

adidas

HALF YEAR REPORT

JANUARY - JUNE
2022

HALF YEAR REPORT

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS (IFRS).....	1
BUSINESS PERFORMANCE.....	2
BUSINESS PERFORMANCE BY SEGMENT.....	6
OUTLOOK.....	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	12
CONDENSED CONSOLIDATED INCOME STATEMENT.....	14
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	15
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	16
CONSOLIDATED STATEMENT OF CASH FLOWS.....	17
EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT JUNE 30, 2022.....	19
RESPONSIBILITY STATEMENT.....	34

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

FINANCIAL HIGHLIGHTS (IFRS)

	First half year 2022	First half year 2021	Change
Operating Highlights (€ in millions)			
Net sales	10,897	10,345	5%
Gross profit	5,463	5,362	2%
Other operating expenses	4,759	4,154	15%
EBITDA	1,413	1,804	(22%)
Operating profit/(loss)	828	1,248	(34%)
Net income/(loss) from continuing operations	671	890	(25%)
Net income/(loss) attributable to shareholders	776	955	(19%)
Key Ratios			
Gross margin	50.1%	51.8%	(1.7pp)
Other operating expenses in % of net sales	43.7%	40.2%	3.5pp
Operating margin	7.6%	12.1%	(4.5pp)
Effective tax rate	5.7%	24.5%	(18.8pp)
Net income attributable to shareholders in % of net sales	7.1%	9.2%	(2.1pp)
Average operating working capital in % of net sales ¹	21.0%	21.4%	(0.4pp)
Equity ratio ²	28.3%	32.5%	(4.2pp)
Adjusted net borrowings ³ /EBITDA ⁴	2.0	0.9	1.1
Financial leverage	87.9%	44.3%	43.6pp
Return on equity ²	12.9%	13.4%	(0.5pp)
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	21,324	21,877	(3%)
Inventories	5,483	4,054	35%
Receivables and other current assets	5,767	4,257	35%
Operating working capital	5,191	4,213	23%
Shareholders' equity	6,032	7,106	(15%)
Capital expenditure	315	183	72%
Net cash generated from/(used in) operating activities	(424)	1,077	(139%)
Per Share of Common Stock (€)			
Basic earnings	3.47	4.52	(23%)
Diluted earnings	3.47	4.52	(23%)
Net cash generated from/(used in) operating activities	(2.27)	5.52	(7.79)
Dividend	3.30	3.00	10%
Share price at end of period	168.76	313.90	(46%)
Other (at end of period)			
Number of employees	60,661	58,007	5%
Number of shares outstanding	182,527,479	195,066,060	(6%)
Average number of shares	186,510,429	195,066,060	(4%)

1 Twelve-month trailing average.

2 Based on shareholders' equity.

3 Adjusted net borrowings = short-term borrowings + long-term borrowings and future cash used in lease and pension liabilities – cash and cash equivalents and short-term financial assets.

4 EBITDA of last twelve months.

BUSINESS PERFORMANCE

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY FACES SEVERAL CHALLENGES IN THE FIRST HALF OF 2022¹

Following more than two years of the coronavirus pandemic, economies around the world continue to experience destabilizing shocks as the war between Russia and Ukraine and its effects on the global economy have been leading to a slowdown in global economic activity. Increasing inflation, supply chain disruptions, tightened financial conditions and heightened political uncertainty are weighing on growth in many countries. In addition, the unwinding of fiscal support measures continues to have an adverse impact on global economic activity. As a consequence, consumer confidence has declined during the first six months reaching record lows in key economies around the world. On the other hand, low unemployment rates, the lifting of coronavirus-related restrictions, as well as pent-up demand have still been supporting consumer spending, particularly in Western countries. Nevertheless, the risk of global stagflation increased.

SPORTING GOODS INDUSTRY WITH LIMITED GROWTH IN THE FIRST SIX MONTHS OF 2022

In the first half of 2022, the global sporting goods industry continued to recover. At the same time, it was still confronted with higher input and logistics costs as well as the consequences of last year's coronavirus-induced factory closures. Moreover, China was still impacted by country-wide lockdowns which significantly reduced consumer demand in the region. On the other hand, the industry benefited from robust consumer spending driven by low unemployment rates. Especially in the western parts of the world, demand continued to be strong, driven by the return of major sports events, as well as elevated health awareness. However, due to the persisting supply chain challenges, the industry could not always meet the increasing demand. Against the positive background, the sporting goods industry is facing increasing risks related to a slowdown in global economic activity, low consumer confidence, a reduction of consumer spending as well as further covid-19-related lockdowns in China.

INCOME STATEMENT

ADIDAS WITH DOUBLE-DIGIT GROWTH IN WESTERN MARKETS IN THE FIRST HALF OF 2022

In the first half of 2022, currency-neutral revenues were flat versus the prior year period. In euro terms, revenues grew 5% to € 10,897 million (2021: € 10,345 million). From a category perspective, growth was driven by an excellent increase in Football, as well as a strong development in Running and Outdoor amid the return of major sports events. At the same time, revenues in the lifestyle category declined at a low-single-digit rate. From a regional perspective, currency-neutral sales were driven by strong demand in the Western markets EMEA, North America and Latin America. Despite the negative impact from supply chain constraints of € 600 million as a result of last year's lockdowns in Vietnam, Western markets combined, which represent more than 70% of the company's total business, grew at a double-digit rate in the first half of 2022. In Greater China and Asia-Pacific, the persistent challenging market environment as well as covid-19-related lockdowns continued to weigh on the revenue development. As a result, revenues declined at a double-digit and mid-single-digit rate, respectively.

¹ Source: World Bank, Global Economic Prospects.

Gross margin declined 1.7 percentage points to 50.1% in the first six months of 2022 (2021: 51.8%). Significantly higher supply chain costs and a less favorable market mix, due to the significant sales decline in Greater China, weighed on the gross margin development and could not be offset by a higher share of full price sales as well as the positive impact from first price increases.

Royalty and commission income increased 64% to € 50 million (2021: € 31 million); other operating income grew to € 74 million (2021: € 10 million).

KEY FINANCIAL HIGHLIGHTS

	First half year 2022	First half year 2021	Change
Operating Highlights (€ in millions)			
Net sales	10,897	10,345	5%
Operating profit/(loss)	828	1,248	(34%)
Net income/(loss) from continuing operations	671	890	(25%)
Net income/(loss) attributable to shareholders ¹	816	955	(15%)
Key Ratios			
Gross margin	50.1%	51.8%	(1.7pp)
Other operating expenses in % of net sales	43.7%	40.2%	3.5pp
Operating margin	7.6%	12.1%	(4.5pp)
Per Share of Common Stock (€)			
Diluted earnings ¹	3.47	4.52	(23%)

¹ Includes continuing operations.

Other operating expenses, including depreciation and amortization, consist of marketing and point-of-sale as well as operating overhead expenses. In the first half of 2022, other operating expenses were up 15% to € 4,759 million (2021: € 4,154 million). As a percentage of sales, other operating expenses increased 3.5 percentage points to 43.7% (2021: 40.2%). Marketing and point-of-sale expenses amounted to € 1,304 million (2021: € 1,157 million), an increase of 13% compared to the prior year. The company significantly increased its marketing investments to support new product launches as well as major brand campaigns. As a percentage of sales, marketing and point-of sale expenses were up 0.8 percentage points to 12.0% in the first half of 2022 (2021: 11.2%). Operating overhead expenses increased 15% to € 3,455 million (2021: € 2,997 million), mainly driven by the company's continued investments in its own direct-to-consumer (DTC) activities, its digital capabilities as well as the company's logistics infrastructure. As a percentage of sales, operating overhead expenses increased 2.7 percentage points to 31.7% (2021: 29.0%). In the first six months of 2022, adidas recorded an operating profit of € 828 million (2021: € 1,248 million), resulting in an operating margin of 7.6% (2021: 12.1%).

Financial income increased to € 24 million (2021: € 6 million). Financial expenses increased to € 140 million (2021: € 75 million) driven by unfavorable foreign exchange rate developments. Consequently, net financial expenses increased to € 117 million compared to € 69 million in the prior year's period. The company recorded income taxes of € 41 million resulting in a tax rate of 5.7% (2021: 24.5%), supported by a one-time tax benefit of more than € 100 million due to the reversal of a prior year provision. During the six month period, the company incurred net income from continuing operations of € 671 million (2021: € 890 million), resulting in basic and diluted earnings per share (EPS) from continuing operations of € 3.47 (2021: € 4.52). ► [SEE FINANCIAL HIGHLIGHTS](#)

In the first half of 2022, adidas' gain from discontinued operations net of tax amounted to € 128 million related to the Reebok divestiture (2021: € 72 million). As a result, the net income attributable to shareholders, which, in addition to the net income from continuing operations, includes the gain from

discontinued operations, amounted to € 776 million (2021: € 955 million). Consequently, both basic and diluted EPS from continuing and discontinued operations were € 4.16 (2021: € 4.89).

The total number of shares outstanding decreased to 182,527,479 in the first half of 2022 due to the company's share buyback program. The average number of shares used in the calculation of EPS was 186,510,429. ► [SEE FINANCIAL HIGHLIGHTS](#)

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

Changes in the statement of financial position are discussed in relation to the respective positions at the end of June 2021.

ASSETS

At the end of June 2022, total assets were down 3% to € 21,324 million compared to the prior year (2021: € 21,877 million), mainly driven by a decrease in current assets.

Total current assets decreased 9% to € 12,828 million at the end of June 2022 (2021: € 14,136 million). Cash and cash equivalents were down 62% to € 1,578 million (2021: € 4,151 million), as net cash used in operating and financing activities was only partly offset by net cash generated from investing activities. Inventories increased 35% to € 5,483 million versus the prior-year level of € 4,054 million. This development is a result of elevated lead times due to global supply chain constraints resulting in a higher level of goods in transit. On a currency-neutral basis, inventories increased 28%. Accounts receivable increased by 30% to € 3,022 million (2021: € 2,324 million), reflecting the company's strong top-line growth in Western markets. On a currency-neutral basis, receivables were up 23%. Other current assets rose 26% to € 1,334 million (2021: € 1,057 million). Due to the completion of the divestiture of the Reebok business, all related assets classified as held for sale were derecognized as of February 28, 2022.

► [SEE NOTE 03](#) ► [SEE NOTE 04](#)

Total non-current assets increased 10% to € 8,496 million at the end of June 2022 (2021: € 7,741 million). Fixed assets were up 13% to € 7,072 million (2021: € 6,248 million). Deferred tax assets were down 16% to € 974 million (2021: € 1,154 million).

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

	June 30, 2022	June 30, 2021
Assets (€ in millions)	21,324	21,877
Cash and cash equivalents	7.4	19.0
Accounts receivable	14.2	10.6
Inventories	25.7	18.5
Fixed assets	33.2	28.6
Other assets	19.6	23.3

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

LIABILITIES AND EQUITY

Total current liabilities increased 5% to € 9,602 million at the end of June 2022 (2021: € 9,161 million). Accounts payable grew to € 3,314 million (2021: € 2,165 million), mainly due to higher sourcing volumes and increased product costs compared to the prior-year period. On a currency-neutral basis, accounts payable increased 50%. Short-term borrowings declined 54% to € 313 million at the end of June 2022 (2021: € 682 million), mainly reflecting the repayment of a eurobond (nominal value € 600 million) in

July 2021. Due to the completion of the divestiture of the Reebok business, all related liabilities classified as held for sale were derecognized as of February 28, 2022.

Total non-current liabilities decreased 1% to € 5,301 million at the end of June 2022 (2021: € 5,357 million). Long-term borrowings were stable at € 2,459 million compared to the prior year (2021: € 2,473 million). The non-current lease liability increased 9% to € 2,401 million (2021: € 2,206 million), mainly due to currency effects and lease modifications.

Compared to the prior year, the total number of shares outstanding decreased by 6% or 12,583,581 shares to 182,527,479 at the end of June 2022. ► SEE FINANCIAL HIGHLIGHTS

Shareholders' equity decreased 15% to € 6,032 million at the end of June 2022 (2021: € 7,106 million), partly reflecting the repurchase of adidas AG shares. Consequently, the company's equity ratio decreased 4.2 percentage points from 32.5% to 28.3%.

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

	June 30, 2022	June 30, 2021
Liabilities and equity (€ in millions)	21,324	21,877
Short-term borrowings	1.5	3.1
Accounts payable	15.5	9.9
Long-term borrowings	11.5	11.3
Other liabilities	41.4	42.1
Total equity	30.1	33.6

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

OPERATING WORKING CAPITAL

Operating working capital increased 23% to € 5,191 million at the end of June 2022 (2021: € 4,213 million). On a currency-neutral basis, operating working capital was up 14%. The average operating working capital as a percentage of sales decreased 0.4 percentage points to 21.0% (2021: 21.4%), reflecting an overproportional increase of accounts payable due to higher sourcing volumes and product costs.

► SEE FINANCIAL HIGHLIGHTS

LIQUIDITY ANALYSIS

In the first half of 2022, net cash used in operating activities was € 464 million (2021 net cash generated: € 1,172 million). This development was driven by the increase in operating working capital as well as the lower operating profit generated during the period. Net cash generated in investing activities rose to € 880 million (2021 net cash used: € 86 million). The majority of investing activities in the first half of 2022 related to the proceeds from the divestiture of the Reebok business, but also included spending for property, plant and equipment, such as investments into controlled space and the further development of the company's headquarter infrastructure as well as for other intangible assets such as the development of software. Net cash used in financing activities totaled € 2,757 millions (2021 net cash used: € 945 million), mainly due to the repurchase of treasury shares and dividend paid to shareholders. As a result of these developments, cash and cash equivalents decreased € 2,574 million from € 4,151 million at the end of June 2021 to € 1,578 million at the end of June 2022. Adjusted net borrowings at June 30, 2022, amounted to € 5,301 million, representing an increase of € 2,155 million compared to adjusted net borrowings of € 3,146 million at the end of June 2021. This development was mainly due to a significant decrease in cash and cash equivalents. The company's ratio of adjusted net borrowings over EBITDA amounted to 2.0. ► SEE FINANCIAL HIGHLIGHTS

BUSINESS PERFORMANCE BY SEGMENT

adidas has divided its operating activities into the following operating segments: EMEA, North America, Greater China, Asia-Pacific, Latin America, and Other centrally managed businesses. EMEA comprises Europe and Emerging Markets (Middle East, Africa, and Russia/CIS). The Asia-Pacific market consists of Japan, South Korea, Southeast Asia and the Pacific region.

WESTERN MARKETS SHOW STRONG MOMENTUM DESPITE THE NEGATIVE IMPACT FROM SUPPLY CHAIN CHALLENGES

In the first half of 2022, top-line development continued to differ significantly between Western and Eastern markets. Despite EMEA and North America having been significantly impacted by supply shortages, Western markets combined, which represent more than 70% of the company's business, grew at a double-digit rate. In addition, top-line development in EMEA was hampered by the company's decision to suspend its operations in Russia due to the war in Ukraine. The strong growth in Western markets was offset by a more difficult environment in Greater China and Asia-Pacific. As expected, Asia-Pacific returned to growth in the second quarter of the year resulting in a high-single-digit decline in the first six months while revenues in Greater China declined at a double-digit rate. In most segments, a favorable pricing mix due to less promotional activity and selective price increases had a positive effect on the gross margin development. At the same time, higher supply chain costs and a less favorable channel mix impacted the gross margin development in most segments. Driven by strong double-digit top-line growth and corresponding operating leverage, operating margins improved in both North and Latin America. In the other regions, higher operating expenses as a percentage of sales weighed on operating margins.

EMEA

Sales in EMEA increased 8% on a currency-neutral basis. In euro terms, sales increased 9% to € 4,014 million.

Gross margin in EMEA increased 0.3 percentage points to 51.1%, as the benefits from an improved pricing mix more than offset higher sourcing costs as well as the less favorable channel and market mix. Operating expenses grew 12% to € 1,214 million, reflecting increases in both marketing spend and operating overhead costs. As a percentage of sales, operating expenses were up 0.9 percentage points to 30.2%. Operating profit in EMEA increased 8% to € 853 million. The operating margin decreased 0.3 percentage points to 21.2%.

EMEA AT A GLANCE € IN MILLIONS

	First half year 2022	First half year 2021	Change	Change (currency- neutral)
Net sales	4,014	3,680	9%	8%
Gross profit	2,051	1,870	10%	-
Gross margin	51.1%	50.8%	0.3pp	-
Segmental operating profit	853	792	8%	-
Segmental operating margin	21.2%	21.5%	(0.3pp)	-

NORTH AMERICA

Sales in North America increased 17% on a currency-neutral basis. In euro terms, sales rose 29% to € 3,108 million.

Gross margin in North America decreased 0.4 percentage points to 45.1%. Price increases and a higher share of full-price sales as well as a more favorable category and channel mix were more than offset by the significant increase in sourcing costs. Operating expenses increased 23% to € 814 million, reflecting a strong increase in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales decreased 1.3 percentage points to 26.2%. The operating profit in North America improved 38% to € 617 million. As a result, operating margin in the region increased 1.3 percentage points to 19.9%.

NORTH AMERICA AT A GLANCE € IN MILLIONS

	First half year 2022	First half year 2021	Change	Change (currency- neutral)
Net sales	3,108	2,406	29%	17%
Gross profit	1,402	1,094	28%	-
Gross margin	45.1%	45.5%	(0.4pp)	-
Segmental operating profit	617	447	38%	-
Segmental operating margin	19.9%	18.6%	1.3pp	-

GREATER CHINA

Sales in Greater China decreased 35% on a currency-neutral basis. In euro terms, sales were down 28% to € 1,723 million.

Gross margin in Greater China was down 1.4 percentage points to 52.7% as the better category and channel mix was more than offset by a less favorable pricing mix and higher inventory write-offs. Operating expenses were up 9% to € 589 million, reflecting an increase in operating overhead costs. Operating expenses as a percentage of sales rose 11.6 percentage points to 34.2%. Operating profit in Greater China decreased 57% to € 325 million. Consequently, the operating margin decreased 12.7 percentage points to 18.8%.

GREATER CHINA AT A GLANCE € IN MILLIONS

	First half year 2022	First half year 2021	Change	Change (currency- neutral)
Net sales	1,723	2,405	(28%)	(35%)
Gross profit	907	1,299	(30%)	-
Gross margin	52.7%	54.0%	(1.4pp)	-
Segmental operating profit	325	758	(57%)	-
Segmental operating margin	18.8%	31.5%	(12.7pp)	-

ASIA-PACIFIC

Sales in Asia-Pacific decreased 7%, both on a currency-neutral basis and in euro terms, to € 1,056 million.

Gross margin in Asia-Pacific increased 1.5 percentage points to 53.9%. A more favorable pricing mix more than offset increased sourcing costs as well as a less favorable channel mix. Operating expenses were up 4% to € 331 million, reflecting an increase in both marketing expenditure and operating overhead costs. As a percentage of sales, operating expenses increased 3.4 percentage points to 31.4%. Operating profit in Asia-Pacific decreased 12% to € 250 million. The operating margin in the region declined 1.5 percentage points to 23.7%.

ASIA-PACIFIC AT A GLANCE € IN MILLIONS

	First half year 2022	First half year 2021	Change	Change (currency- neutral)
Net sales	1,056	1,135	(7%)	(7%)
Gross profit	569	595	(4%)	-
Gross margin	53.9%	52.4%	1.5pp	-
Segmental operating profit	250	285	(12%)	-
Segmental operating margin	23.7%	25.1%	(1.5pp)	-

LATIN AMERICA

Sales in Latin America increased 37% on a currency-neutral basis. In euro terms, sales rose 45% to € 933 million.

Gross margin in Latin America declined 1.3 percentage points to 46.9%, as higher sourcing costs and a less favorable channel and market mix were only partly compensated by a more favorable pricing mix. Operating expenses were up 23% to € 234 million, reflecting strong increases in both operating overhead costs and marketing spend. Operating expenses as a percentage of sales were down 4.3 percentage points to 25.1%. Operating profit in Latin America rose 72% to € 209 million. The operating margin increased 3.6 percentage points to 22.4%.

LATIN AMERICA AT A GLANCE € IN MILLIONS

	First half year 2022	First half year 2021	Change	Change (currency- neutral)
Net sales	933	645	45%	37%
Gross profit	438	311	41%	-
Gross margin	46.9%	48.2%	(1.3pp)	-
Segmental operating profit	209	121	72%	-
Segmental operating margin	22.4%	18.8%	3.6pp	-

OUTLOOK²

GLOBAL ECONOMIES FACE RISK OF RECESSION IN 2022³

In 2022, global GDP is now forecast to grow 2.9%, which reflects a cut of nearly one third compared to the expectation from January 2022. This revision is mainly driven by the consequences of the war between Russia and Ukraine. While the coronavirus pandemic already limited income growth and poverty reduction in developing countries, the fallout from the war between Russia and Ukraine poses another challenge. With inflation now running at multi-decade highs in many countries and supply expected to grow slowly, the inflation risk will remain elevated for longer than anticipated. As a result, consumer confidence will be pressured further and in many economies, recessions will be difficult to avoid, while the global risk of stagflation is considerable.

SPORTING GOODS INDUSTRY WITH LIMITED RECOVERY IN 2022

Against the backdrop of various economic challenges, the sporting goods industry is facing an increased risk of a slowdown in 2022. In the short term, the inflationary environment and higher prices are expected to continue to weigh on consumer spending in many markets around the globe. In addition, the risk of further coronavirus-related restrictions, particularly in Greater China, remains elevated. However, existing global trends such as 'athleisure', the rising awareness for health, wellness and sustainability are expected to make the sporting goods industry fundamentally attractive in the long run. Moreover, the shift toward online and social media channels will remain a powerful catalyst with major industry players leveraging this trend by increasing their direct-to-consumer (DTC) efforts. For the sporting goods sector too, risks related to further disruptions caused by supply chain challenges as well as the war between Russia and Ukraine remain.

RISKS AND OPPORTUNITIES

Risks related to the macroeconomic environment, with high inflation rates in many of our markets as well as uncertainties regarding the geopolitical situation and the further development of the coronavirus pandemic, in particular coronavirus-related restrictions in Greater China, could negatively impact our financial results.

While we still see major opportunities related to consumer demand and product offering as well as margin improvements through better product design and manufacturing efficiency gained in the mid to long term, we consider upside potential related to short-term opportunities as limited.

Compared to the risk profile as reported in the Annual Report 2021, significant risks have materialized. This is reflected in the adjusted outlook for 2022. Given the company's strong risk-bearing capacity due to its current liquidity position and financial health, Management does not foresee any material jeopardy to

² This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of adidas. The outlook is based on estimates that we have made on the basis of all the information available to us at the time of completion of this First Half Year Report. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report of the adidas 2021 Annual Report which are beyond the control of the company. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialize, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. adidas does not assume any obligation to update any forward-looking statements made in this Management Report beyond statutory disclosure obligations.

³ Source: World Bank, Global Economic Prospects.

the viability of the company as a going concern. We remain confident that the earnings strength forms a solid foundation for our business development and provides the necessary resources to pursue future opportunities.

ADIDAS ADJUSTS ITS OUTLOOK FOR FY 2022

Due to the slower-than-expected recovery in Greater China since the start of the third quarter, resulting from continued widespread covid-19-related restrictions, we have adjusted our guidance for FY 2022. We now expect currency-neutral revenues for the total company to grow at a mid- to high-single-digit rate in 2022 (previously: at the lower end of the 11% to 13% range), reflecting a double-digit decline in Greater China (previously: significant decline). While we have not experienced a meaningful slowdown in the sell-through of our products or significant cancellations of wholesale orders in any market other than Greater China to date, the adjusted guidance also accounts for a potential slowdown of consumer spending in those markets during the second half of the year as a result of the more challenging macroeconomic conditions. As a result, growth in EMEA is now expected to be in the low teens (previously: mid-teens growth), while we project revenues in Asia-Pacific to grow at a high-single-digit rate (previously: mid-teens growth). Despite the more conservative view on the development in the second half of the year, we have increased our forecasts for North America and Latin America, reflecting the strong momentum our brand is enjoying in these markets. In North America, currency-neutral revenues are now expected to increase at a rate in the high teens. Sales in Latin America are projected to grow between 30% and 40% (both previously: mid- to high-teens growth).

Due to the less favorable market mix and the impacts from initiatives to clear excess inventories in Greater China until the end of the year, we now expect gross margin to reach a level of around 49.0% (previously: around 50.7%) in 2022. Consequently, our operating margin is now forecast to be around 7.0% (previously: around 9.4%) and net income from continuing operations is expected to reach a level of around € 1.3 billion (previously: at the lower end of the € 1.8 billion to € 1.9 billion range).

The significant increase in lead times for our products continues to have an adverse impact on our working capital development. As a result, we now expect average operating working capital as a percentage of net sales to increase to a level of above 20% in 2022 (previously: to decrease to a level of below 20%).

As outlined in our 'Own the Game' strategy, we will continue to invest into our business, with investments into our own retail stores as well as into digital, including e-commerce, making up the biggest part of capital expenditure. Against the background of the more challenging macroeconomic environment, we now plan with capital expenditure of up to € 700 million in 2022 (previously: increase to a level of up to € 900 million).

COMPANY TARGETS VERSUS ACTUAL KEY METRICS

	2021 Results	2022 Previous Targets ¹	2022 Updated Targets ²
Sales (€ in millions)	21,234	to increase at the lower end of the range between 11% and 13%³	to increase at a mid- to high-single digit rate³
EMEA	7,760	mid-teens growth ³	low-teens growth ³
North America	5,105	mid-to-high-teens growth ³	high-teens growth ³
Greater China	4,597	significant decline ³	double-digit decline ³
Asia-Pacific	2,180	mid-teens growth ³	high-single-digit growth ³
Latin America	1,446	mid-to-high-teens growth ³	to increase at a rate of between 30% and 40% ³
Gross margin	50.7%	to reach a level of around 50.7%	to reach a level of around 49.0%
Operating margin	9.4%	to reach a level of around 9.4%	to reach a level of around 7.0%
Net income from continuing operations (€ in millions)	1,492	to increase to the lower end of the range between € 1.8 billion and € 1.9 billion	to reach a level of around € 1.3 billion
Average operating working capital in % of net sales	20.0	to decrease to a level of below 20%	to increase to a level of above 20%
Capital expenditure (€ in millions)⁴	667	to increase to a level of up to € 900 million	to reach a level of up to € 700 million

1 As updated with the release of the company's first quarter publication on May 6, 2022. For initial 2022 targets see Annual Report 2021.

2 As published on July 26, 2022.

3 Currency-neutral.

4 Excluding acquisitions and leases.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	June 30, 2022	June 30, 2021	Change in %	December 31, 2021
Assets				
Cash and cash equivalents	1,578	4,151	(62.0)	3,828
Accounts receivable	3,022	2,324	30.0	2,175
Other current financial assets	1,311	810	61.9	745
Inventories	5,483	4,054	35.3	4,009
Income tax receivables	100	66	51.2	91
Other current assets	1,334	1,057	26.2	1,062
Assets classified as held for sale	-	1,674	n.a.	2,033
Total current assets	12,828	14,136	(9.3)	13,944
Property, plant and equipment	2,346	2,065	13.6	2,256
Right-of-use assets	2,732	2,430	12.4	2,569
Goodwill	1,278	1,199	6.6	1,228
Trademarks	16	16	-	16
Other intangible assets	401	261	53.5	336
Long-term financial assets	298	276	7.9	290
Other non-current financial assets	366	243	50.9	160
Deferred tax assets	974	1,154	(15.6)	1,263
Other non-current assets	84	96	(13.0)	74
Total non-current assets	8,496	7,741	9.8	8,193
Total assets	21,324	21,877	(2.5)	22,137

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

	June 30, 2022	June 30, 2021	Change in %	December 31, 2021
Liabilities and equity				
Short-term borrowings	313	682	(54.1)	29
Accounts payable	3,314	2,165	53.1	2,294
Current lease liabilities	608	480	26.7	573
Other current financial liabilities	496	340	45.9	363
Income taxes	448	686	(34.7)	536
Other current provisions	1,338	1,433	(6.6)	1,458
Current accrued liabilities	2,579	2,260	14.1	2,684
Other current liabilities	506	450	12.3	434
Liabilities classified as held for sale	-	667	n.a.	594
Total current liabilities	9,602	9,161	4.8	8,965
Long-term borrowings	2,459	2,473	(0.6)	2,466
Non-current lease liabilities	2,401	2,206	8.9	2,263
Other non-current financial liabilities	53	98	(46.1)	51
Pensions and similar obligations	108	234	(53.9)	267
Deferred tax liabilities	155	189	(17.9)	122
Other non-current provisions	108	134	(19.1)	149
Non-current accrued liabilities	8	6	48.2	8
Other non-current liabilities	9	18	(51.3)	9
Total non-current liabilities	5,301	5,357	(1.0)	5,334
Share capital	183	195	(6.4)	192
Reserves	359	(190)	n.a.	69
Retained earnings	5,491	7,101	(22.7)	7,259
Shareholders' equity	6,032	7,106	(15.1)	7,519
Non-controlling interests	388	253	53.5	318
Total equity	6,420	7,358	(12.7)	7,837
Total liabilities and equity	21,324	21,877	(2.5)	22,137

CONDENSED CONSOLIDATED INCOME STATEMENT

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

	First half year 2022	First half year 2021	Change	Second quarter 2022	Second quarter 2021	Change
Net sales	10,897	10,345	5.3%	5,596	5,077	10.2%
Cost of sales	5,435	4,983	9.1%	2,781	2,446	13.7%
Gross profit	5,463	5,362	1.9%	2,815	2,632	7.0%
(% of net sales)	50.1%	51.8%	(1.7 pp)	50.3%	51.8%	(1.5 pp)
Royalty and commission income	50	31	63.6%	27	17	60.0%
Other operating income	74	10	645.1%	51	2	1,931.1%
Other operating expenses	4,759	4,154	14.6%	2,501	2,107	18.7%
(% of net sales)	43.7%	40.2%	3.5 pp	44.7%	41.5%	3.2 pp
Marketing and point-of-sale expenses	1,304	1,157	12.7%	663	616	7.6%
(% of net sales)	12.0%	11.2%	0.8 pp	11.8%	12.1%	(0.3 pp)
Operating overhead expenses ¹	3,455	2,997	15.3%	1,838	1,492	23.2%
(% of net sales)	31.7%	29.0%	2.7 pp	32.8%	29.4%	3.5 pp
Operating profit	828	1,248	(33.6%)	392	543	(27.9%)
(% of net sales)	7.6%	12.1%	(4.5 pp)	7.0%	10.7%	(3.7 pp)
Financial income	24	6	323.6%	16	4	313.6%
Financial expenses	140	75	88.0%	107	37	186.6%
Income before taxes	711	1,179	(39.6%)	300	510	(41.1%)
(% of net sales)	6.5%	11.4%	(4.9 pp)	5.4%	10.0%	(4.7 pp)
Income taxes	41	289	(85.9%)	(60)	123	n.a.
(% of income before taxes)	5.7%	24.5%	(18.8 pp)	(20.0%)	24.0%	n.a.
Net income from continuing operations	671	890	(24.6%)	360	387	(7.0%)
(% of net sales)	6.2%	8.6%	(2.4 pp)	6.4%	7.6%	(1.2 pp)
Gain / (loss) from discontinued operations, net of tax	128	72	78.0%	(52)	20	n.a.
Net income	799	962	(16.9%)	309	407	(24.2%)
(% of net sales)	7.3%	9.3%	(2.0 pp)	5.5%	8.0%	(2.5 pp)
Net income attributable to shareholders	776	955	(18.7%)	294	397	(25.8%)
(% of net sales)	7.1%	9.2%	(2.1 pp)	5.3%	7.8%	(2.6 pp)
Net income attributable to non-controlling interests	23	7	231.0%	15	11	35.1%
Basic earnings per share from continuing operations (in €)	3.47	4.52	(23.2%)	1.88	1.93	(2.8%)
Diluted earnings per share from continuing operations (in €)	3.47	4.52	(23.2%)	1.88	1.93	(2.8%)
Basic earnings per share from continuing and discontinued operations (in €)	4.16	4.89	(15.0%)	1.60	2.03	(21.5%)
Diluted earnings per share from continuing and discontinued operations (in €)	4.16	4.89	(15.0%)	1.60	2.03	(21.5%)

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 2022	First half year 2021	Second quarter 2022	Second quarter 2021
Net income after taxes	799	962	309	407
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	136	43	79	6
Net (loss)/gain on other equity investments (IFRS 9), net of tax	(1)	(1)	(1)	3
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	135	41	78	10
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	78	100	69	(6)
Net gain/(loss) on cost of hedging reserve – options, net of tax	5	(5)	(1)	(2)
Net (loss)/gain on cost of hedging reserve – forward contracts, net of tax	(11)	10	(7)	5
Reclassification of foreign currency translation differences due to disposal of foreign operations	(228)	-	-	-
Currency translation differences	386	145	310	8
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	230	251	372	5
Other comprehensive income	366	292	450	14
Total comprehensive income	1,165	1,254	759	422
Attributable to shareholders of adidas AG	1,110	1,239	719	413
Attributable to non-controlling interests	54	15	39	8

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve options	Cost of hedging reserve forward contracts	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2020	195	887	(850)	(250)	(3)	(23)	(235)	6,733	6,454	237	6,691
Other comprehensive income			137	100	(5)	10	41		284	9	292
Net income								955	955	7	962
Total comprehensive income			137	100	(5)	10	41	955	1,239	15	1,254
Repurchase of adidas AG shares due to equity-settled share-based payment	(1)							(15)	(15)		(15)
Reissuance of treasury shares due to equity-settled share-based payment	1							14	15		15
Dividend payment								(585)	(585)		(585)
Equity-settled share-based payment								(1)	(1)		(1)
Balance at June 30, 2021	195	887	(712)	(150)	(7)	(14)	(194)	7,101	7,106	253	7,358
Balance at December 31, 2021	192	895	(542)	(64)	(8)	(12)	(200)	7,259	7,519	318	7,837
Other comprehensive income			127	78	5	(12)	135		334	32	366
Net income								776	776	23	799
Total comprehensive income			127	78	5	(12)	135	776	1,110	54	1,165
Repurchase of adidas AG shares	(9)							(1,945)	(1,954)		(1,954)
Repurchase of adidas AG shares due to equity-settled share-based payment	(0)							(7)	(7)		(7)
Reissuance of treasury shares due to equity-settled share-based payment	0							19	20		20
Dividend payment								(610)	(610)	(1)	(611)
Equity-settled share-based payment								(2)	(2)		(2)
Acquisition of shares from non-controlling interests shareholders in accordance with IAS 32			4				(48)		(44)	17	(27)
Balance at June 30, 2022	183	895	(410)	14	(3)	(24)	(112)	5,491	6,032	388	6,420

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	First half year 2022	First half year 2021
Operating activities:		
Income before taxes	711	1,179
Adjustments for:		
Depreciation, amortization and impairment losses	652	568
Reversals of impairment losses	(2)	(7)
Interest income	(13)	(5)
Interest expense	65	69
Unrealized foreign exchange losses, net	41	9
Losses on sale of property, plant and equipment and intangible assets, net	4	4
Other non-cash expense	(36)	(6)
Operating profit before working capital changes	1,422	1,810
Increase in receivables and other assets	(1,277)	(553)
(Increase) / Decrease in inventories	(1,318)	13
Increase / (Decrease) in accounts payable and other liabilities	961	(82)
Net cash (used in)/generated from operations before taxes	(212)	1,189
Income taxes paid	(212)	(112)
Net cash (used in)/generated from operating activities – continuing operations	(424)	1,077
Net cash (used in)/generated from operating activities – discontinued operations	(40)	95
Net cash (used in)/generated from operating activities	(464)	1,172
Investing activities:		
Purchase of trademarks and other intangible assets	(111)	(53)
Proceeds from sale of trademarks and other intangible assets	1	-
Purchase of property, plant and equipment	(204)	(130)
Proceeds from sale of property, plant and equipment	2	-
Proceeds from sale of a disposal group from prior years	12	12
Proceeds from disposal of discontinued operations net of cash disposed	1,165	29
Proceeds from investments and other long-term assets	3	55
Interest received	13	5
Net cash generated from/(used in) investing activities – continuing operations	881	(81)
Net cash used in investing activities – discontinued operations	(1)	(5)
Net cash generated from/(used in) investing activities	880	(86)

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

	First half year 2022	First half year 2021
Financing activities:		
Interest paid	(56)	(54)
Repayments of lease liabilities	(376)	(267)
Dividend paid to shareholders of adidas AG	(610)	(585)
Dividend paid to non-controlling interest shareholders	(1)	-
Acquisition of non-controlling interests	(27)	-
Repurchase of treasury shares	(1,953)	-
Repurchase of treasury shares due to share-based payments	(15)	(15)
Proceeds from reissuance of treasury shares due to share-based payments	13	12
Proceeds/(repayments) from short-term borrowings	274	(17)
Net cash used in financing activities – continuing operations	(2,751)	(926)
Net cash used in financing activities – discontinued operations	(7)	(19)
Net cash used in financing activities	(2,757)	(945)
Effect of exchange rates on cash	90	15
(Decrease)/Increase in cash and cash equivalents	(2,251)	157
Cash and cash equivalents at beginning of year	3,828	3,994
Cash and cash equivalents at end of period	1,578	4,151

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT JUNE 30, 2022

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, 2022, 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, 2022, 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 annual consolidated financial statements at financial year-end. Therefore, these interim consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. The accounting policies, as well as the recognition, measurement and disclosure principles applied in the consolidated financial statements for the year ending December 31, 2021, also apply to the interim consolidated financial statements for the first half year ending June 30, 2022.

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, 2022, have been applied for the first time:

- Property, Plant, and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37
- Annual Improvements to IFRS Standards (2018–2020)

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 2021.

New accounting standards and interpretations, as well as amendments to existing standards that are not yet effective in the EU or effective for financial years beginning after January 1, 2022, are not expected to have any material impact on the consolidated financial statements. The company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Business operations in 2022 continued to be impacted by the effects of the coronavirus pandemic and covid-19-related lockdowns, particularly in Greater China, resulting in a large number of temporary store closures and an overall challenging market environment. Estimates and assumptions relevant to the consolidated 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.

On February 24, 2022, Russia launched an invasion of Ukraine. The ongoing war conflicts continue to evolve, affecting economic and global financial markets and exacerbating ongoing economic challenges. The above event has forced adidas to suspend its operations in Russia in March 2022. This has not had material influence on the assets, liabilities, financial position, and profit or loss of the company. Cash held in Russia is subject to restrictions regarding its use outside Russia. The implications from the current situation, as well as duration of the same, are uncertain. Estimates and assumptions relevant to the financial statements were made to the best of our knowledge, based on current events and actions. adidas continues to follow the situation closely and will take future business decisions and actions as needed, prioritizing its employees' safety and support.

As of February 28, 2022, the company has formally completed the divestiture of Reebok to Authentic Brands Group LLC (ABG). The assets and liabilities, which were reported as assets/liabilities held for sale since February 2021, were consequently derecognized from the consolidated statement of financial position as at February 28, 2022. ► [SEE NOTE 03](#)

Besides there were no changes in the scope of consolidation in the first half of 2022.

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

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

The results of operations for the first half year ending June 30, 2022, are not necessarily indicative of results to be expected for the entire year.

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

02 REVENUE

The sales of the company in certain product categories are seasonal, and therefore, revenues and attributable earnings may vary within the financial year. In the years before the coronavirus pandemic, sales and earnings tended to be strongest in the first and third quarters of the financial year because these coincided with the launch of the spring/summer and fall/winter collections, respectively. In the first half of 2022, sales stabilized but variations may still occur due to the ongoing coronavirus pandemic and the war between Russia and Ukraine. Shifts in the share of sales and attributable earnings of particular product categories or in the regional composition may occur throughout the year.

A disaggregation of revenue into product categories is contained in these Notes. ► [SEE NOTE 08](#)

03 DISCONTINUED OPERATIONS

Description

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 Reebok business was sold on February 28, 2022, with effect from March 1, 2022. The majority of the purchase price was 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.

Financial performance

The gain from the discontinued Reebok operations relates to the first half of 2022 and 2021:

DISCONTINUED OPERATION REEBOK

€ in millions	First half year 2022	First half year 2021
Net Sales	316	823
Expenses	(306)	(666)
Gain from operating activities before taxes	10	157
Income taxes	(28)	(78)
(Loss)/Gain from operating activities, net of tax	(18)	78
Gain from the sale of discontinued operations	522	-
Other loss from revaluation of contingent consideration receivable	(7)	-
Transaction costs	(26)	(12)
Income taxes	(343)	2
Gain/(loss) from the sale of discontinued operations, net of tax	146	(10)
Gain from discontinued operations, net of tax	128	68

Gains from discontinued operations for the first half year 2022 in an amount of € 128 million (2021: gains of € 72 million) are entirely attributable to the shareholders of adidas AG. In 2021, the gains from discontinued operations, besides Reebok, also include an amount of € 4 million relating to divestitures in previous years.

The gain from the sale of discontinued operations in the amount of € 522 million includes a gain from a release of a deferred tax liability of € 308 million. Therefore, the net income tax expense related to discontinued operations amounts to € 63 million (2021: income tax expense of € 76 million).

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at 31 December 2021:

ASSETS AND LIABILITIES HELD FOR SALE OF THE REEBOK BUSINESS

€ 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 asset	26
Other non-current financial assets	3
Total non-current assets	1,622
Total assets	2,033
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

04 DISPOSAL OF SUBSIDIARIES AS WELL AS ASSETS AND LIABILITIES

The divestiture of the Reebok business was completed on February 28, 2022, with effect from March 1, 2022. The total purchase price amounted to € 1,686 million consisting of € 1,165 million in cash, earn-out components in an amount of € 247 million, and deferred consideration in an amount of € 274 million. The assets and liabilities, which were reported as assets/liabilities held for sale since February 2021, due to the concrete plans to sell the business, were consequently derecognized from the consolidated statement of financial position as at February 28, 2022.

Details of the sale of the Reebok business

DETAILS OF THE SALE OF THE REEBOK BUSINESS

€ in millions	February 28, 2022
Consideration received or receivable:	
Cash	1,165
Fair value of contingent and deferred consideration	521
Total disposal consideration	1,686
Carrying amount of net assets sold	(1,392)
Gain on sale before income tax and reclassification of foreign currency translation reserve	294
Reclassification of foreign currency translation reserve	228
Gain on sale before income tax	522
Income tax expense on gain	(343)
Gain on sale after income tax	179

In the event the operations of the Reebok business achieve certain performance criteria during the period March 1, 2022, to December 31, 2031, specified as earn-out components in the sale agreement, additional cash consideration of up to € 500 million will be receivable. At the time of the sale, the fair value of the consideration was determined to be € 247 million. It has been recognized as a financial asset at fair value through profit or loss.

At first half year end, the fair value was re-estimated to be € 240 million. The loss of € 7 million is presented in discontinued operations net of related income tax.

Additionally, as contemplated in the sale agreement relating to the Reebok business, the purchase is subject to deferred considerations for inventory and contractually specified items, which amount to € 274 million.

The carrying amounts of assets and liabilities as at the date of sale were:

DISPOSED ASSETS AND LIABILITIES OF THE REEBOK BUSINESS

€ in millions	February 28, 2022
Cash and cash equivalents	1
Accounts receivable	97
Inventories	298
Other current financial assets	2
Other current assets	4
Total current assets	403
Property, plant, and equipment	62
Right-of-use assets	125
Goodwill	28
Trademark Reebok	1,383
Other intangible assets	0
Total non-current assets	1,598
Total assets	2,001
Accounts payable	50
Current lease liabilities	32
Other current provisions	28
Current accrued liabilities	73
Other current liabilities	4
Total current liabilities	187
Non-current lease liabilities	111
Deferred tax liabilities	308
Other non-current provisions	3
Total non-current liabilities	422
Total liabilities	609
Net assets	1,392

05 SHAREHOLDERS' EQUITY

During the period from January 1, 2022, to June 30, 2022, the nominal capital of adidas AG remained unchanged. Consequently, on June 30, 2022, the nominal capital of adidas AG amounted to € 192,100,000 divided into 192,100,000 registered no-par-value shares.

Based on the authorization to repurchase and use adidas AG shares granted to the Executive Board by the Annual General Meeting on May 12, 2021, adidas AG commenced a share buyback program with a first tranche on January 10, 2022, which was completed on February 22, 2022. Against the background of the formal closing of the Reebok divestiture, another share buyback program was commenced on March 14, 2022. Further information on the adidas AG shares repurchased in the first six months of the 2022 financial year can be taken from the table 'Repurchase of adidas AG shares in the 2022 financial year.' The company may use the repurchased shares for all purposes admissible under the authorization granted. adidas AG, however, plans to cancel the majority of the repurchased shares.

REPURCHASE OF ADIDAS AG SHARES IN THE 2022 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	2,205,504	542,638,920.85	246.04	2,205,504	1.15
February	1,951,054	457,360,944.65	234.42	1,951,054	1.02
March	1,174,111	247,959,569.74	211.19	1,174,111	0.61
April	1,545,759	315,334,832.60	204.00	1,545,759	0.80
May	667,619	118,151,634.37	176.97	667,619	0.35
June	1,573,502	271,623,667.15	172.62	1,573,502	0.82
2022 financial year total	9,117,549	1,953,069,569.37	214.21	9,117,549	4.75

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 AG shares were purchased by a service provider on behalf of the participating employees in the first six months of the 2022 financial year. For part of such shares, adidas AG financed a discount of 15%, and for another part of the shares (matching shares) adidas financed the full purchase price. More details on the purchase of shares in connection with the employee stock purchase plan in the first six months of the 2022 financial year are set out in the tables 'Purchase of shares in the context of the employee stock purchase plan 2022' and 'Purchase of shares in the context of the employee stock purchase plan 2022/Matching shares.'

PURCHASE OF SHARES IN THE CONTEXT OF THE EMPLOYEE STOCK PURCHASE PLAN 2022¹

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 %	Allocation date to employees
January 7, 2022	14,744	3,689,106.33	250.21	14,744	0.01	January 11, 2022
April 7, 2022	16,018	3,284,490.90	205.05	16,018	0.01	April 11, 2022

¹ Purchase by a service provider on behalf of the participating employees.

PURCHASE OF SHARES IN THE CONTEXT OF THE EMPLOYEE STOCK PURCHASE PLAN 2022/MATCHING SHARES¹

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 %	Allocation date to employees
January 7, 2022	1,404	351,295.80	250.21	1,404	0.001	January 11, 2022
April 7, 2022	1,402	287,480.10	205.05	1,402	0.001	April 11, 2022

¹ Purchase by a service provider on behalf of the participating employees.

adidas AG furthermore used 35,276 treasury shares in connection with the employee stock purchase plan. Based on the share price at the time of transfer, the 35,276 treasury shares had a value of approximately € 7,943,033 corresponding to a notional amount of € 35,276 in the nominal capital and consequently to approximately 0.02% of the nominal capital.

14,895 treasury shares were used by adidas AG as consideration for, inter alia, the transfer or licensing of intellectual and intangible property rights due to contractual obligations. Due to the use of treasury shares with the exclusion of subscription rights, adidas AG was able to acquire the intellectual and intangible property rights (or licenses) from their owner at attractive terms while preserving the company's liquidity. Based on the share price at the time of transfer, the 14,895 treasury shares had a total value of approximately € 4,073,907, corresponding to a notional amount of € 14,895 in the nominal capital and consequently to approximately 0.01% of the nominal capital.

On May 12, 2022, the Annual General Meeting of adidas AG approved the proposal of the Executive Board and Supervisory Board on the appropriation of retained earnings for the 2021 financial year. The dividend in the amount of € 3.30 per share was paid on May 17, 2022. Based on the number of dividend-entitled shares at the time of the Annual General Meeting, this resulted in a dividend distribution of € 609,736,373.40.

On June 30, 2022 adidas AG held a total of 9,572,523 treasury shares, corresponding to a notional amount of € 9,572,523 in the nominal capital and consequently 4.98% of the nominal capital. In accordance with § 71b German Stock Corporation Act (Aktiengesetz - AktG), the treasury shares held directly or indirectly do not confer any rights to the company.

06 FINANCIAL INSTRUMENTS

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

Category		June 30, 2022						December 31, 2021				
		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	1,453	-	-	-	-	2,449	-	-	-	-	
Cash equivalents	Fair value through profit or loss	124	124	-	124	-	1,379	1,379	-	1,379	-	
Accounts receivable	Amortized cost	3,022	-	-	-	-	2,175	-	-	-	-	
Other current financial assets												
Derivatives used in hedge accounting	n.a.	352	352	-	352	-	237	237	-	237	-	
Derivatives not used in hedge accounting	Fair value through profit or loss	162	162	-	162	-	36	36	-	36	-	
Promissory notes	Fair value through profit or loss	-	-	-	-	-	12	12	-	-	12	
Other investments	Amortized cost	78	-	-	-	-	71	-	-	-	-	
Other financial assets	Amortized cost	719	-	-	-	-	389	-	-	-	-	
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	85	85	-	-	85	80	80	-	-	80	
Other investments	Fair value through profit or loss	45	45	-	45	-	30	30	-	30	-	
Other investments	Amortized cost	79	-	-	-	-	91	-	-	-	-	
Loans	Amortized cost	0	-	-	-	-	0	-	-	-	-	
Other non-current financial assets												
Derivatives used in hedge accounting	n.a.	13	13	-	13	-	11	11	-	11	-	
Derivatives not used in hedge accounting	Fair value through profit or loss	6	6	-	6	-	42	42	-	42	-	
Earn-out components	Fair value through profit or loss	240	240	-	-	240	-	-	-	-	-	
Other financial assets	Amortized cost	108	-	-	-	-	108	-	-	-	-	
Financial assets per level		-	-	-	701	414	-	-	-	1,735	181	
Financial liabilities												
Short-term borrowings												

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

	Category	June 30, 2022					December 31, 2021				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Bank borrowings	Amortized cost	313	-	-	-	-	29	-	-	-	-
Accounts payable	Amortized cost	3,314	-	-	-	-	2,294	-	-	-	-
Current accrued liabilities	Amortized cost	1,018	-	-	-	-	1,006	-	-	-	-
Current accrued liabilities for customer discounts	Amortized cost	899	-	-	-	-	878	-	-	-	-
Other current financial liabilities											
Derivatives used in hedge accounting	n.a.	137	137	-	137	-	129	129	-	129	-
Derivatives not used in hedge accounting	Fair value through profit or loss	113	113	-	113	-	54	54	-	54	-
Other financial liabilities	Amortized cost	246	-	-	-	-	180	-	-	-	-
Current lease liabilities	n.a.	608	-	-	-	-	573	-	-	-	-
Long-term borrowings											
Bank borrowings	Amortized cost	73	-	-	-	-	82	-	-	-	-
Eurobond	Amortized cost	1,890	1,684	1,684	-	-	1,890	1,929	1,929	-	-
Convertible bond	Amortized cost	496	491	491	-	-	494	572	572	-	-
Non-current accrued liabilities	Amortized cost	4	-	-	-	-	2	-	-	-	-
Other non-current financial liabilities											
Derivatives used in hedge accounting	n.a.	32	32	-	32	-	20	20	-	20	-
Derivatives not used in hedge accounting	Fair value through profit or loss	22	22	-	22	-	31	31	-	31	-
Other financial liabilities	Amortized cost	-	-	-	-	-	-	-	-	-	-
Non-current lease liabilities	n.a.	2,401	-	-	-	-	2,263	-	-	-	-
Financial liabilities per level		-	-	2,175	304	-	-	-	2,501	234	-
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		666					1,588				
Thereof: held for trading (FAHfT)		87					87				
Financial assets at fair value through other comprehensive income (FVOCI)		85					80				
Thereof: equity investments (without recycling to profit and loss)		85					80				
Financial assets at amortized cost (AC)		5,459					5,283				
Financial liabilities at fair value through profit or loss (FVTPL)		135					85				
Financial liabilities at amortized cost (AC)		8,253					6,855				

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 2022 € IN MILLIONS

	Fair value Jan. 1, 2022	Additions	Disposals	Realized		Unrealized		Currency translation	Fair value June 30, 2022
				Gains	Losses	Gains	Losses		
Investments in other equity instruments held for trading (FAHfT)	87	-	-	-	-	0	-	-	87
Investments in other equity instruments (FVTPL)	2	-	-	-	-	-	-	-	2
Investments in other equity instruments (FVOCI)	80	6	(1)	-	-	2	(3)	-	85
Promissory notes (FVTPL)	12	-	(12)	-	-	-	-	-	-
Earn-out components - assets (FVTPL)	-	247	-	-	-	-	(7)	-	240

RECONCILIATION OF FAIR VALUE HIERARCHY LEVEL 3 IN 2021 € IN MILLIONS

	Fair value Jan. 1, 2021	Additions	Disposals	Realized		Unrealized		Currency translation	Fair value Dec. 31, 2021
				Gains	Losses	Gains	Losses		
Investments in other equity instruments held for trading (FAHfT)	87	-	-	-	-	-	-	-	87
Investments in other equity instruments (FVTPL)	2	-	-	-	-	-	-	-	2
Investments in other equity instruments (FVOCI)	79	10	(10)	-	-	1	-	-	80
Promissory notes (FVTPL)	171	-	(158)	-	-	-	(8)	7	12
Earn-out components - assets (FVTPL)	12	-	(21)	9	-	-	-	-	-

The valuation methods used in measuring Level 1, Level 2, and Level 3 fair values remain unchanged and can be found in the Notes to the 2021 consolidated financial statements.

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

	Period ending June 30, 2022	Year ending Dec. 31, 2021
Financial assets classified at amortized cost (AC)	(33)	(6)
Financial assets at fair value through profit or loss (FVTPL)	4	(1)
Thereof: designated as such upon initial recognition	-	-
Thereof: classified as held for trading	0	-
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)	3	8
Financial liabilities at fair value through profit or loss (FVTPL)	-	-
Thereof: designated as such upon initial recognition	-	-
Thereof: classified as held for trading	-	-

07 EARNINGS PER SHARE

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

EARNINGS PER SHARE

	Continuing operations		Discontinued operations		Total	
	First half year 2022	First half year 2021	First half year 2022	First half year 2021	First half year 2022	First half year 2021
Net income from continuing operations (€ in millions)	671	890	–	–	–	–
Net income attributable to non-controlling interests (€ in millions)	23	7	–	–	–	–
Net income attributable to shareholders (€ in millions)	648	883	128	72	776	955
Weighted average number of shares	186,510,429	195,066,060	186,510,429	195,066,060	186,510,429	195,066,060
Basic earnings per share (€)	3.47	4.52	0.69	0.37	4.16	4.89
Net income attributable to shareholders (€ in millions)	648	883	128	72	776	955
Net income used to determine diluted earnings per share (€ in millions)	648	883	128	72	776	955
Weighted average number of shares	186,510,429	195,066,060	186,510,429	195,066,060	186,510,429	195,066,060
Dilutive effect of share-based payments	2,926	6,163	–	–	2,926	6,163
Weighted average number of shares for diluted earnings per share	186,513,355	195,072,223	186,510,429	195,066,060	186,513,355	195,072,223
Diluted earnings per share (€)	3.47	4.52	0.69	0.37	4.16	4.89

08 SEGMENTAL INFORMATION

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

As at June 30, 2022, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments,' five operating segments were identified: EMEA, North America, Asia-Pacific, Greater China, and Latin America.

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 that are not monitored separately by the chief operating decision-maker. Also, certain centralized corporate functions do not meet the definition of IFRS 8 for an operating segment. This includes, in particular, functions such as Global Brands and Global Sales (central brand and distribution management), central treasury, global sourcing as well as other headquarter functions. Assets, liabilities, income, and expenses relating to these corporate functions are presented in the reconciliations.

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

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

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

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

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

SEGMENTAL INFORMATION € IN MILLIONS

	Net sales (third parties) ¹		Segmental operating profit ¹		Segmental assets ²		Segmental liabilities ²	
	2022	2021	2022	2021	2022	2021	2022	2021
EMEA	4,014	3,680	853	792	3,056	2,458	(241)	(186)
North America	3,108	2,406	617	447	2,547	1,540	(153)	(51)
Greater China	1,723	2,405	325	758	1,369	1,219	(141)	(230)
Asia-Pacific	1,056	1,135	250	285	663	600	(46)	(43)
Latin America	933	645	209	121	719	507	(156)	(91)
Reportable segments	10,832	10,272	2,254	2,404	8,354	6,325	(737)	(601)
Other Businesses	65	73	10	17	55	52	(3)	8
Total	10,897	10,345	2,264	2,420	8,409	6,377	(740)	(593)

1 First half year.
2 At June 30.

OPERATING PROFIT € IN MILLIONS

	First half year 2022	First half year 2021
Operating profit for reportable segments	2,254	2,404
Operating profit for Other Businesses	10	17
Segmental operating profit	2,264	2,420
HQ	(954)	(745)
Central expenditure for marketing	(458)	(373)
Consolidation	(24)	(54)
Operating profit	828	1,248
Financial income	24	6
Financial expenses	(140)	(75)
Income before taxes from continuing operations	711	1,179

NET SALES (THIRD PARTIES) € IN MILLIONS

	First half year 2022	First half year 2021
Footwear	6,240	5,766
Apparel	3,958	4,037
Hardware	700	542
Total	10,897	10,345

09 EVENTS AFTER THE BALANCE SHEET DATE

Between June 30, 2022 and the finalization of these interim consolidated financial statements on July 26, 2022, a total of 626,573 shares were acquired by adidas AG for a total price of € 103,634,202 as part of the share buyback program.

Besides there were no major events that might have a material influence on the assets, liabilities, financial position, and profit or loss of the company.

Herzogenaurach, July 26, 2022

The Executive Board of adidas AG

RESPONSIBILITY STATEMENT

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

Herzogenaurach, July 26, 2022



KASPER RORSTED
CHIEF EXECUTIVE OFFICER



ROLAND AUSCHEL
GLOBAL SALES



BRIAN GREVY
GLOBAL BRANDS



HARM OHLMEYER
CHIEF FINANCIAL OFFICER



AMANDA RAJKUMAR
GLOBAL HUMAN RESOURCES



MARTIN SHANKLAND
GLOBAL OPERATIONS

CONTACT

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

Tel + 49 (0) 91 32 84 – 0

► [ADIDAS-GROUP.COM](https://www.adidas-group.com)

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

INVESTOR RELATIONS

investor.relations@adidas.com

► [ADIDAS-GROUP.DE/INVESTORS](https://www.adidas-group.de/investors)

CONCEPT AND REALIZATION

nexxar, Vienna

© ADIDAS 2022