

adidas

**ANNUAL FINANCIAL
STATEMENTS**

OF ADIDAS AG

AS AT DECEMBER 31, 2020



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Combined Management Report

The Management Report of adidas AG has been combined with the Management Report of the adidas Group in accordance with § 315 section 5 together with § 298 section 2 of the German Commercial Code (Handelsgesetzbuch – HGB) and is published in the 2020 Annual Report of the adidas Group.

The Financial Statements and the combined Management Report for adidas AG and the adidas Group for the 2020 financial year are filed with and published in the Federal Gazette.

The Financial Statements of adidas AG as well as the Annual Report for the 2020 financial year are also available for download on the Internet at

<http://www.adidas-group.com/en/investors/financial-reports/>

Annual financial statements of adidas AG

Balance Sheet

€ thousand

		Dec. 31, 2020	Dec. 31, 2019
ASSETS			
FIXED ASSETS			
	(1)		
Intangible assets	(2)	154,005	188,206
Tangible assets	(2)	682,862	706,499
Financial assets	(3)	4,839,124	4,426,654
		5,675,991	5,321,359
CURRENT ASSETS			
Inventories	(4)	39,584	36,907
Receivables and other assets	(5)	2,698,286	3,365,091
Securities	(6)	2,194,043	560,235
Cash and cash equivalents	(7)	1,255,556	635,929
		6,187,469	4,598,162
PREPAID EXPENSES	(8)	95,721	150,069
		11,959,181	10,069,590
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital ¹⁾	(9)	200,416	200,416
Par value treasury shares	(9)	-5,350	-4,447
Capital reserves	(9)	1,333,660	1,328,367
Revenue reserves	(9)	838,468	754,390
Retained earnings	(9)	1,165,665	828,030
		3,532,859	3,106,756
UNTAXED RESERVE	(10)	2,470	2,790
PROVISIONS/ACCRUALS	(11)	686,252	727,715
LIABILITIES	(12)	7,719,963	6,216,312
DEFERRED INCOME	(13)	17,637	16,017
		11,959,181	10,069,590

1) Contingent Capital 2018 at Dec. 31, 2020 in the amount of € 12,500 thousand (previous year € 12,500 thousand)

Annual financial statements of adidas AG

Income Statement

€ thousand

		2020	2019
Sales	(15)	3,991,218	4,444,309
Change in inventory		1,135	481
Total output		3,992,353	4,444,790
Other operating income	(16)	986,100	589,900
Cost of materials	(17)	-1,465,521	-1,610,747
Personnel expenses	(18)	-655,177	-796,334
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(19)	-126,781	-119,722
Other operating expenses	(20)	2,564,728	2,337,405
Income from operations		166,246	170,482
Income from investments in related companies	(21)	111,043	1,729,239
Profit received under a profit and loss transfer agreement	(22)	510,156	212,486
Impairments to financial assets		-210	0
Interest result	(23)	-36,173	-3,498
Taxes on income	(24)	-76,218	-161,218
Income after taxes		674,844	1,947,491
Other taxes		-1,209	-330
NET INCOME		673,635	1,947,161
Retained earnings brought forward		828,030	41,365
Transfer to revenue reserves		-336,000	-750,000
Utilization for share buyback		0	-410,496
RETAINED EARNINGS		1,165,665	828,030

Notes to the annual financial statements of adidas AG for the year ended December 31, 2020

adidas AG is domiciled in 91074 Herzogenaurach, Adi-Dassler-Str. 1, and is registered in the commercial register of the Local Court of Fürth, under HRB 3868.

In the interest of providing a clearer overall picture, certain items in the balance sheet and income statement have been combined as permitted pursuant to § 265 (7) German Commercial Code (Handelsgesetzbuch – HGB) and have been disclosed and explained separately under the numerical text reference indicated below. The names and domiciles of other companies of which adidas AG holds, either directly or indirectly, investments according to § 271 (1) HGB and the disclosures related to these companies can be found in the shareholdings list in Appendix 2 to these notes.

Due to rounding principles, numbers presented may not sum up exactly to totals provided.

The financial statements have been prepared in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch - HGB) and the German Stock Corporation Act (Aktiengesetz - AktG) in €. The income statement has been prepared in accordance with the total cost accounting method.

The combined management report pursuant to § 315 (5) HGB in conjunction with § 298 (2) HGB is published in the 2020 Annual Report.

Accounting policies

Acquired intangible fixed assets are recognized at cost and subject to straight-line amortization over their expected useful lives. Internally generated intangible assets are not capitalized.

Tangible fixed assets are recognized at (acquisition or production) cost. All recognizable direct and overhead costs are included in production costs. Items with a finite useful economic life are subject to straight-line depreciation over their expected useful lives. Capitalization of borrowing costs does not take place.

The estimated useful life is 50 years maximum for business premises and 2 to 10 years for technical equipment and machinery, other equipment, and operating and office equipment.

Minor-value assets worth less than € 800 are written off in full in the year of their acquisition.

Impairments are recognized, if the decrease in value is deemed to be permanent.

Financial assets are recognized at acquisition costs. An impairment is recognized, if the fair value is below the book value. The fair value is calculated using the discounted cash flow method based on the principles of IDW S 1. The enterprise value is derived from the present values of future cash flows discounted with an appropriate discount rate. Financial receivables towards the respective group companies are implicitly tested for impairment in the valuation model. If a financial asset needs to be impaired, the shares in associated companies are impaired before the financial receivables towards the respective group entity. If the reasons for the impairment cease to apply, the impairment is reversed, but only up to the value of the historical acquisition cost.

Inventories are measured at the lower of cost (acquisition or production cost) or market value. Production costs comprise direct costs that must be capitalized and appropriate portions of overhead costs. Allowances are taken for discernible fashion and technical risks, age structure, and marketability. Capitalization of borrowing costs does not take place. If

the reasons for the write-down no longer apply, the write-down is reversed in accordance with § 253 (5) sentence 1 HGB to no higher than the historical cost of the inventories.

Receivables and other assets are generally recognized at nominal values. Individual adjustments and general allowances for doubtful accounts are taken to cover discernible risks.

Derivative financial transactions entered into with banks by Group Treasury (primarily forward currency and currency option transactions as well as equity instruments) are generally related to underlying transactions with Group companies. Hedge accounting is applied if there is a direct hedging relationship between these transactions. The net hedge presentation method is applied. The fair values of the hedges are matched and changes in value from the hedged risk which offset each other are not recognized. Unrealized losses are recognized in profit or loss only if they are not covered by unrealized gains in the hedge accounting. Financial transactions that are not recognized using hedge accounting are measured individually at fair value. Any resulting losses are recognized in the profit or loss. Prospectively, due to the common material assessment features of the transactions, the hedging relationship can be assumed to be highly effective. Retrospectively, the effectiveness is proven by means of the hypothetical derivative method. The dollar-offset method is used for calculation of the amount of ineffectiveness.

Securities in current assets are measured at acquisition costs or fair value if lower as at the reporting date.

Cash-in-hand and bank balances are recognized at nominal value.

Prepaid expenses are recognized at nominal value.

Deferred taxes are recognized for temporary differences between the carrying amounts and tax bases for assets, liabilities, prepaid expenses and deferred income. Deferred taxes are calculated based on the combined income tax rate of adidas AG, which is currently 27,37 %. The combined income tax rate comprises corporate income tax, solidarity surcharge and municipal trade tax.

A net tax burden would be recognized on the balance sheet as a deferred tax liability. There is an option to recognize a deferred tax asset granted under § 274 (1) sentence 2 HGB in the event of a tax benefit but this option is not exercised. In the fiscal year, the Company had a net deferred tax asset, which it did not recognize on its balance sheet.

Subscribed capital is recognized at the nominal amount.

The Company exercised its option to maintain the special tax-allowable reserve as permitted upon the first-time adoption of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, "BilMoG"). Accounting policies relating to this reserve and its reversal remain the same as previously.

Pension obligations are calculated on the basis of actuarial biometric assumptions (Heubeck mortality tables RT 2018 G) in accordance with the projected unit credit (PUC) method. The defined benefit obligation (DBO) recognized under the PUC method is defined as the actuarial present value of the pension obligations earned by the employees by the balance sheet date according to the retirement benefit formula and the vested pension amount based on their service in the past. Expected future pension benefit increases are factored in using a 1.0% to 1.6% p.a. (prior year 1.0% to 1.6%) growth rate in benefits. Fluctuation is assumed – as in the prior year - to range between 5% and 20%, depending on age. The rate used to discount the pension obligations in accordance with § 253 (2) sentence 2 HGB amounts to 2.31% as at December 31, 2020 (prior year: 2.71%); this rate is the average market interest rate for the past ten fiscal years for an assumed term of 15 years. In accordance with § 253 (6) sentence 2 HGB, the difference between the application of the average market interest rate for the past seven fiscal years 1.60% (prior year: 1.97%) and the application of the average market interest rate for the past ten fiscal years 2.31% (prior year: 2.71%) is subject to a restriction on distribution. The plan assets created in 2014 through the funding of the pension trust association were measured at fair value, in accordance with § 255 (4) HGB using amongst others an official recognized method for real estate valuation, and offset against the pension obligations.

The other provisions cover all discernible risks and uncertain obligations and are recognized at the settlement amount dictated by prudent business judgment in order to cover future

payment obligations. Future price and cost increases are factored in, to the extent that there is sufficient objective evidence that they will occur. Provisions with terms in excess of one year are discounted in accordance with § 253 (2) sentence 1 HGB at the average market interest rate for their respective maturity over the past seven years, as published by the German Federal Bank (Deutsche Bundesbank). Provisions with terms of less than one year are not discounted. The effect from the annual adjustment of the discount rate applied to the provisions in accordance with § 253 (2) HGB is recognized immediately in the income statement.

Net income from the discounting of retirement pension obligations is shown in the income statement as part of the financial result under the item “other interest and similar income” and net expenses under the item “interest and similar expenses”.

The provision for early retirement, which was created for the first time in 2020, is recognized at the settlement amount.

Liabilities are recognized at their settlement amount.

Revenues are recognized once the risk of loss or damage of the goods has been transferred to the purchaser.

Licensing revenues are recognized in accordance with the underlying contractual agreements. Rights and revenues generally arise whenever the licensee generates sales revenue with adidas products.

Assets and liabilities denominated in a foreign currency are recorded at the mean spot rate as at the respective transaction date. Currency translation losses arising as at the balance sheet date due to the measurement of foreign-denominated assets and liabilities are reported in the income statement. Currency translation gains from the measurement of current assets and liabilities falling due within less than one year are recorded in the income statement in accordance with § 256a HGB. Currency translation gains are reported under “other operating income” and currency translation losses are reported under “other operating expenses”.

Income from long-term equity investments is generally recognized during the period in which a claim to such income arises and it can be reasonably expected that the amounts due will be collected.

Profits resulting from a profit transfer agreement are recognized if the amounts to be transferred or absorbed can be determined with reasonable certainty, even if the annual financial statements of the subsidiary have not yet been adopted.

1. Fixed assets

Development of fixed assets in the 2020 fiscal year.

Amounts in EUR thousand (HGB)	Acquisition and production costs					31.12.2020
	01.01.2020	Additions	Additions by Merger	Disposals	Reclassifications	
I. Intangible assets						
1. Purchased concessions, trademarks and similar rights and licences to such rights	764.080	42.986	0	-21.831	7.519	792.754
2. Prepayments and assets under construction	20.465	12.430	0	-3.234	-7.519	22.142
	784.545	55.416	0	-25.065	0	814.896
II. Tangible assets						
1. Land, land rights and buildings	751.386	3.697	0	-6.844	6.911	755.150
2. Technical equipment and machinery	68.114	3.826	0	-2.121	1.074	70.893
3. Other equipment, operating and office equipment	350.585	8.542	0	-8.494	2.314	352.947
4. Prepayments and assets under construction	28.898	16.871	0	0	-10.299	35.470
	1.198.983	32.936	0	-17.459	0	1.214.460
III. Financial assets						
1. Shares in affiliated companies	4.156.752	327.210	28.283	-2.075	0	4.510.170
2. Loans to affiliated companies	40.000	105.000	0	0	0	145.000
3. Equity investments	78.841	0	0	0	0	78.841
4. Loans to non-affiliated companies	200	0	0	0	0	200
5. Investment security	166.698	86.808	0	-104.263	0	149.243
	4.442.491	519.018	28.283	-106.338	0	4.883.454
Fixed Assets	6.426.019	607.370	28.283	-148.862	0	6.912.810

Accumulated depreciation						Net Book values		
01.01.2020	Additions	Additions by Merger	Disposals	Reclassifications	31.12.2020	31.12.2020	31.12.2019	
596.339	79.767	0	-15.215	0	660.891	131.863	167.741	
0	0	0	0	0	0	22.142	20.465	
596.339	79.767	0	-15.215	0	660.891	154.005	188.206	
177.637	21.790	0	-936	31	198.522	556.628	573.749	
35.778	5.275	0	-2.120	-2	38.931	31.962	32.336	
279.069	19.949	0	-4.844	-29	294.145	58.802	71.516	
0	0	0	0	0	0	35.470	28.898	
492.484	47.014	0	-7.900	0	531.598	682.862	706.499	
15.837	210	28.283	0	0	44.330	4.465.840	4.140.915	
0	0	0	0	0	0	145.000	40.000	
0	0	0	0	0	0	78.841	78.841	
0	0	0	0	0	0	200	200	
0	0	0	0	0	0	149.243	166.698	
15.837	210	28.283	0	0	44.330	4.839.124	4.426.654	
1.104.660	126.991	28.283	-23.115	0	1.236.819	5.675.991	5.321.359	

2. Intangible fixed assets and tangible fixed assets

The significant additions primarily relate to software in an amount of € 42,986 thousand and advance payments and assets under construction in an amount of € 12,430 thousand for intangible assets and € 16,871 thousand for land, land rights and buildings.

3. Long-term financial assets

The increase in long-term financial assets primarily relates to the purchase of LLC "adidas, Ltd." and the merger with adidas Business Services GmbH. The recoverability of investments in affiliated companies is checked using an impairment test. At the closing date accumulated depreciation of € 44,330 thousand exists. Included in the financial assets is an investment of 8.33% in FC Bayern München AG (previous year 8.33 %).

4. Inventories

Inventories

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Raw materials, consumables and supplies	6,094	5,111
Work in progress	53	68
Finished goods and merchandise	33,437	31,728
Inventories	39,584	36,907

Inventories relate to raw materials, consumables and supplies for production purposes, work in progress in the production process and merchandise mostly in connection with the company's own retail business.

5. Receivables and other assets

Receivables and other assets

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Trade accounts receivable	48,630	82,900
of which with a residual maturity of more than one year	0	0
Receivables from affiliated companies	2,520,310	3,187,223
of which with a residual maturity of more than one year	0	0
Other assets	129,346	94,968
of which with a residual maturity of more than one year	40,535	45,320
Receivables and other assets	2,698,286	3,365,091

The decrease in receivables from affiliated companies primarily relates to royalty receivables and receivables in connection with Group Treasury activities. Group Treasury uses a netting process to balance out any fund surpluses or deficits at subsidiaries through adidas AG and settle payments between subsidiaries. The recoverability of these receivables is checked as part of the impairment test concerning the shares in affiliated companies. At the balance sheet date there are accumulated impairments of € 31,609 thousand concerning receivables from affiliated companies. Receivables from affiliated companies include € 99,027 thousand in trade receivables.

Other assets essentially include contribution in cash for a short-time share-based swap and capitalized option premiums.

6. Securities

Securities

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Money market funds	2,194,043	560,235
Securities	2,194,043	560,235

Securities comprise short-term financial investments.

7. Cash-in-hand, central bank balances, bank balances and checks

Cash-in-hand, central bank balances, bank balances and checks

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Cash-in-hand and bank balances	1,255,556	635,929

8. Prepaid expenses

Prepaid expenses

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Advertising and promotion agreements	53,003	94,699
Other	42,718	55,370
Prepaid expenses	95,721	150,069

Other prepaid expenses comprise mainly advance payments for marketing, maintenance and licensing expenses.

9. Shareholders' equity

The table below provides an overview of the changes in equity:

Changes in equity

€ thousand

	Jan. 1, 2020	Repurchase of adidas AG shares	Issuance of treasury shares / Conversion / Employee shares	Allocation to reserves	Withdrawal from reserves	Net profit for the year	Dec. 31, 2020
Subscribed capital	200,416	0	0	0	0	0	200,416
Par value of treasury shares	-4,447	-953	50	0	0	0	-5,350
Capital reserves	1,328,367	0	0	5,293	0	0	1,333,660
Revenue reserves*)	754,390	-255,586	6,714	336,000	-3,050	0	838,468
Retained earnings	828,030	0	0	-336,000	0	673,635	1,165,665
Equity	3,106,756	-256,539	6,764	5,293	-3,050	673,635	3,532,859

*) Includes legal reserves of € 4,036 thousand

As at December 31, 2020 there are 195,066,060 shares entitled to a dividend.

Subscribed capital

The nominal capital of adidas AG has remained unchanged since December 31, 2019. As at the balance sheet date, it amounted to a total of € 200,416,186 divided into 200,416,186 registered no-par-value shares and was fully paid in.

Each share grants one vote and is entitled to dividends starting from the commencement of the year in which it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). As at the balance sheet date, adidas AG held 5,350,126 treasury shares, corresponding to a notional amount of € 5,350,126 in the nominal capital and consequently to 2.67 % of the nominal capital.

Authorized capital

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 90 million in the 2020 financial year.

The authorized capital of adidas AG, which is set out in § 4 sections 2, 3, 4, and 5 of the Articles of Association as at the balance sheet date, entitles the Executive Board, subject to Supervisory Board approval, to increase the nominal capital

based on the authorization granted by resolution of the Annual General Meeting of May 11, 2017 until June 7, 2022

- by issuing new shares against contributions in cash once or several times by no more than € 50 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorized Capital 2017/I);

based on the authorization granted by resolution of the Annual General Meeting of May 9, 2019 until June 13, 2024

- by issuing new shares against contributions in kind once or several times by no more than € 16 million and, subject to Supervisory Board approval, to exclude shareholders' subscription rights (Authorized Capital 2019);

the overall volume of the shares issued based on this authorization with the exclusion of subscription rights must not exceed 10% of the nominal capital existing at the point in time when this authorization becomes effective or, in case this amount is lower, at the date of the respective issuance. The nominal capital which is attributed to the shares to be issued to service option or conversion rights or option or conversion obligations from bonds, debt securities or participation rights to the extent that they are issued during the term of the authorization up to the date of the respective exercise of this authorization with the exclusion of subscription rights, or which is attributed to shares which are issued or sold during the term of the authorization up to the date of the respective exercise of this authorization with the exclusion of subscription rights, has to be included in the aforementioned limit of 10%. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights. The Authorized Capital 2019 must not be used to issue shares within the scope of compensation or participation programs for Executive Board members, employees, members of the management bodies or employees of subsidiaries;

based on the authorization granted by resolution of the Annual General Meeting of May 11, 2017 until June 7, 2022

- by issuing new shares against contributions in cash once or several times by no more than € 20 million and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to exclude shareholders' subscription rights when issuing the new shares at a value not significantly below the stock market price of the adidas AG shares already listed on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be

associated with the listing of the adidas AG shares on a foreign stock exchange (Authorized Capital 2017/III). The authorization to exclude subscription rights pursuant to the previous sentence may, however, only be used to the extent that the pro rata amount of the new shares in the nominal capital together with the pro rata amount in the nominal capital of other shares which have been issued by adidas AG since May 11, 2017, subject to the exclusion of subscription rights pursuant to or in accordance with § 186 section 3 sentence 4 AktG on the basis of an authorized capital or following a repurchase, or for which subscription or conversion rights or subscription or conversion obligations have been granted since May 11, 2017, through the issuance of convertible bonds and/or bonds with warrants, with subscription rights excluded pursuant to § 186 section 3 sentence 4 AktG, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization into the commercial register or – if this amount is lower – as of the respective date on which the resolution on utilization of the authorization is adopted;

the overall volume of the shares issued based on this authorization with the exclusion of subscription rights – together with shares issued against contributions in kind with the exclusion of subscription rights from the Authorized Capital 2017/II (§ 4 section 3 of the Articles of Association) – must not exceed 10% of the nominal capital existing at the date of the respective issuance. This deduction clause shall not apply if residual amounts of shares are excluded from subscription rights;

based on the authorization granted by resolution of the Annual General Meeting of May 12, 2016 until June 14, 2021

- by issuing up to 4,000,000 new shares against contributions in cash once or several times by no more than € 4 million and, subject to Supervisory Board approval, to determine the further content of the rights embodied in the shares and the terms and conditions of the share issuance (Authorized Capital 2016). Shareholders' subscription rights shall be excluded. Any repurchased treasury shares of adidas AG which are used by adidas AG for employee stock purchase plans during the term of this authorization shall be attributed to the maximum number of 4,000,000 shares. The new shares may only be issued to

(current and former) employees of adidas AG and its affiliated companies as well as to (current and former) members of management bodies of adidas AG's affiliated companies.

Contingent Capital

The following overview of the Contingent Capital is based on § 4 section 6 of the Articles of Association of adidas AG as well as on the underlying resolution of the Annual General Meeting held on May 9, 2018. Additional contingent capital does not exist.

Contingent Capital 2018

The nominal capital is conditionally increased by up to € 12.5 million divided into not more than 12,500,000 registered no-par-value shares (Contingent Capital 2018). The contingent capital increase serves the issuance of registered no-par-value shares when exercising option or conversion rights or fulfilling the respective option and/or conversion obligations or when exercising the company's right to choose to partially or in total deliver registered no-par-value shares of the company instead of paying the due amount to the holders or creditors of bonds issued by the company or a subordinated Group company up to May 8, 2023 on the basis of the authorization resolution adopted by the Annual General Meeting on May 9, 2018. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. The contingent capital increase will be implemented only to the extent that holders or creditors of option or conversion rights or the persons obligated to exercise the option or conversion obligations based on bonds issued by the company or a subordinated Group company, pursuant to the authorization of the Executive Board granted by the resolution adopted by the Annual General Meeting on May 9, 2018 (Agenda Item 8), up to May 8, 2023 and guaranteed by the company, exercise their option or conversion rights or, if they are obligated to exercise the option or conversion obligations, fulfill their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver adidas AG shares for the total amount or a part amount instead of payment

of the amount due and insofar as no cash settlement, treasury shares or shares of another public listed company are used to service these rights. The new shares will carry dividend rights from the commencement of the financial year in which the shares are issued. The Executive Board is authorized, subject to Supervisory Board approval, to stipulate any additional details concerning the implementation of the contingent capital increase.

The Executive Board is also authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights for residual amounts and to exclude shareholders' subscription rights insofar as this is necessary for granting subscription rights to which holders or creditors of previously issued bonds are entitled. Finally, the Executive Board is authorized, subject to Supervisory Board approval, to also exclude shareholders' subscription rights if the issue price of the bonds is not significantly below the hypothetical market value of these bonds and the number of shares to be issued does not exceed 10% of the nominal capital. Treasury shares which are or will be sold with the exclusion of subscription rights in accordance with § 71 section 1 no. 8 in conjunction with § 186 section 3 sentence 4 AktG between the starting date of the term of this authorization and the issuance of the respective bonds are attributed to the aforementioned limit of 10%. Shares which are or will be issued, subject to the exclusion of subscription rights pursuant to § 186 section 3 sentence 4 AktG or pursuant to § 203 section 1 in conjunction with § 186 section 3 sentence 4 AktG, between the starting date of the term of this authorization and the issuance of the respective bonds in the context of a cash capital increase are also attributed to the aforementioned limit of 10%. Finally, shares for which there are option or conversion rights or obligations or a right to delivery of shares of the company in favor of the company due to bonds with warrants or convertible bonds issued by adidas AG or its subordinated Group companies, subject to the exclusion of subscription rights in accordance with § 221 section 4 sentence 2 in conjunction with § 186 section 3 sentence 4 AktG during the term of this authorization based on other authorizations are attributed to the aforementioned limit of 10%.

In the period up until the balance sheet date, the Executive Board of adidas AG did not issue any bonds based on the authorization granted on May 9, 2018 and consequently did not issue any shares from the Contingent Capital 2018.

Repurchase of adidas AG shares and use of treasury shares

The Annual General Meeting on May 12, 2016 granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 11, 2021. The authorization may be used by adidas AG but also by its subordinated Group companies or by third parties on account of adidas AG or its subordinated Group companies or third parties assigned by adidas AG or one of its subordinated Group companies.

Based on the above-mentioned authorization, the Executive Board of adidas AG commenced a share buyback program on March 22, 2018. Under the authorization granted, adidas AG repurchased a total of 953,018 shares for a total price of € 256,539,007 (excluding incidental purchasing costs), i.e. for an average price of € 269.19 per share, in a third tranche between January 7, 2020 and March 16, 2020 inclusive. This corresponded to a notional amount of € 953,018 in the nominal capital and consequently to 0.48 % of the nominal capital. The sharebuy back program was terminated on March 16, 2020. More information on the adidas AG shares repurchased in 2020 financial year, is set out in the table 'Repurchase of adidas AG shares in the 2020 financial year' .

While the company may use the repurchased shares for all purposes admissible under the authorization granted on May 12, 2016 with the exception of the transfer of shares as a compensation component for its Executive Board members, adidas AG plans to cancel the majority of the repurchased shares. adidas AG reserves the right to continue the share buyback program in the future in alignment with the published parameters.

In the 2020 financial year, a total of 49,691 treasury shares were used as consideration for, inter alia, the transfer or licensing of intellectual property rights and intangible property rights due to contractual obligations. Due to the use of treasury shares with the exclusion of subscription rights, adidas AG was able to acquire the intellectual and intangible property rights (or licenses) from their owner at attractive terms while preserving the company's liquidity. Based on the share price at the time of transfer, the 49,691 treasury shares had a

value of altogether approx. € 14,000,000 corresponding to a notional amount of € 49,691 in the nominal capital and consequently to 0.02% of the nominal capital.

Repurchase of adidas AG shares in the 2020 financial year

Month	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %
January	259,148	79,061,929.95	305.08	259,148.00	0.13
February	408,772	114,323,851.00	279.68	408,772.00	0.20
March	285,098	63,153,226.31	221.51	285,098.00	0.14
2020 financial year total¹	953,018	256,539,007.26	269.19	953,108.00	0.48

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

Employee stock purchase plan

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

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

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

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance to the employees
January 8, 2020	21,059	6,232,463.70	295.95	21,059.00	0.01	January 10, 2020
April 9, 2020	27,861	6,115,018.65	219.48	27,861.00	0.01	April 15, 2020
July 5, 2020	26,851	6,648,895.64	247.62	26,851.00	0.01	July 9, 2020
October 8, 2020	23,516	6,565,469.67	279.19	23,516.00	0.01	October 10, 2020

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

Purchase date	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %	Issuance to the employees
January 8, 2020	3,771	1,116,036.88	295.95	3,771.00	0.002	January 10, 2020
April 9, 2020	3,077	675,349.50	219.48	3,077.00	0.002	April 15, 2020
July 5, 2020	2,746	679,969.74	247.62	2,746.00	0.001	July 9, 2020
October 8, 2020	2,770	773,360.82	279.19	2,770.00	0.001	October 10, 2020

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, existing shareholdings which have been notified to adidas AG in accordance with § 33 section 1 or section 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) need to be disclosed.

The table 'Notified reportable shareholdings' reflects reportable shareholdings in adidas AG, Herzogenaurach, as at the balance sheet date which have each been notified to adidas AG. In each case, the details relate to the most recent voting rights notification received by adidas AG from the parties obligated to notify. All voting rights notifications disclosed by adidas AG in the year under review are available on the corporate website.

Notified reportable shareholdings

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Notification obligations and attributions in accordance with WpHG ¹	Shareholdings in %	Number of voting rights
BlackRock, Inc., Wilmington, DE, USA ²	September 3, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1, § 38 sec. 1 no. 2	6.41	12,799,500
FMR LLC, Wilmington, DE, USA ²	November 10, 2020	Falling below 3 %	§ 34	2.96	5,927,682
Ségolène Gallienne	November 30, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1	6.84	13,714,524
Gérald Frère	November 30, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1	6.84	13,714,524
The Desmarais Family Residuary Trust, Montreal, Canada ²	November 30, 2020	Exceeding 5%	§§ 34, 38 sec. 1 no. 1	6.89	13,807,393
Elian Corporate Trustee (Cayman) Limited, Grand Cayman, Cayman Islands ²	December 16, 2016	Exceeding 5%	§§ 21, 25 sec. 1 no. 2	5.71	11,950,482
Capital Research and Management Company, Los Angeles, CA, USA	July 22, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6	3.02	6,325,110
The Capital Group Companies, Inc., Los Angeles, CA, USA	July 22, 2015	Exceeding 3%	§ 22 sec. 1 sent. 1 no. 6 in conjunction with § 22 sec. 1 sent. 2 and 3	3.02	6,325,110

¹The provisions of the WpHG stated refer to the version applicable at the time of publication of the respective individual rights.

²Voluntary group notification due to crossing a threshold on subsidiary level.

The details on the percentage of shareholdings and voting rights may no longer be up to date.

Capital reserve

The capital reserve primarily comprises the paid premium for the issuance of share capital as well as the equity component of the issued convertible bond.

Revenue reserves

The revenue reserves comprises both amounts which are required by law and by the Articles of Association and voluntary amounts that have been set aside by the company. The reserves include the accumulated profits less dividends paid and consideration paid for the repurchase of adidas AG shares exceeding the nominal amount. In addition, the item includes the effects of the employee stock purchase plan.

10. Special reserve

The special reserve established in 2003 in accordance with § 273 HGB (old version) and Section 35 Income Tax Regulations (Einkommensteuer-Richtlinien, "EStR") for write-downs relating to the construction of the factory outlet was reduced as scheduled during the year under review by a € 320 thousand amortization charge.

11. Provisions/accruals

Provisions/accruals

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Provisions for pensions and similar obligations	116,355	72,063
Provisions for taxes	133,396	103,740
Other provisions	436,501	551,912
Provisions/accruals	686,252	727,715

Within the provisions for pensions and similar obligations, plan assets were offset against obligations in accordance with § 246 (2) sentence 2 HGB. This related to plan assets of the

pension trust association "adidas Pension Trust e.V.". The settlement amount of the pension obligations totaled € 440,383 thousand as at December 31, 2020 (prior year: € 381,183 thousand). The plan assets were measured at fair value in accordance with § 255 (4) HGB. As at the balance sheet date, the fair value of the netted assets in the year under review is € 324,028 thousand (prior year: € 309,120 thousand) and historical costs amount to € 290,000 thousand (prior year: € 290,000 thousand).

Interest expenses resulting from the pension valuation in an amount of € 10,326 thousand have been offset against the interest income from the adidas Pension Trust e. V. in an amount of € 14,908 thousand.

The pension obligations to six former members of the Executive Board, who resigned after December 31, 2005, are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. This results in indirect obligations for adidas AG to former Executive Board members in the amount of € 40,710 thousand (prior year: € 38,070 thousand for the related group of people) for which no provisions have been recognized due to their funding through the pension fund and re-insured pension trust fund. As at the balance sheet date, there are shortfalls for the indirect obligations in the amount of € 3,807 thousand.

However, pension provisions have been established for the pension entitlements of five active members of the Executive Board, which amount to € 10,553 thousand before offsetting (prior year: € 7,708 thousand for four Executive Board members). Pension provisions in the amount of € 3,500 thousand (prior year: € 3,592 thousand) have been established for two former members of the Executive Board, whose entitlements were not covered by the adidas Pension Trust e.V.

The provisions for the former members of the Executive Board and their survivors totaled € 84,134 thousand before offsetting as at December 31, 2020 (prior year: € 78,188 thousand). These amounts also include the aforementioned indirect obligations.

The difference between the application of the average market interest rate for the past seven fiscal years and the application of the average market interest rate for the past ten

fiscal years amounts to € 56,915 thousand. Pursuant to § 253 (6) sentence 2 HGB, this amount is subject to a restriction on distribution.

The fair value measurement of assets for the settlement of obligations for pensions results in a total amount of € 34,028 thousand (prior year: € 19,120 thousand) subject to restriction on distribution within the meaning of § 268 [8] HGB prior to offsetting with the freely distributable reserves as at December 31, 2020.

The largest item in other provisions/accruals concerns provisions for personnel of € 164,963 thousand (prior year: € 281,359 thousand). This amount is primarily attributable to provisions for performance-based remuneration components and social plans resulting from restructuring programs. Additional significant items in other provisions are provisions for marketing of € 110,489 thousand (prior year: € 92,765 thousand) and accruals for outstanding invoices of € 59,152 thousand (prior year: € 82,885 thousand). There are also provisions for forward contracts in an amount of € 45,905 thousand (prior year: € 41,334 thousand). These are recorded for unrealized losses from derivative futures, hedge accounting as well as for LTIP hedges. In addition, a provision for impending losses from pending transactions in an amount of € 8,585 thousand (prior year € 23,320 thousand) is included.

12. Liabilities

Liabilities

€ thousand

	Dec. 31, 2020			Dec. 31, 2019	
	Total	Residual term up to 1 year	Residual term 1-5 years	Residual term more than 5 years	Prior year total
Bonds	3,000,000	600,000	1,000,000	1,400,000	1,500,000
(prior year)		(0)	(1,100,000)	(400,000)	
of which convertible		0	500,000	0	
Liabilities to banks	124,368	23,704	75,000	25,664	140,625
(prior year)		(18,750)	(75,000)	(46,875)	
Trade accounts payable	173,042	173,042	0	0	200,610
(prior year)		(200,284)	(326)	(0)	
Liabilities to affiliated companies	4,293,297	3,848,574	444,723	0	4,211,631
(prior year)		(3,856,908)	(354,723)	(0)	
Other liabilities	129,256	124,187	5,069	0	163,446
(prior year)		(163,446)	(0)	(0)	
of which from taxes		62,888	0	0	68,768
of which relating to social security		0	0	0	4,806
Dec. 31, 2020	7,719,963	4,769,507	1,524,792	1,425,664	6,216,312
Dec. 31, 2019		(4,239,388)	(1,530,049)	(446,875)	

The liabilities are unsecured.

The liabilities to affiliated companies primarily relate to liabilities from Group Treasury activities as well as loans from affiliated companies. Trade payables to affiliated companies amount to € 130,259 thousand (prior year: € 132,442 thousand).

Other liabilities include tax and customs liabilities, liabilities relating to social security and similar obligations, accrued interest not yet payable, credit balances in accounts receivable, option premiums paid by subsidiaries, and salaries and commissions payable.

In 2014, adidas AG issued bonds with a total value of € 1,000,000 thousand. The € 600,000 thousand Eurobond matures in 2021; the € 400,000 thousand Eurobond matures in 2026. Both bonds are listed on the Luxembourg securities exchange in denominations of € 1 thousand each.

In 2018, adidas AG issued an equity-neutral convertible bond with a total volume of € 500,000 thousand. The equity-neutral convertible bond matures in 2023 and was originally divided into 2,500 bearer bonds with equal rights, each in the nominal amount of € 200 thousand.

In 2020, adidas AG issued bonds with a total value of € 1,500,000 thousand. The Eurobonds, of € 500,000 thousand each, mature in 2024, 2028 and 2035. All three bonds are listed on the Luxembourg securities exchange in denominations of € 100 thousand each.

13. Deferred income

The change in the deferred income primarily relates to the premium for the issuance of bonds and grants received.

14. Contingent liabilities and other financial commitments

Contingent liabilities

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Guarantee obligations	863,683	938,619
of which for affiliated companies		
- Bank loans	82,635	99,954
- Letters of credit	110,320	92,653
- Guarantee agreements	670,728	746,012

The guarantee obligations for bank loans to affiliated companies are from lines of credit drawn on by affiliated companies. adidas AG's letters of credit are mainly import letters of credit in connection with product purchases in the Far East. The guarantee agreements are with various subsidiaries and secure mainly rent contracts.

Other liabilities relate to absolute guarantees of adidas AG for the benefit of affiliated companies. Comfort letters in unlimited amounts for the benefit of ten (prior year: five)

affiliated companies were issued as at December 31, 2020. The risk of these being utilized is deemed to be low.

adidas AG declares support, except in the case of political risk, for 87 affiliated companies, so that they are able to meet their contractual liabilities. This declaration replaces the declaration of 2020 dated February 27, 2020, which is no longer valid. The declaration of support automatically ceases from the time that a company no longer is a subsidiary of adidas AG.

Since the liabilities assumed arise in the normal course of business and due to the current strong financial position of the respective adidas Group affiliated companies, the risk that these will be called on is considered extremely slight.

Other financial commitments

Other financial commitments of € 2,273,042 thousand (prior year: € 2,381,470 thousand) for adidas AG include amounts for the entire foreseeable contractual period for promotion, advertising, rental and leasing agreements as at December 31, 2020.

Maturities

€ thousand

in 2021	534,786
2022-2025	1,108,349
after 2026	629,907
	2,273,042

The contracted other financial commitments provide adidas AG with planning certainty on the one hand and, on the other hand, they ensure that the Company has the necessary liquidity. The risk of making payments that are not covered by the relevant contracts is considered to be very low.

Derivative financial instruments

The adidas Group purchases more than 80% of its products in Asia. Since a major proportion of the product costs relate to raw materials that the suppliers have to purchase in US dollars (USD), billings to the adidas Group are also made mainly in USD. In contrast, sales by Group companies to customers are mainly in euros (€), pounds sterling (GBP), Japanese yen (JPY), Chinese Yuan (CNY) and in many other currencies. Currency hedges are entered into to reduce the risk of changes in fair value and in cash flows (currency risks). Most subsidiaries hedge their currency risks through adidas AG, except for those subsidiaries that are unable to hedge through adidas AG due to local currency restrictions, or for whom it is more sensible to hedge locally for economic reasons. Currency risks that are assumed by adidas AG from subsidiaries by entering into inter-Group currency transactions are strategically hedged with banks for a period of up to 24 months in advance using forward exchange transactions, currency swaps, currency options, or a combination of currency options, which provide protection and, at the same time, the opportunity to profit from future beneficial foreign exchange rate movements on financial markets. In 2020, the adidas Group purchased around USD 4.8 billion net to hedge its operating business.

Due to procurement of the majority of goods in the Far East and the adidas Group's global operations, the worldwide distribution of goods is an important component of the Group's business. At the current time – due to continuing low commodity prices – no hedging of commodity futures takes place. This strategy is reviewed regularly.

Outstanding financial derivatives

€ thousand

	Dec. 31, 2020	Dec. 31, 2019
Notional amounts		
Currency hedging contracts	23,872,709	26,459,546
Equity instruments	748,690	748,767
	24,621,399	27,208,313

The notional volume of option structures is included only once in the notional amounts.

The equity instruments serve to hedge a Long-Term Incentive Plan (LTIP), a share-based remuneration scheme with cash settlement, and the conversion rights related to the

convertible bond. The company uses derivative instruments to hedge against the risk of share price fluctuations. The fair value is based on the market price of the adidas AG share as at December 31, 2020 - and concerning the LTIP multiplied by the notional volume less accrued interest.

Outstanding financial derivatives

€ thousand

	Dec. 31, 2020		Dec. 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets (Other assets)				
Currency hedging contracts	0	404,420	0	287,400
Equity instruments	0	137,663	0	167,795
Liabilities (Provision for contingent losses)				
Currency hedging contracts	-40,006	-399,805	-41,334	-289,672
Equity instruments	-5,899	-93,559	0	-85,755
	-45,905	48,719	-41,334	79,768

Notional amounts represent the gross total of all buy and sell contracts for derivative financial transactions. Fair values of forward exchange transactions are determined based on current ECB reference exchange rates or reference exchange rates of local central banks, together with forward premiums or discounts as well as the counterparty risk. The fair values (gains and losses) of the currency hedging contracts are presented as gross values.

Currency options are measured using market quotes or option pricing models (Garman-Kohlhagen model).

The notional amounts of outstanding financial derivatives in foreign currency are translated into euros at year-end closing rates.

The carrying values are taken from the balance sheet.

The table below provides an overview of the risks hedged as part of a hedging portfolio. The underlying transactions within a portfolio are secured with one or more hedging instruments (portfolio hedge):

Hedged risk as of the balance sheet date

€ thousand / Maturity

	Notional	Net change in fair value	Maturity
Currency risk			
Risk			
Forward exchange transactions and options with subsidiaries	9,448,890	182,073	1 - 20 months
Hedging			
Forward exchange transactions and options with banks	9,242,136	-182,073	1 - 20 months
Equity instrument			
Risk			
Equity instrument with subsidiaries	85,414	-15,537	1 - 25 month
Hedging			
Equity instrument with banks	585,414	100,271	1 - 33 month
Equity instrument with banks	-500,000	-84,735	33 month

The difference in the notional amount relates to internal forward exchange transactions with subsidiaries without an external hedge. The foreign currency requirement of one subsidiary is covered with the excess of the same foreign currency of another subsidiary (natural hedge).

15. Sales

adidas AG's business activities are primarily concentrated in one sector, specifically the development, production and sales of sports and leisure articles. In addition, adidas AG generates a substantial portion of its revenues from licensing income, primarily from affiliated companies.

Sales

€ thousand

	2020	2019
Breakdown by product group		
Footwear	796,994	966,543
Apparel	497,523	472,695
Hardware	75,500	74,715
	1,370,017	1,513,953
Other sales revenues	611,397	721,384
Licensing income	2,009,804	2,208,972
Sales	3,991,218	4,444,309

Of these revenues, € 1,918,345 thousand (prior year: € 2,157,095 thousand) was generated in Germany and € 2,072,873 thousand (prior year: € 2,287,214 thousand) outside Germany, mainly in Europe. Included within the sales are licensing income of € 17,601 thousand relating to other periods. The reduction in the sales was mainly due to the closing of own stores – as well as those of our customers – as a consequence of the coronavirus pandemic.

16. Other operating income

Other operating income consists mainly of € 900,417 thousand in foreign currency gains (prior year: € 499,109 thousand). Other operating income also includes € 2,000 thousand as a result of the release of allowances for doubtful accounts relating to receivables from affiliated companies (prior year: € 31,476) as well as income relating to other periods of € 108,259 thousand (prior year: € 90,232 thousand). This income includes essentially income from the reversal of accruals and provisions in an amount of € 75,972 thousand (prior year: € 44,350 thousand) as well as cost recharges to a group company.

17. Cost of materials

Cost of materials

€ thousand

	2020	2019
Cost of raw materials, consumables and supplies, and of purchased merchandise	1,061,116	1,151,843
Cost of purchased services	404,405	458,904
Cost of materials	1,465,521	1,610,747

18. Personnel expenses

Personnel expenses

€ thousand

	2020	2019
Wages and salaries	511,155	649,278
Social security, post-employment and other employee benefit costs	144,022	147,056
of which for retirement benefits	58,466	63,371
Personnel expenses	655,177	796,334

The decrease in personnel expenses mainly relates to lower expenses for bonuses, as well as short-time work resulting from the temporary closure of own stores as a consequence of the coronavirus pandemic. Personnel expenses include refunds of € 450 thousand for social security contributions from the Federal Labour Office.

19. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets

Amortization and write-downs of intangible assets of € 79,767 thousand (prior year: € 69,659 thousand) relates to trademark rights as well as to computer software and licenses. Depreciation and write-downs of tangible fixed assets of € 47,014 thousand (prior year: € 50,063 thousand) relates primarily to depreciation of € 21,790 thousand (prior year: € 20,413 thousand) on buildings as well as depreciation of € 19,949 thousand (prior year: € 22,817 thousand) on other equipment, operating and office equipment.

20. Other operating expenses

Other operating expenses essentially comprise cost transfers, currency exchange losses, advertising and promotional expenses, legal and consultancy fees, services, travel expenses, rental and lease charges, IT and maintenance costs, postal and telephone expenses, and outgoing freight. The € 227,323 thousand increase in these expenses essentially results from the increase in currency exchange losses by € 350,250 thousand to € 867,844 as well as for service costs by € 36,626 thousand to € 78,843 thousand. In addition, the charge for write-off's and allowances for doubtful accounts relating to receivables increased by € 12,099 thousand to € 19,111 thousand. However the expenses for consulting decreased by € 109,168 thousand to € 144,850 thousand as well as the expenses for events and business trips by € 24,712 thousand to € 6,081 thousand. Other operating expenses include expenses not relating to the accounting period in an amount of € 26,362 thousand (prior year: € 21,833 thousand). Thereof, € 8,585 thousand (prior year: € 18,211 thousand) relates to a provision for risks, € 17,580 thousand (prior year: € 3,226 thousand) relates to the disposal of fixed assets and € 196 thousand (prior year: € 396 thousand) relates to obligations to reverse constructional changes to office buildings, plants and retail stores.

21. Income from investments in related companies

Income from adidas AG's investments in related companies amounted to € 111,043 thousand (prior year: € 1,729,239 thousand) and essentially relates to dividend payments from subsidiaries in Chile, Korea, Thailand and Poland.

22. Profits received in accordance with a profit and loss transfer agreement

A profit and loss transfer agreement exists with adidas Insurance & Risk Consultants GmbH, Herzogenaurach and adidas Beteiligungsgesellschaft mbH, Herzogenaurach. The

change is attributable to the transfer of a higher gain from adidas Beteiligungsgesellschaft mbH amounting to € 509,165 thousand (prior year: € 211,580 thousand).

23. Interest result

Interest result

€ thousand

	2020	2019
Income from loans of long-term financial assets	440	399
of which from affiliated companies	440	399
Other interest and similar income	37,315	64,038
of which from affiliated companies	25,743	51,782
Interest and similar expenses	-73,928	-67,935
of which to affiliated companies	-36,726	-36,820
Interest result	-36,173	-3,498

The interest income in connection with pension provisions amounted to € 4,582 thousand (prior year interest expenses: € 7,607 thousand).

24. Taxes on income

Taxes on income mainly include municipal trade tax and withholding tax on interest and licensing income, interest and dividends resulting from the collection of this income from outside Germany.

Taxes on income does not include any gains or losses from deferred taxes.

adidas AG exercises the statutory right concerning the balancing of deferred tax assets and deferred tax liabilities in accordance with § 274 (1) sentence 3 HGB. In accordance with the option under § 274 (1) sentence 2 HGB, adidas AG has opted to forgo recognizing the surplus deferred tax assets of € 56.620 thousand in future tax benefits due to temporary accounting differences (prior year: € 56,986 thousand). This amount was calculated based on a combined income tax rate of 27,37 %.

Deferred tax assets result primarily from other assets, intangible assets and forward exchange transactions. Deferred tax liabilities result essentially in relation to pension provisions, land and shares in affiliated companies.

25. Remuneration of the Executive Board and the Supervisory Board

Executive Board

The overall compensation of the members of the Executive Board in the 2020 financial year amounted to € 5,788 thousand (previous year: € 9,795 thousand). For the 2020 financial year no LTIP Bonus was granted. By comparison for the 2019 financial year an LTIP Bonus in the amount of € 9,245 thousand was granted to the Executive Board members which had to be invested in the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions. For the 2020 financial year, a special bonus was granted to the Executive Board members for the first time in the amount of € 1,482 thousand, which is to be invested in the acquisition of adidas AG shares after deduction of applicable taxes and social security contributions. These shares are subject to a lock-up period which ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The LTIP payout amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board. The lower total remuneration in comparison to the previous year is mainly attributable to the fact that already in April 2020 in light of the coronavirus pandemic the Executive Board Members waived their LTIP Bonus and their Performance Bonus for the 2020 financial year as a liquidity management measure.

Pension commitments

€ thousand

	Service cost		Accumulated pension obligation for the pension commitments	
	2020	2019	2020	2019
Executive Board members incumbent as at Dec. 31, 2020				
Kasper Rorsted	1,034	860	4,576	3,565
Roland Auschel	430	322	3,079	2,590
Brian Grevy (since February 1, 2020)	404	n/a	404	n/a
Harm Ohlmeyer	437	395	1,842	1,253
Martin Shankland	343	301	652	301
Total	2,648	1,878	10,553	7,709
Executive Board members who departed in the 2020 financial year				
Karen Parkin (until June 30, 2020)	206	375	1,181	1,113
Total	206	375	1,181	1,113

Further information is contained in the compensation report within the combined Management Report.

Former members of the Executive Board and their surviving dependents received a total of € 10,641 thousand in benefits in the 2020 financial year (prior year: € 14,567 thousand).

Provisions for pension entitlements have been created for the former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents, in an amount of € 39,924 thousand in total as at December 31, 2020 before offsetting with the assets of the "adidas Pension Trust e.V." (prior year: € 40,119 thousand).

There are pension commitments towards six former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 40,710 thousand (prior year: € 38,070 thousand) arise for adidas AG, for which no provisions were created due to financing through the pension fund and pension trust fund. Provisions for pension entitlements have been created for two former members of the Executive Board who resigned on or after December 31, 2019 in an amount of € 3,500 thousand.

The Executive Board members have not received any loans and advance payments from adidas AG.

Supervisory Board

The annual total compensation for members of the Supervisory Board in accordance with the Articles of Association was € 2,228 thousand (prior year: € 2,367 thousand). This includes attendance fees in a total amount of € 28 thousand (prior year € 167 thousand). The significant reduction of the attendance fees is due to the fact that the meetings of the Supervisory Board and its committees were mostly held virtually due to the coronavirus pandemic.

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

26. Other disclosures

No. of employees (annual average)

	2020			2019		
	Total	Salaried	Wage	Total	Salaried	Wage
Global Sales	609	609	0	568	567	1
Headquarters						
Corporate Services	1,986	1,944	42	2,091	2,031	60
Marketing	1,633	1,633	0	1,723	1,723	0
Operations	2,438	1,017	1,421	2,346	1,058	1,288
Market Europe	975	820	155	980	829	151
	7,641			7,708		
As at December 31	7,600			7,703		

Recommendation on the appropriation of the retained earnings of adidas AG

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of € 1.165.665 thousand as reported in the 2020 financial statements of adidas AG for a dividend payment of € 3.00 per dividend-entitled share. The subsequent remaining amount will be carried forward.

Declaration on the German Corporate Governance Code

In December 2020, the Executive Board and Supervisory Board of adidas AG issued an updated Declaration of Compliance in accordance with § 161 AktG and made it permanently available to the shareholders. The full text of the Declaration of Compliance is available on the corporate website.

Disclosures pursuant to § 285 no. 10 HGB

The disclosures pursuant to § 285 no. 10 HGB are contained in Appendix 1 to the notes to the financial statements.

Disclosures pursuant to § 285 no. 17 HGB

Expenses for the audit fees of KPMG AG Wirtschaftsprüfungsgesellschaft were mainly related to the audits of both the consolidated financial statements and the financial statements of adidas AG, as well as the audit of the financial statements of its subsidiary, adidas CDC Immobilieninvest GmbH.

Other confirmation services consist of audits which are either required by law or contractually agreed, such as the European Market Infrastructure Regulation (EMIR) audits according to § 20 WpHG, audits according to the German Packaging Ordinance (Verpackungsverordnung – VerpackV), the issuance of comfort letters and other contractually agreed-upon confirmation services.

The tax consultancy services include support services for transfer pricing.

Other services provided by the auditor consist of supporting services to provide certificates for sales transactions and for legal consultancy services.

In accordance with § 285 no. 17 HGB, the Company has opted not to include a disclosure of the total audit fee charged by the auditor in this report, since such disclosures are already contained in the consolidated financial statements of the adidas Group.

Disclosures pursuant to § 285 no. 33 HGB

There have been no events of particular significance since the end of the fiscal year.

In its function as the ultimate parent, adidas AG, Herzogenaurach, (Local Court of Fürth, HRB 3868), prepares consolidated financial statements, which are published in the Federal Gazette.

Herzogenaurach, February 22, 2021

The Executive Board of adidas AG

Kasper Rorsted

Roland Auschel

Brian Grevy

Harm Ohlmeyer

Amanda Rajkumar

Martin Shankland

Supervisory Board

THOMAS RABE

CHAIRMAN¹

residing in Berlin, Germany

born on August 6, 1965

Member of the Supervisory Board since May 9, 2019

Chairman and Chief Executive Officer, Bertelsmann Management SE, Gütersloh, Germany

Chief Executive Officer, RTL Group S.A., Luxembourg, Luxembourg

Membership in control bodies pursuant to § 285 sec. 10 HGB:

Membership in comparable domestic and foreign controlling bodies of commercial enterprises

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

- Chairman of the Board of Directors, Penguin Random House LLC, New York, USA²
- Member of the Supervisory Board, Majorel Group Luxembourg S.A., Luxembourg, Luxembourg

UDO MÜLLER*

DEPUTY CHAIRMAN

residing in Herzogenaurach, Germany

born on April 14, 1960

Member of the Supervisory Board since October 6, 2016

Manager History Management³, adidas AG, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

IAN GALLIENNE

DEPUTY CHAIRMAN⁴

residing in Gerpennes, Belgium

born on January 23, 1971

Member of the Supervisory Board since June 15, 2016

Chief Executive Officer, Groupe Bruxelles Lambert, Brussels, Belgium

Membership in control bodies pursuant to § 285 sec. 10 HGB:

Memberships in comparable domestic or foreign controlling bodies of commercial enterprises

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

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

- Member of the Board of Directors, Imerys SA, Paris, France
- Member of the Board of Directors, Sienna Capital S.à r.l., Strassen, Luxembourg
- Member of the Board of Directors, Compagnie Nationale à Portefeuille SA, Loverval, Belgium
- Member of the Board of Directors, Frère-Bourgeois SA, Loverval, Belgium

¹ Since August 11, 2020; formerly Deputy Chairman of the Supervisory Board, adidas AG, Herzogenaurach, Germany.

² Until April 1, 2020.

³ Since September 1, 2020; formerly Director Communication, adidas AG, Herzogenaurach, Germany.

⁴ Since August 11, 2020.

*Employee representative

- Member of the Board of Directors, Château Cheval Blanc, Société Civile, Saint-Émilion, France
- Member of the Board of Directors, GBL Advisors Ltd., London, United Kingdom⁵
- Member of the Board of Directors, GBL Development Ltd., London, United Kingdom
- Member of the Supervisory Board, Marnix French ParentCo SAS (Webhelp Group), Paris, France

PETRA AUERBACHER*

residing in Emskirchen, Germany

born on December 27, 1969

Member of the Supervisory Board since May 9, 2019

Project Manager Creative Direction, adidas AG, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

ROSWITHA HERMANN*

residing in Erlangen, Germany

born on December 27, 1962

Member of the Supervisory Board since May 9, 2019

Director Projects⁶, adidas AG, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

HERBERT KAUFFMANN

residing in Stuttgart, Germany

born on April 20, 1951

Member of the Supervisory Board since May 7, 2009

Independent Management Consultant, Stuttgart, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

CHRISTIAN KLEIN

residing in Mühlhausen, Germany

born on May 4, 1980

Member of the Supervisory Board since August 11, 2020

Chief Executive Officer (CEO), SAP SE, Walldorf, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

⁵ Until January 4, 2020.

⁶ Since July 1, 2020; formerly full-time member of the Works Council Herzogenaurach, adidas AG, Herzogenaurach, Germany.

*Employee representative

KATHRIN MENGES

residing in Großenbrode, Germany

born on October 16, 1964

Member of the Supervisory Board since May 8, 2014

Self-employed entrepreneur

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

ROLAND NOSKO*

residing in Wolnzach, Germany

born on August 19, 1958

Member of the Supervisory Board since May 13, 2004

District Manager of the Industrial Union IG Bergbau, Chemie, Energie (IG BCE), District of Nuremberg, Nuremberg, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

Membership in other statutory supervisory boards in Germany

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany
- Member of the Supervisory Board, Plastic Omnium Automotive Exteriors GmbH, Munich, Germany

BEATE ROHRIG*

residing in Glashütten, Germany

born on March 24, 1965

Member of the Supervisory Board since May 9, 2019

State District Manager of the Industrial Union IG Bergbau, Chemie, Energie (IG BCE), State District Bavaria, Munich, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

Membership in other statutory supervisory boards in Germany

- Member of the Supervisory Board, Evonik Nutrition & Care GmbH, Essen, Germany⁷
- Member of the Supervisory Board, Wacker Chemie AG, Munich, Germany

NASSEF SAWIRIS

residing in London, United Kingdom

born on January 19, 1961

Member of the Supervisory Board since June 15, 2016

Executive Chairman and Member of the Board of Directors, OCI N.V., Amsterdam, The Netherlands

Membership in control bodies pursuant to § 285 sec. 10 HGB:

Memberships in comparable domestic or foreign controlling bodies of commercial enterprises

- CEO of Avanti Acquisition Corp., New York, USA⁸

⁷ Until June 30, 2020.

⁸ Since October 1, 2020.

*Employee representative

FRANK SCHEIDERER*

residing in Wilhelmsdorf, Germany

born on April 16, 1977

Member of the Supervisory Board since May 9, 2019

Director Head Office – Finance Strategy and Programs⁹, adidas AG, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

MICHAEL STORL*

residing in Oberreichenbach, Germany

born on July 3, 1959

Member of the Supervisory Board since May 9, 2019

Deputy Chairman of the Works Council Herzogenaurach, adidas AG, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

BODO UEBBER

residing in Stuttgart, Germany

born on August 18, 1959

Member of the Supervisory Board since May 9, 2019

Independent Management Consultant

Membership in control bodies pursuant to § 285 sec. 10 HGB:

Membership in other statutory supervisory boards in Germany

- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA/Bertelsmann Management SE, Gütersloh, Germany
- Chairman of the Supervisory Board, Evercore GmbH, Frankfurt/Main, Germany¹⁰

JING ULRICH

residing in Hong Kong, China

born on June 28, 1967

Member of the Supervisory Board since May 9, 2019

Vice Chairman of Global Banking and Asia Pacific, JPMorgan Chase & Co., New York, USA

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

GÜNTER WEIGL*

residing in Oberreichenbach, Germany

born on April 14, 1965

Member of the Supervisory Board since May 9, 2019

Senior Vice President Global Sports Marketing & Brand Relations, adidas AG, Herzogenaurach, Germany

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

⁹ Since July 1, 2020; formerly Director Head Office – Brand & Sales Finance, adidas AG, Herzogenaurach, Germany.

¹⁰ Since April 16, 2020.

*Employee representative

SUPERVISORY BOARD MEMBER INCUMBENT UNTIL THE END OF THE ANNUAL GENERAL MEETING ON AUGUST 11, 2020:

IGOR LANDAU

CHAIRMAN

residing in Lugano, Switzerland

born on July 13, 1944

Member of the Supervisory Board since May 13, 2004

Pensioner

Membership in control bodies pursuant to § 285 sec. 10 HGB:

- none

*Employee representative

Executive Board

KASPER RORSTED, PÖCKING, GERMANY

CHIEF EXECUTIVE OFFICER

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland
- Member of the Supervisory Board, Siemens AG, Berlin and Munich, Germany¹

ROLAND AUSCHEL, ERLANGEN, GERMANY

EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL SALES

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

BRIAN GREVY, HERZOGENAURACH, GERMANY

EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL BRANDS

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

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

HARM OHLMEYER, RÖTTENBACH, GERMANY

CHIEF FINANCIAL OFFICER

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

AMANDA RAJKUMAR², HERZOGENAURACH, GERMANY

EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL HUMAN RESOURCES

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

MARTIN SHANKLAND, NUREMBERG, GERMANY

EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL OPERATIONS

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

¹ Since February 3, 2021.

² Since January 1, 2021.

MEMBER OF THE EXECUTIVE BOARD UNTIL JUNE 30, 2020:

KAREN PARKIN, PORTLAND, USA
EXECUTIVE BOARD MEMBER IN CHARGE OF GLOBAL HUMAN RESOURCES

Membership in controlling bodies pursuant to § 285 no. 10 HGB:

- none

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2020**

Company and Domicile	Company Code		Local Currency	Share in capital held by 1)	in %	Equity (EUR million)	Profit / Loss (EUR million)
Germany							
1 adidas Insurance & Risk Consultants GmbH 2)	200	Herzogenaurach (Germany)	EUR	directly	100	0	-
2 adidas Beteiligungsgesellschaft mbH 2)	400	Herzogenaurach (Germany)	EUR	directly	100	682	-
3 adidas CDC Immobilieninvest GmbH	370	Herzogenaurach (Germany)	EUR	12	100	4	-2
4 adidas Verwaltungsgesellschaft mbH	R530	Herzogenaurach (Germany)	EUR	68	100	4	0
Europe (incl. Middle East and Africa)							
5 adidas sport gmbh	3800	Lucerne (Switzerland)	CHF	directly	100	5	2
6 adidas Austria GmbH	4000	Klagenfurt (Austria)	EUR	directly	95,89 5 4,11	334	328
7 runtastic GmbH	4070	Pasching (Austria)	EUR	9	100	5	1
8 adidas France S.a.r.l.	1000	Strasbourg (France)	EUR	directly	100	373	2
9 adidas International B.V.	510	Amsterdam (Netherlands)	EUR	directly	93,97 8 6,03	6.314	115
10 adidas International Trading AG	610	Lucerne (Switzerland)	EUR	9	100	2.460	417
11 adidas International Marketing B.V.	520	Amsterdam (Netherlands)	EUR	9	100	53	7
12 adidas International Property Holding B.V.	470	Amsterdam (Netherlands)	EUR	77	100	55	1
13 adidas Infrastructure Holding B.V.	480	Amsterdam (Netherlands)	EUR	9	100	0	0
14 adidas Benelux B.V.	4200	Amsterdam (Netherlands)	EUR	directly	100	4	4
15 adidas Ventures B.V.	460	Amsterdam (Netherlands)	EUR	9	100	-33	1
16 adidas (UK) Limited	2000	Stockport (Great Britain)	GBP	9	100	32	23
17 Reebok International Limited	R270 / R280	London (Great Britain)	EUR	68	100	325	-17
18 Trafford Park DC Limited	R580	London (Great Britain)	GBP	13	100	2	0
19 Reebok Pensions Management Limited	-	London (Great Britain)	GBP	17	100		
20 Reebok Europe Holdings	R230	London (Great Britain)	GBP	17	100	24	0
21 Luta Limited	-	London (Great Britain)	GBP	17	100		
22 adidas (Ireland) Limited	3400	Dublin (Ireland)	EUR	9	100	3	1
23 adidas International Re DAC	3500	Dublin (Ireland)	EUR	9	100	29	2
24 Five Ten Europe NV	4250	Lasne (Belgium)	EUR	70	99,95 0,05	0	-
25 adidas España S.A.U.	2200	Zaragoza (Spain)	EUR	2	100	37	8
26 adidas Finance Spain S.A.U.	R600	Zaragoza (Spain)	EUR	68	100	37	0
27 adidas Italy S.p.A.	4700	Monza (Italy)	EUR	9	100	135	8
28 adidas Portugal - Artigos de Desporto, S.A.	4600	Lisbon (Portugal)	EUR	9	100	6	1
29 adidas Business Services, Lda.	4620	Morea de Maia (Portugal)	EUR	9	98 2	3	0
30 adidas Norge AS	2400	Oslo (Norway)	NOK	directly	100	3	1
31 adidas Sverige AB	2600	Solna (Sweden)	SEK	directly	100	8	1
32 adidas Finance Sverige AB	R555	Solna (Sweden)	SEK	68	100	27	0
33 adidas Suomi Oy	2500	Helsinki (Finland)	EUR	9	100	2	1
34 adidas Danmark A/S	2700	Copenhagen (Denmark)	DKK	9	100	3	1
35 adidas CR s.r.o.	3200	Prague (Czech Republic)	CZK	directly	100	4	1
36 adidas Budapest Kft.	2800	Budapest (Hungary)	HUF	directly	100	3	0
37 adidas Bulgaria EAD	5210	Sofia (Bulgaria)	BGN	directly	100	3	0
38 LLC "adidas, Ltd."	3600	Moscow (Russia)	RUB	directly	100	329	28
39 adidas Poland Sp. z o.o.	3000	Warsaw (Poland)	PLN	directly	100	15	5
40 adidas Finance Poland S.A.	R330	Warsaw (Poland)	PLN	68	100	22	0
41 adidas Romania S.R.L.	5700	Bucharest (Romania)	RON	9	100	3	1
42 adidas Baltics SIA	2300	Riga (Latvia)	EUR	9	100	1	0
43 adidas Slovakia s.r.o.	5100	Bratislava (Slovak Republic)	EUR	directly	100	1	1
44 adidas Trgovina d.o.o.	2900	Ljubljana (Slovenia)	EUR	directly	100	1	0
45 SC "adidas-Ukraine"	4900	Kiev (Ukraine)	UAH	directly	100	28	3
46 adidas LLP	3700	Almaty (Republic of Kazakhstan)	KZT	directly	100	10	3
47 adidas Serbia d.o.o.	5950	Belgrade (Serbia)	RSD	9	100	5	0

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2020**

Company and Domicile	Company Code		Local Currency	Share in capital held by 1)	in %	Equity (EUR million)	Profit / Loss (EUR million)
48 adidas Croatia d.o.o.	5900	Zagreb (Croatia)	HRK	9	100	8	1
49 adidas Hellas A.E.	4800	Athens (Greece)	EUR	directly	100	25	2
50 adidas (Cyprus) Limited	5600	Nicosia (Cyprus)	EUR	directly	100	1	0
51 adidas Spor Matzemeleri Satis ve Pazarlama A.S.	5500	Istanbul (Turkey)	TRY	9	100	50	-2
52 adidas Emerging Markets L.L.C	5000	Dubai (United Arab Emirates)	USD	indirectly	51 8 49	-6	-26
53 adidas Emerging Markets FZE	5050	Dubai (United Arab Emirates)	USD	9	100	60	22
54 adidas Levant Limited	4650	Dubai (United Arab Emirates)	JOD	53	100	4	-
55 adidas Levant Limited - Jordan	4750	Amman (Jordan)	JOD	54	100	2	0
56 adidas Imports & Exports Ltd.	4570	Cairo (Egypt)	EGP	57 9	99,98 0,02	0	1
57 adidas Sporting Goods Ltd.	4550	Cairo (Egypt)	EGP	9 directly	90 10	12	-4
58 adidas Egypt Ltd.	4500	Cairo (Egypt)	USD	8 directly	99,13 0,87	-1	-
59 adidas Israel Ltd.	4350	Holon (Israel)	ILS	9	85	26	-9
60 adidas Morocco LLC	5470	Casablanca (Morocco)	MAD	directly	100	-8	-4
61 adidas (South Africa) (Pty) Ltd.	5800	Cape Town (South Africa)	ZAR	directly	100	22	0
North America							
62 adidas North America, Inc.	736	Portland, Oregon (USA)	USD	9	100	4.088	112
63 adidas America, Inc.	6038	Portland, Oregon (USA)	USD	62	100	227	-30
64 adidas International, Inc.	6036	Portland, Oregon (USA)	USD	62	100	81	13
65 adidas Team, Inc.	6050	Des Moines, Iowa (USA)	USD	62	100	-1	-
66 The Reebok Worldwide Trading Company, LLC	R030	Wilmington, Delaware (USA)	USD	68	100	17	1
67 Reebok Securities Holdings LLC	R140	Wilmington, Delaware (USA)	USD	68	100		
68 Reebok International Ltd.	R010	Boston, Massachusetts (USA)	USD	62	100	-1.138	-10
69 adidas Indy, LLC	R080	Wilmington, Delaware (USA)	USD	68 67	99 1	-5	-6
70 Stone Age Equipment, Inc.	6250	Redlands, California (USA)	USD	63	100	3	0
71 Spartanburg DC, Inc.	6160	Spartanburg, South Carolina (USA)	USD	63	100	17	3
72 adidas Canada Limited	6200	Woodbridge, Ontario (Canada)	CAD	9	100	123	-7
Asia							
73 adidas Sourcing Limited	8200	Hong Kong (China)	USD	10	100	55	30
74 adidas Hong Kong Limited	8000	Hong Kong (China)	HKD	2	100	-40	-62
75 Reebok Trading (Far East) Limited	R210	Hong Kong (China)	USD	68	100	6	0
76 adidas (Suzhou) Co. Ltd.	9800	Suzhou (China)	CNY	2	100	6	0
77 adidas Sports (China) Co. Ltd.	9500	Suzhou (China)	CNY	2	100	1.154	264
78 adidas (China) Ltd.	9850	Shanghai (China)	CNY	9	100	99	24
79 adidas Sports Goods (Shanghai) Co., Ltd	9550	Shanghai (China)	CNY	78	100	-9	-13
80 Runtastic Software Technology (Shanghai) Co., Ltd.	4080	Shanghai (China)	CNY	9	100	1	0
81 Zhuhai adidas Technical Services Limited	R590	Zhuhai (China)	CNY	73	100	5	0
82 adidas Logistics (Tianjin) Co., Ltd.	9570	Tianjin (China)	CNY	13	100	24	2
83 adidas Business Services (Dalian) Limited	9820	Dalian (China)	CNY	9	100	4	1
84 adidas Japan K.K.	7900	Tokyo (Japan)	JPY	9	100	52	7
85 adidas Korea LLC.	7800	Seoul (Korea)	KRW	directly	100	183	5
86 adidas Korea Technical Services Limited	8291	Busan (Korea)	KRW	73	100	0	0
87 adidas India Private Limited	8770	New Delhi (India)	INR	9 directly	10,67 89,33	72	0
88 adidas India Marketing Private Limited	8700	New Delhi (India)	INR	87 9 directly	98,62 1 0,37	109	1
89 adidas Technical Services Private Limited	R060	New Delhi (India)	INR	73	100	2	0
90 Reebok India Company	R470	New Delhi (India)	INR	100	93,15	26	0
91 PT adidas Indonesia	8350	Jakarta (Indonesia)	IDR	9 directly	99,67 0,33	22	-1
92 adidas (Malaysia) Sdn. Bhd.	8500	Petaling Jaya (Malaysia)	MYR	9 directly	60 40	11	1
93 ADIDAS PHILIPPINES, INC.	8900	Taguig City (Philippines)	PHP	directly	100	10	0
94 adidas Singapore Pte. Ltd.	8400	Singapore (Singapore)	SGD	directly	100	16	-1

**Shareholdings of adidas AG, Herzogenaurach
at December 31, 2020**

Company and Domicile	Company Code		Local Currency	Share in capital held by 1)	in %	Equity (EUR million)	Profit / Loss (EUR million)
95 adidas Taiwan Limited	7700	Taipei (Taiwan)	TWD	9	100	26	12
96 adidas (Thailand) Co., Ltd.	8800	Bangkok (Thailand)	THB	directly	100	31	1
97 adidas Australia Pty Limited	6600	Mulgrave (Australia)	AUD	9	100	41	8
98 adidas New Zealand Limited	6800	Auckland (New Zealand)	NZD	directly	100	7	2
99 adidas Vietnam Company Limited	8850	Ho Chi Minh City (Vietnam)	VND	9	100	1	3
100 Reebok (Mauritius) Company Limited	R740	Port Louis (Mauritius)	USD	68 66	99,07 0,93	2	-
Latin America							
101 adidas Argentina S.A.	7300	Buenos Aires (Argentina)	ARS	9 2	76,96 23,04	14	-13
102 Reebok Argentina S.A.	R680	Buenos Aires (Argentina)	ARS	directly	96,25 3,75	-1	0
103 adidas do Brasil Ltda.	7000	São Paulo (Brazil)	BRL	2	100	106	10
104 adidas Franchise Brasil Servicos Ltda.	7100	São Paulo (Brazil)	BRL	103 directly	99,99 0,01	2	5
105 Reebok Produtos Esportivos Brasil Ltda.	R660	São Paulo (Brazil)	BRL	9	100	2	0
106 adidas Chile Limitada	7500	Santiago de Chile (Chile)	CLP	directly 1	99 1	54	8
107 adidas Colombia Ltda.	6510	Bogotá (Colombia)	COP	directly	100	6	2
108 adidas Perú S.A.C.	6720	Lima (Peru)	PEN	directly 106	99,21 0,79	27	0
109 adidas de Mexico, S.A. de C.V.	6400	Mexico City (Mexico)	MXN	directly	100	47	-13
110 adidas Industrial, S.A. de C.V.	6430	Mexico City (Mexico)	MXN	directly	100	15	-5
111 Reebok de Mexico, S.A. de C.V.	R480	Mexico City (Mexico)	MXN	directly	100	-25	-2
112 adidas Latin America, S.A.	7200	Panama City (Panama)	USD	directly	100	-61	-18
113 Concept Sport, S.A.	7260	Panama City (Panama)	USD	9	100	1	-1
114 3 Stripes S.A.	7400	Montevideo (Uruguay)	UYU	directly	100	0	-
115 Tafibal S.A.	7450	Montevideo (Uruguay)	UYU	directly	100	-3	-2
116 Raelit S.A.	7420	Montevideo (Uruguay)	UYU	directly	100	0	-1
117 adidas Sourcing Honduras, S.A.	-	San Pedro Sula (Honduras)	HNL	68 66	99,6 0,4		
118 adidas Corporation de Venezuela, S.A.	7600	Caracas (Venezuela)	VEF	directly	100	0	-
119 adisport Corporation	7270	San Juan (Puerto Rico)	USD	9	100	-2	-1
120 adidas Sourcing El Salvador, S.A. de C.V.	6930	Antiguo Cuscatlán (El Salvador)	USD	9 directly	99,95 0,05	0	0

1) The number refers to the number of the company.

2) Profit and loss transfer agreement.

Reproduction of the independent auditor's report

Based on the results of our audit, we have issued the following unqualified audit opinion:

Independent Auditor's Report

To adidas AG, Herzogenaurach

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of adidas AG, Herzogenaurach, which comprise the balance sheet as of December 31, 2020, and the income statement for the financial year from January 1 to December 31, 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report ("management report") of adidas AG, Herzogenaurach, for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

The management report contains cross-references that are not provided for by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report. The management report contains cross-references that are not provided for by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

■ Impairment testing of shares in affiliated companies

Please refer to the 'Accounting policies' section in the notes to the financial statements for more information on the accounting policies applied and to section 3 in the notes to the financial statements for information on the accounting of financial assets.

THE FINANCIAL STATEMENT RISK

An amount of EUR 4,466 million in shares in affiliated companies was recognized under the 'Financial assets' item in the annual financial statements of adidas AG, Herzogenaurach, as of December 31, 2020. The shares in affiliated companies account for 37.3 % of total assets and thus have a material effect on the Company's assets and liabilities.

adidas AG's Executive Board recognizes the shares in affiliated companies at cost or, if they are expected to be permanently impaired, at their lower fair value.

Fair value depends largely on the assumptions made and is therefore subject to significant judgment. This related in particular to the appropriate estimation of future cash flows and growth rates, appropriate determination of the risk-appropriate weighted average cost of capital and the appropriate assessment of the permanence of impairment or the reversal of an impairment loss.

There is the risk for the annual financial statements that an impairment loss or a reversal of an impairment loss existing as of the reporting date was not identified.

OUR AUDIT APPROACH

We use a risk-based audit approach. First, we used the information obtained during our audit to assess which shares in affiliated companies indicated a need for impairment.

Our audit procedures also included assessing the valuation model for the business valuations carried out by the Company. We confirmed the methodically correct derivation and appropriateness of the level of risk-appropriate discount rates used. For this reason we determined our own estimates of the underlying parameters for the weighted average cost of capital (such as risk-free rate, market risk premium, beta factor) and compared these with the client's assumptions. To support this assessment, we involved our employees specializing in company valuation in the audit team.

Furthermore, we evaluated whether the budgeted cash flows underlying the valuations were made according to proper and reasonable assumptions. To do this, we obtained clarification from the Company or individuals at affiliated companies specified by the Company on these assumptions and the impact of strategic and operating activities on the budgeted cash flows. We used industry benchmarks to review the long-term earnings forecasts in relation to the appropriateness of the budgeted figures and assumptions included. To the extent possible, we assessed the planning quality by comparing past budgets with the actual annual results. Finally, we discussed with Investment Controlling the measurements determined by adidas AG and verified the accounting entry of the measurements derived from this.

OUR OBSERVATIONS

The valuation model used by adidas AG is appropriate and in line with applicable valuation policies. The Executive Board's assumptions underlying the measurement are balanced as a whole.

Other Information

The Executive Board and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the components of the integrated combined non-financial statement, which are marked as unaudited
- and the corporate governance statement, together with the corporate governance report.

The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Annual Financial Statements and the Management Report

The Executive Board is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the Executive Board is responsible for such internal control as it, in accordance with German legally required accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Executive Board is responsible for preparing a management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for preparing the annual financial statements and the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view

of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "HGBAbschlussadidasAG2020mitBeteiligungsbersicht.xhtml" (SHA256-hash value: f52d45bc11b5a6c41005e65a3307fa16f7059046a02d6c96205763f628ff0a52) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2020, contained in the “Report on the Audit of the Annual Financial Statements and of the Management Report” above.

We conducted our assessment of the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company’s Executive Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company’s Executive Board is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company’s Executive Board is also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on August 11, 2020. We were engaged by the Supervisory Board on August 11, 2020. We have been the auditor of adidas AG as publicly-traded company without interruption since financial year 1995.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Haiko Schmidt.

Munich, February 25, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Andrejewski
Wirtschaftsprüfer
[German Public Auditor]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the Management Report, which has been combined with the Group Management Report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of the company.

Herzogenaurach, February 22, 2021

signed Kasper Rorsted
CEO

signed Roland Auschel
Global Sales

signed Brian Grevy
Global Brands

signed Harm Ohlmeyer
CFO

signed Amanda Rajkumar
Global Human Resources

signed Martin Shankland
Global Operations

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

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

Monitoring and advice in dialogue with the Executive Board

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

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

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

Meetings of the Supervisory Board and its committees

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

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

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

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

Individual meeting participation of the Supervisory Board members

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

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

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

Tasks and topics for the entire Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

Tasks and topics for the committees

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

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

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

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

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

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

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

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

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

Election and composition of the Supervisory Board

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

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

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

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

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

Changes to the Executive Board

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

Corporate Governance

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

Following an in-depth discussion, the current Declaration of Compliance pursuant to § 161 AktG was resolved upon by the Executive Board and Supervisory Board of adidas AG in December 2020 and was made permanently available on our website. ► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance)

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

Examination of the annual financial statements and consolidated financial statements

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

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

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

Based on our own audits of the annual and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. Following the recommendation of the Audit Committee, the Supervisory Board therefore approved the audit results and the financial statements prepared by the Executive Board, including the non-financial statement for the 2020 financial year. The annual financial statements were thus adopted. The annual financial statements are

signed by the auditors Haiko Schmidt as the responsible audit partner since the 2017 financial year and Prof. Dr. Kai Andrejewski since the 2019 financial year.

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

Expression of thanks

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

For the Supervisory Board



THOMAS RABE

CHAIRMAN OF THE SUPERVISORY BOARD

March 2021

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