

adidas performed well in a challenging environment during Q3 2021

- **Currency-neutral sales up 3%, despite € 600 million drag from external factors**
- **Strong top-line momentum in EMEA, North America and Latin America with double-digit increase across these regions**
- **DTC business growing at double-digit rate in EMEA, North America and Latin America**
- **Gross margin at 50.1% as significantly higher full-price sales partly compensate negative currency impact and higher supply chain costs**
- **Operating margin at 11.7% despite strong double-digit increase in marketing spend**
- **Net income from continuing operations reaches € 479 million**
- **Inventories down 23% currency-neutral**
- **2021 top- and bottom-line outlook confirmed**

“adidas performed well in an environment characterized by severe challenges on both the supply and demand side,” said adidas CEO Kasper Rorsted. “As a consequence of successful product launches we are experiencing strong top-line momentum in all markets that operate without major disruption. Double-digit growth in our direct-to-consumer businesses in EMEA, North America and Latin America is a testament to the strong consumer demand for our products. At the same time, we are navigating through the current world-wide supply chain constraints. Despite all challenges, we are on track to delivering a successful first year within our new strategic cycle.”

Currency-neutral revenues grow 3% in the third quarter

Despite several external factors weighing on demand and supply during the quarter, adidas was able to increase its currency-neutral revenues by 3%. In total, the challenging market environment in Greater China, extensive Covid-related lockdowns in Asia-Pacific as well as industry-wide supply chain disruptions reduced revenue growth by around € 600 million in Q3. From a channel perspective, the company’s top-line development was driven by growth in its own direct-to-consumer channel where currency-neutral sales grew 5% year-on-year, reflecting an increase of nearly 20% compared to the 2019 level. adidas’ e-commerce revenues experienced a significant increase in full-price sales during the quarter and grew 8% year-on-year. This reflects an increase of 64% compared to the level of 2019, reflecting the exceptionally high growth in the prior year period. In euro terms, adidas revenues also grew 3% in the third quarter to € 5.752 billion (2020: € 5.561 billion).

Following the company’s decision to focus its efforts on further strengthening the leading position of the adidas brand and to start a process aimed at divesting Reebok, all income and expenses of the Reebok business are reported as discontinued operations as of the first quarter 2021. For the sake of clarity, all figures related to the 2020 financial year refer to the company’s continuing operations unless otherwise stated. However, a restatement of 2020 balance sheet items is not permitted under IFRS.



Strong revenue growth in EMEA, North America and Latin America

From a regional perspective, the company continued to experience strong top-line momentum across all markets with largely undisrupted demand. Revenues in EMEA and North America both grew 9% currency-neutral during the quarter despite the negative impact from significantly longer lead times due to ongoing industry-wide shipping and handling constraints. In addition, revenues in Latin America grew 55%. At the same time, sales in Asia-Pacific declined 8% reflecting the impact from the extensive lockdowns in the region. In Greater China, the geo-political situation, the resurgence of Covid-related restrictions as well as natural disasters weighed on the company's top-line performance and led to a revenue decline of 15%.

Gross margin at 50.1% negatively impacted by currency fluctuations and supply chain costs

adidas' gross margin in the third quarter slightly declined by 0.2 percentage points to 50.1% (2020: 50.3%) as the positive effects from significantly higher full-price sales were offset by the negative impact from currency fluctuations, significantly higher supply chain costs as well as a less favorable market mix. Other operating expenses increased 7% to € 2.237 billion (2020: € 2.092 billion) during the quarter. As a percentage of sales, other operating expenses were up 1.3 percentage points to 38.9% (2020: 37.6%). Marketing and point-of-sale expenses grew 25% to € 674 million (2020: € 538 million) as the company leveraged major sporting events to drive brand heat, supported the launch of new product introductions and invested into the consumer experience across both its digital and physical platforms. As a percentage of sales, marketing and point-of-sale expenses increased 2.1 percentage points to 11.7% (2020: 9.7%). Operating overhead expenses with € 1.562 billion were at previous year level (2020: € 1.554 billion) and included stranded costs related to the divestiture of Reebok in an amount of around € 60 million. As a percentage of sales operating overhead expenses decreased to 27.2% (2020: 27.9%). The company's operating profit reached a level of € 672 million (2020: € 735 million) reflecting a strong operating margin of 11.7% (2020: 13.2%). The company's net income from continuing operations reached € 479 million in the quarter (2020: € 535 million), reflecting basic earnings per share from continuing operations of € 2.34 (2020: € 2.58).

adidas with significant bottom-line growth in the first nine months of 2021

In the first nine months of 2021, revenues increased 24% on a currency-neutral basis driven by strong double-digit growth in all markets. In euro terms, revenues grew 21% to € 16.096 billion (2020: € 13.294 billion). The company's gross margin increased by 0.9 percentage points to 51.2% (2020: 50.4%) during the first nine months of 2021. Unfavorable currency fluctuations, higher supply chain costs as well as a negative market and channel mix weighed on the gross margin development during the first nine months of the year. These negative effects were more than compensated by significantly lower discounts, reduced inventory allowances as well as the non-recurrence of last year's purchase order cancellation



costs. Other operating expenses increased 2% to € 6.391 billion (2020: € 6.249 billion). As a percentage of sales other operating expenses were down 7.3 percentage points, to 39.7% (2020: 47.0%). adidas generated an operating profit of € 1.920 billion (2020: € 520 million) during the first nine months of the year, resulting in an operating margin of 11.9% (2020: 3.9%). Net income from continuing operations reached € 1.369 billion, reflecting an improvement of more than € 1 billion compared to the prior year level (2020: € 318 million). Accordingly, basic earnings per share from continuing operations improved to € 6.87 (2020: € 1.61).

Average operating working capital declines significantly

Inventories decreased 22% to € 3.664 billion (2020: € 4.676 billion). On a currency-neutral basis, inventories were down 23%. While the reclassification of Reebok supported this development, inventories were still down strong double-digits year-on-year on a like-for-like basis. Operating working capital decreased 17% to € 4.616 billion (2020: € 5.573 billion). On a currency-neutral basis, the decrease was 19%. Average operating working capital as a percentage of sales declined by 5.0 percentage points to 20.1% (2020: 25.1%).

Adjusted net borrowings at € 3.260 billion

Adjusted net borrowings on September 30, 2021 amounted to € 3.260 billion (September 30, 2020: € 5.226 billion), representing a year-on-year decrease of € 1.966 billion. This development was driven by the increase in cash generated from operating activities, partly offset by the dividend payment, the outflow related to the company's share buyback activities as well as the repayment of the Eurobond and short-term borrowings.

Divestiture process of Reebok well on track

During the third quarter, adidas signed an agreement to sell the Reebok brand to Authentic Brands Group for a total consideration of up to € 2.1 billion. The majority of the consideration will be paid in cash at closing of the transaction which is subject to customary closing conditions and expected to occur in the first quarter of 2022. adidas intends to share the majority of the cash proceeds to be received upon closing with its shareholders. As a result of the agreement, adidas recorded a write-up of the previously impaired Reebok trademark in an amount of € 402 million net of tax within discontinued operations in Q3.

adidas confirms top- and bottom-line outlook for FY 2021

Despite several external factors continuing to weigh on industry-wide demand and supply, adidas confirms its top- and bottom-line outlook for 2021. While the company continues to expect currency-neutral revenues to increase by a rate of up to 20%, growth is now anticipated to come in at the lower end of this range due to the longer-than-expected sourcing disruptions as well as the challenging market environment in China. Consequently, both operating margin and net income from continuing operations are also forecasted to reach the lower end of the



previously communicated ranges of between 9.5% and 10% (operating margin) and between € 1.4 billion and € 1.5 billion (net income from continuing operations). At the same time, due to significantly higher supply chain costs as well as a less favorable market mix, the gross margin is now expected to increase to a level between 50.5% and 51.0% in 2021 (previously: around 52%).

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ADIDAS AG CONDENSED CONSOLIDATED INCOME STATEMENT (IFRS)¹

€ in millions	Quarter ending September 30, 2021	Quarter ending September 30, 2020	Change
Net sales	5,752	5,561	3.4%
Cost of sales	2,868	2,763	3.8%
Gross profit	2,884	2,798	3.1%
(% of net sales)	50.1%	50.3%	(0.2pp)
Royalty and commission income	22	19	13.2%
Other operating income	3	10	(68.7%)
Other operating expenses	2,237	2,092	6.9%
(% of net sales)	38.9%	37.6%	1.3pp
Marketing and point-of-sale expenses	674	538	25.4%
(% of net sales)	11.7%	9.7%	2.1pp
Operating overhead expenses ²	1,562	1,554	0.5%
(% of net sales)	27.2%	27.9%	(0.8pp)
Operating profit	672	735	(8.5%)
(% of net sales)	11.7%	13.2%	(1.5pp)
Financial income	6	5	22.8%
Financial expenses	49	42	16.8%
Income before taxes	629	698	(9.8%)
(% of net sales)	10.9%	12.6%	(1.6pp)
Income taxes	150	163	(7.9%)
(% of income before taxes)	23.8%	23.3%	0.5pp
Net income from continuing operations	479	535	(10.4%)
(% of net sales)	8.3%	9.6%	(1.3pp)
Gain from discontinued operations, net of tax	504	41	1120.7%
Net income	984	577	70.6%
(% of net sales)	17.1%	10.4%	6.7pp
Net income attributable to shareholders	960	545	76.0%
(% of net sales)	16.7%	9.8%	6.9pp
Net income attributable to non-controlling interests	24	31	(23.7%)
Basic earnings per share from continuing operations (in €)	2.34	2.58	(9.3%)
Diluted earnings per share from continuing operations (in €)	2.34	2.58	(9.3%)
Basic earnings per share from continuing and discontinued operations (in €)	4.94	2.80	76.6%
Diluted earnings per share from continuing and discontinued operations (in €)	4.94	2.80	76.6%

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

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



NET SALES¹

€ in millions	Quarter ending September 30, 2021	Quarter ending September 30, 2020	Change	Change (currency- neutral)
EMEA	2,248	2,079	8.1%	8.8%
North America	1,396	1,309	6.6%	8.6%
Greater China	1,155	1,297	(11.0%)	(14.6%)
Asia-Pacific	504	557	(9.6%)	(8.2%)
Latin America	405	264	53.4%	55.4%
Other Businesses	45	55	(18.3%)	(18.0%)

¹ Figures reflect continuing operations as a result of the planned divestiture of the Reebok business. Rounding differences may arise.



ADIDAS AG CONDENSED CONSOLIDATED INCOME STATEMENT (IFRS)¹

€ in millions	Nine months ending September 30, 2021	Nine months ending September 30, 2020	Change
Net sales	16,096	13,294	21.1%
Cost of sales	7,851	6,598	19.0%
Gross profit	8,245	6,696	23.1%
(% of net sales)	51.2%	50.4%	0.9pp
Royalty and commission income	53	43	22.2%
Other operating income	13	30	(56.3%)
Other operating expenses	6,391	6,249	2.3%
(% of net sales)	39.7%	47.0%	(7.3pp)
Marketing and point-of-sale expenses	1,831	1,712	7.0%
(% of net sales)	11.4%	12.9%	(1.5pp)
Operating overhead expenses ²	4,560	4,537	0.5%
(% of net sales)	28.3%	34.1%	(5.8pp)
Operating profit	1,920	520	269.1%
(% of net sales)	11.9%	3.9%	8.0pp
Financial income	11	19	(42.5%)
Financial expenses	123	121	1.8%
Income before taxes	1,808	418	332.0%
(% of net sales)	11.2%	3.1%	8.1pp
Income taxes	439	100	338.6%
(% of income before taxes)	24.3%	23.9%	0.4pp
Net income from continuing operations	1,369	318	330.0%
(% of net sales)	8.5%	2.4%	6.1pp
Gain/(loss) from discontinued operations, net of tax	576	(33)	n.a
Net income	1,945	286	581.2%
(% of net sales)	12.1%	2.1%	9.9pp
Net income attributable to shareholders	1,915	281	580.3%
(% of net sales)	11.9%	2.1%	9.8pp
Net income attributable to non-controlling interests	31	4	639.7%
Basic earnings per share from continuing operations (in €)	6.87	1.61	326.7%
Diluted earnings per share from continuing operations (in €)	6.87	1.61	326.7%
Basic earnings per share from continuing and discontinued operations (in €)	9.83	1.44	581.6%
Diluted earnings per share from continuing and discontinued operations (in €)	9.83	1.44	581.6%

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

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



NET SALES¹

€ in millions	Nine months ending September 30, 2021	Nine months ending September 30, 2020	Change	Change (currency-neutral)
EMEA	5,928	4,749	24.8%	26.9%
North America	3,802	3,202	18.7%	25.7%
Greater China	3,560	3,055	16.6%	15.1%
Asia-Pacific	1,639	1,496	9.6%	13.1%
Latin America	1,050	670	56.7%	70.0%
Other Businesses	118	123	(3.9%)	(3.3%)

¹ Figures reflect continuing operations as a result of the planned divestiture of the Reebok business. Rounding differences may arise.

ADIDAS AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

€ in millions	September 30, 2021	September 30, 2020	Change in %
Cash and cash equivalents	3,603	3,224	11.7
Short-term financial assets	-	0	n.a.
Accounts receivable	2,909	2,607	11.6
Other current financial assets	832	772	7.7
Inventories	3,664	4,676	(21.6)
Income tax receivables	75	128	(41.1)
Other current assets	1,092	955	14.3
Assets classified as held for sale	1,965	0	402,786.6
Total current assets	14,142	12,363	14.4
Property, plant and equipment	2,102	2,180	(3.6)
Right-of-use assets	2,454	2,648	(7.3)
Goodwill	1,214	1,233	(1.6)
Trademarks	16	785	(97.9)
Other intangible assets	295	244	21.0
Long-term financial assets	287	351	(18.2)
Other non-current financial assets	181	375	(51.8)
Deferred tax assets	1,173	1,170	0.2
Other non-current assets	82	113	(27.8)
Total non-current assets	7,804	9,100	(14.2)
Total assets	21,946	21,463	2.2
Short-term borrowings	84	1,726	(95.1)
Accounts payable	1,958	1,710	14.5
Current lease liabilities	584	598	(2.3)
Other current financial liabilities	365	289	26.3
Income taxes	727	630	15.4
Other current provisions	1,443	1,371	5.2
Current accrued liabilities	2,484	2,204	12.7
Other current liabilities	503	394	27.6
Liabilities classified as held for sale	370	-	n.a.
Total current liabilities	8,517	8,923	(4.5)
Long-term borrowings	2,469	2,590	(4.7)
Non-current lease liabilities	2,138	2,309	(7.4)
Other non-current financial liabilities	67	94	(28.8)
Pensions and similar obligations	256	267	(3.9)
Deferred tax liabilities	345	247	39.4
Other non-current provisions	139	215	(35.6)
Non-current accrued liabilities	6	8	(19.0)
Other non-current liabilities	18	19	(5.8)
Total non-current liabilities	5,438	5,750	(5.4)
Share capital	193	195	(0.9)
Reserves	0	(247)	n.a.
Retained earnings	7,513	6,584	14.1
Shareholders' equity	7,707	6,532	18.0
Non-controlling interests	284	259	9.7
Total equity	7,991	6,791	17.7
Total liabilities and equity	21,946	21,463	2.2
Additional balance sheet information			
Operating working capital	4,616	5,573	(17.2)
Working capital	5,624	3,441	63.5
Adjusted net borrowings ¹	3,260	5,226	(37.6)
Financial leverage ²	42.3%	80.0%	(37.7 pp)

¹ Adjusted net borrowings = short-term borrowings + long-term borrowings and future cash used in lease and pension liabilities – cash and cash equivalents and short-term financial assets.

² Based on shareholders' equity.

Rounding differences may arise.