adidas

2020

FIRST HALF YEAR REPORT

JANUARY – JUNE

FIRST HALF YEAR REPORT 2020

1 AT A GLANCE

2 INTERIM GROUP MANAGEMENT REPORT

3 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

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

FINANCIAL HIGHLIGHTS (IFRS)

	First half year 2020	First half year 2019	Change
Operating Highlights (€ in millions)			
Net sales	8,332	11,392	(27%)
Gross profit	4,172	6,096	(32%)
Other operating expenses	4,494	4,663	(4%)
EBITDA	451	2,128	(79%)
Operating (loss) / profit	(268)	1,518	n. a.
Net (loss) / income from continuing operations	(286)	1,093	n. a.
Net (loss) / income attributable to shareholders [1]	(264)	1,163	n. a.
Key Ratios			
Gross margin	50.1%	53.5%	(3.4pp)
Other operating expenses in % of net sales	53.9%	40.9%	13.0pp
Operating margin	(3.2%)	13.3%	(16.5pp)
Effective tax rate	15.1%	25.5%	(10.4pp)
Net (loss) / income attributable to shareholders in % of net sales [1]	(3.2%)	10.2%	(13.4pp)
Average operating working capital in % of net sales [2]	21.5%	18.3%	3.3pp
Equity ratio [3]	30.7%	34.3%	(3.7pp)
Net borrowings / EBITDA [4]	0.4	(0.1)	n. a.
Financial leverage [3]	12.7%	(5.5%)	18.2pp
Return on equity [1,3]	(4.2%)	17.6%	(21.8pp)
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	20,301	19,273	5%
Inventories	5,213	3,579	46%
Receivables and other current assets	3,694	4,193	(12%)
Operating working capital	4,506	4,248	6%
(Net borrowings) / net cash	(792)	362	n. a.
Shareholders' equity	6,230	6,619	(6%)
Capital expenditure	217	243	(11%)
Net cash (used in) / generated from operating activities [1]	(824)	1,011	n. a.
Per Share of Common Stock (€)			
Basic earnings	(1.33)	5.50	n. a.
Diluted earnings	(1.33)	5.50	n. a.
Net cash (used in) / generated from operating activities [1]	(4.22)	5.09	n. a.
Dividend	–	3.35	n. a.
Share price at end of period	233.60	271.50	(14%)
Other (at end of period)			
Number of employees	59,246	56,753	4%
Number of shares outstanding	195,032,889	197,861,472	(1%)
Average number of shares	195,266,358	198,515,749	(2%)

1 Includes continuing and discontinued operations.
2 Twelve-month trailing average.
3 Based on shareholders' equity.
4 EBITDA of last twelve months.

BUSINESS PERFORMANCE

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY SLUMPS IN FIRST HALF OF 2020 DUE TO CORONAVIRUS OUTBREAK[1]

Around the globe, the coronavirus pandemic caused a negative economic shock of enormous magnitude, leading many countries into steep recessions. In developed economies, output contracted sharply amid far-reaching lockdown measures and other restrictions to slow the spread of the virus, despite unprecedented macroeconomic policy support. Among developing economies, the spread of the coronavirus overwhelmed health care systems and weighed heavily on private consumption and retail sales. Ultimately, consumer confidence has plummeted in light of strongly reduced economic activity across the globe.

SPORTING GOODS INDUSTRY NEGATIVELY IMPACTED IN THE FIRST SIX MONTHS OF 2020

In the first half of 2020, the global sporting goods industry was negatively impacted by lockdown and quarantine measures in many parts of the world. This led to a decline in demand for sporting goods, even though the shift toward digital channels partially compensated for the adverse impacts from store closures. In addition, lower consumer confidence due to the drop in economic activity as well as the cancellation and postponement of major amateur and professional sports events posed headwinds for the industry.

1 Source: World Bank, Global Economic Prospects.

INCOME STATEMENT

CORONAVIRUS PANDEMIC WEIGHS ON ADIDAS' PERFORMANCE IN THE FIRST HALF OF 2020

The global spread of the coronavirus during the first half of 2020 led to a significant number of store closures and a pronounced traffic reduction within the remaining store fleet, with a corresponding negative impact on adidas' top-line development. Exceptional currency-neutral growth of 67% in e-commerce – the only channel that remained fully operational in most parts of the world throughout the first half of the year – could only partially offset the material revenue decline in the physical channels. As a result, the company's currency-neutral revenues decreased 26% in the first six months of 2020, reflecting a 26% sales decline at brand adidas and a 27% decline at Reebok. In euro terms, revenues fell 27% to € 8.332 billion (2019: € 11.392 billion). SEE TABLE 1

At the beginning of the year, the coronavirus pandemic mainly impacted adidas' business in Greater China, Japan and South Korea. From the end of January onward, these countries went into lockdown, with both own- and partner-operated stores closing, resulting in a rapid deterioration of sales. At the same time, the company saw a good start into 2020 in the rest of the world, with currency-neutral sales growth of 8% outside Asia-Pacific for the first two months of the year. During March, stores in Greater China, Japan and South Korea started to open again, while closures came into effect in most other parts of the world following the rapid global spread of the coronavirus. At the high point of the worldwide lockdown measures in April, almost all stores outside of Asia-Pacific or more than 70% of the company's global store fleet were closed. Starting in May, adidas began to execute its store reopening plan also outside of Asia-Pacific in accordance with the decisions taken by local authorities, resulting in 83% of stores being operational at the end of June, albeit partly with reduced hours. While store traffic remains below prior year levels, targeted efforts to revitalize retail have led to sequential improvements since stores reopened. At the same time, the company registered an increase in conversion rates, as consumers that visit stores tend to have a clearer buying intent. Immediately after the first countries went into lockdown, adidas doubled down on e-commerce as the only fully operational channel through targeted consumer marketing, exclusive product launches and prioritized supply chain management. This strong focus was reflected in global e-commerce sales growth accelerating to a triple-digit rate in both April and May and remaining at an exceptional level even as stores reopened. As the growth in e-commerce could only partially offset the material revenue decline in the physical channels, the overall developments related to the coronavirus significantly weighed on the first half 2020 revenues in all

Key Financial Highlights 1

	First half year 2020	First half year 2019	Change
Operating Highlights (€ in millions)			
Net sales	8,332	11,392	(27%)
Operating (loss)/profit	(268)	1,518	n. a.
Net (loss)/income from continuing operations	(286)	1,093	n. a.
Net (loss)/income attributable to shareholders[1]	(264)	1,163	n. a.
Key Ratios			
Gross margin	50.1%	53.5%	(3.4pp)
Other operating expenses in % of net sales	53.9%	40.9%	13.0pp
Operating margin	(3.2%)	13.3%	(16.5pp)
Per Share of Common Stock (€)			
Diluted earnings[1]	(1.35)	5.86	n. a.

1 Includes continuing and discontinued operations.

regions. In Asia-Pacific, the market that was impacted the earliest by broad-based store closures, sales decreased 31%. This decline also reflects product takebacks in a triple-digit-million euro amount in the first quarter to manage inventory levels in Greater China. As the coronavirus spread globally, the corresponding store closures significantly weighed on the first half year sales developments also in Emerging Markets (–33%), Latin America (–31%), Europe (–23%) and – to a lesser extent – North America (–19%) and Russia/CIS (–14%).

The coronavirus pandemic also impacted adidas' gross margin, which declined 3.4 percentage points to 50.1% in the first six months of 2020 (2019: 53.5%). While a more favorable channel mix due to the exceptional e-commerce growth as well as lower sourcing costs had a positive effect on gross margin, a less favorable pricing mix due to increased promotional activity and negative currency fluctuations weighed on the development in the first half of 2020. In addition, an increase in inventory allowances as well as purchase order cancellation costs had a negative impact on the gross margin development. SEE TABLE 1

Royalty and commission income fell 54% to € 34 million (2019: € 74 million), while other operating income rose 78% to € 20 million (2019: € 11 million).

Other operating expenses, including depreciation and amortization, consist of marketing and point-of-sale as well as operating overhead expenses. In the first half of 2020, other operating expenses declined 4% to € 4.494 billion (2019: € 4.663 billion), as a result of the company's decision to proactively reduce costs in light of the coronavirus pandemic. As a percentage of sales, other operating expenses increased 13.0 percentage points to 53.9% (2019: 40.9%). SEE TABLE 1 Marketing and point-of-sale expenses amounted to € 1.264 billion (2019: € 1.448 billion), a 13% decline compared to the prior year. The company adopted an overall disciplined approach regarding its marketing activities in light of the coronavirus pandemic, while at the same time accelerating digital marketing investments to support its e-commerce business. As a percentage of sales, marketing and point-of-sale expenses rose by 2.5 percentage points to 15.2% in the first half of 2020 (2019: 12.7%). Operating overhead expenses remained flat at € 3.230 billion (2019: € 3.215 billion). Strict cost control measures were offset by increased logistics costs resulting from the exceptional e-commerce growth as well as by coronavirus-related charges. The latter included higher bad debt allowances as well as an impairment of own-retail stores and the Reebok trademark. As a percentage of sales, operating overhead expenses increased 10.5 percentage points to 38.8% (2019: 28.2%). In the first six months of 2020, adidas recorded an operating loss of € 268 million (2019: profit of € 1.518 billion), resulting in a negative operating margin of 3.2% (2019: positive 13.3%). SEE TABLE 1 The operating profit development in the first half of 2020 was significantly impacted by several coronavirus-related charges. These mainly consisted of product takebacks in Greater China, purchase order cancellations, the increase in inventory and bad debt allowances as well as the impairment of retail stores and the Reebok trademark, with a combined negative impact of around € 500 million.

Financial income was down 36% to € 17 million (2019: € 27 million). Financial expenses increased 10% to € 87 million (2019: € 78 million), reflecting the higher net debt level as a result of the coronavirus pandemic. Consequently, net financial expenses amounted to € 69 million compared to € 52 million in the prior year's period. The company recorded positive income taxes of € 51 million (2019: negative € 374 million) and the company's tax rate was down 10.4 percentage points to 15.1% (2019: 25.5%). SEE FINANCIAL HIGHLIGHTS, P. 03 During the six month period, the company incurred a net loss from continuing operations of € 286 million (2019: income of € 1.093 billion). Basic as well as diluted earnings per share (EPS) from continuing operations were negative € 1.33 (2019: positive € 5.50).

In the first half of 2020, adidas' loss from discontinued operations net of tax amounted to € 5 million (2019: gain of € 72 million). As a result, the net loss attributable to shareholders, which in addition to the net loss from continuing operations includes the loss from discontinued operations, came in at € 264 million (2019: income of € 1.163 billion). Consequently, both basic and diluted EPS from continuing and discontinued operations were negative € 1.35 (2019: positive € 5.86). SEE TABLE 1

The total number of shares outstanding decreased by 936,498 shares in the first half of 2020 to 195,032,889. This was mainly a result of shares repurchased at the beginning of the year as part of the company's multi-year share buyback program. The program was stopped in mid-March to preserve the company's financial flexibility. SEE FINANCIAL HIGHLIGHTS, P 03. The average number of shares used in the calculation of EPS was 195,266,358.

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

Changes in the statement of financial position are discussed in relation to the respective positions at the end of June 2019.

DECISIVE STEPS TAKEN TO SAFEGUARD FINANCIAL FLEXIBILITY

Facing the unprecedented global spread of the coronavirus pandemic and the corresponding high level of uncertainty in its business development, adidas took several decisive steps in order to safeguard its financial flexibility. On the operational side, focus was put on generating cash inflows through the e-commerce channel and markets where stores were open as well as through intensified credit collection. At the same time, the company tightly controlled cash outflows by adjusting the order book and reducing operating expenses as well as capital expenditures. On the financial side, the company stopped its multi-year share buyback program, suspended the proposed dividend payment for the 2019 financial year and received approval for a syndicated revolving loan facility amounting to € 3.0 billion with participation of KfW, Germany's state-owned development bank.

ASSETS

At the end of June 2020, total assets were up 5% to € 20.301 billion compared to the prior year (2019: € 19.273 billion), with an increase both in current and non-current assets.

Total current assets increased 7% to € 10.931 billion at the end of June 2020 (2019: € 10.232 billion). Cash and cash equivalents were down 18% to € 2.018 billion (2019: € 2.455 billion). The decline in cash generated from operating activities and the increase in operating working capital were partly offset by effective short-term cash measures and the utilization of existing credit lines. Inventories increased 46% to € 5.213 billion versus the prior year level of € 3.579 billion. This increase was due to inevitably lower-than-expected product sell-through caused by the broad-based store closures as well as the product takebacks in Greater China. On a currency-neutral basis, inventories rose 49%. The increase in inventories was partly offset by a 33% decline in accounts receivable to € 1.869 billion (2019: € 2.780 billion), reflecting fewer product shipments, the company's efforts to focus on cash collection during the coronavirus pandemic and higher bad debt allowances. On a currency-neutral basis, receivables were down 31%. Other current assets rose 32% to € 1.051 billion (2019: € 795 million), largely due to higher tax receivables. SEE NOTE 02, P. 20

Total non-current assets increased 4% to € 9.369 billion at the end of June 2020 (2019: € 9.041 billion). Fixed assets were down 1% to € 7.739 billion (2019: € 7.806 billion). Deferred tax assets were up 64% to € 1.166 billion (2019: € 713 million), due to an increase in the tax base of non-current assets. SEE NOTE 02, P. 20, SEE DIAGRAM 2

Structure of statement of financial position[1] 2
in % of total assets

	June 30, 2020	June 30, 2019
Assets (€ in millions)	**20,301**	19,273
Cash and cash equivalents	**9.9**	12.7
Accounts receivable	**9.2**	14.4
Inventories	**25.7**	18.6
Fixed assets	**38.1**	40.5
Other assets	**17.1**	13.8

2020 2019

1 For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 12.

LIABILITIES AND EQUITY

Total current liabilities increased 18% to € 9.137 billion at the end of June 2020 (2019: € 7.774 billion). Accounts payable were up 22% to € 2.575 billion (2019: € 2.111 billion), reflecting measures to manage cash outflows during the coronavirus pandemic. On a currency-neutral basis, accounts payable grew 23%. Short-term borrowings rose 146% to € 1.217 billion at the end of June 2020 (2019: € 496 million), reflecting the utilization of existing credit lines.

Total non-current liabilities decreased 4% to € 4.693 billion at the end of June 2020 (2019: € 4.892 billion). Long-term borrowings stayed virtually flat at € 1.599 billion compared to the prior year (2019: € 1.602 billion). The non-current lease liability declined 6% to € 2.374 billion (2019: € 2.523 billion) due to a reduction in lease maturities. SEE DIAGRAM 3

Structure of statement of financial position[1] 3
in % of total liabilities and equity

	June 30, 2020	June 30, 2019
Liabilities and equity (€ in millions)	**20,301**	19,273
Short-term borrowings	**6.0**	2.6
Accounts payable	**12.7**	11.0
Long-term borrowings	**7.9**	8.3
Other liabilities	**41.6**	43.9
Total equity	**31.9**	34.3

2020 2019

1 For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 12.

Shareholders' equity decreased 6% to € 6.230 billion at the end of June 2020 (2019: € 6.619 billion) due to the share repurchases at the beginning of the year and the decline in net income. Consequently, the company's equity ratio decreased 3.7 percentage points from 34.3% to 30.7%.

OPERATING WORKING CAPITAL

Operating working capital increased 6% to € 4.506 billion at the end of June 2020 (2019: € 4.248 billion). On a currency-neutral basis, operating working capital was up 10%. Average operating working capital as a percentage of sales increased 3.3 percentage points to 21.5% (2019: 18.3%), as a result of the unfavorable combination of declining sales and inventory build due to the broad-based store closures in the first six months of the year. SEE FINANCIAL HIGHLIGHTS, P. 03

LIQUIDITY ANALYSIS

In the first half of 2020, net cash used in operating activities was € 824 million (2019 net cash generated: € 1.011 billion). This development was driven by the operating loss and the increase in operating working capital, which were both results of the coronavirus pandemic. SEE FINANCIAL HIGHLIGHTS, P. 03 Net cash generated from investing activities turned positive to € 51 million (2019 net cash used: € 287 million), due to proceeds from the sale of short-term financial assets. The majority of investing activities in the first half of 2020 related to spending for property, plant and equipment, such as investments into controlled space and in IT systems. These investments slowed down after the rapid global spread of the coronavirus as the first half of the year progressed. Net cash generated from financing activities totaled € 601 million (2019 net cash used: € 857 million), mainly due to proceeds from short-term borrowings.

As a result of all these developments, cash and cash equivalents decreased € 436 million from € 2.455 billion at the end of June 2019 to € 2.018 billion at the end of June 2020. Net debt at June 30, 2020 amounted to € 792 million, representing a decline of € 1.154 billion compared to net cash of € 362 million at the end of June 2019. SEE FINANCIAL HIGHLIGHTS, P. 03 This development was due to cash used in operating activities, partly offset by an increase in short-term borrowings. The company's ratio of net debt over EBITDA amounted to 0.4. At the end of June 2020, adidas had access to € 3.2 billion unused committed credit lines.

BUSINESS PERFORMANCE BY SEGMENT

ALL MARKETS SIGNIFICANTLY IMPACTED BY GLOBAL CORONAVIRUS PANDEMIC

The global spread of the coronavirus during the first half of 2020 led to a significant number of store closures with a corresponding negative impact on adidas' top-line development in all market segments as exceptional e-commerce growth could only partially offset the material revenue decline in the physical channels. In most segments, a more favorable channel mix due to the exceptional e-commerce growth had a positive effect on the gross margin development. At the same time, higher logistics costs related to the growth in the e-commerce channel led to an increase in operating overhead costs in most segments. In addition, an increase in inventory allowances as well as other coronavirus-related charges weighed on the segmental profitability development in the first half of 2020.

EUROPE

Sales in Europe decreased 23% on a currency-neutral basis. In euro terms, sales declined 24% to € 2.270 billion. adidas brand revenues were down 23% on a currency-neutral basis, with double-digit declines in both Sport Inspired and Sport Performance. Reebok brand revenues decreased 23% on a currency-neutral basis due to double-digit declines in both Sport and Classics. SEE TABLE 4

Gross margin in Europe decreased 2.0 percentage points to 49.9%, as a more favorable channel mix was more than offset by a less favorable pricing mix due to increased promotional activity, negative currency developments and purchase order cancellation costs. Operating expenses grew 3% to € 804 million, reflecting higher operating overhead costs. As a percentage of sales, operating expenses were up 9.2 percentage points to 35.4%. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin declined 11.2 percentage points to 14.6%. Operating profit in Europe decreased 57% to € 330 million. SEE TABLE 4

Europe at a glance € in millions — 4

	First half year 2020	First half year 2019	Change	Change (currency-neutral)
Net sales	2,270	2,972	(24%)	(23%)
adidas brand	2,086	2,732	(24%)	(23%)
Reebok brand	184	240	(24%)	(23%)
Gross profit	1,133	1,544	(27%)	–
Gross margin	49.9%	51.9%	(2.0pp)	–
Segmental operating profit	330	766	(57%)	–
Segmental operating margin	14.6%	25.8%	(11.2pp)	–

NORTH AMERICA

Sales in North America decreased 19% on a currency-neutral basis. In euro terms, sales declined 17% to € 1.964 billion. adidas brand revenues were down 18% on a currency-neutral basis, with double-digit declines in both Sport Inspired and Sport Performance. Reebok brand revenues decreased 27% on a currency-neutral basis due to double-digit declines in both Sport and Classics. SEE TABLE 5

Gross margin in North America increased 2.1 percentage points to 40.9%. A favorable channel, category and pricing mix as well as lower sourcing costs more than offset purchase order cancellation costs. Operating expenses rose 8% to € 749 million, reflecting an increase in operating overhead costs. Operating expenses as a percentage of sales increased 8.8 percentage points to 38.2%. As the gross margin expansion was more than offset by higher operating expenses as a percentage of sales, operating margin declined 7.5 percentage points to 3.6%. Operating profit in North America decreased 73% to € 71 million. SEE TABLE 5

North America at a glance € in millions — 5

	First half year 2020	First half year 2019	Change	Change (currency-neutral)
Net sales	1,964	2,370	(17%)	(19%)
adidas brand	1,811	2,165	(16%)	(18%)
Reebok brand	153	204	(25%)	(27%)
Gross profit	804	919	(13%)	–
Gross margin	40.9%	38.8%	2.1pp	–
Segmental operating profit	71	263	(73%)	–
Segmental operating margin	3.6%	11.1%	(7.5pp)	–

ASIA-PACIFIC

Sales in Asia-Pacific decreased 31% on a currency-neutral basis as well as in euro terms to € 2.756 billion. adidas brand revenues were down 32% on a currency-neutral basis, with double-digit declines in both Sport Inspired and Sport Performance. Reebok brand revenues were down 25% on a currency-neutral basis due to double-digit declines in both Sport and Classics. SEE TABLE 6

Gross margin in Asia-Pacific decreased 4.6 percentage points to 54.6%, as a more favorable channel and category mix was more than offset by a less favorable pricing mix due to increased promotional activity and purchase order cancellation costs. Operating expenses were down 16% to € 762 million, reflecting a decline in both operating overhead costs and marketing expenditure. As a percentage of sales, operating expenses increased 4.9 percentage points to 27.7%. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin declined 9.4 percentage points to 27.3%. Operating profit in Asia-Pacific decreased 49% to € 751 million. SEE TABLE 6

Asia-Pacific at a glance € in millions 6

	First half year 2020	First half year 2019	Change	Change (currency-neutral)
Net sales	2,756	4,011	(31%)	(31%)
adidas brand	2,640	3,858	(32%)	(32%)
Reebok brand	116	153	(24%)	(25%)
Gross profit	1,505	2,374	(37%)	–
Gross margin	54.6%	59.2%	(4.6pp)	–
Segmental operating profit	751	1,472	(49%)	–
Segmental operating margin	27.3%	36.7%	(9.4pp)	–

RUSSIA/CIS

Sales in Russia/CIS decreased 14% on a currency-neutral basis. In euro terms, sales declined 16% to € 258 million. adidas brand revenues were down 11% on a currency-neutral basis. While sales in Sport Inspired decreased at a mid-single-digit rate, revenues in Sport Performance declined at a double-digit rate. Reebok brand revenues decreased 22% on a currency-neutral basis due to double-digit declines in both Sport and Classics. SEE TABLE 7

Gross margin in Russia/CIS was down 1.3 percentage points to 60.2%, as an unfavorable channel and pricing mix as well as negative currency developments more than offset lower sourcing costs. Operating expenses were down 19% to € 96 million, mainly reflecting a decrease in operating overhead costs. Operating expenses as a percentage of sales declined 1.1 percentage points to 37.3%. As the lower gross margin more than offset lower operating expenses as a percentage of sales, operating margin declined 0.2 percentage points to 22.9%. Operating profit in Russia/CIS decreased 17% to € 59 million. SEE TABLE 7

Russia/CIS at a glance € in millions 7

	First half year 2020	First half year 2019	Change	Change (currency-neutral)
Net sales	258	307	(16%)	(14%)
adidas brand	198	228	(13%)	(11%)
Reebok brand	60	79	(24%)	(22%)
Gross profit	155	189	(18%)	–
Gross margin	60.2%	61.5%	(1.3pp)	–
Segmental operating profit	59	71	(17%)	–
Segmental operating margin	22.9%	23.1%	(0.2pp)	–

LATIN AMERICA

Sales in Latin America decreased 31% on a currency-neutral basis. In euro terms, sales declined 42% to € 454 million. adidas brand revenues were down 31% on a currency-neutral basis, with double-digit declines in both Sport Inspired and Sport Performance. Reebok brand revenues also decreased 31% on a currency-neutral basis due to double-digit declines in both Sport and Classics. SEE TABLE 8

Gross margin in Latin America increased 1.7 percentage points to 46.8%, as a more favorable channel and pricing mix as well as lower sourcing costs more than offset negative currency developments. Operating expenses were down 20% to € 185 million, reflecting a decline in both operating overhead costs and marketing expenditure. Operating expenses as a percentage of sales were up 11.2 percentage points to 40.8%. As the gross margin expansion was more than offset by higher operating expenses as a percentage of sales, operating margin declined 9.5 percentage points to 6.0%. Operating profit in Latin America decreased 77% to € 27 million. SEE TABLE 8

Latin America at a glance € in millions 8

	First half year 2020	First half year 2019	Change	Change (currency-neutral)
Net sales	454	779	(42%)	(31%)
adidas brand	405	698	(42%)	(31%)
Reebok brand	48	80	(40%)	(31%)
Gross profit	212	351	(40%)	–
Gross margin	46.8%	45.1%	1.7pp	–
Segmental operating profit	27	121	(77%)	–
Segmental operating margin	6.0%	15.5%	(9.5pp)	–

EMERGING MARKETS

Sales in Emerging Markets decreased 33% on a currency-neutral basis. In euro terms, revenues declined 34% to € 401 million. adidas brand revenues were down 32% on a currency-neutral basis, with double-digit declines in both Sport Inspired and Sport Performance. Reebok brand revenues decreased 43% on a currency-neutral basis due to double-digit declines in both Sport and Classics. SEE TABLE 9

Gross margin in Emerging Markets decreased 3.9 percentage points to 49.8%, as a favorable channel mix and lower sourcing costs were more than offset by a less favorable pricing mix due to increased promotional activity, negative currency developments and purchase order cancellation costs. Operating expenses were up 2% to € 149 million, reflecting an increase in operating overhead costs. Operating expenses as a percentage of sales increased 13.2 percentage points to 37.2%. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin declined 17.1 percentage points to 12.6%. Operating profit in Emerging Markets was down 72% to € 51 million. SEE TABLE 9

Emerging Markets at a glance € in millions **9**

	First half year 2020	First half year 2019	Change	Change (currency-neutral)
Net sales	401	611	(34%)	(33%)
adidas brand	363	543	(33%)	(32%)
Reebok brand	38	68	(44%)	(43%)
Gross profit	200	328	(39%)	–
Gross margin	49.8%	53.7%	(3.9pp)	–
Segmental operating profit	51	181	(72%)	–
Segmental operating margin	12.6%	29.7%	(17.1pp)	–

OUTLOOK[1]

GLOBAL ECONOMY TO CONTRACT IN 2020 DUE TO CORONAVIRUS PANDEMIC[2]

Global GDP is projected to decrease 5.2% in 2020, reflecting an ongoing disruption of international trade, investment and consumer confidence due to the spread of the coronavirus, while unprecedented macroeconomic policy support is expected to continue to mitigate the economic impact of the pandemic. In addition, the headline GDP forecast shows differences between the level of contraction in developed and developing economies. Developing economies are forecast to see a GDP reduction of 2.5% in 2020 due to large domestic outbreaks and a decrease in private consumption. In developed economies, economic output is projected to decrease 7.0% in 2020 amid lockdown measures and other restrictions to limit the far-reaching consequences of the pandemic. While a slowdown of regional outbreaks and corresponding gradual removal of restrictions is expected to lead to a partial recovery in the second half of the year, downside risks dominate in light of heightened uncertainty. Globally, a prolonged disruption of economic activity could lead to a further slowdown in manufacturing and trade, turbulences in financial markets as well as a material reduction of consumer confidence, trade and growth. Moreover, re-escalating trade tensions and geopolitical conflicts might compromise an economic recovery.

SPORTING GOODS INDUSTRY TO BE NEGATIVELY IMPACTED IN 2020

For the remainder of 2020, the global sporting goods industry is expected to still be negatively impacted by the coronavirus pandemic. Heightened uncertainty about a potential re-introduction of nationwide lockdown measures and other restrictions will further weigh on consumer sentiment and industry growth in major markets. Against this negative backdrop, the demand for sporting goods is predicted to stay constrained, even though digital channels are set to continue to partially compensate for adverse impacts from store closures and social distancing measures. While positive long-term industry drivers such as the increasing penetration of sports-inspired apparel and footwear ('athleisure') have been amplified by the pandemic, a prolonged drop in economic activity continues to be a near-term downside risk for the sporting goods industry, too.

ADIDAS NOT ABLE TO PROVIDE OUTLOOK FOR FULL YEAR 2020 INCLUDING CORONAVIRUS IMPACT

The company is still not able to provide a full-year outlook including the coronavirus impact due to the prevailing uncertainties around the further development of the coronavirus pandemic, the pace of business normalization in the reopened stores as well as the global macroeconomic environment.

RISKS AND OPPORTUNITIES

Compared to the assessment in the 2019 Annual Report, the company's risk profile has deteriorated. Due to the uncertainties around the further development of the coronavirus pandemic, we now see a higher likelihood for a potential significant impact from macroeconomic, sociopolitical, regulatory and currency risks materializing. However, given the company's strong liquidity position and financial health, Management does not foresee any material jeopardy to the viability of the company as a going concern.

1 This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of adidas. The outlook is based on estimates that we have made on the basis of all the information available to us at the time of completion of this First Half Year Report. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report of the adidas 2019 Annual Report (pp. 120 – 129), 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.

2 Source: World Bank, Global Economic Prospects.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

adidas AG Consolidated Statement of Financial Position (IFRS) € in millions

	June 30, 2020	June 30, 2019	Change in %	December 31, 2019
Assets				
Cash and cash equivalents	2,018	2,455	(17.8)	2,220
Short-term financial assets	6	6	3.6	292
Accounts receivable	1,869	2,780	(32.8)	2,625
Other current financial assets	653	548	19.3	544
Inventories	5,213	3,579	45.6	4,085
Income tax receivables	121	71	71.5	94
Other current assets	1,051	795	32.3	1,076
Total current assets	**10,931**	**10,232**	**6.8**	**10,934**
Property, plant and equipment	2,293	2,146	6.8	2,380
Right-of-use assets	2,733	3,004	(9.0)	2,931
Goodwill	1,258	1,249	0.7	1,257
Trademarks	820	849	(3.3)	859
Other intangible assets	284	209	35.7	305
Long-term financial assets	351	348	0.8	367
Other non-current financial assets	340	409	(16.7)	450
Deferred tax assets	1,166	713	63.6	1,093
Other non-current assets	124	114	8.7	103
Total non-current assets	**9,369**	**9,041**	**3.6**	**9,746**
Total assets	**20,301**	**19,273**	**5.3**	**20,680**

adidas AG Consolidated Statement of Financial Position (IFRS) € in millions

	June 30, 2020	June 30, 2019	Change in %	December 31, 2019
Liabilities and equity				
Short-term borrowings	1,217	496	145.6	43
Accounts payable	2,575	2,111	22.0	2,703
Current lease liabilities	639	625	2.2	733
Other current financial liabilities	265	215	22.8	235
Income taxes	588	384	53.0	618
Other current provisions	1,373	1,236	11.1	1,446
Current accrued liabilities	1,933	2,225	(13.1)	2,437
Other current liabilities	547	480	13.8	538
Total current liabilities	**9,137**	**7,774**	**17.5**	**8,754**
Long-term borrowings	1,599	1,602	(0.2)	1,595
Non-current lease liabilities	2,374	2,523	(5.9)	2,399
Other non-current financial liabilities	46	72	(35.5)	92
Pensions and similar obligations	245	259	(5.5)	229
Deferred tax liabilities	224	250	(10.3)	280
Other non-current provisions	179	164	9.1	257
Non-current accrued liabilities	9	13	(33.4)	9
Other non-current liabilities	16	8	109.7	7
Total non-current liabilities	**4,693**	**4,892**	**(4.1)**	**4,868**
Share capital	195	198	(1.4)	196
Reserves	(2)	174	n. a.	45
Retained earnings	6,037	6,248	(3.4)	6,555
Shareholders' equity	**6,230**	**6,619**	**(5.9)**	**6,796**
Non-controlling interests	240	(11)	n. a.	261
Total equity	**6,471**	**6,608**	**(2.1)**	**7,058**
Total liabilities and equity	**20,301**	**19,273**	**5.3**	**20,680**

CONDENSED CONSOLIDATED INCOME STATEMENT

adidas AG Condensed Consolidated Income Statement (IFRS) € in millions

	First half year 2020	First half year 2019	Change	Second quarter 2020	Second quarter 2019	Change
Net sales	8,332	11,392	(26.9%)	3,579	5,509	(35.0%)
Cost of sales	4,161	5,296	(21.4%)	1,753	2,564	(31.6%)
Gross profit	**4,172**	**6,096**	**(31.6%)**	**1,826**	**2,945**	**(38.0%)**
(% of net sales)	50.1%	53.5%	(3.4pp)	51.0%	53.5%	(2.4pp)
Royalty and commission income	34	74	(53.8%)	11	39	(71.2%)
Other operating income	20	11	78.5%	18	5	266.9%
Other operating expenses	4,494	4,663	(3.6%)	2,189	2,346	(6.7%)
(% of net sales)	53.9%	40.9%	13.0pp	61.1%	42.6%	18.6pp
Marketing and point-of-sale expenses	1,264	1,448	(12.7%)	560	744	(24.8%)
(% of net sales)	15.2%	12.7%	2.5pp	15.6%	13.5%	2.1pp
Operating overhead expenses [1]	3,230	3,215	0.4%	1,628	1,602	1.7%
(% of net sales)	38.8%	28.2%	10.5pp	45.5%	29.1%	16.4pp
Operating (loss) / profit	**(268)**	**1,518**	**n.a.**	**(333)**	**643**	**n.a.**
(% of net sales)	(3.2%)	13.3%	(16.5pp)	(9.3%)	11.7%	(21.0pp)
Financial income	17	27	(36.1%)	13	18	(31.2%)
Financial expenses	87	78	10.4%	44	43	1.9%
(Loss) / income before taxes	**(337)**	**1,467**	**n.a.**	**(364)**	**618**	**n.a.**
(% of net sales)	(4.0%)	12.9%	(16.9pp)	(10.2%)	11.2%	(21.4pp)
Income taxes	(51)	374	n.a.	(58)	157	n.a.
(% of (loss) / income before taxes)	15.1%	25.5%	(10.4pp)	16.0%	25.4%	(9.3pp)
Net (loss) / income from continuing operations	**(286)**	**1,093**	**n.a.**	**(306)**	**462**	**n.a.**
(% of net sales)	(3.4%)	9.6%	(13.0pp)	(8.5%)	8.4%	(16.9pp)
(Loss) / gain from discontinued operations, net of tax	(5)	72	n.a.	(11)	70	n.a.
Net (loss) / income	**(291)**	**1,164**	**n.a.**	**(317)**	**532**	**n.a.**
(% of net sales)	(3.5%)	10.2%	(13.7pp)	(8.8%)	9.7%	(18.5pp)
Net (loss) / income attributable to shareholders	**(264)**	**1,163**	**n.a.**	**(295)**	**531**	**n.a.**
(% of net sales)	(3.2%)	10.2%	(13.4pp)	(8.2%)	9.6%	(17.9pp)
Net (loss) / income attributable to non-controlling interests	**(27)**	**1**	**n.a.**	**(22)**	**0**	**n.a.**
Basic earnings per share from continuing operations (in €)	(1.33)	5.50	n.a.	(1.45)	2.33	n.a.
Diluted earnings per share from continuing operations (in €)	(1.33)	5.50	n.a.	(1.45)	2.33	n.a.
Basic earnings per share from continuing and discontinued operations (in €)	(1.35)	5.86	n.a.	(1.51)	2.68	n.a.
Diluted earnings per share from continuing and discontinued operations (in €)	(1.35)	5.86	n.a.	(1.51)	2.68	n.a.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

adidas AG Consolidated Statement of Comprehensive Income (IFRS) € in millions

	First half year 2020	First half year 2019	Second quarter 2020	Second quarter 2019
Net (loss) / income after taxes	**(291)**	**1,164**	**(317)**	**532**
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]	0	0	(19)	1
Net (loss) / gain on other equity investments (IFRS 9), net of tax	(2)	12	(2)	15
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**(1)**	**12**	**(21)**	**15**
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	142	(54)	(120)	16
Net gain / (loss) on cost of hedging reserve – options, net of tax	9	(2)	9	1
Net (loss) / gain on cost of hedging reserve – forward contracts, net of tax	(17)	17	23	(4)
Currency translation differences	(177)	79	(34)	(61)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	**(44)**	**39**	**(123)**	**(47)**
Other comprehensive income	**(45)**	**51**	**(143)**	**(32)**
Total comprehensive income	**(336)**	**1,215**	**(460)**	**500**
Attributable to shareholders of adidas AG	(311)	1,214	(432)	499
Attributable to non-controlling interests	(24)	1	(28)	1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

adidas AG Consolidated Statement of Changes in Equity (IFRS) € in millions

	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve - options	Cost of hedging reserve - forward contracts	Other reserves	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at December 31, 2018	**199**	**887**	**(574)**	**(3)**	**(3)**	**(5)**	**(180)**	**6,054**	**6,377**	**(13)**	**6,364**
Other comprehensive income			79	(54)	(2)	16	12		51	(0)	51
Net income								1,163	1,163	1	1,164
Total comprehensive income			**79**	**(54)**	**(2)**	**16**	**12**	**1,163**	**1,214**	**1**	**1,215**
Repurchase of adidas AG shares	(1)							(299)	(301)		(301)
Repurchase of adidas AG shares due to equity-settled share-based payment	(0)							(13)	(13)		(13)
Reissuance of treasury shares due to equity-settled share-based payment	0							17	17		17
Dividend payment								(664)	(664)		(664)
Equity-settled share-based payment								(11)	(11)		(11)
Balance at June 30, 2019	**198**	**887**	**(495)**	**(57)**	**(5)**	**12**	**(168)**	**6,248**	**6,619**	**(11)**	**6,608**
Balance at December 31, 2019	**196**	**887**	**(470)**	**(150)**	**(10)**	**6**	**(218)**	**6,555**	**6,796**	**261**	**7,058**
Other comprehensive income			(180)	142	9	(17)	(1)		(48)	3	(45)
Net loss								(264)	(264)	(27)	(291)
Total comprehensive income			**(180)**	**142**	**9**	**(17)**	**(1)**	**(264)**	**(311)**	**(24)**	**(336)**
Repurchase of adidas AG shares	(1)							(256)	(257)		(257)
Repurchase of adidas AG shares due to equity-settled share-based payment	(0)							(14)	(14)		(14)
Reissuance of treasury shares due to equity-settled share-based payment	0							17	17		17
Equity-settled share-based payment								(1)	(1)		(1)
First-time consolidation due to obtaining control in accordance with IFRS 10									–	3	3
Balance at June 30, 2020	**195**	**887**	**(650)**	**(9)**	**(1)**	**(11)**	**(220)**	**6,037**	**6,230**	**240**	**6,471**

CONSOLIDATED STATEMENT OF CASH FLOWS

adidas AG Consolidated Statement of Cash Flows (IFRS) € in millions

	First half year 2020	First half year 2019
Operating activities:		
(Loss) / income before taxes	(337)	1,467
Adjustments for:		
Depreciation, amortization and impairment losses	724	600
Reversals of impairment losses	(1)	(1)
Interest income	(16)	(14)
Interest expense	81	77
Unrealized foreign exchange losses, net	9	7
Losses on sale of property, plant and equipment and intangible assets, net	3	5
Other non-cash expense	0	8
Operating profit before working capital changes	**463**	**2,148**
Decrease / (increase) in receivables and other assets	703	(485)
Increase in inventories	(1,256)	(109)
Increase in accounts payable and other liabilities	(548)	(217)
Cash (used in) / generated from operations before taxes	**(638)**	**1,338**
Income taxes paid	(186)	(320)
Net cash (used in) / generated from operating activities – continuing operations	**(824)**	**1,017**
Net cash (used in) operating activities – discontinued operations	–	(6)
Net cash (used in) / generated from operating activities	**(824)**	**1,011**

adidas AG Consolidated Statement of Cash Flows (IFRS) € in millions

	First half year 2020	First half year 2019
Investing activities:		
Purchase of trademarks and other intangible assets	(33)	(40)
Purchase of property, plant and equipment	(184)	(203)
Proceeds from sale of property, plant and equipment	2	9
Proceeds from sale of a disposal group	–	3
Proceeds from sale of short-term financial assets	288	0
Purchase of investments and other long-term assets	(37)	(70)
Interest received	16	14
Net cash generated from / (used in) investing activities – continuing operations	**51**	**(287)**
Net cash generated from investing activities – discontinued operations	–	0
Net cash generated from / (used in) investing activities	**51**	**(287)**
Financing activities:		
Reverse transaction of buyback of Eurobonds	11	–
Interest paid	(71)	(66)
Repayments of lease liabilities	(245)	(308)
Dividend paid to shareholders of adidas AG	–	(664)
Repurchase of treasury shares	(257)	(237)
Repurchase of treasury shares due to share-based payments	(14)	(13)
Proceeds from reissuance of treasury shares due to share-based payments	12	11
Proceeds from short-term borrowings	1,174	420
Repayments of short-term borrowings	(9)	–
Net cash generated from / (used in) financing activities – continuing operations	**601**	**(857)**
Net cash generated from financing activities – discontinued operations	–	–
Net cash generated from / (used in) financing activities	**601**	**(857)**
Effect of exchange rates on cash	**(29)**	**(42)**
Decrease of cash and cash equivalents	(201)	(174)
Cash and cash equivalents at beginning of year	2,220	2,629
Cash and cash equivalents at end of period	**2,018**	**2,455**

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT JUNE 30, 2020

01 » GENERAL

The interim consolidated financial statements of adidas AG and its subsidiaries (collectively 'adidas', the 'Group' or 'the company') for the first half year ending June 30, 2020 are prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The company applied all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations of the IFRS Interpretations Committee effective as at June 30, 2020 insofar as they have already been adopted into European law.

These interim consolidated financial statements were prepared in compliance with International Accounting Standard IAS 34 'Interim Financial Reporting'. Accordingly, these interim consolidated financial statements do not include all of the information and notes required for consolidated financial statements at financial year-ends. Therefore, these interim consolidated financial statements should be read in conjunction with the 2019 annual consolidated financial statements. The accounting policies as well as principles, practices and presentation applied in the consolidated financial statements for the year ending December 31, 2019 also apply to the interim consolidated financial statements for the first half year ending June 30, 2020.

The following new accounting standards and interpretations as well as amendments to existing standards, which were issued by the IASB and are effective in the EU for financial years beginning on January 1, 2020, have been applied for the first time:

- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IFRS 7 and IAS 39
- Definition of Material – Amendments to IAS 1 and IAS 8
- General Amendments – References to the Conceptual Framework

These do not have any material impact on the interim consolidated financial statements of adidas AG. Further information can be found in the Annual Report 2019.

New accounting standards and interpretations as well as amendments to existing standards which are not yet effective in the EU or effective for financial years beginning after January 1, 2020 are not expected to have any material impact on the consolidated financial statements.

The amendment to IFRS 16 'COVID-19-related Rent Concessions' published by the IASB on May 28, 2020 and effective for annual periods beginning on or after June 1, 2020, and subject to the pending endorsement by the European Union, will not have any impact for adidas, as adidas will not apply the exemption option regarding the treatment of rent concessions relating to the coronavirus pandemic. The option allows lessees to treat rental concessions in connection with the coronavirus pandemic not as lease modifications within the meaning of IFRS 16, but to realize the effects of the rental concessions in the periods in which they are granted.

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on the best knowledge of current events and actions, actual results may ultimately differ from these estimates. Further information regarding the coronavirus-pandemic-related impact on these estimates is presented in these Notes. SEE NOTE 06

There were no changes in the scope of consolidation in the first half of 2020.

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

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

Particularly due to the coronavirus pandemic impact, the results of operations for the first half year ending June 30, 2020 are not necessarily indicative of results to be expected for the entire year.

The interim consolidated financial statements are presented in euros (€) and, unless otherwise stated, all values are presented in millions of euros (€ in millions). Due to rounding principles, numbers presented may not sum up exactly to totals provided.

02 » SHAREHOLDERS' EQUITY

During the period from January 1, 2020 to June 30, 2020, the nominal capital of adidas AG remained unchanged. Consequently, on June 30, 2020, the nominal capital of adidas AG amounted to € 200,416,186 divided into 200,416,186 registered no-par-value shares.

Based on the authorization to repurchase and use treasury shares granted to the Executive Board of adidas AG by the Annual General Meeting on May 12, 2016, the company started the first tranche of a share buyback program on March 22, 2018 which was concluded on December 4, 2018. On January 7, 2019, the share buyback program was resumed in the form of a second tranche which was concluded on December 18, 2019. On January 7, 2020, the share buyback program was resumed in the form of a third tranche which was terminated on March 16, 2020. More information on the adidas AG shares repurchased in the first six months of the 2020 financial year is set out in the table 'Repurchase of adidas AG shares in the 2020 financial year'.

While the company may use the repurchased shares for all purposes admissible under the granted authorization, with the exception of the transfer of shares as a compensation component for the company's Executive Board members, adidas AG plans to cancel the majority of the repurchased shares.

Moreover, due to contractual obligations, 16,520 treasury shares were used as consideration, i.a. for the transfer or licensing of intellectual property rights and intangible property rights. Due to the use of treasury shares with the exclusion of subscription rights, adidas AG was able to acquire the intellectual and intangible property rights (or licenses) from their owner at attractive terms while preserving the company's liquidity. Based on the share price at the time, the 16,520 treasury shares transferred had a value of altogether approx. € 5,000,000, corresponding to a notional amount of € 16,520 in the nominal capital and consequently to 0.01% of the nominal capital.

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

Outside the share buyback program initiated in March 2018, the company purchased adidas AG shares in connection with this employee stock purchase plan in the first six months of the 2020 financial year. More details on the repurchase of adidas AG shares and use of treasury shares in connection with the employee stock purchase plan in the first six months of the 2020 financial year are set out in the tables 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020' and 'Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020/Matching shares'.

Repurchase of adidas AG shares in the 2020 financial year

Month	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %
January	259,148	79,061,929.95	305.08	259,148	0.13
February	408,772	114,323,851.00	279.68	408,772	0.20
March	285,098	63,153,226.31	221.51	285,098	0.14
April	–	–	–	–	–
May	–	–	–	–	–
June	–	–	–	–	–
2020 financial year total[1]	**953,018**	**256,539,007.26**	**269.19**	**953,018**	**0.48**

1 In the period from January 7, 2020 up to and including March 16, 2020.

Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2019

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance date to employees
January 8, 2020	21,059	6,232,463.70	295.95	21,059	0.01	January 10, 2020
April 9, 2020	27,861	6,115,018.65	219.48	27,861	0.01	April 15, 2020

Repurchase of adidas AG shares and use of treasury shares in the context of the employee stock purchase plan 2020/Matching shares

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance date to employees
January 8, 2020	3,771	1,116,036.88	295.95	3,771	0.002	January 10, 2020
April 9, 2020	3,077	675,349.50	219.48	3,077	0.002	April 15, 2020

On June 30, 2020, adidas AG held a total of 5,383,297 treasury shares, corresponding to a notional amount of € 5,383,297 in the nominal capital and consequently 2.69% of the nominal capital. In accordance with § 71b German Stock Corporation Act (Aktiengesetz - AktG), the treasury shares held directly or indirectly do not confer any rights to the company.

In light of the challenges posed by the coronavirus pandemic, the Executive Board and Supervisory Board of adidas AG deem it necessary to protect the company's capital and liquidity base by waiving the payment of a dividend. Therefore, they submit to the Annual General Meeting on August 11, 2020 the following proposal on the appropriation of retained earnings which deviates from the proposal on the appropriation of retained earnings published in the notes to the annual financial statements for the 2019 financial year.

The Executive Board and Supervisory Board propose to carry forward the retained earnings of € 828,030,120.54 reported in the adopted annual financial statements of the company as at December 31, 2019 to new account. This results in a profit carried forward in the amount of € 828,030,120.54.

03 » FINANCIAL INSTRUMENTS

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	June 30, 2020					December 31, 2019				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets											
Cash and cash equivalents											
Cash and cash equivalents	Amortized cost	1,528	1,528	–	–	–	1,636	1,636	–	–	–
Cash equivalents	Fair value through profit or loss	490	490	–	490	–	584	584	–	584	–
Short-term financial assets	Fair value through profit or loss	6	6	–	6	–	292	292	–	292	–
Accounts receivable	Amortized cost	1,869	1,869	–	–	–	2,625	2,625	–	–	–
Other current financial assets											
Derivatives used in hedge accounting	Hedge accounting	194	194	–	194	–	141	141	–	141	–
Derivatives not used in hedge accounting	Fair value through profit or loss	59	59	–	59	–	25	25	–	25	–
Promissory notes	Fair value through profit or loss	42	42	–	–	42	33	33	–	–	33
Earn-out components	Fair value through profit or loss	–	–	–	–	–	9	9	–	–	9
Other financial assets	Amortized cost	358	358	–	–	–	336	336	–	–	–
Long-term financial assets											
Other equity investments	Fair value through profit or loss	87	87	–	–	87	87	87	–	–	87
Other equity investments	Fair value through other compre-hensive income	80	80	–	–	80	79	79	–	–	79
Other investments	Fair value through profit or loss	34	33	–	33[1]	–	35	37	–	37[2]	–
Other investments	Amortized cost	149	149	–	–	–	167	167	–	–	–
Loans	Amortized cost	0	0	–	–	–	1	1	–	–	–

1 Net losses in the amount of € 1 million and gains in the amount of € 0 million due to currency translation differences were recognized in equity in 2020.
2 Net gains in the amount of € 2 million and losses in the amount of € 0 million due to currency translation differences were recognized in equity in 2019.

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	June 30, 2020					December 31, 2019				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other non-current financial assets											
Derivatives used in hedge accounting	Hedge accounting	17	17	–	17	–	62	62	–	62	–
Derivatives not used in hedge accounting	Fair value through profit or loss	46	46	–	46	–	95	95	–	95	–
Promissory notes	Fair value through profit or loss	179	179	–	–	179	149	149	–	–	149
Earn-out components	Fair value through profit or loss	–	–	–	–	–	36	36	–	–	36
Other financial assets	Amortized cost	100	100	–	–	–	110	110	–	–	–
Financial assets per level				**–**	**844**	**387**			**–**	**1,236**	**392**
Financial liabilities											
Short-term borrowings											
Bank borrowings	Amortized cost	1,217	1,217	–	–	–	43	43	–	–	–
Accounts payable	Amortized cost	2,575	2,575	–	–	–	2,703	2,703	–	–	–
Current accrued liabilities	Amortized cost	790	790	–	–	–	1,017	1,017	–	–	–
Current accrued liabilities for customer discounts	Amortized cost	631	631	–	–	–	740	740	–	–	–
Other current financial liabilities									–	–	–
Derivatives used in hedge accounting	Hedge accounting	38	38	–	38	–	138	138	–	138	–
Derivatives not used in hedge accounting	Fair value through profit or loss	40	40	–	40	–	31	31	–	31	–
Other financial liabilities	Amortized cost	187	187	–	–	–	66	66	–	–	–
Current lease liabilities	n.a.	639	639	–	–	–	733	733	–	–	–
Long-term borrowings											
Bank borrowings	Amortized cost	113	113	–	–	–	122	122	–	–	–
Eurobond	Amortized cost	997	1,026	1,026	–	–	986	1,044	1,044	–	–
Convertible bond	Amortized cost	489	557	557	–	–	487	615	615	–	–
Non-current accrued liabilities	Amortized cost	1	1	–	–	–	0	0	–	–	–

1 Net losses in the amount of € 1 million and gains in the amount of € 0 million due to currency translation differences were recognized in equity in 2020.
2 Net gains in the amount of € 2 million and losses in the amount of € 0 million due to currency translation differences were recognized in equity in 2019.

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	June 30, 2020					December 31, 2019				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other non-current financial liabilities											
Derivatives used in hedge accounting	Hedge accounting	12	12	–	12	–	7	7	–	7	–
Derivatives not used in hedge accounting	Fair value through profit or loss	34	34	–	34	–	86	86	–	86	–
Other financial liabilities	Amortized cost	–	–	–	–	–	0	0	–	–	–
Non-current lease liabilities	n.a.	2,374	2,374	–	–	–	2,399	2,399	–	–	–
Financial liabilities per level				**1,583**	**124**	**–**			**1,659**	**262**	**–**
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		943					1,345				
Thereof: designated as such upon initial recognition (Fair Value Option – FVO)		–					–				
Thereof: held for trading (FAHfT)		85					84				
Financial assets at fair value through other comprehensive income (FVOCI)		80					79				
Thereof: debt instruments		–					–				
Thereof: equity investments (without recycling to profit and loss)		80					79				
Financial assets at amortized cost (AC)		4,004					4,873				
Financial liabilities at fair value through profit or loss (FVTPL)		74					117				
Thereof: held for trading (FLHfT)		–					–				
Financial liabilities at amortized cost (AC)		7,000					6,165				

1 Net losses in the amount of € 1 million and gains in the amount of € 0 million due to currency translation differences were recognized in equity in 2020.
2 Net gains in the amount of € 2 million and losses in the amount of € 0 million due to currency translation differences were recognized in equity in 2019.

Level 1 is based on quoted prices in active markets for identical assets or liabilities.
Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 is based on inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Reconciliation of fair value hierarchy Level 3 in 2019 € in millions

				Realized		Unrealized			
	Fair value Jan. 1, 2019	Additions	Disposals	Gains	Losses	Gains	Losses	Currency translation	Fair value Dec. 31, 2019
Investments in other equity instruments held for trading (FAHfT)	83	–	–	–	–	1	–	–	84
Investments in other equity instruments (FVTPL)	2	–	–	–	–	–	–	–	2
Investments in other equity instruments (FVOCI)	58	8	–	–	–	15	(3)	–	78
Promissory notes (FVTPL)	147	22	(5)	1	–	14	–	3	182
Earn-out components – assets (FVTPL)	21	–	(45)	45	–	24	–	–	45
Earn-out components – liabilities (FVTPL)	15	–	(15)	–	–	–	–	–	–

Reconciliation of fair value hierarchy Level 3 in 2020 € in millions

				Realized		Unrealized			
	Fair value Jan. 1, 2020	Additions	Disposals	Gains	Losses	Gains	Losses	Currency translation	Fair value June 30, 2020
Investments in other equity instruments held for trading (FAHfT)	84	–	–	–	–	–	–	–	84
Investments in other equity instruments (FVTPL)	2	–	–	–	–	–	–	–	2
Investments in other equity instruments (FVOCI)	78	4	–	–	–	–	(2)	–	80
Promissory notes (FVTPL)	182	36	–	–	–	3	–	(1)	220
Earn-out components – assets (FVTPL)	45	–	(45)	–	–	–	–	–	–

The valuation methods used in measuring Level 1, Level 2 and Level 3 fair values remain unchanged and can be found in the Notes to the 2019 consolidated financial statements.

The change in the earn-out component related to the sale of the TaylorMade business mainly relates to the actual earn-out of US $ 50 million to be received. Regarding the outstanding cash consideration, payment by instalments has been agreed. A large part of the earn-out component has been converted into a promissory note while a further part, which is due in the short term, is recognized as other financial assets.

Net gains/(losses) on financial instruments recognized in the consolidated income statement € in millions

	Period ending June 30, 2020	Year ending Dec. 31, 2019
Financial assets classified at amortized cost (AC)	(145)	(18)
Financial assets at fair value through profit or loss (FVTPL)	3	90
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	–	1
Equity instruments at fair value through profit or loss (FVTPL)	–	–
Equity instruments at fair value through other comprehensive income (FVOCI)	–	–
Financial liabilities at amortized cost (AC)	34	29
Financial liabilities at fair value through profit or loss (FVTPL)	–	–
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	–	–

04 » EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income from continuing operations attributable to shareholders by the weighted average number of shares outstanding during the year, excluding ordinary shares purchased by adidas and held as treasury shares. If negative earnings per share are reported, according to IAS 33.41 no anti-dilutive effect may be taken into account.

Earnings per share

	Continuing operations		Discontinued operations		Total	
	First half year 2020	First half year 2019	First half year 2020	First half year 2019	First half year 2020	First half year 2019
Net (loss)/income from continuing operations (€ in millions)	(286)	1,093	–	–	–	–
Net (loss)/income attributable to non-controlling interests (€ in millions)	(27)	1	–	–	–	–
Net (loss)/income attributable to shareholders (€ in millions)	**(259)**	**1,091**	**(5)**	**72**	**(264)**	**1,163**
Weighted average number of shares	195,266,358	198,515,749	195,266,358	198,515,749	195,266,358	198,515,749
Basic earnings per share (€)	**(1.33)**	**5.50**	**(0.02)**	**0.36**	**(1.35)**	**5.86**
Net (loss)/income attributable to shareholders (€ in millions)	(259)	1,091	(5)	72	(264)	1,163
Net (loss)/income used to determine diluted earnings per share (€ in millions)	**(259)**	**1,091**	**(5)**	**72**	**(264)**	**1,163**
Weighted average number of shares	195,266,358	198,515,749	195,266,358	198,515,749	195,266,358	198,515,749
Dilutive effect of share-based payments		9,744		–		9,744
Weighted average number of shares for diluted earnings per share	**195,266,358**	**198,525,493**	**195,266,358**	**198,515,749**	**195,266,358**	**198,525,493**
Diluted earnings per share (€)	**(1.33)**	**5.50**	**(0.02)**	**0.36**	**(1.35)**	**5.86**

05 » SEGMENTAL INFORMATION

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

As at June 30, 2020, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments', ten operating segments were identified: Europe, North America adidas, North America Reebok, Asia-Pacific, Russia/CIS, Latin America, Emerging Markets, adidas Golf, Runtastic and Other centrally managed businesses.

The operating segments North America adidas and North America Reebok have been aggregated to North America.

According to the criteria of IFRS 8 for reportable segments, the operating segments Europe, North America, Asia-Pacific, Russia/CIS, Latin America and Emerging Markets are reported separately. The remaining operating segments are aggregated under Other Businesses due to their only subordinate materiality.

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

adidas Golf comprises the distribution and sale of adidas Golf branded products.

Runtastic operates in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data.

Other centrally managed businesses primarily includes the business activities of the Y-3 label.

Certain centralized corporate functions do not meet the definition of IFRS 8 for an operating segment. This includes, in particular, functions such as Global Brands and Global Sales (central brand and distribution management for the adidas and Reebok brands), central treasury, global sourcing as well as other headquarter functions. Assets, liabilities, income and expenses relating to these corporate functions are presented in the reconciliations.

The chief operating decision maker for adidas has been defined as the entire Executive Board of adidas AG.

Net sales represents revenue from contracts with customers. There are no intersegment sales between the reportable segments. Accounting and valuation policies applied for reporting segmental information are the same as those used for adidas.

The results of the operating segments are reported in the line item 'Segmental operating profit'. This is defined as gross profit minus other operating expenses plus royalty and commission income and other operating income attributable to the segment or group of segments, however without considering headquarter costs and central expenses for marketing.

Segmental assets include accounts receivable as well as inventories. Only these items are reported to the chief operating decision maker on a regular basis.

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

Segmental information € in millions

	Net sales (third parties)[1]		Thereof: adidas brand[1]		Thereof: Reebok brand[1]		Segmental operating profit[1]		Segmental assets[2]		Segmental liabilities[2]	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Europe	2,270	2,972	2,086	2,732	184	240	330	766	1,949	1,714	153	75
North America	1,964	2,370	1,811	2,165	153	204	71	263	1,646	1,736	57	91
Asia-Pacific	2,756	4,011	2,640	3,858	116	153	751	1,472	2,000	1,310	352	290
Russia/CIS	258	307	198	228	60	79	59	71	238	190	10	4
Latin America	454	779	405	698	48	80	27	121	598	655	59	76
Emerging Markets	401	611	363	543	38	68	51	181	469	451	25	27
Reportable segments	**8,103**	**11,050**	**7,504**	**10,225**	**599**	**825**	**1,290**	**2,874**	**6,900**	**6,056**	**656**	**562**
Other Businesses	**230**	**342**	**60**	**121**	**1**	**0**	**23**	**71**	**226**	**232**	**8**	**11**
Total	**8,332**	**11,392**	**7,564**	**10,346**	**600**	**825**	**1,312**	**2,945**	**7,126**	**6,288**	**664**	**573**

1 First half year.
2 At June 30.

Operating profit € in millions

	First half year 2020	First half year 2019
Operating profit for reportable segments	1,290	2,874
Operating profit for Other Businesses	23	71
Segmental operating profit	**1,312**	**2,945**
HQ	(849)	(874)
Central expenditure for marketing	(459)	(442)
Consolidation	(272)	(111)
Operating (loss)/profit	**(268)**	**1,518**
Financial income	17	27
Financial expenses	(87)	(78)
(Loss)/income before taxes	**(337)**	**1,467**

Net sales (third parties) € in millions

	First half year 2020	First half year 2019
Footwear	4,926	6,739
Apparel	2,966	4,097
Hardware	440	556
Total	**8,332**	**11,392**

06 » CORONAVIRUS PANDEMIC IMPACT

Business development in the first half of 2020 was significantly influenced by the effects of the coronavirus pandemic. Due to the ongoing situation, it is difficult to predict the resulting effects on assets and liabilities as well as income and expenses. Estimates and assumptions relevant to the financial statements were made to the best of our knowledge, based on current events and measures. In particular, judgments and discretion are used in assessing the recoverability of deferred tax assets, in impairment tests for non-financial assets, in determining allowances for inventories and accounts receivable and in the calculation of provisions.

Revenue

The sales of the company in certain product categories are seasonal and therefore revenues and attributable earnings may vary within the financial year. In prior years, sales and earnings tended to be strongest in the first and third quarters of the financial year because these coincided with the launch of the spring/summer and fall/winter collections, respectively. Because of the coronavirus pandemic in the first half of 2020, the related revenue decreased. Shifts in the share of sales and attributable earnings of particular product categories or in the regional composition may occur throughout the year.

A disaggregation of revenue into product categories is contained in these Notes. SEE NOTE 05

Government grants

Income from government grants is reported as a deduction from the related expenses. Worldwide income from government grants related to the coronavirus pandemic amounted to € 11 million for the first half of 2020.

Income taxes

Due to the significant uncertainty caused by the impact of the coronavirus pandemic outbreak around the world we have not been able to reliably estimate the annual effective tax rate and apply this rate for the first half of 2020. The effective tax rate has been determined based on the year to date pre-tax earnings for the first half of 2020.

The annual effective tax rate for 2020 may differ from the effective tax rate for the first half of 2020 due to a range of factors including the full year pre-tax earnings of each consolidated entity, the ability to deduct certain expenses, changes to corporate income tax rates and judgements regarding the ability to recognize deferred tax assets.

Liquidity risk

Due to the coronavirus pandemic and lower cash inflows, adidas decided to improve its short- and mid-term liquidity situation. Besides adding uncommitted credit lines and issuing commercial paper, the major action taken was adding a new syndicated credit line of € 3 billion. € 600 million thereof was provided by the core banks of adidas and € 2,400 million by KfW, Germany's state-owned development bank at customary market conditions. The duration of the facility is 15 months (until July 2021) and includes an extension option for one year. The company may, also at its discretion, terminate the agreement prematurely. As long as the credit facility is in place, no dividends and share buybacks are allowed.

The € 3 billion credit facility provided by the core banks of adidas and by KfW, Germany's state-owned development bank, was contracted at customary market conditions. The negotiations took place between adidas and its core banks, which is a requirement by KfW to accept the conditions at arm's length. Therefore, this does not represent a government subsidy.

As at June 30, 2020 adidas had not made use of the syndicated credit line.

Hedging instruments (Hedge accounting)

Due to the coronavirus pandemic, a material amount of initial planned exposure for purchases and sales in foreign currencies ceased to exist, which led to certain 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 the first half of 2020, a profit of € 42 million was reclassified into the income statement.

In addition, hedging items not designated as hedge accounting in accordance with IFRS 9 were canceled to minimize the economic risk.

Impairment losses

In light of the coronavirus pandemic, facts and circumstances indicated that non-current assets (property, plant and equipment, right-of use assets and intangible assets including goodwill) might be impaired. In addition to the impairment testing for individual assets, impairment tests were carried out for all material non-current assets at the respective level of cash-generating units due to this 'triggering event' and related reassessment of the business development, considering the expected consequences of the coronavirus pandemic as at March 31, 2020 and June 30, 2020, respectively. This was based on updated financial plans and estimates. Due to the currently unforeseeable global consequences of the coronavirus pandemic, these estimates and management judgements are subject to increased uncertainty. Future changes in expected cash flows and discount rates may lead to (additional) impairments or reversals of impairment losses.

In the course of the goodwill impairment test, there was no need for goodwill impairment as of June 30, 2020.

The impairment test for the Reebok trademark was performed based on Reebok cash-generating units in the individual markets. In order to reflect the increased uncertainty in assessing the expected consequences of the coronavirus pandemic, planned free cash inflows were subject to additional stress scenarios. In total, trademark impairment losses of € 42 million were recognized for the first six months ending June 30, 2020 and the carrying amount was adjusted to € 803 million. The impairment losses are included in operating overhead expenses.

Furniture and fixtures as well as right-of-use assets in own-retail stores were tested for impairment. Impairment losses for the first six months ending June 30, 2020 in the amount of € 47 million recognized on property, plant and equipment and right-of-use assets mainly relate to the company's own-retail activities. The impairment losses are included in operating overhead expenses.

Inventories

Inventories by major classification are as follows:

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.

Inventories € in millions

	June 30, 2020			Dec. 31, 2019		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	3,918	(211)	3,707	2,984	(80)	2,904
Goods in transit	1,498	–	1,498	1,175	–	1,175
Raw materials	7	–	7	6	–	6
Work in progress	–	–	–	0	–	0
Inventories	**5,424**	**(211)**	**5,213**	**4,165**	**(80)**	**4,085**

Accounts receivable € in millions

	Collective loss allowance				Individual loss allowance	Total
	Not yet due	Past due 1 – 90 days		Past due > 90 days		
	Not credit-impaired	Not credit-impaired	Not credit-impaired	Credit-impaired	Credit-impaired	
June 30, 2020						
Accounts receivable, gross	1,381	407	125	54	225	2,192
Weighted average loss rate	1.1%	7.9%	29.0%	68.1%	90.3%	14.7%
Loss allowance	(15)	(32)	(36)	(37)	(203)	(323)
Accounts receivable, net	**1,366**	**375**	**89**	**17**	**22**	**1,869**
December 31, 2019						
Accounts receivable, gross	2,329	286	25	34	139	2,814
Weighted average loss rate	0.7%	4.3%	39.1%	59.5%	92.9%	6.7%
Loss allowance	(17)	(12)	(10)	(20)	(129)	(189)
Accounts receivable, net	**2,312**	**274**	**15**	**14**	**10**	**2,625**

Compared to December 31, 2019, total inventories increased by € 1,128 million, which is mainly a consequence of the worldwide coronavirus pandemic. Compared to December 31, 2019, the total inventory allowance increased by € 131 million. Thereof € 118 million is caused by the general deterioration of the inventory ageing structure. The specific inventory allowance increased by € 13 million to reflect a higher risk for future overstock.

Accounts receivable

Accounts receivable consist mainly of the currencies US dollar, euro as well as Chinese renminbi and are as follows:

Compared to December 31, 2019, the total loss allowance increased by € 134 million, which is predominantly a consequence of the worldwide coronavirus pandemic. Thereof € 60 million is related to the collective loss allowance mainly due to a deterioration of the accounts receivable ageing structure as well as higher allowance percentages due to an increase in the expected default rates. The individual loss allowance increased by € 74 million to reflect a higher credit risk of specific customers.

As at June 30, 2020, the loss allowance for not credit-impaired accounts receivable in the amount of € 206 million and credit-impaired accounts receivable in the amount of € 2 million was not recognized as adidas holds credit enhancement instruments, mainly in the form of credit insurance and bank guarantees, which mitigate the credit risk of those financial assets.

There are no material balances of accounts receivable written off but subject to enforcement activity.

Other provisions

In order to take into account the reduced product demand due to the coronavirus pandemic, a provision of € 73 million as at June 30, 2020 was recognized for cancellation of product orders.

Due to higher expected returns, the provision for product returns increased by € 145 million (net) as at March 31, 2020. This was used in the second quarter.

07 » EVENTS AFTER THE BALANCE SHEET DATE

Between the end of the first half of 2020 and the finalization of these interim consolidated financial statements on July 24, 2020, there were no major events which might have a material influence on the assets, liabilities, financial position and profit or loss of the company.

Herzogenaurach, July 24, 2020

The Executive Board of adidas AG

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Herzogenaurach, July 24, 2020

KASPER RORSTED
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

BRIAN GREVY
GLOBAL BRANDS

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

MARTIN SHANKLAND
GLOBAL OPERATIONS

CONTACT

ADIDAS AG
ADI-DASSLER-STR. 1
91074 HERZOGENAURACH
GERMANY

Tel + 49 91 32 84–0
↗ adidas-group.com

adidas is a member of DIRK
(German Investor Relations
Association)

INVESTOR RELATIONS

investor.relations@adidas.com
↗ adidas–group.com/investors

DESIGN AND REALIZATION

MPM Corporate Communication Solutions,
Mainz