creating a best-in-class 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. We launched the 'Employee Listening Survey' in 2021 – our new approach to measure the level of employee engagement and experience that adidas provides as an employer. ▶ SEE OUR PEOPLE

FEMALE LEADERSHIP

▶ Through our focus on Diversity, Equity, and Inclusion, we are committed to providing an equal starting line for all our people, ensuring that everyone has the same career opportunities. One of our commitments is to increase the share of women in management positions (Director level and above) globally to more than 40% by 2025. ▶ SEE OUR PEOPLE ▶ SEE STRATEGY

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 made sustainability one of the focus areas in our strategy 'Own the Game.' To measure our progress, we have developed and implemented the strategic KPI 'Sustainable Article Offering.' In addition, we have already been following a comprehensive roadmap with clear targets for years, and regularly track our progress toward these targets with regard to the environmental and social impact. We are 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 long-standing commitment to 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
- ▶ SEE STRATEGY
- ▶ SEE COMPENSATION REPORT
- ▶ ADIDAS-GROUP.COM/S/SUSTAINABILITY

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 and 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 the year-to-date performance as well as opportunities and risks, the company's expected full-year financial performance is assessed on a monthly basis. Finally, as a further early indicator for future performance, the results of any relevant recent market and consumer research are assessed as available.

BUSINESS PERFORMANCE

In 2021, adidas recorded strong operational and financial improvements. Revenues increased 16% on a currency-neutral basis, reflecting broad-based growth across all market segments and categories. The gross margin increased 0.7 percentage points to 50.7%. Other operating expenses as a percentage of sales were down 4.7 percentage points to 41.9%. The company's operating margin increased 5.3 percentage points to 9.4%, reflecting both the gross margin increase and the decrease in other operating expenses as a percentage of sales. Net income from continuing operations increased 223% to € 1.492 billion. This translates into basic EPS from continuing operations of € 7.47, also representing an increase of 223% versus the prior year period.

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY RECOVERS IN 2021²⁵

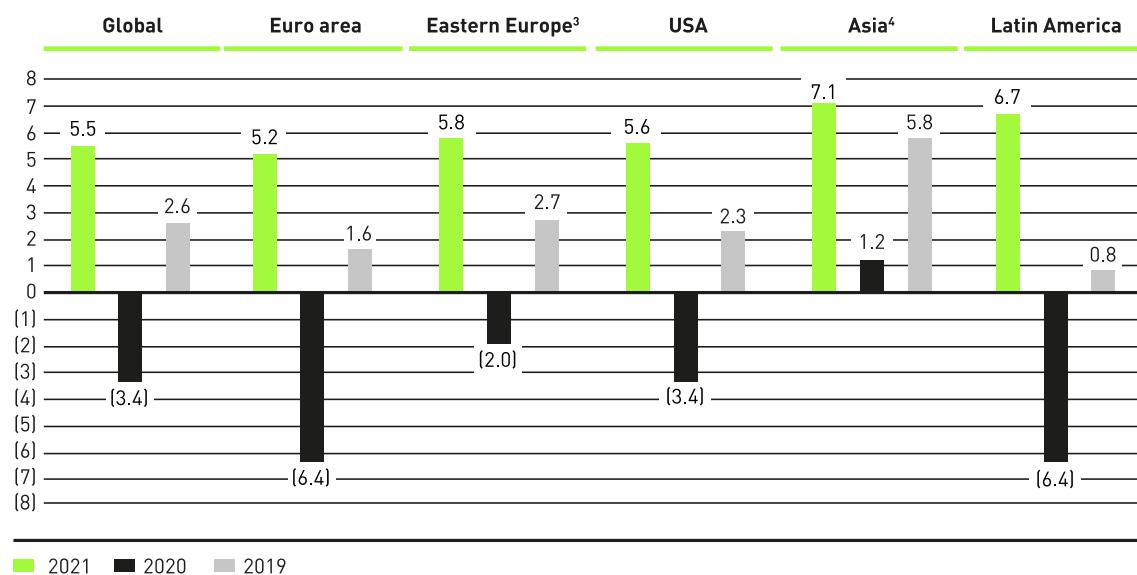
The global economy recovered in 2021, with global gross domestic product (GDP) rebounding 5.5%. Increasing vaccination rates allowed international trade to pick up, while policymakers transitioned from strict lockdowns to less disruptive measures such as face mask obligations and capacity limits, leading to an increase in output, consumption, and trade. Advanced economies grew by 5.0% in 2021, mainly driven by the discontinuation of lockdown measures, which partially had to be revoked in the wake of new coronavirus variants emerging in the second half of the year. Developing economies in aggregate were up 6.3% in 2021 as production expanded. Overall, rising demand faced supply bottlenecks, which led to rising prices in advanced and developing countries alike. Globally, risks of new emerging coronavirus variants leading to a further delay in the pandemic recovery remain.

SPORTING GOODS INDUSTRY REBOUNDS IN 2021

The global sporting goods industry expanded in 2021 while still facing steep challenges, such as increased freight costs and coronavirus-induced factory closures. Due to supply shocks in Southeast Asia, the industry could not always meet the increasing demand. Nevertheless, global demand was driven by the return of sports and large-scale sport events, such as the UEFA EURO 2020 or the Tokyo 2020 Olympics. Furthermore, existing global trends, such as the increased penetration of sportswear ('athleisure') as well as rising awareness for health and wellness, accelerated further. Moreover, sustainability remained an important theme for consumers. While physical retail recovered from the lockdown-related declines in the prior year, purchasing behavior continued to shift toward online channels. Ultimately, digital platforms, such as social fitness or membership programs, are evolving with growing interest of consumers. For the sporting goods industry, too, risks of a delayed pandemic recovery continue to exist.

²⁵ Source: World Bank Global Economic Prospects.

REGIONAL GDP DEVELOPMENT^{1,2} IN %



1 Real change in percent versus prior year; 2020 and 2019 figures restated compared to prior year.

2 Source: World Bank as of January 11, 2022.

3 Includes Emerging Europe and Central Asia.

4 Includes East Asia and Pacific.

INCOME STATEMENT

FOCUS ON CONTINUING OPERATIONS

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

2021 MARKS SUCCESSFUL FIRST YEAR OF THE NEW STRATEGIC CYCLE

In 2021, revenues increased 16% on a currency-neutral basis. In euro terms, revenues were up 15% to € 21.234 billion from € 18.435 billion in 2020. From a market perspective, currency-neutral sales increased in all segments with EMEA, North America, and Latin America posting strong double-digit improvements. Currency-neutral sales in Asia-Pacific and Greater China were up by high-single- and low-single-digit rates, respectively. ► [SEE BUSINESS PERFORMANCE BY SEGMENT](#)

Net sales

+16% c.n.

€ 21.234 bn

REVENUE DEVELOPMENT DRIVEN BY ALL CATEGORIES

From a category perspective, currency-neutral revenues in Performance grew in the strong double-digits, driven by double-digit improvements in all key categories. In addition, Lifestyle also grew at a double-digit rate.

NET SALES¹ € IN MILLIONS

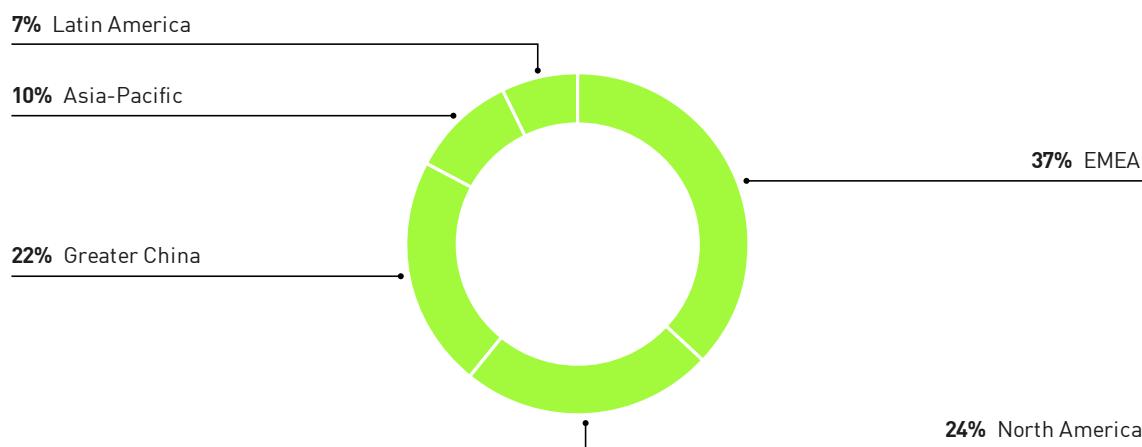


¹ 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

NET SALES BY SEGMENT € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
EMEA	7,760	6,308	23%	24%
North America	5,105	4,519	13%	17%
Greater China	4,597	4,342	6%	3%
Asia-Pacific	2,180	2,083	5%	8%
Latin America	1,446	1,035	40%	47%
Other Businesses	145	149	(3%)	(2%)
Total	21,234	18,435	15%	16%

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

NET SALES BY SEGMENT¹ IN % OF NET SALES

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

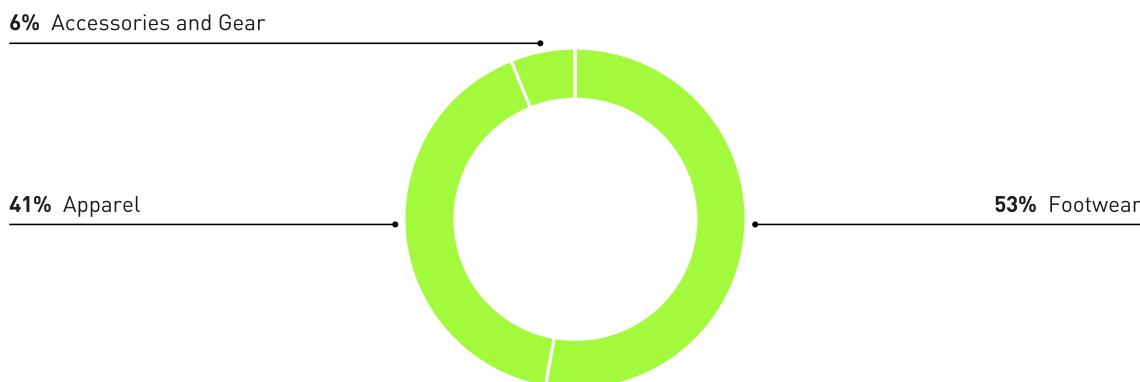
SALES GROWTH IN ALL PRODUCT CATEGORIES

Currency-neutral footwear sales were up 13% in 2021 as a result of a double-digit sales increase in Performance as well as a high-single-digit improvement in Lifestyle. Apparel revenues were up 20% on a currency-neutral basis reflecting double-digit sales increases in both Performance and Lifestyle. Currency-neutral accessories and gear sales were up 22%.

NET SALES BY PRODUCT CATEGORY € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
Footwear	11,336	10,129	12%	13%
Apparel	8,710	7,315	19%	20%
Accessories and Gear	1,187	991	20%	22%
Total	21,234	18,435	15%	16%

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

NET SALES BY PRODUCT CATEGORY¹ IN % OF NET SALES

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

COST OF SALES INCREASES 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 2021, cost of sales was € 10.469 billion, representing an increase of 14% compared to the prior year level of € 9.213 billion. This development mainly reflects the increase in revenue.

GROSS MARGIN UP 0.7 PERCENTAGE POINTS

In 2021, gross profit increased 17% to € 10.765 billion from € 9.222 billion in 2020, representing a gross margin increase of 0.7 percentage points to 50.7% (2020: 50.0%). While negative currency developments, higher supply chain costs and a less favorable channel and market mix weighed on the development in 2021, higher full-price sales and lower inventory allowances as well as the non-recurrence of last year's purchase order cancellation costs were able to overcompensate the negative effects.

GROSS MARGIN^{1,2} IN %

2021		50.7
2020		50.0
2019		52.0
2018		51.8
2017		50.4

¹ Gross margin = {gross profit / net sales} × 100.

² 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

ROYALTY AND COMMISSION INCOME INCREASES WHILE OTHER OPERATING INCOME DECREASES

In 2021, royalty and commission income increased 41% to € 86 million (2020: € 61 million) reflecting the comparably low licensing income in 2020 due to the coronavirus pandemic. Other operating income was down 35% to € 28 million from € 42 million in 2020.

OTHER OPERATING EXPENSES AS A PERCENTAGE OF SALES DOWN 4.7 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 2021, other operating expenses were up 4% to € 8.892 billion (2020: € 8.580 billion). As a percentage of sales, other operating expenses decreased 4.7 percentage points to 41.9% from 46.5% in 2020. In 2021, marketing and point-of-

sale expenses were up 7% to € 2.547 billion (2020: € 2.373 billion) as the company increased brand investments to support the introduction of new products and to drive consumer experience across both digital and physical platforms. As a percentage of sales, marketing and point-of-sale expenses decreased 0.9 percentage points to 12.0% (2020: 12.9%). Distribution and selling expenses increased 4% to € 4.782 billion in 2021 from € 4.601 billion in the prior year, mainly reflecting fewer coronavirus-related store closures compared to 2020. As a percentage of sales, distribution and selling expenses decreased 2.4 percentage points to 22.5% from 25.0% in 2020. General and administration expenses were up 7% to € 1.481 billion (2020: € 1.379 billion), mainly due to higher personnel costs. As a percentage of sales, general and administration expenses decreased 0.5 percentage points to 7.0% (2020: 7.5%). In total, operating overhead expenses increased 2% to € 6.345 billion (2020: € 6.207 billion) including more than € 220 million stranded costs related to the expected divestiture of the Reebok business. As a percentage of sales, operating overhead expenses decreased 3.8 percentage points to 29.9% from 33.7% in 2020.

► SEE NOTE 30

OTHER OPERATING EXPENSES^{1,2} IN % OF NET SALES



1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

MARKETING AND POINT-OF-SALE EXPENSES^{1,2} IN % OF NET SALES



1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

EBITDA INCREASES 56%

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) increased 56% to € 3.066 billion in 2021 versus € 1.967 billion in 2020. Total depreciation and amortization as well as impairment losses/reversal of impairment losses for tangible and intangible assets decreased 11% to € 1.115 billion in 2021 (2020: € 1.257 billion).

EBITDA^{1,2,3} € IN MILLIONS

1 EBITDA = income before taxes (IBT) + net interest expenses + depreciation and amortization + impairment losses - reversal of impairment losses.

2 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

OPERATING MARGIN INCREASES TO 9.4%

Operating profit increased 166% to € 1.986 billion in 2021 versus € 746 million in 2020. The operating margin increased 5.3 percentage points to 9.4% compared to the prior year level of 4.0%. This development was due to the gross margin increase and the decrease in other operating expenses as a percentage of sales.

Operating margin

9.4%

+5.3 PP

OPERATING PROFIT^{1,2} € IN MILLIONS

1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

OPERATING MARGIN^{1,2,3} IN %

1 Operating margin = (operating profit / net sales) × 100.

2 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

NET FINANCIAL RESULT DECREASES

Financial income decreased 32% to € 19 million in 2021 (2020: € 29 million), while financial expenses were down 22% to € 153 million compared to € 196 million in 2020. As a result, the company recorded a net financial result of negative € 133 million, compared to negative € 167 million in 2020. ▶ SEE NOTE 32

TAX RATE DECREASES 0.8 PERCENTAGE POINTS TO 19.4%

The company's tax rate decreased 0.8 percentage points to 19.4% in 2021 (2020: 20.2%). ▶ SEE NOTE 34

NET INCOME FROM CONTINUING OPERATIONS UP 223% TO € 1.492 BILLION

Net income from continuing operations increased 223% to € 1.492 billion versus € 461 million in the prior year. Basic earnings per share (EPS) from continuing operations increased 223% to € 7.47 from € 2.31 in 2020. Diluted EPS from continuing operations was also up 223% to € 7.47 in 2021 (2020: € 2.31).

Net income from continuing operations

+223%

€ 1.492 bn

NET INCOME FROM CONTINUING OPERATIONS^{1,2,3} € IN MILLIONS

1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

3 2017 excluding negative one-time tax impact of € 76 million.

BASIC EARNINGS PER SHARE^{1,2,3} IN €

2021		7.47
2020		2.31
2019		9.70
2018		8.46
2017		7.05

1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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

3 2017 excluding negative one-time tax impact of € 76 million.

The total number of shares outstanding decreased by 3,471,205 shares to 191,594,855 at the end of 2021. 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 194,172,984 (2020: 195,155,924).

GAINS FROM DISCONTINUED OPERATIONS AMOUNT TO € 666 MILLION

In 2021, adidas incurred gains from discontinued operations of € 666 million, net of tax, mainly related to a write-up of the previously impaired Reebok trademark in an amount of € 549 million and deferred tax expenses thereon in the amount of € 143 million within discontinued operations (2020: loss of € 19 million). ► **SEE NOTE 03**

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS INCREASES 390% TO € 2.116 BILLION

The company's net income attributable to shareholders, which in addition to net income from continuing operations includes the gains from discontinued operations, increased 390% to € 2.116 billion (2020: € 432 million). As a result, basic EPS from continuing and discontinued operations increased 392% to € 10.90 versus € 2.21 in 2020. Diluted EPS from continuing and discontinued operations also increased 392% to € 10.90 (2020: € 2.21).

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

EXPECTED DIVESTITURE OF THE REEBOK BUSINESS IMPACTS BALANCE SHEET ITEMS

At December 31, 2021, all assets and liabilities of the Reebok business are presented as assets and liabilities classified as held for sale due to a signed agreement to sell that business. The closing of the transaction is expected during the first quarter of 2022. At the end of 2021, assets of € 2.033 billion and liabilities of € 594 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 December 2021, total assets were up 5% to € 22.137 billion versus € 21.053 billion in the prior year, mainly due to the write-up of the Reebok trademark and as right-of-use assets from leasing agreements increased.

STRUCTURE OF STATEMENT OF FINANCIAL POSITION¹ IN % OF TOTAL ASSETS²

Assets (€ in millions)	2021	2020
Cash and cash equivalents	22,137	21,053
Accounts receivable	17.3%	19.0%
Inventories	9.8%	9.3%
Fixed assets ³	18.1%	20.9%
Fixed assets ³	30.2%	34.0%
Right-of-use assets (IFRS 16) ⁴	38.4%	34.0%
Other assets	24.5%	16.8%

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

2 2021 figures reflect the reclassification of the Reebok business to assets held for sale.

3 Fixed assets = property, plant, and equipment + right-of-use assets + goodwill + trademarks + other intangible assets + long-term financial assets.

4 As a percentage of fixed assets.

Total current assets increased 15% to € 13.944 billion at the end of December 2021 compared to € 12.154 billion in 2020. Cash and cash equivalents were down 4% to € 3.828 billion at the end of December 2021 from € 3.994 billion in the prior year. The net cash generated from operating activities was more than offset by the net cash used for investing and financing activities, which included the repayment of the € 600 million eurobond, the repurchase of adidas AG shares for a total consideration of € 1.004 billion as well as the dividend payment of € 585 million. Currency effects had a positive impact on cash and cash equivalents in an amount of € 57 million. Inventories decreased 9% to € 4.009 billion at the end of December 2021 from € 4.397 billion in 2020, reflecting the reclassification of the Reebok inventory to assets held for sale due to the expected divestiture of the Reebok business. The strong sell-through of the company's products, successful inventory management as well as the impact from industry-wide supply chain challenges also contributed to the decline. On a currency-neutral basis, inventories decreased 12%. ▶ SEE NOTE 07

INVENTORIES € IN MILLIONS¹



¹ 2021 figures reflect the reclassification of the Reebok business to assets held for sale.

Accounts receivable increased 11% to € 2.175 billion at the end of December 2021 (2020: € 1.952 billion), reflecting the company's strong top-line growth. On a currency-neutral basis, receivables were up 6%. Other current financial assets increased to € 745 million (2020: € 702 million), mainly due to an increase in the fair value of financial instruments and short-term deposits, partly offset by a decrease in custom claims. Other current assets were up 6% to € 1.062 billion at the end of December 2021 (2020: € 999 million). Assets classified as held for sale increased to € 2.033 billion (2020: € 0 billion) reflecting the reclassification related to the expected divestiture of the Reebok business and the write-up of the Reebok trademark. ► SEE NOTE 05 ► SEE NOTE 06 ► SEE NOTE 08

ACCOUNTS RECEIVABLE € IN MILLIONS¹



¹ 2021 figures reflect the reclassification of the Reebok business to assets held for sale.

Total non-current assets decreased 8% to € 8.193 billion at the end of December 2021 from € 8.899 billion in 2020, mainly related to a decrease in fixed assets and other non-current financial assets. Fixed assets decreased 6% to € 6.696 billion at the end of December 2021 versus € 7.149 billion in 2020, as trademarks decreased 98% to € 16 million at the end of December 2021 (2020: € 750 million). This was solely due to the reclassification of the Reebok trademark as asset held for sale related to the expected divestiture of the Reebok business. Right-of-use assets increased 6% to € 2.569 billion (2020: € 2.430 billion) due to lease modifications and positive currency effects. Other non-current financial assets decreased 61% to € 160 million from € 414 million at the end of 2020, mainly due to cash proceeds from former discontinued operations. Deferred tax assets were up 2% to € 1.263 billion from € 1.233 billion in 2020, mainly due to the recognition of deferred tax assets on previously unrecognized tax losses and movements in taxable and deductible temporary differences. ► SEE NOTE 34

LIABILITIES AND EQUITY

Total current liabilities were up 2% to € 8.965 billion at the end of December 2021 from € 8.827 billion in 2020. Short-term borrowings decreased to € 29 million at the end of December 2021 (2020: € 686 million), mainly reflecting the repayment of the € 600 million eurobond. Accounts payable declined by 4% to € 2.294 billion at the end of December 2021 versus € 2.390 billion in 2020, mainly reflecting the normalization of payment terms and a reclassification to liabilities held for sale related to the expected divestiture of the Reebok business. On a currency-neutral basis, accounts payable decreased 6%. Current

lease liabilities remained fairly stable at € 573 million at the end of December 2021 versus € 563 million in 2020. Other current financial liabilities were down 19% to € 363 million from € 446 million in 2020, mainly as a result of a decrease in the fair value of financial instruments. Other current provisions were down 9% to € 1.458 billion at the end of December 2021 versus € 1.609 billion in 2020, mainly due to a reduction of the provision for returns and a reclassification to liabilities held for sale related to the expected divestiture of the Reebok business. Current accrued liabilities were up 24% to € 2.684 billion at the end of December 2021 from € 2.172 billion in 2020, partly due to higher accruals for personnel costs related to the company's annual bonus for its senior management. Other current liabilities were up 9% to € 434 million at the end of December 2021 from € 398 million in 2020. Liabilities classified as held for sale increased to € 594 million at the end of December 2021 (2020: € 0 million) related to the expected divestiture of the Reebok business. ► SEE NOTE 20 ► SEE NOTE 21

STRUCTURE OF STATEMENT OF FINANCIAL POSITION¹ IN % OF TOTAL LIABILITIES AND EQUITY²

Liabilities and equity (€ in millions)	2021	2020
Short-term borrowings	0.1%	3.3%
Accounts payable	10.4%	11.4%
Long-term borrowings	11.1%	11.8%
Other liabilities	43.0%	41.8%
Current and non-current lease liabilities (IFRS 16) ³	29.8%	30.9%
Total equity	35.4%	31.8%

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

2 2021 figures reflect the reclassification of the Reebok business to liabilities held for sale.

3 As a percentage of other liabilities.

ACCOUNTS PAYABLE € IN MILLIONS¹



1 2021 figures reflect the reclassification of the Reebok business to liabilities held for sale.

Total non-current liabilities remained stable at € 5.334 billion at the end of December 2021 compared to € 5.535 billion in the prior year. Long-term borrowings stayed nearly flat at € 2.466 billion at the end of December 2021 compared with € 2.482 billion in the prior year. Non-current lease liabilities increased 5% to € 2.263 billion at the end of December 2021 from € 2.159 billion in the prior year as currency effects were partially offset by a reclassification related to the expected divestiture of the Reebok business. Other non-current financial liabilities were down 55% to € 51 million at the end of December 2021 from € 115 million in the prior year related to embedded derivative financial instruments. Deferred tax liabilities decreased 49% to € 122 million at the end of December 2021 from € 241 million in the prior year, mainly due to a reclassification related to the expected divestiture of the Reebok business. Other non-current provisions decreased 35% to € 149 million at the end of December 2021 from € 229 million in the prior year, mainly as a result of reduced provisions for personnel. ► SEE NOTE 22

Shareholders' equity increased 17% to € 7.519 billion at the end of December 2021 versus € 6.454 billion in 2020, mainly driven by the net income generated during the year, an increase in hedging reserves of

€ 226 million and a currency effect of € 308 million. This development was partly offset by the repurchase of adidas AG shares for a total consideration of € 1.004 billion and the dividend of € 585 million paid to shareholders for the 2020 financial year. ► **SEE NOTE 25**

EQUITY RATIO^{1,2,3} IN %



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

2 Based on shareholders' equity.

3 Figures reflect continuing and discontinued operations.

OPERATING WORKING CAPITAL

Operating working capital decreased 2% to € 3.890 billion at the end of December 2021 compared to € 3.960 billion in 2020. On a currency-neutral basis, operating working capital was down 6%. Average operating working capital as a percentage of sales decreased 5.3 percentage points to 20.0% (2020: 25.3%), reflecting the strong top-line growth, the company's successful inventory management, and the impact from industry-wide supply chain challenges.

AVERAGE OPERATING WORKING CAPITAL^{1,2} IN % OF NET SALES³



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

2 2021 figure reflects the reclassification of the Reebok business to assets or liabilities held for sale. Calculation logic used for internal reporting as well.

3 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations. Calculation logic used for internal reporting as well.

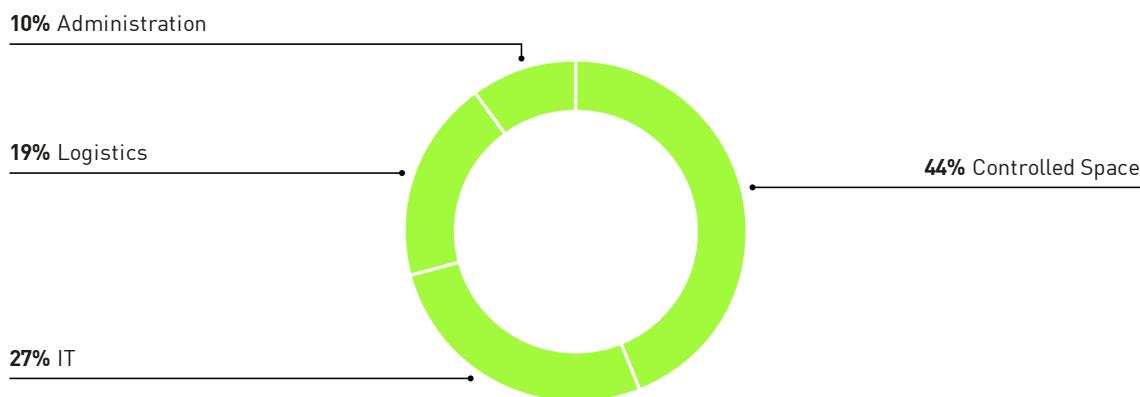
INVESTMENT ANALYSIS

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 increased 51% to € 667 million (2020: € 442 million). Capital expenditure for property, plant, and equipment was up 34% to € 494 million compared to € 368 million in the prior year. The company invested € 173 million in intangible assets (2020: € 64 million). Depreciation and amortization, excluding impairment losses and reversal of impairment losses of tangible and intangible assets, decreased 9% to € 516 million in 2021 (2020: € 561 million).

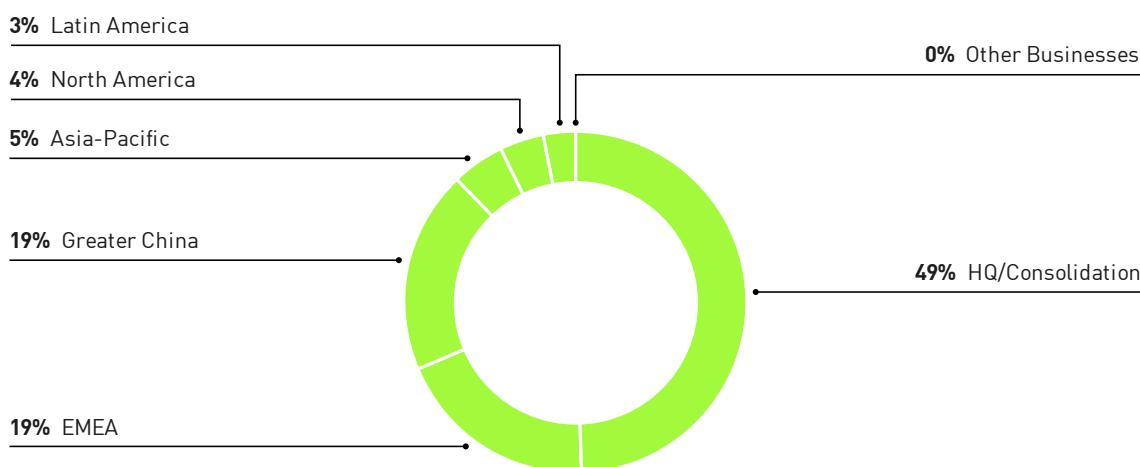
Controlled space initiatives, which comprise investments in new or remodeled own-retail and franchise stores as well as in shop-in-shop presentations of our products in our customers' stores, accounted for 44% of total capital expenditure (2020: 42%). Expenditure for IT and logistics represented 27% and 19%, respectively (2020: 14% and 8%, respectively). In addition, expenditure for administration accounted for

10% (2020: 4%). From a segmental perspective, the majority of the capital expenditure was recorded centrally at headquarter level, which accounted for 49% (2020: 49%). From a regional perspective, capital expenditure in EMEA accounted for 19% (2020: 12%) of the total capital expenditure, on par with Greater China at 19% (2020: 21%), followed by APAC with 5% (2020: 9%), North America with 4% (2020: 8%), and Latin America with 3% (2020: 2%).

CAPITAL EXPENDITURE BY TYPE IN % OF TOTAL CAPEX



CAPITAL EXPENDITURE BY SEGMENTS IN % OF TOTAL CAPEX



LIQUIDITY ANALYSIS

Due to the increase in operating profit, net cash generated from operating activities increased to € 3.192 billion in 2021 (2020: € 1.486 billion). Net cash generated from continuing operating activities increased to € 2.873 billion (2020: € 1.366 billion).

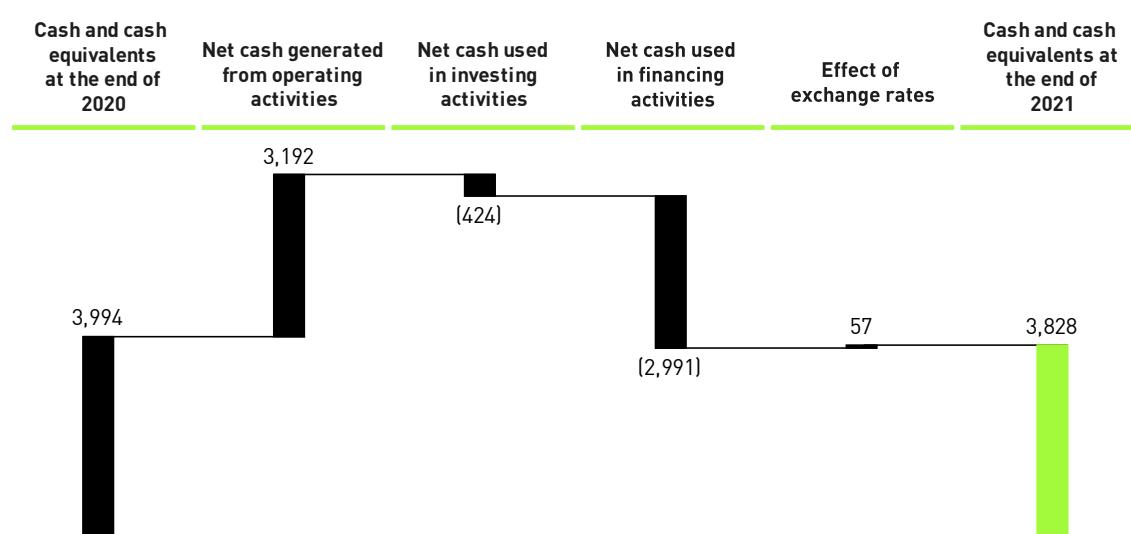
In 2021, net cash used in investing activities increased to € 424 million (2020: € 115 million) and net cash used in continuing investing activities increased to € 415 million (2020: € 105 million). This development was due to increased investing activities in 2021 compared to a lower investment base in 2020. This change was mainly related to expenditures for property, plant, and equipment, purchase of trademarks, and other intangible assets. Net cash used from financing activities amounted to € 2.991 billion (2020: € 479 million net cash generated) and net cash used from continuing financing activities amounted to € 2.952 billion (2020: € 514 million net cash generated). This development was mainly due the repayment

of the eurobond, the repurchase of adidas AG shares as well as the dividend payment. Exchange rate effects positively impacted the company's cash position by € 57 million (2020: negative impact of € 75 million).

As a result of all these developments, cash and cash equivalents decreased by € 165 million to € 3.828 billion at the end of December 2021 compared to € 3.994 billion at the end of December 2020.

Adjusted net borrowings at December 31, 2021, amounted to € 2.963 billion, compared to € 3.148 billion in 2020. The company's ratio of adjusted net borrowings over EBITDA amounted to 1.0 at the end of December 2021 (2020: 1.6). ▶ SEE TREASURY

CHANGE IN CASH AND CASH EQUIVALENTS € IN MILLIONS¹



¹ Figures reflect continuing and discontinued operations.

ADJUSTED NET BORROWINGS/EBITDA^{1,2,3,4} € 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.

³ 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

⁴ 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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 € 396 million at December 31, 2021, compared to € 323 million at the end of December 2020, representing an increase of 23%. At the end of December 2021, financial commitments for promotion and advertising decreased 4% to € 5.712 billion in 2021 (2020: € 5.948 billion). ▶ SEE NOTE 37

▶ SEE NOTE 38

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 monthly 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 and commodity risk management, and 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 centralized 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. 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, 2021, 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.

SYNDICATED CREDIT FACILITY

In 2020, adidas took several steps to considerably strengthen its financial profile. On November 10, 2020, adidas entered into a new € 1.5 billion syndicated credit facility with twelve of its partner banks. This credit facility agreement was subsequently amended on October 8, 2021. The amended and restated credit facility of € 1.5 billion with eleven partner banks will run until November 2026 and includes an extension option of one year exercisable in 2022.

BONDS 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 Luxembourg 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. At the time of the issuance, the € 500 million bond had 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. adidas plans to use the proceeds of the sustainability bond to finance and refinance, in whole or in part, eligible sustainable projects, as defined in the sustainability bond framework. As of December 31, 2021, the total amount allocated to eligible sustainable projects was € 225.5 million.

SUSTAINABILITY BOND: AMOUNT OF NET PROCEEDS ALLOCATED¹ € IN MILLIONS

	2021	Q4 2018 – 2020	Total
Eligible sustainable projects per category			
Sustainable materials	153.0	33.8	186.7
Sustainable processes	10.9	3.3	14.2
Community engagement	16.2	8.4	24.6
Cumulated eligible sustainable project expenditure	180.0	45.4	225.5
Unallocated proceeds			274.5

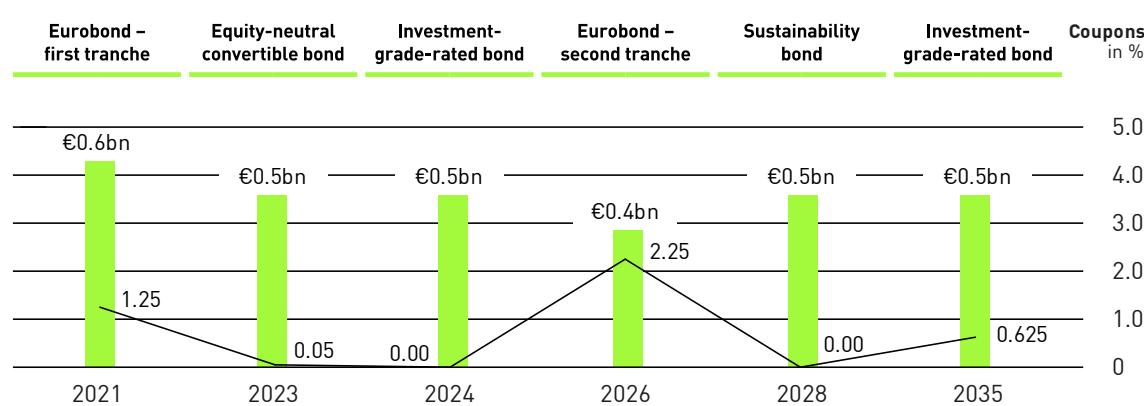
¹ Allocation of proceeds was subject to an independent review by Sustainalytics.

These transactions followed after adidas had received strong first-time investment-grade ratings by both Standard & Poor's and Moody's in August 2020. Standard & Poor's gave adidas an 'A+' rating, and 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.

OUTSTANDING BONDS

On top of the above-mentioned placements, the company has further outstanding bonds, issued in 2014, and one outstanding equity-neutral convertible bond, which was issued in 2018. The 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. On July 8, 2021, adidas exercised the early redemption option and fully repaid a € 600 million bond with a coupon of 1.25% originally maturing in October 2021. ► [SEE OUR SHARE](#) ► [SEE NOTE 16](#)

MATURITY PROFILE OF BORROWINGS INCLUDING COUPONS¹



¹ Coupons are fixed.

ADDITIONAL CREDIT LINES

In addition to the syndicated credit facility and improved access to bond markets following the strong investment-grade ratings of Standard & Poor's and Moody's, the company's financial flexibility is ensured by the availability of further credit facilities. At the end of 2021, committed and uncommitted credit lines, including the syndicated loan facility, amounted to € 4.169 billion (2020: € 4.274 billion), of which € 4.058 billion was unutilized (2020: € 4.085 billion). Committed and uncommitted credit lines represent approximately 38% and 62% of total credit lines, respectively (2020: 38% and 62%, respectively). In addition, we have an unused multi-currency commercial paper program in the amount of € 2.0 billion available (2020: € 2.0 billion). We monitor the ongoing need for available credit lines based on the current level of debt and future financing requirements.

GROSS BORROWINGS DECREASED

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 decreased 21% to € 2.495 billion at the end of 2021 from € 3.168 billion in the prior year. The total amount of bonds outstanding at the end of 2021 was € 2.384 billion (2020: € 2.978 billion). Bank borrowings amounted to € 111 million at the end of 2021 compared to € 189 million in the prior year.

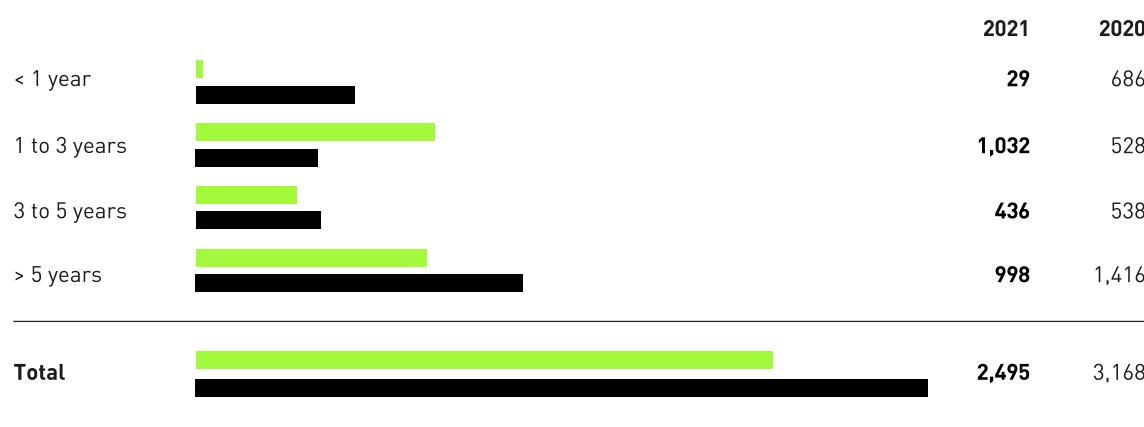
FINANCING STRUCTURE € IN MILLIONS

	2021	2020
Cash and short-term financial assets	3,828	3,994
Bank borrowings	111	189
Eurobonds	1,890	2,488
Equity-neutral convertible bond	494	491
Gross total borrowings	2,495	3,168
Net cash	1,334	826

DEBT MATURITY PROFILE

In 2022, assuming unchanged maturities, debt instruments of € 29 million will mature. This compares to € 686 million that matured during the course of 2021.

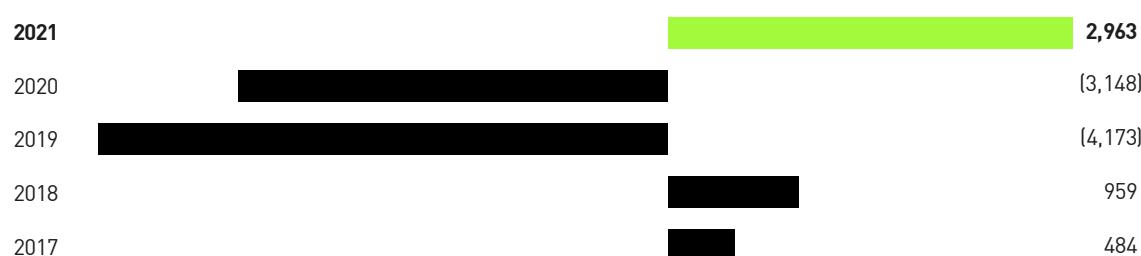
REMAINING TIME TO MATURITY OF GROSS BORROWINGS € IN MILLIONS



ADJUSTED NET BORROWINGS OF € 2.963 BILLION

Adjusted net borrowings on December 31, 2021, amounted to € 2.963 billion, compared with € 3.148 billion in 2020.

ADJUSTED NET BORROWINGS/NET CASH^{1,2} € IN MILLIONS



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 0.7% in 2021 (2020: 1.0%). This development was mainly due to the repayment of the € 600 million bond with a coupon of 1.25% and a lower financing need. Fixed-rate financing represented 100% of total gross borrowings at the end of 2021 (2020: 98%). There were no variable-rate borrowings at the end of the year 2021 (2020: 2%).

INTEREST RATE DEVELOPMENT¹ IN %



¹ Weighted average interest rate of gross borrowings.

EFFECTIVE FOREIGN EXCHANGE MANAGEMENT IS 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 hedging program. This is a direct result of our Asian-dominated sourcing, which is largely denominated in US dollars. In 2021, our Treasury department managed a net deficit of around US \$ 7.3 billion related to business activities (2020: US \$ 6.1 billion). Thereof, around US \$ 6.0 billion was against the euro (2020: US \$ 4.8 billion). As governed by our Treasury Policy, we have established a hedging program 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 2022 as of the end of 2021. At the same time, we have already started hedging our exposure for 2023. The use or combination of different hedging instruments, such as foreign exchange contracts, currency options, and swaps, protects us against unfavorable currency movements.

► SEE GLOBAL OPERATIONS ► SEE RISK AND OPPORTUNITY REPORT ► SEE NOTE 28

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, 43% of total assets as of December 31, 2021, related to financial assets (2020: 40%), which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 17% of total assets (2020: 21%) and 32% of total equity and liabilities as of December 31, 2021 (2020: 36%).

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 of December 31, 2021, 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

	2021	2020
Net sales	4,475	3,991
Change in inventory	-	1
Total output	4,475	3,992
Other operating income	649	986
Cost of materials	(1,744)	(1,466)
Personnel expenses	(769)	(655)
Depreciation and amortization	(117)	(127)
Other operating expenses	(2,462)	(2,564)
Operating profit	32	166
Financial result	1,916	585
Taxes	(98)	(77)
Net income	1,850	674
Retained earnings brought forward	580	828
Allocation to other revenue reserves	(925)	(336)
Allocation to capital reserves	(8)	-
Utilization for the repurchase of adidas AG shares	(163)	-
Retained earnings	1,334	1,166

ADIDAS AG NET SALES € IN MILLIONS

	2021	2020
Royalty and commission income	2,237	2,010
adidas Germany	1,436	1,216
Foreign subsidiaries	39	35
Central distribution	120	119
Other revenues	643	611
Total	4,475	3,991

NET SALES INCREASE 12%

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 2021, adidas AG net sales increased 12% to € 4.475 billion compared to € 3.991 billion in the prior year.

OTHER OPERATING INCOME DOWN 34%

In 2021, other operating income of adidas AG decreased 34% to € 649 million (2020: € 986 million). This development was primarily due to less positive currency effects.

OTHER OPERATING EXPENSES DECREASE 4%

In 2021, other operating expenses for adidas AG decreased 4% to € 2.462 billion (2020: € 2.564 billion). This was largely attributable to less currency losses, but partly offset due to the increased expenses for IT and maintenance costs.

DEPRECIATION AND AMORTIZATION DOWN 8%

Depreciation and amortization for adidas AG decreased 8% to € 117 million in 2021 (2020: € 127 million).

OPERATING RESULT BELOW PRIOR YEAR LEVEL

In 2021, adidas AG generated an operating profit of € 32 million. This was significantly below the prior year level of € 166 million and mainly due to less positive currency effects.

INCREASE OF THE FINANCIAL RESULT

The financial result of adidas AG increased 228% to € 1.916 billion in 2021 (2020: € 585 million). The increase was attributable to higher income from dividends and higher profit transfers from affiliated companies under profit and loss transfer agreements.

NET INCOME CONSIDERABLY ABOVE PRIOR YEAR LEVEL

Net income, after taxes of € 98 million (2020: € 77 million), amounted to € 1.850 billion in 2021 and was thus 174% above the prior year level (2020: € 674 million).

BALANCE SHEET

BALANCE SHEET IN ACCORDANCE WITH HGB (CONDENSED) € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Assets		
Intangible assets	236	154
Property, plant and equipment	691	683
Financial assets	4,801	4,839
Fixed assets	5,728	5,676
Inventories	38	40
Receivables and other assets	2,155	2,698
Cash and cash equivalents, securities	3,024	3,449
Current assets	5,217	6,187
Prepaid expenses	116	96
Total assets	11,061	11,959
Equity and liabilities		
Shareholders' equity	3,801	3,533
Provisions	797	686
Liabilities and other items	6,463	7,740
Total equity and liabilities	11,061	11,959

TOTAL ASSETS BELOW PRIOR YEAR

At the end of December 2021, total assets decreased 8% to € 11.061 billion compared to € 11.959 billion in the prior year. This development was mainly a result of decreases in receivables and securities.

SHAREHOLDERS' EQUITY UP 8%

Shareholders' equity rose 8% to € 3.801 billion at the end of 2021 (2020: € 3.533 billion). The equity ratio increased to 34.4% (2020: 29.5%).

PROVISIONS INCREASE 16%

Provisions were up 16% to € 797 million at the end of 2021 (2020: € 686 million). The increase primarily resulted from higher provisions for personnel.

LIABILITIES AND OTHER ITEMS DOWN 16%

At the end of December 2021, liabilities and other items decreased 16% to € 6.463 billion (2020: € 7.740 billion). This results mostly from the repayment of a bond in 2021.

CASH INFLOW FROM INVESTING 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 € 1.0 billion. In addition, the company has a multi-currency commercial paper program in an amount of € 2.0 billion.

► SEE TREASURY

In 2021, operating activities of adidas AG resulted in a cash inflow of € 811 million (2020: outflow of € 703 million). The change versus the prior year was a result of the significant increase in net income, partly offset by lower payables. Net cash inflow from investment activities was € 1.785 billion (2020: € 160 million). This was primarily attributable to higher dividend income. Financing activities resulted in a net cash outflow of € 2.252 billion (2020: net cash inflow of € 1.162 billion). The net cash outflow from financing activities mainly relates to the repurchases of adidas AG shares, the repayment of a bond and the paid dividends. As a result of these developments, cash and cash equivalents of adidas AG increased to € 1.600 billion at the end of December 2021 compared to € 1.256 billion at the end of the prior year.

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 € 192,100,000 (as at December 31, 2021) 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. In the 2021 financial year, the nominal capital and the number of shares were reduced due to the cancellation of 8,316,186 treasury shares and the capital reduction with effect from November 30, 2021. 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 7 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, 2021, adidas AG held in total 505,145 treasury shares, which do not confer any rights to the company in accordance with § 71b AktG. ▶ SEE NOTE 25

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 members of the Supervisory Board and the Executive Board with regard to the purchase and sale of adidas AG shares, in connection with the (time of) publication of quarterly results, half-year, and 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 that 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 that 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 6, 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 August 6, 2026, 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 2021/I). The Executive Board may, subject to Supervisory Board approval, exclude residual amounts from shareholders' subscription rights.
- Until August 6, 2026, the Executive Board is also authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind and/or cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2021/II). The Executive Board is authorized, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to wholly or partly exclude shareholders' subscription rights when issuing shares against contributions in kind. Additionally, the Executive Board may, subject to Supervisory Board approval, exclude shareholders' subscription rights if the new shares against contributions in kind are issued 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 under this authorization, however, may 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 that have been issued while excluding subscription rights by the company since May 12, 2021, subject to the exclusion of subscription rights 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, through the issuance of convertible bonds and/or bonds with warrants, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the commercial register or – if this amount is lower – as of the respective date on which the resolution on the utilization of the authorization is adopted. The previous sentence does not apply to the exclusion of subscription rights for residual amounts. The Authorized Capital 2021/II 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 affiliated companies. ► [SEE NOTE 25](#)

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 are 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 that 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 that 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, 2021.

Until May 11, 2026, the Executive Board is authorized to repurchase adidas AG shares in an amount totaling up to 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 12 of the Agenda for the Annual General Meeting held on May 12, 2021. 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, 2021, 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, 2021, and the sale of the shares, shall also be attributed to the limit of 10%.

- The shares may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies, or participations in companies or other business assets, especially real estate and rights to real estate or receivables (also from the company) 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, the shares may be used in favor of (current and former) employees of the company and its affiliated companies as well as in favor of (current and former) members of management bodies of the company's affiliated companies, whereas the amount of shares must not exceed 5% of the nominal capital neither at the point in time when this authorization becomes effective nor at the point in time when the shares are used. Shares assigned to members of the Executive Board as compensation in the form of a share bonus based on this authorization shall be attributed to this limit.
- They may be canceled without such cancellation requiring an additional resolution of the Annual General Meeting.

Furthermore, the shares may be assigned to members of the Executive Board as compensation in the form of a share bonus subject to the provision that resale by the Executive Board members shall only be permitted following a lock-up period of at least four years. Responsibility in this case lies with the Supervisory Board. The amount of shares that may be used for such purposes must not exceed 5% of the nominal capital, neither at the point in time when this authorization becomes effective nor at the point in time when the shares are used or promised. Shares used based on this authorization shall be attributed to this limit.

The rights of shareholders to subscribe treasury shares shall be excluded to the extent that such shares are used pursuant to the aforementioned authorization. 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.

Within the scope of the authorization resolved upon by the Annual General Meeting on May 12, 2021, 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 or by using a multilateral trading facility within the meaning of § 2 section 6 Stock Exchange Act (Börsengesetz). adidas AG is authorized to acquire options that entitle the company to purchase shares of

the company upon the exercise of the options (call options) and/or to sell options, which require the company to purchase shares of the company upon the exercise of the options by the option holders (put options) or to 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 exercising 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 purchased upon the exercise of the options no later than May 11, 2026. The authorization to purchase treasury shares while using equity derivatives or via multilateral trading facilities also contains specifications on the highest and lowest amount of consideration paid per share.

For the use, the exclusion of subscription rights and the cancelation of shares purchased using equity derivatives or a multilateral trading facility, the general provisions adopted by the Annual General Meeting (set out above) apply accordingly.

In the 2021 financial year, the Executive Board utilized the authorization to repurchase adidas AG shares through the Share Buyback Program 2021/I and the Share Buyback Program 2021/II. Under the Share Buyback Program 2021/I, adidas AG purchased 1,851,522 treasury shares. Under the Share Buyback Program 2021/II, further 1,619,683 treasury shares were purchased. In the year under review, adidas AG thus purchased 3,471,205 treasury shares in total. ► [SEE NOTE 25](#)

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

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.

EMEA

In 2021, sales in EMEA increased 24% on a currency-neutral basis and 23% in euro terms to € 7.760 billion from € 6.308 billion in 2020. The currency-neutral increase was driven by exceptional growth in Performance and strong double-digit growth in Lifestyle. The former reflects excellent growth in Training and Running as well as exceptional increases in Football and Outdoor.

Net sales in EMEA

+24% C.N.

€ 7.760 bn

EMEA AT A GLANCE € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
Net sales	7,760	6,308	23%	24%
Gross margin	50.8%	50.0%	0.8pp	-
Segmental operating profit	1,658	1,003	65%	-
Segmental operating margin	21.4%	15.9%	5.5pp	-

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in EMEA increased 0.8 percentage points to 50.8% from 50.0% in 2020 reflecting a more favorable pricing mix due to less promotional activity. Negative currency developments and higher sourcing costs had a negative impact on the gross margin development. Operating expenses were up 6% to € 2.294 billion versus € 2.159 billion in 2020, mainly driven by a double-digit increase in marketing expenditure. Operating expenses as a percentage of sales were down 4.7 percentage points to 29.6% (2020: 34.2%). As a result of the higher gross margin and lower operating expenses as a percentage of sales, operating margin was up 5.5 percentage points to 21.4% (2020: 15.9%). Operating profit in EMEA improved 65% to € 1.658 billion versus € 1.003 billion in the prior year.

NORTH AMERICA

Revenues in North America increased 17% on a currency-neutral basis and 13% in euro terms to € 5.105 billion from € 4.519 billion in 2020. The currency-neutral improvement was driven by strong double-digit growth in Performance, reflecting double-digit increases in Training and Running as well as exceptional growth in Football and Outdoor. In addition, Lifestyle grew at a double-digit rate, as well.

Net sales in North America

+17 % c.n.

€ 5.105 bn

NORTH AMERICA AT A GLANCE € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
Net sales	5,105	4,519	13%	17%
Gross margin	46.2%	42.8%	3.4pp	-
Segmental operating profit	960	506	90%	-
Segmental operating margin	18.8%	11.2%	7.6pp	-

¹Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in North America increased 3.4 percentage points to 46.2% (2020: 42.8%). While a more favorable pricing mix due to less promotional activity supported the improvement, higher sourcing costs as well as a less favorable channel mix had an adverse impact on gross margin. Operating expenses were down 2% to € 1.433 billion versus € 1.460 billion in 2020, reflecting a decrease in operating overhead costs as marketing expenditure increased. Operating expenses as a percentage of sales decreased 4.2 percentage points to 28.1% (2020: 32.3%). As a result of the higher gross margin and lower operating expenses as a percentage of sales, operating margin increased 7.6 percentage points to 18.8% from 11.2% in 2020. Operating profit in North America increased 90% to € 960 million from € 506 million in 2020.

GREATER CHINA

Sales in Greater China increased 3% on a currency-neutral basis. In euro terms, sales in Greater China improved 6% to € 4.597 billion from € 4.342 billion in 2020. The currency-neutral increase was driven by mid-single-digit growth in Lifestyle. In addition, low-single-digit improvements in Training and Outdoor also contributed to the increase.

Net sales in Greater China

+3% c.n.

€ 4.597 bn

GREATER CHINA AT A GLANCE € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
Net sales	4,597	4,342	6%	3%
Gross margin	51.8%	52.3%	(0.5pp)	-
Segmental operating profit	1,194	1,137	5%	-
Segmental operating margin	26.0%	26.2%	(0.2pp)	-

¹Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in Greater China decreased 0.5 percentage points to 51.8% from 52.3% in 2020, mainly due to negative currency developments and higher sourcing costs, which could only be partly offset by a more favorable category mix. Operating expenses were up 5% to € 1.188 billion (2020: € 1.134 billion), reflecting an increase in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales decreased 0.3 percentage points to 25.8% versus 26.1% in the prior year. As the gross margin decline was not fully offset by lower operating expenses as a percentage of sales, operating margin decreased 0.2 percentage points to 26.0% from 26.2% in 2020. Operating profit in Greater China increased 5% to € 1.194 billion versus € 1.137 billion in 2020.

ASIA-PACIFIC

Sales in Asia-Pacific improved 8% on a currency-neutral basis. In euro terms, sales in Asia-Pacific were up 5% to € 2.180 billion from € 2.083 billion in 2020. On a currency-neutral basis, this development was driven by mid-single-digit increases in Performance due to moderate improvements in Training and Running as well as by low-single-digit growth in Lifestyle.

Net sales in Asia-Pacific

+8% c.n.

€ 2.180 bn

ASIA-PACIFIC AT A GLANCE € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
Net sales	2,180	2,083	5%	8%
Gross margin	51.3%	52.0%	(0.7pp)	-
Segmental operating profit	457	382	19%	-
Segmental operating margin	20.9%	18.3%	2.6pp	-

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in Asia-Pacific decreased 0.7 percentage points to 51.3% (2020: 52.0%), due to negative currency developments, higher sourcing costs, and a less favorable channel mix. Operating expenses were down 6% to € 677 million versus € 717 million in 2020, reflecting a decline in both marketing expenditure and – to a higher extent – operating overhead costs. Operating expenses as a percentage of sales were down 3.4 percentage points to 31.1% (2020: 34.4%). As the gross margin decline was more than offset by lower operating expenses as a percentage of sales, operating margin was up 2.6 percentage points to 20.9% versus 18.3% in 2020. Operating profit in Asia-Pacific increased 19% to € 457 million from € 382 million in 2020.

LATIN AMERICA

Revenues in Latin America increased 47% on a currency-neutral basis. In euro terms, sales in Latin America improved 40% to € 1.446 billion from € 1.035 billion in 2020. On a currency-neutral basis, this improvement was driven by exceptional sales growth in both Performance and Lifestyle. All key categories – Training, Running, Football, and Outdoor – grew at strong double-digit rates.

Net sales in Latin America

+47 % c.n.

€ 1.446 bn

LATIN AMERICA AT A GLANCE € IN MILLIONS¹

	2021	2020	Change	Change (currency- neutral)
Net sales	1,446	1,035	40%	47%
Gross margin	48.2%	44.2%	3.9pp	-
Segmental operating profit	265	33	709%	-
Segmental operating margin	18.3%	3.2%	15.1pp	-

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in Latin America increased 3.9 percentage points to 48.2% (2020: 44.2%). While a more favorable pricing mix due to lower promotional activity had a positive impact on the gross margin development, negative currency developments, a less favorable channel mix, and higher sourcing costs had an adverse impact. Operating expenses were up 1% to € 434 million from € 429 million in 2020, reflecting a double-digit increase in marketing expenditure while operating overhead costs declined. Operating expenses as a percentage of sales decreased 11.5 percentage points to 30.0% (2020: 41.5%). As a result of the higher gross margin and lower operating expenses as a percentage of sales, operating margin improved 15.1 percentage points to 18.3% from 3.2% in 2020. Operating profit in Latin America increased 709% to € 265 million versus € 33 million in 2020.

OUTLOOK

In 2022, we expect the robust recovery of the global economy and consumer spending to continue. While uncertainty due to prolonged adverse effects of the coronavirus pandemic remains, we anticipate the global sporting goods industry to continue expanding significantly in 2022. The macroeconomic recovery as well as structural industry tailwinds in combination with the execution of our strategy 'Own the Game' and our strong product pipeline are forecast to lead to currency-neutral net sales growth between 12% and 14%. Gross margin is expected to increase to a level of between 51.5% and 52.0%. Operating margin is anticipated to go up to a level of between 10.5% and 11.0%. As a result, net income from continuing operations is forecast to increase to a level of between € 1.8 billion and € 1.9 billion. All expectations stated in this outlook are for continuing operations and hence exclude the Reebok business.

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

DIVESTITURE OF REEBOK

As part of the development of its new strategy 'Own the Game,' adidas has decided to sell its Reebok business to Authentic Brands Group for a total consideration of up to € 2.1 billion. Closing of the transaction is expected to occur in the first quarter of 2022.

GLOBAL ECONOMIC GROWTH TO STABILIZE IN 2022²⁶

Global gross domestic product (GDP) is expected to grow 4.1% in 2022 despite continued impact from covid-19, diminishing policy support and lingering supply disruptions. All regions will continue to face downside risks from potential resurgences of covid-19, tightening financial conditions, geopolitical conflicts and extreme weather as well as other natural disasters. Output, consumption, and trade, however, are forecast to improve gradually amid more efficient pandemic management, supported by elevated vaccination rates globally. In addition, differences in the pace of growth between advanced and developing economies affect the global GDP projection. Advanced economies are forecast to see growth of 3.8% with pent-up demand fading and inflation remaining above target levels. Growth in developing economies is projected at 4.6% as vaccination rates steadily increase while monetary policy accommodation is being withdrawn.

SPORTING GOODS INDUSTRY EXPANSION TO CONTINUE IN 2022

In the absence of any delay in pandemic recovery or other macroeconomic shocks, the global sporting goods industry is set to continue its recovery in 2022. Demand is forecast to stay robust amid elevated vaccination rates and less restrictive pandemic management as lockdowns, social distancing measures and store closures have become less likely. In addition, major sports events, such as the Beijing 2022 Olympic Winter Games and the FIFA World Cup Qatar 2022 will support industry growth, as spectators

²⁶ Source: Worldbank Global Economic Prospects.

return to larger and smaller stages. Moreover, the sporting goods industry is projected to remain fundamentally attractive in the long-term, as existing global trends such as 'athleisure', increasing sport participation rates and rising health and fitness awareness are further accelerating. In addition, sustainability is expected to further gain in importance amid growing environmental awareness of consumers. The pandemic supports the shift toward online and social media channels as a powerful catalyst, while major industry players leverage this trend by increasing their direct-to-consumer (DTC) efforts. However, the risks of a delayed pandemic recovery and rising geopolitical tensions also continue to exist for the sporting goods industry.

2022 OUTLOOK¹

	2021	2022 Outlook
Net sales (€ in millions)	21,234	to increase at a rate between 12% and 14% ²
EMEA	7,760	mid-teens growth ²
North America	5,105	mid- to high-teens growth ²
Greater China	4,597	mid-single-digit growth ²
Asia-Pacific	2,180	mid-teens growth ²
Latin America	1,446	mid- to high-teens growth ²
Gross margin	50.7%	to increase to a level of between 51.5% and 52.0%
Operating margin	9.4%	to increase to a level of between 10.5% and 11.0%
Net income from continuing operations (€ in millions)	1,492	to increase to a level of between € 1.8 billion and € 1.9 billion
Average operating working capital (in % of sales)³	20.0%	to decrease to a level below 20%
Capital expenditure (€ in millions)³	667	to increase to a level of up to € 900 million

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

² Currency-neutral.

³ 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

CURRENCY-NEUTRAL SALES TO INCREASE BETWEEN 12% AND 14% IN 2022

After the recovery from the coronavirus pandemic in 2021, we expect strong top-line growth to continue in 2022. Despite covid-19-related challenges in parts of the world, uncertainties regarding the global economic outlook and risks from geopolitical tensions, the company's sales development will continue to 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 strategy 'Own the Game' as well as our strong product pipeline are expected to drive double-digit sales growth. Specifically, we expect sales to increase at a rate between 12% and 14% on a currency-neutral basis. This development will be supported by currency tailwinds.

CURRENCY-NEUTRAL REVENUES TO INCREASE IN ALL MARKET SEGMENTS

In 2022, we expect currency-neutral revenues to increase in all market segments. While currency-neutral sales in North America and Latin America are projected to grow at a mid- to high-teens rate, currency-neutral revenues are expected to grow at a rate in the mid-teens in EMEA and Asia-Pacific. Greater China is expected to record growth in the mid-single-digits.

GROSS MARGIN EXPECTED TO EXPAND TO A LEVEL BETWEEN 51.5% AND 52.0%

In 2022, gross margin is expected to continue to recover and reach a level of between 51.5% and 52.0%. A positive channel mix effect, price increases as well as the positive impact from favorable currency developments will drive the gross margin improvement and are expected to outweigh significantly higher supply chain costs.

OPERATING MARGIN TO INCREASE TO A LEVEL OF BETWEEN 10.5% AND 11.0%

In 2022, the operating margin is projected to increase significantly to a level of between 10.5% and 11.0%. In addition to the expected higher gross margin, lower operating expenses as a percentage of sales – also due to the non-recurrence of some of the Reebok-related stranded costs – will contribute to the profitability improvement. Driven by the strong top-line growth in combination with the margin improvements net income from continuing operations is projected to increase to a level of between € 1.8 billion and € 1.9 billion in 2022.

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 significantly as a result of prolonged temporary store closures and lower product sell-through. While we were able to normalize inventory levels and significantly improve our working capital position in 2021 already, we will continue this development in 2022 and bring average operating working capital as a percentage of sales back to a level below 20%.

CAPITAL EXPENDITURE TO INCREASE TO UP TO € 900 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 up to € 900 million in 2022. 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 DIVIDEND PAYMENT OF €3.30 PER SHARE

As a result of the strong operational and financial performance in 2021, the company's financial position as well as Management's confidence in our long-term growth aspirations, the adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 3.30 per dividend-entitled share to shareholders at the Annual General Meeting on May 12, 2022. This represents an increase of 10% compared to the prior year dividend (2021: € 3.00) and would result in a total payout of € 632 million (2021: € 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

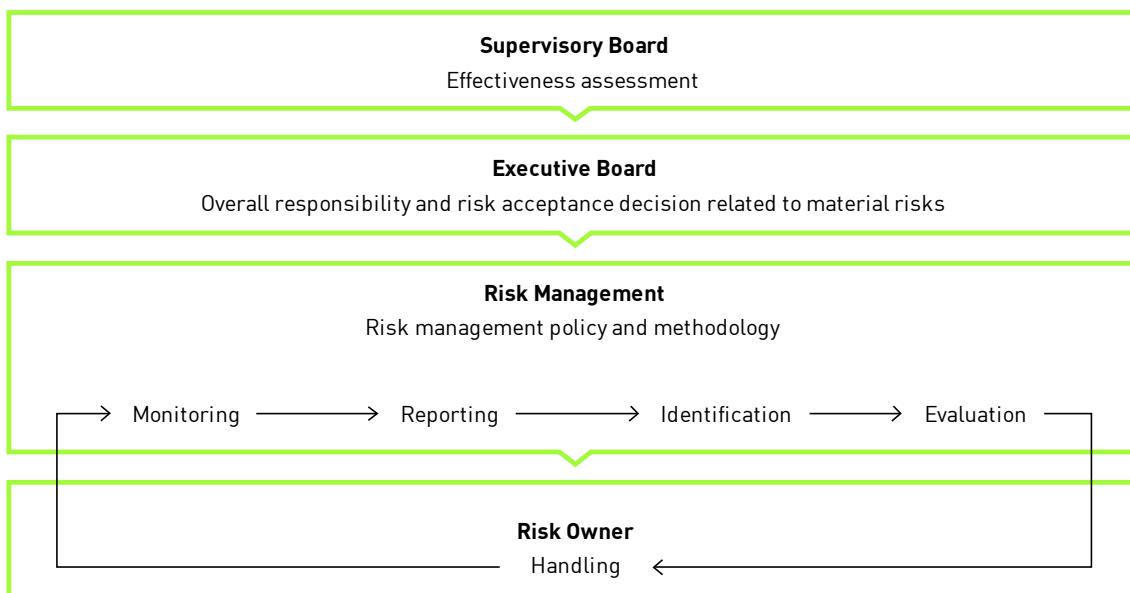
The key objective of the risk and opportunity management is to support business success and protect the company as a going concern through an opportunity-focused but risk-aware decision-making framework. Our Risk Management Policy outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements, and communication timelines within our company. Risk and opportunity management is a company-wide activity that 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 organization, 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 of the Treadway Commission (COSO). 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. In 2021, we evolved our risk and opportunity management system by introducing a quantitative concept for risk capacity and risk appetite. Risk capacity is a liquidity-based measure and represents the maximum level of risk adidas AG can take before being threatened with insolvency. Risk appetite refers to the maximum level of risk the company is willing to take and is linked to the company's liquidity targets.

RISK AND OPPORTUNITY MANAGEMENT SYSTEM



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. 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 that show the 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 and following the 'Task Force on Climate-related Financial Disclosures' ('TCFD') framework, 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 assessments 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 and cash flow. 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 a 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 equivalent¹	€ 1 million - € 10 million	€ 10 million - € 35 million	€ 35 million - € 60 million	€ 60 million - € 100 million	> € 100 million
Qualitative equivalent	<p>Marginal impact on reputation, e.g., growing negative consumer reactions locally & slightly impaired bargaining power with partners & lower ranking in employer ratings.</p> <p>Minor harm to employees or third parties that doesn't require medical treatment.</p> <p>Internal corrective actions required.</p>	<p>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.</p> <p>Minor harm to employees or third parties that requires medical treatment.</p> <p>Judicial investigations leading to no direct sanctions but requiring internal corrective actions, including dismissal of employees.</p>	<p>Medium impact on reputation, e.g., rejection by specific consumer groups & termination or renegotiation of partnerships & profit warnings.</p> <p>Harm to employees or third parties that leads to hospitalization.</p> <p>Judicial investigations leading to imprisonment of employees and/or business interruption.</p>	<p>High impact on reputation, e.g., regional consumer boycotts & termination of key partnership & downgrade of credit and analyst ratings & temporary local employee strikes.</p> <p>Serious, life-changing harm to employees or third parties.</p> <p>Judicial investigations leading to imprisonment of senior leadership and/or significant business interruption including due to ongoing investigations.</p>	<p>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.</p> <p>Fatalities of employees or third parties.</p> <p>Litigation (including class action), imprisonment of Board member(s), monitorship and/or cessation of business operations due to court order.</p>

Potential impact

Risk classification: ■ Minor ■ Moderate ■ Major

¹ Based on net income and cash flow.

When evaluating risks and opportunities, we also consider the speed of materialization (velocity). In this respect, we differentiate in which financial year risks and opportunities could occur. We consider both gross and 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 not only 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.

We aggregate risks and opportunities using a stochastic simulation (Monte Carlo simulation) to determine the company's risk and opportunity profile (i.e., the company's aggregated risk position), considering interdependencies of individual risks and opportunities. To identify a potential threat to the company as a going concern, we compare the risk and opportunity profile to the company's defined risk capacity and determine the likelihood that the aggregated risk exceeds the risk capacity; to identify a potential threat to the company's rating, we compare the risk and opportunity profile to the defined risk appetite and determine the likelihood that the aggregated risk exceeds the risk appetite.

- **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 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. In its decision-making process, the Executive Board takes into account the relationship between risk and opportunity profile (i.e., the company's aggregated risk position) and risk appetite as well as risk capacity. To support the Executive Board, the Risk Management department defined clear thresholds for the likelihood that the company's aggregated risk exceeds the defined risk appetite and risk capacity. The company's risk appetite must not be exceeded with a likelihood of at least 95%; the company's risk capacity must not be exceeded with a likelihood of at least 99%.
- **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 and cash flow higher than € 1 million) by conducting a survey of 'CLG,' 'ELG,' and 'GHIP' 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').

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- 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 as well as the risk and opportunity aggregation to highlight a threat to the company's rating and going concern. The Executive Board reviews the report, jointly agrees on a 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 presents in collaboration with Risk Management the final risk and opportunity assessment results to the Audit Committee of the Supervisory Board.

Material changes in previously reported risks and opportunities or newly identified material risks and opportunities as well as any issues identified that, 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)

■ We consider compliance with the law as well as with external and internal regulations to be imperative. The Executive Board sets the tone from the top. Every employee is required to act ethically and in compliance with the law as well as with internal and other external regulations while executing the company's business. We believe adidas Fair Play 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 Compliance Management System (CMS). 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. Due to widespread pandemic-related travel restrictions in 2021, the reviews have been postponed to 2022.

The company's 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](https://adidas-group.com/s/code-of-conduct)

The Fair Play Code of Conduct and our CMS are organized around three pillars: prevent, detect, and respond.

- **Prevention:** The Compliance team regularly reviews and updates the CMS as necessary. In addition to the revised Fair Play 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. Also in 2021, the company launched trainings on several topics, including information security; procurement, and 'Diversity, Equity, and Inclusion' ('DEI'). We also focused on strengthening cooperation between the Compliance team and the Internal Audit, the Group Policies and 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, where applicable, 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. They are promoted digitally and with posters to reach all our locations around the world. The company's continuous work to identify potential compliance violations accelerated in 2021 through several initiatives related to the Global 'Diversity, Equity, and Inclusion' ('DEI') Program.
- **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 2021, we recorded 485 potential compliance violations (2020: 414). 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. In addition, in 2021, the Compliance team strengthened its relationship with the HR organization, a key partner in many compliance matters, especially those related to harassment and discrimination.

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POTENTIAL COMPLIANCE VIOLATIONS

	2021
Financial, including theft	51
Malfeasance, including conflicts of interest and corruption	21
Competition	0
Behavioral	294
Other ¹	119

¹ Includes payroll issues, intellectual property, and leaks of confidential information, inter alia.

REPORTING OF POTENTIAL COMPLIANCE VIOLATIONS

	2021
Anonymous contact to hotline	47%
Named contact to hotline	30%
Compliance Officer and other	23%

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 2021, the Chief Compliance Officer attended four 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. The Compliance department has revised its process for detecting compliance risks and included new risks, as well as captured some risk areas (e.g., e-commerce) more clearly. In addition, the description of the CMS has been sharpened. 

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 that 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 and 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 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 2022 and beyond. We still 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; business partner risks; personnel risks; risks related to tax and customs regulations; risks related to the Reebok divestiture; litigation risks; and IT and cyber security risks are classified as material. The risks overview table illustrates the assessment of all risks described below.

CORPORATE RISKS OVERVIEW

Risk categories	Potential impact	Change (2020 rating)	Likelihood	Change (2020 rating)
Risks related to the coronavirus pandemic	Significant		30% – 50%	
Macroeconomic, sociopolitical, regulatory, and currency risks	Significant		30% – 50%	
Risks related to consumer demand and product offering	Significant		30% – 50%	↑ (15% – 30%)
Business partner risks	Significant		15% – 30%	
Personnel risks	Significant	↑ (High)	15% – 30%	↓ (30% – 50%)
Risks related to tax and customs regulations	Significant		15% – 30%	↑ (< 15%)
Risks related to Reebok divestiture	Significant	{no risk in 2020}	15% – 30%	{no risk in 2020}
Litigation risks	Significant	↑ (High)	15% – 30%	↑ (< 15%)
IT and cyber security risks	High	↓ (Significant)	15% – 30%	↑ (< 15%)
Hazard risks	Medium		30% – 50%	
Risks related to media and stakeholder activities	Medium		30% – 50%	
Project risks	Medium	↓ (Significant)	30% – 50%	↑ (< 15%)
Risks related to the competitive and retail environment	Significant		< 15%	↓ (15% – 30%)
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:

- Widespread 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 and 2021.
- Closures of distribution centers would negatively impact the company's ability to fulfill orders by consumers or retail partners and 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 negatively impact our ability to fulfill consumer demand.
- Major sports events 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 brands 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.
 - Volatile global financial markets might negatively affect the company's access to capital in the future.

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. 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. By securing alternative freight capacities and adjusting planning processes for early shipments, we mitigate the effect of container scarcity and port congestions. Strict cash flow and cost management help us to ensure the financial stability of our company. Furthermore, adidas is safeguarding the health of its employees and other stakeholders through strict measures. 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, inflation, financial market turbulence, currency exchange rate fluctuations, and sociopolitical factors such as military conflicts, changes of government, civil unrest, pandemics, nationalization, expropriation, or nationalism, in particular in regions where adidas is strongly represented, could therefore negatively impact the company's business activities and top- and bottom-line performance. 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 28**

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.

In the context of these and other risks relating to consumer demand, product offering, ongoing coronavirus pandemic or supply chain challenges, our business in China is of particular importance. As one of our strategic markets, we are already focusing on this market as part of our 'Own the Game' strategy. In order to meet the specific needs of consumers in this market, we are pursuing a tailored approach – as in other strategic focus markets such as North America – that takes up local trends in products and marketing.

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 Greater China, EMEA, and North America. 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 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, such as the adidas app with the 'Creators Club' membership program, 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 life-cycle management, in particular for our major product franchises, we are able to better detect demand patterns and prevent excess supply. 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.

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 dependency on particular partners. For example, the overdependency on a supplier or customer increases the company's

vulnerability to delivery and sales shortfalls, respectively, 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 spillover 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 2021. 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, Equity, and Inclusion' ('DEI') and strong employee engagement amongst our workforce could substantially impede our ability to achieve our goals. An ineffective, unbalanced, or insufficient allocation of resources to business activities as well as improper planning and untimely execution of reorganization and transformation initiatives may reduce employee engagement, cause business disruption and inefficiencies, and may negatively affect business performance. 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.

We are taking various measures to ensure that we maintain a culture that fosters 'DEI.' Through several specialized programs, 'DEI' is embedded into our recruitment processes. In 2021, we also launched the 'Global DEI Council' that drives the increase of representation, retention, and advancement of diverse talents within our global workforce. Furthermore, our workforce takes part in 'DEI' learning programs. We have also established a global Leadership Framework that is inclusive and articulates the behaviors expected of our leaders to ensure effective leadership across the company. In addition, we offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. 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. Organizational transformations and reorganizations are supported by change activations with our leadership teams and organizational design consultancy. We continuously invest in improving employer branding activities and our global recruiting organization constantly enhances 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 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. In 2021, the 'OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting' agreed on a two-pillar solution to address the tax challenges arising from the digitalization of the economy. Once details are clearly defined, these new requirements could have a considerable impact on income tax expense.

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 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](#)

RISKS RELATED TO REEBOK DIVESTITURE

After completion of the divestiture of Reebok to the new owner, a gradual transfer of assets to the respective legal successors is taking place. Additionally, adidas must fulfill the contractually agreed transitional services. This could require additional resources and efforts, cause management distraction, and result in lower efficiency and higher costs. Furthermore, lower-than-planned income for provided transitional services could result in higher-than-planned stranded costs.

To mitigate these risks, a cross-functional project team has been set up. The team drives the carve-out process supported by external advisors with profound expertise in comparable transactions. In addition, dedicated transition teams in our market organizations drive execution of transition activities to enable a smooth handover of the Reebok business.

LITIGATION RISKS

adidas might be involved in legal disputes and proceedings in different jurisdictions. Legal action taken against adidas due to the company's use of technologies or other intellectual property that are owned by a third party may result in the loss of rights to use those technologies or rights, imposed royalty payments, withdrawal of products from the market, legal costs, or reputational damage. In December 2021, Nike filed

two complaints against adidas alleging that adidas footwear (Primeknit) infringes certain U.S. patents protecting Nike's Flyknit technology. ► **SEE NOTE 38**

Our Legal Intellectual Property and Trademark team is actively defending adidas' intellectual property and associated rights and regularly exchanging with internal business partners to ensure that designs and innovations are cleared for use and protected. Furthermore, we engage with qualified external consultants and lawyers in case legal actions are taken against the company.

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 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.

HAZARD RISKS

As climate change intensifies, the likelihood and intensity of natural disasters such as storms, floods, droughts, pandemics, or heat waves increases, and so does adidas' potential risk. In addition, our business activities could be impacted by port congestions, strikes, riots, or terrorist attacks. All of the above could damage our offices, stores, or distribution centers or disrupt our operational processes leading to loss of sales, higher cost, and a decrease in profitability.

To manage and mitigate these risks, we continuously monitor potential threats and have implemented business continuity plans including but not limited to fallback solutions for transportation, dynamic capacity management of containers and carriers, and reallocation of production. We also maintain high safety standards in all our locations and have secured insurance coverage for property damage and business interruptions.

RISKS RELATED TO MEDIA AND STAKEHOLDER ACTIVITIES

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.

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 THE COMPETITIVE AND RETAIL ENVIRONMENT

Changes in the competitive landscape and the retail environment could impact the company's success. Strategic alliances among competitors 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 brands. 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 or 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 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. In addition, our product and communication initiatives are designed to increase brand desire, drive market share growth, and strengthen our brand's market position.

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 (GDPR), 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 Compliance Management System (CMS) 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 2022 and beyond. According to our assessment methodology, opportunities related to consumer demand and product offering; opportunities related to the distribution strategy; macroeconomic, sociopolitical, regulatory and currency opportunities; opportunities related to tax regulations; and opportunities related to data analytics are considered material. The assessment is illustrated in the opportunities overview table.

CORPORATE OPPORTUNITIES OVERVIEW

Opportunity categories	Potential impact	Change [2020 rating]	Likelihood	Change (2020 rating)
Opportunities related to consumer demand and product offering	Significant		15% – 30%	↓ (30% – 50%)
Opportunities related to the distribution strategy	Significant		15% – 30%	↓ (30% – 50%)
Macroeconomic, sociopolitical, regulatory, and currency opportunities	Significant		15% – 30%	↑ (< 15%)
Opportunities related to tax regulations	Significant	↑ (Medium)	15% – 30%	
Opportunities related to data analytics	High	↓ (Significant)	15% – 30%	↓ (30% – 50%)
Personnel opportunities	Medium		15% – 30%	

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 among 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, in our women's and basketball business, and in the metaverse sphere. Furthermore, we are convinced that a continued focus on sustainability represents an opportunity for the company, in particular in the medium to long term. Consumers are increasingly looking for products composed of more sustainable materials and manufactured in an innovative and yet socially and environmentally responsible way. ► [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, our wholesale channel, where we clearly focus on partners that provide consumers with the best shopping experience and customer service, could generate higher-than-expected sales and profit.

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 (e.g., relating to transactions or internal reorganizations in prior years) 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.

OPPORTUNITIES RELATED TO DATA ANALYTICS

Data and analytics play a crucial role in enabling fact-based decision-making. Therefore, we have a dedicated Data and Analytics team to support 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, for instance, optimize order book management, inventory management, and purchasing. All this could result in improved financial performance.

PERSONNEL OPPORTUNITIES

Creating and managing a performance-oriented culture that fosters 'Diversity, Equity, 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 strengthens 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 2021, financial results especially in Greater China and Asia-Pacific were still impacted by the coronavirus pandemic. On the other hand, EMEA and North America were able to offset some of these challenges. As there were still covid-19-related lockdowns in some countries, our digital platforms facilitated consumer engagement, seamless personal experiences and brand building even in times of social distancing. At the same time, we saw increased traffic in our physical stores compared to 2020 due to fewer store closures and less restrictive covid-19 regulation. Moreover, global trends such as the increasing penetration of sportswear ('athleisure') and rising awareness for health and wellness further supported adidas' development throughout the year. As a result, we delivered top- and bottom-line results which were in line with the guidance provided at the beginning of the year. ► **SEE ECONOMIC AND SECTOR DEVELOPMENT**

COMPANY TARGETS VERSUS ACTUAL KEY METRICS¹

	2020 Results	2021 Initial Targets ²	2021 Updated Targets ³	2021 Results	2022 Outlook
Currency-neutral sales development	(13%)	to increase at a mid- to high-teens rate	to increase up to 20%	16%	to increase at a rate between 12% and 14%
Gross margin	50.0%	to increase to a level of around 52%	to increase to a level of between 50.5% and 51.0%	50.7% 0.7pp	to increase to a level of between 51.5% and 52.0%
Operating margin	4.0%	to increase to a level of between 9% and 10%	to increase to a level of between 9.5% and 10.0%	9.4% 5.3pp	to increase to a level of between 10.5% and 11.0%
Net income from continuing operations (€ in millions)	461	to increase to a level of between € 1.25 billion and € 1.45 billion	to increase to a level of between € 1.4 billion and € 1.5 billion	1,492 223%	to increase to a level of between € 1.8 billion and € 1.9 billion
Average operating working capital in % of net sales ⁴	25.3%	to decrease to a level below 20%		20.0% (5.3pp)	to decrease to a level below 20%
Capital expenditure (€ in millions) ^{4,5}	442	to increase to a level of around € 700 million		667	to increase to a level of up to € 900 million

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

2 As published on March 10, 2021.

3 As published on August 5, 2021. For Gross margin as of November 10, 2021.

4 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

5 Excluding acquisitions and leases.

In 2021, revenues increased 16% on a currency-neutral basis. The improvement was driven by increases across all market segments and was in line with the guidance provided at the beginning of the year. Sales grew significantly faster than initially expected in EMEA, North America and Latin America. At the same time, revenues in Greater China and Asia-Pacific increased below our initial projections due to the impact from covid-related restrictions as well as – in the case of Greater China – the challenging market environment and natural disasters. Gross margin ended the year at 50.7%, reflecting an increase of 0.7 percentage points versus the prior year level. While higher full-price sales, lower inventory allowances as well as the non-recurrence of last year's purchase order cancellation costs drove the increase, unfavorable currency developments and a less favorable channel and market mix weighed on the gross margin development in 2021. In addition, significantly higher supply chain costs as a result of pandemic-related challenges in global logistics markets put further pressure on our gross margin. As a result, the gross margin came in below our initial expectations. Our operating margin increased 5.3 percentage points to 9.4%, in line with our guidance provided in March as we were able to compensate the spike in

supply chain costs with an increase in our operating overhead efficiency. Net income from continuing operations increased 223% to € 1.492 billion, and thus exceeded our initial guidance of an improvement to a level of between € 1.25 billion and € 1.45 billion. ► **SEE INCOME STATEMENT**

Average operating working capital as a percentage of sales ended the year 2021 at a level of 20.0%. This reflects a year-over-year decrease of 5.3 percentage points and is only slightly above the targeted level. Capital expenditure increased 51% to € 667 million in 2021, in line with our guidance. More than 70% of these investments were spent on controlled space initiatives as well as on Digital and IT activities. Controlled space initiatives comprise investments in new or remodeled own-retail or franchise stores as well as in shop-in-shop presentations of our products in our customers' stores.

► **SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS**

Beyond our financial performance, we also actively monitor strategic KPIs in order to track the progress of our strategy 'Own the Game.' These strategic KPIs include the share of our direct-to-consumer business, the development of our e-commerce revenues, ▶ the number of members in our membership program, the share of our sustainable article offering as well as the share of women in management positions in our organization. ▶ ▶ **SEE INTERNAL MANAGEMENT SYSTEM**

OVERVIEW OF CURRENT STATUS AND OBJECTIVES FOR SELECTED STRATEGIC KPIS

	2021	Objective 2025
DTC share	38%	to increase to around 50% of net sales
E-commerce revenues	€ 3.942 billion	to increase to a level of between € 8 billion and € 9 billion
Member base in membership program	240 million members	to increase to around 500 million members
Sustainable article offering ¹	69%	9 out of 10 articles to be sustainable
Share of women in management positions	37%	to increase to more than 40%

1 Meaning that they are – to a significant degree – made with environmentally preferred materials.

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 to determine the company's risk and opportunity profile (i.e., the company's aggregated risk position). Results from this process are analyzed and reported to the Executive Board accordingly. The Executive Board discusses and assesses risks and opportunities on a regular basis and takes into account the relationship between risk and opportunity profile (i.e., the company's aggregated risk position) and risk appetite as well as risk capacity in its decision-making. Compared to the prior year, our assessment of certain risks and opportunities has changed in terms of likelihood of occurrence and/or potential financial impact. Our risk and opportunity aggregation using a Monte-Carlo simulation determined that the company's aggregated risk does not exceed the company's risk capacity threshold with a likelihood of at least 99%. Therefore, we do not foresee any material jeopardy to the viability of the company as a going concern. ► **SEE RISK AND OPPORTUNITY REPORT**

ASSESSMENT OF FINANCIAL OUTLOOK

In March 2021, we unveiled 'Own the Game,' our strategy for the period until 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 recovery from the coronavirus pandemic in 2021, we project further strong top-line improvements in 2022. Long-term industry trends such as increasing sports participation, the growing penetration of sports-inspired apparel and footwear ('athleisure') and digitalization are benefitting this development. As a result, we expect sales to increase between 12% and 14% on a currency-neutral basis in 2022. Gross margin is forecast to continue to recover as significantly higher supply chain costs will be more than offset by a positive channel mix effect, price increases as well as the positive impact from favorable currency developments. The strong top-line development in combination with the expected margin expansion is projected to result in an increase in net income from continuing operations to a level of between € 1.8 billion and € 1.9 billion in 2022. ► [SEE OUTLOOK](#)

We believe our outlook for 2022 realistically describes the underlying development of the company. However, the outlook for 2022 as outlined in this report is subject to change depending on further developments related to the coronavirus pandemic and industry-wide supply chain challenges. In addition, ongoing uncertainties regarding the economic outlook, the impact from geo-political conflicts and consumer sentiment in both advanced 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 2021 and the publication of this report has altered our view. ► [SEE OUTLOOK](#)

4

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	Dec. 31, 2021	Dec. 31, 2020	Change in %
Assets				
Cash and cash equivalents	04	3,828	3,994	(4)
Accounts receivable	05	2,175	1,952	11
Other current financial assets	06	745	702	6
Inventories	07	4,009	4,397	(9)
Income tax receivables	34	91	109	(17)
Other current assets	08	1,062	999	6
Assets classified as held for sale	03	2,033	0	802,611
Total current assets		13,944	12,154	15
Property, plant, and equipment	09	2,256	2,157	5
Right-of-use assets	10	2,569	2,430	6
Goodwill	11	1,228	1,208	2
Trademarks	12	16	750	(98)
Other intangible assets	12	336	252	34
Long-term financial assets	13	290	353	(18)
Other non-current financial assets	14	160	414	(61)
Deferred tax assets	34	1,263	1,233	2
Other non-current assets	15	74	103	(28)
Total non-current assets		8,193	8,899	(8)
Total assets		22,137	21,053	5

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

	Note	31. Dec. 2021	Dec. 31, 2020	Change in %
Liabilities and equity				
Short-term borrowings	16	29	686	(96)
Accounts payable		2,294	2,390	(4)
Current lease liabilities	19	573	563	2
Other current financial liabilities	17	363	446	(19)
Income taxes	34	536	562	(5)
Other current provisions	18	1,458	1,609	(9)
Current accrued liabilities	20	2,684	2,172	24
Other current liabilities	21	434	398	9
Liabilities classified as held for sale	03	594	–	n.a.
Total current liabilities		8,965	8,827	2
Long-term borrowings	16	2,466	2,482	(1)
Non-current lease liabilities	19	2,263	2,159	5
Other non-current financial liabilities	22	51	115	(55)
Pensions and similar obligations	23	267	284	(6)
Deferred tax liabilities	34	122	241	(49)
Other non-current provisions	18	149	229	(35)
Non-current accrued liabilities	20	8	8	(3)
Other non-current liabilities	24	9	17	(46)
Total non-current liabilities		5,334	5,535	(4)
Share capital		192	195	(2)
Reserves (thereof at Dec. 31st, 2021 € 128 million relating to the Reebok disposal group)		69	(474)	n.a.
Retained earnings		7,259	6,733	8
Shareholders' equity	25	7,519	6,454	17
Non-controlling interests	27	318	237	34
Total equity		7,837	6,691	17
Total liabilities and equity		22,137	21,053	5

CONSOLIDATED INCOME STATEMENT

ADIDAS AG CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS

	Note	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020	Change
Net sales	36	21,234	18,435	15.2%
Cost of sales		10,469	9,213	13.6%
Gross profit		10,765	9,222	16.7%
(% of net sales)		50.7%	50.0%	0.7pp
Royalty and commission income		86	61	40.9%
Other operating income	29	28	42	(34.8%)
Other operating expenses	09, 12, 30, 31	8,892	8,580	3.6%
(% of net sales)		41.9%	46.5%	(4.7pp)
Marketing and point-of-sale expenses		2,547	2,373	7.3%
(% of net sales)		12.0%	12.9%	(0.9pp)
Distribution and selling expenses		4,782	4,601	3.9%
(% of net sales)		22.5%	25.0%	(2.4pp)
General and administration expenses		1,481	1,379	7.4%
(% of net sales)		7.0%	7.5%	(0.5pp)
Sundry expenses		76	116	(34.5%)
(% of net sales)		0.4%	0.6%	(0.3pp)
Impairment losses (net) on accounts receivable and contract assets		6	111	(94.9%)
Operating profit		1,986	746	166.3%
(% of net sales)		9.4%	4.0%	5.3pp
Financial income	32	19	29	(32.1%)
Financial expenses	32	153	196	(22.0%)
Income before taxes		1,852	578	220.2%
(% of net sales)		8.7%	3.1%	5.6pp
Income taxes	34	360	117	207.9%
(% of income before taxes)		19.4%	20.2%	(0.8pp)
Net income from continuing operations		1,492	461	223.4%
(% of net sales)		7.0%	2.5%	4.5pp
Gain/(loss) from discontinued operations, net of tax	03	666	(19)	n.a.
Net income		2,158	443	387.4 %
(% of net sales)		10.2%	2.4%	7.8pp
Net income attributable to shareholders		2,116	432	389.6%
(% of net sales)		10.0%	2.3%	7.6pp
Net income attributable to non-controlling interests		42	11	296.5%
Basic earnings per share from continuing operations (in €)	35	7.47	2.31	223.3%
Diluted earnings per share from continuing operations (in €)	35	7.47	2.31	223.3%
Basic earnings per share from continuing and discontinued operations (in €)	35	10.90	2.21	392.1%
Diluted earnings per share from continuing and discontinued operations (in €)	35	10.90	2.21	392.1%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Net income after taxes		2,158	443
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	23	50	(15)
Net gain / (loss) on other equity investments (IFRS 9), net of tax	28	1	(2)
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss		52	(17)
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	28	186	(100)
Net (loss) / gain on cost of hedging reserve – options, net of tax	28	(6)	7
Net gain / (loss) on cost of hedging reserve – forward contracts, net of tax	28	11	(30)
Currency translation differences		330	(401)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met		521	(524)
Other comprehensive income		573	(540)
Total comprehensive income		2,731	(97)
Attributable to shareholders of adidas AG		2,650	(87)
Attributable to non-controlling interests		81	(10)

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, 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	25	(1)							(263)	(264)		(264)
Repurchase of adidas AG shares due to equity-settled share-based payment	25								(29)	(29)		(29)
Reissuance of treasury shares due to equity-settled share-based payment	25								36	36		36
Dividend payment									–	–	(17)	(17)
Equity-settled share-based payment	26								2	2		2
First-time consolidation due to obtaining control in accordance with IFRS 10											3	3
Balance at December 31, 2020 / January 1, 2021		195	887	(850)	(250)	(3)	(23)	(235)	6,733	6,454	237	6,691
Other comprehensive income				308	186	(6)	11	35		534	39	573
Net income									2,116	2,116	42	2,158
Total comprehensive income				308 ¹	186	(6)	11	35	2,116	2,450	81	2,731
Repurchase of adidas AG shares	25	(3)							(1,001)	(1,004)		(1,004)
Repurchase of adidas AG shares due to equity-settled share-based payment	25								(32)	(32)		(32)
Reissuance of treasury shares due to equity-settled share-based payment	25								35	35		35
Dividend payment									(585)	(585)		(585)
Equity-settled share-based payment	26								1	1		1
Cancellation of treasury shares	25		8					(8)		–		–
Balance at December 31, 2021		192	895	(542) ²	(64)	(8)	(12)	(200)	7,259	7,519	318	7,837

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

1 Total net loss of foreign currency translation differences for discontinued operations for 2021 are reflected within this position in an amount to € 79 million

2 Total net loss of cumulative foreign currency translation differences for discontinued operations are reflected within this position in an amount to € 128 million

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Operating activities:			
Income before taxes from continuing operations		1,852	578
Adjustments for:			
Depreciation, amortization and impairment losses	11, 12, 30, 32	1,149	1,261
Reversals of impairment losses	29	(34)	(5)
Interest income	32	(13)	(25)
Interest expense	32	111	156
Unrealized foreign exchange losses, net		51	35
Losses on sale of property, plant and equipment and intangible assets, net		13	28
Other non-cash effects from operating activities	29, 30	6	2
Operating profit before working capital changes		3,135	2,031
(Increase)/Decrease in receivables and other assets		(170)	337
Decrease/(Increase) in inventories		125	(481)
Increase/(Decrease) in accounts payable and other liabilities		226	(117)
Cash generated from operations before taxes		3,316	1,770
Income taxes paid		(444)	(403)
Net cash generated from operating activities – continuing operations		2,873	1,366
Net cash generated from operating activities – discontinued operations		320	120
Net cash generated from operating activities		3,192	1,486
Investing activities:			
Purchase of trademarks and other intangible assets		(173)	(64)
Proceeds from sale of trademarks and other intangible assets		1	4
Purchase of property, plant and equipment		(494)	(368)
Proceeds from sale of property, plant and equipment		1	16
Proceeds from sale of a disposal group		12	1
Proceeds from disposal of discontinued operations		177	41
Proceeds from sale of short-term financial assets		0	289
Proceeds from/ (Purchase of) investments and other long-term assets		49	(49)
Interest received		13	25
Net cash used in investing activities – continuing operations		(415)	(105)
Net cash used in investing activities – discontinued operations		(9)	(11)
Net cash used in investing activities		(424)	(115)
Financing activities:			
Repayment of eurobond	16	(600)	-
Proceeds from issuance of bonds	16	-	1,490
Reverse transaction of buyback of eurobonds	16	-	11
Interest paid		(111)	(151)

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

	Note	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Repayments of lease liabilities		(572)	(582)
Dividend paid to shareholders of adidas AG	25	(585)	-
Dividend paid to non-controlling interest shareholders		-	(17)
Repurchase of adidas AG shares	25	(1,000)	(257)
Repurchase of adidas AG shares due to share-based payments		(32)	(29)
Proceeds from reissuance of treasury shares due to share-based payments		27	25
(Repayments of)/ Proceeds from short-term borrowings	16	(79)	24
Net cash (used in)/ generated from financing activities – continuing operations		(2,952)	514
Net cash used in financing activities – discontinued operations		(39)	(35)
Net cash (used in)/ generated from financing activities		(2,991)	479
Effect of exchange rates on cash			
(Decrease)/Increase in cash and cash equivalents		57	(75)
Cash and cash equivalents at beginning of year	04	(165)	1,774
Cash and cash equivalents at end of period	04	3,994	2,220
		3,828	3,994

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, 2021, 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, 2021, and the additional requirements pursuant to § 315e section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following amendments to existing standards and interpretations are effective for financial years beginning on January 1, 2021, and have been applied for the first time to these consolidated financial statements:

- **Amendment to IFRS 4: Extension of the temporary exemption from application of IFRS 9 (IASB effective date: January 1, 2021):** In order to reduce the impact of the differing effective dates of IFRS 9 and IFRS 17, by amending IFRS 4 the expiration of the temporary exemption from the application of IFRS 9 is postponed to financial years beginning on or after January 1, 2023. IFRS 4 Insurance Contracts is currently not applied by the Group, which is why the amendments did not have any impact on the consolidated financial statements as at December 31, 2021.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16: Interest Rate Benchmark Reform - Phase 2 (IASB effective date: January 1, 2021):** The amendments provide temporary reliefs that address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate. The amendments include the following: a practical expedient that contractual changes or changes to cash flows that are directly required by the reform can be treated as changes to a floating interest rate; the permission that changes required to hedge designations and hedge documentation can be made without the hedging relationship being discontinued; and a temporary relief from having to meet the separately identifiable requirement when a respective instrument is designated as a hedge of a risk component. These amendments had no material impact on the consolidated financial statements as at December 31, 2021.
- **Amendments to IFRS 16: covid-19-Related Rent Concessions beyond 30 June 2021 (IASB effective date: April 1, 2021):** On May 28, 2020, the IASB issued covid-19-Related Rent Concessions – amendments to IFRS 16. The amendments were initially intended to apply until June 30, 2021. As the impact of the covid-19 pandemic is, however, continuing, on March 31, 2021, the IASB extended the period of application to June 30, 2022. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic, but to account for any change the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendments did not have any impact on the consolidated financial statements as at December 31, 2021, as adidas does not apply that accounting option for covid-19-Related Rent Concessions, but accounts for such concessions as lease modification in accordance with IFRS 16.

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, 2021, have not been applied in preparing these consolidated financial statements:

- **IFRS 17 Insurance Contracts and Amendments to IFRS 17 (IASB effective date: January 1, 2023):** The new standard covers the recognition and measurement, presentation and disclosure related to all types of insurance contracts. IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, and once effective, will replace IFRS 4 Insurance Contracts. Neither IFRS 4 nor IFRS 17 are applicable to the Group, which is why no material impact is expected on the consolidated financial statements.
- **Amendments to IFRS 3: Reference to the Conceptual Framework (IASB effective date: January 1, 2022):** The amendments to IFRS 3 replace a reference to the Framework for the Preparation and Presentation of Financial Statements (1989) with a reference to the Conceptual Framework for Financial Reporting issued in March 2018. At the same time, the amendments clarify that by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements, the existing guidance in IFRS 3 for contingent assets would not be affected. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, and apply prospectively. The amendments are not expected to have a material impact on the consolidated financial statements.
- **Amendments to IAS 16: Property, Plant, and Equipment: Proceeds before Intended Use (IASB effective date: January 1, 2022):** Due to the amendments to IAS 16, it will no longer be possible to deduct from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating. Instead, an entity recognizes the proceeds from selling such items in profit or loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, and are not expected to have a material impact on the consolidated financial statements.
- **Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract (IASB effective date: January 1, 2022):** The amendments to IAS 37 specify that costs that relate directly to a contract are considered the costs of fulfilling a contract ('directly related cost approach') and hence include both incremental costs and an allocation of costs directly related to contract activities. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the financial year in which it first applies the amendments. The amendments are not expected to have a material impact on the consolidated financial statements.
- **Annual improvements to IFRS Standards (2018–2020): (IASB effective date: January 1, 2022):** The annual improvements to IFRS standards process particularly includes amendments to IFRS 1. Subsidiary as a first-time adopter, Amendments to IFRS 9 Fees in the '10 per cent' test for derecognition of financial liabilities and amendments to IAS 41 Taxation in fair value measurements. The amendments are applicable for annual periods beginning on or after January 1, 2022. The amendments are not expected to have a material 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:

- **Amendment to IAS 1: Classification of Liabilities as Current or Non-current (IASB effective date: January 1, 2023):** The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and must then generally be applied retrospectively. Currently being assessed, it is not expected that the amendments will have a material impact on the Group's consolidated financial statements.
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (IASB effective date: January 1, 2023):** The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. By replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, the amendments aim to help entities provide accounting policy disclosures that are more relevant and useful for the users of the financial statements. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023. Since the amendments to the Practice Statement 2 provide non-mandatory guidance, an effective date for these amendments has not been determined. Subject to the ongoing assessment it is currently not expected that the amendments will have a material impact on the Group's accounting policy disclosures.
- **Amendments to IAS 8: Definition of Accounting Estimates (IASB effective date: January 1, 2023):** The amendments to IAS 8 introduce a new definition of 'accounting estimates' which clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments further provide guidance how entities can develop accounting estimates. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Depending on the changes in accounting policies and changes in accounting estimates after that date, the amendments are currently not expected to have a material impact on the consolidated financial statements.
- **Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IASB effective date: January 1, 2023):** The amendments to IAS 12 clarify that the initial recognition exemption provided in IAS 12 does not apply to transactions in relation to leases and decommissioning obligations, and that entities hence have to recognize deferred taxes for transactions when an asset and a liability are recognized at the inception of the lease, or when an entity recognizes a liability and includes the decommissioning costs in the cost of the asset. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Group, in particular since adidas did not apply the initial recognition exemption in the context of leases under IFRS 16.

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 certain originated financial instruments, derivative financial instruments, and plan assets, which are measured at fair value.

Business development in 2021 continued to be impacted by the effects of the coronavirus pandemic, albeit less than in the financial year 2020. 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 pandemic, it is still 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.

On February 11, 2021, adidas decided to begin a formal process aimed at divesting Reebok. Due to the initiation of that selling process, which led to a binding agreement with Authentic Brands Group LLC, on

August 12, 2021, the Reebok operating business is reported as discontinued operations and classified as a disposal group held for sale since the resolution has been passed. The prior-year figures of the consolidated income statement and the consolidated statement of cash flows have been restated to report the discontinued operations separately from continuing operations. ► [SEE NOTE 03](#)

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 also 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.

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. 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 number of consolidated subsidiaries developed as follows in 2021 and 2020, respectively:

NUMBER OF CONSOLIDATED SUBSIDIARIES

	2021	2020
January 1	121	125
First-time consolidated subsidiaries	2	-
Thereof: newly founded	2	-
Deconsolidated/divested subsidiaries	(2)	(1)
Intercompany mergers	(1)	(3)
December 31	120	121

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 and domicile 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 consolidated 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	Amortized cost
Cash and cash equivalents (investments in certain money market funds)	Fair value through profit or loss
Accounts receivable	Amortized cost
Contract assets	Impairment-only approach
Inventories	Lower of cost and net realizable value
Assets and liabilities classified as held for sale	Lower of carrying amount of the disposal group 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 financial asset 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

The consolidated financial statements are presented in euros (€), which is also the parent company's functional currency. For each entity, the Group determines the functional currency.

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 recognized directly in profit or loss.

This excludes monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Assets and liabilities of the company's non-euro functional currency subsidiaries that are included in the consolidated financial statements are translated using closing exchange rates at the balance sheet date into the presentation currency, the euro. For practical reasons, revenues and expenses are translated at average rates for the period, which approximate the exchange rates on the transaction dates. The resulting exchange differences arising on consolidation are recognized in OCI.

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,	
	2021	2020	2021	2020
USD	1.1836	1.1410	1.1326	1.2271
GBP	0.8601	0.8889	0.8403	0.8990
JPY	129.8295	121.7887	130.3800	126.4900
CNY	7.6362	7.8717	7.2266	7.9441
RUB	87.1946	82.4398	84.1438	90.6529

HYPERNFLATION

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 33

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.

DERIVATIVE FINANCIAL INSTRUMENTS

adidas uses derivative financial instruments, such as currency options, forward exchange contracts, and 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 are 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, adidas designates the spot element of forward exchange contracts and the intrinsic value of currency options to hedge its currency risk and applies a hedge ratio of 1:1 (spot-to-spot designation). The forward element of forward exchange contracts and the time value component of currency options are excluded from the designation of the hedging instrument.

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 currency options, as well as the forward element in forward exchange contracts, are separately accounted for as a cost of hedging and are recognized separately in equity as a cost of hedging reserve. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognized in the consolidated income statement. Accumulated gains and losses in equity are transferred to the consolidated income statement in the same periods, during which the hedged forecast transaction affects the consolidated 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.

ACCOUNTS RECEIVABLE

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., if only the passage of time is required before payment of that consideration is due). Accounts receivable that do not contain a significant financing component 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 that fall under this category.

Other financial assets that give rise to cash flows consisting only of payments of principal and interest and that are assigned to the business model 'Hold to collect and sell' are measured at fair value through OCI. This category mainly includes other investments and securities to hedge long-term variable compensation components.

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, unless these investments represent investments that the company intends to hold for long-term strategic purposes, which are then designated as equity securities at fair value through other comprehensive income (equity).

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 direct materials and 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.

DISCONTINUED OPERATIONS

A part of the adidas group, whose operations and cash flows can be clearly distinguished operationally and for financial reporting purposes from the other operating businesses, 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.

Discontinued operations are excluded from the net income/loss from continuing operations and are presented as a single amount as gain/loss from discontinued operations, net of tax in the consolidated income statement. 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. ► **SEE NOTE 03**

ASSETS/LIABILITIES AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Assets/liabilities and disposal groups classified as held for sale are non-current assets and liabilities expected to be realized principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. It being unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn is also a prerequisite for the classification.

The sale must be expected to be completed within one year from the date of the classification. Assets and liabilities classified as held for sale are hence presented separately as current items in the consolidated statement of financial position.

These are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Assets classified as held for sale are not depreciated on a straight-line basis.

Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Reversals of impairment losses due to a subsequent increase in fair value are recognized up to a maximum of the amount of impairment losses that, unless attributable to goodwill, were recognized prior to classification of the asset or disposal group in accordance with IFRS 5 and IAS 36, or were recognized at or after the date of classification in accordance with IFRS 5.

Additional disclosures are provided in these Notes. ► **SEE NOTE 03**

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 and goodwill acquired in business combinations are tested annually on December 31 for impairment. In the case that indicators for impairment are present at any point in time other than on December 31, 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 consolidated 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. 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 receivables 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 from credit card companies and electronic marketplaces. The credit risk associated with such financial assets is determined based on the economic environment, external credit ratings, and/or CDS spreads of counterparty financial institutions. Other financial assets are considered to be in default when they are more than 90 days past due.

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, and 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. Other 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 remeasurement 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 arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses (Impairment-only approach). ▶ [SEE NOTE 12](#)

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
Software	3 – 7
Patents, trademarks and licenses	5 – 15
Websites	2

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.

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 consolidated 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. The expense relating to a provision is presented in the consolidated income statement. Non-current provisions are discounted if the effect of discounting is material, with the interest expense being reported as financial expenses.

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 consolidated 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 38**

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 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, and 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 accounted for by means of an accrued liability for marketing and sales.

Customer incentives and options as well 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. Customer incentives that 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.

In addition, adidas generates revenue from the licensing-out of the right to use the brands to third parties. The resulting sales-based royalty and commission income is recognized based on the contract terms on an accrual basis, i.e., revenue is already realized even though the payment takes place at a later point in time. 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, i.e., the guaranteed minimum income per year is evenly distributed over twelve months, 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 are 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 adequate certainty 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 and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Income tax is recognized in the consolidated income statement unless it relates to items recognized directly in equity, in which case it is recognized in equity. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly 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 or
- 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 26**

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 consolidated 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 2021, assumptions and estimates continued to be 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 non-current assets held for sale and discontinued operations, accounts receivable, inventories, right-of-use-assets, goodwill, other provisions, pensions, derivatives, and income taxes, as well as other financial commitments and contingencies. ► SEE NOTE 03 ► SEE NOTE 05 ► SEE NOTE 07 ► SEE NOTE 10 ► SEE NOTE 11 ► SEE NOTE 18
 ► SEE NOTE 23 ► SEE NOTE 28 ► SEE NOTE 34 ► SEE NOTE 38

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 10 ► SEE NOTE 12 ► SEE NOTE 19

03 DISCONTINUED OPERATIONS

On February 11, 2021, the company decided to initiate a formal process aimed at divesting Reebok, which was completed with signing of a sales agreement with Authentic Brands Group LLC on August 12, 2021. Due to the concrete plans to divest Reebok and the approval by the relevant committees, the Reebok operating business has been reported as discontinued operations and classified as a disposal group held for sale since the resolution. The fair value was calculated based on the existing purchase price agreement. The majority of the purchase price will be paid in cash upon completion of the transaction, with the remainder comprising deferred and contingent consideration. The fair value of earn-out components was determined using the discontinued cash flow method and Monte Carlo method, respectively. The transaction is expected to be completed in the first quarter of 2022.

The prior-year figures of the consolidated income statement and the consolidated statement of cashflows have been restated in accordance with IFRS 5 to report the discontinued operations separately from continuing operations.

DISCONTINUED OPERATION REEBOK € IN MILLIONS

	Full year 2021	Full year 2020
Operational business		
Net sales	1,767	1,409
Expenses	(1,467)	(1,371)
Gain/(loss) from reversal/impairment of Reebok trademark	549	(41)
Gain/(loss) from operating activities before taxes	849	(3)
Income taxes	(171)	(29)
Gain/(loss) from operating activities, net of tax	678	(32)
Transaction costs	(30)	-
Income taxes	6	-
Transaction costs, net of tax	(24)	-
Gain/(loss) from discontinued operations, net of tax	654	(32)

Gains from discontinued operations for the financial year 2021 include a write-up of the previously impaired Reebok trademark in the amount of € 549 million. The related deferred tax expense amounts to € 143 million. The calculated fair value of the Reebok disposal group, derived from the purchase price agreement, is higher than its carrying amount, including the carrying amount of the Rebook trademark,

and higher than the impairment losses in previous years, so that the previously impaired trademark was written up.

As of December 31, 2021, the disposal group Reebok was recognized at the lower of its carrying amount and fair value less costs to sell, and comprising the following main categories of assets and liabilities:

GROUP OF ASSETS AND LIABILITIES

Assets classified as held-for-sale € in millions	Dec 31, 2021
Accounts receivable	82
Inventories	300
Other current financial assets	14
Other current assets	15
Total current assets	411
Long-term financial assets	11
Property, plant, and equipment	84
Right-of-use assets	102
Goodwill	28
Trademark Reebok	1,368
Deferred tax assets	26
Other non-current financial assets	3
Total non-current assets	1,622
Total assets	2,033
<hr/>	
Liabilities classified as held for sale € in millions	Dec 31, 2021
Accounts payable	35
Current lease liabilities	33
Other current provisions	33
Current accrued liabilities	55
Other current financial liabilities	7
Other current liabilities	6
Total current liabilities	169
Non-current lease liabilities	114
Pensions and similar obligations	2
Deferred tax liabilities	304
Other non-current provisions	4
Non-current accrued liabilities	0
Other non-current financial liabilities	0
Other non-current liabilities	1
Total non-current liabilities	425
Total liabilities	594

In addition, effects related to the divestiture of the former TaylorMade and CCM Hockey operations that were sold in previous periods, are shown as discontinued operations in the consolidated income statement. This relates mainly to the valuation and payment of earn-out components. In the course of 2021, the last claims were settled and thus these sales transactions are completely finalized.

Gains from discontinued operations for the year 2021 in an amount of € 666 million (2020: loss of € 19 million) are entirely attributable to the shareholders of adidas AG. The tax expense in respect of discontinued operations amounts to € 168 million (2020: tax expense of € 43 million).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

04 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 28**

05 ACCOUNTS RECEIVABLE

Accounts receivable consist mainly of the currencies US dollar, euro, and Chinese renminbi and are as follows:

ACCOUNTS RECEIVABLE € IN MILLIONS

	Collective loss allowance					Individual loss allowance	Total		
	Past due 31 – 90 days		Past due > 90 days						
	Not yet due	Not credit- impaired	Not credit- impaired	Credit- impaired	Credit- impaired				
Dec. 31, 2021									
Accounts receivable, gross	1,900	277	15	40	150		2,383		
Weighted average loss rate	0.9%	5.1%	42.5%	65.4%	96.1%		8.7%		
Loss allowance	(17)	(14)	(6)	(26)	(145)		(208)		
Accounts receivable, net	1,884	263	8	14	6		2,175		
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		

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MOVEMENT IN LOSS ALLOWANCES FOR ACCOUNTS RECEIVABLE € IN MILLIONS

	2021	2020
Loss allowances at January 1	267	189
Net remeasurement of loss allowances	(61)	98
Write-offs charged against the loss allowance accounts	(3)	(5)
Currency translation differences	7	(12)
Other changes	(1)	(2)
Loss allowances at December 31	208	267

As at December 31, 2021, the loss allowance for not credit-impaired accounts receivable in the amount of € 230 million and credit-impaired accounts receivable in the amount of € 0.4 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. Compared to December 31, 2020, the loss allowance decreased as the previous year was impacted by the effects of the global coronavirus pandemic, resulting in a positive development in the age structure of accounts receivable compared to the previous year.

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 28**

06 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets consist of the following:

OTHER CURRENT FINANCIAL ASSETS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Currency options	21	8
Forward exchange contracts	236	117
Suppliers with debit balances	41	42
Revaluation of total return swap	16	60
Security deposits	48	36
Receivables from credit cards and similar receivables	172	161
Promissory notes	12	6
Receivables from retail business	91	68
Other Investments	71	55
Sundry	46	161
Other current financial assets, gross	754	715
Less: accumulated allowances	(8)	(13)
Other current financial assets, net	745	702

Further information about currency options and forward exchange contracts is contained in these Notes.

▶ **SEE NOTE 28**

07 INVENTORIES

Inventories by major classification are as follows:

INVENTORIES € IN MILLIONS

	Dec. 31, 2021			Dec. 31, 2020		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	2,596	(149)	2,446	3,321	(171)	3,150
Goods in transit	1,556	-	1,556	1,239	-	1,239
Raw materials	7	-	7	8	-	8
Work in progress	0	-	0	0	-	0
Inventories	4,159	(149)	4,009	4,568	(171)	4,397

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.

08 OTHER CURRENT ASSETS

Other current assets consist of the following:

OTHER CURRENT ASSETS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Prepaid expenses	270	204
Return assets	294	340
Tax receivables other than income taxes	430	401
Contract assets	15	16
Sundry	58	41
Other current assets, gross	1,066	1,003
Less: accumulated allowances	(4)	(4)
Other current assets, net	1,062	999

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.

09 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, 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)
December 31, 2020/ January 1, 2021	1,852	416	1,800	258	4,326
Additions	94	19	197	183	494
Disposals	(47)	(7)	(231)	(1)	(285)
Transfers	180	32	30	(243)	(1)
Transfers to assets held for sale	(67)	(8)	(79)	(2)	(157)
Currency translation differences	80	21	76	17	195
December 31, 2021	2,093	473	1,794	212	4,571
Accumulated depreciation and impairment					
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)	-	-
Currency translation differences	(30)	(19)	(98)	-	(147)
December 31, 2020/ January 1, 2021	620	230	1,319	-	2,169
Depreciation	127	44	250	-	421
Impairment losses	1	-	3	0	4
Reversals of impairment losses	(1)	(0)	(8)	-	(9)
Disposals	(38)	(6)	(219)	0	(263)
Transfers	1	-	(1)	-	(0)
Transfers to assets held for sale	(37)	(7)	(69)	(0)	(113)
Currency translation differences	32	14	61	0	107
December 31, 2021	704	276	1,336	0	2,316
Net carrying amount					

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
January 1, 2020	1,322	219	618	221	2,380
December 31, 2020/ January 1, 2021	1,231	185	482	258	2,157
December 31, 2021	1,389	197	458	212	2,256

As a general principle, it is regularly assessed whether there are any indications that property, plant, and equipment might be impaired.

Irrespective of the existence of such indications, furniture and fixtures in adidas' own-retail stores are tested annually for impairment, whereby the recoverable amount, as part of determining the profitability of the adidas' own-retail stores, is calculated using the 'discounted cash flow method'.

Impairment losses recognized in the reported financial years mainly relate to the company's own-retail activities, for which, contrary to expectations, no sufficient future economic benefit is expected. Further information on the methodology on impairment losses for adidas' own-retail stores is provided in these notes. ► **SEE NOTE 10**

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ► **SEE NOTE 31**

10 RIGHT-OF-USE ASSETS

The company recognized right-of-use assets in an amount of € 2.6 billion (2020: € 2.4 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, 2021	2,317	88	25	2,430
Additions	500	2	19	521
Disposals	-	-	-	-
Transfer to assets held for sale	(94)	-	(1)	(94)
Depreciation	(563)	(42)	(20)	(625)
Impairment losses	(3)	-	-	(3)
Reversal of impairment losses	25	-	-	25
Currency translation differences	89	0	0	89
Net change due to remeasurements	222	4	(0)	226
December 31, 2021	2,493	52	24	2,569

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	(69)	-	(1)	(69)
Reversal of impairment losses	1	-	-	1
Currency translation differences	(161)	(0)	(2)	(162)
Other changes	(10)	(0)	(0)	(10)
December 31, 2020	2,317	88	25	2,430

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, whereby the recoverable amount, as part of determining the profitability of the adidas' own-retail stores, is calculated using the 'discounted cash flow method.'

Reversals of impairment losses/impairment losses for right-of-use assets recognized in the reported financial years mainly relate to the company's own-retail activities, for which, contrary to expectations based in 2020, there will be a sufficient/insufficient future economic benefits. The income from reversal of impairments in 2021 amounts to € 25 million and is mainly related to EMEA with € 23 million.

In 2020, impairment losses were recognized for non-current assets (e.g., property, plant, and equipment, right-of-use assets and intangible assets including goodwill) as a result of the coronavirus pandemic. They

related to EMEA with € 31 million; North America with € 16 million; Greater China with € 18 million; and Asia-Pacific with € 2 million.

Income from sub-leasing of right-of-use assets recognized in the consolidated income statement in 2021 amount to € 2.7 million (2020: € 2.4 million).

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ▶ **SEE NOTE 31**

II 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, 2021	Dec. 31, 2020
Goodwill, gross	1,630	1,584
Less: accumulated impairment losses	(402)	(376)
Goodwill, net	1,228	1,208

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 € 48 million and negative € 49 million is recorded for the years ending December 31, 2021 and 2020, respectively.

adidas determines whether goodwill impairment is necessary at least on 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 four-year period in total. The planning is based on long-term expectations of the company and in total for the groups of cash-generating units, reflects 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 improve to a level of between 12% and 14% for the Group, and for individual groups of cash-generating units to a level of between 11% and 17% by 2025, primarily driven by an improvement in 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 four-year period are extrapolated using steady growth rates of 1.7% (2020: 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 that are responsible for the distribution of the adidas brands. The regional markets are Europe, Middle East and Africa (EMEA), North America, Greater China, Asia-Pacific (APAC), and Latin America. The number of groups of cash-generating units amount to a total of five at the end of 2021 (2020: nine).

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 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

	Dec. 31, 2020	Goodwill (€ in millions)			Jan. 1, 2021
		Aggregation EMEA	(Re-) allocation Asia-Pacific	(Re-) allocation adidas Golf	
Europe	593	(593)			n.a.
Emerging Markets	76	(76)			n.a.
EMEA	–	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, in the first quarter 2021, adidas assessed whether goodwill impairment was 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 of December 31, 2020. In this context, there was no need for goodwill impairment.

Due to the classification of Reebok as discontinued operations and disposal group, 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 re-allocated 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	(24)		(3)	(1)	(27)
Currency translation differences	30	-	13	5	48
December 31, 2021	700	77	290	161	1,228

In the first quarter 2021, the goodwill re-allocated to the Reebok disposal group was initially measured according to IAS 36 Impairment of Assets and was subsequently transferred to 'Assets/liabilities classified as held for sale' due to the concrete plans to divest Reebok.

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, 2021	Jan. 1, 2021	Dec. 31, 2021	Jan. 1, 2021
EMEA	700	694	8.2%	8.8%
North America	77	77	7.3%	7.2%
Greater China	290	280	7.9%	8.1%
Asia-Pacific	161	157	7.9%	8.3%
Total	1,228	1,208		

A change in the discount rate by up to approximately 16 percentage points or a reduction of planned free cash inflows by up to approximately 76% 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.

12 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, 2020	1,412	1,086
Additions	–	64
Disposals	–	(22)
Transfers	–	1
Increase in companies consolidated	–	3
Currency translation differences	(117)	(26)
December 31, 2020/January 1, 2021	1,295	1,107
Additions	–	173
Disposals	–	(73)
Transfers	–	1
Transfers to assets held for sale	(1,368)	(8)
Currency translation differences	105	23
December 31, 2021	32	1,223
Accumulated amortization and impairment		
January 1, 2020	553	781
Amortization	0	104
Impairment losses	41	–
Disposals	–	(12)
Currency translation differences	(48)	(18)
December 31, 2020/January 1, 2021	545	856
Amortization	0	96
Disposals	–	(73)
Transfers to assets held for sale	(536)	(8)
Currency translation differences	7	16
December 31, 2021	16	887
Net carrying amount		
January 1, 2020	859	305
December 31, 2020/January 1, 2021	750	252
December 31, 2021	16	336

At December 31, 2021, trademarks, mainly related to the acquisition of Runtastic GmbH in 2015, have indefinite useful lives. This is due to the expectation of permanent use of the acquired trademark Runtastic.

TRADEMARKS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Reebok	–	1,263
Other	32	32
Trademarks, gross	32	1,295
Less: accumulated amortization and impairment losses	(16)	(545)
Trademarks, net	16	750

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.

Due to the change in the composition of the company's operating segments and associated cash-generating units respectively, the Reebok trademark was tested for impairment in the first quarter 2021. 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, the Middle East and Africa (EMEA), North America, Greater China, Asia-Pacific (APAC), and Latin America. The number of cash-generating Reebok business units amounted to a total of five (2020: six). 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 Reebok trademark impairment.

Due to the classification of Reebok as a discontinued operation and held for sale, the Reebok trademark was initially measured in accordance with IAS 36 'Impairment of Assets' and subsequently reclassified to 'Assets/Liabilities classified as held for sale.'

The impairment test for the Reebok trademark was performed based on Reebok cash-generating units in the individual markets until the reclassification of the trademark as 'assets classified as held for sale.' This required an estimate of the recoverable amount of the Reebok groups of cash-generating units to which the Reebok brand was allocated as a corporate asset based on projected 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.

This calculation used cash flow projections based on the financial planning covering a five-year period in total. The planning was based on long-term expectations of the company and, 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 expected 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 was primarily based on past experience. The planning for future tax payments was based on current statutory corporate tax rates of the individual Reebok markets. Cash flows beyond the detailed planning period of the respective Reebok markets were extrapolated using a steady growth rate of 1.7% (2020: 1.7%). According to the company's expectations, this growth rate did not exceed the long-term average growth rate of the business sector in the individual markets in which Reebok operates.

Discount rates were 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 were after-tax rates and reflected 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 ranged from 7.2% to 11.8% (2020: 7.2% to 11.8%).

In connection with the impairment test in the first quarter of 2021, an adjustment of the discount rate by approximately 0.2 percentage points or a reduction of planned free cash inflows by approximately 9% would have not resulted in an impairment requirement.

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ► **SEE NOTE 31**

13 LONG-TERM FINANCIAL ASSETS

Long-term financial assets primarily include an 8.33% investment in FC Bayern München AG (2020: 8.33%) of € 87 million (2020: € 87 million). This investment is classified as fair value through profit or loss and is 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, 2021 and 2020.

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 2021 (2020: positive adjustment of € 1 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 2021 (2020: positive adjustment of € 0 million).

LONG-TERM FINANCIAL ASSETS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Investment in FC Bayern München AG	87	87
Other equity investments	83	84
Other investments	121	183
Loans	0	0
Long-term financial assets	290	353

14 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets consist of the following:

OTHER NON-CURRENT FINANCIAL ASSETS € IN MILLIONS

	Dec. 31. 2021	Dec. 31. 2020
Currency options	12	19
Forward exchange contracts	10	2
Revaluation of total return swap	–	17
Options	31	85
Security deposits	91	93
Earn-out components	–	12
Promissory notes	–	166
Sundry	17	20
Other non-current financial assets	160	414

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 28

Further information about promissory notes and earn-out components is provided in these Notes. ► SEE NOTE 28 ► SEE NOTE 03

15 OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

OTHER NON-CURRENT ASSETS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Prepaid expenses	74	100
Sundry	0	2
Other non-current assets	74	103

Prepaid expenses mainly relate to long-term promotion contracts. ► SEE NOTE 38

16 BORROWINGS AND CREDIT LINES

Borrowings are denominated in a variety of currencies in which adidas conducts its business. Whereas the largest portion of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2021, are mainly denominated in euros (2021: 100%; 2020: 98%).

The weighted average interest rate on the Group's gross borrowings decreased to 0.7% in 2021 (2020: 1.0%).

As at December 31, 2021, adidas had cash credit lines and other long-term financing arrangements totaling € 6.6 billion (2020: € 7.3 billion); thereof unused credit lines accounted for € 4.1 billion (2020: € 4.1 billion). In addition, as at December 31, 2021, adidas had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.6 billion (2020: € 0.5 billion).

On November 6, 2020, adidas entered into a new syndicated credit facility agreement with twelve banks totaling € 1.5 billion. The credit facility agreement was subsequently amended on October 8, 2021. The amended and restated credit facility with eleven partner banks will run until November 2026 and includes an extension option of one year exercisable in 2022. It can be drawn in euros and US dollars. The interest bearing is based on a defined margin on a reference rate (€STR or EURIBOR for euros).

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, 2021 € 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	29	38	37	7	111
Eurobond	-	500	399	991	1,890
Equity-neutral convertible bond	-	494	-	-	494
Total	29	1,032	436	998	2,495

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

Two Eurobonds were issued on October 1, 2014. A €600 million Eurobond with a term of seven years and a coupon of 1.25% was redeemed on July 8, 2021. A bond with a term of twelve years and a volume of €400 million has a coupon of 2.25% and matures on October 8, 2026. The Eurobond was issued with a denomination of € 1,000. The bond was issued with a spread of 100 basis points over the corresponding average euro swap rate, with the issue price being 99.357%.

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](#)

17 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities consist of the following:

OTHER CURRENT FINANCIAL LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Forward exchange contracts	183	282
Customer with credit balances	70	83
Sundry	110	81
Other current financial liabilities	363	446

The line item 'Sundry' mainly relates to payables due to customs duties.

Further information about forward exchange contracts is contained in these Notes. ▶ [SEE NOTE 28](#)

18 OTHER PROVISIONS

Other provisions consist of the following:

OTHER PROVISIONS € IN MILLIONS

	Jan. 1, 2021	Additions	Usage	Reversals	Transfers	Currency translation differences	Dec. 31, 2021	Thereof non-current
Marketing	24	14	(15)	(3)	0	1	22	–
Personnel	398	160	(228)	(27)	(33)	14	284	84
Returns and warranty	818	657	(685)	(124)	(7)	51	709	–
Taxes, other than income taxes	49	24	(9)	(12)	–	2	54	1
Customs	182	37	(25)	–	–	(1)	193	–
Sundry	367	80	(78)	(24)	(3)	3	345	64
Other provisions	1,838	972	(1,040)	(190)	(43)	71	1,607	149

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.

Transfers include reclassifications to liabilities held for sale in an amount of € 43 million.

19 LEASE LIABILITIES

The company recognized lease liabilities in an amount of € 2.8 billion (2020: € 2.7 billion).

LEASE LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Dez. 31, 2020
Land and buildings	2,756	2,611
Technical equipment and machinery	56	84
Other equipment, furniture and fixtures	25	26
Lease liabilities	2,836	2,722

The contractual payments for lease liabilities held by adidas as at December 31, 2021, in an amount of € 3.1 billion (2020: € 3.1 billion) mature as follows:

CONTRACTUAL PAYMENTS FOR LEASE LIABILITIES

	Dec. 31, 2021	Dec. 31, 2020
Within 1 year	635	644
Between 1 and 5 years	1,580	1,641
After 5 years	842	789
Total	3,057	3,074

Interest recognized on lease liabilities in 2021 amounted to € 66 million (2020: € 82 million).

Expenses from leases classified as short-term, 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 31**

In 2021, the total cash outflows for leases, including the above-mentioned leases not included in the calculation of the lease liability, amounted to € 789 million (2020: € 816 million).

20 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

ACCRUED LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Thereof: non-current	Dec. 31, 2020	Thereof: non-current
Goods and services not yet invoiced	1,002	2	934	2
Marketing and sales	1,205	4	1,037	3
Personnel	453	0	181	1
Sundry	32	1	28	2
Accrued liabilities	2,692	8	2,180	8

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.

21 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

OTHER CURRENT LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Tax liabilities other than income taxes	243	211
Liabilities due to personnel	55	44
Liabilities due to social security	26	20
Deferred income	83	75
Contract liabilities	3	0
Sundry	25	49
Other current liabilities	434	398

22 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities consist of the following:

OTHER NON-CURRENT FINANCIAL LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Forward exchange contracts	6	17
Revaluation of total return swap	15	9
Embedded derivatives	31	85
Sundry	–	4
Other non-current financial liabilities	51	115

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 28**

23 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, 2021	Dec. 31, 2020
Liability arising from defined benefit pension plans	266	277
Similar obligations	1	2
Pensions and similar obligations	267	279

DEFINED CONTRIBUTION PENSION PLANS

The total expense for defined contribution pension plans amounted to € 73 million in 2021 (2020: € 67 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. 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, 2021			Dec. 31, 2020		
	Germany	UK	South Korea	Germany	UK	South Korea
Active members	303	-	16	318	-	16
Former employees with vested rights	184	63	-	163	55	-
Pensioners	107	8	-	110	7	-
Total	594	71	16	592	62	16

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, 2021	Dec. 31, 2020
Present value of funded obligation from defined benefit pension plans	711	694
Fair value of plan assets	(502)	(458)
Funded status	209	236
Present value of unfunded obligation from defined benefit pension plans	57	41
Net defined benefit liability	266	277
Thereof: liability	267	282
Thereof: adidas AG	201	231
Thereof: asset	(1)	(5)
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, 2021	Dec. 31, 2020
Discount rate	1.6	1.3
Expected rate of salary increases	3.6	3.6
Expected pension increases	1.8	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, 2021	Year ending Dec. 31, 2020
Current service cost	43	49
Net interest expense	4	3
Thereof: interest cost	9	10
Thereof: interest income	(6)	(7)
Past service cost/(credit)	1	(0)
Loss on plan settlements	0	-
Expenses for defined benefit pension plans (recognized in the consolidated income statement)	47	52
Actuarial (gains)/losses on liability	(16)	36
Thereof: due to changes in financial assumptions	(22)	39
Thereof: due to changes in demographic assumptions	5	(3)
Thereof: due to experience adjustments	1	0
Return on plan assets (not included in net interest income)	(38)	(13)
Remeasurements for defined benefit pension plans (recognized as (increase)/decrease in other reserves in the consolidated statement of comprehensive income)	(54)	23
Total	(7)	75

Of the total pension expenses recorded in the consolidated income statement, an amount of € 34 million (2020: € 42 million) relates to employees of adidas AG and € 3 million (2020: € 3 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

	2021	2020
Present value of the obligation from defined benefit pension plans as at January 1	735	665
Currency translation differences	9	(7)
Current service cost	43	49
Interest cost	9	10
Contribution by plan participants	1	1
Pensions paid	(20)	(19)
Payments for plan settlements	(0)	–
Actuarial (gains)/losses	(16)	36
Thereof: due to changes in financial assumptions	(22)	39
Thereof: due to changes in demographic assumptions	5	(3)
Thereof: due to experience adjustments	1	0
Past service cost/(credit)	1	(0)
Loss on plan settlements	0	–
Business combinations/transfers/divestitures	7	0
Present value of the obligation from defined benefit pension plans as at December 31	768	735

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, 2021			Dec. 31, 2020		
	Germany	UK	South Korea	Germany	UK	South Korea
Present value of the obligation from defined benefit pension plans	594	71	16	592	62	16
Increase in the discount rate by 0.5%	546	63	15	542	55	15
Reduction in the discount rate by 0.5%	648	80	16	649	70	17
Average duration of the obligations (in years)	17	23	4	18	24	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.

1 TO OUR SHAREHOLDERS	2 GROUP MANAGEMENT REPORT - OUR COMPANY	3 GROUP MANAGEMENT REPORT - FINANCIAL REVIEW	4 CONSOLIDATED FINANCIAL STATEMENTS	5 ADDITIONAL INFORMATION
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FAIR VALUE OF PLAN ASSETS € IN MILLIONS

	2021	2020
Fair value of plan assets as at January 1	458	442
Currency translation differences	5	(4)
Pensions paid	(8)	(7)
Contributions by the employer	2	7
Contributions paid by plan participants	1	1
Interest income from plan assets	6	7
Return on plan assets (not included in net interest income)	38	13
Business combinations / transfers / divestitures	2	-
Fair value of plan assets as at December 31	503	458

Approximately 95% (2020: 96%) of the total plan assets are allocated to plan assets in the three major countries: Germany (2021: 78%, 2020: 79%), UK (2021: 14%, 2020: 13%), and South Korea (2021: 3%, 2020: 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 2021, 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 total employer contributions for the 2022 financial year amount to € 24 million. Thereof, € 18 million relate to benefits directly paid to pensioners by the subsidiaries and € 6 million to employer contributions paid into the plan assets. In 2021, the actual return on plan assets (including interest income) was € 43 million (2020: return on plan assets of € 19 million).

COMPOSITION OF PLAN ASSETS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents	27	43
Equity instruments	124	95
Bonds	126	120
Real estate	90	89
Pension plan reinsurance	57	53
Investment funds	71	56
Other assets	7	2
Fair value of plan assets	503	458

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.

24 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

OTHER NON-CURRENT LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Deferred income	7	5
Liabilities due to personnel	2	2
Sundry	0	10
Other non-current liabilities	9	17

25 SHAREHOLDERS' EQUITY

As at December 31, 2020, the nominal capital of adidas AG amounted to € 200,416,186 divided into 200,416,186 registered no-par-value shares and was fully paid in.

With legal effect as at November 30, 2021, the nominal capital was reduced from € 200,416,186 to € 192,100,000 by cancellation of 8,316,186 treasury shares. The change in the nominal capital due to the cancellation of shares and the capital reduction was registered for declaratory entry in the commercial register. The entry was made on January 27, 2022.

There were no other changes to the nominal capital. Thus, as at the balance sheet date, the nominal capital of adidas AG amounted to a total of € 192,100,000 divided into 192,100,000 registered no-par-value shares and is 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 505,145 treasury shares, corresponding to a notional amount of € 505,145 in the nominal capital and consequently to 0.26% of the nominal capital.

AUTHORIZED CAPITAL 2021/I AND 2021/II

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 70 million in the 2021 financial year.

The authorized capital of adidas AG, which is set out in § 4 sections 2 and 3 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 resolution of the Annual General Meeting of May 12, 2021 until August 6, 2026:

-
- by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorized Capital 2021/I);

Based on the authorization granted by resolution of the Annual General Meeting of May 12, 2021 until August 6, 2026

- by issuing new shares against contributions in kind and/or cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2021/II), and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights, to wholly or partly exclude shareholders' subscription rights when issuing shares against contributions in kind and to exclude shareholders' subscription rights when issuing shares against contributions in cash, if the new shares against contributions in cash are issued 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 under this authorization, however, may 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 while excluding subscription rights by the Company since May 12, 2021, subject to the exclusion of subscription rights 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, through the issuance of convertible bonds and/or bonds with warrants, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the commercial register or – if this amount is lower – as of the respective date on which the resolution on the utilization of the authorization is adopted. The previous sentence does not apply to the exclusion of subscription rights for residual amounts. The Authorized Capital 2021/II 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 affiliated companies.

CONTINGENT CAPITAL 2018

The following overview of the Contingent Capital is based on § 4 section 4 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.

The nominal capital is conditionally increased by up to € 12.5 million divided into no more than 12,500,000 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 or fulfilling the respective option and/or conversion obligations or when exercising the company's right to choose to partially or in total 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 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 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%.

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 AND USE OF TREASURY SHARES

The Annual General Meeting on May 12, 2021, granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 11, 2026. The authorization may be used by adidas AG but also by its subordinated Group companies or by third parties on account 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 share buyback programs on July 1, 2021, and October 18, 2021, respectively. Under the authorization granted, adidas AG repurchased a total of 1,851,522 shares for a total price of € 549,999,787.55 (excluding incidental purchasing costs), i. e., for an average price of € 297.05 per share, between July 1, 2021, and September 30, 2021, inclusive (Share Buyback Program 2021/I). This corresponded to an amount of € 1,851,522 in the nominal capital and consequently to an approximate notional amount of 0.96% of the nominal capital. Furthermore, adidas AG repurchased a total of 1,619,683 shares for a total price of € 499,999,974.77 (excluding incidental purchasing costs), i.e., for an average price of € 277.83 per share, between October 18, 2021, and November 25, 2021, inclusive (Share Buyback Program 2021/II). This corresponded to an amount of € 1,619,683 in the nominal capital and consequently to an approximate notional amount of 0.84% of the nominal capital. In the year under review, adidas AG thus repurchased a total of 3,471,205 shares for a total price of € 999,999,762.32 (excluding incidental purchasing costs), i.e.,

for an average price of € 288.08 per share. This corresponded to an amount of € 3,471,205 in the nominal capital and consequently to an approximate notional amount of 1.81% of the nominal capital. Further information on the adidas AG shares repurchased in the 2021 financial year can be taken from the table 'Repurchase of adidas AG shares in the 2021 financial year.'

REPURCHASE OF ADIDAS AG SHARES IN THE 2021 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	-	-	-	-	-
February	-	-	-	-	-
March	-	-	-	-	-
April	-	-	-	-	-
May	-	-	-	-	-
June	-	-	-	-	-
July	423,311	132,293,268.85	312.52	423,311	0.22
August	465,012	142,771,949.75	307.03	465,012	0.24
September	963,199	274,934,568.95	285.44	963,199	0.50
October	530,681	145,767,660.83	274.68	530,681	0.28
November	1,089,002	304,232,313.94	279.37	1,089,002	0.57
December	-	-	-	-	-
2021 financial year total	3,471,205	999,999,762.32	288.08	3,471,205	1.81

The company may use the repurchased shares for all purposes admissible under the authorization granted on May 12, 2021. adidas AG, however, plans to cancel the majority of the repurchased shares. Accordingly, 8,316,186 treasury shares were canceled in the 2021 financial year within the framework of a simplified capital reduction conducted pursuant to § 237 section 3 no. 2 AktG. Taking into account the company held 5,350,126 treasury shares as at December 31, 2020, and the 3,471,205 shares repurchased in the 2021 financial year, this results in 505,145 treasury shares held as at the balance sheet date. ► SEE DISCLOSURES PURSUANT TO § 315A SECTION 1 AND § 289A SECTION 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

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 connection with this employee stock purchase plan, adidas shares were purchased by a service provider on behalf of the participating employees in the 2021 financial year. For part of such shares, adidas AG financed a discount of 15% and for the remaining shares (matching shares) adidas financed the full purchase price. More details on the purchase of adidas AG shares in connection with the employee stock purchase plan in the 2021 financial year are set out in the tables 'Purchase of adidas AG shares in the context of the employee stock purchase plan 2021' and 'Purchase of adidas AG shares in the context of the employee stock purchase plan 2021/Matching shares.' ► SEE DISCLOSURES PURSUANT TO § 315A SECTION 1 AND § 289A SECTION 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT ► SEE NOTE 02

PURCHASE OF ADIDAS AG 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 %	Transfer 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
July 7, 2021	22,976	7,345,418.23	319.70	22,976	0.01	July 9, 2021
October 7, 2021	25,790	6,811,853.86	263.59	25,790	0.01	October 11, 2021

PURCHASE OF ADIDAS AG 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 %	Transfer 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
July 7, 2021	3,593	1,148,680.70	319.70	3,593	0.002	July 9, 2021
October 7, 2021	3,113	820,543.32	263.59	3,113	0.002	October 11, 2021

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 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	Shareholdings in %	Number of voting rights
Elian Corporate Trustee (Cayman) Limited, Grand Cayman, Cayman Islands	November 30, 2021	Exceeding 3%	§§ 34, 38 par. 1 no. 2	3.14	6,032,947
Ségolène Gallienne ²	April 20, 2021	Exceeding 5%	§ 34	6.84	13,714,524
Gérald Frère ²	April 20, 2021	Exceeding 5%	§ 34	6.84	13,714,524
The Desmarais Family Residuary Trust, Montreal, Canada ²	November 30, 2020	Exceeding 5%	§ 34	6.89	13,807,393
BlackRock, Inc., Wilmington, DE, USA ²	September 3, 2020	Exceeding 5%	§§ 34, 38 par. 1 no. 1, 38 par. 1 no. 2	6.39	12,799,500
Capital Research and Management Company, Los Angeles, CA, USA	July 22, 2015	Exceeding 3%	§ 22 par. 1 sent. 1 no. 6	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 (Earnings before interests, taxes, depreciation and amortization and impairment losses and reversals) 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 2020, adidas was rated 'A +' by Standard & Poor's and 'A2' by Moody's for the first time. The outlook for both ratings is stable. The respective rating was confirmed by Standard & Poor's in August 2021 and by Moody's in July 2021.

Financial leverage amounts to 39.4% (2020: 48.8%) and is defined as the ratio between adjusted net borrowings in an amount of € 2.963 billion (2020: € 3.148 billion) and shareholders' equity in an amount of € 7.519 billion (2020: € 6.454 billion). EBITDA amounted to € 3.066 billion for the financial year ending December 31, 2021 (2020: € 1.967 billion). The ratio between adjusted net borrowings and EBITDA amounted to 1.0 for the 2021 financial year (2020: 1.6).

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.

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 and 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, and 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 (2020: € 4 million). Furthermore, other reserves include additional restricted capital in an amount of € 115 million (2020: € 91 million).

DISTRIBUTABLE PROFITS AND DIVIDENDS

Profits distributable to shareholders are determined by reference to the retained earnings of adidas AG and are calculated under German Commercial Law.

Based on the resolution of the 2021 Annual General Meeting, the dividend for 2020 was € 3.00 per share (total amount: approx. € 585 million).

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of € 1.334 billion as reported in the 2021 financial statements of adidas AG for a dividend payment of € 3.30 per share and to carry forward the subsequent remaining amount.

As at February 21, 2022, 188,458,569 dividend-entitled shares exist. This would result in a dividend payment of € 622 million.

26 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, 2020		As at December 31, 2021				
	13th investment quarter	13th investment quarter	14th investment quarter	15th investment quarter	16th investment quarter	17th investment quarter	
Grant date	Oct. 1, 2020	Oct. 1, 2020	Jan. 4, 2021	April 1, 2021	July 1, 2021	Oct. 1, 2021	
Share price at grant date (in €)	278.90	278.90	295.40	270.75	314.30	270.25	
Share price at December 31 (in €)	297.90					253.20	
Number of granted investment shares based on the share price as at December 31	23,474					28,614	
Number of actually purchased investment shares	-	23,652	24,032	22,976	25,790	-	
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	3,912	-	4,006	3,829	4,306	4,769	
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 3,681 (2020: 2,936).

As at December 31, 2021, the total expenses recognized relating to investment shares amounted to € 3.7 million (2020: € 3.8 million).

Expenses recognized relating to vesting of matching shares amounted to € 3.0 million in 2021 (2020: € 3.2 million).

As at December 31, 2021, a total amount of € 6 million (2020: € 6 million) was invested by the participants in the stock purchase plan and was not yet transferred into shares by the end of December 2021. Therefore, this amount has been included in 'Other current financial liabilities.' ▶ SEE NOTE 17

Further information about the purchase of shares for the employee stock purchase plan is provided in these Notes. ▶ SEE NOTE 25

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH THIRD PARTIES

In 2016, adidas entered into a promotion and advertising contract that includes a share-based payment transaction with third parties. The contract has a general duration of five years until 2021 with an automated renewal option of one year, if no termination has taken place. The first part of the agreement grants a transfer of basic shares, which correspond to a value of US \$ 5 million each year. Based on the contractual terms, the fifth tranche for 2021 was already transferred in 2020. No additional transfer has taken place in 2021. ▶ SEE NOTE 25

As at January 1, 2021 (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. As at December 31, 2021, 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 2021 (2020: € 4 million).

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH EMPLOYEES

In 2017, adidas implemented a Long-Term Incentive Plan (LTIP), 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 they are 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

Plan year	As at December 31, 2021							
	2018		2019		2020		2021	
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 €)	253.20	–	249.69	253.20	245.86	249.69	241.79	245.86
Number of granted RSUs based on the share price as at December 31 (in €)	174,199	–	144,646	195,116	31,826	131,444	284,570	47,922
Average risk-free interest rate based on the share price as at December 31 (in %)	0.86%	–	0.80%	0.86%	0.77%	0.80%	0.75%	0.77%
Average remaining vesting period as at December 31 (in months)	–	–	12	–	24	12	36	24

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH EMPLOYEES

Plan year	As at December 31, 2020							
	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

The fair value is based on the closing price of the adidas AG share on December 31, 2021, adjusted for future dividend payments.

In 2021, this resulted in an expense of € 53 million (2020: € 87 million). The corresponding provision amounted to € 162 million (2020: € 247 million).

27 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, 2021, and as at December 31, 2020. ► **SEE SHAREHOLDINGS**

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, 2021	Dec. 31, 2020
Agron, Inc.	USA	100%	100%
adidas Israel 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, 2021		Dec. 31, 2020	
	Total	Thereof: Agron, Inc.	Total	Thereof: Agron, Inc.
Net sales	651	424	517	349
Net income	56	40	4	12
Net income attributable to non-controlling interests	42	40	11	12
Other comprehensive income	30	39	7	(23)
Total comprehensive income	85	79	10	(11)
Total comprehensive income attributable to non-controlling interests	81	79	(10)	(11)
Current assets	433	290	315	185
Non-current assets	156	111	172	119
Current liabilities	(162)	(72)	(158)	(53)
Non-current liabilities	(23)	–	(28)	(1)
Net assets	403	328	301	249
Net assets attributable to non-controlling interests according to the consolidated statement of financial position	318	328	237	249
Net cash generated from operating activities	117	66	65	51
Net cash (used in)/generated from investing activities	(1)	(0)	(25)	(20)
Net cash used in financing activities	(37)	0	(31)	(15)
Net increase of cash and cash equivalents	79	66	9	16
Dividends paid to non-controlling interests during the year¹	–	–	17	17

¹ Included in net cash used in financing activities.

28 FINANCIAL INSTRUMENTS

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

	Category	December 31, 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	2,449		-	-	-	1,762		-	-	-
Cash equivalents	Fair value through profit or loss	1,379	1,379	-	1,379	-	2,232	2,232	-	2,232	-
Accounts receivable	Amortized cost	2,175	-	-	-	-	1,952		-	-	-
Other current financial assets											
Derivatives used in hedge accounting	n.a.	237	237	-	237	-	163	163	-	163	-
Derivatives not used in hedge accounting	Fair value through profit or loss	36	36	-	36	-	32	32	-	32	-
Promissory notes	Fair value through profit or loss	12	12	-	-	12	6	6	-	-	6
Other investments	Amortized cost	71	-	-	-	-	55	-	-	-	-
Other financial assets	Amortized cost	389		-	-	-	446		-	-	-
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	80	80	-	-	80	80	80	-	-	80
Other investments	Fair value through profit or loss	30	30	-	30	-	35	37	-	37	-
Other investments	Amortized cost	91	-	-	-	-	149	-	-	-	-
Loans	Amortized cost	0		-	-	-	0		-	-	-
Other non-current financial assets											
Derivatives used in hedge accounting	n.a.	11	11	-	11	-	14	14	-	14	-
Derivatives not used in hedge accounting	Fair value through profit or loss	42	42	-	42	-	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
Other financial assets	Amortized cost	108		-	-	-	114		-	-	-
Financial assets per level				-	1,735	181			-	2,577	352
Financial liabilities											
Short-term borrowings											
Bank borrowings	Amortized cost	29		-	-	-	87		-	-	-
Eurobond	Amortized cost	-	-	-	-	-	599	605	605	-	-
Accounts payable	Amortized cost	2,294		-	-	-	2,390		-	-	-
Current accrued liabilities	Amortized cost	1,006		-	-	-	939		-	-	-
Current accrued liabilities for customer discounts	Amortized cost	878		-	-	-	743		-	-	-
Other current financial liabilities											
Derivatives used in hedge accounting	n.a.	129	129	-	129	-	258	258	-	258	-
Derivatives not used in hedge accounting	Fair value through profit or loss	54	54	-	54	-	24	24	-	24	-
Other financial liabilities	Amortized cost	180		-	-	-	164		-	-	-
Lease liabilities	n.a.	573		-	-	-	563		-	-	-
Long-term borrowings											

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

	Category	December 31, 2021					December 31, 2020				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Bank borrowings	Amortized cost	82	–	–	–	–	103	–	–	–	–
Eurobond	Amortized cost	1,890	1,929	1,929	–	–	1,888	1,987	1,987	–	–
Convertible bond	Amortized cost	494	572	572	–	–	491	631	631	–	–
Non-current accrued liabilities	Amortized cost	2	–	–	–	–	2	–	–	–	–
Other non-current financial liabilities											
Derivatives used in hedge accounting	n.a.	20	20	–	20	–	26	26	–	26	–
Derivatives not used in hedge accounting	Fair value through profit or loss	31	31	–	31	–	85	85	–	85	–
Other financial liabilities	Amortized cost	–	–	–	–	–	4	–	–	–	–
Lease liabilities	n.a.	2,263	–	–	–	–	2,159	–	–	–	–
Financial liabilities per level				2,501	234	–			3,223	393	–
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		1,588	–	–	–	–	2,670	–	–	–	–
Thereof: held for trading (FAHfT)		87	–	–	–	–	87	–	–	–	–
Financial assets at fair value through other comprehensive income (FVOCI)		80	–	–	–	–	80	–	–	–	–
Thereof: equity investments (without recycling to profit and loss)		80	–	–	–	–	80	–	–	–	–
Financial assets at amortized cost (AC)		5,283	–	–	–	–	4,489	–	–	–	–
Financial liabilities at fair value through profit or loss (FVTPL)		85	–	–	–	–	108	–	–	–	–
Financial liabilities at amortized cost (AC)		6,855	–	–	–	–	7,409	–	–	–	–

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 2021 € IN MILLIONS

	Fair value Jan. 1, 2021	Realized				Unrealized		Currency translation	Fair value Dec. 31, 2021
		Additions	Disposals	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	10	(10)	–	–	1	–	–	80
Promissory notes (FVTPL)	171	–	(158)	–	–	–	(8)	7	12
Earn-out components – assets (FVTPL)	12	–	(21)	9	–	–	–	–	–

RECONCILIATION OF FAIR VALUE HIERARCHY LEVEL 3 IN 2020 € IN MILLIONS

	Fair value Jan. 1, 2020			Realized		Unrealized		Currency translation	Fair value Dec. 31, 2020
		Additions	Disposals	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

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, and 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 2021, 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, 2021.	Not applicable	Amortized cost
Eurobond	The fair value is based on the market price of the eurobond as at December 31, 2021.	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, 2021.	Not applicable	Fair value through profit or loss
Forward exchange contracts	In 2021, adidas applied the par method (forward NPV) for all currency pairs to calculate the fair value, implying actively traded forward curves.	Not applicable	n.a./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	n.a./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, 2021, minus accrued interest.	Not applicable	n.a./fair value through profit or loss

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, 2021. 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% – 0.6%), 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% – 4.4%)	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

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

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Financial assets classified at amortized cost (AC)	(6)	(111)
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)	8	38
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 2021, 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, 2021	Dec. 31, 2020
Forward exchange contracts	11,282	13,142
Currency options	391	386
Total	11,673	13,528

FAIR VALUES € IN MILLIONS

	Dec. 31, 2021		Dec. 31, 2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward exchange contracts	246	(189)	119	(300)
Currency options	19	(0)	10	-
Total	265	(189)	129	(300)

NOTIONAL AMOUNTS OF OUTSTANDING US DOLLAR HEDGING INSTRUMENTS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Forward exchange contracts	5,017	4,968
Currency options	318	261
Total	5,334	5,229

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, 2021				
Exposure from firm commitments and forecast transactions	(6,127)	1,345	602	1,092
Balance sheet exposure including intercompany exposure	(158)	11	(36)	208
Total gross exposure	(6,285)	1,356	566	1,300
Hedged with currency options	318	(33)	(40)	-
Hedged with forward contracts	4,439	(1,198)	(372)	(1,130)
Net exposure	(1,528)	125	154	170
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

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 2021 and 2020.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2021, 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, 2021				
Equity	[351]	110	37	81
Net income	6	(1)	3	1
	EUR +10%	EUR +10%	EUR +10%	EUR +10%
Equity	440	(135)	(45)	(99)
Net income	(5)	1	(4)	(1)
	EUR -10%	EUR -10%	EUR -10%	EUR -10%
Equity	379	77	55	105
Net income	6	(41)	3	(2)
As at December 31, 2020				
Equity	478	(91)	(66)	(128)
Net income	(11)	5	(4)	7
	EUR +10%	EUR +10%	EUR +10%	EUR +10%
Equity	440	(135)	(45)	(99)
Net income	(5)	1	(4)	(1)
	EUR -10%	EUR -10%	EUR -10%	EUR -10%

The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 351 million. A 10% weaker euro at December 31, 2021, would have led to a € 5 million decrease in net income. Shareholders' equity would have increased by € 440 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 2022 was around € 7.3 billion at year-end 2021, 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 2021, 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 05](#)

At the end of 2021, 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 a high number of globally operating banks. At December 31, 2021, 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 € 144 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 2021, adidas held derivatives of foreign exchange with a positive fair market value in the amount of € 265 million. The maximum exposure to any single bank resulting from these assets amounted to € 79 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

	2021	2020
Assets		
Gross amounts of recognized financial assets	326	309
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	326	309
Set-off possible due to master agreements	(176)	(212)
Total net amount of financial assets	150	97
Liabilities		
Gross amounts of recognized financial liabilities	(234)	(393)
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	(234)	(393)
Set-off possible due to master agreements	176	212
Total net amount of financial liabilities	(58)	(181)

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, 2021, would have led to a € 13 million increase in net income and a € 3 million increase in shareholders' equity, whereas a 10% decrease in the adidas AG share price versus the closing share price at December 31, 2021, would have led to a € 13 million decrease in net income and would have decreased shareholders' equity by € 3 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 in order to make best use of the operating cash flow. A twelve month rolling cash flow forecast on a monthly basis is established to manage liquidity risk. In line with the Financial Policy, adidas aims to maintain a target leverage ratio and a target twelve months liquidity coverage. Committed and uncommitted credit lines ensure further financial flexibility. The strong external credit rating allows adidas to access capital markets for further financing possibilities at all times.

At December 31, 2021, cash and cash equivalents together with marketable securities amounted to € 3.828 billion (2020: € 3.994 billion). Moreover, the company maintains € 4.169 billion (2020: € 4.274 billion) in bilateral credit lines, which are designed to ensure sufficient liquidity at all times. Since, November 6, 2020 there has been a € 1.5 billion syndicated credit facility in place with our core partner banks. ▶ SEE TREASURY

Future cash outflows arising from financial liabilities that are recognized in the consolidated statement of financial position are presented in the table.

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.

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, 2021							
Bank borrowings	29	19	19	18	19	7	111
Eurobond ¹	12	12	512	12	412	1,029	1,989
Equity-neutral convertible bond	-	494	-	-	-	-	494
Accounts payable	2,294	-	-	-	-	-	2,294
Other financial liabilities	180	-	-	-	-	-	180
Accrued liabilities ²	1,006	2	-	-	-	-	1,008
Derivative financial liabilities	4,175	846	4	4	4	13	5,046
Total	7,696	1,373	535	34	435	1,049	11,122
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

¹ Including interest payments.² Accrued interest excluded.

adidas ended the year 2021 with an adjusted net borrowings of € 2.963 billion (2020: € 3.148 billion).

FINANCIAL INSTRUMENTS FOR THE HEDGING OF FOREIGN EXCHANGE RISK

As at December 31, 2021, adidas held the following instruments to hedge exposure to changes in foreign currency:

AVERAGE HEDGE RATES

		Maturity	
		short-term	long-term
As at December 31, 2021			
Foreign currency risk			
Net exposure (€ in millions)		1,206	233
Forward exchange contracts			
Average EUR/USD forward rate		1.197	1.170
Average EUR/GBP forward rate		0.868	0.856
Average EUR/JPY forward rate		129.346	128.729
Average EUR/CNY forward rate		8.033	7.765
Option exchange contracts			
Average EUR/USD forward rate		1.212	1.150
Average EUR/GBP forward rate		0.894	-
Average EUR/JPY forward rate		132.372	-
Average USD/CNY forward rate		-	-
Equity risk			
Net exposure (€ in millions)		71	91
Total return swap			
Average hedge rate		206.392	301.402

AVERAGE HEDGE RATES

As at December 31, 2020	Maturity	
	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 USD/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

The amounts at the reporting date relating to items designated as hedged items were as follows:

DESIGNATED HEDGED ITEMS AS AT DECEMBER 31, 2021 € 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	[138]	[83]	[19]	-
Inventory purchases	(119)	191	7	-
Net foreign investment risk	52	(215)	-	-
Equity risk				
Long-Term Incentive Plans	32	(5)	-	-

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	-	-

The hedging reserves of € 215 million for net foreign investment risk contains hedges of € 182 million related to the Chinese renminbi for which by the end of 2021 no outstanding hedging instruments were in place anymore.

The amounts relating to items designated as hedging instruments and hedged ineffectiveness were as follows:

DESIGNATED HEDGE INSTRUMENTS € IN MILLIONS

	2021			During the period 2021									
	Carrying amount			Line item in statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in cost of hedging reserve	Changes in the value of the hedging instrument 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	
	Nominal amount	Assets	Liabilities										
Foreign exchange contracts – sales	4,028	24	(107)	Other financial assets/ liabilities	138	(134)	-	Cost of sales	-	-	(122)	72	Cost of sales
Foreign exchange contracts – inventory purchases	4,685	195	(4)	Other financial assets/ liabilities	119	(30)	-	Cost of sales	(145)	60	-	-	Cost of sales
Foreign exchange contracts – net foreign investment	112	-	-	Other financial assets/ liabilities	(52)	-	-	Financial result	-	-	-	-	Financial result
Total return swap – Long-Term Incentive Plans	162	16	(15)	Other financial assets/ liabilities	(32)	-	-	Financial result	-	-	17	-	Other operating expenses

DESIGNATED HEDGE INSTRUMENTS € IN MILLIONS

	2020			During the period 2020									
	Carrying amount			Line item in statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in cost of hedging reserve	Changes in the value of the hedging instrument 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	
	Nominal amount	Assets	Liabilities										
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

Some of initial planned exposure for purchases and sales in foreign currencies ceased to exist, which led to certain overhedge 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 2021, a loss of € 5 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, 2021	(317)	(31)
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	(304)	99
Foreign currency risk – inventory purchases	290	28
Foreign currency risk – net foreign investment	(52)	–
Amount no longer recognized in OCI:		
Foreign currency risk	267	(132)
Contracts during the year	22	15
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	–	–
Tax on movements of reserves during the year	45	–
Equity hedges		
Changes in fair value:		
Amount reclassified to profit or loss	17	–
Balance at December 31, 2021	(64)	(21)

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 reclassified to profit or loss:		
Foreign currency risk	10	(150)
Contracts during the year	(17)	48
Amount no longer recognized in OCI:		
Foreign currency risk – inventory purchases	–	–
Tax on movements on reserves during the year	67	5
Equity hedges		
Changes in fair value:		
Amount reclassified to profit or loss	112	–
Balance at December 31, 2020	(250)	(26)

In order to determine the fair values of derivatives that are not publicly traded, adidas uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

All figures related to the 2021 and 2020 financial years in the 'Notes to the consolidated income statement' refer to the company's continuing operations unless otherwise stated. Prior-year figures have been adjusted due to the reporting of Reebok as a discontinued operation in 2021.

29 OTHER OPERATING INCOME

Other operating income consists of the following:

OTHER OPERATING INCOME € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Income from release of accrued liabilities and other provisions	14	18
Gains from disposal of fixed assets	5	3
Sundry income	10	21
Other operating income	28	42

30 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, and 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, and marketing overhead expenses, as well as expenses for research and development, which amounted to € 130 million in 2021 (2020: € 115 million).

General and administration expenses include the functions IT, Finance, Legal, Human Resources, and 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 € 84 million in 2021 (2020: € 66 million). Income from government grants related to the coronavirus pandemic amounted to € 5 million in 2021 (2020: € 29 million).

Further information on expenses by nature is provided in these Notes. ▶ **SEE NOTE 31**

31 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, and 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 on goodwill 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, 2021	Year ending Dec. 31, 2020
Cost of materials	10,421	9,169
Depreciation and amortization	1,141	1,188
Thereof: included within the cost of sales	79	94
Thereof: included within personnel expenses	11	11
Impairment losses	8	73
Reversals of impairment losses	(34)	(5)
Wages and salaries	2,122	1,997
Social security contributions	209	216
Pension expenses	120	112
Personnel expenses	2,451	2,325
Expense relating to short-term leases	11	19
Expense relating to leases of low-value assets	0	1
Expense relating to variable lease payments	140	132

Further information on expenses by function is provided in these Notes. ▶ SEE NOTE 30

32 FINANCIAL INCOME/FINANCIAL EXPENSES

Financial result consists of the following:

FINANCIAL INCOME € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Interest income from financial instruments measured at amortized cost	12	23
Interest income from non-financial assets	0	2
Other	7	4
Financial income	19	29

FINANCIAL EXPENSES € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Interest expense on financial instruments measured at amortized cost	109	156
Thereof: interest expense on lease liabilities	66	82
Interest expense on other provisions and non-financial liabilities	2	–
Net foreign exchange losses	37	37
Other	4	3
Financial expenses	153	196

Interest income from financial instruments, measured at amortized cost, mainly consists of interest income from bank deposits and loans calculated using the 'effective interest method'.

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 calculated using the 'effective interest method'. In the prior year this position included 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 13 ► SEE NOTE 16 ► SEE NOTE 28

33 HYPERINFLATION

Due to the rapid devaluation of the Argentinian peso, Argentina is considered 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, 2020.

For translation into the presentation currency (euro), all amounts were translated at the closing rate at December 31, 2021. The net assets in the subsidiary's local financial statements were adjusted for changes in the price level.

The price index at December 31, 2021, was 7,714.09 (2020: 5,125.55).

34 INCOME TAXES

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2021 and 2020, 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, 2021	Dec. 31, 2020
Deferred tax assets	1,263	1,233
Deferred tax liabilities	(122)	(241)
Deferred tax assets, net	1,141	992

The movement of deferred taxes net is as follows:

MOVEMENT OF DEFERRED TAXES € IN MILLIONS

	2021	2020
Deferred tax assets, net as at January 1	992	813
Deferred tax income	(112)	176
Reclassification to assets/liabilities classified as held for sale ¹	278	-
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income ²	(13)	7
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	(26)	24
Currency translation differences	22	(28)
Deferred tax assets, net as at December 31	1,141	992

1 See Note 03.

2 See Note 23.

3 See Note 28.

Gross company deferred tax assets and liabilities after valuation allowances, but before appropriate offsetting, are attributable to the items detailed in the table below:

DEFERRED TAXES € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Non-current assets	460	512
Current assets	235	345
Liabilities and provisions	953	863
Accumulated tax loss carry-forwards	178	102
Deferred tax assets	1,826	1,822
Non-current assets	527	735
Current assets	114	75
Liabilities and provisions	44	20
Deferred tax liabilities	685	830
Deferred tax assets, net	1,141	992

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 € 386 million to € 222 million for the year ending December 31, 2021. These amounts mainly relate to tax losses carried forward and unused tax credits of the US tax group, which begin to expire in 2029. 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, 2021	Year ending Dec. 31, 2020
Current tax expenses	377	319
Deferred tax income	(17)	(202)
Income tax expenses	360	117

The deferred tax income includes tax income of € 5 million in total (2020: € 140 million) related to the origination and reversal of temporary differences.

The company's applicable tax rate is 27.4% (2020: 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, 2021		Year ending Dec. 31, 2020	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	507	27.4	158	27.4
Tax rate differentials	(155)	(8.4)	(44)	(7.6)
Non-deductible expenses	(7)	(0.4)	11	2.0
Losses for which benefits were not recognizable and changes in valuation allowances	(38)	(2.0)	(52)	(8.9)
Changes in tax rates	2	0.1	3	0.5
Other, net	(4)	(0.2)	3	0.5
Withholding tax expenses	55	3.0	37	6.3
Income tax expenses	360	19.4	117	20.2

In 2021, the effective tax rate was 19.4%. The effective tax rate in 2020 was 20.2%.

The line item 'Non-deductible expenses' includes tax expense/benefits as well as expenses/benefits relating to tax-free income, movements in provisions for uncertain tax positions (including as a result of the application of a statute of limitations or law with similar impact applying to prior years) and tax expense relating to prior periods. In 2021, the tax benefit relating to prior periods was € 57 million (2020: tax income of € 63 million).

For 2021, 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, Argentina and Brazil (€ 54 million) and an increase in the valuation allowance in Hong Kong (€ 14 million). For 2020, this line item mainly related to changes in valuation allowances for the US, Argentina and Lebanon.

For 2021, 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 € 15 million, mainly relating to Argentina and Canada (2020: € 5 million).

For 2021, the line item 'Changes in tax rates' mainly reflects the tax rate reductions in Argentina, France, and Switzerland. For 2020, this line item mainly reflected the reversal of the previously enacted tax rate reduction in the UK and the tax rate decrease in France.

35 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, 2021	Year ending Dec. 31, 2020	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Net income from continuing operations (€ in millions)	1,492	461	–	–	–	–
Net income attributable to non-controlling interests (€ in millions)	42	11	–	–	–	–
Net income attributable to shareholders (€ in millions)	1,450	451	666	(19)	2,116	432
Weighted average number of shares	194,172,984	195,155,924	194,172,984	195,155,924	194,172,984	195,155,924
Basic earnings per share (€)	7.47	2.31	3.43	(0.10)	10.90	2.21
Net income attributable to shareholders (€ in millions)	1,450	451	666	(19)	2,116	432
Interest expense on convertible bond, net of taxes (€ in millions)	–	–	–	–	–	–
Net income used to determine diluted earnings per share (€ in millions)	1,450	451	666	(19)	2,116	432
Weighted average number of shares	194,172,984	195,155,924	194,172,984	195,155,924	194,172,984	195,155,924
Weighted assumed conversion of the convertible bond	–	–	–	–	–	–
Dilutive effect of share-based payments	5,097	5,805	5,097	5,805	5,097	5,805
Weighted average number of shares for diluted earnings per share	194,178,081	195,161,729	194,178,081	195,161,729	194,178,081	195,161,729
Diluted earnings per share (€)	7.47	2.31	3.43	(0.10)	10.90	2.21

1 TO OUR SHAREHOLDERS	2 GROUP MANAGEMENT REPORT - OUR COMPANY	3 GROUP MANAGEMENT REPORT - FINANCIAL REVIEW	4 CONSOLIDATED FINANCIAL STATEMENTS	5 ADDITIONAL INFORMATION
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ADDITIONAL INFORMATION

36 SEGMENTAL INFORMATION

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

As at December 31, 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, Greater China, Asia-Pacific, 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 11, 2021, is not monitored anymore due to the intention to sell it. Therefore, the segment North America only includes the business activities of adidas. Comparative segmental information has been retrospectively adjusted. The Reebok business activities in the other operating segments have also 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, and 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		Segmental operating profit ¹		Segmental assets ²		Segmental liabilities ²	
	2021	2020	2021	2020	2021	2020	2021	2020
EMEA	7,760	6,308	1,658	1,003	2,100	2,231	226	182
North America	5,105	4,519	960	506	1,521	1,596	109	99
Greater China	4,597	4,342	1,194	1,137	1,535	1,291	214	257
Asia-Pacific	2,180	2,083	457	382	521	665	65	84
Latin America	1,446	1,035	265	33	481	500	86	71
Reportable segments	21,088	18,286	4,533	3,060	6,158	6,283	700	693
Other Businesses	145	149	28	22	43	50	5	2
Total	21,234	18,435	4,561	3,083	6,201	6,333	705	695

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	
	2021		2020		2021	
	2021	2020	2021	2020	2021	2020
EMEA	129	50	289	318	(24)	36
North America	33	36	146	154	(1)	6
Greater China	127	91	240	259	(1)	19
Asia-Pacific	36	38	127	132	1	2
Latin America	22	7	54	64	-	2
Reportable segments	346	221	856	926	(26)	65
Other Businesses	2	2	2	4	-	3
Total	349	223	858	931	(26)	68

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, 2021	Year ending Dec. 31, 2020
Reportable segments	21,088	18,286
Other Businesses	145	149
Total	21,234	18,435

OPERATING PROFIT € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Operating profit for reportable segments	4,533	3,060
Operating profit for Other Businesses	28	22
Segmental operating profit	4,561	3,083
HQ	(1,716)	(1,435)
Central expenditure for marketing	(814)	(821)
Consolidation	(45)	(81)
Operating profit	1,986	746
Financial income	19	29
Financial expenses	(153)	(196)
Income before taxes	1,852	578

CAPITAL EXPENDITURE € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Reportable segments	346	221
Other Businesses	2	2
HQ	318	219
Total	667	442

DEPRECIATION AND AMORTIZATION € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Reportable segments	856	926
Other Businesses	2	4
HQ	283	314
Total	1,141	1,245

1 TO OUR SHAREHOLDERS	2 GROUP MANAGEMENT REPORT - OUR COMPANY	3 GROUP MANAGEMENT REPORT - FINANCIAL REVIEW	4 CONSOLIDATED FINANCIAL STATEMENTS	5 ADDITIONAL INFORMATION
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IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Reportable segments	(26)	65
Other Businesses	-	3
HQ	(1)	51
Total	(27)	119

ASSETS € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable and inventories of reportable segments	6,158	6,283
Accounts receivable and inventories of Other Businesses	43	50
Segmental assets	6,201	6,333
Non-segmental accounts receivable and inventories	(17)	17
Current financial assets	4,574	4,696
Other current assets	1,153	1,109
Non-current assets	8,193	8,899
Assets classified as held for sale	2,033	-
Total	22,137	21,053

LIABILITIES € IN MILLIONS

	Dec. 31, 2021	Dec. 31, 2020
Accounts payable of reportable segments	700	693
Accounts payable of Other Businesses	5	2
Segmental liabilities	705	695
Non-segmental accounts payable	1,589	1,695
Current financial liabilities	966	1,695
Other current liabilities	5,112	4,741
Non-current liabilities	5,334	5,535
Liabilities classified as held for sale	594	-
Total	14,300	14,362

PRODUCT INFORMATION**NET SALES (THIRD PARTIES) € IN MILLIONS**

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Footwear	11,336	10,129
Apparel	8,711	7,315
Gear	1,187	991
Total	21,234	18,435

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, right-of-use assets and other non-current assets.

GEOGRAPHICAL INFORMATION BY MARKET € IN MILLIONS

	Net sales (third parties)		Non-current assets	
	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
EMEA	7,887	6,440	3,222	3,497
North America	5,110	4,523	1,254	1,507
Greater China	4,597	4,342	1,126	1,055
Asia-Pacific	2,193	2,096	762	714
Latin America	1,446	1,035	115	125
Total	21,234	18,435	6,479	6,899

GEOGRAPHICAL INFORMATION BY COUNTRY € IN MILLIONS

	Net sales (third parties) – continuing operations		Non-current assets	
	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Germany, Europe	1,360	1,158	1,313	1,329
USA, North America	4,803	4,220	1,169	1,410

37 ADDITIONAL CASH FLOW INFORMATION

In 2021, net cash generated from operating activities compared to the prior year results was primarily due to an increase in income before taxes and an increase in operating working capital requirements.

The increase in net cash used in investing activities in 2021 mainly resulted from an increase in spending on other intangible assets and property, plant, and equipment and from less proceeds from sale of short-term financial assets which was partly offset by an increase of proceeds from disposal of discontinued operations that were sold in previous periods.

Net cash used in financing activities mainly related to dividend paid to shareholders of adidas AG, repurchase of treasury shares, repayments of lease liabilities and the repayment of a eurobond. In the previous year, the issuance of three eurobonds and the proceeds from short-term borrowings still led to net cash generated from financing activities.

NET CASH (USED IN)/GENERATED FROM DISCONTINUED OPERATIONS € IN MILLIONS

	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Net cash generated from operating activities	320	120
Net cash used in investing activities	(9)	(11)
Net cash used in financing activities	(39)	(35)
Net cash generated from discontinued operations	272	74

In 2021, 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

	Jan. 1, 2021	Net (payments)/ proceeds in the period	Non-cash effects				Dec. 31, 2021	
			IFRS 16 lease obligations	Fair value adjustments	Transfer to liabilities held for sale	Other		
Short-term borrowings	686	(679)	–	–	–	21	0	29
Long-term borrowings	2,482	–	–	–	–	(16)	–	2,466
Lease liabilities	2,722	(645)	780	–	(147)	25	101	2,836
Total	5,890	(1,324)	780	–	(147)	30	101	5,331

38 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, 2021	Dec. 31, 2020
Within 1 year	1,345	1,202
Between 1 and 5 years	3,352	3,321
After 5 years	1,015	1,425
Total	5,712	5,948

Commitments with respect to promotion and advertising contracts maturing after five years have remaining terms of up to 23 years from December 31, 2021.

Compared to December 31, 2020, 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, 2021	Dec. 31, 2020
Within 1 year	84	73
Between 1 and 5 years	238	207
After 5 years	74	42
Total	396	323

The contracts regarding these leases with expiration dates of between one and 21 years partly include renewal options and price adjustment 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, 2021	Dec. 31, 2020
Within 1 year	276	235
Between 1 and 5 years	361	293
After 5 years	29	-
Total	666	528

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 18**

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 of Reebok India Company in 2012 various legal uncertainties were identified. At this stage, the respective ultimate risk cannot be determined conclusively. However, based on opinions obtained from external counsel and internal assessments, Management assumes that the possibility of any outflow in settlement is remote and therefore, the effects will not have any material negative influence on the assets, liabilities, financial position and profit 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.

In 2012, both adidas and Nike launched knitted upper footwear products. Nike's products were labeled 'Flyknit,' adidas' shoes 'Primeknit.' Since 2012, both companies have initiated various legal proceedings in Europe and the U.S. relating to the other company's patents in the knitted upper space.

In December 2021, Nike filed a complaint with the US International Trade Commission (ITC) alleging that certain adidas footwear products infringe six US patents covering Nike's Flyknit technology. Nike requested in particular that the ITC (i) ban the import of adidas footwear products infringing Nike's six US Flyknit patents into the US and (ii) issue a permanent cease-and-desist order directing adidas to refrain from importing, distributing, marketing, offering or selling knitted footwear products in the US that infringe Nike's six US Flyknit patents.

The ITC has instituted the investigation requested by Nike, which is at an early stage. A decision from the ITC is expected by May 2023.

In parallel, Nike also filed a complaint for patent infringement against adidas AG, adidas North America, Inc., and adidas America, Inc. with the US District Court in Portland/Oregon. Nike argues that certain adidas footwear products using knitted uppers infringe nine of Nike's US Flyknit technology patents. Nike seeks (i) an injunction from the court preventing adidas from infringing Nike's patents and (ii) monetary damages from adidas for past sales of Primeknit products in the US. The District Court proceeding was stayed until the ITC has rendered a decision.

Management believes that our products do not infringe Nike's US Flyknit technology patents and the claims made by Nike will eventually not result in any outflow of resources. No further statements on this subject will be disclosed in light of the ongoing proceedings in accordance with IAS 37.92.

39 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 40

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. 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. ► SEE NOTE 23

40 OTHER INFORMATION

EMPLOYEES

The average numbers of employees are as follows:

EMPLOYEES

	Continued operation		Continued and discontinued operation	
	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020	Year ending Dec. 31, 2021	Year ending Dec. 31, 2020
Own retail	32,678	32,978	34,929	35,422
Sales	3,359	3,524	3,489	3,652
Logistics	8,558	8,318	8,585	8,343
Marketing	4,481	5,369	5,133	6,147
Central administration	4,917	5,183	5,035	5,310
Production	479	564	479	564
Research and development	954	874	1,050	983
Information technology	3,535	1,465	3,630	1,470
Total	58,959	58,275	62,329	61,891

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 2021, the expenses for the professional audit service fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft amounted to € 1.6 million (2020: € 1.8 million) thereof related to the prior year € 0.3 million (2020: € 0.3 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 (2020: € 0.1 million), € 0.3 million (2020: € 0.2 million) and € 0.3 million (2020: € 0.1 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 confirmations required by law or contractually agreed, such as the audit of the historical financial information of the Reebok business activities for the financial years 2019 and 2020, the audit of the non-financial statement, the European Market Infrastructure Regulation (EMIR) audits according to § 20 WpHG, audits according to the German Packaging Law (Verpackungsgesetz – VerpackG), and other contractually agreed-upon confirmation services.

The tax consultancy services include support services for transfer pricing.

Other services relate in particular to status checks for non-financial key performance indicators.

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 (2020: € 2.2 million). In addition, the members of the Supervisory Board received attendance fees of € 0.03 million (2020: € 0.03 million).

Members of the Supervisory Board were not granted any loans or advance payments in 2021.

Executive Board

In 2021, the overall compensation of the members of the Executive Board totaled € 27.3 million (2020: € 8.3 million), € 13.1 million thereof relates to short-term benefits (2020: € 6.8 million) and € 14.2 million to share-based payment (2020: € 1.5 million). Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totaled € 3.5 million in 2021 (2020: € 3.3 million).

In 2021, payments including pension payments to former members of the Executive Board and their survivors amounted in total to € 4.3 million (2020: € 4.4 million). Expenses for benefits on the basis of termination of employment have not been incurred in 2021 (2020: € 6.3 million).

Pension obligations relating to former members of the Executive Board and their survivors amounted in total to € 93.9 million (2020: € 98.3 million).

Current members of the Executive Board were not granted any loans or advance payments in 2021.

Overall compensation of the members of the Executive Board and Board of Directors §314 (1) i.V.m. §315e HGB

The overall compensation of the members of the Executive Board in the 2021 financial year amounted to € 13.1 million (previous year: € 5.8 million). In addition, a total LTIP Bonus amount of € 14.2 million (previous year: € 0) was granted to the Executive Board members which must be invested in the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions. These shares are subject to a lock-up period which ends in the fourth financial year after the performance year. 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. The higher total remuneration in comparison to the previous year is mainly attributable to the fact that already in April 2020 in light of the coronavirus pandemic the Executive Board Members waived their LTIP Bonus and their Performance Bonus for the 2020 financial year as a liquidity management measure. For the 2020 financial year, a special bonus was granted to the Executive Board members for the first time in the amount of € 1.5 million, which had to be invested in the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions.

Former members of the Executive Board and their surviving dependents received a total of € 4.3 million in benefits in the 2021 financial year (prior year: € 10.6 million).

Provisions for pension entitlements have been created for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents, in an amount of € 43.0 million in total as at December 31, 2021 before offsetting with the assets of the "adidas Pension Trust e.V." (prior year: € 45.8 million). There are pension commitments towards 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 € 47.0 million (prior year: € 48.5 million) arise for which no provisions were created due to financing through the pension fund and pension trust fund. Provisions for pension entitlements have been created for two former members of the Executive Board who resigned on or after December 31, 2019 in an amount of € 3.9 million.

COMPANIES OPTING FOR EXEMPTION UNDER § 264 (3) HGB

The subsidiary adidas CDC Immobilieninvest GmbH, Herzogenaurach, is opting for exemption under § 264 (3) HGB.

41 INFORMATION RELATING TO THE GERMAN CORPORATE GOVERNANCE CODE

INFORMATION PURSUANT TO § 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

In December 2021, 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.

42 EVENTS AFTER THE BALANCE SHEET DATE

The remaining non-controlling interest of 6.85% of the Reebok India Company acquired as part of the acquisition of Reebok in 2006 were acquired in January 2022.

With the approval of the Supervisory Board, the Executive Board of adidas AG has decided to launch a new share buyback program in the first half of 2022. Until the finalization of these consolidated statements on February 21, 2022, adidas AG purchased a total of 3,151,181 shares for a total price of € 770,208,985.42.

No further company-specific subsequent events are known that 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 21, 2022. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval and authorization for issue.

Herzogenaurach, February 21, 2022

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,
PEOPLE AND CULTURE

MARTIN SHANKLAND
GLOBAL OPERATIONS

SHAREHOLDINGS

SHAREHOLDINGS OF ADIDAS AG, HERZGENAUURACH, AS AT DECEMBER 31, 2021

	Company and domicile	Share in capital held by ¹	in %
Germany			
1 adidas Insurance & Risk Consultants GmbH ²			
2	Herzogenaurach (Germany)	directly	100
3	Herzogenaurach (Germany)	directly	100
4	Herzogenaurach (Germany)	12	100
	Herzogenaurach (Germany)	directly	100
Europe (incl. Middle East and Africa)			
5	Lucerne (Switzerland)	directly	100
6	Klagenfurt (Austria)	directly	100
7	Pasching (Austria)	9	100
8	Strasbourg (France)	directly	100
9	Amsterdam (Netherlands)	directly	93.97
		8	6.03
10	Lucerne (Switzerland)	9	100
11	Amsterdam (Netherlands)	9	100
12	Amsterdam (Netherlands)	76	100
13	Amsterdam (Netherlands)	9	100
14	Amsterdam (Netherlands)	directly	100
15	Amsterdam (Netherlands)	9	100
16	Stockport (Great Britain)	9	100
17	London (Great Britain)	67	100
18	London (Great Britain)	13	100
19	London (Great Britain)	17	100
20	Dublin (Ireland)	9	100
21	Dublin (Ireland)	9	100
22	Lasne (Belgium)	69	99.95
		directly	0.05
23	Zaragoza (Spain)	2	100
24	Zaragoza (Spain)	23	100
25	Monza (Italy)	9	100
26	Lisbon (Portugal)	9	100
27	Moreira da Maia (Portugal)	9	98
		directly	2
28	Oslo (Norway)	directly	100
29	Solna (Sweden)	directly	100
30	Solna (Sweden)	29	100
31	Helsinki (Finland)	9	100
32	Copenhagen (Denmark)	9	100
33	Prague (Czech Republic)	directly	100
34	Budapest (Hungary)	directly	100
35	Sofia (Bulgaria)	directly	100
36	Moscow (Russia)	directly	100
37	Warsaw (Poland)	directly	100
38	Warsaw (Poland)	37	100
39	Bucharest (Romania)	9	100
40	Riga (Latvia)	9	100
41	Bratislava (Slovak Republic)	directly	100
42	Ljubljana (Slovenia)	directly	100
43	Kiev (Ukraine)	directly	100

SHAREHOLDINGS OF ADIDAS AG, HERZOGENAUERACH, AS AT DECEMBER 31, 2021

Company and domicile		Share in capital held by ¹	in %
44	adidas LLP	Almaty (Republic of Kazakhstan)	directly 100
45	adidas Serbia D00 Beograd	Belgrade (Serbia)	9 100
46	adidas Croatia d.o.o.	Zagreb (Croatia)	9 100
47	adidas Hellas A.E.	Athens (Greece)	directly 100
48	adidas (Cyprus) Limited	Nicosia (Cyprus)	directly 100
49	adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	9 100
50	adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	indirectly 51
			8 49
51	adidas Emerging Markets FZE	Dubai (United Arab Emirates)	9 100
52	adidas Levant Limited	Dubai (United Arab Emirates)	51 100
53	adidas Levant Limited – Jordan	Amman (Jordan)	52 100
54	adidas Imports & Exports Ltd.	Cairo (Egypt)	55 99.98
			9 0.02
55	adidas Sporting Goods Ltd.	Cairo (Egypt)	9 90
			directly 10
56	adidas Egypt Ltd.	Cairo (Egypt)	directly 99.13
			8 0.87
57	adidas Israel Ltd.	Holon (Israel)	9 85
58	adidas Morocco LLC	Casablanca (Morocco)	directly 100
59	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	directly 100
North America			
60	adidas North America, Inc.	Portland, Oregon (USA)	9 100
61	adidas America, Inc.	Portland, Oregon (USA)	60 100
62	adidas International, Inc.	Portland, Oregon (USA)	60 100
63	adidas Team, Inc.	Des Moines, Iowa (USA)	60 100
64	adidas Holdings LLC	Wilmington, Delaware (USA)	60 100
65	The Reebok Worldwide Trading Company, LLC	Wilmington, Delaware (USA)	67 100
66	Reebok Securities Holdings LLC	Wilmington, Delaware (USA)	60 100
67	Reebok International Ltd., LLC	Wilmington, Delaware (USA)	64 100
68	adidas Indy, LLC	Wilmington, Delaware (USA)	60 99
			66 1
69	Stone Age Equipment, Inc.	Portland, Oregon (USA)	61 100
70	Spartanburg DC, Inc.	Spartanburg, South Carolina (USA)	61 100
71	adidas Canada Limited	Woodbridge, Ontario (Canada)	9 100
Asia			
72	adidas Sourcing Limited	Hong Kong (China)	10 100
73	adidas Hong Kong Limited	Hong Kong (China)	2 100
74	Reebok Trading (Far East) Limited	Hong Kong (China)	67 100
75	adidas (Suzhou) Co., Ltd.	Suzhou (China)	2 100
76	adidas Sports (China) Co., Ltd.	Shanghai (China)	2 100
77	adidas (China) Ltd.	Shanghai (China)	9 100
78	adidas Sports Goods (Shanghai) Co., Ltd.	Shanghai (China)	77 100
79	Runtastic Software Technology (Shanghai) Co., Ltd.	Shanghai (China)	9 100
80	Zhuhai adidas Technical Services Limited	Zhuhai (China)	72 100
81	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	13 100
82	adidas Business Services (Dalian) Limited	Dalian (China)	9 100
83	adidas Japan K.K.	Tokyo (Japan)	9 100
84	adidas Korea LLC.	Seoul (Korea)	directly 100
85	adidas Korea Technical Services Limited	Busan (Korea)	72 100
86	adidas India Private Limited	New Delhi (India)	directly 10.67
			9 89.33
87	adidas India Marketing Private Limited	New Delhi (India)	86 98.62

SHAREHOLDINGS OF ADIDAS AG, HERZOGENAUERACH, AS AT DECEMBER 31, 2021

	Company and domicile		Share in capital held by¹	in %
			9	1
			directly	0.37
88	adidas Technical Services Private Limited	New Delhi (India)	72	100
89	Reebok India Company	New Delhi (India)	99	93.15
90	PT adidas Indonesia	Jakarta (Indonesia)	9	99.67
			directly	0.33
91	adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	directly	60
			9	40
92	adidas Philippines, Inc.	Taguig City (Philippines)	directly	100
93	adidas Singapore Pte. Ltd.	Singapore (Singapore)	directly	100
94	adidas Taiwan Limited	Taipei (Taiwan)	9	100
95	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	directly	100
96	adidas Australia Pty Limited	Mulgrave (Australia)	9	100
97	adidas New Zealand Limited	Auckland (New Zealand)	directly	100
98	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	9	100
99	Reebok (Mauritius) Company Limited	Port Louis (Mauritius)	67	99.07
			65	0.93
Latin America				
100	adidas Argentina S.A.	Buenos Aires (Argentina)	9	76.96
			2	23.04
101	Reebok Argentina S.A.	Buenos Aires (Argentina)	directly	96.25
			9	3.75
102	adidas do Brasil Ltda.	São Paulo (Brazil)	2	100
103	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	102	99.99
			directly	0.01
104	Reebok Produtos Esportivos Brasil Ltda.	São Paulo (Brazil)	9	100
105	adidas Chile Limitada	Santiago de Chile (Chile)	directly	99
			1	1
106	adidas Colombia Ltda.	Bogotá (Colombia)	directly	100
107	adidas Perú S.A.C.	Lima (Peru)	directly	99.21
			105	0.79
108	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
109	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	directly	100
110	Reebok de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
111	adidas Latin America, S.A.	Panama City (Panama)	directly	100
112	Concept Sport, S.A.	Panama City (Panama)	9	100
113	3 Stripes S.A.	Montevideo (Uruguay)	directly	100
114	Tafibal S.A.	Montevideo (Uruguay)	directly	100
115	Raelit S.A.	Montevideo (Uruguay)	directly	100
116	adidas Sourcing Honduras, S.A.	San Pedro Sula (Honduras)	60	100
117	adidas Corporation de Venezuela, S.A.	Caracas (Venezuela)	directly	100
118	adisport Corporation	San Juan (Puerto Rico)	9	100
119	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 21, 2022

KASPER RORSTED
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

BRIAN GREVY
GLOBAL BRANDS

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

AMANDA RAJKUMAR
GLOBAL HUMAN RESOURCES,
PEOPLE AND CULTURE

MARTIN SHANKLAND
GLOBAL OPERATIONS

REPRODUCTION OF THE 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 (the Group), which comprise the consolidated statement of financial position as of December 31, 2021, 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, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter the 'group management report') of adidas AG for the financial year from January 1 to December 31, 2021.

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, 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, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, 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 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 the 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, 2021. 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.

Presentation and measurement of the discontinued Reebok operation

Please refer to Note 2 in the consolidated financial statements for the accounting policies applied to the recognition and measurement of assets and liabilities as well as income and expenses of the discontinued Reebok operation in accordance with IFRS 5. Disclosures on the recognition and measurement of the discontinued Reebok operation can be found under Note 3.

THE FINANCIAL STATEMENT RISK

The Executive Board and the Supervisory Board agreed on February 11, 2021, to begin a formal process to sell the worldwide Reebok business activities (hereinafter referred to as 'Reebok operation'). As of this point in time, the Reebok operation was classified as a disposal group or discontinued operation in accordance with IFRS 5. On August 12, 2021, adidas entered into an agreement for the divestment of the Reebok operation which, in addition to a fixed purchase price component, includes, among other things, variable purchase price components, the amount of which depends on the achievement of certain key performance indicators in the future on the buyer side.

In Q3 2021, adidas recognized a full reversal of impairment losses recognized in prior financial years on the Reebok brand, which is allocated to the Reebok operation, in the amount of EUR 549 million, as the fair value less expected costs to sell exceeds the net carrying amount of assets and liabilities allocated to the Reebok operation taking into account the reversal of impairment losses. The fair value was derived from the purchase price components agreed in the purchase agreement and their measurement at the date of the reversal of the impairment losses.

As of December 31, 2021, adidas presents assets of the Reebok business unit classified as held for sale in the amount of EUR 2,033 million and related liabilities classified as held for sale in the amount of EUR 594 million. In the consolidated income statement for financial year 2021, profit from discontinued operations after tax of EUR 666 million is reported which includes income from the reversal of impairment losses in the amount of EUR 549 million less the related deferred tax expense in the amount of EUR 143 million.

The allocation of assets, liabilities, expenses and income of the Reebok operation and thus the presentation as a disposal group or discontinued operation in accordance with IFRS 5 are complex and subject to judgment. Fair value measurement is complex and based on a number of assumptions requiring judgment. These include, among other things, the expected business development over the next ten years as basis for determining the variable purchase price components included in the sale agreement and the applied discount rate. The disclosures in the notes to the consolidated financial statements concerning the discontinued operation are also complex.

There is the risk for the consolidated financial statements that the allocation and thus the presentation of assets and liabilities as well as expenses and income for the discontinued Reebok operation is not appropriate. In addition, there is the risk for the consolidated financial statements that the fair value measurement of the disposal group and, consequently, the amount of the reversals of impairment losses recognized is not appropriate. In respect of the explanatory notes on the discontinued operation in the notes to the consolidated financial statements, there is a risk that the presentation is not sufficiently detailed and appropriate.

OUR AUDIT APPROACH

We assessed whether the allocation of assets and liabilities as well as income and expenses to the discontinued operation was correct. To this end, we assessed the appropriateness of the model, which includes direct allocation as well as assignment based on allocation formulas. In addition, we verified the allocations made and, where necessary, used a sample approach to compare the data underlying the allocation formulas with the relevant evidence.

To assess the methodically and mathematically correct implementation of the valuation method used to determine the fair value, we, with the involvement of our valuation experts, used our own calculations to verify the valuation performed by the Company. In addition, we assessed the assumptions underlying the fair value, particularly with respect to the variable purchase price components included in the sale agreement. In this context, we critically reviewed the assumptions about the future achievement of KPIs and compared these with market expectations.

We assessed whether the disclosures in the notes to the consolidated financial statements regarding discontinued operations were sufficiently detailed and appropriate.

OUR OBSERVATIONS

The allocation of assets and liabilities as well as expenses and income and thus the presentation of the Reebok operation as discontinued operation in accordance with IFRS 5 are appropriate. The assumptions underlying the fair value measurement and the underlying assumptions contained therein, particularly with respect to the variable purchase price components included in the sale agreement, and consequently the determination of the amount of the impairment reversal recognized, are appropriate. The disclosures in the notes to the consolidated financial statements regarding discontinued operations are sufficiently detailed and appropriate.

OTHER INFORMATION

The Executive Board and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the components of the integrated combined non-financial statement of the Company and the Group, which are marked as unaudited, and

1 TO OUR SHAREHOLDERS	2 GROUP MANAGEMENT REPORT - OUR COMPANY	3 GROUP MANAGEMENT REPORT - FINANCIAL REVIEW	4 CONSOLIDATED FINANCIAL STATEMENTS	5 ADDITIONAL INFORMATION
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- the combined corporate governance statement for the Company and the Group included in the group management 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.

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 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. They also have 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 judgment 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.
- 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 independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the 'ESEF documents') contained in the electronic file ,adidasAG-2021-12-31-en.zip' (SHA256-hash value: 49cc7f96f5434689149aced2338c63c313727785a03126b0bd3431d5d7f6b360), made available 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 work extends only 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 these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021, contained in the 'Report on the Audit of the Consolidated Financial Statements and the Group Management Report' above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm

applies 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 rendering 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 such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing 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 intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor at the Annual General Meeting on May 12, 2021. We were engaged by the Supervisory Board on August 4, 2021. 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).

OTHER MATTER - USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Haiko Schmidt.

Munich, February 25, 2022

KPMG AG Wirtschaftsprüfungsgesellschaft

[Signature] Huber-Straßer

[Signature] Schmidt

Wirtschaftsprüferin

Wirtschaftsprüfer

[German Public Auditor]

[German Public Auditor]

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE COMBINED NON-FINANCIAL STATEMENT²⁷

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'), that is combined with the non-financial statement of the parent company (further 'combined non-financial statement'), for the period from January 1 to December 31, 2021.

As described in the section 'Working conditions in our supply chain' in the combined non-financial statement, 1,176 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 and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further 'EU Taxonomy Regulation') and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section 'Sustainable Finance – EU Taxonomy' of the combined non-financial statement.

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.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section 'Sustainable Finance – EU Taxonomy' of the combined non-financial statement. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

PRACTITIONER'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.

²⁷ Our engagement applied to the German version of the combined non-financial statement 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

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, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section 'Sustainable Finance – EU Taxonomy' of the combined non-financial statement. 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.

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 combating corruption and bribery
- 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 Herzogenaurach, Germany and Indianapolis, United States
- Assessment of the overall presentation of the disclosures
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the combined non-financial statement

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

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, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section 'Sustainable Finance – EU Taxonomy' of the combined non-financial statement.

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 described 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 25, 2022

KPMG AG Wirtschaftsprüfungsgesellschaft

Gnändiger ppa. Edelmann

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ADDITIONAL INFORMATION

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TEN-YEAR OVERVIEW

TEN-YEAR OVERVIEW

	2021	2020	2019	2018 ¹	2017 ²	2016	2015	2014	2013	2012
Income Statement Data (€ in millions)										
Net sales ^{3,4,5}	21,234	18,435	23,640	21,915	21,218	18,483	16,915	14,534	14,203	14,883
Gross profit ^{3,4,5}	10,765	9,222	12,293	11,363	10,703	9,100	8,168	6,924	7,001	7,103
Royalty and commission income ^{3,4,5}	86	61	154	129	115	105	119	102	103	105
Other operating income ^{3,4,5,6}	28	42	56	48	17	119	8	37	12	15
Other operating expenses ^{3,4,5,6}	8,892	8,580	9,843	9,172	8,766	7,741	7,201	6,102	5,883	6,038
EBITDA ^{3,4,5}	3,066	1,967	3,845	2,882	2,511	1,953	1,475	1,283	1,496	1,445
Operating profit ^{3,4,5,7,8,9,10}	1,986	746	2,660	2,368	2,070	1,582	1,094	961	1,233	1,185
Net financial result ^{3,4,5}	(133)	(167)	(102)	10	(47)	(46)	(21)	(48)	(68)	(69)
Income before taxes ^{3,4,5,7,8,9,10}	1,852	578	2,558	2,378	2,023	1,536	1,073	913	1,165	1,116
Income taxes ^{3,4,5,11}	360	117	640	669	668	454	353	271	340	327
Net income attributable to non-controlling interests	42	11	2	3	3	2	6	6	3	(2)
Net income attributable to shareholders ^{7,8,9,10,11,12}	2,116	432	1,976	1,702	1,173	1,017	668	568	839	791
Income Statement Ratios										
Gross margin ^{3,4,5}	50.7%	50.0%	52.0%	51.8%	50.4%	49.2%	48.3%	47.6%	49.3%	47.7%
Operating margin ^{3,4,5,7,8,9,10}	9.4%	4.0%	11.3%	10.8%	9.8%	8.6%	6.5%	6.6%	8.7%	8.0%
Interest coverage ^{3,4,5}	19.7	5.4	24.3	131.6	55.6	32.7	23.8	19.3	24.0	14.6
Effective tax rate ^{3,4,5,7,8,9,10,11}	19.4%	20.2%	25.0%	28.1%	29.3%	29.6%	32.9%	29.7%	29.2%	29.3%
Net income attributable to shareholders in % of net sales ^{5,7,8,9,10,11,12}	10.0%	2.3%	8.4%	7.8%	5.5%	5.5%	4.0%	3.9%	5.9%	5.3%
Net Sales by Product Category (€ in millions)										
Footwear ^{3,4,5}	11,336	10,129	13,521	12,783	12,427	10,132	8,360	6,658	6,587	6,922
Apparel ^{3,4,5}	8,710	7,315	8,963	8,223	7,747	7,352	6,970	6,279	5,811	6,290
Accessories and gear ^{3,4,5}	1,187	991	1,156	910	1,044	999	1,585	1,597	1,806	1,671
Balance Sheet Data (€ in millions)										
Total assets	22,137	21,053	20,680	15,612	14,019	15,176	13,343	12,417	11,599	11,651
Inventories ¹³	4,009	4,397	4,085	3,445	3,692	3,763	3,113	2,526	2,634	2,486
Receivables and other current assets ¹³	4,072	3,763	4,338	3,734	3,277	3,607	3,003	2,861	2,583	2,444
Working capital ¹³	4,978	3,328	2,179	2,979	2,354	2,121	2,133	2,970	2,125	2,504
(Adjusted net borrowings)/ adjusted net cash ^{13,14}	(2,963)	(3,148)	(4,173)	959	484	(103)	(460)	(185)	295	448
Shareholders' equity	7,519	6,454	6,796	6,377	6,032	6,472	5,666	5,624	5,489	5,304
Balance Sheet Ratios										
Adjusted net borrowings/ EBITDA ^{3,4,5,13,14}	1.0	1.6	1.1	[0.3]	[0.2]	0.1	0.3	0.1	[0.2]	[0.3]
Average operating working capital in % of net sales ^{3,4,5,13}	20.0%	25.3%	18.1%	19.0%	20.4%	21.1%	20.5%	22.4%	21.3%	20.0%
Financial leverage ^{13,14,15}	39.4%	48.8%	61.4%	(15.0%)	(8.0%)	1.6%	8.1%	3.3%	[5.4%]	(8.5%)
Equity ratio ¹⁵	34.0%	30.7%	32.9%	40.8%	43.0%	42.6%	42.5%	45.3%	47.3%	45.5%
Equity-to-fixed-assets ratio ^{13,15}	91.8%	72.5%	69.7%	110.0%	112.2%	102.9%	96.9%	110.9%	115.8%	111.1%
Asset coverage I ^{13,15}	156.9%	134.7%	119.7%	151.6%	144.1%	134.0%	136.8%	158.7%	145.0%	152.7%
Asset coverage II ^{13,15}	105.3%	90.2%	84.3%	95.1%	85.4%	83.8%	89.3%	105.9%	93.2%	100.4%

TEN-YEAR OVERVIEW

	2021	2020	2019	2018 ¹	2017 ²	2016	2015	2014	2013	2012
Fixed asset intensity of investments ¹³	37.0%	42.3%	47.1%	37.1%	38.3%	41.4%	43.8%	40.8%	40.9%	41.0%
Current asset intensity of investments ¹³	63.0%	57.7%	52.9%	62.9%	61.7%	58.6%	56.2%	59.2%	59.1%	59.0%
Liquidity I ¹³	42.7%	45.3%	28.7%	38.6%	25.5%	22.4%	25.5%	38.6%	34.4%	44.3%
Liquidity II ¹³	67.0%	67.4%	58.7%	73.9%	62.3%	54.9%	63.7%	83.0%	72.6%	82.9%
Liquidity III ¹³	111.7%	117.2%	105.3%	124.4%	121.0%	110.6%	121.8%	140.7%	128.3%	139.7%
Working capital turnover ^{3,4,5,13}	4.3	5.5	10.8	7.4	9.0	8.7	7.9	4.9	6.7	5.9
Return on equity ^{12,15}	28.1%	6.7%	29.1%	26.7%	18.2%	15.7%	11.2%	8.7%	14.3%	9.9%
Return on capital employed ^{5,12,13}	19.3%	7.4%	45.4%	45.1%	41.2%	24.2%	16.5%	13.8%	23.6%	19.3%
Data per Share										
Share price at year-end (in €)	253.20	297.90	289.80	182.40	167.15	150.15	89.91	57.62	92.64	67.33
Basic earnings (in €) ^{3,4,5,7,8,9,10,11}	7.47	2.31	9.70	8.46	7.05	5.39	3.54	3.05	3.93	3.78
Diluted earnings (in €) ^{3,4,5,7,8,9,10,11}	7.47	2.31	9.70	8.45	7.00	5.29	3.54	3.05	3.93	3.78
Price/earnings ratio at year-end ^{3,4,5,7,8,9,10,11}	33.9	128.9	29.9	21.6	23.7	27.8	25.4	18.9	23.6	17.8
Market capitalization at year-end (€ in millions)	48,512	58,110	56,792	36,329	34,075	30,254	18,000	11,773	19,382	14,087
Net cash generated from operating activities (in €) ^{5,16}	14.79	7.00	14.26	13.31	8.14	6.73	5.41	3.36	3.03	4.50
Dividend (in €)	3.30 ¹⁷	3.00	0.00	3.35	2.60	2.00	1.60	1.50	1.50	1.35
Number of shares outstanding at year-end (in thousands)	191,595	195,066	195,969	199,171	203,861	201,489	200,197	204,327	209,216	209,216
Employees										
Number of employees at year-end ^{3,4,18,19}	61,401	62,285	65,194	57,016	56,888	58,902	55,555	53,731	49,808	46,306
Personnel expenses (€ in millions) ^{3,4,5}	2,451	2,483	2,720	2,481	2,549	2,373	2,184	1,842	1,833	1,872

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 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.

4 2015, 2014 and 2013 figures reflect continuing operations as a result of the divestiture of the Rockport business.

5 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

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 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

14 First-time application of adjusted net borrowings as of 2020. Only figure for 2019 restated.

15 Based on shareholders' equity.

16 Since 2018 figures reflect presentation of interest paid within cash flows from financing activities. Prior year figures are not restated.

17 Subject to Annual General Meeting approval.

18 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.

19 Number of employees for 2021 excluding Reebok due to the expected divestiture of the Reebok business.

GLOSSARY

/A

ACCESSORIES AND GEAR

A product category which comprises equipment that is used rather than worn by the consumer, such as bags, balls, sun glasses or fitness equipment

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.

/C

CASH POOLS/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.

CLIMATE NEUTRALITY

Climate neutrality refers to a concept of a state in which human activities result in no net effect on the climate system. Achieving such a state requires balancing residual emissions with emission removals as well as accounting for regional or local bio-geophysical effects of human activities that, for example, affect surface albedo (i.e., solar radiation reflected by a surface) or local climate (definition according to 'Intergovernmental Panel on Climate Change (IPCC) Glossary').

CO₂E

Carbon dioxide equivalent emissions (CO₂e) is the universal unit of measurement to indicate the global warming potential (GWP) of each of the six GHGs, expressed in terms of the GWP of one unit of carbon dioxide (definition according to the 'Greenhouse Gas Protocol Corporate Standard').

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.

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.

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, BETTERMENT, AND PERFORMANCE

Leadership, Betterment, and performance are the three pillars of our people strategy:

- **Leadership:** We will develop leaders to own the game and act as role models empowering all people to realize their possibilities.
- **Betterment:** We believe in a mindset of continuous learning and improvement and are committed to providing relevant learning opportunities to upskill and reskill for the future.
- **Performance:** We build the best teams that play to win, recognizing and rewarding both individual and team performances.

LIFESTYLE

Under the 'Lifestyle' category, we subsume all footwear, apparel, and 'accessories and gear' products that are born from sport and worn for style. 'adidas Originals,' which is inspired by sport and worn on the street, is at the heart of the 'Lifestyle' category.

/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.

MORE SUSTAINABLE COTTON

For adidas, 'more sustainable cotton' means certified organic cotton or any other form of sustainably produced cotton that is currently available or may be available in the future, as well as 'Better Cotton.'

/O

OPERATING OVERHEAD COSTS

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, the initiative 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. The organization '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

Under the 'Performance' category, we subsume all footwear, apparel and 'accessories and gear' products which are of a more technical nature, built for sport and worn for sport. These are, among others, products from our most important sport categories: Football, Training, Running, and Outdoor.

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

POLYBAGS (LDPE)

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.

/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 25, 2021, 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., Moreira 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 Holdings LLC, Wilmington, Delaware, USA

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 6, 2022

First quarter results

MAY 12, 2022

Annual General Meeting

AUGUST 4, 2022

First half results

NOVEMBER 9, 2022

Nine months results

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