



adidas

2

0

2

3

ANNUAL REPORT

Y O U

G O T



T H I S

OUR PURPOSE

THROUGH
SPORT, WE HAVE
THE POWER TO
CHANGE LIVES

OUR MISSION

TO BE THE BEST SPORTS BRAND IN THE WORLD

Targets – Results – Outlook

Targets – Results – Outlook

	2023 Targets ¹	2023 Results	2024 Outlook
Currency-neutral net sales development	to decline at a high-single-digit rate	0%	to increase at a mid-single-digit rate
Operating loss/profit	operating loss of € 700 million	operating profit of € 268 million	operating profit of around € 500 million
Average operating working capital in % of net sales	to reach a level of between 25% and 26%	25.7%	to reach a level of between 23% and 24%
Capital expenditure ²	to reach a level of around € 600 million	€ 504 million	to reach a level of around € 600 million

¹ As initially published on February 9, 2023. Updated throughout the year. For average working capital and capital expenditure as of March 8, 2023.

² Excluding acquisitions and leases.

Financial Highlights 2023 (IFRS)

Financial Highlights 2023 (IFRS)

	2023	2022	Change
Operating Highlights (€ in millions)			
Net sales	21,427	22,511	(5%)
Gross profit	10,184	10,644	(4%)
Other operating expenses	10,070	10,260	(2%)
EBITDA	1,358	1,874	(28%)
Operating profit	268	669	(60%)
Net (loss)/income from continuing operations	(58)	254	n.a.
Net (loss)/income attributable to shareholders	(75)	612	n.a.
Key Ratios			
Gross margin	47.5%	47.3%	0.2pp
Other operating expenses in % of net sales	47.0%	45.6%	1.4pp
Operating margin	1.3%	3.0%	[1.7pp]
Effective tax rate	189.2%	34.5%	154.9pp
Net (loss)/income attributable to shareholders in % of net sales	[0.4%]	2.7%	n.a.
Average operating working capital in % of net sales	25.7%	24.0%	1.6pp
Equity ratio ¹	25.4%	24.6%	0.8pp
Adjusted net borrowings/EBITDA	3.3	3.2	0.1
Financial leverage ¹	98.6%	121.2%	(22.5pp)
Return on equity ¹	(1.6%)	12.3%	n.a.
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	18,020	20,296	(11%)
Inventories	4,525	5,973	(24%)
Receivables and other current assets	3,819	4,961	(23%)
Operating working capital	4,154	5,594	(26%)
Shareholders' equity	4,580	4,991	(8%)
Capital expenditure	504	695	(27%)
Net cash generated from/(used in) operating activities ²	2,630	(394)	n.a.
Per Share of Common Stock (€)			
Basic earnings	(0.67)	1.25	n.a.
Diluted earnings	(0.67)	1.25	n.a.
Net cash generated from/(used in) operating activities ²	14.73	(2.15)	n.a.
Dividend ³	0.70	0.70	0%
Share price at year-end	184.16	127.46	44%
Other (at year-end)			
Number of employees	59,030	59,258	0%
Number of shares outstanding	178,549,084	178,537,198	0%
Average number of shares	178,543,596	183,263,629	(3%)

¹ Based on shareholders' equity.

² Prior year adjusted due to Hyperinflation accounting.

³ Current year value subject to Annual General Meeting approval.

About this Report

With the Annual Report 2023, adidas communicates financial and non-financial information in a combined publication. The report provides a comprehensive overview of the financial, environmental, and social performance of adidas in the 2023 financial year.

We publish our Annual Report exclusively in a digital format. It is available as a PDF and online version. The Online Report can be found on our website. ► [REPORT.ADIDAS-GROUP.COM](https://report.adidas-group.com)

The reporting period is the financial year from January 1 to December 31, 2023. To enhance readability, registered trademarks as well as references to rounding differences, which may arise in percentages and totals, are omitted in this publication. In addition, we have used the masculine form partially, although all such references are not intended to be gender-specific. The adidas Annual Report 2023 is available in English and German.

The following symbols indicate important information:

► There is more information online or on a different page within the report.

[] These are parts of the non-financial statement that are covered by a separate reasonable assurance engagement.

[] These are parts of the non-financial statement that are covered by a separate limited assurance engagement.

Term underlined in blue: There is a detailed definition of this term in the glossary.

Independent assurance

The consolidated financial statements prepared by adidas AG, including the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes as well as the Group Management Report, have been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ('PwC'). ► [SEE COPY OF THE AUDITOR'S REPORT](#)

In addition, this report contains a combined non-financial statement for adidas AG and the Group. The content of the non-financial statement is covered by a separate either reasonable or limited assurance engagement of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The assurance was conducted using the International Standard on Assurance Engagements ISAE 3000 (Revised). The content of the non-financial statement combined with further information in this report and on our corporate website is prepared with reference to the Global Reporting Initiative's (GRI) Standards. The GRI content index can be found in our Online Report.

It was not part of PwC's engagement to review the Online Report or references to external sources such as our corporate website. ► [SEE NON-FINANCIAL STATEMENT](#) ► [SEE INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED AND REASONABLE ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING](#) ► [REPORT.ADIDAS-GROUP.COM](https://report.adidas-group.com)

Forward-looking statements

Our Group Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of our company. The outlook is based on estimates that we have made on the basis of all the information available to us at the time of completion of this Annual Report. In addition, such forward-looking statements are subject to uncertainties that are beyond the control of the company. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialize, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. adidas does not assume any obligation to update any forward-looking statements made in the Group Management Report beyond statutory disclosure obligations. ► [SEE OUTLOOK](#) ► [SEE RISK AND OPPORTUNITY REPORT](#)

Alternative performance measures

adidas uses 'Alternative Performance Measures' ('APM') in its regulatory and mandatory publications that may represent so called non-GAAP-measures. An overview of these alternative performance measures can be found on our website. ► [ADIDAS-GROUP.COM/5/FINANCIAL-PUBLICATIONS](https://www.adidas-group.com/5/financial-publications)

adidas Annual Report 2023

TO OUR SHAREHOLDERS

<u>Interview with our CEO</u>	010	<u>Outlook</u>	163
<u>Executive Board</u>	016	<u>Risk and Opportunity Report</u>	166
<u>Supervisory Board</u>	021	<u>Illustration of Risks</u>	174
<u>Supervisory Board Report</u>	025	<u>Illustration of Opportunities</u>	181
<u>Declaration on Corporate Governance</u>	034	<u>Management Assessment of Performance, Risks and Opportunities, and Outlook</u>	185
<u>Our Share</u>	046		

GROUP MANAGEMENT REPORT OUR COMPANY

<u>Value Creation</u>	052
<u>Focus Areas</u>	053
<u>Global Brands</u>	055
<u>Global Sales</u>	061
<u>Global Operations</u>	065
<u>Our People</u>	070
<u>Sustainability</u>	079
<u>Environmental Impacts</u>	082
<u>Social Impacts</u>	097
<u>Sustainable Finance</u>	110
<u>Non-Financial Statement</u>	118

GROUP MANAGEMENT REPORT FINANCIAL REVIEW

<u>Internal Management System</u>	121
<u>Business Performance</u>	124
<u>Income Statement</u>	126
<u>Statement of Financial Position and Statement of Cash Flows</u>	133
<u>Treasury</u>	140
<u>Financial Statements and Management Report of adidas AG</u>	147
<u>Disclosures Pursuant to § 315a Section 1 and § 289a Section 1 of the German Commercial Code and Explanatory Report</u>	152
<u>Business Performance by Segment</u>	158

CONSOLIDATED FINANCIAL STATEMENTS

<u>Consolidated Statement of Financial Position</u>	189
<u>Consolidated Income Statement</u>	191
<u>Consolidated Statement of Comprehensive Income</u>	192
<u>Consolidated Statement of Changes in Equity</u>	193
<u>Consolidated Statement of Cash Flows</u>	195
<u>Notes</u>	197
<u>Notes to the Consolidated Statement of Financial Position</u>	216
<u>Notes to the Consolidated Income Statement</u>	266
<u>Additional Information</u>	273
<u>Shareholdings</u>	287
<u>Responsibility Statement</u>	290
<u>Copy of the Auditor's Report</u>	291
<u>Independent Practitioner's Report on a Limited and Reasonable Assurance Engagement on Non-financial Reporting</u>	300

ADDITIONAL INFORMATION

<u>Ten-Year Overview</u>	305
<u>EU Taxonomy Tables</u>	307
<u>Glossary</u>	312
<u>Declaration of Support</u>	316
<u>Financial Calendar</u>	320

1

TO OUR
SHAREHOLDERS

<u>Interview with our CEO</u>	010
<u>Executive Board</u>	016
<u>Supervisory Board</u>	021
<u>Supervisory Board Report</u>	025
<u>Declaration on Corporate Governance</u>	034
<u>Our Share</u>	046

Interview with our CEO

Bjørn Gulden



THE TRUST IN ADIDAS HAS STARTED TO COME BACK.

Bjørn, you have now completed your first full year at the helm of adidas. How do you look back on the year 2023?

I think it was a positive year in the sense that a lot of positive things happened vis-à-vis our consumer. At the beginning of the year, we had little success when it comes to the sell-through of our product. But then, during the year, we had a couple of franchises in the Lifestyle area starting to do very well. And they actually continue to develop very well in 2024. First it was the Terrace trend with Samba, Gazelle, and Spezial, but then also Campus accelerated at the back end of the year. We have been steadily increasing the supply to better please the demand of the consumer and, of course, to also give our retail partners good sell-throughs.

In the Performance area, the launch of the Predator was fantastic. This football franchise is probably the best we have ever had. In Running, our athletes continued to win a lot of races and break records. With the Adizero Adios Pro Evo 1 we have the shoe that set completely new standards in terms of performance. The

halo effect of these victories in our shoes is that we are starting to build a better distribution for our entire running range. This will take a while, but it's a positive start. Even in basketball, and I say even because that's probably the area where we haven't had the biggest success in the past, the Anthony Edwards signature shoe has been selling out every time we launch a new colorway.

Improving the relationship with the retailers was one of your priorities for 2023. What feedback have you been receiving from them?

Since we have better products in the market and consumer demand is higher, more and more retailers would like to buy more from us now, which is positive, of course. You have to remember that we started the year 2023 with a lot of inventory in our own warehouses, but also in the warehouses of our retail partners. Sell-through was not good and discounts were high. It took a while to replace the bad inventory with good inventory. And it's probably fair to say that many of the retailers were skeptical at the beginning. But I have the feeling that during the course of the year, they have seen that the pipeline of our products works. They have seen that they can make money with us. As a result, the trust in adidas has started to come back. I hope that the retailers see that we are a company that really wants to be a partner and that they see this all over the world.

That's a big change from being a DTC-led company, which we were twelve months ago. I would say that the relationship between the retailers and us is also improving in the way we talk and work with each other. More importantly, the results for the retailers are starting to show. When retailers sell more with a better margin of a brand, they like to do more. And that's always the best argument to improve the business

What changes did you make at the product level to lay the foundation for a better future?

I don't know if I changed so much. I think if you look at the different categories, then in the Lifestyle area, it's obvious that we have been very classic-driven. We have been very strong on the courtside, which is Terrace and now also Campus. What I tried to do is to scale that at the right speed at the right time to build and keep the heat. We continue to do collabs and limited editions on all the franchises, but at the same time we also make sure that we increase production and give the retailers more of the products that work. And then we do takedowns of the trends that are happening on the more commercial side. We are doing this on the courtside, and now we have started to do the same in running lifestyle. SL72 and Country are two shoes coming out of our archive that we saw potential in. SL72 is also a Terrace shoe, but in an old running style. So far, it has done very well. And then on top of what we do on the classic side, because of the lack of newness in running lifestyle, we have initiated many projects when it gets to completely new silhouettes. Many of those are seeded into the market as we speak. The goal is that we will have new running silhouettes in the Lifestyle area that the market has never seen before at the back end of this year to be scaled in 2025 and beyond.

How about the performance side of the business?

Here we also looked at what kind of products do we have in the different categories that are ready to go. And we have accelerated quite a few of them. In running, as I said, the whole Adizero range is very, very successful from a performance point of view. The Adizero Adios Pro Evo 1 was initially planned for 2025

and we accelerated that. Now the goal is to scale running also into other price points and to focus more on the comfort and the value side of running. With the new Supernova, which we just launched, and a completely new UltraBoost and Adistar later in the year, the product pipeline looks very strong. And when it comes to distribution, it will be about having sales reps servicing running specialty again and being more ingrained in the running community where the action is happening.

In football, we have what we need from a product, a player, and a team point of view. So here we will continue the strategy as is. In basketball, we've done a lot of work. I'm very, very convinced that all our signature shoes for players like Anthony Edwards, James Harden, and Damian Lillard are a lot better in 2024 than they had been before. And I mentioned it before: The first positive results are already coming in. I am also very happy with the initial results of Fear of God. College teams in the NCAA now even play in Fear of God jerseys. In outdoor, we have the right product with Terrex. We have now started to commercialize it, also by taking it down to more commercial price points. Also here the task is more to get a better distribution.

And last but not least, Sportswear: We refocused the business unit to make sure that the entire range is more commercial, that we work closer with the accounts, that we become more local. I am pleased to see that our teams have now connected much better with the market, both with retailers and with the consumer.

How have these changes in how you create product and bring them to market also changed how you present the brand vis-à-vis the consumer?

When it comes to marketing, the strategy is to be visible in sports. Not only the big sports, but also the smaller sports, if you can even call them smaller because some of them are really meaningful in their region. We invested into cricket in India, we extended our partnership with the All Blacks in rugby. We are trying to sign partners across all sports again for the Olympics. Of course, we will not be able to sign everyone we want, but I think the attitude, again, is to be visible in many sports that adidas previously had left and to clearly show up as the best sports brand again.

Many adidas athletes performed extremely well in 2023 and in the first months of 2024: Tigist Assefa, Jude Bellingham, Noah Lyles, Patrick Mahomes, Lionel Messi, Mikaela Shiffrin – just to mention a very few. What do these successes mean to the brand?

First of all, we need athletes, teams, and federations that perform. Of course, you would like to be with winners. And then secondly, you would like to have people and teams and federations with the right adidas attitude. I think the ones you mentioned have exactly that. Seeing Mahomes leading his team in the Super Bowl to victory again in our product is simply great. He's a fantastic athlete with a great attitude and he fits our brand extremely well. It's the same with the fastest man in the world, Noah Lyles. Or watching Shiffrin skiing down the mountains and breaking records. These are all examples of great performing athletes who also have a great personality that fits our brand so well. I am proud that we can work with them. In my opinion, we have the best group of athletes and sports marketing partners that you can dream about.

Have these successes changed the way how consumers perceive the brand?

Consumers see the changes particularly in the Lifestyle area. Here we are currently trending in a way adidas hasn't done for a long time. At many retailers, we have the best sell-through in years, which means that more consumers are buying our products again. As a consequence, consumer sentiment towards adidas is turning positive in almost every market. So brand desire has clearly increased. I always repeat the same thing: I don't think the consumer ever had anything against adidas. I just think we were not visible and maybe not commercial enough in the way that we went to market. And we're reversing a lot of that as we speak.

This year will be a year of sports, with the UEFA EURO 2024 and the Copa América in football, the Olympic and Paralympic Games in Paris all taking place this summer. How important are these events for the adidas business?

They all play a little bit of a different role, but what they have in common is that after years of covid and difficult circumstances for big events with no spectators or limited access, it's the first year again where everything is largely back to normal. I think both athletes and spectators are looking forward to participating in big events and to celebrating sports and being together again. The summer of sport starts with the UEFA EURO in our home market Germany, which, of course, is very special. We all remember the fantastic atmosphere of the football World Cup 2006 in Germany and I think we will see the same again this year. It will be a very important event, not only for sports, but for people's mindset in general. For us, both the EURO and the Copa also have a business impact, because we sell replicas of the different teams, licensed products and the official match ball for the EURO 'Fussballliebe.'

The Olympics and Paralympics are different because they are not necessarily commercial events where we sell a lot of products directly related to them. But the Olympics and Paralympics both create global and local heroes. And they make sport play a bigger role in people's life all over the world. That's why in general they have a positive impact on sports companies and especially adidas which is the Olympic brand when you look back at our history. It is really good for us that these sports events all happen in 2024, because that fits perfectly with our plan to be the best sports brand again. It is also perfect timing with the product pipeline and the plans we have for 2024 and beyond.



I LOVE TO SEE AND DO SPORTS. IT'S MY LIFE AND MY JOB.

You are a big sports fan. Which sports event are you personally looking forward to the most?

I look forward to all sports events. It doesn't matter what it is. If it's a Bundesliga game or if it's a national championship, a college tournament or the Olympics, I don't really separate between the events. I love to see and do sports. It's my life and my job. There are so many good events and to be honest with you, there

are good events almost every day in some kind of sport somewhere in the world. So there's enough to look forward to and it would be kind of unfair to only pick one.

adidas will have an extra moment to celebrate this year as it is also the company's 75th anniversary. What does this heritage mean for the future?

For me personally, the 75 as a number doesn't mean so much because it doesn't matter if you're 75 or 76 or 80. The most important thing is which legacy these 75 years have created for the company. We have such a great sports history, both with products and athletes. Everything you see today is built on this foundation. There is no company in the world that has such a heritage in sports. When you visit our archive and see what we have in there, then you know what I am talking about. Therefore, the 75th anniversary gives us an enormous knowledge and product base to build on. That's very unique for our company.

Putting it all together in 2023, what worked better than you expected?

The success in Lifestyle maybe came quicker than we had expected. And the consumer reacted positively to our brand, quicker than I thought. I think I said it when I started at adidas last year: The product pipeline that everybody complained about was much better than people said it was. And adidas had already all the ingredients to be successful. It was just that they were not put together in a way that they were visible enough. In general, although we need time to also get the financial results back to former strength, there are so many good things happening in this company – clearly many more than any negative things. All in all, I think we were a little bit further at the end of 2023 than what I expected when we started.

Talking about negative things, were there also some challenges that you didn't see coming?

Well, there's always challenges. I think that the negativity around the company at the beginning was quite tough to manage. But I think we are in much better territory today and can now focus on the many positive things. One thing we clearly need to continue to tackle is our internal complexity. Although we increased our agility, it still takes us too long to make decisions. But we're on that and I feel that the attitude and the adidas DNA to do stuff is starting to come through again.

Looking forward, how will 2024 shape up from a business point of view?

The pipeline of products that is going out to the market will continue to improve quarter by quarter. Therefore, the size of the poor performing inventory, not so much in terms of age, but in terms of overall product strength, that we still have in the trade will actually become less and less compared to good inventory. As a result, sales growth should accelerate quarter by quarter. The external factors are, of course, something nobody can control. When we started a year ago, we didn't have a crisis in the Middle East, we didn't have the Red Sea issue. We all had hoped that the war in the Ukraine would end. Now we know that this is unfortunately not the case. So we are still living in a very uncertain world. But I think the companies that are agile and flexible in a volatile world will win. And that's part of our strategy to be agile and flexible.

Last year, when you started, you also laid out a plan to bring adidas back to the top step by step between 2023 and 2026. How confident are you that you are on the right track?

One year ago, we described where we were and where we should go. By now, I think we confirmed that we have the ingredients to start turning things around in 2023, be a better company in 2024, be a good company in 2025, and then be a good and profitable company in 2026. From where we are today, everything else being equal in the external world, I am confident that this will happen. As a management team, it is our goal to do things short term that are also right long term. We are not trying to impress anybody short-term by doing something stupid in one quarter to look good that has a negative impact maybe in a year's time. Our goal is to build adidas back again to be the best sports brand and the best sports company in the world, step by step. A company where people are happy to work, that retailers see as a partner, and where consumers like our product. With everything we know today, that means we can be a company that grows double digits each year and has a double-digit operating margin. It's doable within the timeline that we talked about.



WE HAVE A VERY GLOBAL AND DIVERSE WORKFORCE WITH PEOPLE THAT CAN BRING THIS COMPANY TO THE TOP AGAIN.

What role will the adidas employees play in this plan?

They are the reason that we can have the plan. You have to remember that adidas is the brand and the people. I am 100% sure that we have the talents we need. We have a very global and diverse workforce with people that can bring this company to the top again. I think we need to make sure that we find the right structure and the right processes so that our talented people are able to do their job. And that's what we are in the process of doing. But, again, people are the most important factor that our company has and always will be. You cannot replace people with machines or computers.

That's good to hear. Last question to you, Bjørn: What's the one thing you personally want to focus on in 2024?

Personally: Enjoy life.

Executive Board

**Our Executive Board is composed of five members.
Each Board Member is responsible for at least one major function
within the company.**

More information on the adidas Executive Board

▶ [ADIDAS-GROUP.COM/EXECUTIVE-BOARD](https://www.adidas-group.com/executive-board)



Bjørn Gulden

Chief Executive Officer, Global Brands^{1,2}

Bjørn was born in Zurich, Switzerland, in 1965 and is a Norwegian national. He obtained a Bachelor of Business Administration from the University of Rogaland, Norway, as well as an MBA from the Babson Graduate School of Business, USA. Between 1992 and 1999, he held various management positions at adidas in Herzogenaurach, ultimately as Senior Vice President of Apparel and Accessories. In 1999, Bjørn became Head of Product, Marketing and Sourcing at Helly Hansen in Norway, and remained on the company's advisory board for several years after his departure. From 2000, he was Managing Director of the Deichmann Group and President/CEO of Deichmann's US-American subsidiary Rack Room Shoes. From 2012 to 2013, Bjørn was Chief Executive Officer and from 2013 to 2018 a Supervisory Board Member of the Danish jewelry brand Pandora. In 2013, he joined Puma SE in Herzogenaurach as CEO. From 2014 to 2022, he also was a member of the Supervisory Board of Borussia Dortmund GmbH & Co. KgaA. Since January 1, 2023, Bjørn has been a member of the Executive Board and CEO of adidas AG, Herzogenaurach, Germany and is also responsible for the business area Global Brands.

Mandates:

- Chairman of the Board of Directors, Salling Group A/S, Brabrand, Denmark
- Member of the Supervisory Board, Tchibo GmbH, Hamburg, Germany
- Member of the Board of Directors, Essity AB, Stockholm, Sweden³

¹ Since January 1, 2023.

² From July 16, 2023, to December 31, 2023, on an interim basis also Global Human Resources, People and Culture.

³ Until March 29, 2023.



Arthur Hoeld⁴

Global Sales

Arthur was born in Illertissen, Germany, in 1969, and is a German national. He holds a degree in Business Administration and Advertising Management from Pforzheim University, Germany. Arthur joined adidas in 1998 from Bartle Bogle Hegarty, London, UK, where he started his professional career as an Advertising Account Manager. Between 1998 and 2011, he held various roles across Global Brands and Market EMEA at adidas in Herzogenaurach and Amsterdam. From 2011, he led the company's Originals business as SVP/GM Originals and became SVP Brand Strategy & Business Development in 2017. In July 2018, Arthur was appointed Managing Director Europe, and was i.a. responsible for the business restructuring of adidas and Reebok. Between 2020 and 2023, he held the role of Managing Director EMEA. In 2023, Arthur was appointed to the Executive Board and is responsible for Global Sales.



Harm Ohlmeyer

Chief Financial Officer

Harm was born in Hoya, Germany, in 1968 and is a German national. He holds a degree in Business Studies from the University of Regensburg, Germany, as well as an MBA from Murray State University, USA. Harm started his career with adidas in 1998 and gained extensive experience in the areas of Finance and Sales, including responsibility as CFO TaylorMade-adidas Golf in Carlsbad, USA, and Senior Vice President Finance adidas Brand and Global Sales (adidas and Reebok). From 2011, he led the company's e-commerce business as Senior Vice President Digital Brand Commerce. From 2014 to 2016, he held additional responsibility as Senior Vice President Sales Strategy and Excellence. In 2017, Harm was appointed to the Executive Board and subsequently became Chief Financial Officer. From November 12, 2022, to December 31, 2022, he led adidas AG as Chief Executive Officer in the interim. In July 2023, he was appointed as Labor Director.

Mandates:

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

⁴ Since April 1, 2023.



Michelle Robertson⁵

Global Human Resources, People and Culture

Michelle was born in Aberystwyth, Wales, in 1975, and is a British national. She holds a Postgraduate Diploma in Human Resources (CIPD qualified) from the University of Central Lancashire, UK. Michelle started her professional career in the UK hospitality industry, where she worked in different HR positions from 1995 onward. In 2004, she joined Reebok as Head of HR Reebok UK & Ireland, in Bolton, UK, later became Head of HR EMEA in Amsterdam, The Netherlands, and, in 2010, went on to be Director HR Global Brand Marketing at the Reebok HQ in Boston, USA. In 2012, Michelle transitioned to adidas in Herzogenaurach where she held various senior management roles within HR with responsibility for i.a. Global IT, Global Operations, Global Legal, and Global Workplaces. In 2018, she became Senior Vice President Workplaces & HR Global Functions. As of 2020, Michelle additionally took over the global Covid-19 crisis management lead, and between 2022 and 2023, she also acted as HR Business Partner for Global Brands. From mid-2023, she led the company's global Human Resources organization as Head of Global HR. In 2024, Michelle was appointed to the Executive Board and is responsible for Global Human Resources, People and Culture.



Martin Shankland

Global Operations

Martin was born in Sydney, Australia, in 1971 and is an Australian national. He holds a Bachelor of Commerce degree from the University of New South Wales, Australia, and completed the Professional Year Program at the Australian Institute of Chartered Accountants. He joined adidas in 1997 as Finance Director for adidas Russia/CIS and was Managing Director from 2000 to 2017. From 2017 to 2019, he led adidas Emerging Markets as Managing Director. In 2019, Martin was appointed to the Executive Board and is responsible for Global Operations.

⁵ Since January 1, 2024.

Executive Board Members until March 31, 2023

Roland Auschel

Mandates:

- none

Brian Grevy

Mandates:

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

Executive Board Member until July 15, 2023

Amanda Rajkumar

Mandates:

- none

Supervisory Board

Thomas Rabe

CHAIRMAN

residing in Berlin, Germany

born on August 6, 1965

Member of the Supervisory Board since May 9, 2019

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

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

Udo Müller*

DEPUTY CHAIRMAN

residing in Herzogenaurach, Germany

born on April 14, 1960

Member of the Supervisory Board since October 6, 2016

Manager History Management, adidas AG, Herzogenaurach, Germany

Ian Gallienne

DEPUTY CHAIRMAN

residing in 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 comparable domestic and foreign controlling bodies of commercial enterprises:

- Member of the Board of Directors, Pernod Ricard SA, Paris, France
 - Member of the Board of Directors, SGS SA, Geneva, Switzerland
- Mandates within the Groupe Bruxelles Lambert or in entities under common control with the Groupe Bruxelles Lambert:
- Member of the Board of Directors, Imerys SA, Paris, France
 - Member of the Board of Directors, Sienna Investment Managers SA, Strassen, Luxembourg
 - Member of the Board of Directors, Compagnie Nationale à Portefeuille SA, Loverval, Belgium
 - Member of the Board of Directors, Château Cheval Blanc, Société Civile, Saint-Émilion, France
 - Member of the Board of Directors, GBL Development Ltd., London, United Kingdom
 - Chairman of the Supervisory Board, Marnix French ParentCo SAS (Webhelp Group), Paris, France
 - Member of the Board of Directors, Financière De La Sambre, Loverval, Belgium
 - Member of the Board of Directors, Carpar SA, Loverval, Belgium

Petra Auerbacher*

residing in Emskirchen, Germany

born on December 27, 1969

Member of the Supervisory Board since May 9, 2019

Full-time member of the Works Council Herzogenaurach, adidas AG, Herzogenaurach, Germany

* Employee representative.

Birgit Biermann*

residing in Bochum, Germany

born on December 26, 1973

Member of the Supervisory Board since September 1, 2022

Member of the Steering Committee, IGBCE, Hannover, Germany

Membership in other statutory supervisory boards in Germany:

- Member of the Supervisory Board, Merck KGaA, Darmstadt, Germany

Jackie Joyner-Kersee

residing in Ballwin, Missouri, USA

born on March 3, 1962

Member of the Supervisory Board since May 12, 2021

CEO, Jackie Joyner-Kersee Foundation, and Motivational Speaker, East St. Louis, Illinois, USA

Christian Klein

residing in Mühlhausen, Germany

born on May 4, 1980

Member of the Supervisory Board since August 11, 2020

Chief Executive Officer, SAP SE, Walldorf, Germany

Mandates within the SAP Group:

- Member of the Board of Directors, Qualtrics International, Inc., Provo, Utah, USA⁶

Bastian Knobloch*

residing in Bramsche, Germany

born on September 12, 1982

Member of the Supervisory Board since January 1, 2022

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

Kathrin Menges

residing in Großenbrode, Germany

born on October 16, 1964

Member of the Supervisory Board since May 8, 2014

Self-employed entrepreneur

Beate Rohrig*

residing in Glashütten, Germany

born on March 24, 1965

Member of the Supervisory Board since May 9, 2019

Head of Participation in the Work Environment, IGBCE, Hannover, Germany⁷

Membership in other statutory supervisory boards in Germany:

- Member of the Supervisory Board, Wacker Chemie AG, Munich, Germany⁸

⁶ Until June 28, 2023.

⁷ Since March 1, 2023, previously State District Manager of the Industrial Union IG BCE, State District Bavaria, Munich, Germany.

⁸ Until September 30, 2023.

* Employee representative.

Nassef Sawiris

residing in London, United Kingdom

born on January 19, 1961

Member of the Supervisory Board since June 15, 2016

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

Membership in comparable domestic and foreign controlling bodies of commercial enterprises:

- CEO of Avanti Acquisition Corp., New York, USA⁹

Frank Scheiderer*

residing in Wilhelmsdorf, Germany

born on April 16, 1977

Member of the Supervisory Board since May 9, 2019

Director Finance – Strategy and Programs, adidas AG, Herzogenaurach, Germany

Michael Storl*

residing in Oberreichenbach, Germany

born on July 3, 1959

Member of the Supervisory Board since May 9, 2019

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

Bodo Uebber

residing in Munich, Germany

born on August 18, 1959

Member of the Supervisory Board since May 9, 2019

Independent Management Consultant

Membership in other statutory supervisory boards in Germany:

- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA/Bertelsmann Management SE, Gütersloh, Germany
- Chairman of the Supervisory Board, Flix SE, Munich, Germany¹⁰

Membership in comparable domestic and foreign controlling bodies of commercial enterprises:

- Non-Executive Director, Levere Holding Corp., Grand Cayman, Cayman Islands¹¹

Jing Ulrich

residing in Stamford, Connecticut, USA

born on June 28, 1967

Member of the Supervisory Board since May 9, 2019

Managing Director and Vice Chairman, Investment Banking, JPMorgan Chase & Co., New York, USA

Günter Weigl*

residing in Oberreichenbach, Germany

born on April 14, 1965

Member of the Supervisory Board since May 9, 2019

Senior Vice President Brand Partnerships, adidas AG, Herzogenaurach, Germany

⁹ Until July 13, 2023.

¹⁰ Since November 28, 2023.

¹¹ Until April 9, 2023.

* Employee representative.

Standing Committees

Steering Committee:

Thomas Rabe (Chairman), Ian Gallienne, Udo Müller*

General Committee:

Thomas Rabe (Chairman), Ian Gallienne, Udo Müller*, Michael Storl*

Audit Committee:

Bodo Uebber (Chairman), Kathrin Menges, Frank Scheiderer*, Günter Weigl*

Nomination Committee:

Thomas Rabe (Chairman), Ian Gallienne, Kathrin Menges

Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG):

Thomas Rabe (Chairman), Ian Gallienne, Petra Auerbacher*, Udo Müller*

Biographical information on our Supervisory Board members is available online

▶ [ADIDAS-GROUP.COM/SUPERVISORY-BOARD](https://adidas-group.com/supervisory-board)

* Employee representative.

Supervisory Board Report

Dear Shareholders,

2023 was a transition year for adidas. The appointment of Bjørn Gulden as new CEO effective January 1 paved the way for a successful restart of the company. The overall business environment continued to be characterized by geopolitical tensions, macroeconomic challenges, and elevated inventory levels. Against this backdrop, the company performed significantly better than initially expected as it put the focus back on its core: people, product, consumers, retail partners, and athletes. This started to pay off as brand momentum began to re-accelerate driven by the [Terrace](#) trend in [Lifestyle](#) and game-changing innovation in [Performance](#). The company improved the relationship to its retailers and invested into broadening its portfolio of sports partners. In addition, adidas successfully reduced high inventory levels by limiting the sell-in to the wholesale channel and clearing excess stock. This was essential to be able to return to a healthier business mix going forward. In addition, adidas was able to conduct two drops of the remaining Yeezy products. As a result, the write-off and destruction of the products could be avoided, and the company made significant donations from the proceeds. Consequently, despite the challenging market environment, adidas was able to upgrade its full year guidance twice in the course of 2023 and ultimately posted top- and bottom-line results significantly above the increasing expectations. This reflects the operational and financial progress made during the year and provides a stronger foundation for further improvements in 2024 and a successful 2025 and 2026.

Supervision and advice in dialogue with the Executive Board

In the year under review, we performed all of our tasks laid down by law, the Articles of Association, the German Corporate Governance Code ('Code'), and the Rules of Procedure carefully and conscientiously, as in previous years. We regularly advised the Executive Board on the management of the company, as well as diligently and continuously supervised 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 strategic direction, business planning (including finance, investment, and personnel planning), the business development, and the company's financial position and profitability. We were also kept up to date on matters relating to accounting processes, the risk situation, the adequacy and further 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 reported immediately and thoroughly on any deviations in business performance from the plans. In the year under review, such deviations were attributable, in particular, to the handling of the existing Yeezy inventory, the reduction of elevated inventory levels, the impact of foreign exchange developments, and the negative business development in North America.

Furthermore, we received regular comprehensive written reports from the Executive Board for the preparation of our meetings. We thus always had the opportunity to critically analyze the Executive Board's reports and resolution proposals within the committees and the entire Supervisory Board and to put forward suggestions before passing resolutions based on in-depth examination and thorough consultation. At the Supervisory Board meetings, the Executive Board was available for discussions and for answering 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 scrutinized the information provided 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 meetings. Members who were unable to participate in the meetings took part in the resolutions by submitting their votes in writing. In the year under review, the meetings of the Supervisory Board and its committees took place both as physical and virtual meetings. The latest videoconferencing technology was used to ensure an open and appropriate discussion between the Executive Board and the Supervisory Board within the virtual meetings.

Type of meeting

	Virtual meeting	Physical meeting
Supervisory Board	2	5
Nomination Committee	1	1
General Committee	3	3
Audit Committee	1	3

The external auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ('PwC'), Frankfurt am Main, Germany, attended the meetings of the Supervisory Board, in particular as part of the Executive Board's financial reporting to the Supervisory Board, insofar as no Executive Board matters or internal matters of the Supervisory Board and Executive Board were discussed. Furthermore, PwC attended all meetings of the Audit Committee.

In the periods between meetings, the Chairman of the Supervisory Board and the Chairman of the Audit Committee maintained regular contact with the Chief Executive Officer and the Chief Financial Officer, conferring on matters such as the company's strategic orientation, business planning and development, the risk situation, control and risk management, and compliance. In addition, the Chairman of the Supervisory Board and, as applicable, the entire Supervisory Board, were informed about events of fundamental importance for evaluating the situation, development, and management of the company, if required, 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 convened 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. The Audit Committee also followed recommendation D.10 of the Code and regularly consulted with the auditor in the Audit Committee meetings without the Executive Board.

In this year under review, too, the participation rate of the Supervisory Board and its committees was constantly high, totaling approximately 99% (2022: approximately 96%) and thus exceeding the targeted minimum participation rate of 75%.

Individual meeting participation of the Supervisory Board members

	Number of meetings	Participation	Participation rate
Members of the Supervisory Board as at December 31, 2023			
Thomas Rabe, Chairman	15	15	100%
Ian Gallienne, Deputy Chairman	15	15	100%
Udo Müller, Deputy Chairman	13	13	100%
Petra Auerbacher	7	7	100%
Birgit Biermann	7	7	100%
Jackie Joyner-Kersee	7	7	100%
Christian Klein	7	6	86%
Bastian Knobloch	7	7	100%
Kathrin Menges	13	13	100%
Beate Rohrig	7	7	100%
Nassef Sawiris	7	7	100%
Frank Scheiderer	11	11	100%
Michael Storl	13	13	100%
Bodo Uebber	11	11	100%
Jing Ulrich	7	6	86%
Günter Weigl	11	11	100%

Tasks and topics for the entire Supervisory Board

In the year under review, there were seven meetings of the entire Supervisory Board (2022: nine meetings).

The following subject areas were presented to us in detail by the Executive Board for regular discussion at meetings of the entire Supervisory Board: the development of sales, earnings, and the employment situation, the financial position of the company, and the development of the company's individual operations, brands, and markets. Focus topics in the year under review with regard to stabilizing operating profit were the business development in the major markets and sales channels, the order book development and the sell-through of our products, and the reduction of elevated inventory levels, as well as the handling of the existing Yeezy inventory and the Yeezy partnership in general. In addition, we dealt intensively with the major legal disputes, various brand and product topics, current marketing campaigns, and adidas' key partnerships. The opportunities of artificial intelligence ('AI') for adidas as well as the associated risks were also discussed. The growing importance of ESG (Environmental, Social, Governance) topics and their regulation were further regular topics of discussion at the Supervisory Board meetings. Moreover, the Executive Board informed us about the current status and the developments of the Human Resources organization. As regards personnel matters, the extension of Harm Ohlmeyer's appointment, the resignations of Roland Auschel, Brian Grevy, and Amanda Rajkumar, from the Executive Board and the appointments of Arthur Hoeld and Michelle Robertson to the Executive Board were the main subjects of consultation.

Due to statutory regulations or the Rules of Procedure, certain transactions and measures of the Executive Board require the approval of the Supervisory Board. The Supervisory Board discussed transactions requiring its approval as they arose and gave its approval to resolution items after thorough reviews, in some cases based on preparations by the relevant committees. In addition, the Supervisory Board regularly conferred on personnel and compensation matters concerning the Executive Board as

well as questions of corporate governance. ► [ADIDAS-GROUP.COM/S/COMPENSATION](https://www.adidas-group.com/s/compensation) ► [SEE DECLARATION ON CORPORATE GOVERNANCE](#)

At the Supervisory Board's February meeting, we welcomed the new Chief Executive Officer Bjørn Gulden, who started by sharing his initial impressions of adidas. He addressed the current status of the operating business, the existing challenges, and his priorities for the first few months of his tenure. Subsequently, the Executive Board reported on the company's situation, the preliminary financial results for the 2022 financial year, and the Business Improvement Plan as well as the challenges in the Chinese market. Further focus topics were the Budget and Investment Plan presented by the Executive Board for the 2023 financial year and the resulting financial guidance for 2023. In this connection, the further handling of the existing Yeezy inventory was also discussed at length. Following a thorough discussion, the Supervisory Board approved the Budget and Investment Plan as presented. Furthermore, we approved the preliminary extension of the Public Cloud Computing contract with AWS. Another focus topic was Executive Board compensation. In this respect, having determined the degree of target achievement and having discussed in detail the individual performance of the Executive Board members, we set the variable compensation to be paid to the Executive Board members for the 2022 financial year. Due to the challenges in the financial year, the overall degree of target achievement for the 2022 Performance Bonus and the 2022 LTI tranche was below 50% for all Executive Board members and no payout was made. Furthermore, following an internal appropriateness test, the Executive Board compensation was assessed to be appropriate. Finally, we approved the Declaration on Corporate Governance.

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 2022 annual financial statements and consolidated financial statements. Before the Supervisory Board passed its resolution, the auditor reported on the material results of the audit, including the results of the audit 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 based on the 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. Furthermore, the Executive Board reported on the humanitarian crisis in Turkey and Syria and on the safety of and support for adidas' employees. The Executive Board also outlined the company's current business situation and the outlook for the 2023 financial year and gave an update on adidas brand and product topics, current marketing campaigns, and key partnerships. Other topics of discussion included compliance and major legal disputes involving adidas. Moreover, we approved the Supervisory Board Report to the Annual General Meeting as well as the proposed resolutions to be submitted to the 2023 Annual General Meeting, including the proposal on the appropriation of retained earnings for the 2022 financial year. In addition, we determined the criteria and targets for the variable, performance-based compensation of the Executive Board members for the 2023 financial year and approved the Compensation Report for the 2022 financial year at this meeting. Furthermore, in the absence of Jackie Joyner-Kersey, the Supervisory Board approved the continuation of the ambassador agreement between adidas and Jackie Joyner-Kersey. After thorough discussions and following the recommendation of the General Committee, we approved the extension of Harm Ohlmeyer's appointment as member of the Executive Board of adidas AG by another three years until early 2028 and the termination by mutual consent of Roland Auschel's and Brian Grevy's appointments as members of the Executive Board of adidas AG, each effective upon expiry of March 31, 2023. Also upon the General Committee's recommendation, Arthur Hoeld was appointed as a new Executive Board member with responsibility for Global Sales with effect from April 1, 2023. Responsibility for Global Brands was allocated to Chief Executive Officer Bjørn Gulden.

The May meeting, which took place on the evening before the Annual General Meeting, centered on the current business performance as well as adidas brand and product topics, current marketing campaigns, and key partnerships. The Supervisory Board was given reports on, inter alia, the Partner Camp with key retail partners, the 'Football is Home' event, and the Sourcing Partner Summit. Furthermore, we thoroughly discussed the financial results for the first quarter of 2023 and the handling of the existing Yeezy inventory. The Executive Board reported in detail on the business situation in the markets, especially in China and North America. Finally, we were informed about the expected main topics and questions at the Annual General Meeting.

At an extraordinary Supervisory Board meeting in June, we resolved upon the termination of Amanda Rajkumar's appointment as member of the Executive Board of adidas AG by mutual consent upon expiry of July 15, 2023, based on the recommendation of the General Committee and after thorough deliberation.

At the August meeting, we particularly discussed the financial results for the second quarter and for the first half of 2023, with the Executive Board focusing on the challenges in North America. Furthermore, the Executive Board outlined the most recent update of the outlook for the 2023 financial year due to the positive impact of the first tranche of the Yeezy products sell-off. In this regard, we also discussed with the Executive Board the status of the legal dispute with Kanye West. Moreover, we were given an overview of the situation of the Human Resources organization and of brand and product topics, current marketing campaigns, and key partnerships. The Executive Board reported, in particular, on the lasting positive development of the Terrace shoe models (above all Samba, Gazelle, and Handball Spezial). Finally, training opportunities for the Supervisory Board were presented.

The Supervisory Board meeting in October focused on the discussion of the current business situation and the preliminary financial results for the third quarter of 2023, the outlook for the year under review, adidas brand and product topics, current marketing campaigns, and key partnerships. The main topics were, inter alia, innovations in the Running area and the associated successes in long-distance races on a global scale, and the 'Fear of God' basketball product range which was to be launched soon. Moreover, the Executive Board reported on Diversity and Inclusion and in this connection also on the new goals for the promotion of women in leadership positions and the 'high potential' development program. Furthermore, we were updated on use cases of artificial intelligence ('AI') at adidas as well as the strategic ESG orientation and the associated regulatory provisions. We also discussed the fulfillment of the statutory gender quota in the Supervisory Board stipulated in § 96 section 2 sentences 1, 3, and 4 AktG. In view of the Supervisory Board election at the 2024 Annual General Meeting, both the shareholder representatives and the employee representatives resolved in accordance with § 96 section 2 sentence 3 AktG that the minimum quota of 30% women and 30% men on the Supervisory Board has to be fulfilled separately for the shareholder representatives and the employee representatives.

At the December meeting, we focused on the preliminary Budget and Investment Plan for the 2024 financial year as presented by the Executive Board, which we approved after thorough deliberation, as well as on the marketing and sponsorship agreements concluded in the year under review. After a thorough review, we approved the final Budget and Investment Plan presented to us for resolution in February 2024. Moreover, the Executive Board gave a detailed report on the current business situation, the outlook for the year under review, as well as on adidas brand and product topics, current marketing campaigns, and key partnerships. In addition, we dealt with current legal disputes involving adidas, discussed the assessment of the Supervisory Board members' independence, and resolved the Declaration of Compliance with the Code. A further agenda item was the review of the objectives of the Supervisory Board regarding its composition (including the competency profile). We also conferred on the upcoming Supervisory Board election in 2024 and thoroughly discussed the horizontal comparison of the Executive Board compensation conducted by an external compensation consultant. Based on this comparison, the Executive Board compensation was assessed to be appropriate. The Supervisory Board also discussed the current

implementation status of the proposed measures of improvement resulting from the self-assessment conducted in the 2022 financial year (efficiency examination). Finally, upon the General Committee's recommendation, we resolved to appoint Michelle Robertson as a member of the Executive Board, responsible for Global Human Resources, People and Culture, effective January 1, 2024.

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 Chairman of the Supervisory Board 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 six meetings in the year under review (2022: six meetings). The main task of the General Committee was to prepare resolutions for the entire Supervisory Board on personnel and compensation matters of the Executive Board. In particular, it discussed the extension of Harm Ohlmeyer's appointment and the terminations of Roland Auschel's, Brian Grevy's, and Amanda Rajkumar's appointments by mutual consent. The General Committee also prepared Arthur Hoeld's and Michelle Robertson's appointments. Regarding Executive Board compensation, the General Committee mainly drafted proposals for resolutions on the targets, the target achievement, and the amount of the variable performance-related compensation, and pre-examined the horizontal and vertical appropriateness of the Executive Board compensation. Furthermore, the General Committee dealt intensively with the Compensation Report for the year under review and the revision of the compensation system for the Executive Board. The longterm succession planning for the Executive Board was also discussed by the General Committee.

The **Audit Committee** held four meetings in the year under review (2022: four meetings). The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail. The Audit Committee followed the recommendation of the Code and regularly consulted with the auditor at Audit Committee meetings without the Executive Board being present.

In addition to the monitoring of the accounting process, the committee's work focused on the audit of the 2022 annual financial statements and the consolidated financial statements, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the proposal regarding the appropriation of retained earnings. Following a detailed presentation of the audit reports by the auditor, the Audit Committee decided to recommend to the Supervisory Board to approve the 2022 annual financial statements and consolidated financial statements. Furthermore, the Audit Committee prepared the audit of the non-financial statement.

In the year under review, the Audit Committee thoroughly discussed the continued development and monitoring of the effectiveness and adequacy of the Risk Management System, the Internal Audit System, the Internal Control System, and the Compliance Management System. Moreover, due to the initial appointment of PwC as auditor by the Annual General Meeting, the Audit Committee also dealt intensively with the progress of PwC's onboarding and the preparation of the audit. Other matters discussed in detail were the assignment of the audit mandate to the auditor and the determination of the audit fees and key audit matters. In accordance with § 111 section 2 sentence 4 AktG, the Audit Committee furthermore commissioned the auditor with the audit of the content of the non-financial statement with limited assurance and with an audit with reasonable assurance of the statements on the 'share of sustainable

articles offered' ('9 out of 10') KPI contained therein. In addition, the Audit Committee monitored the auditor's independence and qualification, while also taking into account the non-audit services provided by the auditor. With regard to assessing the quality of the audit, the Audit Committee determined on the basis of, inter alia, an internal quality review, that there were no indications of insufficient quality in the 2022 audit. Finally, the Audit Committee discussed the quarterly financial results and the half-year financial report. Furthermore, in the year under review, the Audit Committee thoroughly dealt with the audit plan and the risk management report. At each committee meeting, the Audit Committee was also informed about the findings and developments of the Internal Audit department and current cases and developments in the area of compliance.

Moreover, topics such as data privacy and information security, business partner due diligence, and adidas' Global Business Services, as well as ESG and sustainability topics at adidas were discussed during the Audit Committee meetings. In this regard, a particular focus was on the provisions of the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy. Further topics of deliberation were the subsidiaries' dividend strategy to ensure the distribution capability of adidas AG and the general requirements for the non-audit services rendered by the auditor. The tax strategy and the pension strategy at adidas were also discussed by the Audit Committee.

The **Nomination Committee** held two meetings in the year under review (2022: no meetings). The focus topic of both meetings and of deliberations in the period between the meetings was the preparation of the Supervisory Board's proposals for the election of the Supervisory Board members representing the shareholders at the 2024 Annual General Meeting. The Nomination Committee received support from external personnel consultants in this regard. Taking into account the competency and diversity profile defined by the Supervisory Board and the qualification matrix for the Supervisory Board members as well as the statutory requirements for the candidates' suitability and independence, the Nomination Committee developed a qualification profile. Based on this profile, the committee members thoroughly discussed the proposals prepared by the personnel consultants and had personal meetings with selected candidates. Following a careful assessment and thorough discussion, a concrete resolution proposal for the Supervisory Board was eventually prepared.

Furthermore, the Nomination Committee discussed the general succession planning for the Supervisory Board, in particular for the position of the Chairman of the Supervisory Board, with the discussion including consideration of investors' expectations. In this connection, the committee also reviewed the objectives of the Supervisory Board regarding its composition and prepared resolution recommendations for the Supervisory Board.

As in previous years, the **Mediation Committee**, 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

In the year under review, the composition of the Supervisory Board and its committees did not change.

▶ SEE SUPERVISORY BOARD

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 offers new Supervisory Board members or members who assume new responsibilities an introduction to the work of the Supervisory Board and/or to new areas of responsibility within adidas AG. In this regard, the Supervisory Board members receive a detailed introduction to the business and subject areas that are relevant to their particular tasks. In the year under review, the Supervisory Board participated in a presentation on the brand's creative direction organized by the 'Creative Direction' team. Moreover,

product innovations of adidas and cooperation partners were presented to the Supervisory Board. Furthermore, the company informed the Supervisory Board regularly about current legislative changes, particularly with regard to the increasing regulation of ESG topics and non-financial reporting, and about opportunities for external training, and provided relevant specialist literature.

Changes to the Executive Board

In March 2023, the Supervisory Board resolved to extend Harm Ohlmeyer's appointment as Chief Financial Officer of the company by another three years until March 2028. Furthermore, the Supervisory Board mutually agreed with Roland Auschel, responsible for Global Sales, and Brian Grevy, responsible for Global Brands, that both would resign as members of the Executive Board with effect from the end of March 31, 2023, and leave the company. The Supervisory Board appointed Arthur Hoeld as a new Executive Board member, responsible for Global Sales, with effect from April 1, 2023, and transferred responsibility for Global Brands to the Chief Executive Officer Bjørn Gulden. Moreover, in agreement with the Supervisory Board, Amanda Rajkumar, responsible for Global Human Resources, People and Culture, resigned as an Executive Board member with effect from the end of July 15, 2023, and left the company. Responsibility for Global Human Resources, People and Culture was transferred to Chief Executive Officer Bjørn Gulden on an interim basis. In December 2023, the Supervisory Board resolved to appoint Michelle Robertson as a new Executive Board member, responsible for Global Human Resources, People and Culture, effective January 1, 2024. ► [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 regulations of the Code. The Supervisory Board and its committees dealt with the corporate governance requirements of the German Stock Corporation Act and the Code at their meetings. Further detailed information on corporate governance within the company is set out 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 2023 and was made permanently available on our website. ► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://adidas-group.com/s/corporate-governance)

In the year under review, there were no conflicts of interest among the members of either the Supervisory Board or the Executive Board. In the opinion of the Supervisory Board, the brand ambassador agreement between adidas and the Supervisory Board member Jackie Joyner-Kersey does not constitute a conflict of interest with regard to her role on the Supervisory Board.

Examination of the annual financial statements and consolidated financial statements

Following the Supervisory Board's proposal, which was based on the Audit Committee's recommendation, the 2022 Annual General Meeting appointed PwC as auditor and Group auditor for the 2023 financial year. Prior to this, PwC had confirmed to both the Supervisory Board and the Audit Committee that there are no circumstances which could prejudice their independence as auditor or cast doubt on their independence. In this respect, PwC also declared the extent to which non-audit services were rendered for the company in the previous financial year or are contractually agreed for the following year.

PwC audited the 2023 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 2023 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, as commissioned by the

Supervisory Board, PwC audited the non-financial statement. The financial statements, the proposal on the appropriation of retained earnings, and the reports of the auditor of the annual financial statements and consolidated financial statements were distributed by the Executive Board to all Supervisory Board members in a timely manner.

The financial statements were examined in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 4, 2024, and at the balance sheet meeting of the Supervisory Board on March 12, 2024, during which the Executive Board outlined the financial statements in detail. At both meetings, the auditor reported on the material results of the audit, inter alia with regard to the audit focus points agreed and key audit matters, and was available for questions, providing additional information. The auditor did not report any significant weaknesses of the Internal Control and Risk Management Systems with regard to the accounting process. Prior to the resolution being passed, the auditor also reported on the results of the audit of the non-financial statement with limited assurance as commissioned by the Audit Committee in accordance with § 111 section 2 sentence 4 AktG, and the audit with reasonable assurance of the statements on the 'share of sustainable articles offered' ('9 out of 10') KPI contained therein. In addition, the Supervisory Board thoroughly discussed and approved the Executive Board's proposal concerning the appropriation of retained earnings for the 2023 financial year.

Based on our own examinations of the annual financial statements and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. Therefore, following the recommendation of the Audit Committee, the Supervisory Board agreed with the auditor's audit results and approved the financial statements prepared by the Executive Board, including the non-financial statement, for the 2023 financial year. The annual financial statements were thus adopted. PwC has been acting as auditor and Group auditor for adidas AG since the year under review. As the responsible audit partners since the 2023 financial year, the auditors Rainer Kroker and Christian Landau have signed the financial statements.

Expression of thanks

On behalf of the entire Supervisory Board, I wish to thank the current Executive Board and all our employees around the world for their great personal dedication and ongoing commitment. I would also like to express my gratitude for the enduring trust and cooperation between the employee and shareholder representatives on the Supervisory Board.

Moreover, I would like to thank Roland Auschel and Brian Grevy, who resigned from the Executive Board at the end of March 2023, and Amanda Rajkumar, who resigned from the Executive Board in July 2023, for their numerous important contributions and their commitment to adidas.

For the Supervisory Board



THOMAS RABE

CHAIRMAN OF THE SUPERVISORY BOARD
March 2024

Declaration on Corporate Governance

Corporate Governance stands for responsible, transparent corporate management and control geared toward a long-term increase in value. We are convinced that good corporate governance is an essential basis for sustainable corporate success and strengthens the trust placed in our company by our shareholders, business partners, and employees, as well as the financial markets.

Declaration of the adidas AG Executive Board and Supervisory Board on the German Corporate Governance Code pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)

The adidas AG Executive Board and Supervisory Board issued their last Declaration of Compliance pursuant to § 161 AktG in December 2022 and made an intra-year change in July 2023. The following declaration refers to the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version of April 28, 2022, published in the Federal Gazette on June 27, 2022 ('Code').

The adidas AG Executive Board and Supervisory Board declare that since the publication of their last complete Declaration of Compliance in December 2022, the recommendations of the Code have been and are met with the following exceptions:

Recommendation C.5 Alternative 1

One member of the Supervisory Board, Ian Gallienne, holds more than two mandates in supervisory bodies of non-group companies which are listed at a stock exchange or have similar requirements. Ian Gallienne is Chief Executive Officer of Groupe Bruxelles Lambert ('GBL'). GBL is a holding company that is regularly represented in the supervisory bodies of portfolio companies as an institutional investor, inter alia, by its Chief Executive Officer. All companies (apart from adidas AG) in which Ian Gallienne is a member of the supervisory body are portfolio companies or subsidiaries of GBL or are under joint control of GBL and therefore belong to the same group of companies. They have to be attributed to his main occupation as Chief Executive Officer of GBL.

We are of the opinion that in accordance with its rationale, recommendation C.5 alternative 1 of the Code is thus not applicable to Ian Gallienne. For precautionary reasons, however, a deviation is declared. The Supervisory Board has also assured itself that Ian Gallienne has sufficient time to duly perform his duties as a member of the Supervisory Board of adidas AG.

Recommendation C.5

As already declared in July 2023, the former mandate of Chief Executive Officer Bjørn Gulden at Essity Aktiebolag (publ.), a listed stock corporation under the laws of the Kingdom of Sweden, has ended in the meantime. Consequently, there is no longer any deviation from recommendation C.5 of the Code due to non-group mandates held by Bjørn Gulden.

Recommendation C.5 Alternative 2

The Chairman of the Supervisory Board, Thomas Rabe, is also Chief Executive Officer of the listed company RTL Group S.A., Luxembourg. In this respect, the company deviates from recommendation C.5 alternative 2 of the Code. However, the Supervisory Board is convinced that Thomas Rabe's mandate at RTL Group S.A. does not affect the due performance of his duties as Chairman of the Supervisory Board. In

particular, the Supervisory Board has assured itself that Thomas Rabe has sufficient time to perform his duties.

Recommendations G.9, G.10, and G.12

In connection with Amanda Rajkumar's departure from the Executive Board with effect upon expiry of July 15, 2023, deviations were made from recommendations G.9, G.10, and G.12 of the Code to the effect that, with regard to a final agreement on the termination of the Executive Board mandate, adidas AG paid out prematurely in cash the short-term and long-term variable compensation components for the 2023 financial year at a fixed amount. Moreover, Ms. Rajkumar is not obliged to invest the amount attributable to the long-term variable compensation into adidas AG shares. Furthermore, the lock-up period for adidas AG shares from the 2021 tranche of the long-term variable compensation was terminated early.

Herzogenaurach, December 2023

For the Executive Board
BJØRN GULDEN
Chief Executive Officer

For the Supervisory Board
THOMAS RABE
Chairman of the Supervisory Board

The aforementioned Declaration of Compliance has been published on and can be downloaded from our website. ► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance)

Dual board system

As a globally operating stock corporation with its registered seat in Herzogenaurach, Germany, adidas AG is subject to, inter alia, the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and supervision of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated in terms of both members and competencies. However, both boards cooperate closely in the interest of the company.

Composition and working methods of the Executive Board

The composition of our Executive Board reflects the international structure of our company.

Due to Amanda Rajkumar's departure upon expiry of July 15, 2023, the Executive Board temporarily consisted of four members. With effect from January 1, 2024, the Supervisory Board appointed Michelle Robertson as Executive Board member responsible for Global Human Resources, People and Culture. She had previously already led this area as interim Head of Global HR. Thus, the Executive Board once again consists of five members.

The Executive Board is responsible for independently managing the company with the aim of sustainable value creation in the best interests of the company, developing the company's strategic orientation, coordinating it with the Supervisory Board, and ensuring its implementation. Furthermore, it determines business objectives, the company's policy, and the organization of the Group. In this respect, the Executive Board also systemically assesses risks and opportunities for the company linked with social and environmental factors as well as the environmental and social impact of its business activities. Moreover, the Executive Board is responsible for preparing the quarterly statements, the half-year report, and the annual financial statements and consolidated financial statements, as well as the combined Management Report of adidas AG and the Group. It also prepares a combined non-financial statement for the company and the Group. Additionally, the Executive Board ensures responsible management of business resources

as well as compliance with and observance of legal provisions and internal regulations by the Group companies. For this purpose, the Executive Board sets up an Internal Control and Risk Management System adequate and effective in view of the scope of business activities and the company's risk situation which comprises a Compliance Management System aligned to the company's risk situation and also covers sustainability-related objectives. The Executive Board also provides employees with the opportunity to report, in an appropriate and protected manner, suspected legal infringements within the company. The Executive Board is tied to the company's interests and obligated to strive for a sustainable increase in the value of the company.

Notwithstanding the Executive Board's joint responsibility for managing the company, the Executive Board members are individually responsible for managing their respective operations in accordance with the Business Allocation Plan for the Executive Board. There are no Executive Board committees. The Chief Executive Officer represents the Executive Board and the company and is in charge of the overall management and development of the company, including cooperation with the Supervisory Board as well as coordination and supervision of the Executive Board members' work, the Executive Board areas, operations, brands, and markets. The Executive Board members continually report to the Chief Executive Officer and to each other about all significant developments in their respective business areas and coordinate with each other on all cross-functional measures. Collaboration within the Executive Board is further governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

The Executive Board and Supervisory Board cooperate closely and trustfully for the benefit of the company. The Executive Board reports to the Supervisory Board regularly, extensively, and in a timely manner on all matters relevant to the company's strategy, planning, business development, financial position, and compliance, as well as on material business risks. Fundamental questions related to the corporate strategy and its implementation are thoroughly discussed and aligned with the Supervisory Board.

The composition of the Executive Board is determined by the Supervisory Board. The Supervisory Board is committed to promoting a culture of diversity and inclusion at adidas. Diversity is understood in the broadest sense, including age, gender, cultural origin, nationality, educational background, professional qualifications, and experience.

Greater diversity on the Executive Board will help secure the long-term success of adidas by taking diverse perspectives into account. For this reason, the Supervisory Board has adopted a diversity concept. In addition, an age limit of 65 years applies for Executive Board members.

The General Committee of the Supervisory Board already takes the diversity concept into account when selecting candidates for Executive Board positions. Every decision by the Supervisory Board on the composition of the Executive Board is made in the best interests of the company and with due consideration of all circumstances in each individual case. In the opinion of the Supervisory Board, the current composition of the Executive Board meets the diversity concept mentioned above.

As at the balance sheet date, no member of the Executive Board has accepted a Supervisory Board chair or more than two Supervisory Board mandates in non-group listed companies or in supervisory bodies of non-group companies with comparable requirements. ► [SEE EXECUTIVE BOARD](#)

Composition and working methods of the Supervisory Board

Our Supervisory Board consists of 16 members. It comprises eight shareholder representatives and eight employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG). The shareholder representatives are elected by the shareholders at the Annual General Meeting and the employee representatives by the employees. ► [SEE SUPERVISORY BOARD](#)

The last regular Supervisory Board elections were held in the 2019 financial year. In the subsequent 2020 financial year, Christian Klein was appointed as a new member of the Supervisory Board in a by-election due to Igor Landau's resignation, and Thomas Rabe was elected as the new Chairman of the Supervisory Board. Due to Herbert Kauffmann's departure, Jackie Joyner-Kersey was elected to the Supervisory Board as a new shareholder representative in the 2021 financial year. At the end of 2021, Roswitha Hermann resigned from the Supervisory Board as an employee representative, and Bastian Knobloch was appointed by court to succeed her. Most recently, Roland Nosko resigned from the Supervisory Board with effect from the end of August 31, 2022. He was also an employee representative (trade union representative) and was succeeded by Birgit Biermann, who was appointed by court. The terms of office of the current members of the Supervisory Board will expire at the end of the 2024 Annual General Meeting. While the Supervisory Board prepares nomination proposals for the eight shareholder representatives who will be newly elected by the shareholders at the 2024 Annual General Meeting as scheduled, the eight new employee representatives are already elected prior to the 2024 Annual General Meeting.

In order to increase the efficiency of its work and to deal with complex matters, the Supervisory Board has formed five permanent committees from among its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. At present, these committees are as follows:

Committee	Members
Steering Committee	Thomas Rabe (Chairman) Ian Gallienne Udo Müller
General Committee	Thomas Rabe (Chairman) Ian Gallienne Udo Müller Michael Storl
Audit Committee	Bodo Uebber (Chairman) Kathrin Menges Frank Scheiderer Günter Weigl
Nomination Committee	Thomas Rabe (Chairman) Ian Gallienne Kathrin Menges
Mediation Committee (§ 27 paragraph 3 MitBestG)	Thomas Rabe (Chairman) Ian Gallienne Petra Auerbacher Udo Müller

The tasks, responsibilities, and work processes of the committees are in line with the requirements of the German Stock Corporation Act and the Code. The Chairmen of the committees regularly report to the Supervisory Board on the results of the committee work.

Further information on the committees can be found on the company's website.

► [ADIDAS-GROUP.COM/S/SUPERVISORY-BOARD-COMMITTEES](https://www.adidas-group.com/s/supervisory-board-committees)

Taking into account the recommendations of the Code, the Rules of Procedure of the Supervisory Board and the Rules of Procedure of the Audit Committee clarify that the Supervisory Board's supervision and advising activities also include, in particular, sustainability issues. Accordingly, non-financial reporting and its audit are part of accounting and the annual audit which fall within the Audit Committee's sphere of responsibility. Further information on the competency profile for the entire Supervisory Board and the expertise of the individual Supervisory Board members in sustainability issues relevant to the company are outlined in the qualification matrix below.

Objectives for the composition of the Supervisory Board

At its meeting in December 2023, the Supervisory Board reviewed its objectives regarding its composition (including the competency profile for the entire Supervisory Board), which was last updated to comply with the provisions of the new Code in 2022, and reflected the reduction of the term of office of the shareholder representatives on the Supervisory Board from five to four years. The objectives are published on our website. According to these objectives, the Supervisory Board should be composed in such a way that qualified supervision of and advice to the Executive Board are ensured. Its members as a whole are expected to have the knowledge, skills, and professional experience required to properly perform the tasks of a supervisory board in a capital market-oriented international company in the sporting goods industry. Therefore, it is ensured that the Supervisory Board as a whole possesses the competencies considered essential in view of adidas' activities. These competencies include, in particular, in-depth knowledge and experience in the sporting goods and sports- and leisurewear industry, in the business of fast-moving consumer-oriented goods, and the areas of digital transformation and information technology (including IT security), production, marketing, and sales, as well as, in particular, the e-commerce and retail sector. Moreover, the Supervisory Board is expected to possess knowledge and experience in the markets relevant for adidas, in particular the Asian and US markets, and in the management of a large international company. Furthermore, the Supervisory Board as a whole must possess knowledge and experience in the areas of business strategy development and implementation, personnel planning and management, accounting and financial reporting, governance/compliance, and sustainability issues relevant to adidas, including environmental, social, and governance ('ESG') aspects. At least one member of the Supervisory Board must have expertise in the field of accounting, and at least one further member of the Supervisory Board must have expertise in the field of auditing. Accounting and auditing also include non-financial reporting and its audit and assurance. The Supervisory Board members as a whole must be familiar with the sporting goods industry. ► [ADIDAS-GROUP.COM/5/BODIES](https://www.adidas-group.com/5/BODIES)

Regarding the independence of its members, the Supervisory Board considers the following provisions to be appropriate: More than half of the Supervisory Board members should be independent within the meaning of the Code, whereby it is assumed that the employee representatives' independence is not impaired either by their role as employee representatives or by their status as adidas employees. If we consider shareholder representatives and employee representatives separately, more than half of the Supervisory Board members in each of these groups should be independent. From the company's perspective and following the regulations of the Code, Supervisory Board members are to be considered independent if they have no personal or business relationship with the company or its Executive Board that may cause a substantial, and not merely temporary, conflict of interest.

More than two thirds of the shareholder representatives should be free of any potential conflicts of interest. This applies, in particular, to potential conflicts of interest that may arise as a result of an advisory or governing body function among customers, suppliers, lenders, or other third parties. As a rule, members of the Supervisory Board should not have a governing body or advisory function with any key competitor and should not have a personal relationship with any key competitor.

Furthermore, the Supervisory Board is committed to a diverse composition in terms of age, gender, cultural origin, nationality, educational background, professional qualifications, and experience. An adequate number of the shareholder representatives should have long-standing international experience. In addition, each Supervisory Board member must ensure that they have sufficient time to properly perform the tasks associated with the mandate. In general, the age limit for the Supervisory Board members should be 72 years at the time of their appointment. As a rule, the length of membership of the Supervisory Board should not exceed twelve years or three terms of office.

In the Supervisory Board’s assessment, the Supervisory Board as a whole fulfills the objectives stated and the competency profile in its current composition. With Thomas Rabe, Chairman of the Supervisory Board, Bodo Uebber, Chairman of the Audit Committee, Christian Klein, and Kathrin Menges, at least four members of the Supervisory Board have proven expertise in the fields of accounting and auditing. They have expert knowledge and experience both in accounting and in the application of accounting principles as well as in internal control systems and risk management systems and in non-financial reporting and its audit and assurance.

In the opinion of the Supervisory Board, all shareholder representatives qualified as independent in the year under review. The names of the independent shareholder representatives are set out in the overview of all Supervisory Board members in this Annual Report. ► [SEE SUPERVISORY BOARD](#)

The Supervisory Board’s proposals for the Supervisory Board elections to the Annual General Meeting are prepared by the Nomination Committee. The committee takes into account the objectives regarding the Supervisory Board’s composition resolved by the Supervisory Board and also particularly aims at fulfilling the competency profile developed by the Supervisory Board for the Board as a whole. Therefore, the Supervisory Board pays attention to a balanced composition to ensure that the know-how sought after is represented on as broad a scale as possible. Moreover, the Supervisory Board will ascertain that each proposed candidate has sufficient time to perform their mandates.

The Supervisory Board’s diversity profile as well as the competency profile for the entire Supervisory Board and the expertise of the individual Supervisory Board members are outlined in the following overviews:

Diversity profile of the Supervisory Board: shareholder representatives

Diversity as at December 31, 2023	Thomas Rabe	Ian Gallienne	Jackie Joyner-Kersee	Christian Klein	Kathrin Menges	Nassef Sawiris	Bodo Uebber	Jing Ulrich
Gender ¹	m	m	f	m	f	m	m	f
Year of birth	1965	1971	1962	1980	1964	1961	1959	1967
Nationality	German	French	US-American	German	German	Egyptian/Belgian	German	US-American
Educational background	MBA ² , Dr. rer. pol. ³	MBA ²	BA (Hist.) ⁴	IBA ⁵	Certified Teacher	BA (Econ.) ⁶	Diploma in Industrial Engineering	MA (EAS) ⁷

1 f = female, m = male.
 2 Master of Business Administration.
 3 Doctor of Economics.
 4 Bachelor in History.
 5 International Business Administration.
 6 Bachelor in Economics.
 7 Master in East Asian Studies.

Diversity profile of the Supervisory Board: employee representatives

Diversity as at December 31, 2023	Udo Müller	Petra Auerbacher	Birgit Biermann	Bastian Knobloch	Beate Rohrig	Frank Scheiderer	Michael Stortl	Günter Weigl
Gender ¹	m	f	f	m	f	m	m	m
Year of birth	1960	1969	1973	1982	1965	1977	1959	1965
Nationality	German	German	German	German	German	German	German	German
Educational background	Retail Salesman	Secondary School	Lawyer	IT Specialist	Industrial Mechanic, Degree program in Politics and Sociology	Drafter Mechanical Engineering	Industrial Clerk	Diploma in Sports Economics

1 f = female, m = male.

Supervisory Board competency profile: shareholder representatives

Qualifications and competencies as at December 31, 2023	Thomas Rabe (2019) ¹	Ian Gallienne (2016) ¹	Jackie Joyner-Kersey (2021) ¹	Christian Klein (2020) ¹	Kathrin Menges (2014) ¹	Nassef Sawiris (2016) ¹	Bodo Uebber (2019) ¹	Jing Ulrich (2019) ¹
Auditing ²	✓			✓	✓ (AC) ⁴		✓ (AC) ⁴	
Accounting ³	✓			✓	✓ (AC) ⁴		✓ (AC) ⁴	
ESG	✓ (G) ⁵	✓ (G) ⁵	✓ (S) ⁵	✓ (E, G) ⁵	✓ (E, S, G) ⁵	✓ (G) ⁵	✓ (E, S, G) ⁵	
International management	✓	✓		✓	✓	✓	✓	✓
Sporting goods industry		✓	✓		✓	✓		
Business with fast-moving consumer goods	✓	✓			✓		✓	
Main markets			✓ (US) ⁶					✓ (AS) ⁶
Production, marketing, sales	✓	✓		✓	✓	✓	✓	
Business strategy development and implementation	✓	✓		✓	✓	✓	✓	
Digital transformation, IT and IT security	✓			✓				
Personnel planning and management	✓				✓		✓	

1 Year of appointment as Supervisory Board member.

2 Incl. special knowledge and experience in auditing non-financial reporting.

3 Incl. special knowledge and experience in internal control and risk management systems as well as non-financial reporting.

4 AC = Audit Committee.

5 E = Environment, S = Social, G = Governance (incl. Compliance).

6 AS = Asian market, EU (EMEA) = Europe (Europe, Middle East, Africa), US = United States market.

Supervisory Board competency profile: employee representatives

Qualifications and competencies as at December 31, 2023	Udo Müller (2016) ¹	Petra Auerbacher (2019) ¹	Birgit Biermann (2022) ¹	Bastian Knobloch (2022) ¹	Beate Rohrig (2019) ¹	Frank Scheiderer (2019) ¹	Michael Stortl (2019) ¹	Günter Weigl (2019) ¹
Auditing ²								
Accounting ³								
ESG			✓ (G) ⁴		✓ (G) ⁴	✓ (E, S, G) ⁴		✓ (E, S, G) ⁴
International management								✓
Sporting goods industry	✓	✓		✓		✓	✓	✓
Business with fast-moving consumer goods	✓	✓		✓		✓	✓	✓
Main markets								✓ (EU) ⁵
Production, marketing, sales	✓					✓		✓
Business strategy development and implementation								
Digital transformation, IT and IT security				✓			✓	
Personnel planning and management			✓		✓			

1 Year of appointment as Supervisory Board member.

2 Incl. special knowledge and experience in auditing non-financial reporting.

3 Incl. special knowledge and experience in internal control and risk management systems as well as non-financial reporting.

4 E = Environment, S = Social, G = Governance (incl. Compliance).

5 AS = Asian market, EU (EMEA) = Europe (Europe, Middle East, Africa), US = United States market.

Tasks of the Supervisory Board

The Supervisory Board supervises and advises the Executive Board on questions relating to the management of the company. The supervision and advice also include sustainability issues in particular. The Executive Board regularly, expeditiously, and comprehensively reports on strategy, planning, business development, the company’s risk situation, risk management, the compliance organization, as well as material compliance cases and litigation, and it coordinates the corporate strategy and its implementation with the Supervisory Board. The Supervisory Board examines and approves the annual financial statements and consolidated financial statements as well as the combined Management Report of adidas AG and the Group, taking into consideration the auditor’s reports, and resolves upon the proposal of the Executive Board on the appropriation of retained earnings. Additionally, it resolves on the Supervisory Board’s resolution proposals to be presented to the Annual General Meeting. Moreover, the Supervisory Board examines the combined non-financial statement for the company and the Group and/or any separate non-financial reports. Certain business transactions and measures of the Executive Board with fundamental significance are subject to approval by the Supervisory Board or by a Supervisory Board committee. The respective details are set out in § 9 of the Rules of Procedure of the Supervisory Board of adidas AG. Furthermore, the requirement of prior Supervisory Board approval is stipulated in some resolutions by the Annual General Meeting.

The Supervisory Board is also responsible for the appointment and dismissal of the Executive Board members as well as for the allocation of their areas of responsibility. The respective proposals are prepared by the General Committee. When appointing new Executive Board members, the Supervisory Board provides for the best possible, diverse, and mutually complementary Executive Board composition for the company and, together with the Executive Board, ensures long-term succession planning. The Supervisory Board takes a structural approach in its succession planning for the Executive Board. This is based on multiple planning horizons. Accordingly, the company has established a number of management groups (Core Leadership Group [CLG], Extended Leadership Group [ELG], and High Potentials). This ensures a sustainable approach to identifying and evaluating successor candidates for Executive Board positions, while also accommodating the company’s diversity concept. The Supervisory Board discusses succession planning on a regular basis.

Furthermore, the Supervisory Board determines the Executive Board compensation system, examines it regularly, and decides on the individual overall compensation of each Executive Board member. The Supervisory Board, together with the Executive Board, annually prepares a clear and comprehensible report on the compensation granted and due in the previous financial year in accordance with § 162 AktG. Further information on Executive Board compensation, the current compensation system, the Compensation Report, and the auditor's report in accordance with § 162 AktG can be found on the company's website. ► [ADIDAS-GROUP.COM/5/COMPENSATION](https://www.adidas-group.com/5/compensation)

Further information on corporate governance

More information on topics covered in this report can be found on our website, including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board committees (composition and tasks)
- CVs of Executive Board members and Supervisory Board members
- Objectives of the Supervisory Board regarding its composition (including competency profile for the full Supervisory Board)

► [ADIDAS-GROUP.COM/5/CORPORATE-GOVERNANCE](https://www.adidas-group.com/5/corporate-governance)

Apart from the members' individual skills, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the tasks and responsibilities as well as the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The Supervisory Board Report provides information on the activities of the Supervisory Board and its committees in the year under review. ► [SEE SUPERVISORY BOARD REPORT](#) ► [ADIDAS-GROUP.COM/5/BODIES](https://www.adidas-group.com/5/bodies)

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and are supported by adidas AG in this regard. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training and provides the Supervisory Board with relevant specialist literature. In this regard, the Supervisory Board has also examined the sustainability issues relevant to adidas and the associated reporting obligations as well as the potential of and the challenges posed by the company's use of artificial intelligence ('AI').

Moreover, the Supervisory Board as well as the Audit Committee, General Committee, and Nomination Committee regularly assess the efficiency of their work. The individual measures to further improve the organization of the Supervisory Board's work resolved in the previous financial year were deemed to have been implemented successfully by the Supervisory Board at its meeting in December 2023, and the Supervisory Board agreed that another efficiency examination of its work will presumably be conducted in the 2025 financial year.

The compensation of the Supervisory Board members is set out in the Compensation Report.

► [ADIDAS-GROUP.COM/5/COMPENSATION](https://www.adidas-group.com/5/compensation)

Commitment to the promotion of equal participation of women and men in leadership positions

When filling leadership positions in the company, the Executive Board takes diversity into account and aims for an appropriate participation of women in particular. The Supervisory Board is also convinced that an increase in the number of women in leadership positions within the company is necessary to ensure that, in the future, a larger number of suitable female candidates is available for Executive Board positions. The Executive Board and Supervisory Board therefore recognize the enormous importance of

the company's initiatives to foster diversity and inclusion and to promote women in leadership positions.

► [SEE OUR PEOPLE](#)

With Michelle Robertson as Executive Board member for Global Human Resources, People and Culture, we fully meet the requirements of § 76 section 3a AktG, introduced with the Second Leadership Positions Act (Führungspositionengesetz – FüPoG II), which stipulates that at least one woman and at least one man be appointed as members of the Executive Board.

On the first management level below the Executive Board, the percentage share of women amounted to 35.5% at the balance sheet date. The target figure of 39% was thus not achieved. In this respect, it must be noted that adidas AG has only a small number of leadership positions on this management level; therefore, minor changes already result in considerable changes in percentage numbers. The missing of the defined target figure is particularly attributable to unplanned departures from the company in the year under review and partly also to replacements and changes that only take effect in the following year.

On the second management level below the Executive Board, the percentage share of women amounted to 37.4% at the balance sheet date. The target figure of 31% was thus significantly exceeded.

Against this backdrop, the Executive Board has set the new target of 40% as the share of female representation for the first and the second management level below the Executive Board of adidas AG. The Executive Board set December 31, 2025, as the deadline for achieving these two targets. Moreover, the new gender balance ambition of the Executive Board is to increase the global share of women in leadership positions (director level and above) to 50% by 2033, after the previous target of 40% was nearly met at the end of 2023, with 39.6%.

In accordance with § 96 section 2 sentence 1 AktG, at least 30% of the members of the Supervisory Board must be female and at least 30% must be male. As the Supervisory Board did not object to an overall fulfillment of the aforementioned quota pursuant to § 96 section 2 sentence 3 AktG, the minimum quota must be fulfilled by the Supervisory Board overall in the year under review, with the numbers of male and female members rounded up or down to full numbers (§ 96 section 2 sentences 2 and 4 AktG). This means that the Supervisory Board of adidas AG must be composed of at least five women and five men. These minimum quotas were achieved. As at December 31, 2023, six of the company's 16 Supervisory Board mandates were held by women. In view of the Supervisory Board election at the 2024 Annual General Meeting, both the shareholder representatives and the employee representatives resolved in accordance with § 96 section 2 sentence 3 AktG that the minimum quota of 30% women and 30% men on the Supervisory Board has to be fulfilled separately for the shareholder representatives and the employee representatives.

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

Avoiding conflicts of interest

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without delay. Substantial transactions between the company and members of the Executive Board or related parties of the Executive Board require Supervisory Board approval. Contracts between the company and members of the Supervisory Board also require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, the members of the Executive Board and the members of the Supervisory Board did not face any conflicts of interest. A brand ambassador agreement exists between adidas and Jackie Joyner-Kersey. The Supervisory Board is of the

opinion that this does not constitute a conflict of interest. In particular, the brand ambassador agreement does not represent a material business relationship for either adidas or Jackie Joyner-Kersey. The Supervisory Board passed a unanimous resolution approving the extension of this agreement without the participation of Jackie Joyner-Kersey. ► [SEE SUPERVISORY BOARD REPORT](#)

Share transactions conducted by the Executive Board and Supervisory Board

An overview of the transactions of the Executive Board and the Supervisory Board pursuant to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation) notified to adidas AG in 2022 is published on our website. ► [ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](https://www.adidas-group.com/s/managers-transactions)

Relevant management practices

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

We will increase our commitment to sustainability in the years ahead. For instance, we are working closely with our partners in the global supply chain to reduce energy consumption and increase the proportion of renewable energy we use. By 2025, nine out of every ten adidas articles should be made from more sustainable materials, the carbon footprint per product should be reduced by 15% compared to the base year 2017, and the absolute greenhouse gas emissions across the entire value chain should be reduced by 30%, also compared to the base year 2017.

Further information on company-specific practices, which are applied in addition to statutory requirements, such as our Code of Conduct ('Fair Play'), on compliance with working and social standards within our supply chain, environmentally friendly resource management in our manufacturing processes, and our social commitment, is available in this Annual Report and on our website. ► [SEE OUR PEOPLE](#)

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

Compliance and risk management

Compliance with laws and internal and external provisions, as well as responsible risk management are part of corporate governance at adidas. Our Compliance Management System is linked to the company's Internal Control and Risk Management System. As part of our global 'Fair Play' concept, the Compliance Management System establishes the organizational framework for companywide awareness of our internal rules and guidelines and for the legally compliant conduct of our business. It underscores our strong commitment to ethical and fair behavior in our own organization and also sets the parameters for how we deal with others. The principles of our Compliance Management System are set out in the Risk and Opportunity Report. The Risk and Opportunity Management System ensures risk-aware, opportunity-oriented, and informed actions in a dynamic business environment in order to guarantee the competitiveness and sustainable success of adidas. ► [SEE RISK AND OPPORTUNITY REPORT](#)

Transparency and protection of shareholders' interests

It is our goal to inform all institutional investors, private shareholders, financial analysts, business partners, employees, and the interested public about the company's situation, at the same time and to an equal extent, through regular, transparent, and up-to-date communication. We publish all essential information, such as ad hoc announcements, press releases, and voting rights notifications, as well as all presentations from roadshows and conferences, all financial reports, and the financial calendar, on our website. With our Investor Relations activities, we maintain close and continuous contact with our current and potential shareholders. ► [SEE OUR SHARE](#) ► [ADIDAS-GROUP.COM/S/INVESTORS](https://www.adidas-group.com/s/investors)

In addition, we provide all documents and information on our Annual General Meeting on our website. The shareholders of adidas AG exercise their shareholders' and voting rights at the Annual General Meeting. Each share grants one vote. Through these participation rights, our shareholders can take part in all fundamental decisions of the Annual General Meeting. The company aims to support its shareholders in the best-possible manner when they exercise their rights at the Annual General Meeting.

After three years in the virtual format, our Annual General Meeting on May 11, 2023, once again took place with our shareholders being present at the Stadthalle Fürth. At that event, as well as at the next Annual General Meeting in Fürth on May 16, 2024, we offered and will offer our shareholders a comprehensive service. For instance, shareholders can register electronically for the Annual General Meeting through our shareholder portal and cast their votes electronically by postal vote if they do not participate in person at the Annual General Meeting, or they can participate in the voting by granting powers of representation and giving instructions online to the proxies appointed by the company until the end of the general debate at the Annual General Meeting. Moreover, each year, a live stream of the entire Annual General Meeting is available via our shareholder portal for shareholders of adidas AG and via our website for the interested public. ► [ADIDAS-GROUP.COM/AGM](https://adidas-group.com/agm)

Further information on the principles of our management

More information on topics covered in this report can be found on our website, including:

- Code of Conduct
- Sustainability
- Social commitment
- Risk and opportunity management and compliance
- Information and documents on the Annual General Meeting
- Managers' transactions
- Compensation
- Accounting and annual audit

► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://adidas-group.com/s/corporate-governance)

Share-based programs for senior executives

A long-term incentive plan, which is part of the remuneration for senior executives of adidas, applies. Based on this plan, the plan participants receive virtual shares (Restricted Stock Units). As per their contracts, each Executive Board member is entitled to participate in the Long-Term Incentive Plan (LTIP) established for Executive Board members. The adidas shares purchased are subject to a multi-year lock-up period. ► [SEE NOTE 28](#) ► [SEE OUR PEOPLE](#) ► [ADIDAS-GROUP.COM/S/COMPENSATION](https://adidas-group.com/s/compensation)

Employees of adidas AG and its affiliated companies are able to participate in an employee stock purchase plan under which they can acquire adidas AG shares with a discount and benefit, on a prorated basis, from free matching shares. ► [SEE NOTE 26](#)

Accounting and annual audit

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the AktG. The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, was appointed as auditor for the 2023 annual financial statements and consolidated financial statements by the Annual General Meeting of May 12, 2022. The Supervisory Board had previously assured itself of the auditor's independence. ► [SEE COPY OF THE AUDITOR'S REPORT](#)

Our Share

Global stock markets developed positively in 2023 and ended the year well above prior-year levels. The DAX increased by 20%, the EURO STOXX 50 by 19%, and the MSCI World Textiles, Apparel and Luxury Goods Index by 11% as investor concerns over rising interest rates, economic resilience, and high inflation slowly began to subside. In this market environment, the adidas AG share significantly outperformed the broader stock market and ended 2023 with an increase of 44% compared to the prior year.

adidas AG share rises and outperforms broader stock market in 2023

In 2023, easing of inflationary pressures, a corresponding halt in interest rate increases by global central banks, and a comparatively resilient economy led to a sturdy rebound of global stock markets. At the same time, geopolitical tensions, the war in Ukraine as well as the conflict in the Middle East weighed on financial markets throughout the year. During the second half of the year, markets benefited from the prospect of interest rate cuts by global central banks in 2024. Against this backdrop, the DAX gained 20% and the EURO STOXX 50 increased by 19%, while the MSCI World Textiles, Apparel and Luxury Goods Index was up 11% in 2023. Meanwhile, the adidas AG share outperformed the broader stock market and ended 2023 with a 44% increase compared to the prior year. The development reflects the operational and financial progress the company has made in the course of the transition year 2023. This provides a stronger foundation for further improvements in 2024 and a successful 2025 and 2026.

Level 1 ADR outperforms common stock

Our Level 1 ADR closed 2023 at US \$ 101.65, representing an increase of 50% versus the prior-year level (2022: US \$ 67.74). The more pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the valuation of the US dollar versus the euro in 2023. The number of Level 1 ADRs outstanding decreased to 8.5 million at year-end 2023 compared to 9.5 million at the end of 2022. The average daily trading volume decreased to around 64,000 ADRs in 2023 (2022: around 172,000). Further information on our ADR program can be found on our website. ► [ADIDAS-GROUP.COM/ADR](https://www.adidas-group.com/adr)

adidas AG share member of important indices

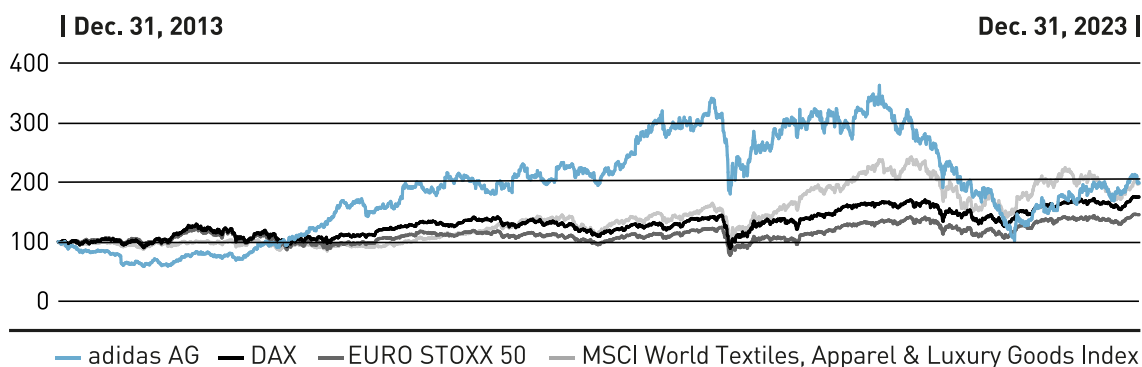
The adidas AG share is part of a variety of high-quality indices around the world such as the DAX, the EURO STOXX 50 as well as the MSCI World Textiles, Apparel and Luxury Goods Index. At December 31, 2023, our weighting in the DAX was 3% (2022: 2%) and we ranked twelfth on market capitalization (2022: 19th).

Performance of the adidas AG share and important indices at year-end 2023 in %

	1 year	3 years	5 years	10 years
adidas AG	44	(38)	1	99
DAX	20	22	59	75
EURO STOXX 50	19	27	51	45
MSCI World Textiles, Apparel and Luxury Goods Index	11	3	70	97

Source: Bloomberg.

Ten-year share price development¹



¹ Index: December 31, 2013 = 100. Source: Bloomberg.

adidas AG share

		2023	2022	Important indices
Number of shares outstanding at year-end ¹	shares	178,549,084	178,537,198	
Basic earnings per share ²	€	(0.67)	1.25	
Diluted earnings per share ²	€	(0.67)	1.25	
Year-end price	€	184.16	127.46	
Year high	€	197.40	260.85	
Year low	€	127.70	93.95	– DAX
Market capitalization ³	€ in millions	32,882	22,756	– EURO STOXX 50
Dividend per share	€	0.70 ⁴	0.70	– MSCI World Textiles, Apparel and Luxury Goods
Dividend payout	€ in millions	125 ⁴	125	– MSCI World ESG Leaders Index
Dividend payout ratio ²	%	n.a.	49.2	– FTSE4Good Index Series
Dividend yield	%	0.4 ⁴	0.5	
Shareholders' equity per share ³	€	25.65	27.96	
Price-earnings ratio at year-end ⁵	x	n.a.	102.4	
Average trading volume per trading day ⁶	shares	529,294	783,409	

1 All shares carry full dividend rights, excluding treasury shares.
 2 Based on net income from continuing operations.
 3 Based on number of shares outstanding at year-end, excluding treasury shares.
 4 Subject to Annual General Meeting approval.
 5 Based on basic EPS from continuing operations.
 6 Based on number of shares traded on Xetra.

Dividend proposal of € 0.70 per share

The adidas AG Executive and Supervisory Boards will recommend paying a stable dividend of € 0.70 per dividend-entitled share to shareholders at the Annual General Meeting on May 16, 2024 (2023: € 0.70). This corresponds to a total payout of € 125 million in line with the prior-year level (2023: € 125 million). The proposal reflects the company’s better-than-expected performance in the transition year 2023, its robust financial profile as well as Management’s confident outlook for the current year. Going forward, the company plans to return to its dividend policy of paying an annual dividend to shareholders in the range of 30% to 50% of net income from continuing operations. ▶ [SEE OUTLOOK](#)

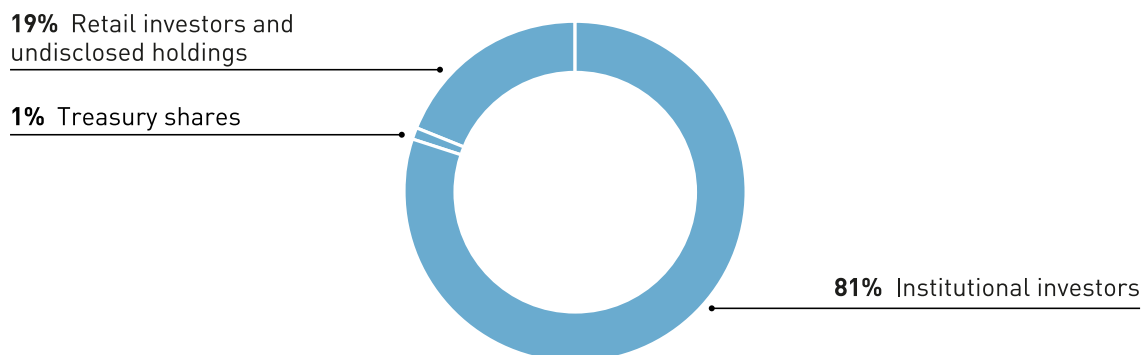
Dividend

€ 0.70 (subject to Annual General Meeting approval)

Strong international investor base

Based on our share register, adidas AG currently has more than 158,000 shareholders (2022: more than 169,000). The lower number of shareholders was mainly driven by a decrease in the number of German retail investors. In our latest ownership analysis conducted in December 2023, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 81% of shares outstanding (2022: 80%). Retail investors and undisclosed holdings account for 19% (2022: 19%). Lastly, adidas AG currently holds 1% of the company’s shares as treasury shares (2022: 1%).

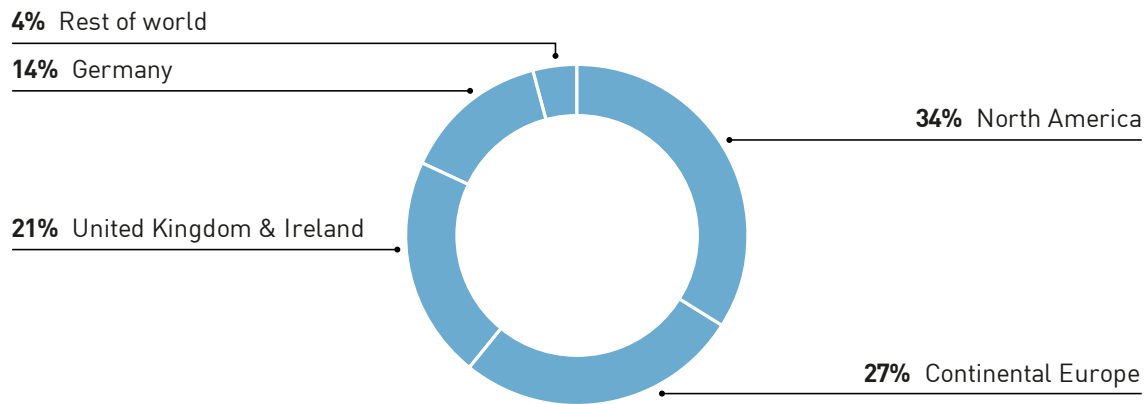
Shareholder structure by investor group¹



¹ As of December 2023.

In terms of geographical distribution, the North American market currently accounts for 34% of institutional shareholdings (2022: 36%), followed by the UK and Ireland with 21% (2022: 26%). Identified German investors hold 14% of institutional shareholdings (2022: 9%). Institutional investors from other continental European countries account for 27% (2022: 27%) and 4% of institutional shareholders were identified in other regions of the world (2022: 2%).

Shareholder structure by region^{1,2}

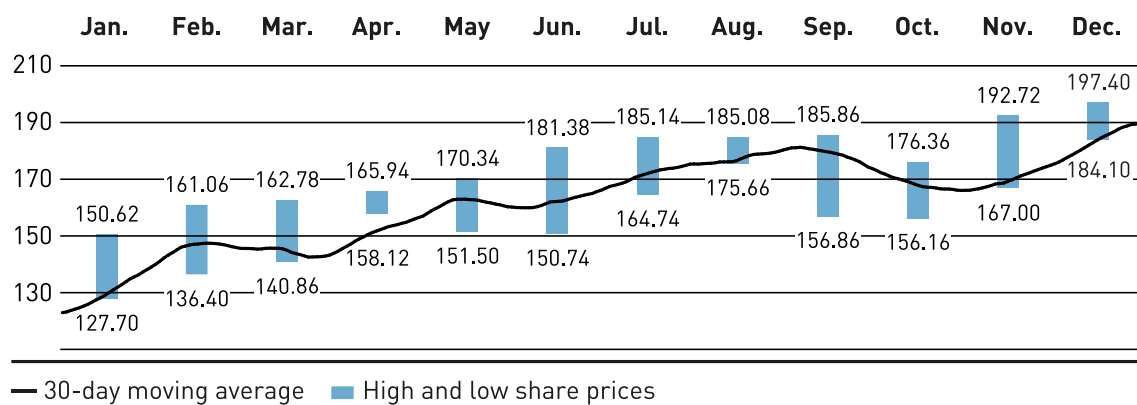


¹ As of December 2023.
² Reflects institutional investors only.

More than 40% of analysts recommend to buy our share

36 analysts from investment banks and brokerage firms regularly publish research reports on adidas. As at December 31, 2023, 42% of analysts recommended investors to 'buy' our share (2022: 32%), 44% of analysts advised investors to 'hold' our share (2022: 57%), and 14% recommended to 'sell' our share (2022: 11%).

adidas AG high and low share prices per month¹ in €



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

Successful Investor Relations activities

adidas strives to maintain close contact to institutional and retail shareholders as well as financial analysts. We notify capital market participants about operational and financial developments of adidas in a timely and transparent manner. In addition, the adidas Management and Investor Relations (IR) Team continuously engage in a dialogue with current and potential institutional investors around a large variety of topics, including published financial results, operational progress and priorities, current and future products, marketing initiatives as well as the company's sustainability efforts. In 2023, Management and IR

spent almost 50 days on roadshows and national and international conferences. We also hosted investors and analysts on our campus, enabling them to interact with Management, experience the unique atmosphere on-site and get an overview of both historic product and the future line-up. In 2023, the IR Team once again engaged with retail shareholders at several dedicated events. In addition, the physical Annual General Meeting in May also allowed for many in-person interactions with the company's retail shareholder base. On our IR website, interested investors find in-depth information on topics such as the company's performance, our share, and financial events.

Voting rights notifications published

All voting rights notifications received in 2023 in accordance with §§ 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) (§§ 21 et seq. German Securities Trading Act old version) are published on our corporate website. Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report.

▶ [ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS](https://adidas-group.com/voting_rights_notifications) ▶ SEE NOTE 25

Managers' transactions reported on corporate website

Managers' transactions involving adidas AG shares (ISIN DE000A1EWWW0) or related financial instruments, as defined by Article 19 of the European Market Abuse Regulation (MAR), conducted by members of our Executive or Supervisory Boards, or by any person in close relationship with these persons, are reported on our website. ▶ [ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](https://adidas-group.com/s/managers-transactions)

2

GROUP MANAGEMENT REPORT OUR COMPANY

Value Creation	052
Focus Areas	053
Global Brands	055
Global Sales	061
Global Operations	065
Our People	070
Sustainability	079
Non-Financial Statement	118

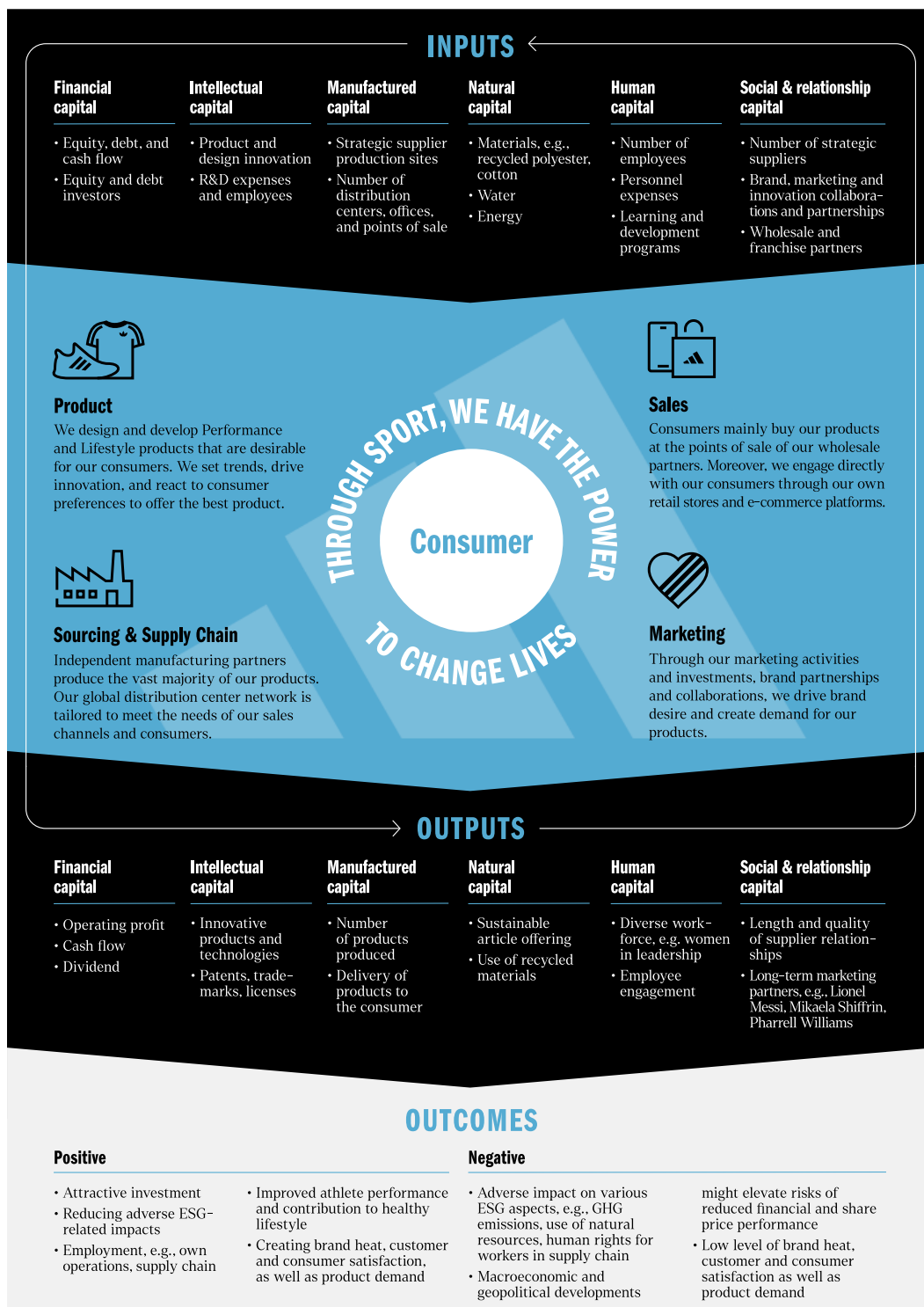
This Group Management Report is a combined management report. It contains the Group Management Report of the adidas Group and the Management Report of adidas AG.

The Declaration on Corporate Governance is part of the Annual Report.

► [SEE DECLARATION ON CORPORATE GOVERNANCE](#)

Value Creation

The overview below outlines the major input and output factors as well as the outcomes of our business activities. More detailed information on all aspects shown can be found in the respective sections of this Annual Report.



An interactive version of the graphic is provided online. ► [REPORT.ADIDAS-GROUP.COM](https://report.adidas-group.com)

Focus Areas

2023 was a transition year for adidas. The appointment of Bjørn Gulden as new CEO in January paved the way for a successful restart of the company. We used 2023 to significantly reduce our inventories, leverage existing franchises, work on future products, improve the way we work, build stronger partnerships, and lay the foundation for a better 2024 and a successful 2025 and 2026.

To achieve this goal, we have started to optimize our business model:

- **Speed and agility:** Fast-changing trends and consumer demands require flexibility and agility. We empowered our people to accelerate decision-making and eliminated complicated processes to react quickly. The rapid scaling of our [Terrace range](#) is a standout example. We will continue to prioritize speed and agility to react faster to the needs of our consumers and the feedback from our retail partners.
- **DTC and wholesale:** We have been transitioning away from a narrow focus on our direct-to-consumer business to a service-oriented model toward our retail partners. By listening closely to their feedback and acting on it, we want to be a trusted partner for them. Improving the sell-through of our product will be key to regaining shelf space. And while wholesale is crucial for our future success, we will of course keep investing in our own retail and our e-commerce presence. It is all about maintaining a healthy balance between our channels to win with the consumer.
- **Global, regional, local:** We need to be where our consumers are. With more local trends emerging, the need for local relevance is ever increasing. Instead of a centrally defined one-size-fits-all approach, we are empowering our markets to create the product, storytelling and business models they need to be successful. Only by providing our markets with decision-making autonomy can we meet the expectations of our customers and the needs of the consumer.
- **Brand heat:** We are proud to produce groundbreaking innovation in sports and some of the most sought-after product in lifestyle. This outstanding product is amplified by brand heat – and vice versa. Brand heat is the sum of everything we do. It comprises athletes, teams, federations, celebrities, street culture and more. To drive brand desire, we need to be as close as possible to the consumer in the markets and ensure that we invest where we generate the most brand heat. In 2023, adidas created new brand narratives and will evolve these messages in 2024 and beyond. By putting the joy of sport and its power as a great unifier at the center, we want to counter an atmosphere of pressure and stress, especially for our younger consumers.

In addition, we have been focusing on five pillars to build the foundation for a stronger adidas:

- **People:** We believe that our people are the key to the company's success. We focus on creating a culture that strengthens their performance, well-being, and personal development, as this will have a significant impact on brand desire, consumer and customer satisfaction, and, ultimately, financial performance.
- **Product:** Product is king and adidas has an unrivaled archive of [Performance](#) and [Lifestyle](#) product. We innovate in materials, designs, and technologies to constantly bring exciting new products and groundbreaking innovations to the market. This allows us to create trends and quickly build on existing ones. As part of this, we leverage our partnerships with athletes, designers and celebrities.

- **Consumers:** Our consumers are at the heart of everything we do. We focus on what matters to them, creating the product they want, offering the service they expect, and providing the experience they need.
- **Retail partners:** We need to be the best service partner for retailers. Multi-branded environments reach consumers at scale, and we can leverage our strong product pipeline through efficient distribution.
- **Athletes:** We are here for our athletes, and not the other way around. For almost 75 years, we have been innovating for sports and striving to create only the best for the athlete. This is our DNA and our heritage. It is where we come from and where we need to be. Whether the crowd watching is large or small, we are here for all athletes.

We used 2023 to build the foundation for a successful future. Our five pillars for 2023 are enduring and will continue to guide us going forward.

Global Brands

Global Brands oversees the innovation, design, development, and marketing of the company's sports and lifestyle offerings. By constantly developing desirable products and providing inspiring experiences, the function strives to build a strong image as well as trust and loyalty with consumers to capitalize on growth opportunities in the sporting goods industry.

The adidas brand

The adidas brand has a long history and deep-rooted connection with sport. We believe that through sport, we have the power to change lives. This is our purpose, and we live it every day by expanding the limits of human possibilities, including and uniting people in sport and creating a more sustainable world. For us to continue to transcend genres and to remain one of the most recognized and iconic brands in the world, on and off the field of play, we need to drive and maintain our credibility in sport. This means delivering groundbreaking innovations to continuously deliver the best for the athlete, while also enabling a broader culture to be born from it. Therefore, we continue to sharpen the edges of adidas '[Performance](#)' and '[Lifestyle](#)'.

For almost 75 years, we have been innovating for sports. Performance therefore represents the product built for our athletes, helping them to perform at their best inside the lines of the playing field.

Performance products are built from sport and worn for sport. On the 'Lifestyle' side, adidas Originals is motivated by the collective memory of sports and represents brand classics and new visionary designs.

The Trefoil, adidas Originals' iconic signifier, celebrates products that connect to culture, leveraging our archive and expanding into new premium and luxury segments. Our latest addition, 'Sportswear', is built as an expansion from playing field to courtside. It is born from sport and worn for style. Sportswear provides everyday products that redefine comfort, versatility, and aesthetics. The first capsule collection was released in 2022, followed by the launch of a full product range across footwear, apparel, and accessories in February 2023.

Franchises as lighthouses for our brand

Footwear has the potential to drive consumer desire across product categories, the key lever for growing market share. Our archive, which is unrivaled in the industry, as well as cutting-edge technological breakthroughs and access to fundamental athlete insights provide plenty of opportunities to create newness in footwear and push industry boundaries. We set a priority on footwear franchises, which are our most iconic symbols of sport and culture and act as lighthouses for our brand. They represent the very best of adidas, influencing not only sport but the culture born from it, reimagining the notions of Performance and Lifestyle footwear while contributing to building our brand equity. Through uncompromised functionality, iconic design, and unique stories they are clearly targeted toward the consumer and have the potential to be iterated over time to preserve desirability. Their lifecycles are diligently managed to maintain consumer relevance and commercial longevity. Our footwear franchises include perennial bestsellers such as the Samba, Gazelle, Campus, Superstar, and Stan Smith. On the apparel side, adidas manages a portfolio of franchises including the Tiro Pant, MyShelter Jacket, and the Z.N.E. Hoodie. Above all, 2023 was the year of our [Terrace range](#) (Gazelle, Samba, and Spezial) with the Samba franchise declared 'Shoe of the Year 2023' by 'Footwear News,' one of the leading global footwear trade magazines. The halo effect of these models and other classics such as Campus, together with our latest Originals brand campaign, significantly increased our brand heat globally.

Shoe of the year 2023

Samba

Brand desirability fueled by innovation and athlete collaborations

Innovation is a key enabler for success in our industry and we are committed to investing in it. We are applying an innovative mindset to all aspects of our business in order to create tangible proof points of our credibility, elevate experiences, and push the boundaries in sustainability. In addition to leveraging product franchises, creating innovative concepts to meet the needs of athletes and consumers is a prerequisite to strengthening our market position and a premise to being the best sports brand in the world. We remain highly committed to maintaining a full and innovative concept pipeline to drive our credibility in performance and achieve what is best for the athlete.

We aim to bring new groundbreaking technologies and processes to life. Our key technology platforms Boost, Lightstrike, and Strung are proof points for our broader innovation approach and key enablers to define new successful athlete stories, through best-in-class product execution. We collaborate with athletes and consumers, universities, and innovative companies, as well as national and international governments and research organizations. We invest in manufacturing techniques and new technologies aiming to address deeply understood athlete challenges.

The launch of the Adizero Adios Pro Evo 1 is a testament to this approach. Throughout the development process, we gathered insights from elite athletes such as Peres Jepchirchir, Benson Kipruto, Tigist Assefa, and Amanal Petros. As a result, in September 2023, we were able to present the lightest racing shoe in our running footwear range to date: The Adizero Adios Pro Evo 1 is 40% lighter than any other adidas racing shoe. The biggest success achieved with the shoe to date was winning the 2023 Berlin Marathon, where Tigist Assefa beat the world record by over two minutes and Amanal Petros set a new German record.

Innovative technologies and products

We believe developing industry-leading technologies, materials, and consumer experiences is an important aspect of being an innovative leader. We have a long heritage of innovation and strive to provide athletes with the best by creating high-performance, competitive products. In 2023, we continued to serve consumers with innovative technologies, materials, and sustainable concepts built into our products:

- **Adizero Adios Pro Evo 1:** With a weight of 138 grams, this revolutionary road racer is 40% lighter than any other racing shoe adidas has ever created. Inspired by the same technology as the race-winning Adizero Adios Pro 3, the shoe also features a new forefoot rocker that has been lab-tested to improve running economy. With two major marathon victories and several new records since its launch, the Adizero Adios Pro Evo 1 is not only adidas' lightest, but also fastest shoe ever.
- **Adizero Prime x Strung:** Our first ever Adizero running shoe with a 'Strung' upper. Strung is a textile innovation that transforms athlete data into a dynamic material tuned to the athlete's needs. It enables mapping and programming of different fiber properties thread by thread. With a flexible and lightweight seamless cocoon feel around the foot, Strung helps optimize comfort and supports the athlete on long-distance runs.

- **4DFWD 2:** The shoe's industry-first bowtie-shaped lattice midsole transforms vertical pressure into horizontal force. With every stride, the new adidas 4DFWD 2 midsole compresses forward, reducing braking forces and transforming the impact energy into forward motion. The result is a smooth ride with less stop-and-go pounding. With the 4DFWD 2, we have introduced a new Continental outsole that provides extra grip for runs in any weather condition. The shoe contains a new Primeknit+ and engineered mesh upper construction for an extra supportive and snug fit. Complemented by an integrated heel counter, Primeknit+ offers a sock-like fit, while areas of engineered mesh provide support exactly where runners need it most.
- **Agravic Speed Ultra:** The Agravic Speed Ultra is a testament to pushing boundaries in the fast-growing, community-driven sport of trail running. Created alongside adidas Terrex professional trail runners over a two-year period, the innovation-packed silhouette is built to provide runners with ultimate speed in ultra-distance races. A prototype of the Agravic Speed Ultra has already proven itself on podiums, with the latest record being broken at the 2023 Western States 100-mile Endurance Run when Tom Evans won in 14 hours and 40 minutes. For consumers, the shoe will be available in spring 2024.
- **FIFA Women's World Cup 2023 federation away kits:** Partner to ten teams, including World Champion Spain, competing at the FIFA Women's World Cup Australia & New Zealand 2023, adidas unveiled federation away kits inspired by nature. While the designs celebrated each country's scenery and diverse natural landscape, the jerseys are made from recycled polyester and feature the latest adidas fabric innovations, including HEAT.RDY and AEROREADY.
- **adidas by Stella McCartney x Arsenal Collection:** adidas and Arsenal F.C. launched the next chapter of their collaboration with Stella McCartney with the revealing of the first away kit and travel range for Arsenal Women. The limited-edition range includes a gender-neutral game-day match jersey as well as off-pitch pieces for pre- and post-match travel. The away kit marks the first time the women's team have worn a separate kit from the men's team, while the latter competed in the gender-neutral jersey for their pre-match warm-up.
- **X Crazyfast Strung:** The first football shoe to feature 'Strung,' a technology born from running and redefined for football. With each thread individually selected and data-mapped for a seamless lightweight cocoon around the foot, the Strung upper combines with the Speedframe and Aeroplate inlay from X Crazyfast to enable dynamic movement and touch at top speed.
- **Fussballliebe:** Revealed in November 2023, 'Fussballliebe' is the name of the official match ball for UEFA EURO 2024. Meaning 'love of football,' it brings 'Connected Ball Technology' to the tournament for the first time. The ball features a 20-piece 'Precisionshell' panel shape, deboss grooves on the outer shell, as well as a 'CTR-Core' inside, which is designed for accuracy and supports fast, precise play with maximum shape and air retention.

Beyond innovative technologies, key products and collaborations of the 2023 business year include:

- **Fear of God Athletics:** Together with Jerry Lorenzo and Fear of God, we officially launched 'Fear of God Athletics' at the end of 2023. The collection provides uncompromised inspiration authentically rooted in performance and the culture of sport. It offers a fresh perspective on luxury sportswear with strong influences from basketball culture – a modern wardrobe for the contemporary athlete.
- **adidas x Bugatti:** Bugatti and adidas have come together to create a limited-edition football boot: the adidas X Crazyfast Bugatti. Produced in a run of only 99 pairs, the boots are engineered for speed and lightness, and finished with bespoke Bugatti design flourishes. The collection draws on the characteristics that have come to define Bugatti: not only engineered for speed but created with a 'Form follows Performance' design philosophy.
- **adidas x Moncler:** The adidas Originals x Moncler collection revolves around the notion of exploration: a journey where the past becomes the future and mountain peaks are taken to city streets in a mix of luminous colors reminiscent of traffic lights – bright yellow, green, orange, and red, alongside other tones. The collection was launched at London Fashion Week in February, showcasing

pieces that share the DNA of both brands – from lacquered nylon outerwear to Moncler-ized versions of adidas' iconic Campus and NMD S1 silhouettes.

- **adidas x Wales Bonner:** 2023 saw the continuation of our collaboration with British designer Grace Wales Bonner. Embracing a fusion of European and African influences, it seamlessly blends the rich heritage of adidas and Wales Bonner to create collections that celebrate the convergence of sportswear and tailoring. The collaboration has been especially instrumental during the incubation and activation phases of the Samba franchise.
- **adidas x Les Mills:** In February 2023, adidas and Les Mills, an international leader in the fitness content and training industry, announced their partnership. While adidas training product is featured in all Les Mills content and the latest adidas training apparel, footwear, and accessories are worn by the global Les Mills athlete network, the partnership will also connect [adiClub](#) and Les Mills by offering immersive and personalized solutions to adiClub members. With women making up the majority of the trainers and participants in the workouts around the world, the partnership is also designed to help us build credibility with women.

Impactful and effective marketing investments

Our marketing investments are an additional important building block for creating brand desirability and winning the consumer. adidas is focused on creating inspirational and innovative concepts that drive consumer advocacy, build brand equity, and drive demand for our products. The company historically spends almost half of its marketing investment on partners, with the remainder spent on brand marketing activities such as digital, advertising, point-of-sale, and grassroots activations. In addition, the company continues its efforts to further consolidate and focus resources to create powerful brand statements that capture several categories in one narrative, amplified and orchestrated via an overarching media strategy with clear roles for the different activation levels of story and content. The ambition is to have a fully connected marketing funnel, from grabbing consumer attention at the top to driving consideration in the middle of the funnel when consumers are in the buying phase, down to conversion at the point of sale at the bottom of the funnel. To holistically address the entire marketing funnel, adidas is active in four dimensions:

- **Brand campaigns:** the highest expression of the brand, which drives visibility, desire, and commercial demand by reinforcing our brand attitude with bold, relevant, and recent consumer-centric storytelling.
- **Brand moments:** deliver a strong brand point of view through targeted sport and culture moments to amplify brand attitude and reinforce our purpose.
- **Category activation:** strengthen sport and culture credibility by sharpening label and category propositions through product story, sport/culture moments, partner activation, hype drops, and commercial activation.
- **Commercial conversion:** drive conversion and consistency at the point of sale (in-store and online) to support cross-category commercial partnerships and 'evergreen' key items through delivery of seasonal, modular toolkits.

From building awareness and brand heat all the way down to deliberate point-of-sale experiences, the 2023 brand marketing plan showcased a variety of activations at all levels of the marketing funnel:

- **Originals brand campaign:** Since its introduction to the world over 50 years ago, adidas Originals' Trefoil has been trading feet with everyone, from athletes to cultural pioneers. In 2023, adidas Originals paid homage to those that have continued to transport the brand to the forefront of culture with a new global campaign: 'We Gave the World an Original. You Gave Us a Thousand Back.' Headlined by three films and a selection of stills, each focusing on one of three timeless silhouettes from our archive – the Superstar, the Gazelle, and the Samba – the campaign tells the narrative of the Trefoil's past, present, and future. The campaign was amplified globally through a major media strategy, representing the largest single investment for adidas Originals in 2023.
- **FIFA Women's World Cup campaign:** Marking adidas' most talked about Women's World Cup campaign to date, the brand united its global family of football legends and advocates of the women's game, such as David Beckham and Lionel Messi, to celebrate the FIFA Women's World Cup Australia & New Zealand 2023. The campaign was dedicated to next-generation icons Alessia Russo, Lena Oberdorf, and Mary Fowler and looked to drive more global attention for the game and inspire young women and girls to follow in their role models' footsteps.
- **Move for the Planet ('MFTP'):** 'Move for the Planet' builds on the foundation adidas created with 'Run for the Oceans' and is our most inclusive and impactful sustainability initiative to date. Its goal is to encourage the global sporting community to take action on sustainability by turning their sports and workouts into tangible impact for communities in need. As a result, over 173 million minutes of activity were tracked across countries in the adidas Running app, with adidas pledging to donate € 1 to its partner organization 'Common Goal' for every ten minutes of activity logged – up to € 1.5 million.
- **'Running Needs Nothing But You':** The first brand campaign in 2023 celebrated how personal running is, showcasing that athletes run for all kinds of motivations and that they face different pressures and obstacles along the way. adidas wanted to remind runners that, whether they are a seasoned competitor or someone who needs a little encouragement to take their first step in running, it is not about living up to someone else's expectations. As part of the campaign, adidas also launched 'The Ridiculous Run,' a campaign calling attention to the reality that many female runners face, such as safety concerns while running. It also highlighted the need for male education and allyship.
- **adidas Sportswear:** In 2023, adidas revealed 'Sportswear.' The new line aims to elevate the wearer's everyday look with a range of fits that use the latest performance technology to bring the same comfort and confidence to everyday wear as the Performance collections.

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

- **Events with global reach:** FIFA World Cup (men's and women's) and UEFA Champions League (men's and women's). Major marathons such as Beijing, Berlin, Boston, Mexico City, and Seoul.
- **High-profile teams:** National teams of Algeria, Argentina, Belgium, Colombia, Costa Rica, Germany, Mexico, Italy, Jamaica, Japan, Peru, Saudi Arabia, Spain, and Sweden. Top clubs such as Arsenal F.C., F.C. Bayern Munich, Juventus Turin, Manchester United, Real Madrid, and A.S. Roma. In 2023, we also extended our partnership with Major League Soccer (MLS). Basketball: US-American universities such as Indiana University and University of Kansas. Running: Ethiopian Athletics Federation (EAF) and French Athletics Federation (FFA). Multi sports: India cricket team, Dutch field hockey, and the New Zealand All Blacks.

- **High-profile individuals:** Football stars Selma Bacha, Jude Bellingham, Linda Caicedo, Rachel Daly, Kadidiatou Diani, Paulo Dybala, Joelinton, Jürgen Klopp, Rafael Leão, Mapi León, Lionel Messi, Álvaro Morata, Manuel Neuer, Lena Oberdorf, Guro Reiten, Declan Rice, Trinity Rodman, Alessia Russo, Mo Salah, Son Heung-min, Marc-André ter Stegen, and Zinedine Zidane. Track and field athletes Anna Hall, Grant Holloway, Steven Gardiner, Noah Lyles, Shaunae Miller-Uibo, marathon runner Tigist Assefa, as well as triathlete Patrick Lange. Basketball stars Aliyah Boston, Zia Cooke, Gradey Dick, Anthony Edwards, James Harden, Damian Lillard, Donovan Mitchell, and Candace Parker. American Football players Patrick Mahomes and Brock Purdy. Tennis players Karolína Muchová, Jessica Pegula, Elina Svitolina-Monfils, Stefanos Tsitsipas, Xinyu Wang, Caroline Wozniacki, and Alexander Zverev. Alpine skier Mikaela Shiffrin.
- **Cultural marketing partners:** Anitta, Baby Monster, Bad Bunny, Grace Wales Bonner, Edison Chen, Caroline Daur, HoYeon Jung, Jennie Kim (Blackpink), Jerry Lorenzo, Léna Mahfouf ('Léna Situations'), Deepika Padukone, Jay Park, Stormzy, Pusha T, Lena Waithe, Pharrell Williams, Sean Wotherspoon, and Dingyun Zhang.

Global Sales

Our Global Sales function drives the commercial performance of the company by converting brand desire into profitable and sustained business growth. We aim to deliver the best service to our retail partners and the best shopping experience for our consumers across all touchpoints. Our goal is to establish scalable business solutions that deliver premium experiences, thereby meeting and surpassing consumer expectations with an integrated brand offering.

▣ In 2023, we enhanced our relationships and brand spaces with key retailers to win consumers at every touchpoint, sustained a strong global presence by maintaining a consistent global framework with around 1,860 own retail stores, and amplified our own e-commerce. ▣

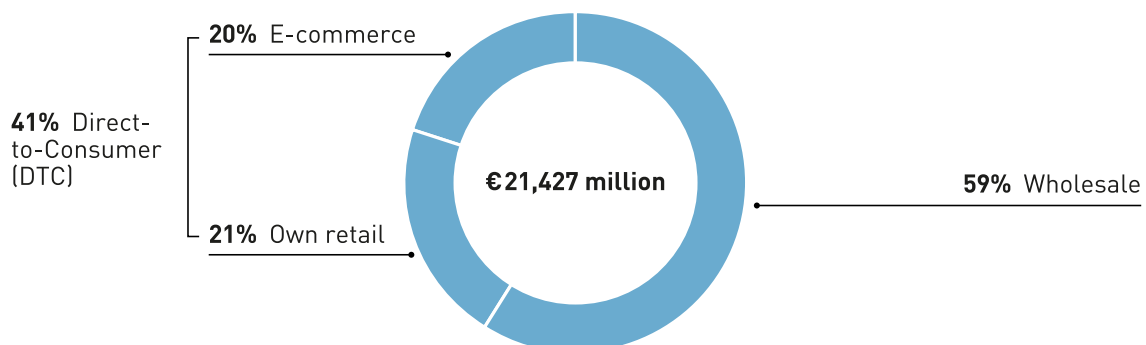
Navigating a challenging market environment

The challenging macroeconomic and geopolitical conditions in 2023 continued to impact our business, with some markets affected more than others. To address these challenges, we focused on strongly reducing our inventory levels by significantly reducing our buying volumes and tactically repurposing existing inventory as well as reducing discounting activity to lay the foundation for a better 2024. In Wholesale, we focused on building better partnerships with our customers and executed our conservative sell-in strategy. In own retail, we strategically reduced our store portfolio. Aiming at improving the overall profitability, we have been prioritizing strategic locations to offer consumers the opportunity to experience the brand's pinnacle offerings. Within our e-commerce platform, we focused on drastically reducing promotional activity, driving full-price sales and building brand desire through relevant storytelling around key products and events. We continued to provide premium, connected, and personalized shopping experiences through exclusive products and engaging member offerings in 67 countries.

2023 channel mix

▣ Wholesale remained our largest channel, accounting for 59% of total net sales in 2023 (2022: 61%). The share of DTC business, consisting of own retail and e-commerce sales, was 41% in 2023 (2022: 39%). Our 'adiClub' membership program is now established in around 50 countries, enabling us to build direct relationships with our consumers. ▣

Net sales by channel



Wholesale

Our primary goal in Wholesale in 2023 was to improve our relationships with our partners and collaborate with them to navigate in a challenging retail environment. Through meticulous planning and strategic foresight, we executed transition plans with the explicit aim of regaining trust and achieving a significantly improved business set-up by year-end. Employing a conservative sell-in strategy, we vigilantly tracked customer sell-out and inventory levels. Additionally, we actively supported initiatives to reduce inventory levels in the market by assessing the customer's performance and agreeing on a transition plan. We created specific action plans for each key account to ensure we had cleaner inventory levels, a more focused sell-in, and better in-store presentation.

Our goal was to reset the marketplace and invest in future growth with our partners. Progress was made with our branded space initiative, which involved rolling out enhanced footwear walls globally with improved visual merchandising. The initiative also supports us to elevate our brand and ensure we present ourselves in a strong way toward our consumers. In the fourth quarter, we saw early signs that our approach to selling more customer-exclusive products is beginning to have a positive business impact. This is also attributed to our enhanced collaboration with our customers to build more relevant product differentiation. By sharing and scaling these programs across other markets and channels, we were able to start unlocking additional sales opportunities in 2023.

As part of our sharpened focus on Wholesale, we ramped up our interaction with our major customers across the markets. We hosted more customers at our various campuses around the world. For example, we held a partner camp at our Herzogenaurach campus in 2023, which brought together our top key partners from markets worldwide. This event served as a platform to showcase our strategic future brand direction, accentuating the strength and potential of our brand. We took our digital sell-in tools 'CLICK' and 'Digital Showroom' to the next level by enhancing the sell-in and order placement experience for our accounts and sales teams. We continued to focus on our digital capability to team up with our accounts and win online together. This allowed us to deliver an enhanced and consistent shopping experience in digital wholesale by integrating our product images and descriptions into customer systems to power their website and app experiences.

Own retail

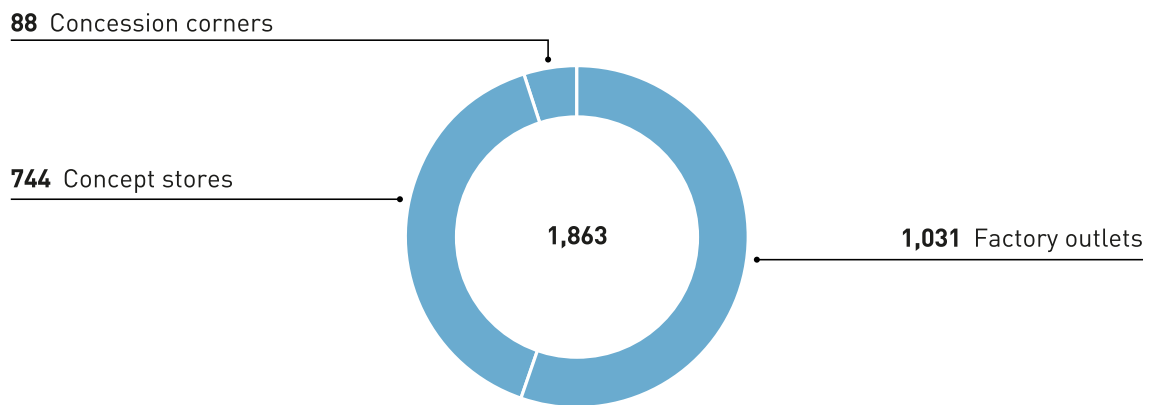
Our own retail stores allow our consumers to directly interact with our brand, product, and teams, and to touch and try our products, feel inspired by our stories, and experience what we stand for as a brand. Through premium experiences and the human connection with our teams and communities, we aim to build brand loyalty and increase consumer lifetime value.

In 2023, the total number of stores decreased to 1,863 (2022: 1,990) as part of our portfolio strategy and as a result of the company's decision to wind down its business in Russia. Despite the overall goal of reducing the number of stores in 2023, we continued to invest in creating a more profitable business. Consequently, Emerging Markets for example, grew their store base by taking over a number of franchise stores in Saudi Arabia with the goal of optimizing the fleet and increasing sales through improved operations.

With our fleet of halo stores (including flagship stores and brand centers) focusing on premium experiences, core stores (including concession corners) with a more commercial focus, and factory outlet stores for the value-seeking consumer, we provide an environment to satisfy a wide variety of our consumers' needs when shopping for our product and connecting with the essence of our brand.

Halo stores remained a priority in 2023, as they are at the top of our concept store fleet. We continued to elevate our presence in strategic locations through additional flagship stores and brand centers. For example, we opened a brand flagship store in Seoul Myeongdong, the first in Korea. It was awarded with the Gold LEED certification, recognizing the effort to turn this store into a sustainable space. We also upsized one of the existing brand centers in Bangkok, doubling its size and making it the largest brand center in Asia-Pacific. A new brand center in Sydney marks the first halo store in Pacific. The space features works by several artists who have used their creativity to pay homage to Sydney’s famous landscapes, giving it a local touch. The store spans two floors and covers Sportswear and Performance categories as well as Stella McCartney products and is home to our iconic Originals range. In addition, we remodeled the brand center in Hong Kong in line with the ‘Home of Sport’ store design concept, adding new features such as artwork by local artists, a locally designed women’s zone, an adiClub members space and, at 26 meters, the longest footwear wall. Moreover, we undertook a remodeling of the brand center in Tel Aviv and opened the first Originals flagship store in Beijing.

Stores by concept type



E-commerce

Recognizing the changing dynamics of the marketplace, we redefined the role of e-commerce within the broader ecosystem as we leveraged our capabilities and experiences to improve profitability and focus on premiumization.

In 2023, we continued to expand ‘Digital’ across all of our channels and touchpoints in 67 countries. Our adiClub membership program remained a cornerstone of our membership interactions. Building on its successful launch in 2022, we expanded the redemption feature to 19 new countries, allowing members to use their accumulated points across all our digital and retail touchpoints for new capabilities. These included points for raffles, ‘Money-can’t-buy’ products, vouchers, partner offers, so-called ‘Golden Tickets,’ and donations. In 2023, we introduced ‘Points x Premium Subscription’ and launched our partnership with Les Mills, solidifying our dedication to empowering members through unique experiences. This positioned adiClub as one of the only membership programs where members can level up through physical activity, not just purchases.

The 2023 marathon season was a success. We trialed new ways of member engagement across all our touchpoints and activated major races on the adidas app, our sports app, adidas.com, and social media.

Tigist Assefa set a new women's world record with a time of 2:11:53 hours wearing the Adizero Adios Pro Evo 1, a shoe that sold out within minutes in an exclusive hyper-drop online. Embracing inclusivity, we democratized these races by introducing immersive digital race experiences on our sports app, enabling members worldwide to partake in events like the Dubai Marathon, 'Road2Records' in Herzogenaurach, and the Berlin Marathon. More than 450,000 members participated in virtual races ranging from five to 21 kilometers, allowing them to celebrate their own victories alongside our athletes. Looking ahead to 2024, we will elevate these experiences and extend our digital race offerings to include all major events on the running calendar.

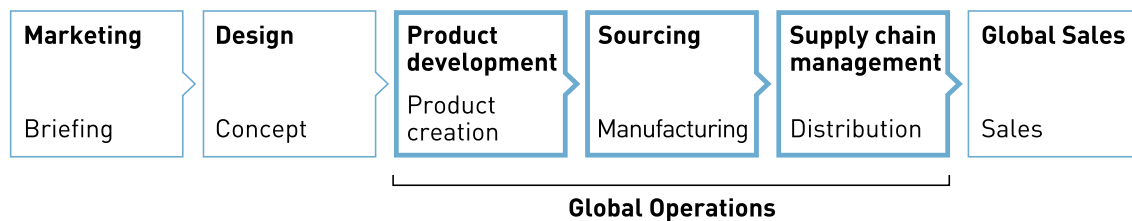
Our adidas 'Confirmed' app – our digital boutique and premium touchpoint for sneakerheads, streetwear, fashion, and style enthusiasts – continued to thrive through collaborations with high-fashion brands and pioneers such as Moncler, Bad Bunny, and Wales Bonner in addition to our own premium franchises. In 2023, we refreshed the visual appearance of the app, doubled down on our approach to community, and started incubating new business models, such as hosting an innovative first marketplace experience – the 'adidas Consortium Cup,' a sneaker design competition between our Consortium fashion influencer partners across the globe, which allows highly engaged communities to influence releases. The app continued to deliver coveted and premium products to adidas consumers, offering best-in-class experiences and further solidifying our status as a trendsetter in the global lifestyle world.

Global Operations

▣ **Global Operations manages the development, production planning, sourcing, and distribution of our company’s products. The function strives to increase efficiency throughout the company’s supply chain and ensures the highest standards in product quality, availability, and delivery. With the consumer in mind, we deliver competitively priced products that drive our sustainability ambitions and are available when and where the consumer wants them.** ▣

Global Operations delivers on our mission to be the best sports brand in the world. The function aims to create the best products by establishing state-of-the-art infrastructure, processes, and systems that enable us to focus on innovative and sustainable materials and manufacturing capabilities. Moreover, Global Operations is focused on delivering the best services through flexible and agile distribution capabilities, enabling product availability through an omni-channel approach. Thereby, Global Operations contributes to delivering the best experience to our customers and consumers.

Global Operations in go-to-market process



Establishing next-level supply chain responsiveness

To increase speed to market in Greater China and respond to the changing consumer landscape there, Global Operations has set up an operating model in 2023 that enables end-to-end lead time reduction for articles requiring higher in-season responsiveness. We improved market order efficiency, increased China-for-China production, and shortened manufacturing and supply lead times for the Fall/Winter season 2023. We continue our efforts to drive responsiveness in our supply chain as we plan to draw on lessons learned and roll out the concept to additional markets from 2024 onward.

Production through independent manufacturing partners

▣ To keep our production costs competitive, we outsource almost 100% of our production to independent manufacturing partners. While we provide our manufacturing partners with detailed specifications for production and delivery, they possess excellent expertise in cost-efficient, high-volume production of footwear, apparel, and accessories and gear. Overall, our independent manufacturing partners produced 756 million pieces of apparel, footwear, and accessories and gear in 2023 (2022: 1,018 million pieces). The decrease in production volume was driven by reduced market demand for new buys to manage down inventory levels.

In 2023, we worked with 104 independent manufacturing partners (2022: 117) that were producing in 237 manufacturing facilities (2022: 259). The majority (78%) of our independent manufacturing partners are located in Asia (2022: 71%). We value long-term relationships: 74% of our independent manufacturing partners have worked with adidas for at least ten years, and 38% have a tenure of more than 20 years.

Relationships with independent manufacturing partners

	Total	Footwear	Apparel	Accessories and Gear
Number of independent manufacturing partners ¹	104	24	55	32
Average years as independent manufacturing partner	20.8	22.5	20.0	20.8
Relationship < 10 years	26%	33%	22%	31%
Relationship 10 – 20 years	36%	25%	40%	31%
Relationship > 20 years	38%	42%	38%	38%

¹ Includes two independent manufacturing partners who produce both footwear and apparel, one independent manufacturing partner who produces both footwear and accessories and gear, and four independent manufacturing partners who produce both apparel and accessories and gear.

Relationships > 20 years

38%

All our manufacturing partners are subject to specific performance criteria, which are regularly measured and reviewed by Global Operations. To ensure the high quality that consumers expect from our products, we enforce strict control and inspection procedures of our manufacturing partners and in our own factories. Effectiveness of product-related standards is constantly measured through quality and material claim procedures. In addition, we track the delivery and efficiency performance of our partners. Adherence to social and environmental standards is also promoted throughout our supply chain. The current list of our independent manufacturing partners can be found on our website. [▶ SEE SUSTAINABILITY](#)

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

Vietnam main sourcing country for footwear

▣ Vietnam returned as the largest sourcing country in 2023 with 38% of the total volume (2022: 32%), followed by Indonesia with 32% (2022: 34%) and China with 14% (2022: 16%). Overall, 97% of our total 2023 footwear volume was produced in Asia (2022: 97%). In 2023, our footwear manufacturing partners produced approximately 311 million pairs of shoes (2022: 419 million pairs). Our largest footwear factory produced approximately 8% of the footwear sourcing volume (2022: 7%).

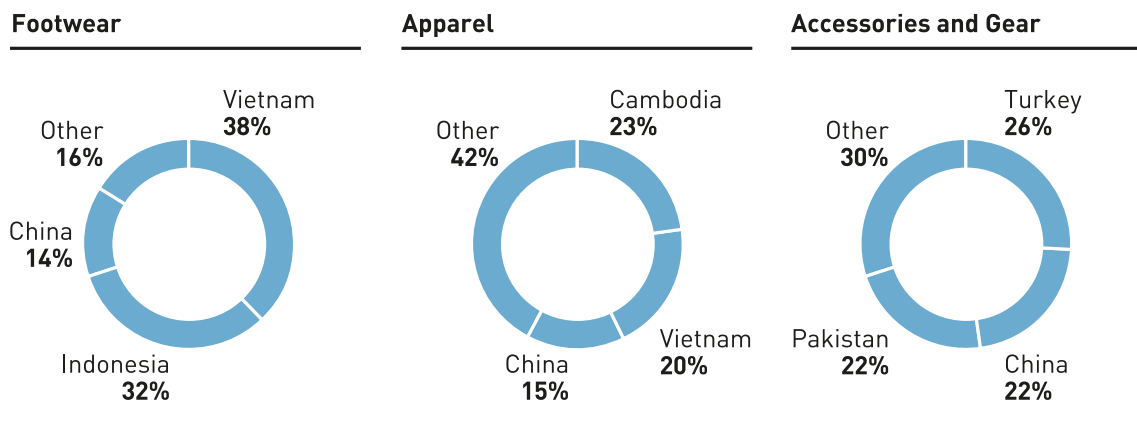
Cambodia main sourcing country for apparel

In 2023, we sourced 91% of the total apparel volume from Asia (2022: 91%). Cambodia was the largest sourcing country, representing 23% of the produced volume (2022: 22%), followed by Vietnam with 20% (2022: 17%) and China with 15% (2022: 17%). In total, our manufacturing partners produced approximately 328 million units of apparel in 2023 (2022: 482 million units). The largest apparel factory produced approximately 10% of this apparel volume (2022: 9%). Overall, apparel production remains more fragmented than footwear.

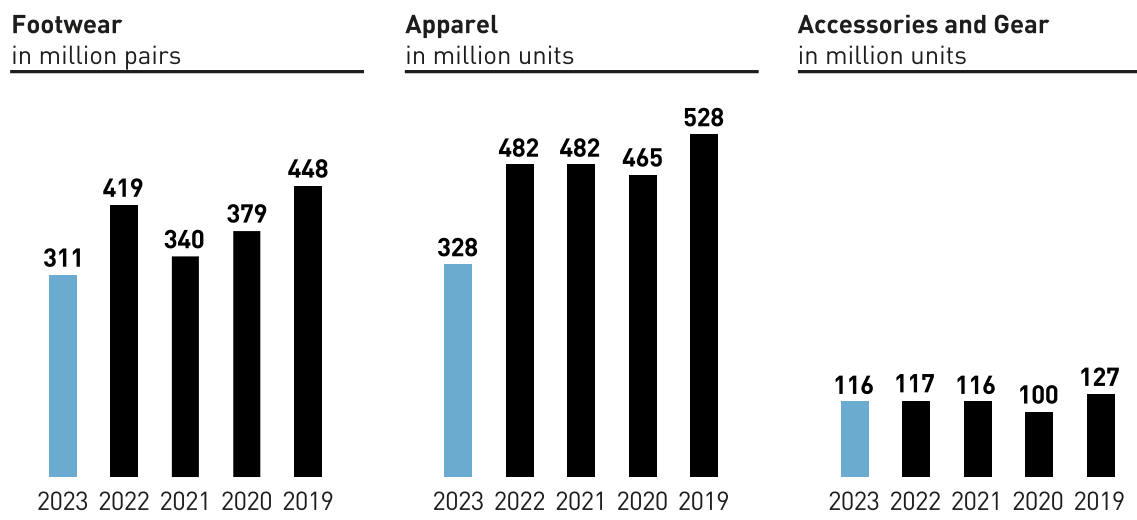
Turkey main sourcing country for accessories and gear

In 2023, 71% of our accessories and gear, such as balls and bags, were produced in Asia (2022: 72%). Turkey became the largest sourcing country in 2023, with 26% of the sourced volume (2022: 25%), followed by China with 22% (2022: 28%) and Pakistan with 22% (2022: 21%). The total accessories and gear sourcing volume was approximately 116 million units (2022: 117 million units), with the largest factory accounting for 26% of production (2022: 20%).

Worldwide production volumes by country



Total production volumes by category¹



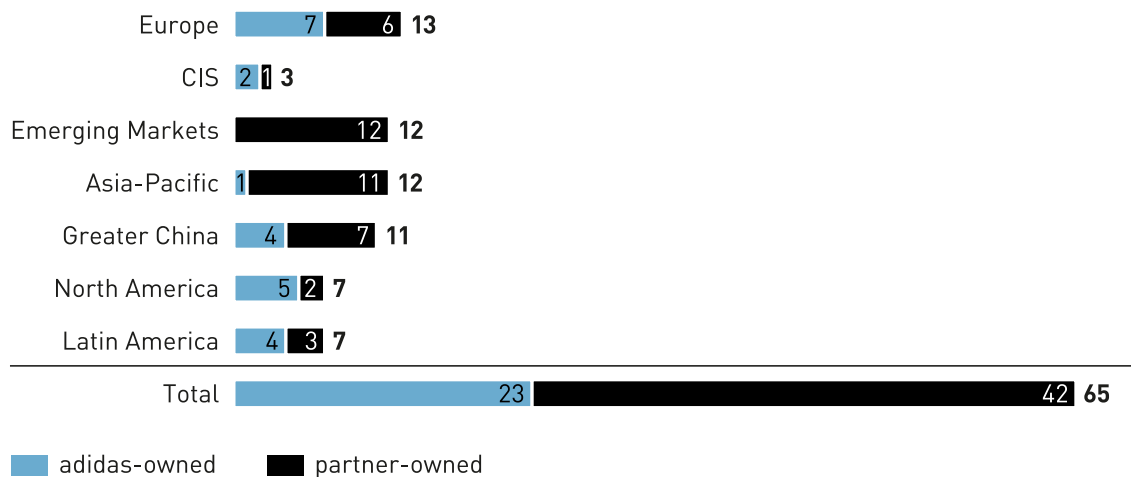
¹ 2020 and 2019 figures including Reebok business.

Agile and efficient distribution center network

By following a clear strategic framework, we enhanced our distribution center landscape in 2023 through process automation, system upgrades, and distribution center capacity-related initiatives. These enhancements helped us to improve e-commerce service levels and provide more delivery choices with an overall broader product availability.

Overall, our global distribution network consists of 65 distribution centers, enabling us to service our global demand efficiently and effectively. We operate distribution centers in all our markets, with 13 distribution centers in Europe, three in CIS, twelve in Emerging Markets, twelve in Asia-Pacific, eleven in Greater China, seven in North America, and seven in Latin America. Given the above-average dynamic economic environment, we continued across 2023 to further align the size of our network to the changing demands of the relevant markets.

adidas vs. partner-owned and -operated distribution centers per region



Of the 65 distribution centers that make up our global network, 23 are owned and operated by adidas, while 42 are owned and operated by logistics partners, allowing for the operational flexibility and agility to best service our customers and consumers.

To enable a broader range of products to be available at the point of sale, 34 of our distribution centers are set up to serve all our channels. The other 31 have a channel- or service-specific set-up, in line with the needs and developments of the different markets. This includes a facility where adidas has established a proven dedicated returns concept for all channels to enhance the consumer experience and increase the efficiency of the overall network. This diverse combination of distribution centers allows us to be agile and efficient in distributing our products to our customers and consumers around the world.

Performance KPIs to track product availability and on-time in-full delivery

Global Operations strives to develop, produce, source, and distribute ordered articles on time and in full. Therefore, we track two KPIs: 'On-Time Available' ('OTA') and 'On-Time In-Full' ('OTIF'). OTA measures on-time-available products at the distribution center for both our wholesale customers and our own retail stores. OTIF represents the in-full delivery of our products by the requested date to our own retail stores and e-commerce consumers. Continuing the journey toward the 2025 OTIF ambition of 90%, in 2023 we have included e-commerce together with own retail as an aligned global metric (previous years: OTIF = own retail only).

In 2023, we reached an OTA level of 92% (2022: 82%), driven by all markets already performing above target level in the first quarter of the year, with the exception of market Europe, which, however, recovered during the second quarter.

OTIF performance was 89% (2022: 83%, own retail only), reflecting our diligent focus on operational excellence across systems, distribution centers, and outbound transportation to ensure stable delivery performance against the confirmed delivery dates for both our own retail stores and our e-commerce consumers.

Our People

▣ We believe that our people are the key to the company's success. Their performance, well-being, and personal development have a significant impact on brand desire, consumer satisfaction, and, ultimately, our financial performance. Our people strategy comprises three key pillars: **Leadership, Betterment, and Performance**, all underpinned by 'Diversity, Equity, and Inclusion' ('DEI'). ▢

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

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

▶ [ADIDAS-GROUP.COM/S/EMPLOYEES](https://adidas-group.com/s/employees)

▣ Our goal is to develop a culture that values the experience, well-being, and performance of our employees. To support this, we focused on implementing and embedding our six values, introduced in 2022, across our people policies and processes, including the way we hire, promote, and evaluate performance. Our six values are: Courage, Ownership, and Innovation, as well as Team Play, Respect, and Integrity. ▢

Embedding Diversity, Equity, and Inclusion into our culture

▣ adidas has a dedicated Diversity, Equity and Inclusion (DEI) team with DEI leaders in each market, led by the Global Senior Vice President DEI. We strongly believe that DEI gives us a real competitive edge and we embrace it as we work to be the best sports brand in the world. By creating a level playing field for everyone, we ensure that every individual has an equal opportunity to achieve betterment, maximize their leadership potential and unleash high performance. By recruiting talent and developing our people to reflect the rich diversity of our consumers and communities, we foster a culture of inclusion where we value and leverage differences to engage our employees, develop leaders for our diverse markets and connect with our consumers.

In 2022, we launched a new DEI strategy, 'Creating an Equal Playing Field for All,' which is based on three key pillars: People, Culture, and Accountability. The strategy was informed by adidas' first anonymous and voluntary diversity dimensions survey on four key dimensions of diversity (gender, LGBTQIA+, race and ethnicity, and disability). In October 2023, we shared the progress and impact we have delivered against our strategy during our annual 'Global Week of Inclusion' with many activities across the regions, where our theme was: 'From Dialogue to Impact: Advancing the Playing Field for All.' During this week, we also launched our goals for gender balance within the adidas leadership team. The achievement of these targets will be supported by sponsorship and other pipeline development programs for women.

▶ [SEE SECTION 'WOMEN IN LEADERSHIP'](#)

In addition, we held multiple panel discussions sharing the impact of our yearlong 'Leading with Inclusion' program to develop a collective competency among our senior leaders. We also shared the impact of our new 'Employee Resource Groups (ERG) Framework' to provide governance, recognition, and upskilling to

adidas ERGs. Finally, we launched a 'Belonging' workout and hosted multiple live webinars for all employees to learn how to enable belonging in teams.

To execute on our DEI strategy 'Creating an Equal Playing Field for All,' we are continuing to progress on our aspirations and commitments:


- **Leading with inclusion:** As a key enabler of the 'Accountability' pillar, our Executive Board members and core leaders have taken a three-step development program to develop a collective competency for inclusive leadership within adidas. The three steps include self-assessments, confidential coaching, and a peer-to-peer experiential learning. The 'Leading with Inclusion' program is now cascaded to all Board-minus-one leaders and will continue to cascade to all senior management as well as middle management layers in 2024.

Women in management positions


40%

- **Women in leadership:** adidas has established a measurable, aspirational goal to help us realize our DEI ambitions for gender balance. We are committed to increasing female representation in management positions (Director level and above) globally to achieve a gender balance of 50% by 2033. With 40% female representation in management positions in 2023, our women-in-leadership aspirations reflect our commitment to gender balance and equity as well as our consumer focus, where women are a priority. In addition, we have reached a female representation of combined 48% in the middle and lower management as well as in senior professional levels. For all entry levels, total female representation was 52% at the end of 2023. This serves as a robust foundation to achieve our targets for higher management levels. Equity also plays an important role when it comes to women's promotions, and we achieved 52% in 2023. Moreover, for the Executive Board and the first two levels below in Germany, adidas has clear statutory targets regarding female representation. In 2024, adidas will continue to mentor and develop females for leadership roles and will design new initiatives such as female sponsorship programs to focus on enhancing female representation across all leadership levels. [▶ SEE DECLARATION ON CORPORATE GOVERNANCE](#)
- **Global racial equity:** Our DEI strategy aspires to global racial equity through the broadening of our data collection and talent initiatives to identify and support high-performing talent from underrepresented and marginalized groups. We commit to promoting inclusivity across all diversity dimensions and across different intersectionalities.
- **'Employee Resource Groups' ('ERGs'):** Throughout the company, we continued to support and grow our ERGs through the development of a new ERG Framework and operating model to provide governance, oversight, recognition, and upskilling to our ERG members. ERGs are employee-led networks that give employees with differing backgrounds and perspectives communities of belonging and togetherness. We have more than 30 ERGs around the globe, as well as diversity ambassador teams that focus on diversity dimensions, such as ethnicity, gender, LGBTQIA+, experienced generation, faith, disability, and mental health. Participation in these groups is voluntary and inclusive to all employees.
- **'United Against Racism':** adidas implemented 'United Against Racism' in June 2020 to support the social justice movement and to promote racial equity within our US business and communities. This initiative involves a multi-factored level of commitment across hiring, talent development, and

community engagement with the goal of creating lasting change. The commitments include, among others, an investment of US \$ 120 million in the US toward ending racism and supporting Black communities through to 2025 as well as funding for 55 university scholarships in the US each year for Black and LatinX students. We also set new targets for increased representation of Black and LatinX people within our US workforce, aiming to fill at least 30% of all new positions in the US with Black and LatinX people by 2025. With 23% in 2023, we are well on track to meet our goal.


- **DEI learning and development:** In collaboration with our Global Talent team, adidas continues to offer DEI learning fundamentals and essentials for all levels of employees to learn about DEI terminology. Throughout 2024, employees will be enabled further to take a self-learning approach and create team workouts to help drive an inclusive culture at adidas. Our learning team also offers mandatory anti-discrimination and anti-harassment training for all employees, including anti-sexual-harassment training.
- **DEI Executive Council:** Our DEI Executive Council, made up of a diverse group across the organization, including all members of the Executive Board and leaders from each market, continued its work in 2023 to increase accountability for global DEI initiatives, address emerging DEI issues impacting our brand, and drive the execution of our DEI strategy. Within their individual functions and markets, Council members have committed to providing solutions to DEI challenges as well as identifying and removing cross-functional and market barriers. In 2023, the DEI Executive Council invited employees with different DEI dimensions and intersectionalities to provide feedback to senior leadership. 

Attracting key talent


 adidas continued to face the challenge of competing for highly sought-after talent in a changing business landscape. In 2023, we hired over 9% more employees than in 2022, mainly driven by Retail hires. adidas remains a leading company to work for, with our 'employer of choice' status continuing to receive global recognition in 2023, as we topped our category in Forbes' 'World's Best Employers' list for the third year in succession and placed twelfth overall (2022:16th). We also remained in Universum's 'World's Most Attractive Employers' rankings in 2023 for business, engineering, and IT students worldwide. In addition, we were ranked fifth in 'Stern Germany's Best Employers,' second in 'Germany's Most Popular Fashion Employers' ('Beliebteste Modearbeitgeber Deutschlands') as part of the study 'Working in Fashion' published by 'TextilWirtschaft,' and won the Association for Talent Development's 'Excellence in Practice Award' for leadership development. We also received the 'Handshake 2023 Early Talent Award' and the 'RippleMatch 2023 Campus Forward Award' as winner in the category 'Large Early Career Programs.'

To support our talent pipeline, we executed several programmatic interventions in 2023:


- **'Unlimited' program:** Unlimited provides support and opportunities for retail staff who want to pursue a career in our corporate structure. North America continued the program with its sixth recruitment cycle in 2023, while EMEA completed its second cycle with employees who started their new roles in September 2023.
- **Undergraduate and MBA internship programs:** In 2023, we employed 283 interns globally (2022: 305). Students were provided with a three- to six-month work and developmental opportunity within adidas, accompanied by robust internship program elements that included professional development, mentorship, and networking events. Our goal is to ensure we retain top-performing interns and have them become full-time employees.

- **Candidate experience:** In 2023, we rolled out a global candidate experience survey for all applicants to our corporate roles (internal and external). This includes the overall candidate experience throughout the full application process, as well as aspects such as speed and inclusiveness. The feedback will help us to create a positive candidate experience. In 2023, we also optimized the end-to-end hiring process in key locations, including decreasing our time to hire through the delivery of 'Program Diamond.' As part of this initiative, several manual tasks were automated and the onboarding experience elevated, setting the foundation for a globally standardized hiring framework. 


Building role-model leadership

 Our development offerings focus on developing the leadership behaviors and essential skills needed to ensure our continued success. Our ambition is to inspire and nurture talented and diverse leaders who exemplify our leadership behaviors. We undertake different initiatives to elevate and enhance our leadership pipeline:

- **Leadership development experiences:** Our portfolio of leadership development experiences is designed for every level of management across all markets and functions. They include our 'People Leader Experience' ('PLE'), 'Manager Development Experience' ('MDE'), 'Director Development Experience' ('DDE'), and 'Executive Development Experience' ('EDE'). These interactive learning experiences support the development of leadership skills that are directly linked to the participants' current roles and responsibilities, as well as being aligned to our values. In 2023, 982 employees enrolled in MDE or DDE, of which 562 completed the programs through a virtual experience. Additionally, 1,551 people leaders and/or those who aspire to lead people enrolled in PLE, with 1,314 completing the program through a virtual, collaborative experience.
- **adidas 360°:** After a successful pilot in 2022, adidas 360° was introduced as a tool for leadership development in 2023. It involves soliciting feedback from multiple sources, including managers, direct reports, and other stakeholders. The purpose of adidas 360° is to help senior leadership gain a better understanding of how their behavior is perceived. It provides valuable feedback as a critical driver for professional and organizational growth.
- **Succession management:** Our succession management approach aims to ensure stability and certainty in business continuity through the development of strong internal talent pipelines for critical leadership positions. We achieve this through a globally consistent succession process that identifies these critical leadership positions and matches our top talent as successors to these roles. We also drive the succession process through achievable development plans that prepare the identified successors for their next steps. Our leadership groups and top talent pool serve as the succession pipeline for the executive roles in our organization.
- **Leadership groups:** Our leadership groups consist of the 'Core Leadership Group' ('CLG') and the 'Extended Leadership Group' ('ELG'). The CLG partners with the Executive Board, while the ELG collaborates across markets and functions, leading the execution of our strategic initiatives. Furthermore, the ELG drives continuous improvement and consistency throughout the organization.
- **Global High-Potential Program:** We invest in selected high-performing and high-potential employees through our 'Global High Potential' ('GHIPO') program. This program enables us to identify and develop global high-potential leaders who have the ability to take on more complex and demanding responsibilities at a higher leadership level. The program is designed to strengthen the participants' business acumen skills, build peer relationships and give participants cross-functional and cross-cultural exposure. Through continuous investment into the development and growth of our GHIPOs, we

are strengthening our global, regional, local, and functional succession pipelines. Until the end of 2023, a total of 94% of the GHIPO participants successfully made positive career steps through upward, lateral, cross-cultural, or cross-functional moves. 

Creating a premier employee experience

 Ensuring a positive and impactful employee experience is a key focus of our people strategy. We do this through listening to feedback from our employees, offering opportunities for flexibility, and focusing on well-being.

- **Employee listening:** Building on our established employee listening activities, we launched another annual 'Employee Listening Survey' ('ELS') in March 2023, with a record participation of 73% across all employees in corporate offices, retail stores, and distribution centers. In addition to feedback analysis being undertaken within the respective teams, we identified employees globally to help leadership create and drive action plans.
- **Health management:** We strongly believe that physical, mental, and social well-being are of equal importance and are the cornerstone of sustainable performance. With this holistic approach, we aim to provide the best possible conditions for our employees to ensure their well-being, safety, and health. Focusing on prevention, education, and support, our comprehensive and inclusive portfolio caters for the diverse needs of our employees. Our employees have access to a wide range of sports activities, events, and facilities. We have corporate gyms at many locations around the world, including Herzogenaurach, Portland, Gurgaon, Shanghai, Dubai, and Manchester. Many of our office buildings have lockers and showers, allowing employees to include sports in their working day or cycle to work. To meet employee needs in a hybrid work set-up, programs are both local and virtual to support teamwork and a healthy lifestyle. Offerings range from hybrid sports classes to medical and psychosocial consultations (in-person and virtual), screening and vaccination programs, tools for digital disconnection to carefully curated sessions on life topics. Today, with a gradual extension, almost all adidas employees around the world have access to an employee assistance program. On the occasion of World Mental Health Day, many initiatives were launched across markets to proactively nurture, protect, and promote mental well-being. In addition, 2023 saw the implementation and extension of selected programs offered across Germany aimed at elevating our approach to health. These include a tailored three-year plan for our dual students and apprentices to support a healthy start to their working life, ergonomic programs for our employees, and healthy leadership training for our people managers in our stores and distribution centers.
- **Health and safety:** Managing the health and safety of our global workforce remains a priority for us. Our infrastructure, assets, and operations comply with ISO 45001 (Occupational health and safety management system), and we regularly conduct internal and external audits to ensure a healthy, safe, and secure work environment for all employees. We monitor our performance closely to measure our progress toward our targets and to identify areas for improvement. Our training and guidelines on health and safety have been successfully implemented and scaled throughout the organization. In 2023, we recorded a 'Lost Time Incident Rate' ('LTIR') of 0.33 (2022: 0.44) as well as, unchanged to the previous year, a zero 'Occupational Illness Frequency Rate' ('OIFR') and zero fatalities for own employees.¹²

¹² Own employees at offices and distribution centers. Excluding employees at own retail stores.

For external, contracted workforce at our offices and distribution centers, we ended the year 2023 with an improved LTIR of 0.49 (2022: 0.67). In 2023 we recorded one work-related fatal accident at an own retail construction site compared to one such accident at a distribution center in 2022. We initiated thorough investigations to understand the exact root cause enabling us to take all measures and actions necessary to prevent similar accidents in the future.

- **Work-life integration:** We aim to harmonize the commercial interests of the company with the professional, private, and family needs of our employees. Our work-life integration initiatives and programs include the provision of flexible working times and locations, personal development, and leadership competence related to work-life integration, as well as family-oriented services:
 - **Family and childcare:** In addition to providing flexible working opportunities and sabbaticals, we maintain a family-friendly environment and infrastructure. At our headquarters in Herzogenaurach, we provide a bilingual childcare facility, 'World of Kids,' with 270 places. Well-equipped parent-child offices on campus provide for safe spaces to bring kids to the workplace. We also run children's camps to support working parents during school holidays. In Herzogenaurach alone, 450 children attended these camps in 2023, and 115 in Portland. Our Latin America market held a special day where children had the opportunity to accompany their parents to work to learn what they do and enjoy a fun program.
 - **Parental leave:** For parental leave and re-entry, programs are in place to provide employees with advice early on and options for their return to work, also taking into consideration flexible working hours and work locations. In Germany, employees on parental leave are guaranteed their original positions, which are only filled temporarily. In the US, in addition to regular parental leave for new parents (up to ten weeks at home, 70% of their salary), adidas offers an extra two weeks of paid parental leave. Furthermore, our special parental bonding leave provides parents with the opportunity to stay home for up to six months within the first twelve months after the child's birth or placement. While unpaid, it offers parents the opportunity to stay home longer and take care of their new arrival and new life together. Latin America provides for an extended parental leave approach across the market, with mothers having 24 paid weeks in total to spend with their children, while fathers/partners have 20 paid days in total. In addition, mothers can work fewer hours for one month immediately before and after their maternity leave period. adidas offers paid secondary parental leave subject to local market legal requirements.
 - **Flexible work:** Our global flexible work approach comprises two concepts. With 'Off-Campus-Working,' employees can work up to 40% of their working hours from home. In addition, our 'Working from Elsewhere' concept' enables short-term remote working from another location (domestic or international) for up to ten days per year. Having experienced the importance of social and personal interaction first-hand during the pandemic, we want to maintain flexibility to support employees' unique needs and experiences while enabling personal collaboration at the workplace.
- **Commitment to impact:** Together with our employees and partners, we act on our purpose that through sport, we have the power to change lives by fostering genuine connections with the communities we serve and affect. To maximize this positive impact, we create volunteering programs and company-matched fundraisers that encourage our people to actively engage and bring our core belief to life.

In 2023, adidas launched a new global employee giving platform allowing employees across all markets to participate in impactful volunteering activities and to contribute to global fundraising opportunities. Examples for volunteering opportunities – co-created with our partners and based on

the respective communities' needs – range from refurbishing sport fields, to serving as a running buddy for blind runners, to coaching children with special needs and many more. Collectively, adidas employees performed 2,547 hours of voluntary work¹³, engaged in 83 different projects, and/or supported 62 non-profit organizations or social ventures. On top of that, adidas employees donated € 81,749 in 2023. Employee donations were matched by adidas with € 45,112. We demonstrated our support as one adidas team, especially when disaster struck, for example in a fundraiser for those affected by the earthquake in Turkey and Syria.

- **Employee relations:** We invested in our new, global employee relations function, which offers a dedicated, independent, and impartial resource and point of contact to resolve workplace conflicts. The team plays a pivotal role in enhancing our workplace culture, ensuring that interactions reflect our adidas values of integrity and respect. ▢

Instilling a mindset of continuous learning

▢ We continue to promote a high-performance culture by developing our employees. We offer a wide range of learning and development opportunities, including online learning resources and interactive learning experiences that provide personal and professional growth opportunities for our workforce. Our investments in digital learning and development opportunities, such as LinkedIn Learning, Udemy, Circus Street, and Arizona State University, offer equitable access to learning content and just-in-time upskilling and/or reskilling. Our more than 59,000 employees worldwide invested a total of 1,020,000 hours in trainings and workshops that were completed in 2023 – an average of 17.9 hours.

The key pillars of our extended learning and development offerings are informal learning and mentoring. Our informal learning is supported by platforms where employees can network and connect across the organization based on shared learning goals and/or interests. When participating in our informal learning offerings, more than 97% of employees said it made them feel more connected to the people and culture at adidas and would recommend the program to others. ▢

Rewarding individual and team performance

▢ The key focus of our rewards strategy is to attract, retain, and motivate individuals through remuneration and benefits that are inclusive, fit for purpose, and competitive in the marketplace – thus enabling us to achieve our strategic objectives. To promote a high-performance culture, it is essential that we focus on performance management to ensure fair and equitable reward and recognition.

- **Performance management:** #MYBEST continues to be our global performance development approach and remains a key enabler of our high-performance culture. During 2023, we embedded our values into the performance evaluation, focusing on development and coaching to improve our people's demonstration of our values and strengthen our company culture.

We also focused on improving quality performance conversations, enabling our people to set clear performance expectations, engage in continuous feedback and provide holistic, fact-based, and inclusive assessments.

¹³ Excludes 'ERG' and individual hours of voluntary work.

- **Total compensation management:** Compensation at adidas has a dual focus of ensuring employees are compensated fairly and equitably for the role they perform, while also creating a culture of rewarding performance. The adidas total compensation management philosophy enables educated compensation decisions based on external market reference and internal equity. It also takes into account the skills, experience, and responsibility of each individual. Our variable compensation programs engage and motivate employees by reflecting their activities input, while driving a culture of high-performance. To do this, adidas offers the following variable compensation plans:
 - Short-Term Incentive ('STI') program
 - Profit participation programs,
 - Long-Term Incentive Plan ('LTIP') for senior management.
- **Benefits:** At adidas, employee benefits take the form of monetary or non-monetary programs that supplement wages or salaries on a discretionary or non-discretionary basis. Programs can be offered globally, regionally, or locally and can be statutory or supplemental. They comply with legislation or local market practice and are based on benchmark data.
- **Cross-border employment:** adidas invests in international relocation to fill local skill gaps, enable knowledge transfer, develop talent for a more diverse workforce, and promote our learning culture. Our aim is to support the success of our business through a relocation of talent that will both enhance the employee experience and align with our business purpose.
- **Stock Purchase Plan:** Participation in the Stock Purchase Plan is open to employees in Germany, the US, the Netherlands, and Greater China (China mainland, Taiwan, and Hong Kong). This corresponds to almost half our global workforce (excluding Retail). A total of 4,714 employees participated in the program in 2023 (2022: 4,468). [↗](#)

Global employee population

On December 31, 2023, the company had 59,030 employees worldwide (2022: 59,258). Thereof, 8,312 were employed at adidas AG (2022: 8,556). On a full-time equivalent basis, the company had 51,561 employees on December 31, 2023 (2022: 51,777), thereof 7,374 at adidas AG (2022: 7,678). In 2023, personnel expenses increased to € 2,964 million (2022: € 2,856 million), representing 14% of sales (2022: 13%).

[▶ SEE TEN-YEAR OVERVIEW](#) [▶ SEE NOTE 40](#) [▶ SEE NOTE 31](#)

Employees worldwide

59,030

Employee statistics¹

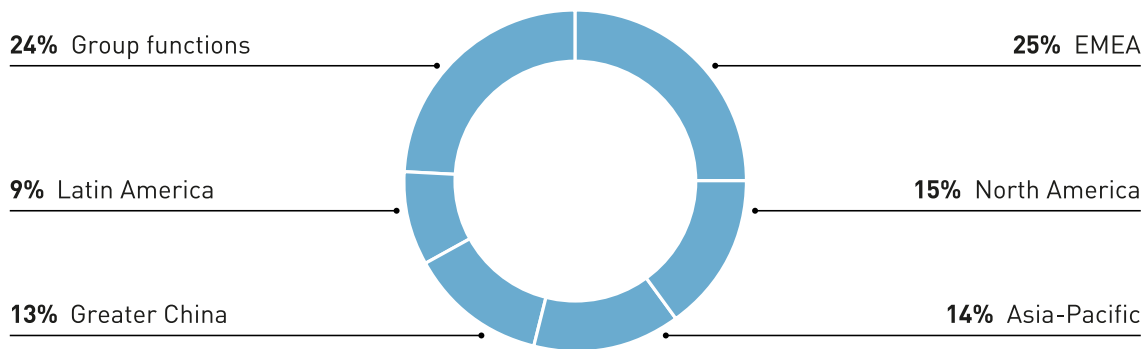
	2023	2022
Total number of employees ²	59,030	59,258
Total employees		
Male	49%	48%
Female	51%	52%
Management positions ³		
Male	60%	61%
Female	40%	39%
Average age of employees (in years)	33	32
Average length of service (in years)	5	5

1 At year-end.

2 Number of employees on a headcount basis.

3 Calculated in accordance with German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector in Germany.

Employee split¹



1 At year-end.

Number of employees by function¹

	Employees ²			Full-time equivalents	
	2023	in %	2022	2023	2022
Own retail	32,893	56	31,477	26,462	25,123
Sales	2,830	5	3,112	2,761	3,022
Logistics	7,243	12	8,254	6,920	7,867
Marketing	4,586	8	4,685	4,363	4,460
Central administration	5,056	9	5,161	4,849	4,931
Production	415	1	558	396	545
Research and development	987	2	1,031	910	966
IT	5,020	9	4,980	4,900	4,864
Total	59,030	100	59,258	51,561	51,777

1 At year-end.

2 Number of employees on a headcount basis.

Sustainability

adidas' purpose, 'Through sport, we have the power to change lives,' guides the way we run our company, how we work with our partners, create our products, and engage with our consumers. We will always strive to expand the limits of human possibilities, to include and unite people through sport, and to create a more sustainable world. We believe that acting as a responsible company will contribute to lasting economic success. However, achieving a truly sustainable business model is a marathon, not a sprint. [▶](#)

Sustainability rooted in our purpose

Our commitment to sustainability is embedded into how we have done business for over two decades. It is rooted in our purpose, 'Through sport, we have the power to change lives.' To underline this commitment, in 2021, we further sharpened our focus on sustainability and defined a roadmap for 2025 and beyond that allows us to create – and drive – positive impact. As we keep pioneering in sustainability and join forces with the industry and peers to drive systemic change, we will continue to move to a comprehensive, consumer-facing sustainable article offering at scale, evolve our approach to circularity, and work toward achieving [climate neutrality](#) (CO₂e) across our entire value chain. We will continue to empower our employees to become sustainability ambassadors, just as we invite our consumers globally to engage and connect with us on the topic of sustainability. Lastly, we also aim to uphold the highest standards in the area of social compliance across our supply chain. [▶](#) [ADIDAS-GROUP.COM/SUSTAINABILITY](#)

Governance

A robust governance structure ensures timely and direct execution of programs that drive the achievement of our set of targets for 2025 and beyond. The head of Sustainability reports directly to the member of the Executive Board responsible for Global Operations, who is responsible for the development, coordination, and execution of our environmental sustainability strategy and leads the Sustainability Sponsor Board ('SSB'). The SSB is composed of senior representatives from different functions across the company and ensures cross-functional alignment, transparent end-to-end management, and execution of agreed-upon sustainability goals. We also maintain a separate compliance function which is operated as the Social and Environmental Affairs ('SEA') Team to monitor supplier-facing social and environmental compliance performance and human rights impacts, reporting to the CEO through the General Counsel. In 2022, we set up a cross-functional 'ESG Regulation Board' to ensure we stay well on track of upcoming regulation for management of environmental, social, and governance ('ESG') topics and disclosures. The sponsor for the ESG Regulation Board is also a member of the SSB to ensure best possible alignment between the two bodies. Notably, in 2023, various ESG progress updates were given to the Executive and Supervisory Boards. Ultimately, the variable compensation of the entire Executive Board has been linked to the ESG criterion 'Share of sustainable articles' since 2021.

[▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK ▶ ADIDAS-GROUP.COM/COMPENSATION](#)

We have set up regular sustainability networking calls for all employees involved in sustainability projects and programs in the organization to ensure company-wide alignment on all levels. On top of this, adidas continued to offer the company-wide sustainability training program available to all employees, educating them on how to think and act sustainably, enabling them to become sustainability ambassadors, and encouraging everyone to make personal and professional commitments to contribute to a cleaner planet. We also updated the Green Ambassador training for our retail colleagues, now covering even more comprehensive sustainability content, and rolled it out with the objective of informing, engaging, and inspiring our entire team and all consumers around the globe that we interact with on a daily basis. In

2023, around 130 training sessions were delivered, attended by more than 1,000 retail employees worldwide. [↗](#)

Materiality

Throughout 2023, adidas monitored its non-financial topics that were identified through its 2022 full-scope materiality analysis. As a result of this monitoring process, the list of material topics has not changed compared to the previous year. The analysis in 2022 involved various internal stakeholders and was carried out taking two perspectives: an impact materiality perspective (inside-out) as well as a financial materiality perspective (outside-in), each of which was assessed both qualitatively and quantitatively.

For a list of all material topics, please refer to the non-financial statement. [↗ ▶ SEE NON-FINANCIAL STATEMENT](#)

Stakeholder engagement

Engaging openly with stakeholders and establishing ways to increase transparency and disclosure has long been central to our approach, as has been securing feedback and acting on stakeholder concerns. This is indeed integral to our human rights and environmental impact due diligence activities and the shaping of our social and environmental strategies and plans. Our stakeholders are those people or organizations who affect or are affected by our operations, including our employees, consumers, suppliers and their workers, customers, investors, media, governments, and NGOs. We have guidelines that specify key principles for the development of stakeholder relations and detail the different forms of stakeholder engagement. adidas participates in a variety of industry associations, multi-stakeholder organizations, and non-profit initiatives. Through these memberships, we work closely with leading companies from different sectors to develop sustainable business approaches and debate social and environmental topics on a global, regional, and local level.

We use collaborations and partnerships to build leverage for systemic change in our industry, such as for efforts to mitigate the carbon footprint in our industry's supply chain, to strengthen chemical management practices, and to raise social and environmental standards in the textile and footwear supply chain. In addition, we build awareness, capacity, and knowledge of laws and rights among factory management and workers by partnering with leading providers such as the International Labour Organization's ('ILO') 'Better Work' program, as well as with the United Nations International Organization for Migration ('IOM') with the objective of ensuring that the labor rights of foreign and migrant workers are upheld in the adidas supply chain.

Key memberships:

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

Transparency

▣ We believe that transparent communication with our stakeholders on our sustainability ambitions and progress is critical. We use global reporting standards such as the guidelines of the Global Reporting Initiative ('GRI') and the Sustainability Accountability Standards Board ('SASB') to inform our external non-financial reporting. We regularly disclose additional information to public-facing social and environmental benchmarks, such as the Corporate Human Rights Benchmark, and reporting platforms, such as CDP, and publish important sustainability updates about our work throughout the year on our corporate channels, including our corporate website. A key element is the publication of our global supplier factory list, which is updated twice a year. In addition, we disclose the names of the factories of suppliers that process materials for our primary suppliers and subcontractors, where the majority of wet processes are carried out.

Over the last few years, we have placed particular emphasis on further evolving climate-related reporting beyond established disclosures, including CDP submissions, and have continued to stepwise include the 'Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations addressing the framework's four thematic areas: governance, strategy, risk management, as well as metrics and targets. As part of our risk identification process, we monitor physical risks related to climate change as well as risks and opportunities resulting from the transition to a low-carbon economy. During 2023, we established a core team composed of experts from several business areas. Its objective is to start building more granularity to ensure high-quality data for more extensive external reporting for scenario analyses and setting up the base to support us to make informed business decisions – considering the medium- and long-term financial impacts of climate change across our value chain as well as the broader social and environmental impacts. [▣ ▶ SEE RISK AND OPPORTUNITY REPORT](#)

External recognition

▣ adidas continuously receives positive recognition from international institutions, rating agencies, NGOs, and socially responsible investment analysts for its holistic approach to managing sustainability. In 2023, adidas was again subject to comprehensive corporate ESG assessments and took part in focused thematic disclosure benchmarks for environmental or social performance. As a result, adidas was represented in a number of high-profile sustainability indices, ratings, and disclosure benchmark evaluations.

External recognition 2023

Environmental, Social, Governance (ESG) Performance	Environmental Performance	Social Performance
MSCI ESG Rating ('AAA', upper score: 'AAA')	CDP Climate Change ('A-' score, upper score: 'A')	Corporate Human Rights Benchmark (among top 10 in our industry)
S&P Global ESG Evaluation (85/100, upper score: 100)	CDP Water ('B' score, upper score: 'A')	KnowTheChain Benchmark (among top 3 in our industry)
Sustainalytics ESG Risk Rating (14.8/100, upper score: 0)	CDP Forests ¹ ('CC' score, upper score: 'A')	World Benchmarking Alliance Gender Benchmark (among top 20 in our industry)
ISS Corporate Rating (Prime 'B-' Score, upper score: 'A')	Corporate Information Transparency Index (among top 3 across industries)	

¹ Accumulated separate scores for the disclosed commodities of leather ('C') and timber ('C').

adidas maintained its leadership position for supply chain environmental performance and, in 2023, was awarded first place in the Corporate Information Transparency Index ('CITI') by the Institute of Public & Environmental Affairs ('IPE'), acknowledging our efforts for improving environmental management and transparency for our supply chain in China. [▣](#)

Environmental impacts

▣ In 2023, decarbonization, circularity, biodiversity, and water management were confirmed as key environmental impact areas for us to continue to focus on in our strategy. During 2023, we continued to increase the number of articles we define as sustainable, aiming at 90% of our articles to be sustainable by 2025, and to work toward achieving climate neutrality (CO₂e) across our entire value chain. We also assessed selected key materials potentially contributing to biodiversity risks and committed to a deforestation-free leather supply chain latest by 2030. We further evolved our approach to circularity to support the creation of an ecosystem that is necessary to scale circular solutions in our industry. This included focused engagement in cross-industry projects aimed at unlocking circularity, such as 'T-REX' and 'Sorting for Circularity.' We also continued to address water efficiency and quality in our supply chain, with an advanced chemical management program and ambitious targets in place.

We empower our employees to become sustainability ambassadors, just as we invite consumers globally to engage and connect with us on the topic of sustainability. Our established running movement 'Run for the Oceans' has evolved into 'Move for the Planet,' an initiative aiming to raise consumer awareness for climate change by supporting selected grassroots sports organizations. adidas has partnered up with not-for-profit organization 'Common Goal' to help communities in need engage in climate action through sport. This includes initiatives such as renewing a community's sports field using recycled materials and providing training on how to reduce plastic waste at sports facilities.

We believe that moving toward achieving the targets we have defined for 2025 and beyond will set us up for future success. Engaging closely with our suppliers remains critical to achieving our targets. We are therefore leveraging our long-term relationships with suppliers to ensure they can help us achieve our decarbonization targets and we are also working closely with partners to scale innovative materials, recycling technologies, and circular business practices across the value chain.

Targets for 2025 and beyond: Environmental impacts

Target year	Area	Target	Baseline
	Own operations		
	Emissions	Achievement of climate neutrality (CO ₂ e) ¹	
	Water	15% water intensity reduction (m ³ /m ²)	2019
	Waste	95% waste diversion rate	
	Supply chain		
	Energy	Adoption of renewable energy at strategic Tier 1 and Tier 2 supplier facilities to keep emissions flat	2017
	Water	40% water consumption intensity reduction at Tier 2 supplier facilities	2017
2025	Chemicals (Input)	80% of chemical formulations used by our suppliers for production achieve the highest level of conformance with ZDHC MRSL ('Level 3')	
	Wastewater (Output)	90% of suppliers that operate on-site effluents plants to achieve ZDHC 'Wastewater Foundational Level'	
	Product		
	Sustainable article offering	9 out of 10 articles will be sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials ²	
	Decarbonization	15% reduction of GHG emissions per product	2017
2030	Entire value chain	30% reduction of GHG emissions ¹	2017
2050	(from raw material production to own operations)	Achievement of climate neutrality (CO ₂ e)	

¹ Targets received approval by the Science Based Targets initiative (SBTi). We will re-submit these targets to SBTi for approval throughout 2024.
² Subject to reasonable assurance engagement of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The table provides an overview of the targets we have set ourselves that will help us reduce our environmental impacts. ➔

Decarbonization

▣ The climate crisis presents the most pressing long-term challenge facing civilization. For that reason, adidas has set targets that will help us limit emissions aligned with the 1.5°C benchmark and contribute to a net-zero future. adidas has committed to:

- achieving climate neutrality (CO₂e) across its own operations (Scope 1 and 2) by 2025,
- reducing absolute greenhouse gas (GHG) emissions across the entire value chain (Scope 1, 2, 3)¹⁴ by 30% by 2030, measured against a baseline of 2017, and
- achieving climate neutrality (CO₂e) across the entire value chain by 2050.

Our emission reduction targets by 2025 and 2030 have been approved by the 'Science Based Targets initiative' ('SBTi').¹⁵ Within the 2025 target, we commit to reducing absolute Scope 1 and 2 GHG emissions by 90%¹⁶ from a baseline of 2017. This target is consistent with the reduction pathways needed to prevent a rise in average temperatures of more than 1.5°C – the most ambitious goal of the Paris Agreement. Our GHG reduction target for value chain emissions (Scope 1, 2, 3) of 30% by 2030 (baseline 2017) meets the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practices.

When it comes to decarbonization, we believe that data quality is critical. Therefore, in addition to developing a tool that enables us to quantify, monitor, and be transparent about our carbon footprint along our entire value chain, we have put considerable effort in gathering more primary data from our suppliers over the last few years. This has allowed us to gain more precise insights into carbon emissions, energy consumption, and the impact of our decarbonization initiatives.

As both the quality and availability of data improved significantly in 2023, we were able to update our methodology for measuring carbon footprint across our value chain. Consequently, we recalculated the 2022 data to ensure year-over-year comparability. This updated methodology continues to be fully aligned with international methodology standards, provided by e.g. the GHG Protocol and SBTi, and reduces the dependence on assumptions and generalizations typically presented by secondary data.

As in the previous year, the 2023 results show that our environmental impacts are distributed unequally across the value chain, with the most significant impacts generated in the supply chain, particularly in raw materials production and processing.

The following table shows the total annual GHG emissions across our value chain. The average Scope 1, 2, and 3 annual GHG emissions per product for 2023 decreased by 3% compared to the previous year. This reduction has been driven by the work done with our suppliers, such as continuing with the phase-out of coal in our manufacturing facilities and the increased use of renewable energy. Our innovation effort, that has also enabled us to use low-carbon manufacturing methods and materials, as well as decreased production volumes due to high inventory levels in the market translated into a 24% reduction in total absolute GHG emissions¹⁷ compared to the previous year.

¹⁴ The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

¹⁵ We will resubmit these targets to SBTi for approval during 2024.

¹⁶ In line with SBTi requirements, we allow ourselves, if needed, a reduction of a maximum of 10% of all emissions in the target year, to be achieved through offsetting.

¹⁷ Calculation excludes emissions resulting from 'Use of sold products' in alignment with the guidance provided by the 'Science Based Targets initiative'.

Breakdown of annual GHG emissions^{1,2,3}

	2023	2022
Scope 1 emissions (in tons CO₂e)	21,779	21,856
Administrative offices	9,863	10,752
Distribution centers	5,831	5,128
Own retail stores	5,160	5,439
Showrooms	925	537
Scope 2 emissions, market-based (in tons CO₂e)	142,457	142,293
Administrative offices	16,349	13,354
Distribution centers	20,311	21,647
Own retail stores	102,003	104,480
Showrooms	3,794	2,812
Scope 3 emissions (in tons CO₂e)	5,894,811	7,635,784
Purchased goods and services	4,503,000	6,041,553
Upstream transportation and distribution	247,684	343,556
Business travel	43,753	36,158
Use of sold products	957,429	1,057,515
End-of-life treatment of sold products	142,945	157,002
Total emissions (in tons CO₂e)	6,059,047	7,799,933
GHG emissions per product, total emissions/production volume (kg CO₂e per product)	6.3	6.5

1 Values reported cover production seasons SS23 and FW23. Within Scope 3, 'Purchased goods and services' considers the production and processing of raw materials for which impacts are estimated based on quantities of materials and life-cycle analysis data. All key production processes are considered. Primary, secondary, and tertiary packaging material quantities are included. The quantities are estimated based on sales volumes, using composition and weight assumptions from the 'Product Environmental Footprint Category Rules' ('PEFCR'). Furthermore, 'Purchased goods and services' also considers the assembly phase, for which impacts are estimated by applying emission factors to reported energy consumption from Tier 1 strategic suppliers. Sourcing volume data is used to estimate the impact of non-strategic suppliers (<20%). 'Upstream transportation and distribution': Quantities of goods for specified distribution routes are combined with transport emissions factors. 'Business travel': Calculations are based on the business travel data system. 'Use of sold products': Emissions caused by washing, drying, and ironing of sold products throughout their lifetime based on data on average care cycles from PEFCR and life-cycle analysis datasets. 'End-of-life treatment of old products': Emissions caused by disposal of sold products are estimated based on sales volumes and typical waste disposal routes (e.g., landfill and incineration). Scope 1 and 2: Impacts are calculated based on 79% of reported environmental quantities (primary data) in the Health and Safety, Environment, and Energy (HSEE) own operations data collection systems and 21% by estimations. The estimations are calculated by scaling up the primary data collected at the facility or site level to a company-wide level on the basis of gross lease area (in square meters).

2 Intensity factor to calculate emissions per product excludes emissions resulting from 'Use of sold products' to align with our GHG reduction target for 2030 as approved by the SBTi.

3 Figures for Scope 3 emissions in 2022 were revised following a methodology update. Scope 3 emissions in 2022 applying the previous methodology totaled 7,523,545 tons CO₂e.

During 2023, some of our suppliers purchased Energy Attribute Certificates ('EACs'). The reduction of emissions resulting from these EACs were not factored into our footprint calculation, due to the current lack of consensus on concepts on the operationalization and accounting approach. Instead, we continued to collaborate with the industry to find more robust solutions that allow for Scope 3 interventions that further incentivize investments and overall long-term decarbonization of the industry. ▢

Reducing land-related emissions ('FLAG')

▢ adidas recognizes the importance of reducing land-related emissions. Therefore, in 2023, we started to quantify our emissions resulting from Forest, Land, and Agriculture ('FLAG') operations according to the SBTi FLAG Guidance. The results of our calculations (based on 2022 data) show that FLAG emissions represent only a minor proportion of adidas' total GHG emissions, with the main impacts stemming from sourcing cow leather, cotton, and natural rubber. The result of 7% FLAG emissions¹⁸ falls below the SBTi

¹⁸ The result of 7% FLAG emissions was not part of an assurance engagement by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

threshold for required FLAG target setting, but adidas will continue to work on reducing those emissions. ➔

Measuring our product footprint

➔ adidas recognizes the pivotal role of data and transparency as catalysts for increasing awareness and informed decision-making to mitigate the environmental impact of our products. This impact, largely resulting from decisions made during the design phase, underlines the importance of strategic interventions. In 2023, we achieved a critical milestone with the development of an in-house, state-of-the-art tool that allows us to measure the environmental footprint of any footwear or apparel product within our portfolio. Aligned with international standards, the methodology adheres to ISO 14067:2018 and has undergone rigorous third-party verification. This tool is seamlessly integrated into our existing creation systems, connecting and leveraging available life cycle assessment (LCA) data, ultimately speeding up the calculation process and enhancing accuracy.

This tool enables us to create higher transparency about product carbon footprints for consumers. In 2023, we managed to disclose the carbon footprint for selected articles and will continue to do so for an increasing number of articles in 2024.

Identifying ways we can make lower-impact products requires a detailed and thorough approach that includes not only optimizing our own operations but also the manufacturing of each of our products. As most of our carbon emissions occur outside our direct control, we collaborate with our suppliers located across the globe, helping them improve their carbon footprint during production processes. ➔

Supply chain

➔ Greenhouse gas emissions resulting from energy use during manufacturing of products at our supplier factories are one of the major contributors to the carbon footprint of our entire value chain. Consequently, working with our suppliers and helping them reduce their emissions is critical for achieving our decarbonization targets. As our supply chain is large and diverse, we benefit from setting and communicating clear ambitions and tangible goals for suppliers, while supporting them with expert know-how and training, and ultimately also measuring and rewarding them for progress made.

In 2022, we set clear expectations for developing a holistic approach to decarbonization in our 'adidas Decarbonization Manifesto' for our strategic suppliers at Tier 1 and Tier 2:

- **Environmental stewardship:** Suppliers should set targets that get approved by the SBTi by 2024.
- **Materials:** 100% of new material offered to adidas must be of sustainable content and produced using low-carbon-intensive processes.
- **Product:** Suppliers should aim for an aggressive adoption of more sustainable and low-carbon materials spanning from creation to manufacturing.
- **Transparency:** Suppliers should build in-house capacity to provide full transparency and traceability, from raw material to finished product, and connect to the adidas sustainable material tracing tool that is used to trace the source of origin.
- **Energy sources:** Suppliers should adopt clean energy, including rooftop solar energy, energy sourced through renewable energy purchase power agreements (PPAs), and other renewable alternatives, and also achieve a phase-out of coal by or before 2025.
- **Manufacturing processes:** Suppliers should adopt low-carbon technologies selected from the adidas low-carbon technology portfolio.

During 2023, we translated the high-level direction of our Manifesto into actionable goals and revised the framework we use to track performance of suppliers, helping us monitor how each supplier is contributing to our decarbonization efforts. These goals include increasing the use of renewable or low-carbon energy

sources, improving energy efficiency, and demonstrating progress toward targets that are aligned with the SBTi. We incentivize suppliers for their performance, including product allocation priority, opportunity for existing, high-performing partners to gain market share, entry opportunity for new, disruptive supplier partners, as well as first-mover advantage and sustainability leadership position.

Key highlights of our suppliers' progress during 2023 are as follows:

- **Phasing out coal-fired boilers:** Since 2022, we have prohibited our suppliers from installing new coal-fired boilers, heaters, or power generation systems, and remain committed to phasing out coal-fired boilers at all direct supplier facilities at Tier 1 and Tier 2 by 2025. By the end of 2023, more than 48 boilers have been modified or replaced (2022:18) to use 100% low-carbon fuel such as biomass or natural gas. Furthermore, six of our suppliers have now completely phased out the use of coal in their production.
- **Increasing adoption of on-site renewable energy for electricity generation:** We have been asking our suppliers to install on-site renewable energy sources, such as rooftop solar projects, for the last few years, and we are seeing steady progress. The total capacity of rooftop solar projects at our key suppliers increased by 44% compared to the previous year to 267 MWp in 2023.
- **Preparing suppliers to purchase electricity from off-site renewable energy (RE) sources:** After seeing first positive environmental effects from implemented PPAs and Green Tariffs at some supplier facilities in 2022, we expanded the coverage and scale of our renewable electricity target in 2023. We supported our suppliers by conducting upskilling sessions on PPAs, Green Tariffs, and Energy Attribute Certificates ('EACs') or Renewable Energy Certificates ('RECs') and connecting them with providers of these solutions. As a result, 35 supplier factories are now using more than 50% of their electricity from RE. Overall, our suppliers sourced more than 447,268 MWh from off-site renewable energy projects in 2023, reflecting an increase of 38% compared to the previous year.
- **Driving industry collaboration to support suppliers achieving their SBTi targets:** In 2023, we initiated a strategic partnership with the Indonesian Chamber of Commerce and Industry and saw 20 of our Indonesian suppliers successfully graduating from their technical training program, which is designed to help them achieve their SBTi-approved targets. We connected with various industry experts such as World Resources Institute (WRI), CDP, World Wildlife Fund (WWF), and Indonesia Business Council for Sustainable Development (IBCSO) to help them establish their SBTi targets. Through the program, our suppliers identified and quantified their Scope 1, 2, and 3 GHG emissions and built roadmaps on how to reduce emissions. ➔

Own operations

➔ We are committed to reducing our GHG emissions in our own operations, i.e., our administrative offices, distribution centers, and own retail stores. In 2023, this equaled to a coverage of 3,491,966 m² of gross leased area.

We are following a clear roadmap across own operations to achieve our GHG emission-reduction targets, focusing on both steadily increasing environmental performance data coverage and continuing to implement eco-efficiency standards and processes through a holistic management system ('Integrated Management System' - 'IMS'). We are working on measures such as improving energy efficiency, implementing on-site RE production, and sourcing renewable electricity. We continued to invest in our own operations and offered 'Green Funds' to subsidize local energy efficiency and on-site renewable energy projects. One such measure in 2023 was an on-site solar project combined with electrification of gas infrastructure used for heating at our distribution center in Caspe, Spain. For 2024, we plan several

projects for implementation at our headquarter campus in Herzogenaurach, Germany, and at other own operation sites globally.

We further improved our coverage of energy data collection within our own operations. During 2023, we managed to increase our primary data coverage for our own retail sites by a further five percentage points compared to the previous year to 41% globally. Data coverage for administrative offices and distribution centers is at 100%, while data for showrooms and smaller offices was mostly estimated.

In 2023, our total energy consumption across own operations globally was 494,489 MWh (2022: 510,539 MWh), equivalent to total emissions of 164,236 tCO₂e (2022: 164,149 tCO₂e). While we continue our transition toward renewable electricity in Europe, in the past few years we decided to switch our focus from short-term initiatives, such as the purchasing of EACs for Europe and North America, to more impactful measures, e.g., securing long-term renewable electricity contracts such as PPAs. As a result, we saw no significant change in reported Scope 1 and 2 GHG emissions despite an overall decrease in energy consumption compared to 2022. In 2023, we signed a virtual PPA for Europe: For a period of ten years, adidas will be supplied with approximately 50,000 MWh of renewable electricity per year produced by a new solar project in Spain, starting in 2025. This will contribute to the long-term reduction of emissions from our European operations.


Our IMS helps us to secure all relevant ISO management systems certifications for key locations, such as environmental management (ISO 14001), health and safety management (ISO 45001), and energy management (ISO 50001). We aim to further expand these certifications to more key sites through implementation of the standards as well as internal and external audits, as they support our efforts to achieve our energy, water, waste, and health and safety targets. As of 2023, 70 sites (2022: 64) were certified for ISO 14001, 140 sites (2022: 112) for ISO 45001, and 324 sites (2022: 322) for ISO 50001 (applies to locations with more than 50 employees or space exceeding 4,500m²).

We continue to use certifications that require consideration of environmental aspects for interior design and construction of own retail stores – including 'Leadership in Energy and Environmental Design' ('LEED') and 'Building Research Establishment Environmental Assessment Method' ('BREEAM') certifications. While we aim to obtain these external certifications for strategically relevant projects, we also apply a set of internal eco-efficiency standards that mirror the priorities of the LEED certification for all other projects. In 2023, seven of our own retail stores across the globe received LEED certification, with our retail store in Cape Town, South Africa, being awarded the highest level of recognition, LEED Platinum, for its advanced energy metering, indoor water use reduction and enhanced indoor air quality strategies. ↗


Water efficiency

↗ adidas has been running water reduction programs for years and has built a strong awareness of the importance of this topic among its Tier 1 suppliers. Since 2021, we have been using a self-governance model that requires suppliers to take responsibility for their reduction efforts, while adidas continues to track and monitor their consumption. We continued to expand and focus our water reduction efforts by including additional Tier 2 suppliers with high water use in our environmental program. In 2023, Tier 2 suppliers achieved a 33% reduction in water intensity (m³/total product output value in US \$), compared to the 2017 baseline. By 2025, we aim to achieve an overall reduction in water intensity of 40% against the 2017 baseline. This will be accomplished with the aid of new technologies and through continued support for our suppliers.

At our own operations globally, we aim to strengthen water efficiency and wastewater projects in the coming years. By the end of 2023, our water intensity at administrative offices and distribution centers totaled 0.138 m³/m² (2022: 0.145m³/m²). In the year under review, we saw a decrease of the absolute

volume of water withdrawal compared to 2022 due to reduced operations at some locations. Overall, we achieved an accumulative reduction of 28% (2022: 25%) compared to the 2019 baseline (0.193 m³/m²), and, with that, exceeded the target we set ourselves for 2025. 


Chemical management

 We are dedicated to leading our supply chain to implement more sustainable chemical management practices using globally recognized guidelines throughout our production processes. We apply an end-to-end approach that includes using safe chemicals, eliminating potentially harmful substances, and ensuring proper discharge of treated wastewater that meets the highest standards.

As a founding member and signatory contributor, we maintained our strong collaboration with the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation and supported them by actively participating in various task teams dedicated to the development of guidelines and trainings. In 2023, we were the only sportswear brand to achieve the highest of three possible performance levels ('Aspirational Level') in the ZDHC 'Brands to Zero' program, demonstrating effective implementation of the ZDHC guidelines and tools within our supply chain, improving by one level compared to the previous year.

- **Fostering sustainable input chemistry:** In our efforts to further accelerate more sustainable chemistry, we introduced the 'adiFormulator' program in 2023 to enable direct engagement with 40 critical chemical formulators with the aim of accelerating the adoption of chemicals with the highest level of conformance with the Manufacturing of Restricted Substances Lists ('MRSL') ('Level 3' chemicals). Formulators successfully completed the transition to the revised ZDHC MRSL version and introduced approximately 1,000 new 'Level 3'-certified formulations that are predominantly used in the footwear production and printing process in our supply chain. Through this program, in 2023, 67% of chemical formulation used by our suppliers achieved the highest level of conformance with ZDHC MRSL ('Level 3') (2025 target: 80%¹⁹). Going forward, we remain dedicated to further enhancing this program to drive exceptional performance in 2024.

adidas is committed to being more than 99% [PFAS-free](#). In 2023, an industry-wide supplier informed us that paint containing PFAS was incorrectly used for individual components of zippers in our PFAS-free apparel range. Upon learning this, we have taken appropriate steps to ensure that we will return to being 99% PFAS-free as of Fall/Winter 2024.

- **Upgrading targets for cleaner wastewater discharge:** Ensuring clean wastewater discharge is of paramount importance to us. We consistently surpassed our 2025 targets, with 84% of our supplier facilities meeting the ZDHC wastewater foundational level in 2023, resulting from our proactive approach to evaluating effluent treatment plants and implementing corrective measures. Following a continuous overperformance, we increased our target from initially 80% to now aiming for 90% of facilities that should meet this level by 2025. We have done so despite the fact that we anticipate revisions of the ZDHC wastewater guideline next year, for which we do not yet have full visibility of the new parameters to report on. We will continue to guide our suppliers through capacity building and best practice sharing to ensure a smooth transition to the application of the new guidelines. 

¹⁹ Target was revised for clarity in 2023. Progress toward target as previously defined was that 69% of suppliers used at least 60% 'Level 3' chemicals.

Waste management

▣ We make continuous efforts toward optimizing waste diversion across our supply chain with the aim of increasing the value of waste within the life cycle, e.g., through recycling or reuse. We have developed waste management guidelines to help our suppliers improve waste segregation in manufacturing, prioritizing recycling and reuse of non-hazardous waste. These guidelines specify that the non-recyclable waste materials should not be directly landfilled. We developed a waste diversion program to use non-recyclable manufacturing waste in energy production in collaboration with co-processing partners in our major sourcing countries. Co-processing is a proven and sustainable solution that can reduce pollution, reduce consumption of natural resources, reduce landfill space, and ultimately contribute to a smaller carbon footprint. To further optimize waste diversion, we have scaled up this solution across the globe, especially in sourcing countries with immature co-processing infrastructure. Globally, the suppliers enrolled in our environmental program collectively achieved a 96% landfill diversion in 2023.

At own operations, during 2023, we continued to focus on improving the quality of waste-related data from our administrative offices and distribution centers by upskilling team members on the data collection process of waste streams. This resulted in a higher data quality, but also a lower diversion rate. As of 2023, 98% (2022: 89%) of our own operations by square meters are monitoring and tracking waste. By the end of 2023, a total of 26,382 tons (2022: 32,246 tons) of waste was generated, and we achieved an accumulated diversion rate of 89% (2022: 88%) for administrative offices and distribution centers. ▣

Transportation

▣ We regularly track the environmental impact related to the transport of our goods. Compared to the previous year, performance remained relatively stable. While the use of air freight decreased to 1% in 2023 as part of our efforts to counterbalance covid-related supply chain challenges, the vast majority of our transportation continued to take place via sea freight and truck. ▣

Materials

▣ Our sustainable article offering has steadily increased over the last years. Our ambition is that 90% of our articles will be sustainable by 2025. We define articles as sustainable when they show environmental benefits versus conventional articles due to the materials used, meaning that they are – to a significant degree – made with environmentally preferred materials. The majority of the environmentally preferred materials currently used are recycled materials or [more sustainable cotton](#).

To qualify as a sustainable article, environmentally preferred materials have to exceed a certain predefined percentage of the article weight. The applied criteria for environmentally preferred materials and the percentage of the article weight are defined based on standards reflecting the latest industry developments, competitor benchmarks, and expert opinions: For apparel, the environmentally preferred material content is required to be at least 70% of the article weight, for [accessories and gear](#) at least 50%, and for footwear at least 20%.²⁰ This standard has been applied since 2022.

In 2023, almost eight out of ten of our articles were sustainable according to this definition, and consequently exceeded our planned annual milestone set for this year. This achievement was supported by progress across all categories. More than 90% of all apparel and accessories and gear articles were already sustainable. Our sustainable footwear offering nearly doubled compared to the previous year, despite the technical difficulty to develop sustainable solutions at scale. On top, we experienced challenges with regard to the availability of more sustainable, high-performing, and economically scalable materials in 2023.

²⁰ This standard has been applied from 2022 onward. Percentage of sustainable articles (by count) offered at the points of sale (average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year). When calculating the article weight, trims are excluded for apparel, footwear, and accessories and gear. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded.

Critical to this success was the progressive evolution of foundational capabilities to create more transparency and higher accuracy for material and product data. This required investments into our IT infrastructure and now enables automated measurement of sustainable components for each of our articles. Progress toward this target was successfully verified by a third party for the second consecutive year under the most reliable form of auditing ('reasonable assurance'), increasing awareness across the entire company and supporting our system readiness for future requirements.]

▣ The most commonly used materials are listed in the following table.

Selection of key material types used for adidas products 2023¹

Material	Share of total material volume in %	Share of material group in %
Polyester	37	
Recycled polyester		99.0
Rubber	17	
Recycled rubber		1.5
Natural rubber		10.0
Cotton	14	
Third-party certified cotton		97.3
Organic cotton		2.7
Recycled cotton		0.1
Ethylene-vinyl acetate (EVA)	10	
Biobased EVA		2.0
Recycled EVA		1.9
Leather	3	
Third-party certified leather		99.9

¹ Figures are based on the Spring/Summer 2023 and Fall/Winter 2023 seasons, with the exception of polyester (Fall/Winter 2023 and Spring/Summer 2024 seasons).

- **Recycled polyester:** Polyester is the most widely used material in adidas products. In 2017, we set ourselves the ambitious target to replace all virgin polyester with recycled polyester in all products where a solution exists by the end of 2024. We set clear internal milestones for our product creation teams and have seen progress throughout the last several seasons. In 2023, 99% (2022: 96%) of all the polyester we used was recycled. This includes 'Parley Ocean Plastic,' which is plastic waste collected from remote islands, beaches, coastal communities, and shorelines, preventing it from polluting the oceans, as a replacement for virgin polyester. With that, we are on track to use only recycled polyester by the end of 2024. While recycled polyester has been in use for a long time, it is still not the standard in the textile industry, with only 15% of polyester produced worldwide being recycled polyester.

Share of recycled polyester in 2023

99%

- **More sustainable cotton:** Since the end of 2018, 100% of the cotton we use has come from more sustainable sources, including organic, recycled, and other third-party certified cotton. During the 2022/23 cotton season, adidas participated in the 'Organic Cotton Accelerator's Farm Program' and sourced organic cotton from smallholder farmers in India.

- **Responsibly sourced leather:** adidas has used leather for decades due to its unique properties such as durability and physical performance. As a member of the Leather Working Group ('LWG') since 2006, adidas has defined standards for our leather suppliers, including LWG certification, compliance with our Restricted Substances List 'A-01,' exclusion of hides from India and China, and exclusion of all exotic leathers and furs. Currently, more than 99% of our leather volume is audited in accordance with the LWG protocol, with most of our hides being sourced from tanneries with the highest possible rating ('Gold'). LWG is currently working on enhancing this audit protocol to create an industry-first traceability standard for leather. In 2023, adidas committed to a deforestation and conversion-free ('DCF') leather supply chain latest by 2030.
- **Innovative materials:** In 2023, adidas launched products with a material using new technology ('LanzaTech') that turns greenhouse gases into feedstock for polyester. Waste gases are sourced from industrial emissions and fermented to ethanol, which is one of the elements needed to make polyester. These elements substitute the conventional building blocks made with fossil fuel feedstock. The 2023 Australian Open tennis collection and a total of around 380,000 pieces of apparel and footwear, were produced with material using this technology across several business units including running and training. In the fall, we successfully launched a small collection of Gazelle shoes with 'Mylo,' a material made on the basis of mycelium, through a collaboration drop with Sean Wotherspoon.

We are aware that textile products release microfibers during manufacturing processes and also during product use, due to washing or UV exposure. These microfibers can have a negative environmental impact on soil, air, and water. There still is, however, little research done to understand the root causes. We acknowledge that fiber fragmentation is a complex challenge for our industry, but it is one we are proactively addressing. adidas is a co-founder of 'The Microfibre Consortium' ('TMC'), which has developed a test method for assessing microfiber release and, in the future, aims to advise the textile industry on mitigating the impact of fiber fragmentation. In 2023, TMC published position papers on microfibers in wastewater as well as a study on fiber fragmentation of recycled polyester in fabrics. Both contribute to better understanding the complexity of this topic and, as a result, will help define our approach going forward. ↗

Circularity


↗ adidas has been a pioneer in creating products with a circular end-of-life solution, known as 'made to be remade' ('MTBR'). This journey began with the introduction of the Futurecraft.Loop shoe in 2019, a 100% mono-material performance running shoe that was made according to circular design principles. We successfully scaled this concept from a prototype back in 2019 to a fully commercial MTBR apparel and footwear collection across multiple categories through 2023. The program will expire in 2024. During the last few years, we learned that the implementation of circular services requires tight collaboration with partners along the entire value chain including collection, sorting, and recycling of waste.

In addition to circular products, adidas also carried out several pilots on circular services in previous years, such as sneaker cleaning in stores globally, rental, and take-back programs. In 2023, we focused on the topic of repair to extend the lifespan of our products. We maintained a repair service at our Terrex store in Munich and launched a rental program pilot in our new concept store in Berlin.


At adidas, we define circularity as maintaining the value of products and materials at their highest level for as long as possible, and as such align with the UN Environmental Programme's definition as laid out in their report 'Sustainability and Circularity in the Textile Value Chain.' Establishing and expanding circularity on a global scale within our industry is a complex challenge that requires strong collaboration among multiple stakeholders. This includes direct and indirect value chain partners, ranging from collectors and sorters to pre-processing partners and recyclers, as well as suppliers and innovators.

In 2023, we evolved our approach to circularity acknowledging the need for systemic change. Using frameworks established by industry organizations, and anticipating upcoming regulatory requirements, we identified actions to be implemented across our entire value chain operations. We aim to support the creation of an ecosystem necessary to bring closed loops to scale in our industry and we will be sharing our knowledge and reviewing lessons learned from past circular service pilots and the MTBR product design criteria. In addition, we are expanding our engagement in EU-funded cross-industry circular research projects such as 'Textile Recycling Excellence' ('T-REX') and the 'New Cotton Project,' as well as partnering with 'Fashion For Good' in the 'Sorting For Circularity' project series, all aimed at unlocking end-to-end textile circularity.

- **'Textile Recycling Excellence' ('T-REX')**: This project brings together 13 major actors from across the entire value chain, under the coordination and leadership of adidas, to create a harmonized blueprint and business opportunities for closed-loop sorting and recycling of household textile waste in the EU. The key objective is to transform end-of-use textiles from waste into a desired feedstock and a commodity for new business models, thus proving the economic viability of a scalable circular economy for textiles in Europe.
- **'New Cotton Project'**: adidas has been a partner in this EU-funded project which is an industry and multi-stakeholder effort to scale the chemical recycling technology of Infinited Fiber Company with the ambition to expand circularity of cotton textile waste. The project will be completed in 2024 and has been impactful in scaling closed-loop textile sorting and recycling.
- **Projects with 'Fashion for Good'**: In addition to EU-funded projects, we were actively involved in several projects with Fashion for Good in 2023. adidas is the lead sponsor of the 'Sorting For Circularity' project in the US, an initiative of Fashion for Good and the Circle Economy. Going beyond, through a series of projects, adidas has continuously collaborated with other organizations to develop a 'Sorting for Circularity' framework, a comprehensive guide to mapping the garment life cycle, capturing textile waste, and unlocking its recycling potential. We believe that this guide can be a valuable tool for the fashion industry to transition toward circularity.
- **'FastFeetGrinded'**: adidas also partnered with FastFeetGrinded to test shoe recycling processes with the aim of developing a scalable solution for the footwear industry. The pilot involves deconstructing shoes into macro components for repurposing and reuse.

We actively engage with circular economy experts and organizations to stay up to date on the latest developments and incorporate innovative approaches into our circularity initiatives. We have launched initiatives in various markets to educate consumers about circularity and encourage them to wear products longer. We published a series of blog articles to upskill consumers on proper cleaning of shoes in the US, and in Germany we partnered with one of our online retailers to create trainings for consumers on how to best care for their shoes. These activities demonstrate our commitment to circularity and driving change within the fashion industry aiming to move forward on the circular journey with our value chain partners. 

Biodiversity

 adidas is aware of the potential impacts and dependencies its business operations can have on ecosystem services and nature assets. In our industry, preserving and restoring biodiversity is a complex challenge that requires strong collaboration between multiple actors, including direct and indirect suppliers, certifiers, and innovators.

In 2023, we continued to assess and better understand where exactly our impacts lie and started to formulate our approach to managing biodiversity challenges in our value chain. Particular focus was given to the potential risk of deforestation because it represents the greatest lever for reducing the loss of biodiversity. In our value chain, a potential risk of deforestation is linked to the sourcing of nature-derived commodities used in our products and packaging, such as leather, natural rubber, and timber. Following scientifically validated frameworks from the Science Based Targets Network ('SBTN') and the Accountability Framework, we identified first concrete actions to be taken across our entire value chain, such as mapping our supply chain beyond our Tier 3 suppliers and setting time-bound commitments for deforestation-free supply chains.

In 2023, we prioritized leather and have already set a target. Roadmaps for natural rubber and timber-derived materials are under development.

- **Leather:** In 2023, we committed to source all bovine leather from DCF supply chains by 2030 or earlier. This commitment is based on the 'Deforestation-Free Call to Action for Leather' by Textile Exchange and the LWG, which aims to catalyze change within the entire bovine leather value chain through collective action. To achieve the 2030 target, we will follow a two-phase roadmap. The first phase encompasses mapping the leather supply chain beyond the tannery to the origin of the hide at the slaughterhouse. This additional transparency will allow a risk assessment and, in a second phase, lead to articulating more specific requirements that will be set for the earlier production stages to ensure that the leather we source is not linked to deforestation. Consequently, in 2023, we started a comprehensive mapping of our entire leather supply ecosystem down to the slaughterhouse and, where possible, to the farm level. This assessment has been carried out with the support of an external party and is currently under evaluation. This mapping will form the basis for our next steps.

In addition, we have also been working with the WWF on their 'Deforestation Toolkit,' a project that brought together relevant actors in the leather supply chain, from the slaughterhouse owners to the buying companies. This toolkit will provide guidance to all actors on an aligned deforestation-free strategy and ensure robust commitments. Finally, as part of LWG in 2023, we also focused on traceability, with adidas sponsoring the first phase of the LWG 'Traceability Roadmap.' This roadmap has three pillars: traceability assessment, deforestation due diligence, and chain of custody. adidas experts actively participated in working groups with other brands and diverse stakeholders from the leather supply industry. In addition, adidas piloted a traceability blueprint using blockchain technology with the UN Economic Commission for Europe.

- **Natural rubber:** We also initiated a supply chain mapping exercise for natural rubber to identify the countries of origin of this feedstock. The gaps identified in this analysis will be addressed over the next years to ensure we have complete visibility of our supply chain and to enable us to work with our suppliers toward our goal of sourcing DCF natural rubber.
- **Timber-related commodities and alternatives:** In alignment with our DCF commitment, we have worked with Canopy Planet to structure our commitments on timber-related materials. This includes supporting the conservation of forests and ecosystems, further assessing our sourcing of man-made cellulosic fibers and paper packaging, and working toward eliminating sourcing from ancient and endangered forests. We continue to prioritize recycled or DCF-certified paper packaging. Through the 'Fashion for Good' innovator platform, we are collaborating with various innovators to explore alternatives to virgin materials, such as from agricultural waste. Our involvement in such innovation pilots supports the fashion industry in finding solutions to avoid increasing pressure on forest-derived materials.

- **Animal-derived materials:** We follow standards for sourcing animal-derived materials in an ethical and sustainable manner that respects animal welfare and species conservation. We do not source or process raw materials from endangered or threatened species as defined by the International Union for Conservation of Nature ('IUCN') in its Red List. All down used in our products is either virgin down certified by the Textile Exchange's Responsible Down Standard ('RDS') or recycled down. Regarding the sourcing of wool, we are committed to increase the share of wool that is certified by Textile Exchange's Responsible Wool Standard ('RWS') to 100% by the end of 2024.

In 2023, we also assessed potential biodiversity risks connected to other commodities in our supply chain, and our own as well as our strategic suppliers' operations for potential impacts on protected areas, key biodiversity areas, and the International Union for Conservation of Nature ('IUCN') Red List of Threatened Species.

In 2023, we continued our work on biodiversity at our headquarters in Germany and completed a campus-wide inventory, created a master plan, and implemented initial measures to improve biodiversity on campus. Results will be used to develop new plans to reflect observations and implement science-based biodiversity actions. We also raised employee awareness of biodiversity, regenerative agriculture, and deforestation and conversion through several internal upskilling sessions, collaborative workshops, and employee activations around the globe. ➔

Packaging

➔ We are committed to using more sustainable packaging materials and reducing the impact of packaging by optimizing box sizes and number of shipments, although this only accounts for a small proportion of total emissions, around 1%.

Most of our paper-based packaging, such as shoe boxes and shipping boxes, is made with recycled content. Practically all plastic packaging ([polybags](#)) used to protect finished products during shipping is made from 100% recycled LDPE (low-density polyethylene). The only current exceptions are the DCs where e-commerce returns are repackaged, and no local vendor of recycled LDPE polybags is available yet (less than 1% of polybags). For many years already, all carrier bags handed out in adidas retail stores have been made with recycled paper. ➔

Product safety

➔ Product safety is an imperative. As a company we have to manage the risk of selling defective products that may result in injury to consumers. To mitigate this risk, we have company-wide product safety policies in place that ensure we consistently apply physical and chemical product safety and conformity standards. The creation of respective adidas standards and policies is a collaborative, cross-functional approach involving experts from both our Legal and Global Operations departments to ensure all aspects of a specific product are covered. This includes subsequent updates and training activities. Application and monitoring of compliance with our policies are ensured through Global Operations.

One of these policies is the Restricted Substances Policy ('A-01' Policy) we pioneered in 1998. It covers the strictest applicable local requirements and includes best practice standards as recommended by consumer organizations. The policy is updated and published internally and externally at least once a year based on findings in our ongoing dialogue with scientific organizations and is mandatory for all business partners. Both our own quality laboratories and external institutes are used to constantly monitor material samples for compliance with our requirements. Materials that do not meet our standards and specifications are rejected. As a result of our ongoing efforts, we did not record any product recalls in 2023.

Over the past few years, we have substantially contributed to the 'Restricted Substances List' of Apparel and Footwear International RSL Management ('AFIRM'), which constitutes a harmonized restricted substances list across the industry. While the uptake of the list as an industry best practice matured further, and AFIRM membership continues to grow, various tools have been developed further in 2023, such as a harmonized test request form, the third-party lab evaluation questionnaire, and the offer of additional languages for the supplier online training videos. In addition, a [PFAS](#) phase-out guidance supported by an online webinar for suppliers has been published. All these tools will be issued to the public and made available to other companies from the textile and sporting goods industry and their suppliers. We also continued to participate in several major public stakeholder consultation processes initiated by the European Commission (e.g., European Chemicals Agency) and US state legislative initiatives to inform governmental entities on implications and opportunities of drafted legislation. To respond to the increasing legislation from US states, such as the recently enacted Federal US Environmental Protection Agency (EPA) law for [PFAS](#), we have strengthened our status sharing for US retailers and our outreach to strategic suppliers, also enhancing our tracking functionality retroactively. ▸

Social Impacts

adidas recognizes its responsibility to respect human rights and the importance of managing the appropriate due diligence to fulfill this obligation as a business. We do this by striving to operate responsibly along the entire value chain, from raw material production to our own operations, by safeguarding the rights of our own employees and those of workers who manufacture our products through our Workplace Standards, and by using our influence to bring about positive change wherever adverse human rights impacts are linked to our business activities.

Human rights

In 2023, we took further steps to advance our Human Rights and Environmental Due Diligence ('HREDD') efforts in support of our ambition to have a system in place to identify and manage high-risk human rights issues across the entirety of our value chain by 2025. This included expanding the scope of our human rights and environmental risk management system to encompass other business areas such as Global Brands, Procurement, and Human Resources, in addition to our product sourcing activities. As part of this expanded risk management system, we have further developed our governance framework to assign accountability for human rights and environmental risk management at a functional level and established internal risk assessment and reporting procedures. Our cross-functional internal ESG Regulation Board oversees compliance with current and emerging regulations, and we have conducted upskilling training sessions on a range of topics, including the company-wide application of the German Act on Corporate Due Diligence Obligations in Supply Chains.

The Act, which went into effect on January 1, 2023, regulates the responsibility of German companies to respect human rights in their global supply chains and calls on companies to identify, assess, and prioritize risks and address them by taking steps to minimize or eliminate adverse impacts. To the best of our knowledge and belief, we have aligned our internal due diligence processes and reporting systems to comply with the requirements of the Act, which seeks to strengthen human rights and environmental protection in the following areas: child labor, forced labor and discrimination, land grabbing, occupational health and safety, the right to fair wages, the right to form unions, and environmental violations. In the first half of 2024, adidas will submit a Human Rights and Environmental Due Diligence Report to the German authorities and publish it on its corporate website to fulfill its annual public reporting obligation.

We are committed to providing for or cooperating in the remediation of adverse human rights and environmental impacts that we have caused or contributed to, and we seek to promote or cooperate in the mitigation and remediation of adverse impacts to which we are linked through our business relationships. In 2023, to strengthen this approach and complement our due diligence processes, we updated our 'Third Party Complaint Procedure for Human Rights and Environmental Impacts' to address both actual and potential adverse human rights and environmental impacts in our direct and indirect supply chain.

In 2023, we introduced additional tools and systems to enhance our assessment of high-risk issues such as forced labor and child labor in upstream supply chains and other human rights risks arising from business activities undertaken in conflict-affected countries. This included the introduction of a US regulatory compliance database, which allows individual business entities and production locations to be screened against trade sanctions and forced labor risk data. We automated this process by linking our in-house sustainable material traceability system to this platform, enabling us to track the risk of forced labor in our supply chain. We also continued to roll out an internal reporting tool to identify and evaluate the potential presence of ILO forced labor indicators. We started in China, where all our Tier 1

manufacturing partners, our nominated Tier 2 material suppliers, and targeted Tier 3 spinning mills were assessed against these ILO indicators. None of the suppliers assessed showed evidence of forced labor. This tool is now being applied globally to ensure ongoing regulatory compliance across the entire supply chain.

In response to the ongoing war in Ukraine and continued political instability in post-coup Myanmar, we continue to carry out a heightened version of human rights due diligence. In Ukraine, while physical access to conduct on-site audits remains restricted, we have actively engaged with our supplier to conduct remote worker interviews and monitor the human rights situation. In Myanmar, we continuously engage with international and local stakeholders to monitor the evolving human rights situation. To enhance these efforts, we joined the Multi-Stakeholder Alliance for Decent Employment in the Myanmar Apparel Industry ('MADE'), a project that is co-funded by the European Union and aims to uphold and monitor human rights and social and environmental standards in Myanmar supplier factories and promote responsible business practices.

An enhanced human rights due diligence was also conducted in the context of adidas' business wind-down in Russia, a country that has faced a wide range of international sanctions. The assessment considered the impact on employees and retail staff affected by the winding down of business operations and store closures.

Throughout 2023, we maintained close contact with FIFA's Human Rights and Anti-Discrimination team and, together with other sponsors, held monthly calls to discuss the advancement of proposals for a legacy fund linked to the 2022 FIFA Men's World Cup and to FIFA's post-event evaluation of the effectiveness of its complaint mechanism in Qatar. This engagement also included reaching out to FIFA regarding their tracking of human rights impacts in the lead-up to the 2023 FIFA Women's World Cup and the development of a human rights framework for cities hosting the 2026 FIFA Men's World Cup in the Americas.

We continue to implement responsible recruitment practices in the supply chain. In 2023, we updated our Responsible Recruitment Policy to reflect the renewed industry commitment to the 'Employer Pays' principle to ensure that workers receive a timely refund in the event they have paid fees and incurred costs to obtain and maintain their job. As part of our ongoing engagement with Tier 2 manufacturers in our supply chain in Asia on the responsible recruitment and employment of foreign migrant workers, we piloted a digital worker voice tool with ten material suppliers in Taiwan. The pilot sought to amplify worker feedback and monitor and remedy grievances and complaints. [↗](#)

Transparency and recognition

[↗](#) We continue to transparently report on the actions we have taken to identify and mitigate risks of forced labor and adverse human rights impacts in our global supply chain through our annual Modern Slavery Statements to regulators in jurisdictions such as the UK and Australia, our annual modern slavery progress updates, and other public disclosures on our corporate website and relevant third-party channels. We are also committed to maintaining our achieved 100% response rate in the Business and Human Rights Resource Centre ('BHRRC') company response mechanism, which encourages companies to publicly address human rights issues raised by civil society. We continue to receive external recognition for our transparent approach to managing human rights. For example, we are ranked among the top ten apparel and footwear companies in the Corporate Human Rights benchmark of the World Benchmarking Alliance ('WBA') and maintain a leadership position in third place in the KnowTheChain benchmark on forced labor. [↗](#) [▶ ADIDAS-GROUP.COM/SUSTAINABILITY](https://www.adidas-group.com/sustainability)

Supply chain

Working conditions

Our commitment to ensuring fair labor practices and safe working conditions in our manufacturing facilities throughout our global supply chain is fundamental to our human rights approach. Our active efforts are guided by the adidas Workplace Standards, which is our supply chain code of conduct that is aligned with the Fair Labor Association ('FLA') 'Workplace Code of Conduct' and 'Principles of Fair Labor and Responsible Sourcing.' These standards are embedded as a contractual obligation in the manufacturing agreements to ensure workers are employed in fair, safe, and healthy workplaces that are environmentally sound. In addition, they follow ILO and UN conventions relating to human rights and to fundamental principles and rights at work, as well as the model code of conduct of the World Federation of the Sporting Goods Industry ('WFSGI').

We seek to extend our reach by cascading responsibilities to our contractual partners to capture and address potential and actual risks related to possible labor rights violations upstream and downstream of our supply chain. Specific reference to the code provisions of the ILO core labor conventions is provided in the adidas Guidelines on Employment Standards. The Social and Environmental Affairs ('SEA') senior management team reviews and approves all policies and implementation processes of the labor rights program.

In addition to regular compliance monitoring, in 2023 we continued to focus on our own purchasing practices in accordance with our 'Responsible Sourcing and Purchasing Policy' to ensure that our sourcing activities do not negatively impact our manufacturing partners' ability to comply with our social and environmental standards. To best understand potential impacts, we have sought feedback from our manufacturing partners, both anonymously and openly, through our subscription to the Better Buying Institute, an independent organization that assesses and reports on the sourcing practices of participating brands, and through our own engagement with our suppliers. Based on this feedback, we have continued our efforts to improve our purchasing practices. In addition, in partnership with Better Buying, we expanded the use of our e-learning training on responsible purchasing practices to more than 4,000 employees in Global Operations. In 2023, the training was also shared with the majority of adidas licensee partners to further improve their understanding of effective responsible purchasing policies. ▸

Targets for 2025

Our social compliance program continues to evolve and is built around three core concepts with targets for 2025 in place.

Targets for 2025: Social impacts

Impact area	Target
Supply Chain	
Social impact ('S-KPI')	90% of strategic Tier 1 suppliers achieve at minimum '4S'; 100% of strategic Tier 1 suppliers achieve '3S' or better ¹
Fair wages	Progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers ²
Gender	Achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers ³
Entire value chain (from raw material production to own operations)	
Human Rights and Environmental Due Diligence ('HREDD')	System in place to identify and manage high-risk human rights issues in 100% of our value chain ⁴

¹ The S-KPI measures a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. Due to positive progress in our suppliers' overall performance in 2022, we have upgraded our 2025 target for the number of suppliers expected to achieve a '4S' rating. The overall target seeks to achieve 100% adherence to or 90% overachievement against these foundational social impact measures, with '3S' being the minimum expected supplier performance.

² The fair wage benchmarks include industry wages, minimum wages, and living wages. These benchmarks are set and tracked through the 'FLA Fair Compensation Tool,' a factory self-reporting tool that has been widely adopted by the industry and is being rolled out progressively to strategic Tier 1 suppliers.

³ The measurement of wage parity for production line workers and their immediate supervisors (i.e., line leaders) forms part of a broader gender strategy rollout to applicable strategic Tier 1 suppliers who complete self-assessments to identify and then close gender gaps in operating practices and procedures.

⁴ In conducting due diligence we seek to identify, prevent, or mitigate potential adverse human rights or environmental impacts, with priority given to addressing the most severe impacts.

Measuring supplier social impact performance

In 2022, we launched our social impact KPI ('S-KPI') tool to measure suppliers' social impact performance through a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. By 2025, we aim to have 90% of strategic Tier 1 suppliers achieve a minimum of '4S,' (on a scale of 1-5, with 5 being the best) and 100% of strategic Tier 1 suppliers achieve '3S' or better. ➔

Improving fair wages and gender equality at our suppliers' factories

We are committed to upholding responsible sourcing practices, increasing gender equality, and creating pay equity, with the goal of providing fair compensation to workers in our supply chain, regardless of their gender. By 2025, we aim to see a progressive improvement in compensation, measured by fair wage benchmarks, and achieve gender wage parity for workers and their supervisors at our strategic Tier 1 suppliers.

- **Fair compensation:** We are currently conducting a multi-year wage benchmarking exercise with our strategic suppliers.²¹ Data is being gathered from three different time periods: our 2020 benchmark year, our 2023 mid-term year, and our 2025 final year. The data reported for the 2020 benchmark year data was collected from 2021-2023, the 2023 mid-term year data will be collected in 2024, and the 2025 data will be collected in 2026. In 2023, we completed the 2020 benchmarking by collecting wage data in China, Thailand, and Pakistan.²² In line with the benchmarking completed in Cambodia, Indonesia, and Vietnam in the previous year, we compared factory wage data to external benchmarks, such as the applicable legal minimum wage, the FLA Country Average, which is an industry average based on suppliers working with FLA member companies, and the Global Living Wage Coalition ('GLWC') benchmark, where available.

Results of our entire benchmarking period 2020 show that the wages paid by the suppliers in scope for this exercise (representing around 80% of all strategic suppliers) exceed all of the aforementioned benchmarks. In line with the FLA Fair Compensation formula, all wages reported below include regular wages, paid leave, applicable and eligible incentives, benefits in kind and cash benefits, and exclude all legally required taxes and social insurance contributions.

- **Cambodia** (ten factories): In our major sourcing country for apparel, wages paid by adidas suppliers surpassed the legal gross minimum wage by 56% and the applicable net FLA Country Average by 33%. In the case of Cambodia, 90% of the factories assessed are unionized, while 10% have a collective bargaining agreement (CBA) in place.
- **China** (14 factories): The factories assessed in China are located within ten different gross minimum wage groups. Across all minimum wage groups, factories' net wages surpassed their applicable minimum wage requirement by between 13% and 159%. Currently, two of our data collection in-scope factories with an available and applicable GLWC benchmark surpassed their GLWC benchmark by 2% and 34%, respectively. In China, 79% of these factories have a state-backed trade union, and 43% a CBA in place.
- **Indonesia** (13 factories): The factories assessed in Indonesia are located within ten different legal gross minimum wage groups, which vary widely in terms of minimum wage requirements. Across all minimum wage groups, wages paid surpassed the legal minimum wage by between 9% and 66%; 92% of factories are unionized and have a CBA in place.
- **Pakistan** (two factories): The data shows that wages paid by adidas suppliers surpassed the legal gross minimum wage by 42% and the applicable net FLA Country Average by 16%. Currently, none of the factories in scope in Pakistan are unionized.
- **Thailand** (four factories): The factories assessed in Thailand are located within three different gross minimum wage groups. Across all minimum wage groups, wages paid surpassed the legal gross minimum wage by between 36% and 44%. Currently, none of the factories are unionized.

²¹ Strategic suppliers as of January 2020.

²² Data as reported in the 2022 Annual Report included 2020 benchmarking results from wage data collected in 2021 in Cambodia, Indonesia, and Vietnam (approximately 65% of our selected factories are located in these three countries). The reporting in this 2023 Annual Report reflects the full 2020 benchmarking results from all wage data collected between 2021-2023 from all of our factories in scope for this exercise located in our three initial countries (Cambodia, Indonesia, Vietnam), in addition to in-scope factories in China, Pakistan, and Thailand. A small number of factories in four different countries were initially considered for data collection and reporting. Due to the minor production volume they represent in their country and to protect their confidentiality, they have been subsequently removed from the scope.

- **Vietnam** (17 factories): Our factories are located within three legal gross minimum wage groups. The wages paid by factories in these zones surpass the minimum wage by between 72% and 78% and the GLWC benchmark by 18%, where applicable (zone 1 only). 100% of the factories have a state-backed trade union and a CBA in place.

We remain on track to complete our benchmarking process and, by the end of 2024, will be able to compare our 2020 wage data against the 2023 results. This will allow us to assess wage progress over time. We will continue our efforts to support the levers we have identified as being most influential in driving the wage-setting process. These are: legal obligations, responsible purchasing practices, productivity, industrial relations, and government engagement. We will also deploy a Gender Pay Parity Capacity Building Program across our supply chain in collaboration with other companies. This program will focus on raising our suppliers' awareness and understanding of the gender pay gap, in particular equal pay for equal work.

- **Gender equality:** We continue to implement measures that advance gender equality in our supply chain and meet our objectives to bring a gender lens to our strategic suppliers' operations to ensure that all workers will have equal opportunities and rights. In 2023, such measures included the launch of the 'Gender Equality Worker' survey, data verification of supplier self-assessment responses, and conducting the second annual supplier self-assessment. More than 44,000 workers participated in the worker survey, designed to evaluate worker experience and perception on gender equality in the workplace, obtain worker feedback on gender equality practices in factories, and provide strategic suppliers with a reference point for continuous improvement. All strategic suppliers have also submitted initial improvement plans to address gaps identified in the gender equality self-assessment tool and will continue to update their roadmaps for improvement. ▢

Monitoring and assessing performance

▢ We regularly assess our manufacturing partners on their ability to provide fair, healthy, and environmentally sound workplace conditions by conducting announced and unannounced audits by our own team and by accredited external auditors. Any cases of non-compliance identified during audits are given a clear time frame for remediation. Potential new manufacturing facilities are assessed in a similar way, and orders can only be placed if approved by the SEA team. Based on the audit results, the Sourcing and SEA teams jointly decide on the course of action, ranging from training to enforcement actions, such as sending warning letters or hiring external consultants to help improve workplace systems or practices. We also operate several grievance channels allowing workers or third parties to submit complaints about violations of the adidas Workplace Standards and human rights generally. All third-party complaints received through our grievance channels are reviewed and investigated, and the outcome is reported on our corporate website. ▢ ► [ADIDAS-GROUP.COM/SUSTAINABILITY](https://www.adidas-group.com/sustainability)

▢ In 2023, adidas began a partnership with Better Work, which is a collaboration between the ILO and the International Finance Corporation ('IFC') that provides a range of due diligence and capacity building programs to suppliers in the 13 countries where Better Work operates. In addition to supply chain engagement, Better Work actively works to promote a constructive dialogue between the invested multi-stakeholders in those countries concerning buyer practices and workers' rights e.g., civil society organizations, governments, worker representatives, and union groups.

Manufacturing facilities' conditions are also inspected by independent auditors through our participation in the FLA, demonstrating our commitment to independent manufacturing facility inspections and external verification of our programs. Our program has been accredited three times by the FLA and, in 2023, remains accredited based on FLA's annual evaluations, in which adidas was rated as a top performer.

At the end of 2023, adidas worked with 357 independent supplier facilities²³ (2022: 424) that manufacture products for our company in 40 countries (2022: 44). The reduction in the number of facilities reflects the consolidation of sourcing operations in line with our strategy to form long-term relationships with our core manufacturing partners. 63% of our manufacturing partners' facilities (2022: 63%) are located in the Asia-Pacific region. In 2023, we worked with 37 licensees (2022: 39) manufacturing products in 251 factories (2022: 287) across 33 countries (2022: 34). [↔](#)

Onboarding of new suppliers

[↔](#) In 2023, our primary focus was on maintaining partnerships with our existing manufacturing partners rather than onboarding new ones. Consequently, the number of initial assessments – the first approval stage for a new entry into our supply chain – in prospective supplier factories remained with 66 at a similar level to the previous year (2022: 58). Of these, 19 factories (2022: 20) were either rejected directly after the initial assessment identified zero-tolerance issues or were 'rejected with a second visit' due to identification of one or more threshold issues, which means they were rejected but given the chance to remediate the non-compliance issues within a specific timeframe. The vast majority (64%) of all initial assessments were undertaken in Asia (2022: 71%), with China accounting for 20% (2022: 26%).

Overall, at the end of 2023, the first-time rejection rate of new factories visited was 29% and thus lower than in the previous year (2022: 34%). Manufacturing partners with threshold issues are typically given three months to remediate them before being re-audited for final acceptance. Through active support and capacity building, all initially rejected factories successfully closed their non-compliance issues and were onboarded. As a result, in 2023, there were no factories subject to 'final rejection.'

²³ Independent supplier facilities refer to individual Tier 1 facilities (factories) of our manufacturing partners that adidas has a manufacturing agreement with, and their Tier 1 subcontractor facilities, excluding own factories and licensee facilities. Facilities that work with our licensees are reported separately. Some of these facilities may produce both for adidas directly and for licensees.

Supply chain performance data

	2023	2022
Onboarding of new suppliers		
Total number of first-time rejections ¹	19	20
First-time rejection rate	29%	34%
Total number of final rejections	0	4
Final rejection rate ²	0%	5%
Worker empowerment		
Implementation of 'Workers Voice' grievance platform at strategic manufacturing partners	100%	100%
Satisfaction rate from workers who raised a grievance through 'Workers Voice'	77%	77%
Training		
Number of training sessions (fundamental, performance, advanced)	179	187
Monitoring		
Total number of audits (initial assessment, performance audits, environmental assessments) ³	1,224	1,222
Enforcement⁴		
Number of warning letters (first warning)	8	6
Number of warning letters (second warning)	1	0
Number of warning letters (third and final warning)	0	0
Number of business relationship terminations for compliance reasons	0	0

1 Factories that were directly rejected after the first visit, i.e., with no chance of being visited a second time, and factories that were rejected after initial assessments but which were given a chance for a second visit.

2 Factories that were directly rejected after the first visit, i.e., with no chance of being visited a second time, and factories that were rejected after being visited a second time.

3 Total number of audits includes audits done in licensee factories. Performance audits conducted in approved factories that have passed the initial assessment (this includes on-site and desktop assessments). As of 2023 this includes audits under the SLCP and Better Work programs. Environmental assessments include ZDHC wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'

4 Includes warning letters issued by licensees excluding warnings to facilities for the non-disclosure of subcontractors, which are issued either directly through business entities or by the adidas Legal department where there is a breach of contract obligations under a manufacturing agreement. A third and final warning results in a recommended termination.


Worker empowerment

Over the past few years, we have developed efficient feedback channels, tools to measure worker satisfaction, and training tailored to empower workers.

- **Feedback options:** A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Since 2017, we have reduced our reliance on local worker hotlines as a complaint mechanism by building an application-based 'Workers Voice' platform: a bespoke, manufacturing-facility-based digital grievance channel for workers. We have progressively improved and expanded the use of this grievance mechanism, and in 2023, more than 359,000 workers employed in 108 manufacturing facilities across 16 countries had access, reflecting 100% coverage of our strategic manufacturing partners. Access to a digital complaint mechanism has proven invaluable during covid-19. Close to 42,000 human and labor rights complaints (2022: around 48,000) were filed through the Workers Voice platform in 2023, with 99% of these complaints being closed by the end of 2023. The top complaints received in 2023 were related to concerns over benefits (more than 11,000), general facilities (more than 7,200), and internal communication (more than 7,100).

Input received through the Workers Voice platform is tracked by adidas using KPIs and dashboard reviews, case satisfaction ratings, and on-site worker interviews. This allows us to evaluate the efficacy of the grievance channels, see major cases in real time, and undertake timely interventions, where

necessary. It also helps us understand the main challenges and labor rights issues in a manufacturing facility and track how the facility's management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the facility's overall social impact rating (S-KPI). adidas provides ongoing capacity building to enhance the facility teams' capability to improve the effectiveness of the grievance mechanism. The case satisfaction rate, which allows workers to input their level of satisfaction with the resolution of complaints, has almost doubled from 39% in 2019 to 77% in 2023. The increase in satisfaction is partly related to a significant improvement in the response time of factory management to address workers' grievances, which decreased from 49 hours in 2020 to less than twelve hours in 2023 due to improvements in communication and transparency in the workplace. The management teams in the manufacturing facilities have continuously engaged with the facility's workers through newsletters and broadcast messages, which has improved the workers' engagement and encouraged feedback.

- **Worker satisfaction:** Complementing the various grievance channels, we expanded the 'Worker Pulse' project, a digitalized short survey to capture workers' perception and awareness of their labor rights on focused areas such as communication, harassment, and abuse, as well as grievance systems. It builds on what we learned from a previous survey process we initiated in 2016. In 2023, we undertook these digital surveys in 109 manufacturing facilities (2022: 133) across 16 countries (2022: 17), with more than 71,000 workers participating (2022: 85,000) through a mobile-phone-based application. At its core, the survey presented six statements against which the level of agreement or disagreement was assessed. Topics included the willingness to speak up, to recommend the factory to work at to friends, or the comfort level when raising a suggestion or complaint or when talking to supervisors. The results show a steady increase in the number of favorable respondents across all questions since 2020, from roughly 78% to an average of 90% in 2023. The percentages indicate the average response on a five-point Likert-type scale where 100% represents 'strong agreement' and 0% 'strong disagreement.' This increase in overall worker satisfaction resulted in an increase in the average S-KPI score for our manufacturing partners' facilities in 2023. This shows that when workers' voices are being heard and acted upon by the facility's management, it can have an impact in improving the overall working conditions within a manufacturing facility. Manufacturing partners are required to develop and track workplace improvement plans based on feedback from the Worker Pulse.
- **Women leadership:** Alongside facility-led training, we also offered tailored training under our 'Women Leadership Program.' Building on our team's learnings, we modified the training approach in 2022, adopting a hybrid model of in-person and online training. We continued with this model in 2023 with more than 1,500 supervisors participating in factories in Cambodia, China, India, Indonesia, Myanmar, and Vietnam. We closely track the progress of workers graduating from this training initiative, and since 2016, approximately 170 female supervisors have been promoted to higher positions as a result of their participation in the program.
- **Labor rights:** In 2023, we also saw a continuation of our mobile-phone-based 'Digital Training' project, which had been successfully rolled out at 133 manufacturing facilities in 17 countries in 2022. The digital tool assesses workers' awareness of their labor rights and remedies, e.g., fire safety, harassment and abuse, and use of grievance channels. More than 50,000 workers took part in 2023 (2022: 82,000) and averaged a score higher than 92 out of 100 in the post-test questions, thereby demonstrating very high levels of awareness of their core rights and available remedies. 

Manufacturing facility engagements and training sessions

Throughout 2023, we combined on-site and remote (i.e., virtual) interactions to maximize the impact of our facility engagements and training sessions. In total, we completed 644 individual facility engagements in 2023 (2022: 657) and 179 training sessions for manufacturing partners, licensees, workers and adidas employees (2022: 187), reaching a total of around 4,222 people. The training sessions continued to cover a broad range of topics, from our Workplace Standards, guidelines, and supporting policies, through to targeted training on specific labor, health and safety, and environmental topics.

We continued to work with our licensee partners in 2023 to ensure they are implementing adidas Workplace Standards into their manufacturing partners' operations in a consistent manner. Our licensees continue to have access to the FLA e-learning materials, which include training courses covering topics such as human rights, forced labor, responsible manufacturing, and worker engagement. In 2023, we expanded this training by facilitating access to the Better Buying Institute's e-learning course on responsible purchasing practices. In addition to the training, Better Buying worked with a selected group of licensees' suppliers to complete the Better Buying Partnership Index survey, which helped evaluate the impact of the licensees' purchasing practices on suppliers and their workers and identify any improvement areas.

Audits

We regularly audit our manufacturing partners against the adidas Workplace Standards, utilizing a range of audit tools. In 2023, in addition to our own audits, we began to incorporate assessments conducted by the ILO's Better Work program, a collaboration between the United Nations' ILO and the International Finance Corporation to improve working conditions within the apparel and footwear industry. adidas also continued to use 'Social and Labor Convergence Program' (SLCP) assessments (2023: 79, 2022: 133) in its monitoring activities to avoid repetitive social audits in shared facilities.

A total of 499 social compliance audits (initial assessments and performance audits) were conducted in 2023 (2022: 709), six of which were conducted remotely (2022: 15). Of the 329 on-site performance audits conducted, 82% were carried out on an unannounced basis, whereby the manufacturing facility is not informed in advance of the exact date of assessment. The number of audits in factories manufacturing goods for licensees was reduced from 295 in 2022 to 267 in 2023, reflecting a reduction in the number of licensee suppliers.

Number of audits by region and type

Region	Initial assessment ¹		Performance audit ²		Environmental assessment ³		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Asia	46	60	356	426	684	606	1,086	1,092
Americas	19	12	44	34	17	18	80	64
EMEA	5	9	29	35	24	22	58	66
Total⁴	70	81	429	495	725	646	1,224	1,222

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

2 Audits conducted in approved factories that have passed the initial assessment (including on-site and desktop assessments). As of 2023, audits under the SLCP and Better Work programs are included.

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


4 Includes audits done in licensee factories.

To complement our broader sustainability efforts, we monitor our suppliers to ensure compliance with our environmental standards and guidelines and to validate their performance against annual environmental targets. In 2023, 325 facilities in 24 countries were assessed and evaluated for their environmental performance, which represented 317 of our key Tier 1 and Tier 2 manufacturing partners, and selected


Tier 3 suppliers enrolled in our sourcing sustainability program. In addition, a total of 400 wastewater test assessments were conducted according to the ZDHC Wastewater Guidelines.

As we continue to increase our focus on added-value advisory services and empowerment projects, which go beyond our regular audit routine, the number of internally managed audits decreased to 85 in 2023 (2022: 109), with 90% (739 assessments) of all assessments performed by third-party monitors (2022: 860).²⁴

A total of 72% (2022: 65%) of all direct and licensee facilities were audited in 2023. 'High-risk' locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2023, with an audit coverage of 89% (2022: 84%). As a general principle, manufacturing facilities located in high-risk countries are 100% covered in our auditing scope, which means they receive audits annually, while low-risk countries with strong government enforcement and inspectorate systems, such as Germany, are considered out of scope for our audit coverage.

We also continue our efforts to cascade HREDD processes within our supply chain by holding our key Tier 1 manufacturing partners accountable for implementing their own due diligence processes. This includes measuring our suppliers' ability and performance in conducting their own internal compliance monitoring, as well as their commissioning of social compliance audits in their subcontractor facilities, with implementation tracked via our S-KPI tool. This is complemented by ongoing steps to extend audit coverage to our nominated Tier 2 material suppliers and targeted Tier 3 spinning mills in China. 

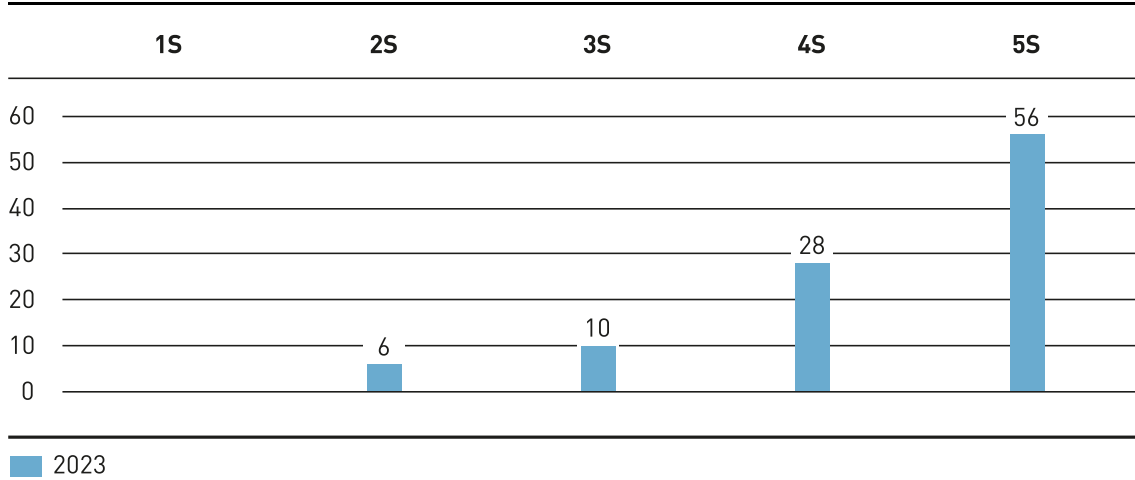
Audit results and S-KPI performance

 2023 marks the second year of measuring our supplier performance using the S-KPI tool. The S-KPI assesses a factory's performance in delivering a safe and fair workplace by measuring effective due diligence processes, as well as the ability to deliver positive social impact. In total, the S-KPI has 15 units of measures ('UOM'). These include compliance with threshold and zero-tolerance issues, completion of remediation plans, accident and absenteeism rates, as well as a range of worker empowerment measures such as resolution and satisfaction rate of workers' grievances, participation rate in worker satisfaction surveys, and the ratio of females in mid-managerial positions. The S-KPI assesses a factory's performance in each of the UOMs based on the information gathered and, where applicable, validated during social compliance audits which are uploaded to a dashboard for each supplier. The result is a final score (in %) which is converted to S-rating levels from 1-5, with 5S being the best. The thresholds are set as follows: 1S: 0-29%, 2S: 30-59%, 3S: 60-79%, 4S: 80-89%, 5S: 90-100%. For suppliers that have achieved a S-KPI of 5S, we reserve the possibility to exclude them from selected S-KPI compliance measurements for one year due to their low risk profile.

In 2023, almost 84% of our 108 key manufacturing facilities achieved a rating of 4S or better, which is a significant improvement compared to 2022 (75%). We see a positive trend, with almost all of the higher-performing manufacturing facilities (4S or 5S in 2022) maintaining or improving their S-KPI rating in 2023. With this performance, we are confident that we will meet the 2025 target for the upper performance band for our suppliers and now expect 90% of our strategic Tier 1 suppliers to achieve a minimum of 4S or better by 2025.

²⁴ Including social and environmental assessments, excluding ZDHC wastewater assessments (400).

Social impact performance rating of strategic supplier factories by S-KPI in %



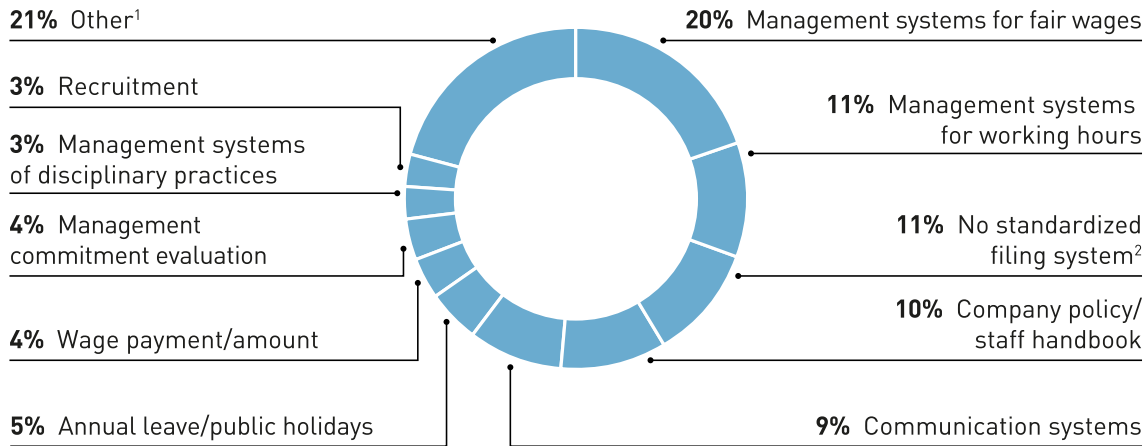
All of our key licensees (i.e., our long-term partners and/or those with the largest business volumes) achieved a Licensee Compliance Rating ('LCR') of at least 4S in 2023, and of these, 75% received a rating of 5S. This rating reflects that these licensees have successfully demonstrated that they have embedded strong governance systems, supply chain management, and purchasing practices compliance requirements into their business practices. Licensees are also assessed on the existence of policies and systems to address stakeholder engagement, as well as levels of public reporting and communication. ▢

Non-compliances identified in active factories

▢ Our manufacturing partners' facilities are evaluated against a number of critical compliance issues. While threshold issues are considered serious but correctable non-compliances that can be addressed through remedial action within a specified timeframe, zero-tolerance issues – such as forced labor; child labor practices; or critical life-threatening health, safety, and environment conditions – immediately trigger a warning and potential disqualification of a supplier. During the course of each year, we continuously track non-compliances identified through manufacturing partners' performance audits, collaboration audits, self-governance assessments, and, since 2020, SLCP assessments. We follow up on all non-compliance and require our manufacturing partners to remediate these findings within a specified timeframe. The identified issues in 2023 remained largely the same as those reported in 2022.

- **Labor:** Besides identifying non-compliance with the Workplace Standards, our Social Compliance team focuses on the use and effectiveness of the facilities' HR management systems, including any gaps in policies and procedures related to specific risk areas, such as forced labor, child labor, freedom of association, or discrimination. As a result, the percentages shown indicate the systemic shortcomings of active facilities, where corrective action is required to reduce potential risks, rather than the confirmed presence of a specific case of non-compliance or breach, which requires remediation.

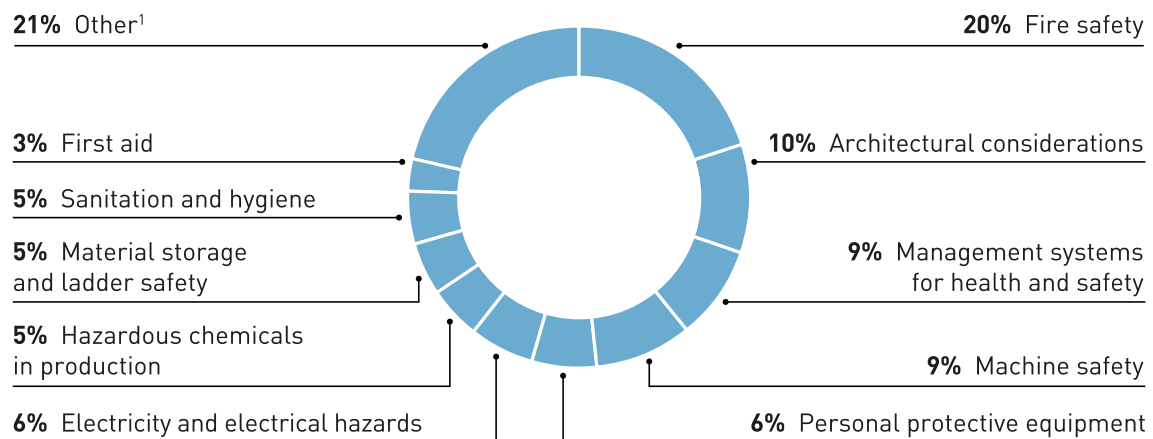
Shortcomings in the area of labor identified during audits in 2023



¹ 'Other' includes, for example, overtime/holiday rate and other benefits/allowances.
² 'No standardized filing' indicates a factory does not keep relevant information/documents and records that demonstrate compliance with laws and regulations.

— **Health and safety:** Fire, electrical, as well as machine and ladder safety are critical areas for existing manufacturing facilities, and together they accounted for almost 40% of the non-compliance identified in 2023. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 5% of non-compliance findings reported. A further 9% of the findings related to management systems, policies, and procedures, and specifically a lack of compliance with our Workplace Standards and expectation for effective occupational health and safety systems, including the recruitment and retention of qualified safety staff.

Shortcomings in the area of health and safety identified during audits in 2023



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

Remediation of shortcomings

We follow up on all cases of non-compliance and require our manufacturing partners to remediate open issues within a specified timeframe. While in many cases the actual issues will have been resolved, our approach is to only 'close' these in our systems when we have verified evidence of completion and established that corrective actions taken are sustainable and sufficient to avoid reoccurrence. To support remediation and ensure effective management systems are in place, we undertake capacity building

especially for any identified high-risk issues. For instance, in 2023, we launched an occupational health and safety program to improve electrical safety for workers and factory maintenance staff, including written guidelines and supplier training. [↗](#)

Independent FLA audits

Each year, the FLA independently assesses the supply chain of its member brands. It does this using a variety of monitoring models (e.g., in-person, virtual, or a hybrid approach of both in-person/virtual) that result in tailored 'Sustainable Compliance Initiative' ('SCI') assessments. adidas received three such FLA assessments in 2023. In addition to manufacturing facility monitoring, the FLA focused its efforts on more areas, including enhancing virtual monitoring methodology, issuing specific country-related and topical guidance, supply chain mapping, grievance mechanisms, revising its third-party complaint mechanism, developing responsible termination guidelines, and continuing its work to measure and mitigate impacts of covid-19 on the industry's supply chain. [↗](#)

Enforcement

Warning letters are an essential part of our enforcement efforts and are triggered when we find ongoing serious non-compliance issues that need to be addressed by our manufacturing partners' facilities. We work closely with our manufacturing partners to help them improve their performance. However, where we face situations of severe or repeated non-compliance that cannot be resolved, we terminate business relationships with facilities. When making such a decision, we always seek to balance the adverse impacts arising from the unresolved non-compliance against the wider effects that a business termination can have on the rights and interests of the workers, especially if this triggers layoffs. In such circumstances, we may extend timelines to ensure a responsible exit is achieved.

- **Warning letters:** In 2023, our close engagement with our manufacturing partners' facilities helped limit the need to issue warning letters, with a total of nine (2022: six) across seven countries. Compared to the previous year, the overall number of active first warning letters remained at a similar level, from six in 2022 to eight in 2023; the total number of second warnings was one in 2023 (2022: 0). Manufacturing facilities that receive a second warning letter are only one step away from being notified of possible termination of the manufacturing agreement and are subject to focused monitoring by our team. No third warning letters (which result in termination of the contract) were issued to our manufacturing partners in 2023 (2022: 0).
- **Advisory letter:** For suppliers to whom we do not have a direct contractual relationship, we rely on advisory letters as an enforcement measure: In 2023, two advisory letters were issued to Tier 2 facilities after their management failed to commit to complying with our environmental requirements.
- **Terminations:** In 2023, there were no instances in which a supplier agreement was terminated for social compliance reasons (2022: 0). [↗](#)

Sustainable Finance

The challenges posed by the impact of climate change and social developments in our societies and supply chains are huge. Responding to these will require dedicated funding of sustainability initiatives. In this section, we provide an overview on our sustainability bond as well as on our approach to complying with the requirements of the EU Taxonomy, the objective of which is to channel investments in the direction of sustainable economic activities. We will also report about responsibility regarding tax. Through taxes, governments have the monetary ability to pursue their objectives and take on the responsibility of further developing their countries.

Sustainability bond

In 2020, adidas successfully placed its first sustainability bond. Proceeds from the offering are used in accordance with the Sustainability Bond Framework we created. adidas has committed to providing annual updates on the allocation of the proceeds and the impact KPIs driven by the proceeds until fully allocated. As of September 2023, adidas had realized full allocation of the net proceeds. ▶ SEE TREASURY

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

▣ Sustainability bond: impacts ▣

	2023	2022	2021
Eligible category: sustainable materials			
Impact of investment or expenditure into using more sustainable materials			
Percentage of recycled polyester used for adidas apparel and footwear ranges	99	96	91
Percentage of more sustainable cotton sourced	100	100	100
Number of pairs of shoes produced containing 'Parley Ocean Plastic'	> 2m	> 26m	> 17m
Eligible category: sustainable processes			
Impact of investment or expenditure into improving our operations by establishing more sustainable processes			
Absolute annual CO ₂ e Scope 1 and Scope 2 net emissions (in tons) in own operations ¹	164,236	164,149	138,411
Number of buildings ² of own operations holding certification for environmental management (ISO 14001)/health and safety management (ISO 45001)/energy management (ISO 50001)	70/140/324	64/112/322	64/63/327
Eligible category: community engagement			
Impact of investment or expenditure (on a global and local level) from actively supporting and positively impacting communities			
Number of funded ventures for 'Black Ambition,' a program that supports Black and LatinX entrepreneurs in launching start-up businesses	32	31	34
Number of grants for Black-owned small businesses as part of 'BeyGOOD,' an initiative aimed at bringing equity to those disproportionately impacted by social and racial injustice	1,000	276	– ³
Number of scholarships granted to students at adidas' HBCU partner schools as part of adidas' 'United Against Racism' ambition	55	55	55

¹ Own operations include administrative offices, distribution centers, production sites, and retail stores.

² At year-end.

³ Grants distribution for Black-owned small businesses as part of 'BeyGOOD,' which is managed by a third party, postponed from 2021 to 2022.

EU Taxonomy

▣ In 2020, the EU introduced Regulation (EU) 2020/852 to establish the EU Taxonomy framework ('Taxonomy'). The purpose of the Taxonomy is to provide a common language and a clear definition of what is considered 'sustainable' to direct investments toward sustainable economic activities. The Taxonomy will thereby support the EU's climate, energy, and 'European Green Deal' targets.

The Taxonomy is a classification system for environmentally sustainable economic activities. An economic activity is considered Taxonomy-eligible if it is described in one of the delegated acts of the Taxonomy and has the potential to support the achievement of at least one of the following six environmental objectives:

- 1) Climate change mitigation
- 2) Climate change adaptation
- 3) Sustainable use and protection of water and marine resources
- 4) Transition to a circular economy
- 5) Pollution prevention and control
- 6) Protection and restoration of biodiversity and ecosystems.

For an activity to be considered and reported as environmentally sustainable, i.e., Taxonomy-aligned, the following three prerequisites must be fulfilled:

- **Substantial contribution:** The activity makes a substantial contribution to one of the environmental objectives by meeting the technical screening criteria defined for this economic activity.
- **Do no significant harm ('DNSH'):** By fulfilling further criteria, it can be demonstrated that the activity does not do significant harm to any of the other environmental objectives.
- **Minimum safeguards:** The company performing the activity must have implemented and adhere to minimum safeguards relating to human rights, including labor rights, bribery/corruption, taxation, and fair competition.

Reporting scope for fiscal year 2023

The Delegated Regulation (Delegated Regulation (EU) 2021/2178) on Article 8 of the Taxonomy specifies the content, methodology, and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments, or lending activities. With the introduction of Delegated Regulation (EU) 2021/2139 in 2021 and its amendment in 2023 (Delegated Regulation (EU) 2023/2485), the EU clarified the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and/or climate change adaptation and for determining whether that economic activity does not cause any significant harm to any of the other environmental objectives. Furthermore, in 2023, the EU enacted the Delegated Regulation (EU) 2023/2486 establishing the Taxonomy eligibility and alignment criteria of economic activities for the remaining four environmental objectives mentioned above. However, for the first year of application, for adidas the reporting on the financial year 2023, only the proportion of Taxonomy-eligible and non-eligible activities in their total turnover (net sales), capital expenditure ('CapEx'), and operating expenditure ('OpEx') KPIs need to be disclosed for the remaining four environmental objectives. For the environmental objectives of climate change mitigation and climate change adaptation, as in the prior year, it is necessary to provide information on the degree to which Taxonomy-eligible economic activities are Taxonomy-aligned and to disclose the corresponding financial KPIs. Despite the expansion of the Taxonomy disclosure requirements in 2023, the adidas core business activities, i.e., the manufacturing of textiles and footwear as well as wholesale and retail sale thereof, remain unmentioned in the delegated acts and therefore non-eligible for any of the six environmental objectives. In addition, as per Delegated Regulation (EU) 2022/1214, we are required to provide specific disclosures on economic activities related to the fossil gas and nuclear energy sectors. We carried out related activities in 2023 due to the operation of a district heating plant in Germany, although, similar to 2022, not to a material extent. Thus, the detailed disclosure requirements as per Annex XII of the Delegated Regulation do not apply to adidas. ▢

Description of adidas procedure toward compliant 2023 reporting

▣ As in previous years, a core team within the adidas Corporate Finance area was responsible for the 2023 reporting process. The main tasks of the team were to

- educate the functional and subject-matter experts – mainly from the Accounting, Controlling, HR Workplaces, Supply Chain, and Retail teams – on the reporting requirements, with particular focus on Taxonomy alignment criteria,
- define, orchestrate, and lead a structured process to collect all Taxonomy-relevant information from the subject-matter experts,
- analyze and verify reported information in terms of Taxonomy relevance, accuracy, and completeness, and
- ensure that all new and updated Taxonomy-relevant publications that have become available throughout the course of the year are adequately reflected in this report.

Determination of Taxonomy-eligible activities

The core team reviewed the new delegated acts to the Taxonomy Regulation as they became available and analyzed the impact on the disclosure requirements compared to 2022 to ensure accuracy and completeness of our reporting. As mentioned above, while the reporting requirement covers all six environmental objectives since the beginning of 2024, the main economic activities of our business model remain out of scope, and we consequently have no turnover-generating Taxonomy-eligible activities to report on. As a result, the following eligible economic activities have been identified for 2023:

- 6.5 Transport by motorbikes, passenger cars, and light commercial vehicles (including company car leases)
- 7.3 Installation, maintenance, and repair of energy-efficient equipment (e.g., LED lighting in retail stores)
- 7.7 Acquisition and ownership of buildings (including building leases) ▣

Assessment of Taxonomy alignment of Taxonomy-eligible activities

▣ For Taxonomy-eligible activities at adidas, the environmental objective of climate change mitigation is applicable, not climate change adaptation, since these activities are intended to positively impact our carbon footprint. Hence, the Taxonomy-eligible activities have been assessed according to the substantial contribution and 'DNSH' criteria as laid out in Annex I to the Delegated Regulation (EU) 2021/2139. Since the identified Taxonomy-eligible activities relate to the purchase of output from potentially Taxonomy-aligned activities, performing the Taxonomy assessment was dependent on the input of the relevant information from the respective third-party suppliers. Due to the expected time and resource investment necessary for assessing all individual projects and items contributing to the eligible activities, we prioritized the assessment of those individual activities that were most material in terms of value and/or were more likely to be Taxonomy-aligned due to the availability of the necessary information.

Eligible building leases relate to warehouses/distribution centers, own retail stores, and corporate offices. The applicable substantial contribution and DNSH criteria as set out in section 7.7 of Annex I of the Delegated Regulation predominantly relate to primary energy demand and climate-related risks and adaptation solutions, respectively, in connection with the leased buildings. The substantial contribution criterion evidence which is most relevant for adidas in this regard is the existence of an Energy Performance Certificate (EPC) class A. Many of the eligible building leases are located outside of the EU, where this EU-centric energy performance certification is not common practice and other standards and frameworks, which are not mentioned in the Regulation, are typically used (e.g., LEED certification). In line with the generally low share of available non-residential buildings meeting these energy performance standards across our markets, only a few eligible leases in 2023 fulfill this criterion, in particular the eligible retail leases for which adidas has very limited ability to influence the design and/or

(re)development, especially for mall-based stores, which is the case for many of our retail locations. In addition, certain eligible retail lease locations are heritage sites for which it is not possible to obtain EPC class A certification. However, we have certain eligible lease contracts in connection with smaller warehouse (Dubai), retail (Poland), and corporate office locations (Sweden and the Netherlands), that fulfill the substantial contribution criterion. This reflects our commitment to decarbonize our own operations as well as our more pronounced ability to influence the design and development of major real estate investments related to our operational infrastructure. ► **SEE OWN OPERATIONS**

The relevant applicable 'DNSH' criterion for building leases relates to the environmental objective of climate change adaptation and refers to the performance of a robust climate risk and vulnerability assessment as per Appendix A to Annex I of the Delegated Regulation. In the assessment, we prioritized the most relevant eligible activities for this DNSH criterion. Thereby, on a case-by-case basis, we approached the landlords requesting the necessary information on the one hand, and, on the other, used existing information on climate risks and corresponding adaptation solutions that is regularly gathered as part of our standard business processes (e.g., for insurance purposes). As a result, for the majority of the assessed building leases, not all information was available for a complete and conclusive assessment exactly as per the methodology and scope prescribed by the Regulation. However, one of the eligible building leases that fulfills the substantial contribution criterion also complies with the DNSH criterion and is therefore reported as Taxonomy-aligned.

Eligible company car leases relate to the car fleet at multiple adidas locations. As per the applicable technical screening criteria mentioned in section 6.5 of Annex I, a vehicle that emits a maximum of 50g of CO₂e/km is considered to make a substantial contribution to climate change mitigation. For adidas, this applies to all leased electric vehicles and most plug-in hybrid vehicles.

Compliance with the DNSH criteria, as laid out in Annex I of the Delegated Regulation, requires the performance of a robust climate risk and vulnerability assessment, adherence of the vehicles to certain recyclability and reusability criteria, and adherence to various product-related EU regulations and directives concerning the limits of certain gaseous emissions and the external rolling noise and resistance characteristics of the vehicle tires. Assessing compliance with all these criteria requires the involvement and input of various suppliers. As a result, not all information was available for a complete and conclusive assessment as required by the Regulation. We therefore assessed the eligible car leases as not Taxonomy-aligned.

For the remaining eligible activities under section 7.3, an assessment of the Taxonomy alignment against the respective criteria laid out in Annex I of the Delegated Regulation was conducted in a structured manner as far as this was possible with reasonable effort. While the eligible activities fulfill the substantial contribution criterion, none of them are considered to be Taxonomy-aligned as a result of the non-compliance with the DNSH assessment. ◀

Minimum safeguards

◻ The minimum safeguards form part of the Taxonomy alignment criteria. Their purpose is to clarify that eligible economic activities can only be environmentally sustainable when performed in circumstances which are compliant with social norms and certain minimum governance standards. In this context, companies must implement appropriate processes and procedures to avoid negative influences on or violations of the following four specific topics: human rights (incl. labor rights), taxation, corruption/bribery, and fair competition. In order to assess adidas' adherence to the minimum safeguards, we reviewed the Platform on Sustainable Finance's final report to the European Commission on this matter as well as the European Commission's clarifying FAQ document of June 2023. In summary, these documents outline the following conditions of non-compliance with minimum safeguards:

Human rights and labor rights:

- Lack of an adequate human rights due diligence (HRDD) process as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, and/or
- evidenced signals of breach of law or human rights.

Taxation:

- Lack of tax governance and compliance as well as adequate risk management strategies and processes, and/or
- evidence of tax law violation.

Corruption/bribery:

- Lack of anti-corruption processes, and/or
- cases of court conviction for corruption.

Fair competition:

- Lack of promotion of employee awareness of the importance of complying with all applicable competition laws and regulations, and/or
- cases of court conviction for violating competition laws.

In 2023, similar to the previous year, our subject-matter experts from the Social and Environmental Affairs, Tax, and Legal areas assessed the details of the respective criteria. The key objective of this assessment was to determine the extent to which the mentioned governance standards and policy frameworks are already embedded in adidas' existing policies (e.g., adidas Human Rights Policy), standard operating procedures (e.g., adidas Fair Play Code of Conduct), as well as in its Compliance Management System.

As in 2022, our assessment for the fiscal year 2023 confirmed that the Taxonomy-eligible activities were performed in a manner that is fully compliant with the minimum safeguards. We maintain rigorous internal policies and oversight mechanisms to ensure ongoing adherence to these standards.

More information on our compliance with the respective criteria can be found in this Annual Report:

- Human rights and labor rights ► [SEE SOCIAL IMPACTS](#)
- Taxation ► [SEE OUR APPROACH TO TAX](#)
- Corruption/bribery ► [SEE RISK AND OPPORTUNITY REPORT](#)
- Fair competition ► [SEE RISK AND OPPORTUNITY REPORT](#)

Determination and reporting of Taxonomy KPIs

- **Turnover KPI:** Turnover as per the Taxonomy (denominator of the turnover KPI) is equivalent to our net sales disclosed in the consolidated financial statements in this report. In 2023, the turnover amounts to € 21,427 million (2022: € 22,511 million). The identified eligible activities at adidas were not turnover generating, resulting in a numerator value of '0' and, accordingly, a turnover KPI of 0% eligible and 100% non-eligible turnover. ► [SEE INCOME STATEMENT](#)
- **CapEx KPI:** In comparison to the disclosed CapEx value of € 504 million in this report, the Taxonomy definition of CapEx results in a total value of € 838 million (denominator of the CapEx KPI) at adidas (2022: € 1,587 million). The denominator contains, in accordance with the definition of the Taxonomy and as disclosed in this report, additions to buildings, technical equipment and machinery, other equipment, furniture and fixtures, right-of-use assets, and other intangible assets, before depreciation, amortization, and remeasurements. To calculate the numerator of the CapEx KPI, we analyzed the additions in relation to the identified eligible activities as

described above. In this process, we conducted several control measures, such as plausibility checks and reconciliations, to avoid double-counting of additions. In total, the corresponding numerator of the eligible CapEx KPI amounts to € 344 million (2022: € 867 million), resulting in a CapEx KPI of 41% eligible and 59% non-eligible CapEx. Most of the eligible CapEx in 2023 (89%) relates to building leases (section 7.7), which amount to € 307 million, with € 22 million eligible CapEx relating to the installation of energy efficiency equipment (section 7.3), and the remaining € 16 million eligible CapEx relating to car leases (section 6.5). While a total of € 44 million of eligible CapEx complies with the substantial contribution criteria, € 7 million of eligible CapEx are Taxonomy-aligned. In summary, the corresponding numerator of the aligned CapEx KPI amounts to € 7 million, resulting in a CapEx KPI of 1% aligned and 40% non-aligned CapEx (2022: 0% aligned and 55% non-aligned CapEx). ► [SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS](#)

- **OpEx KPI:** The Taxonomy definition of 'OpEx' refers to expenditure for research and development, short-term leases, maintenance and repair, as well as certain other expenditure. In 2023, this amounts to € 969 million (denominator of the OpEx KPI) at adidas (2022: € 862 million), which compares to € 21,427 million of net sales and € 10,087 million of OpEx as per the consolidated financial statements for adidas disclosed in this report. In the context of our business model, which is the design, development, production, and marketing of a broad range of [performance](#) and sports [lifestyle](#) products, we consider the Taxonomy OpEx KPI denominator value to be insignificant. Consequently, and in line with Annex I of the Delegated Regulation (EU) 2021/2178, we report the numerator value of our Taxonomy-eligible OpEx KPI as € 0 (2022: € 0). As a result, no further information on the alignment of eligible OpEx can be provided in this Annual Report.

Full information on the Taxonomy KPIs according to Annex II of the Delegated Regulation can be found in this Annual Report. ► [SEE EU TAXONOMY TABLES](#)

Our commitment to sustainability is reflected in the ambitious targets and numerous initiatives that are outlined in this report. We consider the EU Taxonomy to be a potentially valuable instrument that will help us validate and adjust our sustainability ambitions over time, assuming our core business activities become eligible to contribute to the Taxonomy's environmental objectives and a common interpretation of all aspects relevant to adidas is established. At the time of the publication of this report, it remains unclear if and by when this will be the case. ↗

Approach to tax

↗ We are committed to being compliant with all tax regulations in all jurisdictions in which we operate. We consider the interests of our stakeholders in the business decisions we make in order to ensure the lasting success of our company.

We do not operate through artificial structures or structure our business in ways that are intended to result in tax avoidance. Where we have a presence in so-called low-tax jurisdictions, this is related to our business activities in those jurisdictions and is not created for the purpose of minimizing our tax burden. While tax is among the many considerations in making business decisions, it is not the main driver in our decision-making process. ↗

Tax management and governance

↗ Given the range of activities and locations we operate in, adidas is subject to a wide range of taxes across the world, including corporate income tax, VAT/GST, employee-related taxes such as payroll and fringe benefit tax, withholding taxes, property taxes, stamp duties, and other taxes. The purpose of our tax

function is to support and enable business objectives while ensuring compliance and preventing or minimizing tax risks.

The approach to tax is defined by the Vice President Corporate Tax and is reflected in the tax strategy, objectives, policies, and internal controls. Economic and social impacts are considered in developing and executing our tax strategy. The Corporate Tax team reviews our tax strategy on an annual basis, with significant changes being approved by our Chief Financial Officer (CFO). The CFO is ultimately accountable for compliance with our tax strategy.

Pursuant to our tax policies, the local Directors and Management of each legal entity are responsible for ensuring compliance with tax regulations. The local teams are supported by the company's Corporate Tax team and tax advisers. The Corporate Tax team exercises global governance and is accountable for our approach to tax. Its main responsibility is to provide global tax advisory, to identify and manage opportunities and risks, and to ensure tax compliance worldwide. Through partnering with business functions, the Corporate Tax team aims to understand the needs and perspectives of various stakeholders internally and externally and to support business objectives while ensuring continued compliance with tax regulations. Inquiries from and communication with external stakeholders regarding our tax affairs are managed in accordance with our 'Global Communication Guidelines.'


Our Executive Board is updated on tax matters periodically, including a risk review process every six months that also forms part of our tax governance framework. Our CFO and/or the Executive Board, advised by the Corporate Tax team, is ultimately responsible for decisions on topics such as entering into significant or one-off transactions that may give rise to an increase in tax risk (e.g., mergers and acquisitions).

Our 'Fair Play Code of Conduct' sets out the options available to employees who detect unlawful or unethical behavior, including anonymous notification or whistleblowing procedures. The adidas AG audit includes the audit of disclosures in respect to tax in the Consolidated Financial Statement.

Interactions with tax authorities

We seek a cooperative relationship with tax authorities. We respond to information requests, whether formal or informal, and, on a case-by-case basis, decide whether to take the initiative in communicating business developments of particular significance to the local tax authorities. During 2023 we were not involved in the public policy regarding tax law or tax law changes in any of the jurisdictions in which we operate.

Tax planning

We ensure that the tax profile of our activities is aligned with the substance of the operating structures of our business. Accordingly, transactions have commercial and economic substance, and we do not put in place arrangements that are contrived or artificial. Our 'Transfer Pricing Policy' requires that intragroup transactions be carried out on an arm's-length basis. As a result, our profits are derived and taxed in the jurisdictions where value is created. 

Non-financial statement

In accordance with § 315c HGB in conjunction with §§ 289c to 289e HGB, adidas publishes a combined non-financial statement for adidas AG and the Group in this combined Management Report. The content of the non-financial statement can be found throughout the combined Management Report, with relevant parts being indicated accordingly. This content was subject either to a separate reasonable assurance engagement, marked with [] , or to a limited assurance engagement, marked with [] , of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. These parts are not covered by the Audit of the Consolidated Financial Statements and of the Group Management Report. Links and references are not part of the non-financial statement and have not been assessed. ► **SEE INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED AND REASONABLE ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING**

The content of the non-financial statement combined with further information in this report and on our corporate website is prepared with reference to the GRI Standards. The GRI content index can be found online. ► [REPORT.ADIDAS-GROUP.COM](https://report.adidas-group.com)

Description of business model

- ▶ SEE GLOBAL SALES
- ▶ SEE GLOBAL OPERATIONS

Environmental approach

- More sustainable materials and circularity
 - ▶ SEE SUSTAINABILITY
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
- Decarbonization
 - ▶ SEE SUSTAINABILITY
- Water consumption (supply chain)
 - ▶ SEE SUSTAINABILITY
- Waste diversion (supply chain)
 - ▶ SEE SUSTAINABILITY
- Biodiversity
 - ▶ SEE SUSTAINABILITY

Product responsibility

- Product safety and integrity
 - ▶ SEE SUSTAINABILITY

Human rights

- Fair labor conditions
 - ▶ SEE OUR PEOPLE
 - ▶ SEE SUSTAINABILITY
- Supplier relationships
 - ▶ SEE GLOBAL OPERATIONS

Employee matters

- Diversity, Equity, and Inclusion
 - ▶ SEE OUR PEOPLE
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
- Experience and engagement
 - ▶ SEE OUR PEOPLE
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
- Learning
 - ▶ SEE OUR PEOPLE
- Rewards
 - ▶ SEE OUR PEOPLE

Consumer matters

- Membership
 - ▶ SEE GLOBAL SALES

Anti-bribery and corruption

- Ethical business practices
 - ▶ SEE RISK AND OPPORTUNITY REPORT

Tax

- Approach to tax
 - ▶ SEE SUSTAINABILITY

Sustainable finance

- EU Taxonomy
 - ▶ SEE SUSTAINABILITY
 - ▶ SEE EU TAXONOMY TABLES

3

**GROUP MANAGEMENT REPORT
FINANCIAL REVIEW**

<u>Internal Management System</u>	121
<u>Business Performance</u>	124
<u>Income Statement</u>	126
<u>Statement of Financial Position and Statement of Cash Flows</u>	133
<u>Treasury</u>	140
<u>Financial Statements and Management Report of adidas AG</u>	147
<u>Business Performance by Segment</u>	158
<u>Outlook</u>	163
<u>Risk and Opportunity Report</u>	166
<u>Management Assessment of Performance, Risks and Opportunities, and Outlook</u>	185

Internal Management System

We are committed to significant value creation – for our company and all its stakeholders. We strive to create value by converting sales and profit growth into strong operating cash flow, while at the same time managing our asset base proactively. Our company's planning and controlling system is therefore designed to provide a variety of tools to assess our current performance and to align future strategic and investment decisions to best utilize commercial and organizational opportunities.

Internal management system designed to drive shareholder value

In order to drive and steer value creation, the company's Management focuses on a set of major financial key performance indicators (KPIs). Sales and operating profit growth, paired with a focus on management of operating working capital, are the main contributors to operating cash flow improvements. At the same time, value-enhancing capital expenditure benefits future operating profit and cash flow development. Our strong focus on value creation is reflected in the fact that our Management's short- and long-term variable compensation is closely linked to the company's growth in sales and profitability.

► [ADIDAS-GROUP.COM/S/COMPENSATION](https://adidas-group.com/s/compensation)

Net sales and operating profit growth

Net sales growth is the reflection of the attractiveness of our product offering driven by innovation and our ability to create, identify and respond to latest consumer trends. To ensure that we have the most relevant information to assess our respective performance, we exclude foreign currency effects and use currency-neutral net sales growth as one of our major KPIs.

Operating profit as another major KPI helps to drive and improve our company's operational performance. The primary drivers to enhance operating profit are as follows:

- **Sales and gross margin development:** Management focuses on identifying and exploiting growth opportunities that not only provide for future top-line improvements but also have potential to increase our gross margin. Major levers include reducing promotional activity and driving full price sales, optimizing our pricing, product and market mix as well as managing product and supply chain costs.
- **Operating expense control:** Management puts high emphasis on tightly controlling operating expenses. This requires a particular focus on ensuring flexibility in the company's cost base, especially in marketing and operating overhead expenses. More broadly, marketing expenditure is one of our largest operating expenses, and at the same time, one of the most important mechanisms for driving brand desirability and top-line growth. Therefore, we are committed to both increasing investments into our brand and products as well as ensuring the effectiveness and efficiency of our marketing activities. We also aim at improving our operational efficiency by actively managing our operating overhead expenses. In addition to leveraging our top-line growth, we regularly review our operational structure to simplify business processes and eliminate redundancies.

Cash flow and operating working capital management

Actively managing our liquidity, cash flow, and operating working capital remains a key focus for us and continues to be monitored closely by Management. Generally, due to a comparatively low level of fixed assets required in our business, the efficiency of the balance sheet depends to a large degree on our operating working capital management. Operating working capital comprises accounts receivable plus inventories minus accounts payable. ► [SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS](#)

In this context, the major KPI we use is average operating working capital as a percentage of net sales. Monitoring the development of this metric facilitates the measurement of our progress in improving the efficiency of our business cycle.

We strive to proactively manage our inventory levels to meet market demand and ensure fast replenishment. Inventory aging is controlled carefully to reduce inventory obsolescence and to minimize clearance activities. As a result, 'Inventory Days Lasting' ('IDL') is monitored and assessed regularly as it measures the average number of days goods remain in inventory before being sold, highlighting the efficiency of capital locked up in products. To optimize capital tied up in accounts receivable and accounts payable, we focus on managing collection efforts and payment terms.

Capital expenditure targeted to maximize future returns

Improving the effectiveness of capital expenditure is another major lever to drive our cash flow generation. We control capital expenditure with a top-down, bottom-up approach. In a first step, Management defines focus areas and an overall investment budget based on investment requests from various functions within the organization. Then, in a second step, our operating segments align their initiatives within the scope of assigned priorities and available budget. We evaluate potential return on planned investments utilizing the net present value method. Risk is accounted for by adding a risk premium to the cost of capital, and thus reducing our estimated future earnings streams where appropriate. By means of scenario planning, the sensitivity of investment returns is tested against changes in initial assumptions. For large investment projects, timelines and deviations versus budget are monitored on a monthly basis throughout the course of the project. In addition to optimizing return on investments, we evaluate larger projects upon completion and document learnings for future capital expenditure decisions.

Other key performance indicators

In addition to the major financial KPIs to assess the performance and operational success of our company, as outlined above, we have identified a set of KPIs that help us track our progress in areas that are important for our success as well. These KPIs are assessed on a regular basis and managed by the respective business functions. These other KPIs we are monitoring include, among others, employee engagement, the share of female leadership, our sustainable article offering, and our carbon emissions.

Employee engagement and experience

▣ We are convinced that listening to employees plays a crucial role in our pursuit of creating a best-in-class employee experience and continuing to attract and retain top talent. We can only tell if we are successful by asking our people, hence we empower them to share their feedback through our 'Employee Listening Survey.' ▣ ► [SEE OUR PEOPLE](#)

Female Leadership

Through our focus on Diversity, Equity, and Inclusion, we are committed to providing an equal starting line for all our people, ensuring that everyone has the same career opportunities. One of our commitments is to increase the share of women in management positions (Director level and above) globally to more than 50% by 2033. [▶ SEE OUR PEOPLE](#)

Sustainability performance

We have a strong commitment to enhance the environmental and social performance of our company. By doing so, we firmly believe we will not only improve the company's overall reputation but also increase its economic value. To measure our progress, we have developed and implemented the KPI 'Sustainable Article Offering.' In addition, we have already been following a comprehensive roadmap with clear targets for years and regularly track our progress toward these targets with regard to the environmental and social impact. We are measuring the environmental footprint of our entire value chain, including our own operations globally, as well as monitoring and rating our supplier factories for environmental and social compliance with our Workplace Standards. We have a long-standing commitment to sustainability disclosure, providing regular updates about our sustainability performance in this Annual Report as well as on our corporate website. [▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK](#)
[▶ SEE SUSTAINABILITY](#) [▶ ADIDAS-GROUP.COM/S/COMPENSATION](#) [▶ ADIDAS-GROUP.COM/SUSTAINABILITY](#)

Structured performance measurement system

We have developed an extensive performance measurement system that uses a variety of tools to measure the company's performance. Key performance indicators and other important financial metrics are regularly monitored and compared against initial targets as well as rolling forecasts on a monthly basis. When negative deviations exist between actual and target numbers, we perform a detailed analysis to identify and address the cause. If necessary, action plans are implemented to optimize the development of our operating performance. To assess current sales and profitability development, Management continuously analyzes the performance of our operating segments. We also benchmark our financial results with those of our major competitors on a regular basis.

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

Business Performance

In its transition year 2023, adidas recorded better-than-expected results against the backdrop of geopolitical tensions, macroeconomic challenges, as well as industry-wide elevated inventory levels. Revenues were flat on a currency-neutral basis. The gross margin increased 0.2 percentage points to 47.5%, while operating profit amounted to € 268 million in 2023.

Economic and sector development

Global economy shows resilience in 2023²⁵

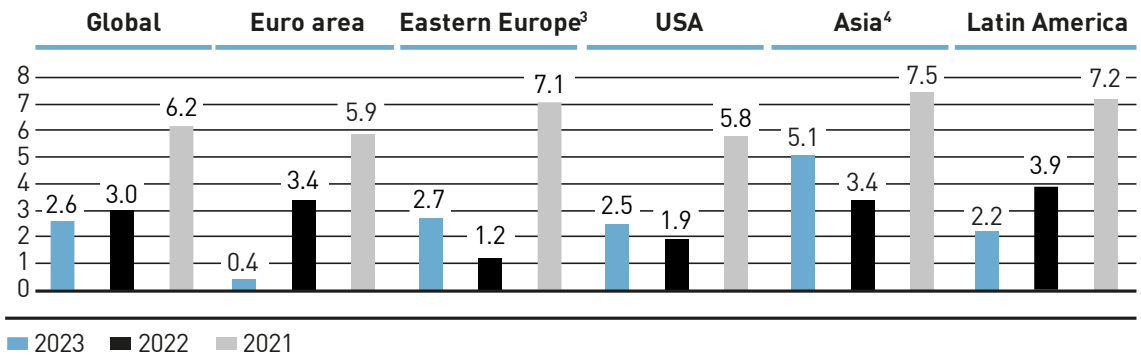
The global economy remained resilient in 2023 despite facing elevated, albeit slowing, inflation and rising geopolitical conflicts. In this context, the global gross domestic product (GDP) increased 2.6% in 2023. While the surge in energy and commodity prices due to the ongoing war in Ukraine has moderated somewhat, inflation remained elevated and continued to weigh on household incomes and consumer sentiment throughout the year. During the first half of the year, global central banks further tightened monetary policy, resulting in higher interest rates. During the second half of the year, however, most central banks halted interest rate increases. This challenging macroeconomic environment impacted global economic activity, as growth in advanced economies slowed to 1.5% in 2023. Meanwhile, developing economies proved relatively resilient as growth slightly accelerated to 4.0% in 2023. Nevertheless, restrictive monetary policy and the conflict in the Middle East, in addition to the ongoing war in Ukraine, left their mark on both advanced and developing economies. Globally, the risks of further escalation of geopolitical tensions, supply chain disruptions, climate-related disasters and financial stress amid elevated borrowing costs remain.

Sporting goods industry grows moderately in 2023

Despite facing persisting challenges, the global sporting goods industry proved its resilience in 2023. The overall market expanded amid continued pressure on input costs and supply chains as well as subdued demand due to lower discretionary spending in a high inflation environment. Additionally, the industry faced particularly high inventory levels globally in 2023, which were countered by increased promotional activity across the sector. While most markets returned to healthier inventory levels toward the end of 2023, the marketplace in North America, in particular, continued to face excess stock. Despite these challenges, demand globally benefited from major sports events such as the FIFA Women's World Cup Australia & New Zealand and the Rugby World Cup France. In addition, recurring tournaments such as the UEFA Champions League and major US sports leagues drove consumer excitement. Furthermore, the sporting goods industry continues to profit from a casualization trend, as well as increased participation in sports and healthier lifestyle choices around the world. Comfort, quality, durability, and sustainability continued to influence consumer purchasing decisions. At the same time, the sporting goods industry is also subject to risks of lower consumer demand due to pressure on discretionary spending power amid economic downturns, as well as further geopolitical tensions and supply chain disruptions.

²⁵ Source: World Bank Global Economic Prospects.

Regional GDP development^{1,2} in %



1 Real change in percent versus prior year; 2022 and 2021 figures restated compared to prior year.
 2 Source: World Bank as of January 9, 2024.
 3 Includes Emerging Europe and Central Asia.
 4 Includes East Asia and Pacific.

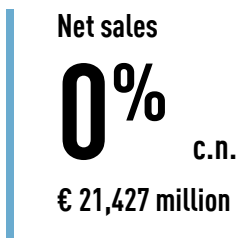
Income Statement

adidas revenues on prior-year level in 2023

On a currency-neutral basis, revenues in 2023 were flat compared to the prior year. In euro terms, revenues declined 5% to € 21,427 million from € 22,511 million in 2022. Reported revenues incorporate negative translation impacts of more than € 1,000 million from unfavorable currency movements.

The top-line development in 2023 was impacted by significantly reduced sell-in to the wholesale channel as part of the company’s successful initiatives to reduce high inventory levels. In addition, the discontinuation of the Yeezy business represented a drag of around € 500 million on the year-over-year comparison during 2023. The sale of remaining Yeezy product in the second and third quarter positively impacted net sales in the amount of around € 750 million. This compared to a total of more than € 1,200 million of Yeezy revenues in 2022.

From a market perspective, currency-neutral sales increased strong double-digits in Latin America. Revenues in both Greater China and Asia-Pacific grew high-single-digits. Currency-neutral sales in EMEA were flat. North America recorded a double-digit decline as this market was particularly impacted by the company’s conservative sell-in strategy to reduce high inventory levels. ► [SEE BUSINESS PERFORMANCE BY SEGMENT](#)



Revenue development driven by growth in Performance

From a category perspective, currency-neutral revenues in [Performance](#) grew at a mid-single-digit rate. This growth was mainly driven by high-single-digit increases in Football, Outdoor, and Specialist Sports. Currency-neutral net sales declined in [Lifestyle](#) overall due to the Yeezy impact. However, revenues in Originals increased at a mid-single-digit rate, while sales in Basketball and Skateboarding grew at double-digit rates.

Net sales¹ € in millions

2023		21,427
2022		22,511
2021		21,234
2020		18,435
2019		23,640

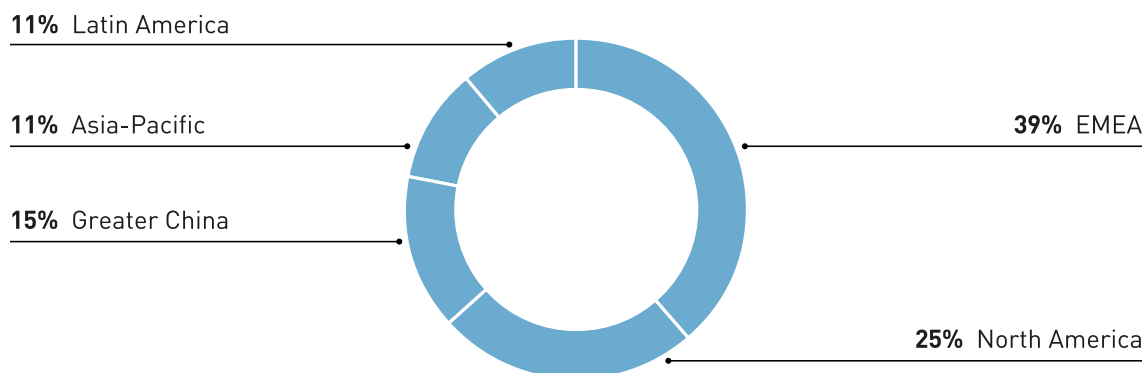
¹ 2019 including Reebok business.

Net sales by segment¹ € in millions

	2023	2022	Change	Change (currency-neutral)
EMEA	8,235	8,550	(4%)	0%
North America	5,219	6,404	(19%)	(16%)
Greater China	3,190	3,179	0%	8%
Asia-Pacific	2,254	2,241	1%	7%
Latin America	2,291	2,104	9%	22%
Other Businesses	155	150	3%	4%
Total	21,427	22,511	(5%)	0%

¹ Includes HQ/consolidation not directly attributable to one of the segments. See Note 36.

Net sales by segment¹ in %



¹ As a percentage of total segments.

Footwear drives sales growth in 2023

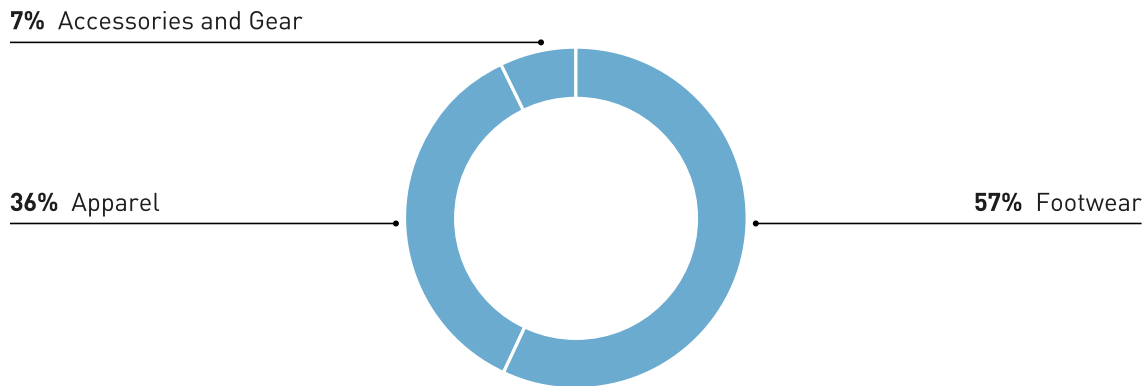
Despite the significant Yeezy impact, currency-neutral footwear sales were up 4% in 2023, mainly driven by double-digit growth in Football and high-single-digit growth in Originals. Apparel revenues were down 6% on a currency-neutral basis, as this product category was particularly impacted by the high inventory levels in the marketplace and the company’s disciplined sell-in to the wholesale channel in response to it. Nevertheless, apparel revenues in Outdoor and Basketball grew at double-digit rates and Golf posted high-single-digit growth. Currency-neutral accessories and gear sales were up 3%, mainly reflecting a double-digit increase in Football.

Net sales by product category¹ € in millions

	2023	2022	Change	Change (currency-neutral)
Footwear	12,139	12,287	(1%)	4%
Apparel	7,806	8,731	(11%)	(6%)
Accessories and Gear	1,483	1,493	(1%)	3%
Total	21,427	22,511	(5%)	0%

¹ Prior year figures restated due to HQ/consolidation. See Note 36.

Net sales by product category in %



Cost of sales decreases in line with net sales development

Cost of sales is defined as the amount we pay to third parties for expenses associated with producing and delivering our products. In addition, own-production expenses are also included in the cost of sales. However, these expenses represent only a very small portion of total cost of sales. In 2023, cost of sales was € 11,244 million, representing a decrease of 5% compared to the prior year level of € 11,867 million. This decline mainly reflects lower supply chain costs in line with the company’s revenue development.

Gross margin at 47.5%

In 2023, gross profit decreased 4% to € 10,184 million from € 10,644 million in 2022, while gross margin increased 0.2 percentage points to 47.5% (2022: 47.3%). The improvement was mainly driven by price increases, a more favorable business mix and lower freight costs. This was largely offset by significant negative currency effects and increased product costs. In addition, while improving throughout the year, elevated discounting levels weighed on the gross margin development in 2023.

Gross margin^{1,2} in %



¹ Gross margin = (gross profit / net sales) × 100.
² 2019 including Reebok business.

Royalty and commission income and other operating income decrease

In 2023, royalty and commission income decreased 26% to € 83 million (2022: € 112 million) due to a decline in royalty payments. Other operating income was down 59% to € 71 million from € 173 million in 2022, reflecting lower income from post-closing agreements with Authentic Brands Group related to the Reebok divestiture.

Other operating expenses as a percentage of sales up 1.4 percentage points

Other operating expenses, including depreciation and amortization, mainly consist of marketing and point-of-sale, distribution and selling, as well as general and administration expenses. In 2023, other operating expenses were down 2% to € 10,070 million (2022: € 10,260 million). As a percentage of sales, other operating expenses increased 1.4 percentage points to 47.0% from 45.6% in 2022. In 2023, marketing and point-of-sale expenses decreased 8% to € 2,528 million (2022: € 2,763 million). The company continued its marketing investments into brand campaigns, especially around important sports events such as the FIFA Women's World Cup 2023. Furthermore, it broadened its portfolio of sports partners, such as the Indian cricket team and Les Mills in Training. In addition, adidas invested into the launch of new products such as the latest iterations of its iconic Predator, X, and Copa boots in Football; the introduction of the Adizero Adios Pro Evo 1 in Running; and drops with partners such as Bad Bunny, Pharrell Williams, or Edison Chen in Lifestyle. In Basketball, adidas successfully brought 'Fear of God' products and the first signature shoe with Anthony Edwards to market. The company limited point-of-sale expenses at times and in regions with heightened promotional activity in the marketplace. As a percentage of sales, marketing and point-of-sale expenses decreased 0.5 percentage points to 11.8% (2022: 12.3%). Distribution and selling expenses decreased 1% to € 5,547 million in 2023 from € 5,601 million in the prior year, mainly reflecting lower logistics costs. As a percentage of sales, distribution and selling expenses increased 1.0 percentage point to 25.9% from 24.9% in 2022. General and administration expenses were up 11% to € 1,839 million (2022: € 1,651 million), mainly due to higher personnel costs. As a percentage of sales, general and administration expenses were up 1.2 percentage points to 8.6% (2022: 7.3%). In total, operating overhead expenses increased 1% to € 7,541 million (2022: € 7,498 million). This includes one-off costs of around € 200 million related to the strategic review the company conducted in 2023, as well as donations and accruals for further donations in an amount of more than € 140 million. As a percentage of sales, operating overhead expenses increased 1.9 percentage points to 35.2% from 33.3% in 2022. ► SEE NOTE 30

Other operating expenses¹ in % of net sales

2023		47.0
2022		45.6
2021		41.9
2020		46.5
2019		41.6

¹ 2019 including Reebok business.

Marketing and point-of-sale expenses¹ in % of net sales



¹ 2019 including Reebok business.

EBITDA decreases 28%

Earnings before interest, taxes, depreciation and amortization, as well as impairment losses/reversal of impairment losses on property, plant, and equipment; right-of-use; and intangible assets (EBITDA) decreased 28% to € 1,358 million in 2023 versus € 1,874 million in 2022. Total depreciation and amortization as well as impairment losses/reversal of impairment losses for tangible, right-of-use, and intangible assets decreased 15% to € 1,170 million in 2023 (2022: € 1,371 million).

EBITDA^{1,2} € in millions



¹ EBITDA = income before taxes (IBT) + net interest expenses + depreciation and amortization + impairment losses – reversal of impairment losses.
² 2019 including Reebok business.

Operating margin decreases to 1.3%

Operating profit decreased 60% to € 268 million in 2023 versus € 669 million in 2022. This includes a negative impact of around € 100 million related to the significant devaluation of the Argentine Peso in the fourth quarter. The sale of remaining Yeezy product in the second and third quarter positively impacted adidas' operating profit by an incremental amount of around € 300 million during 2023. At the same time, the company's operating profit includes extraordinary expenses of more than € 340 million in total reflecting one-off costs related to the strategic review the company conducted in 2023 as well as donations and accruals for further donations. adidas' operating profit also reflects a low-double-digit million euro amount of Yeezy-related inventory write-offs, reflecting the company's decision to only write off a small portion of its remaining Yeezy inventory. The operating margin was 1.3% in 2023, 1.7 percentage points below the prior-year level [2022: 3.0%].

Operating margin

1.3%

(1.7 PP)

Operating profit¹ € in millions



¹ 2019 including Reebok business.

Operating margin^{1,2} in %



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

² 2019 including Reebok business.

Net financial result decreases

Financial income increased 103% to € 79 million in 2023 (2022: € 39 million), mainly reflecting higher interest income and changes in the fair value of financial instruments. Financial expenses were down 12% to € 282 million compared to € 320 million in 2022, mainly due to lower net foreign exchange losses. As a result, the company recorded a net financial result of negative € 203 million, compared to negative € 281 million in 2022. ▶ SEE NOTE 32

Tax rate increases significantly

The company's tax rate increased 154.7 percentage points to 189.2% in 2023 (2022: 34.5%). As a result of the significantly lower income before taxes, non-deductible expenses and tax-free income had a significant impact. In addition, the tax rate development reflected higher withholding tax expenses.

▶ SEE NOTE 34

Net loss from continuing operations of € 58 million

While the operating business improved significantly in 2023, net loss from continuing operations was € 58 million (2022: net income of € 254 million), reflecting the extraordinarily high tax rate. Consequently, both basic and diluted earnings per share (EPS) from continuing operations reached negative € 0.67 (2022: € 1.25).

Net (loss)/income from continuing operations¹ € in millions

2023		(58)
2022		254
2021		1,492
2020		461
2019		1,918

¹ 2019 including Reebok business.

Basic earnings per share¹ in €

2023		(0.67)
2022		1.25
2021		7.47
2020		2.31
2019		9.70

¹ 2019 including Reebok business.

The total number of shares outstanding slightly increased to 178,549,084 at the end of 2023, reflecting the grant of 11,886 shares to Bjørn Gulden in connection with his Executive Board compensation during the first half of the year. The average number of shares used in the calculation of basic earnings per share (EPS) was 178,543,596 (2022: 183,263,629).

Gains from discontinued operations amount to € 44 million

In 2023, adidas incurred gains from discontinued operations of € 44 million, net of tax, related to the Reebok divestiture (2022: gain of € 384 million). ► [SEE NOTE 03](#)

Net loss attributable to shareholders of € 75 million

The company's net loss attributable to shareholders, which, in addition to the net loss from continuing operations, includes gains from discontinued operations, amounted to € 75 million (2022: net income of € 612 million). As a result, both basic and diluted EPS from continuing and discontinued operations was negative € 0.42 versus € 3.34 in 2022.

Statement of Financial Position and Statement of Cash Flows

Assets

At the end of December 2023, total assets were down 11% to € 18,020 million from € 20,296 million in the prior year as the decrease in inventories, accounts receivable and right-of-use assets more than offset the increase of cash and cash equivalents.

Structure of statement of financial position¹ in % of total assets

	2023	2022
Assets (€ in millions)	18,020	20,296
Cash and cash equivalents	7.9%	3.9%
Accounts receivable	10.6%	12.5%
Inventories	25.1%	29.4%
Fixed assets ²	35.4%	34.2%
Right-of-use assets (IFRS 16) ³	35.2%	38.4%
Other assets	20.9%	20.0%

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

² Fixed assets = property, plant, and equipment + right-of-use assets + goodwill + trademarks + other intangible assets + long-term financial assets.

³ As a percentage of fixed assets.

Total current assets decreased 16% to € 9,809 million at the end of December 2023 compared to € 11,732 million in 2022. Cash and cash equivalents were up 79% to € 1,431 million at the end of December 2023 from € 798 million in the prior year. This increase is mainly due to the positive cash flow from operating activities resulting from the significant reduction of operating working capital compared to the prior year. This rise was only partly offset by the repayment of the eurobond, repayments of lease liabilities, interest paid as well as the dividend payment for the year 2022. Inventories decreased by almost € 1,500 million, or 24%, to € 4,525 million at the end of December 2023 from € 5,973 million in 2022. The decrease was mainly driven by the company's initiatives toward a more effective inventory management including significantly reduced buying patterns. On a currency-neutral basis, inventories decreased 22%.

► SEE NOTE 07

Inventories € in millions

2023		4,525
2022		5,973
2021		4,009
2020		4,397
2019		4,085

Accounts receivable decreased 25% to € 1,906 million at the end of December 2023 (2022: € 2,529 million), mainly reflecting the company's disciplined sell-in efforts to reduce inventory levels in the market as well as a more effective collection compared to the prior year. On a currency-neutral basis, receivables were

down 23%. Other current financial assets were down to € 755 million (2022: € 1,014 million), mainly related to the closing of the deferred considerations with regard to the divestiture of the Reebok business and the decrease in the fair value of financial instruments. Other current assets were down 24% to € 1,003 million at the end of December 2023 (2022: € 1,316 million) due to the decrease of tax receivables.

▶ SEE NOTE 05 ▶ SEE NOTE 06 ▶ SEE NOTE 08

Accounts receivable € in millions

2023		1,906
2022		2,529
2021		2,175
2020		1,952
2019		2,625

Total non-current assets decreased 4% to € 8,211 million at the end of December 2023 from € 8,563 million in 2022. This development is mainly related to a decrease in fixed assets and was only partly offset by an increase of deferred tax assets.

Fixed assets were down 8% to € 6,386 million at the end of December 2023 versus € 6,935 million in 2022. Right-of-use assets decreased 16% to € 2,247 million (2022: € 2,665 million) mainly due to depreciation, only partly offset by additions. Goodwill was down 2% to € 1,238 million (2022: € 1,260 million) reflecting negative currency effects. Other intangible assets increased 3% to € 442 million (2022: € 429 million), mainly due to additions in software including own-created software. Other non-current financial assets increased 24% to € 418 million from € 336 million at the end of 2022, mainly related to the increase of the fair value of the earn-out component with regard to the divestiture of the Reebok business in the prior year. Deferred tax assets amounted to € 1,358 million compared to € 1,216 million in 2022. ▶ SEE NOTE 34

Liabilities and equity

Total current liabilities were down 13% to € 8,043 million at the end of December 2023 from € 9,257 million in 2022. Short-term borrowings increased only slightly to € 549 million at the end of December 2023 (2022: € 527 million), as the reclassification of the eurobond in an amount of € 500 million due to its maturity in 2024 was offset by the repayment of the equity-neutral convertible bond of € 500 million in September 2023. Accounts payable were down 22% to € 2,276 million at the end of December 2023 versus € 2,908 million in 2022, mainly reflecting lower sourcing volumes. On a currency-neutral basis, accounts payable decreased 21%. Current lease liabilities decreased to € 545 million at the end of December 2023 versus € 643 million in 2022, mainly due to lease modifications and remeasurements. Other current financial liabilities were down 37% to € 266 million from € 424 million in 2022, mainly related to reduced customs liabilities as well as the lower fair value of financial instruments. Other current provisions decreased 17% to € 1,323 million at the end of December 2023 versus € 1,589 million in 2022, mainly due to lower provisions for returns and a reclassification of provisions for customs from current to non-current. Current accrued liabilities were down 6% to € 2,273 million at the end of December 2023 from € 2,412 million in 2022, mainly due to lower accruals for discounts and outstanding invoices, only partly offset by higher accruals of personnel and marketing costs. Other current liabilities were up 8% to € 488 million at the end of December 2023 from € 452 million in 2022. This

increase is related to donations in connection with the sale of parts of the Yeezy inventory. ► SEE NOTE 20 ► SEE NOTE 21

Structure of statement of financial position¹ in % of total liabilities and equity²

	2023	2022
Liabilities and equity (€ in millions)	18,020	20,296
Short-term borrowings	3.0%	2.6%
Accounts payable	12.6%	14.3%
Long-term borrowings	13.5%	14.5%
Other liabilities	43.5%	42.2%
Current and non-current lease liabilities (IFRS 16) ²	33.0%	34.9%
Total equity	27.3%	26.4%

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

² As a percentage of other liabilities.

Accounts payable € in millions

2023	2,276
2022	2,908
2021	2,294
2020	2,390
2019	2,703

Total non-current liabilities decreased 11% to € 5,052 million at the end of December 2023 compared to € 5,688 million in the prior year.

Long-term borrowings were down 18% to € 2,430 million at the end of December 2023 compared with € 2,946 million in the prior year. This decrease is mainly due to the reclassification of the eurobond of € 500 million to short-term borrowings due to its maturity in 2024. Non-current lease liabilities declined 13% to € 2,039 million at the end of December 2023 from € 2,343 million in the prior year as a result of a reduction in the number of lease contracts and currency effects. Other non-current financial liabilities were down 86% to € 6 million at the end of December 2023 from € 44 million in the prior year, related to the fair value of financial instruments. Deferred tax liabilities increased 9% to € 147 million at the end of December 2023 from € 135 million in the prior year. Other non-current provisions were up 113% to € 188 million at the end of December 2023 from € 88 million in the prior year, reflecting a reclassification of provisions for customs from current to non-current and higher provisions for personnel. Other non-current liabilities were up € 96 million to € 103 million at the end of December 2023 from € 6 million in 2022. This increase is related to donations in connection with the sale of parts of the Yeezy inventory.

► SEE NOTE 22

Shareholders' equity decreased 8% to € 4,580 million at the end of December 2023 versus € 4,991 million in 2022, mainly driven by negative currency effects, the decrease of hedging reserves, as well as the dividend paid to shareholders for the full year 2022. The equity ratio increased to 25.4% compared to 24.6% in the prior year, as the decrease in shareholders' equity was more than offset by the decrease of total liabilities and equity. ► SEE NOTE 25

Equity ratio¹ in %

2023		25.4
2022		24.6
2021		34.0
2020		30.7
2019		32.9

¹ Equity ratio = shareholders' equity / total liabilities and equity.

Operating working capital

Operating working capital decreased 26% to € 4,154 million at the end of December 2023 compared to € 5,594 million in 2022. On a currency-neutral basis, operating working capital was down 23%. Average operating working capital as a percentage of sales increased 1.6 percentage points to 25.7% (2022: 24.0%), reflecting the slight increase of average operating working capital against the background of lower net sales in 2023 compared to 2022.

Average operating working capital^{1, 2} in % of net sales³

2023		25.7
2022		24.0
2021		20.0
2020		25.3
2019		18.1

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

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

³ 2019 including Reebok business. Calculation logic used for internal reporting as well.

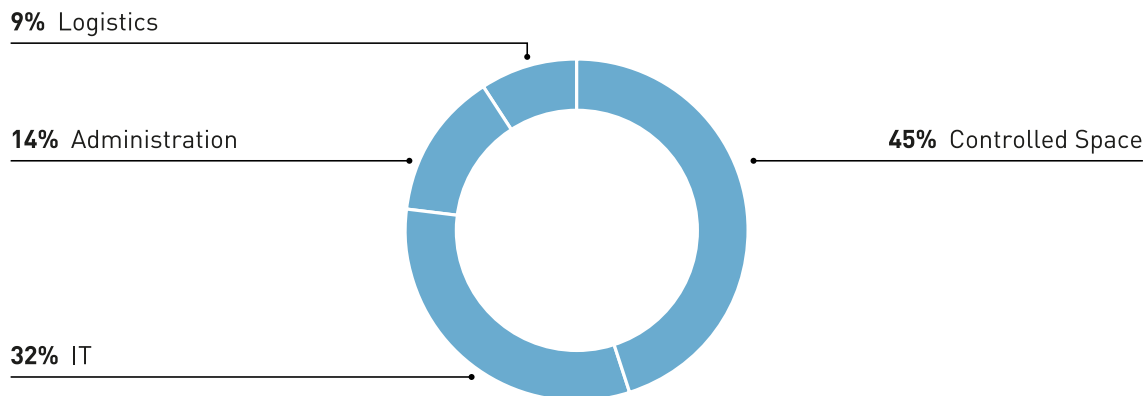
Investment analysis

Capital expenditure is defined as the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions and right-of-use assets according to IFRS 16). Capital expenditure decreased 27% to € 504 million (2022: € 695 million). Capital expenditure for property, plant, and equipment was down 28% to € 363 million compared to € 504 million in the prior year. The company invested € 141 million in intangible assets (2022: € 191 million). Depreciation and amortization, excluding impairment losses and reversal of impairment losses of tangible and intangible assets, decreased 3% to € 505 million in 2023 (2022: € 530 million).

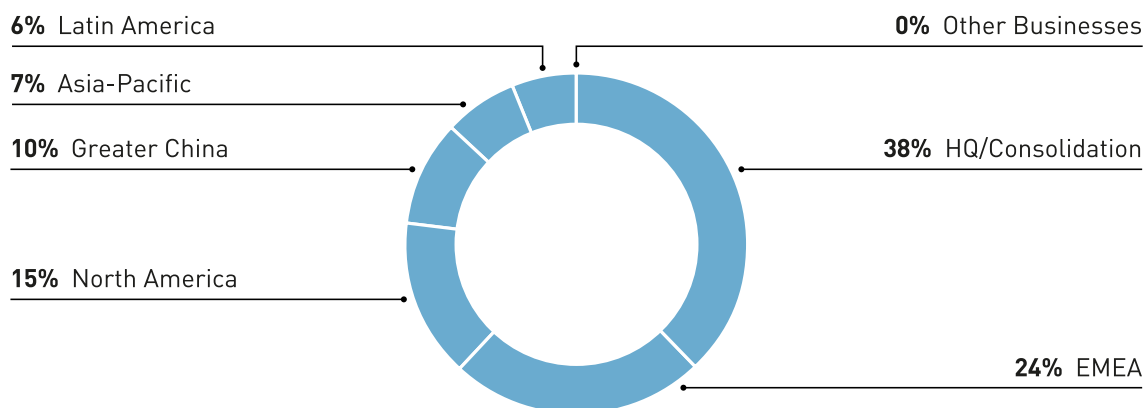
Controlled space initiatives, which comprise investments in new or remodeled own retail and franchise stores as well as in shop-in-shop presentations of our products in our customers' stores, accounted for 45% of total capital expenditure (2022: 43%). Expenditure for IT and logistics represented 32% and 9%, respectively (2022: 29% and 12%, respectively). In addition, expenditure for administration accounted for 14% (2022: 15%). From a segmental perspective, the majority of the capital expenditure was recorded centrally at headquarter level, which accounted for 38% (2022: 46%). From a regional perspective, capital

expenditure in EMEA accounted for 24% (2022: 21%) of the total capital expenditure, followed by North America with 15% (2022: 11%), Greater China with 10% (2022: 11%), Asia-Pacific with 7% (2022: 8%), and Latin America with 6% (2022: 4%).

Capital expenditure by type in %



Capital expenditure by segments in %



Liquidity analysis

Net cash generated from operating activities amounted to € 2,630 million in 2023 (2022: € 479 million net cash used). Net cash generated from continuing operating activities was € 2,630 million (2022: € 394 million net cash used). This development was mainly due to the reduction of operating working capital in 2023 compared to the prior year.

In 2023, net cash used in investing activities reached a level of € 450 million compared to net cash of € 495 million generated in 2022. This development was mainly due to the proceeds related to the divestiture of the Reebok business in 2022.

Net cash used in financing activities amounted to € 1,425 million (2022: € 2,963 million) and net cash used in continuing financing activities amounted to € 1,425 million (2022: € 2,957 million). This is a result of the

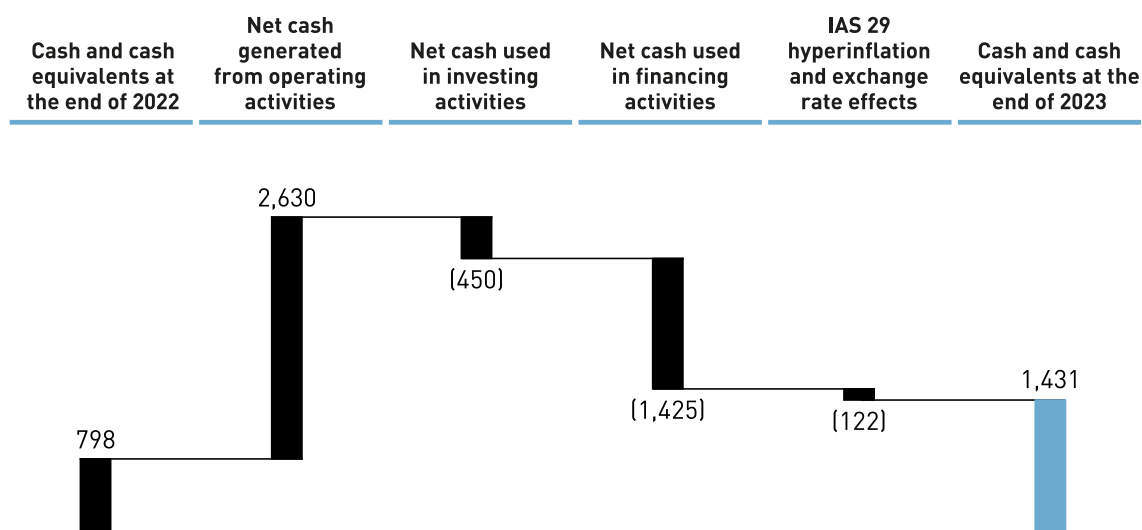
repayment of the eurobond, repayments of lease liabilities, interest paid as well as the dividend payment for the year 2022.

Adjustments according to IAS 29 'Financial Reporting in Hyperinflationary Economies' are required to be separately disclosed and had an impact of € 82 million on the company's 2023 operating, investing and financing cash flows and € 64 million on the 2022 values.

Exchange rate effects negatively impacted the company's cash position by € 40 million (2022: € 39 million).

As a result of all these developments, cash and cash equivalents increased by € 633 million to € 1,431 million at the end of December 2023 compared to € 798 million at the end of December 2022.

Change in cash and cash equivalents € in millions



Adjusted net borrowings at December 31, 2023, amounted to € 4,518 million, compared to € 6,047 million in 2022. The company's ratio of adjusted net borrowings over EBITDA amounted to 3.3 at the end of December 2023 (2022: 3.2). ► [SEE TREASURY](#)

Adjusted net borrowings/EBITDA^{1,2,3} € in millions



1 First-time application of adjusted net borrowings as of 2020. Figures since 2019 were restated to reflect methodology revision in 2022.
 2 2021 figure reflect the reclassification of the Reebok business to assets or liabilities held for sale.
 3 2019 including Reebok business.

Off-balance-sheet items

The company's most significant off-balance-sheet items are commitments for promotion and advertising, for service arrangements as well as for other contracts. At the end of December 2023, financial commitments for promotion and advertising increased 30% to € 6,418 million in 2023 (2022: € 4,942 million). adidas has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. For these service arrangements, financial commitments increased 65% to € 1,454 million in 2023 (2022: € 881 million). Minimum future payments for other contracts were € 214 million at December 31, 2023, compared to € 356 million at the end of December 2022, representing a decrease of 40%. ▶ [SEE NOTE 37](#) ▶ [SEE NOTE 38](#)

Treasury

Corporate financing policy

In order to be able to meet the company's payment commitments at all times, the major goal of our financial policy is to ensure adidas' solvency, to limit financing risks, and to balance financing costs with financial flexibility. The operating activities of our segments and the resulting cash inflows represent the company's main source of liquidity. Liquidity is planned on a rolling monthly basis under a multi-year financial and liquidity plan.

Treasury Policy and responsibilities

Our Treasury Policy governs all treasury-related issues, including banking policy and approval of bank relationships, financing arrangements and liquidity/asset management, currency, interest, equity and commodity risk management, and the management of intercompany cash flows. Responsibilities are arranged in a three-tiered approach:

- The Treasury Committee consists of members of the Executive Board and other senior executives who decide on the Treasury Policy and provide strategic guidance for managing treasury-related topics. Major changes to our Treasury Policy are subject to the prior approval of the Treasury Committee.
- The Treasury department is responsible for specific centralized treasury transactions and for the global implementation of our Treasury Policy.
- On a subsidiary level, where applicable and economically reasonable, local managing directors and finance directors are responsible for managing treasury matters in their respective subsidiaries. Controlling functions on a corporate level ensure that the transactions of the individual business units are in compliance with our Treasury Policy.

Centralized Treasury function

In accordance with our Treasury Policy, all worldwide credit lines are directly or indirectly managed by the central Treasury department. Portions of those lines are allocated to our subsidiaries and sometimes backed by adidas AG guarantees. As a result of this centralized liquidity management, the company is well positioned to allocate resources efficiently throughout the organization. The company's debt is generally unsecured and may include standard covenants. We maintain good relations with numerous partner banks, thereby avoiding a high dependency on any single financial institution. Banking partners of the company and our subsidiaries are required to have at least a BBB- long-term investment grade rating by Standard & Poor's or an equivalent rating by another leading rating agency. We authorize our companies to work with banks with a lower rating only in very exceptional cases. To ensure optimal allocation of the company's liquid financial resources, subsidiaries transfer excess cash to our headquarters in all instances where it is legally and economically feasible. In this regard, the standardization and consolidation of our global cash management and payment processes, including automated domestic and cross-border [cash pools](#), are a key priority for our centrally managed Treasury department. In addition, the department is responsible for effective management of our currency exposure and interest rate risks.

▶ SEE NOTE 02

Standard covenants

In the case of our committed credit facilities, we have entered into various legal covenants. These legal covenants may include limits on the disposal of fixed assets, the amount of debt secured by liens, cross-default provisions, and change of control. However, our financial arrangements do not contain any financial covenants. If we fail to meet any covenant and were unable to obtain a waiver, borrowings would become due and payable immediately. As of December 31, 2023, we were in full compliance with all our covenants. We are fully confident we will continue to be compliant with these covenants going forward. We believe that cash generated from operating activities, together with access to internal and external sources of funds, will be sufficient to meet our future operating and capital needs.

Credit ratings

adidas received strong first-time investment-grade ratings by both Standard & Poor's and Moody's in August 2020. Standard & Poor's gave adidas an 'A+' rating, and Moody's granted the company an 'A2' rating. The initial outlook for both ratings was 'stable' as both rating agencies recognized the company's strong credit metrics, robust liquidity profile, and conservative financial policies. In November 2022, both Standard & Poor's and Moody's revised their outlook for adidas to 'negative' due to a deterioration in credit metrics amid pressure on the company's operating performance from economic as well as company-specific challenges. In February 2023, Standard & Poor's lowered its rating on adidas to 'A-', while Moody's downgraded the company to 'A3', both with a 'negative' outlook. These downgrades reflected a further downward revision of credit metrics following the release of the company's financial guidance for 2023. In December 2023 and January 2024, Standard & Poor's and Moody's issued reports affirming their 'A-' rating with a 'negative' outlook and an 'A3' rating with a 'negative' outlook, respectively. Overall, adidas' investment grade credit ratings continue to ensure an efficient access to capital markets.

Syndicated credit facility

In 2020, adidas took several steps to considerably strengthen its financial profile. In November 2020, adidas entered into a new € 1,500 million syndicated credit facility with twelve of its partner banks. This credit facility agreement was subsequently amended in October 2021 and in November 2022. The amended and restated credit facility with then eleven partner banks had a size of € 2,000 million and runs until November 2027. In December 2023, adidas reduced the syndicated credit facility size to € 1,864 million and the number of lending banks to ten partner banks.

Sustainability bond

In September 2020, adidas successfully priced its first sustainability bond as the company continued to execute on its ambitious long-term sustainability roadmap while at the same time further optimizing its capital structure and financing costs. At the time of the issuance, the € 500 million bond had a term of eight years and a coupon of 0.00%. It has been listed on the Luxembourg Stock Exchange and has denominations of € 100,000. adidas planned to use the proceeds of the sustainability bond to finance and refinance, in whole or in part, eligible sustainable projects, as defined in the sustainability bond framework. As of September 30, 2023, the total amount of net proceeds of € 500 million was fully allocated to eligible sustainable projects.

Sustainability bond: Amount of net proceeds allocated¹ € in millions

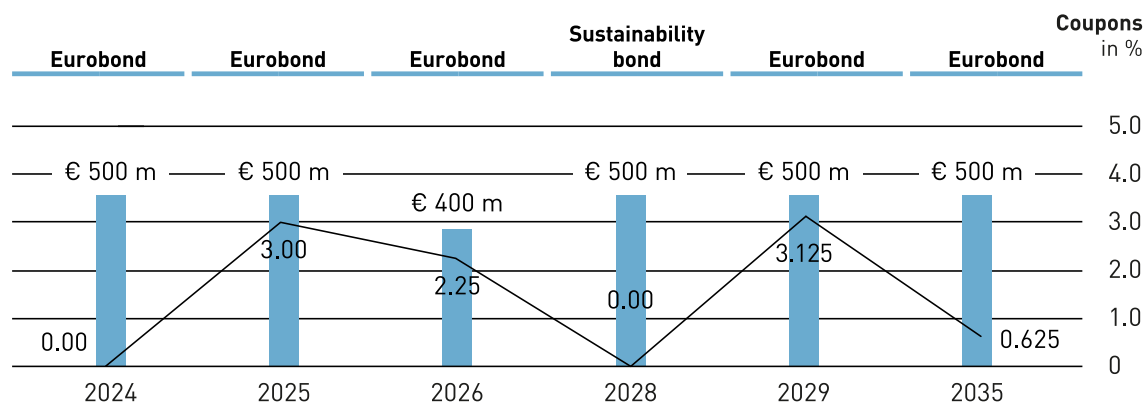
	Q1 - Q3 2023	Q4 2018 - 2022	Total
Eligible sustainable projects per category			
Sustainable materials	61	369	430
Sustainable processes	3	26	29
Community engagement	4	37	41
Cumulated eligible sustainable project expenditure	67	433	500
Unallocated proceeds			0

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

Outstanding bonds

adidas currently has six bonds outstanding. Most recently, in 2022, the company issued a three-year bond of € 500 million maturing in November 2025 with a coupon of 3.00%, in addition to a seven-year bond of € 500 million that matures in November 2029 and has a coupon of 3.125%. The bonds have been listed on the Luxembourg Stock Exchange and have denominations of € 100,000 each. On top of these placements, the company has further outstanding bonds: a bond of € 400 million issued in 2014 which matures in October 2026 and has a coupon of 2.25%. In September 2020, adidas successfully issued two bonds amounting to € 1,000 million in total. The four-year bond of € 500 million matures in September 2024 and has a coupon of 0.00%, while the 15-year bond of € 500 million matures in September 2035 and has a coupon of 0.625%. The bonds have been listed on the Luxembourg Stock Exchange and have denominations of € 100,000 each. ► SEE NOTE 16

Maturity profile and coupons of adidas bonds¹



¹ Coupons are fixed.

Additional credit lines

In addition to the syndicated credit facility and access to bond markets, the company's financial flexibility is ensured by the availability of further credit facilities. At the end of 2023, committed and uncommitted credit lines, including the syndicated loan facility, amounted to € 3,648 million (2022: € 4,090 million), of which € 3,556 million was unutilized (2022: € 3,998 million). Committed and uncommitted credit lines represent approximately 53% and 47% of total credit lines, respectively (2022: 51% and 49%, respectively). In addition, we have an unused multi-currency commercial paper program in the amount of € 2,000 million available (2022: € 2,000 million). We monitor the ongoing need for available credit lines based on the current level of debt and future financing requirements.

Gross borrowings decrease

The company's gross borrowings, the vast majority of which are denominated in euro, are composed of bank borrowings as well as outstanding bonds. Gross borrowings decreased 14% to € 2,979 million at the end of 2023 from € 3,473 million in the prior year, due to higher cash and cash equivalents as well as the repayment of the equity-neutral convertible bond of € 500 million in September 2023. The total amount of bonds outstanding at the end of 2023 was € 2,886 million (2022: € 3,381 million). Bank borrowings amounted to € 93 million at the end of 2023 compared to € 93 million in the prior year.

Financing structure € in millions

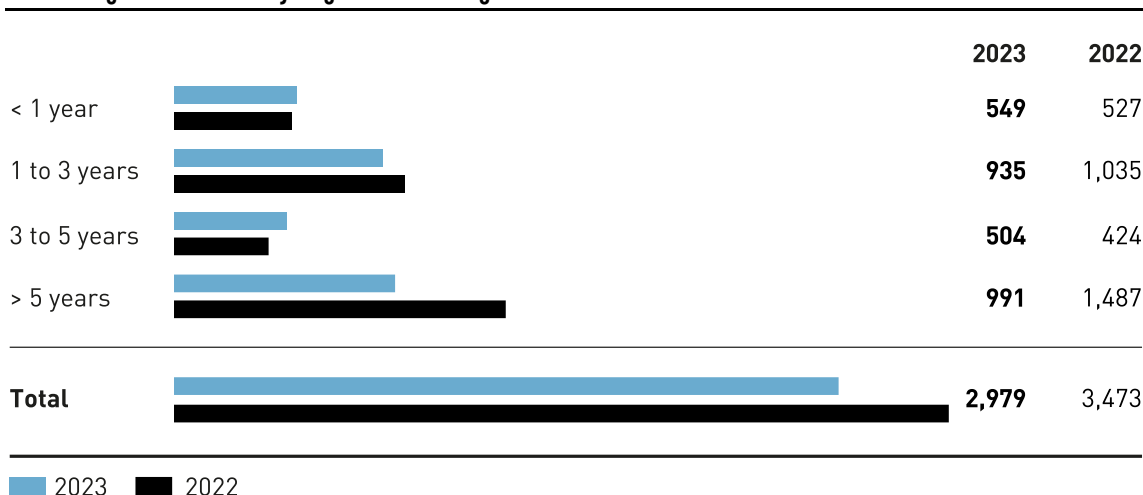
	2023	2022
Cash and cash equivalents	1,431	798
Bank borrowings	93	93
Eurobonds	2,886	2,883
Equity-neutral convertible bond	0	498
Gross total borrowings	2,979	3,473
Net (borrowings)/cash	(1,548)	(2,676)

As of December 31, 2023, cash and cash equivalents include € 211 million (2022: € 155 million) held by subsidiaries which were subject to foreign exchange control (e.g., Russia, Argentina) or other legal restriction and hence were not anytime available for general use by adidas AG or other subsidiaries.

Debt maturity profile

In 2024, assuming unchanged maturities, debt instruments of € 549 million will mature. This compares to € 527 million that matured in the course of 2023.

Remaining time to maturity of gross borrowings € in millions



Adjusted net borrowings of € 4,518 million

Adjusted net borrowings on December 31, 2023, amounted to € 4,518 million, compared to € 6,047 million on December 31, 2022. This development was mainly due to significantly higher cash and cash equivalents resulting from a positive cash flow from operating activities and both lower long-term borrowings as well as lower current and non-current lease liabilities in 2023.

Adjusted (net borrowings)/net cash^{1,2} € in millions



¹ First-time application of adjusted net borrowings as of 2020. Figures since 2019 were restated to reflect methodology revision in 2022.
² 2021 figure reflects the reclassification of the Reebok business to assets or liabilities held for sale.

In 2020, the definition of net borrowings was adapted to adjusted net borrowings in order to reflect changes in the company’s Financial Policy. The most significant difference between the previous net borrowings definition and the adjusted net borrowings definition was the inclusion of the present value of future lease and pension liabilities. In 2022, the methodology for calculating adjusted net borrowings was revised to align with broader market practice and the approach of rating agencies. The main change of the methodology revision was the elimination of income tax adjustments from net borrowings. ► SEE NOTE 25

Composition of adjusted net borrowings € in millions

	2023	2022
Short-term borrowings	549	527
Long-term borrowings	2,430	2,946
Current and non-current lease liabilities	2,584	2,986
Pensions and similar obligations	139	118
Factoring	70	112
Subtotal	5,772	6,689
Cash and cash equivalents	1,431	798
Short-term financial assets	34	0
Less trapped cash	211	155
Less accessible cash and cash equivalents	1,254	643
Adjusted net borrowings	4,518	6,047

Interest rate increases

The weighted average interest rate on the company's gross borrowings increased to 1.6% in 2023 (2022: 0.8%). This development was mainly due to the issuance of two new € 500 million bonds with coupons of 3.00% and 3.125% respectively in November 2022. Fixed-rate financing represented 99% of total gross borrowings at the end of 2023 (2022: 100%). Variable-rate financing accounted for 1% of total gross borrowings at the end of 2023 (2022: 0%).

Interest rate development¹ in %

2023	1.6
2022	0.8
2021	0.7
2020	1.0
2019	1.5

¹ Weighted average interest rate of gross borrowings.

Effective foreign exchange management is a key priority

As a globally operating company, adidas is exposed to currency risks. Therefore, effective currency management is a key focus of our Treasury department, with the aim of reducing the impact of currency fluctuations on non-euro-denominated net future cash flows. In this regard, hedging US dollars is a central part of our hedging program. This is a direct result of our Asian-dominated sourcing, which is largely denominated in US dollars. In 2023, our Treasury department managed a net deficit of around US \$ 4,100 million related to business activities (2022: US \$ 7,500 million). Thereof, around US \$ 3,000 million was against the euro (2022: US \$ 6,100 million). As governed by our Treasury Policy, we have established a hedging program on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. In rare instances, hedges are contracted beyond the 24-month horizon. We had largely

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT - OUR COMPANY	GROUP MANAGEMENT REPORT - FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

covered our anticipated hedging needs for 2024 as of the end of 2023. At the same time, we have already started hedging our exposure for 2025. The use or combination of different hedging instruments, such as foreign exchange contracts, currency options, and swaps, protect us against unfavorable currency movements. ▶ [SEE GLOBAL OPERATIONS](#) ▶ [SEE RISK AND OPPORTUNITY REPORT](#) ▶ [SEE NOTE 28](#)

Financial Statements and Management Report of adidas AG

adidas AG is the parent company of the adidas Group. It includes operating business functions, primarily for the German market, as well as corporate headquarter functions such as Marketing, IT, Treasury, Taxes, Legal, and Finance. adidas AG also administers the company's shareholdings.

Operating activities and capital structure of adidas AG

The majority of the operating business of adidas AG consists of the sale of merchandise to wholesale partners and own retail activities.

In addition to its own trading activities, the results of adidas AG are significantly influenced by its holding function for the adidas Group. This is reflected primarily in currency effects, transfer of costs for services provided, interest result, and income from investments in related companies.

The opportunities and risks as well as the future development of adidas AG largely reflect those of the adidas Group. ► [SEE OUTLOOK](#) ► [SEE RISK AND OPPORTUNITY REPORT](#)

The asset and capital structure of adidas AG is significantly impacted by its holding and financing function for the adidas Group. For example, 48% of total assets as of December 31, 2023, related to financial assets (2022: 42%), which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 28% of total assets (2022: 42%) and 28% of total equity and liabilities as of December 31, 2023 (2022: 28%).

Preparation of accounts

Unlike the consolidated financial statements, which are in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union as of December 31, 2023, the following financial statements of adidas AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch – HGB).

Income statement

Statement of income in accordance with HGB (Condensed) € in millions

	2023	2022
Net sales	4,510	4,814
Reduction (prior year increase) of finished and unfinished goods	[4]	2
Total output	4,506	4,816
Other operating income	721	1,226
Cost of materials	(1,678)	(1,878)
Personnel expenses	(852)	(726)
Depreciation and amortization	(139)	(140)
Other operating expenses	(2,801)	(3,415)
Operating result	(243)	(117)
Financial result	103	2,237
Taxes	(49)	(63)
Net (loss)/income	(189)	2,057
Retained earnings brought forward	598	724
Allocation to other revenue reserves	–	(500)
Allocation to capital reserves	–	(12)
Utilization for the repurchase/issuance of adidas AG shares	2	(1,546)
Retained earnings	411	723

adidas AG net sales € in millions

	2023	2022
Royalty and commission income	2,275	2,394
adidas Germany	1,267	1,511
Foreign subsidiaries	88	80
Central distribution	125	118
Other revenues	755	711
Total	4,510	4,814

Net sales down 6%

Sales of adidas AG comprise external revenues generated by adidas Germany with products of the adidas brand as well as revenues from foreign subsidiaries. Revenues of adidas AG also include royalty and commission income, mainly from affiliated companies, revenues from central distribution, and other revenues. From March 2022 until May 2023, the commission income for the Reebok sales is shown in other revenues. In 2023, adidas AG net sales decreased 6% to € 4,510 million compared to € 4,814 million in the prior year.

Other operating income down 41%

In 2023, other operating income of adidas AG decreased 41% to € 721 million (2022: € 1,226 million). This development was primarily due to lower positive currency effects.

Other operating expenses down 18%

In 2023, other operating expenses for adidas AG decreased 18% to € 2,801 million (2022: € 3,415 million). This was largely attributable to lower currency losses.

Depreciation and amortization slightly down

Depreciation and amortization for adidas AG relating to intangible and tangible fixed assets decreased slightly to € 139 million in 2023 (2022: € 140 million).

Operating result below prior year level

In 2023, adidas AG generated an operating loss of € 243 million (2022: € 117 million). The decrease is mainly due to lower sales.

Significant decrease of the financial result

The financial result of adidas AG decreased 95% to € 103 million in 2023 (2022: € 2,237 million). The decrease was attributable to lower income from dividends.

Net loss in 2023

Net loss, after taxes of € 49 million (2022: € 63 million), amounted to € 189 million in 2023 and was thus 109% below the prior year net income of € 2,057 million.

Balance sheet

Balance sheet in accordance with HGB (Condensed) € in millions

	Dec. 31, 2023	Dec. 31, 2022
Assets		
Intangible assets	359	329
Property, plant and equipment	675	684
Financial assets	4,427	4,408
Fixed assets	5,461	5,421
Inventories	44	52
Receivables and other assets	2,765	4,719
Cash and cash equivalents, securities	859	195
Current assets	3,668	4,966
Prepaid expenses	136	88
Total assets	9,265	10,475
Equity and liabilities		
Shareholders' equity	2,455	2,767
Provisions	813	833
Liabilities and other items	5,997	6,875
Total equity and liabilities	9,265	10,475

Total assets below prior year

At the end of December 2023, total assets decreased 12% to € 9,265 million compared to € 10,475 million in the prior year. This development was mainly a result of the decrease in receivables and other assets.

Shareholders' equity down 11%

Shareholders' equity decreased 11% to € 2,455 million at the end of 2023 (2022: € 2,767 million). The equity ratio increased to 26.5% (2022: 26.4%).

Provisions decrease 2%

Provisions were down 2% to € 813 million at the end of 2023 (2022: € 833 million).

Liabilities and other items down 13%

At the end of December 2023, liabilities and other items decreased 13% to € 5,997 million (2022: € 6,875 million). This is mainly due to the repayment of a bond in 2023.

No major change in cash and cash equivalents

adidas AG has a syndicated credit facility of € 1,864 million and additional bilateral credit lines of € 889 million. In addition, the company has a multi-currency commercial paper program in an amount of € 2,000 million. ► [SEE TREASURY](#)

In 2023, operating activities of adidas AG resulted in a cash inflow of € 212 million (2022: cash outflow of € 1,699 million). The change versus the prior year was mainly a result of lower receivables. Net cash inflow from investment activities was € 104 million (2022: € 2,518 million). This was primarily attributable to lower dividend income. Financing activities resulted in a net cash outflow of € 323 million (2022: € 2,223 million). The net cash outflow from financing activities mainly relates to the dividend payment and interest payments. As a result of these developments, cash and cash equivalents of adidas AG decreased to € 189 million at the end of December 2023 compared to € 195 million at the end of the prior year.

adidas AG is able to meet its financial commitments at all times.

Disclosures pursuant to § 315a and § 289a of the German Commercial Code and explanatory report

Composition of subscribed capital

The nominal capital of adidas AG amounts to € 180,000,000 (as at December 31, 2023) and is divided into the same number of registered no-par-value shares with a notional pro rata amount in the nominal capital of € 1 each. The nominal capital and the number of shares did not change in the 2023 financial year. The shares are fully paid in. Any claim on the part of the shareholders to the issuance of individual share certificates is generally excluded pursuant to § 4 section 7 of the Articles of Association unless such issuance is required in accordance with the regulations valid at a stock exchange at which the shares are admitted. Pursuant to § 67 section 2 German Stock Corporation Act (Aktiengesetz – AktG), in relation to adidas AG, only a person who is registered accordingly in the share register shall be deemed a shareholder. Each share grants one vote at the Annual General Meeting and determines the shareholders' share in the company's profit. All shares carry the same rights and obligations. The shareholders' individual rights and obligations follow from the provisions of the German Stock Corporation Act, in particular from §§ 12, 53a et seq., 118 et seq., and 186 AktG. As at December 31, 2023, adidas AG held in total 1,450,916 treasury shares, which do not confer any rights to the company in accordance with § 71b AktG. ► SEE NOTE 25

In the USA, adidas AG has issued American Depositary Receipts (ADRs). ADRs are deposit certificates of non-US shares that are traded instead of the original shares on US stock exchanges. Two ADRs equal one adidas AG share. ► SEE OUR SHARE

Restrictions on voting rights or transfer of shares

The company is not aware of any contractual agreements with adidas AG or other agreements restricting voting rights or the transfer of shares. However, based on the Code of Conduct and internal guidelines of adidas AG and based on Article 19 section 11 of the Regulation (EU) No 596/2014 (Market Abuse Regulation), particular trade prohibitions do exist for members of the Supervisory Board and the Executive Board as well as employees with regard to the purchase and sale of adidas AG shares in connection with the (time of) publication of quarterly results as well as half-year and full-year financial reports.

In addition, restrictions of voting rights may exist pursuant to, inter alia, § 136 AktG or for treasury shares pursuant to § 71b AktG as well as due to capital market regulations, in particular pursuant to §§ 33 et seq. German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The shares that were issued to employees of adidas AG in the context of the employee stock purchase plan and to employees of subsidiaries participating in the employee stock purchase plan are not subject to any lock-up periods, unless such a lock-up period is stipulated in locally applicable regulations. Employees who hold the shares which they purchased themselves (investment shares) for at least one year will subsequently receive one share for every six investment shares without having to pay for such share (matching share) if they are still adidas employees at that point in time. If employees transfer, pledge, or hypothecate investment shares in any way during the one-year vesting period, the right to receive matching shares ceases.

Shareholdings in share capital exceeding 10% of voting rights

The company has not been notified of, and is not aware of, any direct or indirect shareholdings in the share capital of adidas AG reaching or exceeding 10% of the voting rights.

Shares with special rights

There are no shares bearing special rights. In particular, there are no shares with rights conferring powers of control.

Voting right control if employees have a share in the capital

Like other shareholders, employees who hold adidas AG shares can exercise their control rights in accordance with statutory provisions and the Articles of Association. This also applies to the shares acquired by a service provider as part of the employee stock purchase plan. Employees may exercise their voting rights from these shares directly or indirectly.

Executive Board appointment and dismissal

Pursuant to § 6 of the Articles of Association and § 84 AktG, the Supervisory Board is responsible for determining the exact number of members of the Executive Board, for their appointment and dismissal as well as for the appointment of the Chief Executive Officer (CEO). The adidas AG Executive Board, which, as a basic principle, comprises at least two members, consists of the CEO and three further members as at the balance sheet date. Executive Board members may be appointed for a maximum period of five years. Such appointments may be renewed and the terms of office may be extended, provided that no term exceeds five years. ► [SEE EXECUTIVE BOARD](#)

The Supervisory Board may revoke the appointment as a member of the Executive Board or CEO for good cause such as gross negligence of duties or a vote of no confidence by the Annual General Meeting.

As adidas AG is subject to the regulations of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), the appointment of Executive Board members and also their dismissal require a majority of at least two thirds of the Supervisory Board members (§ 31 MitbestG). If such a majority is not established in the first vote by the Supervisory Board, the Mediation Committee has to present a proposal which, however, does not exclude other proposals. The appointment or dismissal is then made in a second vote with a simple majority of the votes cast by the Supervisory Board members. Should the required majority not be established in this case either, a third vote, again requiring a simple majority, must be held in which the Chair of the Supervisory Board has two votes.

If the Executive Board does not have the required number of members, the competent court must, in urgent cases, make the necessary appointment upon application (§ 85 section 1 AktG).

Amendments to the Articles of Association

Pursuant to §§ 119 section 1 number 6, 179 section 1 sentence 1 AktG, the Articles of Association of adidas AG can, in principle, only be amended by a resolution of the Annual General Meeting. Pursuant to § 21 section 3 of the Articles of Association in conjunction with § 179 section 2 sentence 2 AktG, the Annual General Meeting of adidas AG principally resolves upon amendments to the Articles of Association with a simple majority of the votes cast and with a simple majority of the nominal capital represented when passing the resolution. If mandatory legal provisions stipulate a larger majority of voting rights or capital, this majority is applicable. When it comes to amendments solely relating to the wording, the Supervisory Board is authorized to make these modifications in accordance with § 179 section 1 sentence 2 AktG in conjunction with § 10 section 1 sentence 2 of the Articles of Association.

Authorizations of the Executive Board

The authorizations of the Executive Board are regulated by §§ 76 et seq. AktG in conjunction with §§ 7 and 8 of the Articles of Association. The Executive Board is responsible, in particular, for managing the company and represents the company judicially and extra-judicially.

Authorization of the Executive Board to issue shares

The authorization of the Executive Board to issue shares is regulated by § 4 of the Articles of Association and by statutory provisions:

Authorized Capital

- Until August 6, 2026, the Executive Board is authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether (Authorized Capital 2021/I). The Executive Board may, subject to Supervisory Board approval, exclude residual amounts from shareholders' subscription rights.
- Until August 6, 2026, the Executive Board is also authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind and/or cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2021/II). The Executive Board is authorized, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to wholly or partly exclude shareholders' subscription rights when issuing shares against contributions in kind. Additionally, the Executive Board may, subject to Supervisory Board approval, exclude shareholders' subscription rights if the new shares against contributions in kind are issued at a price not significantly below the stock market price of the company's shares already quoted on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange. The authorization to exclude subscription rights under this authorization, however, may only be used to the extent that the pro-rata amount of the new shares in the nominal capital together with the pro-rata amount in the nominal capital of other shares which have been issued by the company since May 12, 2021, subject to the exclusion of subscription rights, on the basis of an authorized capital or following a repurchase or for which subscription or conversion rights or subscription or conversion obligations have been granted through the issuance of convertible bonds

and/or bonds with warrants while excluding subscription rights, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the Commercial Register or – if this amount is lower – as of the respective date on which the resolution on the utilization of the authorization is adopted. The previous sentence does not apply to the exclusion of subscription rights for residual amounts. The Authorized Capital 2021/II must not be used to issue shares within the scope of compensation or participation programs for Executive Board members or employees or for members of the management bodies or employees of affiliated companies. ► [SEE NOTE 25](#)

Contingent Capital

The nominal capital of the company is conditionally increased by up to € 12,500,000 (Contingent Capital 2022). The Contingent Capital serves the purpose of granting holders or creditors of bonds that were issued based on the resolution of the Annual General Meeting on May 12, 2022, option or conversion rights relating to not more than a total of 12,500,000 shares in compliance with the corresponding conditions of the bonds. Based on the authorization granted by the Annual General Meeting on May 12, 2022, the Executive Board is authorized to issue bonds with warrants and/or convertible bonds (together 'bonds') in an aggregate nominal value of up to € 4,000,000,000 with or without a limited term against contributions in cash once or several times until May 11, 2027, and to guarantee bonds issued by subordinated Group companies. The Executive Board is also authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights for bonds insofar as this is required for residual amounts, and to also exclude shareholders' subscription rights insofar as and to the extent that 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 insofar as the bonds are issued against contributions in cash and 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 do not exceed 10% of the nominal capital. Shares which are issued or sold in accordance with § 186 section 3 sentence 4 AktG during the term of this authorization until its utilization, as well as shares to be issued or granted during the term of this authorization on the basis of bonds issued with the exclusion of subscription rights in accordance with this provision utilizing another authorization, shall be attributed to the aforementioned limit of 10%. The total number of shares to be issued under bonds which are issued with the exclusion of subscription rights based on the authorization and of shares which are issued from an authorized capital with the exclusion of subscription rights during the term of the authorization may not exceed a pro-rata amount of the nominal capital of 10% on the date of the entry of this authorization with the Commercial Register. Notwithstanding the Supervisory Board's right to determine further approval requirements, the Executive Board requires the Supervisory Board's approval for the issuance of bonds based on the resolution of the Annual General Meeting on May 12, 2022, with the exclusion of shareholders' subscription rights.

The Executive Board has so far not utilized the authorization to issue bonds granted by the Annual General Meeting on May 12, 2022.

Authorization of the Executive Board to repurchase shares

The authorizations of the Executive Board to repurchase adidas AG shares arise from §§ 71 et seq. AktG and, as at the balance sheet date, from the authorization granted by the Annual General Meeting on May 11, 2023.

Until May 10, 2028, the Executive Board is authorized to repurchase adidas AG shares in an amount totaling up to 10% of the nominal capital at the date of the resolution (or, as the case may be, a lower amount of nominal capital at the date of utilization of the authorization) for any lawful purpose and within the legal framework. The authorization may be used by the company but also by its subordinated Group companies or by third parties on account of the company or its subordinated Group companies or third parties assigned by the company or one of its subordinated Group companies.

The repurchase can be carried out via the stock exchange, through a public invitation to submit sale offers, through a public repurchase offer, or through granting tender rights to shareholders. The authorization furthermore sets out the lowest and highest nominal value that may be granted in each case.

The purposes for which treasury shares repurchased based on this authorization may be used are set out in the resolution on Item 8 of the Agenda for the Annual General Meeting held on May 11, 2023. The shares may, in particular, be used as follows:

- They may be sold on the stock exchange or through a public offer to all shareholders in relation to their shareholding quota; in case of an offer to all shareholders, subscription rights for residual amounts are excluded. The shares may also be sold differently, provided the shares are sold in exchange for a cash payment and at a price that, at the time of the sale, is not significantly below the stock market price of the company's shares with the same features; the prorated amount of the nominal capital which is attributable to the aggregate number of shares sold under this authorization may not exceed 10% of the company's nominal capital. The prorated amount of the nominal capital attributable to new shares which may be issued between May 11, 2023, and the sale of the shares based on an authorized capital while excluding shareholders subscription rights pursuant to §§ 203 section 1, 186 section 3 sentence 4 AktG is attributed to the limit of 10%. Likewise, the prorated amount of the nominal capital that is attributable to shares which may be issued due to bonds with warrants and/or convertible bonds which are linked to subscription or conversion rights or obligations or the company's right to delivery of shares, provided these bonds are issued on the basis of authorizations pursuant to §§ 221 section 4, 186 section 3 sentence 4 AktG between May 11, 2023, and the sale of the shares, shall also be attributed to the limit of 10%.
- The shares may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies or participations in companies or other business assets, especially real estate and rights to real estate, or receivables (also from the company) or within the scope of company mergers.
- They may be offered and sold as consideration for the acquisition of industrial property rights or intangible property rights or for the acquisition of licenses relating to such rights, also through subordinated Group companies.
- They may be used for purposes of meeting the subscription or conversion rights or obligations or the company's right to delivery of shares arising from bonds with warrants and/or convertible bonds issued by the company or its subordinated Group companies.
- In connection with employee stock purchase plans, the shares may be used in favor of (current and former) employees of the company and its affiliated companies as well as in favor of (current and former) members of management bodies of the company's affiliated companies, whereas the amount of shares must not exceed 5% of the nominal capital neither at the point in time when this authorization becomes effective nor at the point in time when the shares are used. Shares assigned to members of the Executive Board as compensation in the form of a share bonus based on this authorization are to be attributed to this limit.

- They may be canceled without such cancelation requiring an additional resolution of the Annual General Meeting.

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

The rights of shareholders to subscribe treasury shares shall be excluded to the extent that such shares are used pursuant to the aforementioned authorization. The Supervisory Board may determine that transactions based on this authorization may only be carried out subject to the approval of the Supervisory Board or one of its committees.

Within the scope of the authorization resolved upon by the Annual General Meeting on May 11, 2023, the Executive Board is furthermore authorized to conduct the share buyback also by using equity derivatives which are arranged with a credit institution or financial services institution in close conformity with market conditions or by using a multilateral trading facility within the meaning of § 2 section 6 Stock Exchange Act (Börsengesetz). adidas AG is authorized to acquire options which entitle the company to purchase shares of the company upon the exercise of the options (call options) and/or to sell options which require the company to purchase shares of the company upon the exercise of the options (put options) or to use a combination of call and put options or other equity derivatives if the option conditions ensure that the shares delivered for these equity derivatives were purchased in compliance with the principle of equal treatment. All share purchases using the aforementioned equity derivatives are limited to a maximum value of 5% of the nominal capital existing at the date on which the resolution was adopted by the Annual General Meeting (or, as the case may be, a lower amount of nominal capital at the date of exercising the authorization). The term of the equity derivatives may not exceed 18 months and must furthermore be chosen in such a way that the shares are purchased upon the exercise of the equity derivatives no later than May 10, 2028. The authorization to purchase adidas AG shares while using equity derivatives or via multilateral trading facilities also contains specifications on the highest and lowest amount of consideration per share which may be granted in each case.

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

In the 2023 financial year, the Executive Board did not use the authorization to purchase adidas AG shares.

Change of control / compensation agreements

The essential agreements that provide for regulations in the case of a change of control are the material financing agreements of adidas AG. In the case of a change of control, these agreements, as is customary in the market, entitle the creditor/bondholder to termination and early calling-in.

No compensation agreements were entered into with members of the Executive Board or employees relating to the event of a takeover bid.

Business Performance by Segment

adidas has divided its operating activities into the following segments: EMEA, North America, Greater China, Asia-Pacific, and Latin America.

EMEA

In 2023, sales in EMEA were flat on a currency-neutral basis and decreased 4% in euro terms to € 8,235 million from € 8,550 million in 2022. The currency-neutral development was driven by a low-single-digit increase in Performance, driven in particular by high-single-digit growth in Football. At the same time, Lifestyle revenues decreased at a low-single-digit rate, reflecting the significantly lower Yeezy sales.

Net sales in EMEA

0%
C.N.
€ 8,235 million

EMEA at a glance € in millions

	2023	2022	Change	Change (currency-neutral)
Net sales	8,235	8,550	(4%)	0%
Gross margin	46.4%	50.5%	(4.1pp)	-
Segmental operating profit	1,280	1,679	(24%)	-
Segmental operating margin	15.5%	19.6%	(4.1pp)	-

Gross margin in EMEA decreased 4.1 percentage points to 46.4% from 50.5% in 2022. Unfavorable currency developments, significantly higher supply chain costs and the negative impact from higher discounting weighed on the margin development. This was only partly offset by better pricing and a slightly more favorable business mix. Operating expenses were down 5% to € 2,562 million versus € 2,683 million in 2022, driven by a mid-single-digit decrease in operating overheads. As a percentage of sales, operating expenses were down 0.3 percentage points to 31.1% (2022: 31.4%). Operating profit in EMEA decreased 24% to € 1,280 million versus € 1,679 million in the prior year. As a result of the lower gross margin, operating margin was down 4.1 percentage points to 15.5% (2022: 19.6%).

North America

Revenues in North America decreased 16% on a currency-neutral basis and 19% in euro terms to € 5,219 million (2022: € 6,404 million) as this market was particularly impacted by the company's conservative sell-in strategy to reduce high inventory levels as well as by the significantly lower Yeezy sales. The currency-neutral decrease was driven by declines in both Performance and Lifestyle.

Net sales in North America

(16%) C.N.
€ 5,219 million

North America at a glance¹ € in millions

	2023	2022	Change	Change (currency-neutral)
Net sales	5,219	6,404	(19%)	(16%)
Gross margin	40.1%	42.9%	(2.8pp)	-
Segmental operating profit	273	988	(72%)	-
Segmental operating margin	5.2%	15.4%	(10.2pp)	-

¹ 2022 figures adjusted due to a shift between the Latin and North America segments.

Gross margin in North America decreased 2.8 percentage points to 40.1% (2022: 42.9%). The significant negative impact from increased supply chain costs and higher discounting was only partly offset by better pricing and a more favorable business mix. Operating expenses were up 2% to € 1,872 million versus € 1,831 million in 2022, driven by a mid-single-digit increase in operating overheads. Operating expenses as a percentage of sales increased 7.3 percentage points to 35.9% (2022: 28.6%). Operating profit in North America decreased 72% to € 273 million from € 988 million in 2022. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin decreased 10.2 percentage points to 5.2% from 15.4% in 2022.

Greater China

Sales in Greater China increased 8% on a currency-neutral basis. In euro terms, sales were flat at € 3,190 million (2022: € 3,179 million). The currency-neutral increase was due to double-digit growth in Performance, reflecting strong growth in all categories. Currency-neutral revenues in Lifestyle increased at a mid-single-digit rate. Strong double-digit growth in Originals and Sportswear was partly offset by the significantly lower Yeezy business.

Net sales in Greater China

+8%
C.N.
€ 3,190 million

Greater China at a glance € in millions

	2023	2022	Change	Change (currency- neutral)
Net sales	3,190	3,179	0%	8%
Gross margin	48.7%	46.7%	2.0pp	–
Segmental operating profit	553	322	72%	–
Segmental operating margin	17.3%	10.1%	7.2pp	–

Gross margin in Greater China improved by 2.0 percentage points to 48.7% from 46.7% in 2022. The significant negative impact from increased supply chain costs was more than offset by less discounting, favorable currency developments, as well as lower inventory write-offs. Operating expenses were down 14% to € 1,002 million (2022: € 1,169 million), mainly driven by a double-digit decrease in operating overheads. Operating expenses as a percentage of sales decreased 5.4 percentage points to 31.4% versus 36.8% in the prior year. Operating profit in Greater China increased 72% to € 553 million versus € 322 million in 2022. As a result of the higher gross margin and lower operating expenses as a percentage of sales, operating margin improved 7.2 percentage points to 17.3% from 10.1% in 2022.

Asia-Pacific

Sales in Asia-Pacific improved 7% on a currency-neutral basis. In euro terms, sales in Asia-Pacific were up 1% to € 2,254 million from € 2,241 million in 2022. On a currency-neutral basis, this development was driven by high-single-digit growth in Performance, reflecting growth across all categories. Lifestyle revenues also grew at a high-single-digit rate, driven by strong double-digit growth in both Originals and Basketball.

Net sales in Asia-Pacific

+7% C.N.

€ 2,254 million

Asia-Pacific at a glance € in millions

	2023	2022	Change	Change (currency- neutral)
Net sales	2,254	2,241	1%	7%
Gross margin	53.5%	52.9%	0.6pp	-
Segmental operating profit	472	486	(3%)	-
Segmental operating margin	20.9%	21.7%	(0.7pp)	-

Gross margin in Asia-Pacific increased 0.6 percentage points to 53.5% (2022: 52.9%), mainly driven by significantly better pricing, a more favorable business mix, and less discounting. At the same time, unfavorable currency developments and increased supply chain costs significantly weighed on the gross margin development. Operating expenses were up 4% to € 749 million versus € 721 million in 2022, driven by a high-single-digit increase in operating overheads. Operating expenses as a percentage of sales were up 1.1 percentage points to 33.2% (2022: 32.2%). Operating profit in Asia-Pacific decreased 3% to € 472 million from € 486 million in 2022. Operating margin was down 0.7 percentage points to 20.9% versus 21.7% in 2022, as the gross margin increase was more than offset by higher operating expenses as a percentage of sales.

Latin America

Revenues in Latin America increased 22% on a currency-neutral basis. In euro terms, sales in Latin America improved 9% to € 2,291 million from € 2,104 million in 2022. On a currency-neutral basis, this improvement was driven by strong double-digit growth in both Performance and Lifestyle. Almost all categories grew at strong double-digit rates.

Net sales in Latin America

+22% C.N.

€ 2,291 million

Latin America at a glance¹ € in millions

	2023	2022	Change	Change (currency- neutral)
Net sales	2,291	2,104	9%	22%
Gross margin	45.6%	47.4%	(1.8pp)	-
Segmental operating profit	482	473	2%	-
Segmental operating margin	21.0%	22.5%	(1.5pp)	-

¹ 2022 figures adjusted due to a shift between the Latin and North America segments.

Gross margin in Latin America decreased 1.8 percentage points to 45.6% (2022: 47.4%). While improved pricing had a significant positive impact on the margin development, significant negative currency developments, higher discounting, and increased supply chain costs weighed on the gross margin development in the region. Operating expenses were up 6% to € 564 million from € 534 million in 2022. This development reflects increases in both [marketing expenditures](#) and operating overhead costs. However, operating expenses as a percentage of sales decreased 0.8 percentage points to 24.6% (2022: 25.4%). Operating profit in Latin America increased 2% to € 482 million versus € 473 million in 2022. As a result of the lower gross margin, the operating margin decreased 1.5 percentage points to 21.0% from 22.5% in 2022.

Outlook

In 2024, we expect macroeconomic challenges and geopolitical tensions to persist. While this may negatively affect consumer sentiment and discretionary spending power, the global sporting goods industry is set to benefit from major sports events in 2024. Against this backdrop, we plan to return to top-line growth this year and expect currency-neutral sales to increase at a mid-single-digit rate in 2024. This top-line guidance assumes that we will sell the remaining Yeezy inventory at cost, which would result in sales of around € 250 million in 2024 and no operating profit contribution. This compares to Yeezy revenues of around € 750 million and profits of around € 300 million in 2023. Unfavorable currency effects are also projected to weigh significantly on the company's profitability in 2024, as we expect them to continue to adversely impact both reported revenues and the gross margin development. Taking all of this into account – the expected translational and transactional FX headwinds as well as the current Yeezy assumptions – we expect to generate an operating profit of around € 500 million in 2024.

Forward-looking statements

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

► SEE RISK AND OPPORTUNITY REPORT

Global economic growth to further decelerate in 2024²⁶

Global gross domestic product (GDP) growth is expected to further decelerate to 2.4% in 2024 considering the effects of tight monetary policy, restrictive financial conditions, and weak global trade. Despite declining rates, inflation remains above target in most advanced economies. Hence, monetary policy is forecast to stay restrictive in the short term. Additionally, the conflict in the Middle East on top of the ongoing war in Ukraine is set to continue to impact the global economy. While advanced economies are forecast to see growth of only 1.2%, conditions for developing economies are slightly improving, with growth projected at 3.9% in 2024. However, downside risks persist in the form of weaker-than-expected momentum in major economies in Greater China, North America, and Europe. In addition, a potential escalation of geopolitical conflicts can lead to a resurgence in energy prices and further dampen consumer demand. Ultimately, potential supply-chain disruptions and climate-related disasters remain a concern for the global economy.

²⁶ Source: World Bank Global Economic Prospects.

Sporting goods industry to benefit from major events in 2024

After proving its resilience in 2023, the global sporting goods industry is set to benefit from major sports events in 2024, such as the UEFA EURO 2024 in Germany, the CONMEBOL Copa América 2024, and the Olympic Games Paris 2024. At the same time, existing global trends such as 'athleisure,' increasing sports participation rates, and rising health and fitness awareness continue to support industry growth. Innovative [Performance](#) and [Lifestyle](#) product newness excites consumers in physical and digital channels alike. Hence, the sporting goods industry is expected to remain fundamentally attractive in the long term. On the other hand, the sector continues to face several challenges in 2024. Even though most markets globally returned to healthier inventory levels, North America is expected to continue facing excess stock, especially in the first half of 2024. Furthermore, elevated inflation and interest rates are set to negatively affect household savings and limit discretionary spending power. Additionally, escalating geopolitical conflicts may lead to global trade disruptions, despite the increased resilience of supply chains in recent years.

2024 outlook

	2023	2024 outlook
Net sales	€ 21,427 million	to increase at a mid-single-digit rate ¹
Operating profit	€ 268 million	around € 500 million
Average operating working capital in % of sales	25.7%	to reach a level of between 23% and 24%
Capital expenditure ²	€ 504 million	to reach a level of around € 600 million

¹ Currency-neutral.

² Excluding acquisitions and leases.

Currency-neutral sales to increase at a mid-single-digit rate in 2024

In 2024, macroeconomic challenges and geopolitical tensions are projected to persist. Against this backdrop, we plan to return to top-line growth by scaling successful franchises, introducing new ones, and leveraging our significantly better, broader, and deeper product range. Improved retailer relationships, more impactful marketing initiatives, and the company's activities around major sports events will also contribute to the sales increase. As a result, we expect currency-neutral sales to grow at a mid-single-digit rate in 2024.

This top-line guidance assumes that we will sell the remaining Yeezy inventory at cost, which would result in sales of around € 250 million in 2024. This compares to Yeezy revenues of around € 750 million in 2023. Excluding the Yeezy revenues in both years, the top-line guidance reflects currency-neutral growth at a high-single-digit rate in the underlying adidas business. We expect the sales development to accelerate throughout the year, as growth in the first half will still be negatively impacted by our initiatives to bring down elevated inventories in the North American market. In the second half of the year, we project the underlying adidas business to grow at a double-digit rate.

Currency-neutral revenues to grow significantly in almost all market segments

Currency-neutral revenues in the underlying adidas business are expected to grow significantly in all markets except North America. In this market, currency-neutral net sales are expected to decline at a mid-single-digit rate in 2024. This is mainly the result of our continued disciplined sell-in to the wholesale channel during the first half of the year as part of our initiatives to reduce high inventory levels in this particular market. In contrast, we expect the underlying adidas sales in Greater China and Latin America to grow at a double-digit rate in 2024. Currency-neutral revenues in Europe, the Emerging Markets, and Japan/South Korea are expected to grow at a high-single-digit rate versus the prior-year level.

Expected operating profit of around € 500 million

Unfavorable currency effects are projected to weigh significantly on the company's profitability in 2024, as we expect them to continue to adversely impact both reported revenues and the gross margin development. Taking the expected translational and transactional FX headwinds into account, we expect to generate an operating profit of around € 500 million in 2024. While we will continue to increase our marketing and sales investments, the top-line growth and an improving gross margin are projected to drive the bottom-line development in 2024. As we currently expect the sale of the remaining Yeezy inventory to occur at cost, the planned sale of the product is assumed to have no effect on the company's operating profit this year.

Average operating working capital as a percentage of sales to decrease

During 2023, average operating working capital as a percentage of sales increased, reflecting the slight increase in average operating working capital against the background of lower net sales in 2023 compared to 2022. Our focus in 2024 will be on improving our average operating working capital position and returning to top-line growth. Based on this, we forecast average operating working capital as a percentage of sales to decrease to a level of between 23% and 24% in 2024.

Capital expenditure of around € 600 million

We will continue to invest into our business, but at the same time adjust our spending to the financial and operational situation of the company. Consequently, capital expenditure is expected to reach a level of around € 600 million in 2024.

Management proposes dividend payment of € 0.70 per share

The adidas AG Executive and Supervisory Boards will recommend paying a stable dividend of € 0.70 per dividend-entitled share to shareholders at the Annual General Meeting on May 16, 2024 (2023: € 0.70). This corresponds to a total payout of € 125 million in line with the prior-year level (2023: € 125 million). The proposal reflects the company's better-than-expected performance in the transition year 2023 and its robust financial profile, as well as Management's confident outlook for the current year. Going forward, the company plans to return to its dividend policy of paying an annual dividend to shareholders in the range of 30% to 50% of net income from continuing operations. ► [SEE OUR SHARE](#)

Risk and Opportunity Report

In order to remain competitive and ensure sustainable success, adidas consciously takes risks and continuously explores and develops opportunities. Our risk and opportunity management principles and system provide the framework for our company to conduct business in a well-controlled environment.

Risk and opportunity management principles

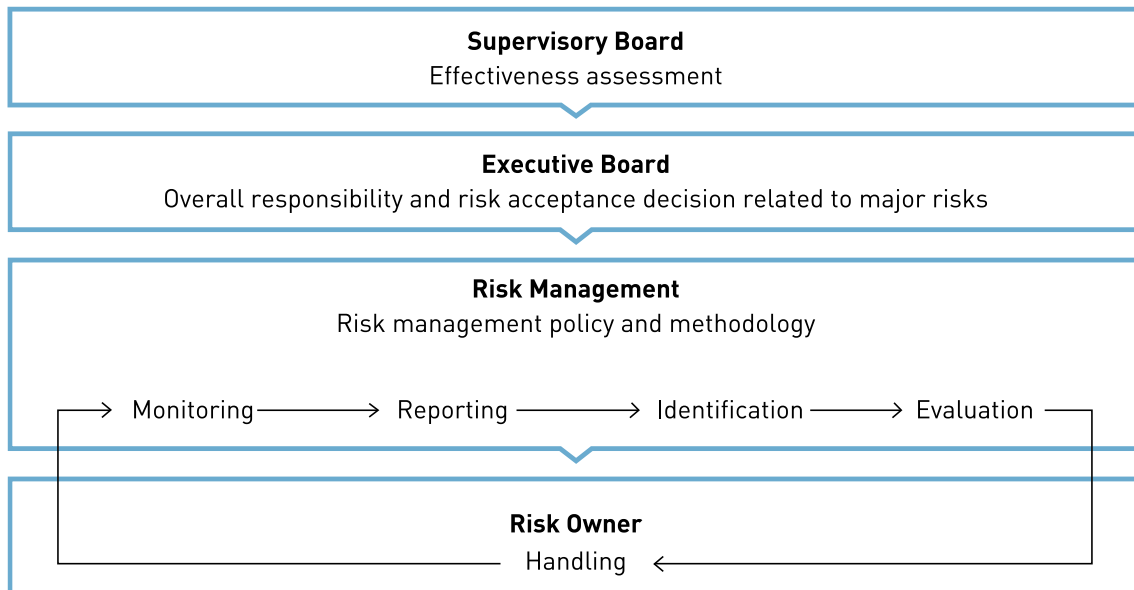
The key objective of the risk and opportunity management is to support business success and protect the company as a going concern through an opportunity-focused but risk-aware decision-making framework. Our Enterprise Risk Management Policy outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements, and communication timelines within our company. Risk and opportunity management is a company-wide activity that utilizes key insights from the members of the Executive Board as well as from global and local business units and functions. We define risk as the potential occurrence of an external or internal event (or series of events) that may negatively impact our ability to achieve the company's business objectives or financial goals. Opportunity is defined as the potential occurrence of an external or internal event (or series of events) that can positively impact the company's ability to achieve its business objectives or financial goals.

Risk and opportunity management system

The Executive Board has overall responsibility for establishing a risk and opportunity management system that ensures comprehensive and consistent management of all relevant risks and opportunities. The Enterprise Risk Management department governs, operates, and develops the company's risk and opportunity management system and is the owner of the centrally managed risk and opportunity management process on behalf of the Executive Board. The Supervisory Board is responsible for monitoring the effectiveness of the risk management system. These duties are undertaken by the Supervisory Board's Audit Committee. Working independently of all other functions of the organization, the Internal Audit department provides objective assurance to the Executive Board and the Audit Committee regarding the adequacy and effectiveness of the company's risk and opportunity management system on a regular basis. In addition, the Internal Audit department includes an assessment of the effectiveness of risk management processes and compliance with the company's Enterprise Risk Management Policy as part of its regular auditing activities with selected adidas subsidiaries or functions each year.

Our risk and opportunity management system is based on frameworks for enterprise risk management and internal controls developed and published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Additionally, we have adapted our risk and opportunity management system to more appropriately reflect the structure as well as the culture of the company. This system focuses on the identification, evaluation, handling, systematic reporting, and monitoring of risks and opportunities. Furthermore, we use a quantitative concept for risk capacity and risk appetite. Risk capacity is a liquidity-based measure and represents the maximum level of risk adidas AG can take before being threatened with insolvency. Risk appetite refers to the maximum level of risk the company is willing to take and is linked to the company's liquidity targets.

Risk and opportunity management system



Our risk and opportunity management process comprises the following steps:

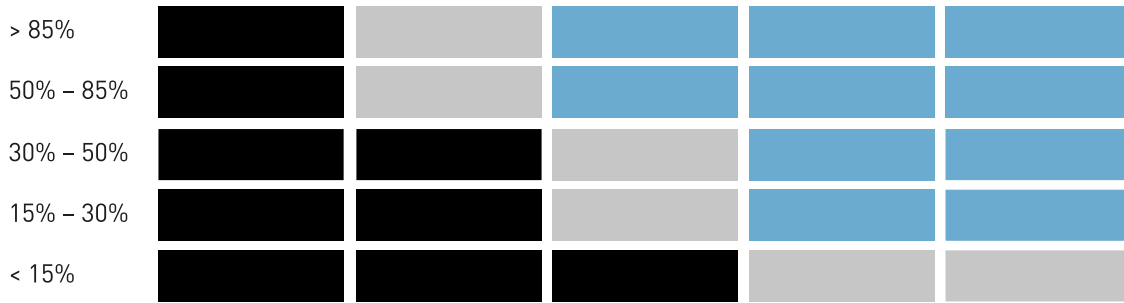
- **Risk and opportunity identification:** adidas continuously monitors the macroeconomic environment and developments in the sporting goods industry as well as internal processes to identify risks and opportunities as early as possible. On a semi-annual basis, the Enterprise Risk Management department conducts a survey among senior management and selected middle management to ensure an effective bottom-up identification of risks and opportunities. Enterprise Risk Management has also defined 25 categories to help identify risks and opportunities in a systematic way. In addition, adidas uses various instruments in the risk and opportunity identification process, such as primary qualitative and quantitative research including trend scouting and consumer surveys as well as feedback from our business partners. These efforts are supported by global market research and competitor analysis. Through this process, we seek to identify the markets, categories, consumer target groups, and product styles that show the most potential for future growth at a local and global level. Equally, our analysis focuses on those areas that are at risk of saturation or exposed to increased competition or changing consumer tastes. Furthermore, we consider topics related to environmental, social, and governance aspects in our overall identification process as well as in the following process steps. Our risk and opportunity identification process is however not only limited to external risk factors or opportunities; it also includes an internal perspective that considers company culture, processes, projects, human resources, and compliance aspects.
- **Risk and opportunity evaluation:** We assess identified risks and opportunities individually according to a systematic evaluation methodology, which allows adequate prioritization as well as allocation of resources. Risk and opportunity evaluation is part of the responsibility of the Enterprise Risk Management department supported by subject matter experts as well as internal and external data. The Enterprise Risk Management department also conducts assessments with the Executive Board members and senior leaders to validate the evaluation of most relevant risks and opportunities.

According to our methodology, risks and opportunities are evaluated by looking at two dimensions: the potential impact and the likelihood that this impact materializes. Based on this evaluation, we classify risks and opportunities into three categories: minor, moderate, and major.

The potential impact is evaluated using five categories: marginal, low, medium, high, and significant. These categories represent financial or equivalent non-financial measurements. The financial measurements are based on the potential effect on the company's net income and cash flow. Non-financial measurements used are the degree to which the company's reputation, brand image, and employer value proposition are affected. Moreover, the degree of damage to people's health and safety and the degree of legal and judicial consequences at a corporate and personal level can be considered. Likelihood represents the possibility that a given risk or opportunity may materialize with the specific impact. The likelihood of individual risks and opportunities is evaluated on a percentage scale divided into five categories.

Risk evaluation categories

Likelihood



	Marginal	Low	Medium	High	Significant
Financial equivalent¹	€ 1 million - € 10 million	€ 10 million - € 35 million	€ 35 million - € 60 million	€ 60 million - € 100 million	> € 100 million

Qualitative equivalent	Marginal impact on reputation, e.g., growing negative consumer reactions locally & slightly impaired bargaining power with partners & lower ranking in employer ratings. Minor harm to employees or third parties that doesn't require medical treatment. Internal corrective actions required.	Low impact on reputation, e.g., strong increase of negative consumer reactions globally & impaired bargaining power with partners & weaker results in important non-financial external ratings. Minor harm to employees or third parties that requires medical treatment. Judicial investigations leading to no direct sanctions but requiring internal corrective actions, including dismissal of employees.	Medium impact on reputation, e.g., rejection by specific consumer groups & termination or renegotiation of partnerships & profit warnings. Harm to employees or third parties that leads to hospitalization. Judicial investigations leading to imprisonment of employees and/or business interruption.	High impact on reputation, e.g., regional consumer boycotts & termination of key partnership & downgrade of credit and analyst ratings & temporary local employee strikes. Serious, life-changing harm to employees or third parties. Judicial investigations leading to imprisonment of senior leadership and/or significant business interruption including due to ongoing investigations.	Significant impact on reputation, e.g., persisting global consumer boycott & termination of multiple key partnerships & exclusion from key stock indices & long-lasting global employee strikes. Fatalities of employees or third parties. Litigation (including class action), imprisonment of Board member(s), monitorship and/or cessation of business operations due to court order.
-------------------------------	---	---	---	--	--

Potential impact

Risk classification: ■ Minor ■ Moderate ■ Major

¹ Based on net income and cash flow.

When evaluating risks and opportunities, we also consider the speed of materialization (velocity). In this respect, we differentiate in which financial year risks and opportunities could occur. We consider both gross and net risk in our risk assessments. While the gross risk reflects the inherent risk before any mitigating action, the net risk reflects the residual risk after all mitigating action. On the one hand, this approach allows for a good understanding of the impact of mitigating action taken; on the other hand, it provides the basis for scenario analysis. Our assessment of risks presented in this report only reflects the net risk perspective. We measure the actual financial impact of selected risks and opportunities that materialized against the original assessment on a yearly basis ('back-testing'). In this way, we ensure continuous monitoring of the accuracy of risk and opportunity evaluations across the company, which enables us to continuously improve evaluation methodology based on our findings.

In assessing the potential effect from opportunities, each opportunity is appraised with respect to viability, commerciality, and potential risks. This approach is not only applied to longer-term strategic prospects but also to shorter-term tactical and opportunistic initiatives at the corporate level as well as at the market and brand level. In contrast to the risk evaluation, only the net perspective exists for assessing opportunities.

We aggregate risks and opportunities using a stochastic simulation (Monte Carlo simulation) to determine the company's risk and opportunity portfolio (i.e., the company's aggregated risk position), considering interdependencies of individual risks and opportunities. To identify a potential threat to the company as a going concern, we compare the 2024 risk and opportunity portfolio to the company's defined risk capacity and determine the likelihood that the aggregated risk exceeds the risk capacity; to identify a potential threat to the company's rating, we compare the 2024 risk and opportunity portfolio to the defined risk appetite and determine the likelihood that the aggregated risk exceeds the risk appetite.

- **Risk and opportunity handling:** Risks and opportunities are treated in accordance with the company's risk and opportunity management principles as described in the Enterprise Risk Management Policy. Risk Owners are in charge of developing and implementing appropriate risk-mitigating action within their area of responsibility. In addition, the Risk Owners need to determine a general risk-handling strategy for the identified risks, which is either risk avoidance, risk reduction with the objective to lower impact or likelihood, risk transfer to a third party or risk acceptance. The decision on the implementation of the respective risk-handling strategy also takes into account the costs in relation to the benefit of any planned mitigating action if applicable. The Enterprise Risk Management department works closely with the Risk Owners to monitor the continuous progress of planned mitigating action and assess the viability of already implemented mitigating action. Depending on the risk class determined by the risk and opportunity evaluation, the authority to make decisions to accept risks resides with the Executive Board, leaders reporting directly to an Executive Board member and the operational management on the next hierarchical level. The decision to accept major risks without taking additional mitigating action can only be made by the entire Executive Board. In its decision-making process, the Executive Board takes into account the risk profile, i.e., the relationship between risk and opportunity portfolio (i.e., the company's aggregated risk position) and risk appetite, as well as risk capacity. To support the Executive Board, the Enterprise Risk Management department defined clear thresholds for the likelihood that the company's aggregated risk exceeds the defined risk appetite and risk capacity. The company's risk appetite must not be exceeded with a likelihood of at least 95%; the company's risk capacity must not be exceeded with a likelihood of at least 99%.
- **Risk and opportunity monitoring and reporting:** Our risk and opportunity management system aims to increase the transparency of risks and opportunities. As both risks and opportunities are subject to constant change, Risk Owners not only monitor developments but also the adequacy and effectiveness of the current risk-handling strategy on an ongoing basis.

Regular risk reporting takes place half-yearly and consists of a five-step reporting stream:

- Enterprise Risk Management identifies risks and opportunities (with a potential effect on net income and cash flow higher than € 1 million) by conducting a survey among senior management and selected middle management as well as utilizing available information concerning the internal and external environment of the company. Enterprise Risk Management evaluates, consolidates, and aggregates the identified risks and opportunities ('bottom-up assessment').
- Enterprise Risk Management discusses the assessment of most relevant risks and opportunities with the members of the Executive Board and leaders directly reporting to them. The Executive Board members and senior leaders validate the assessment of risks and opportunities in their respective area of responsibility ('top-down assessment').
- Enterprise Risk Management provides a consolidated report to the Executive Board summarizing the results of both bottom-up and top-down assessment as well as the risk and opportunity profile to highlight a potential threat to the company's rating and going concern. The Executive Board reviews the report, jointly agrees on a company assessment of risks and opportunities and decides if Risk Owners are required to take further action.
- Based on the Executive Board's decision, Enterprise Risk Management creates the final risk and opportunity report that is also shared with the Core Leadership Group ('CLG').
- The Executive Board presents in collaboration with Enterprise Risk Management the final risk and opportunity assessment results to the Audit Committee of the Supervisory Board.

Material changes in previously reported risks and opportunities or newly identified substantial risks and opportunities are also reported outside the regular half-yearly reporting stream on an ad hoc basis to the Executive Board. To further improve the risk culture at adidas, we are also offering a risk management training to all our employees through our company intranet.

Compliance management system (adidas Fair Play)

▣ We consider compliance with the law as well as with external and internal regulations to be imperative. The Executive Board sets the tone from the top, and every employee is required to act ethically and in compliance with the law as well as with internal and other external regulations while executing the company's business. We believe adidas Fair Play will prevent a majority of potential compliance issues. For that reason, we have specific measures to detect and respond to any concerns. We realize, however, that no compliance system can eliminate all violations.

The adidas Chief Compliance Officer oversees the company's Compliance Management System (CMS). We see compliance as all-encompassing, spanning all business functions throughout the entire value chain. Our central Compliance team works closely with Regional Compliance Managers and Local Compliance Officers to conduct a systematic assessment of key compliance risks on a yearly basis.

The company's CMS is based on the OECD Principles of Corporate Governance. It refers to the OECD Guidelines for Multinational Enterprises and is designed to:

- support the achievement of qualitative and sustainable growth through good corporate governance,
- reduce and mitigate the risk of financial losses or damage caused by non-compliant conduct,
- protect and further enhance the value and reputation of the company and its brand through compliant conduct, and
- support 'Diversity, Equity, and Inclusion' ('DEI') initiatives by fighting harassment and discrimination.

The adidas Fair Play Code of Conduct is accessible on our website, includes guidelines for employee behavior in everyday work, and is applicable globally for all business areas. [↗](#)

► [ADIDAS-GROUP.COM/5/CODE-OF-CONDUCT](https://adidas-group.com/5/code-of-conduct)

▣ The Fair Play Code of Conduct and our CMS are organized around three pillars: prevent, detect, and respond.

- **Prevention:** The Compliance team regularly reviews and updates the CMS as necessary. In addition to the revised Fair Play Code of Conduct mentioned above, we also support all initiatives to prevent and fight harassment and discrimination in the workplace. Management also shares compliance-related communication, and the Compliance department provides mandatory training to all employees globally during onboarding and in regular, repeated cycles. The Compliance team and partners also provide targeted in-person compliance training as appropriate with senior management and newly promoted or hired senior executives across the globe in order to further enhance the compliance 'tone from the top,' as well as the 'tone from the middle.' We closely monitor the completion rates for these training measures. We also focused on further enhancing cooperation between the Compliance team and the Internal Audit, the Group Policies and Internal Controls, and the Enterprise Risk Management department.
- **Detection:** adidas has whistleblowing procedures in place to ensure timely detection of potential infringements of statutory regulations or internal guidelines. Employees can report compliance concerns internally to their supervisor, the Chief Compliance Officer, Regional Compliance Managers or Local Compliance Officers, the relevant HR Manager, or, where applicable, the Works Council. Employees can also report externally via the independent, confidential Fair Play hotline and website, which also allow for anonymous complaints. The Fair Play hotline and website are available at all times worldwide, including the services of interpreters, if required. They are promoted digitally and with posters to reach all our locations around the world. The company's work to identify potential compliance violations continued in 2023.
- **Response:** Appropriate and timely response to compliance violations is essential. The Chief Compliance Officer leads all investigations in cooperation with an established team of Regional Compliance Managers and a global network of Local Compliance Officers. We track, monitor, and report potential incidents of non-compliance worldwide. In 2023, we recorded 590 potential compliance violations (2022: 521). Most importantly, insights gained from the investigation of past violations are used to continuously improve the CMS. Where necessary, we react promptly to confirmed compliance violations, through appropriate and effective sanctions ranging from warnings to termination of employment contracts. In 2023, the Compliance team further strengthened its relationship with the Employee Relations (ER) organization, a key partner in many compliance matters, especially those related to harassment and discrimination. In November 2023, a new case management tool was

implemented allowing both Compliance and ER to effectively document and process cases as well as report on specific developments in more detail.

Potential compliance violations

	2023	2022
Financial, including theft	51	48
Malfeasance, including conflicts of interest and corruption	17	19
Competition	0	1
Behavioral	387	326
Other ¹	135	127

¹ Includes payroll issues, intellectual property, and leaks of confidential information, amongst others.

Reporting of potential compliance violations in %

	2023	2022
Anonymous contact to hotline	53	55
Named contact to hotline	23	26
Compliance Officer and other	24	18

The company's Chief Compliance Officer regularly reports to the Executive Board on the further development of the compliance program and on major compliance cases. In addition, the Chief Compliance Officer reports to the Audit Committee on a regular basis. In 2023, the Chief Compliance Officer attended four meetings of the Audit Committee of the Supervisory Board to report on the further development of the compliance program, major compliance cases, and other relevant compliance topics. The Compliance department has revised its process for detecting compliance risks and included new risks, as well as captured some risk areas (e.g., e-commerce) more clearly. In addition, the description of the CMS has been sharpened. [➔](#)

Description of the main features of the internal control and risk management system process pursuant to § 315 section 4 German Commercial Code (Handelsgesetzbuch – HGB)

The accounting-related internal control and risk management system of the company represents a process embedded within the company-wide corporate governance system. It aims to provide reasonable assurance regarding the reliability of the company's external financial reporting by ensuring company-wide compliance with statutory accounting regulations, in particular the International Financial Reporting Standards (IFRS) and internal consolidated financial reporting policies (Finance Manual). We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting, and Legal, focusing on the identification, assessment, mitigation, monitoring, and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process. In a first step, the internal control and risk management system serves to identify, assess, limit, and control risks identified in the consolidated financial reporting process that might result in the consolidated financial statements not being compliant with internal and external regulations.

Internal Control over Financial Reporting (ICoFR) serves to provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of ICoFR, the Corporate Internal Audit department, which includes both the Internal Audit and Global Internal Controls functions, regularly reviews accounting-related processes. Additionally, as part of the year-end audit, the external auditor assesses the effectiveness of selected internal controls,

including IT controls. The Audit Committee of the Supervisory Board also monitors the effectiveness of ICoFR.

All adidas companies are required to comply with the consolidated financial reporting policies (Finance Manual), which are available to all employees involved in the financial reporting process through the company-wide intranet. We update the Finance Manual on a regular basis, dependent on regulatory changes and internal developments. Changes to the Finance Manual are promptly communicated to all adidas companies. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the company. We aim to ensure compliance with the Finance Manual through continuous adherence to the four-eyes principle in accounting-related processes. In addition, the local manager responsible for the accounting-related process within the respective company and the respective local Managing Director confirm adherence to the Finance Manual and to IFRS in a signed representation letter to the Accounting department semi-annually.

The accounting for adidas companies is conducted either locally or by our Global Business Services. Virtually all the IT Enterprise Resource Planning (ERP) systems used are based on a company-wide standardized SAP system. Following approval by the Finance Director of the respective adidas company, the local financial statements are transferred to a central consolidation system based on SAP Group Reporting. At the corporate level, the regularity and reliability of the financial statements prepared by adidas companies are reviewed by the Accounting and Controlling departments. These reviews include automated validations in the system as well as the creation of reports and analyses to ensure data integrity and adherence to the reporting logic. In addition, differences between current-year and prior-year financial data as well as budget figures are analyzed on a market level. If necessary, adidas seeks the opinion of independent experts to review business transactions that occur infrequently and on a non-routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP Group Reporting. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both manually and system-based, using automatically created consolidation logs. Any inadequacies are remedied manually by systematically processing the individual errors as well as differences and are reported back to the adidas companies. After finalization of all consolidation steps, all items in the consolidated income statement and in the consolidated statement of financial position are analyzed with respect to trends and variances. Unless already otherwise clarified, the adidas companies are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorization concepts, approval concepts, and access restrictions. Access authorizations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimized through central control and monitoring of virtually all IT systems, centralized management of change processes, and regular data backups.

Furthermore, the adidas internal control and risk management system includes non-accounting-related controls which serve to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of non-financial reporting, and compliance with applicable laws and regulations. The internal control and risk management system regarding the non-accounting-related activities focuses also on the identification, assessment, mitigation, monitoring, and reporting of relevant risks. It is as well embedded within the company-wide corporate governance system and encompasses various sub-processes in the areas of Brands, Operations (including Procurement and IT), Sales, or Human Resources.

All adidas companies are also required to comply with the non-accounting-related policies ('Policy Manual'), which are available to all employees involved in the various processes through the company-wide intranet and are updated and communicated on a regular basis.

The effectiveness of the non-accounting-related controls is also regularly monitored by the Corporate Internal Audit department and the Global and Market Internal Controls teams. The reporting of internal control testing results to the Audit Committee of the Supervisory Board includes the effectiveness of non-accounting-related controls as well.

Nothing came to our attention that would cause us to doubt the adequacy and effectiveness of the entire internal control and risk management system. However, due to the limitations of any internal control and risk management system, absolute certainty about the appropriateness and effectiveness of these systems cannot be guaranteed.²⁷

Illustration of Risks

This report includes an explanation of financial and non-financial risks that we deem to be most relevant to the achievement of the company's objectives in 2024 and beyond. According to our risk assessment methodology, macroeconomic, socio-political, regulatory, and currency risks; risks related to consumer demand and product offering; risks related to the competitive and retail environment; risks related to tax and customs regulations; risks related to impairment of goodwill; personnel risks; and IT and cybersecurity risks are classified as major. The corporate risks overview table illustrates the assessment of all risks described below.

Corporate risks overview

Risk categories	Potential impact	Change (2022 rating)	Likelihood	Change (2022 rating)
Macroeconomic, sociopolitical, regulatory, and currency risks	Significant		30% – 50%	
Risks related to consumer demand and product offering	Significant		15% – 30%	
Risks related to the competitive and retail environment	Significant		15% – 30%	↓ [30% – 50%]
Risks related to tax and customs regulations	Significant		15% – 30%	↓ [30% – 50%]
Risks related to impairment of goodwill	High	not reported in 2022	30% – 50%	not reported in 2022
Personnel risks	High	↓ (Significant)	15% – 30%	
IT and cybersecurity risks	High		15% – 30%	
Risks related to media and stakeholder activities	Medium		30% – 50%	↓ [50% – 85%]
Business partner risks	Significant		< 15%	
Compliance risks	Significant		< 15%	
Hazard risks	Significant		< 15%	
Litigation risks	Significant	↑ (High)	< 15%	
Project risks	Significant	↑ (High)	< 15%	

Macroeconomic, sociopolitical, regulatory, and currency risks

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns, inflation, financial market turbulence, currency exchange rate fluctuations, and sociopolitical factors such as military conflicts (e.g., further expansion of the war in Ukraine or the conflict in the Middle East), changes of government, civil unrest, pandemics, nationalization, expropriation, or nationalism, in particular in regions where adidas is strongly

²⁷ The statement in relation to German Corporate Governance Code A5 was not audited in terms of content as part of the audit of this Group Management Report.

represented, could therefore negatively impact the company's business activities (up to a potential wind-down of subsidiaries) and top- and bottom-line performance. Currency risks are a direct result of multi-currency cash flows within the company, in particular the mismatch of the currencies required for sourcing our products versus the denominations of our sales. Furthermore, translation impacts from the conversion of non-euro-denominated results into the company's functional currency, the euro, might lead to a material negative impact on our company's financial performance. In addition, substantial changes in the regulatory environment such as trade restrictions (e.g., concerning the US and China, or the EU and China), economic and political sanctions, regulations concerning product compliance, social aspects, human rights, environmental, and climate protection regulations could lead to potential sales shortfalls or cost increases. ► [SEE NOTE 28](#)

To mitigate these macroeconomic, sociopolitical, and regulatory risks, adidas strives to balance sales across key regions and also between developed and emerging markets. We continuously monitor the macroeconomic, political, and regulatory landscape in all our key markets to anticipate potential problem areas, so that we can quickly adjust our business activities accordingly upon any change in conditions. Potential adjustments may be a reallocation of manufacturing of our products to alternative countries, a reallocation of investments to alternative, more attractive markets, changes in product prices, closure of our own retail stores, more conservative product purchasing, tight working capital management, and an increased focus on cost control.

To mitigate the risk related to fluctuations in currency exchange rates, we utilize a centralized currency risk management system and hedge currency needs for projected sourcing requirements on a rolling basis up to 24 months in advance. In rare instances, hedges are contracted beyond the 24-months horizon.

► [SEE TREASURY](#)

By building on our leading position within the sporting goods industry and taking into account the interests of our stakeholders, we actively engage in supporting policymakers and regulators in their efforts to liberalize global trade and curtail trade barriers, and to proactively influence and adapt to significant changes in the regulatory environment.

Risks related to consumer demand and product offering

Our success largely depends on our ability to continuously create new, innovative, and sustainable products. Consumer demand changes can be sudden and unexpected, particularly when it comes to the more fashion-related part of our business. Therefore, we face a risk of short-term revenue loss in cases where we are unable to anticipate consumer demand or respond quickly to changes. In addition, creating and offering products that do not resonate with consumers and our retail partners is a critical risk to the success of our brands, especially considering our focus on key product franchises. This risk could be exacerbated if our marketing activities and brand campaigns fail to generate consumer excitement. Even more critical in the long term, however, are the risks of continuously overlooking new trends and failing to continuously introduce and successfully commercialize new product innovation.

To mitigate these risks, identifying and responding to shifts in consumer demand as early as possible is a key responsibility of our brand and sales organizations and, in particular, of the respective Risk Owners. Therefore, we utilize extensive primary and secondary research tools as outlined in our risk and opportunity identification process. By putting the consumer at the center of our decision-making, we intend to create higher brand advocacy and attract new consumers. We continuously expand our consumer analytics efforts to read and quickly react to changes in demand or trend shifts. In addition, direct touchpoints with consumers via our own digital channels, such as the adidas app, and direct communication with consumers on social media platforms strengthen our understanding of consumer preferences and behavior and, as a result, help us to reduce our vulnerability to changes in demand. Through continuous monitoring of sell-through data and disciplined product life-cycle management, in

particular for our major product franchises, we are able to better detect demand patterns and prevent excess supply. By leveraging our promotion partnerships and by carefully orchestrating launch events across markets and channels, we intend to maintain brand desire and consumer demand at a constantly high level. Utilizing external insights and capabilities in product creation helps us strengthen our product offering and drive consumer demand, brand desire, market share, and profitability.

Risks related to the competitive and retail environment

Changes in the competitive landscape and the retail environment could impact the company's success. Strategic alliances among competitors or retailers, the increase in retailers' own private-label businesses and intense competition for consumers, production capacity, and promotion partnerships between well-established industry peers and new market entrants pose a substantial risk to adidas. This could lead to harmful competitive behavior, such as sustained periods of discounting in the marketplace or intense bidding for promotion partnerships. Failure to recognize and respond to consolidation in the retail industry could lead to increased dependency on particular retail partners, reduced bargaining power, and, consequently, considerable margin erosion. Sustained pricing pressure in key markets, amplified by elevated inventory levels (still relevant for the US marketplace), could threaten the company's financial performance and the competitiveness of our brands. Aggressive competitive practices could also drive increases in marketing costs and market share losses, thus hurting the company's profitability and market position. The inability to adjust our distribution strategy in a timely manner to a changing retail industry, which is experiencing continuous substitution of physical retail stores by digital commerce platforms as well as increasing connectivity between physical and digital retail, could result in sales and profit shortfalls. A decline in the attractiveness of particular shopping locations such as shopping malls could lead to sales shortfalls in our customers' and our own stores, higher inventory in the marketplace, increased clearance activity, and margin pressure.

To mitigate these risks, we continuously monitor and analyze information on our competitors and markets in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to such changes. This enables us to proactively adjust our marketing and sales activities (e.g., product launches or selective pricing adjustments) when needed. We also continuously and closely monitor numerous indicators (e.g., order placement, sell-through rates at the point of sale, average selling prices, discounts, store traffic) that help us identify changes in the retail environment and quickly take appropriate action such as closing or remodeling our own stores. We constantly adjust our segmentation strategies to ensure that the right product is sold at the right point of sale at an appropriate price. Continuous investment in research and development ensures that we remain innovative and distinct from competitors. We also pursue a strategy of entering into long-term agreements with key promotion partners. In addition, our product and communication initiatives are designed to increase brand desire, drive market share growth, and strengthen our brand's market position.

Risks related to tax and customs regulations

Numerous laws and regulations regarding customs and taxes as well as changes in such laws and regulations affect the company's business practices worldwide. Non-compliance with regulations concerning product imports (including calculation of customs values), intercompany transactions, or income taxes could lead to substantial financial penalties and additional costs as well as negative media coverage and therefore reputational damage, for example in case of understatements or underpayments of corporate income taxes or customs duties. Changes in regulations regarding customs and taxes may also have a substantial impact on the company's sourcing costs or income taxes. Therefore, we also create provisions in accordance with the relevant accounting regulations to account for potential disputes with customs or tax authorities. Due to the current geopolitical situation, we assume in individual cases increasingly aggressive positions taken by tax and customs authorities in audits, which could increase the potential impact of such risks and the likelihood that they materialize. In 2021, the 'OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting' agreed on a two-pillar solution to address the tax

challenges arising from the digitalization of the economy. Pillar 2, which includes the introduction of global minimum tax, could lead to higher-than-planned income tax expenses from 2024 onwards.

We seek to manage tax and customs risks in a balanced way that bears an appropriate relationship to the operating structure, commercial and economic substance, and other business risks. To proactively manage such risks, we constantly seek expert advice from specialized independent law and tax advisory firms in areas such as process design, transaction advisory, compliance, and tax or customs audits. Processes are in place requiring that attention is regularly directed to potential areas of tax or customs risk (e.g., a quarterly tax risk questionnaire) and the corporate tax and customs teams are involved in critical business transactions. Compliance with global tax and customs policies and controls is monitored by the Corporate Tax and Customs teams, internal controls experts and the Internal Audit department. We closely monitor changes in legislation to properly adopt regulatory requirements regarding customs and taxes; apply any available and applicable guidance from tax authorities and organizations such as the OECD, the World Customs Organization, and the World Trade Organization; and seek guidance from individual authorities, as appropriate, which may include requesting tax rulings from a tax authority. In addition, our internal legal, customs, and tax teams advise our operational management teams to ensure appropriate and compliant business practices. Our specialized staff receive adequate training for their role and non-tax, or non-customs staff are made aware of potential tax and customs matters relevant to their roles. Furthermore, we work closely with customs authorities and governments worldwide to make sure we adhere to customs and trade regulations at import and export to ensure the availability and obtain the required clearance of products to fulfill sales demand. ► [SEE SUSTAINABILITY](#)

Risks related to impairment of goodwill

Our balance sheet carries book values in goodwill. Deterioration in the business performance, and particularly in future business prospects, as well as significant exchange rate fluctuations could require corrections of the book values by incurring impairment charges. In addition, increases in market interest rates could trigger increases in discount rates used in our impairment test for goodwill and require impairment charges. An impairment charge would be a purely accounting, non-cash effect impacting the company's operating result. ► [SEE NOTE 11](#)

Personnel risks

Achieving the company's strategic and financial objectives is highly dependent on our employees and their talents. In this respect, strong leadership and a performance-enhancing culture are critical to the company's success. Therefore, ineffective leadership as well as the failure to install and maintain a performance-oriented culture that fosters 'Diversity, Equity, and Inclusion' ('DEI') and strong employee engagement amongst our workforce could substantially impede our ability to achieve our goals. An ineffective, unbalanced, or insufficient allocation of resources to business activities as well as improper planning and untimely execution of reorganization and transformation initiatives may reduce employee engagement, cause business disruption and inefficiencies, and may negatively affect business performance. In addition, global competition for highly qualified personnel remains fierce. As a result, the loss of key personnel in strategic positions and the inability to identify, recruit, and retain highly qualified and skilled talent who best meet the specific needs of our company pose risks to our business performance.

We are taking various measures to ensure that we maintain a culture that fosters 'DEI.' Through several specialized programs, 'DEI' is embedded into our recruitment processes. Our 'Global DEI Council' drives the increase of representation, retention, and advancement of diverse talents within our global workforce. Furthermore, our workforce takes part in 'DEI' learning programs. To ensure effective leadership across the company we offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. To optimize staffing levels and resource allocation (i.e., having the right people with the right skillsets in the right roles at the right time), we adjust resource

allocation where required to reflect developments in business performance, the economic environment, and our company's strategic priorities. Organizational transformations and reorganizations are supported by change activations with our leadership teams and organizational design consultancy. We continuously invest in improving employer branding activities, and our global recruiting organization constantly enhances our internal and external recruiting services and capabilities. Our global succession management helps create internal talent pipelines for critical leadership positions and therefore reduces succession risk.

IT and cybersecurity risks

Theft, leakage, corruption, or unavailability of critical information (e.g., consumer data, employee data, product data) and systems could lead to reputational damage, regulatory penalties, or the inability to perform key business processes. Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support, and financial reporting, are all dependent on IT systems. Significant outages, application failures, or cybersecurity threats to our infrastructure, or that of our business partners, could therefore result in reputational damage, regulatory penalties, or cause considerable business disruption or impact to business-critical data.

To mitigate these risks, our Information Security organization proactively drives system preventive maintenance, service continuity planning, adherence to Information Security policies (aligned with the NIST 800-53 framework), and continuous execution of a comprehensive information security program aligned with a zero-trust strategy. Information security architecture design, application security, governance, data security, employee awareness programs, and a 24x7 incident response help us to adequately protect the company. We have also secured limited insurance coverage for damage resulting from cybersecurity incidents.

Risks related to media and stakeholder activities

Adverse or inaccurate media coverage on our products or business practices (including topics related to social, environmental, and governance) as well as negative social media discussion may significantly harm adidas' reputation and brand image, lead to public misperception of the company's business performance and eventually result in a sales slowdown. Similarly, certain activities on the part of key stakeholders (e.g., non-governmental organizations, governmental institutions) could cause reputational damage, distract top management, and disrupt business activities. Despite the termination of the adidas Yeezy partnership in 2022, due to its former size and relevance, related stakeholder reactions and negative media coverage could still be possible.

To mitigate these risks, we pursue proactive, open communication and engagement with key stakeholders (e.g., consumers, media, the financial community, non-governmental organizations, governmental institutions) on a continuous basis. In addition, we have established clear crisis communication processes to ensure a quick and effective response to adverse developments. We have also strengthened social media capabilities and created various digital newsrooms around the globe that enable continuous monitoring of social media content related to the company's products and activities and allow early management of potentially damaging social media discussion. On a case-by-case basis, we seek external advice from experts in communication and stakeholder management.

Business partner risks

adidas interacts and enters into partnerships with various third parties, such as athletes, creative partners, innovation partners, retail partners, or suppliers of goods or services. As a result, the company is exposed to a multitude of business partner risks.

We work with strategic partners in various areas of our business (e.g., product creation, manufacturing, research, and development) or distributors in a few selected markets whose approach might differ from

our own business practices and standards, which could also negatively impact the company's business performance and reputation. Similarly, failure to maintain strong relationships with our partners could negatively impact the company's sales and profitability. Risks may also arise from a dependency on particular partners. For example, the overdependency on a supplier or customer increases the company's vulnerability to delivery and sales shortfalls, respectively, and could lead to significant margin pressure. Business partner default (including insolvency) or other disruptive events such as strikes may negatively affect the company's business activities and result in additional costs and liabilities as well as lower sales for the company. Unethical business practices or improper behavior on the part of business partners could have a negative spillover effect on the company's reputation, lead to higher costs or liabilities or even disrupt business activities.

To mitigate business partner risks, adidas has implemented various measures. For example, we generally include clauses in contractual agreements with partners that allow us to suspend or even terminate our partnership in case of improper or unethical conduct. In addition, we work with a broad portfolio of promotion partners to reduce the dependency on the success and popularity of a few individual partners. We utilize a broad distribution strategy, which includes further expansion of our direct-to-consumer business to reduce the risk of overreliance on key customers. Specifically, no single customer accounted for more than 5% of the company's sales in 2023. To reduce risk in the supply chain, we work with suppliers who demonstrate reliability, quality, and innovation. Furthermore, in order to minimize any potential negative consequences such as a violation of our Workplace Standards by our suppliers, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain. In addition, we have selectively bought insurance coverage for the risk of business interruptions caused by physical damage to suppliers' premises. To reduce supplier dependency, the company follows a strategy of diversification. In this context, adidas works with a broad network of suppliers in different countries and, for the vast majority of its products, does not have a [single-sourcing model](#).

Compliance risks

As a globally operating company, adidas is subject to various laws and regulations. Non-compliance with such laws and regulations could lead to penalties and fines and cause reputational damage. For example, non-compliance with laws and regulations concerning data protection and privacy, such as the EU General Data Protection Regulation (GDPR), may result in substantial fines. In addition, publication of failure to comply with data protection and privacy regulations could cause reputational damage and result in a loss of consumer trust in our brands. We also face the risk that members of top management as well as our employees breach rules and standards that guide appropriate and responsible business behavior. This includes the risks of fraud, financial misstatements or manipulation, anti-competitive business practices, bribery, corruption, discrimination, and harassment in the workplace.

Our Compliance Management System (CMS) helps us to prevent, detect, and adequately respond to these risks. Our Global Policy Manual provides a framework for basic work procedures and processes, and our Fair Play Code of Conduct stipulates that every employee and our business partners shall act ethically in compliance with the laws and regulations of the legal systems where they conduct company business. In addition, our Regional Compliance Managers and Local Compliance Officers guide and advise our operating managers regarding fraud and corruption topics. Furthermore, we utilize controls such as segregation of duties in IT systems and data analytics technology to prevent or detect fraudulent activities. We are also working with external partners and law firms to ensure we are informed about legal requirements across the globe, and we take appropriate action to ensure compliance. To mitigate the risk of non-compliance with laws and regulations concerning data protection and privacy, we developed a global privacy management framework that introduces the company's privacy principles and provides guidance for the use and deletion of personal information. This framework applies to all adidas businesses worldwide and also sets our expectations of third-party business partners for managing personal

information for or on behalf of adidas. Our Global Privacy Officer and the Global Privacy department drive the operational establishment of the framework and monitoring capabilities to track and report its implementation. During the implementation, they are continuously providing further implementation guidance and training.

Hazard risks

As climate change intensifies, the likelihood and intensity of natural disasters such as storms, floods, droughts, pandemics, or heat waves increases, and so does adidas' potential risk. In addition, our business activities could be impacted by port congestions, strikes, riots, armed conflicts, or terrorist attacks. All of the above could damage our offices, stores, or distribution centers or disrupt our operational processes (e.g., sourcing, logistics) leading to loss of sales, higher cost, and a decrease in profitability.

To manage and mitigate these risks, we continuously monitor potential threats and have implemented business continuity plans including but not limited to fallback solutions for transportation, dynamic capacity management of containers and carriers, and reallocation of production. We also maintain high safety standards in all our locations and have secured insurance coverage for property damage and business interruptions.

Litigation risks

adidas may be involved in legal disputes and proceedings in different jurisdictions. For example, despite a rigid internal clearance process, legal steps may be taken against adidas due to the company's use of certain technologies or trademarks that are protected by a third party's intellectual property rights. These actions may result in, among others, the company having to stop using certain technologies or designs, imposed royalty payment obligations, the withdrawal of products from certain markets, legal costs, or reputational damage. In particular, in commercial disputes involving the company, third parties may also claim financial damages, including lost profits, as a result of an alleged breach of contract by the company.

Our Legal team actively defends adidas' intellectual property rights and regularly communicates with all relevant internal business partners to ensure that our products, including our designs and other innovations, are cleared and adequately protected prior to use. We retain specialized external counsel (and other advisors, if needed) in case legal action is taken against the company.

Project risks

To effectively support further business growth and improve efficiency, adidas continuously invests in new projects such as the creation, implementation, expansion, harmonization, or modernization of IT systems, distribution centers, or office buildings. Ineffective project management could delay the execution of critical projects and lead to higher expenditures. Inadequate project planning and controlling as well as executional mistakes or ineffective change management could cause inefficiencies, delays, or business disruption, resulting in higher costs and sales shortfalls. Inappropriate project governance, prioritization, and oversight of the project portfolio may lead to suboptimal resource allocation and undesired project results.

We manage projects utilizing reviews by project teams as well as project steering committees to evaluate the progress, quality, and costs of those projects on a regular basis. This approach allows early detection of project risks and quick implementation of corrective action or timely cancellation of projects with a low chance of success. To ensure true end-to-end management of key projects we have established a network of program and project management departments across all main functions (i.e., Sales, Marketing, Operations, Finance, IT, and Human Resources). We also work with external partners for project management support in areas where we do not have the required expertise or experience in-house.

Illustration of Opportunities

In this report, we illustrate financial and non-financial opportunities considered most relevant in 2024 and beyond. According to our assessment methodology, opportunities related to existing Yeezy inventory; opportunities related to consumer demand and product offering; macroeconomic, sociopolitical, regulatory, and currency opportunities; opportunities related to order and supply management; opportunities related to the distribution strategy; and personnel opportunities are considered major. The assessment is illustrated in the corporate opportunities overview table.

Corporate opportunities overview

Opportunity categories	Potential impact	Change (2022 rating)	Likelihood	Change (2022 rating)
Opportunities related to existing Yeezy inventory	Significant		30% – 50%	↑ (15% – 30%)
Opportunities related to consumer demand and product offering	Significant		30% – 50%	↑ (15% – 30%)
Macroeconomic, sociopolitical, regulatory, and currency opportunities	Significant	↑ (High)	30% – 50%	↑ (15% – 30%)
Opportunities related to order and supply management	Significant		15% – 30%	↓ (30% – 50%)
Opportunities related to the distribution strategy	Significant		15% – 30%	↓ (30% – 50%)
Personnel opportunities	High	↑ (Medium)	15% – 30%	
Opportunities related to product engineering and manufacturing processes	Significant		< 15%	↓ (30% – 50%)
Litigation opportunities	Medium	not reported in 2022	30% – 50%	not reported in 2022
Opportunities related to tax and customs regulations	Medium	↓ (Significant)	15% – 30%	↓ (50% – 85%)

Opportunities related to existing Yeezy inventory

The full-year 2024 guidance as outlined in this Annual Report assumes that adidas will sell the remaining Yeezy inventory at cost. In the event of a better-than-anticipated sale of the existing product, the company’s top- and bottom-line development could be positively impacted by higher-than-planned sales and margins.

Opportunities related to consumer demand and product offering

Well-executed campaigns and marketing initiatives could increase brand desire and consumer appeal, which may drive full-price sell-through and result in higher-than-expected sales and profit. In addition, outstanding competitive performance of promotion partners such as individual athletes, club teams, or national teams may further increase their popularity among consumers. As a result, adidas may generate higher sales of signature footwear or licensed apparel and accessories. We believe that our continued focus on product innovation and the ability to fully commercialize such innovation through an attractive product offering that resonates with consumers and considers global as well as local trends could provide further upside potential both in terms of sales and profit. In that respect, we see untapped potential particularly for our Lifestyle key franchises as well as our basketball, running, and training business.

Macroeconomic, sociopolitical, regulatory, and currency opportunities

Positive macroeconomic developments could strengthen consumer sentiment and purchasing power, for example, if inflation rates declined at a faster pace than anticipated. Favorable exchange rate developments can potentially have a positive impact on the company’s financial results. Translation effects from the conversion of non-euro-denominated results into our company’s functional currency, the euro, might also positively impact our company’s financial performance. Legislative and regulatory changes such as the elimination of trade barriers due to free trade agreements can create cost savings or potentially open up new channels of distribution and, as a result, positively impact profitability in the mid- to long term.

Opportunities related to order and supply management

The introduction of a more flexible order management, supported by our continued investment in our IT systems, could effectively reduce inventory risk and drive incremental net sales and higher margins. This could be achieved by reducing initial order sizes while ensuring continuous reproduction and replenishment of products. In this context, data and analytics play a crucial role in enabling fact-based decision-making. Therefore, we have a dedicated Data and Analytics team to support business decision-making by leveraging the power of data. Expanded nearshoring capabilities could further reduce lead times to ensure that product demand can be fulfilled at all times and to respond more quickly to the latest trends in our industry.

Opportunities related to the distribution strategy

Our wholesale channel, where we clearly focus on partners that provide consumers with the best shopping experience and customer service, could generate higher-than-expected sales and profit. In addition, organic growth of our business in Latin America, Asia-Pacific, and Emerging Markets could provide further upside potential in terms of sales and profit.

Personnel opportunities

Creating and managing a performance-oriented culture that fosters 'Diversity, Equity, and Inclusion' as well as leadership accountability and clear values in the workplace could lead to increased diversity of thought, increased creativity and innovation, and higher employee satisfaction and engagement. This may positively impact the company's financial performance. A workforce that includes diverse talent and reflects the diversity of our customers and consumers helps us better serve the communities we work in and strengthens brand reputation among our consumers, which could potentially create a competitive advantage and positively impact top- and bottom-line performance.

Opportunities related to product engineering and manufacturing processes

We constantly monitor which of our product features are perceived as most relevant by our consumers. According to this, a further optimization of our product design could result in higher net sales and margins by consistently focusing on product features that add the most value to our consumers, while increasing the cost efficiency of less relevant components or reducing complexity in product design. By working closely with our suppliers, we also see respective potential for more efficient manufacturing processes.

Litigation opportunities

Our Legal department is constantly monitoring the market for potential infringements of our own rights by third parties, e.g., related to trademarks, patents, or other intellectual property rights. In the event that a third party breaches our contracts or infringes our rights, we try to enforce and protect our legal positions and, to the extent required, retain specialized external counsel. This may result in, among others, the company demanding contractual penalties or other financial damages payments from third parties.

Opportunities related to tax and customs regulations

The potential release of valuation allowances on deferred tax assets or the release of tax risk reserves (e.g., relating to transactions or internal reorganizations in prior years) could positively impact income tax expense. In addition, changes in local tax regulations may offer the company the option to realize benefits that could result in a reduction of tax expenses and higher net income. Furthermore, we see potential in reducing the total amount of customs duties in the long term by increasing our sourcing from manufacturing partners in countries with more favorable customs treaties.

Illustration of climate-related risks and opportunities

In 2023, we evolved our climate risk and opportunity assessment by using climate scenario analysis as well as different time horizons which include short-, medium-, and long-term (up to 2050) timeframes. Climate scenario analysis confirmed our previous findings that the overall global greenhouse gas emission levels will be an important factor influencing the magnitude of risks and opportunities. Moreover, these risks and opportunities will gain relevance for our business, especially in the medium to long term.

We have categorized climate-related risks and opportunities following the 'Task Force on Climate-Related Financial Disclosures' ('TCFD') framework. Given the different time horizons and complexity of climate-related risks and opportunities, the overview is presented separately from the illustration of risks and opportunities in this Risk and Opportunity Report. We do not expect this to result in any additional major risks and opportunities for the forecast for the 2024 fiscal year compared to the explanations given in the Risk and Opportunity Report.

Physical risks

- **Physical damage and business disruption in our own or our business partners' properties:** Extreme weather events and changes in the overall weather patterns could increasingly lead to damages to owned or business partners' properties (such as office buildings, distribution centers, and retail stores) and inventories, as well as business disruptions. In turn, these could result in lower revenues and higher insurance and operating costs.
- **Changing cost and availability of materials:** Changes in weather patterns could negatively affect availability of materials, leading to higher operating costs.
- **Harm to and lower productivity of our own and business partners' workforce and decreased participation in sports:** An increase in average temperatures and heat waves could lead to harm and reduced productivity of our own and our business partners' workforce. Changes in weather patterns could negatively influence consumers' participation in sports, which could lead to decreased consumer demand.

Transition risks (policy and legal, technology, market and reputation risks)

- **Energy- and carbon-related prices:** Higher prices for energy as well as direct and indirect taxation linked to greenhouse gas emissions could negatively impact our business partners and lead to higher operating costs.
- **Exposure to carbon-related regulation and litigation:** An increase in regulation (especially product-related), could lead to increased reporting requirements, as well as the inability to market certain products in specific markets. An increase in regulation could also lead to a higher exposure to litigation for non-compliance.
- **Cost of low-carbon technologies:** High costs for low-carbon technologies could impact our business partners' ability to lower their emissions, resulting in higher operating costs and potential non-compliance with regulation limiting greenhouse gas emissions.
- **Stakeholder scrutiny:** A change in stakeholders' expectations could lead to reduced capital availability and market valuation due to concerns about our resilience to climate change impacts.

Climate-related opportunities

- **Development of low-emission products and services:** The development of low-emission products and services could address specific consumer preferences and lead to a competitive advantage and increased consumer demand.
- **Resource efficiency and increased use of renewable energy sources:** The development and use of more efficient production and distribution processes, as well as the increased share of renewable energy (mainly by our business partners), could lead to lower greenhouse gas emissions and improved climate change resilience.
- **Improved stakeholder perception:** A strong environmental performance, with lower greenhouse gas emissions and improved climate change resilience, could lead to increased capital availability (green financing) and market evaluation, as well as increased employer attractiveness.

Management Assessment of Performance, Risks and Opportunities, and Outlook

Assessment of performance versus targets

We communicate our financial targets on an annual basis. We also provide updates throughout the year as appropriate. In the transition year 2023, adidas made operational and financial progress and performed significantly better than initially expected. The overall business environment continued to be characterized by geopolitical tensions, macroeconomic challenges, and high inventory levels. As a result of our decisive actions, we were able to significantly reduce inventory levels during the year. Our successful initiatives included limiting the sell-in to the wholesale channel, which negatively impacted our top-line development. At the same time, the underlying business performed above our expectations. In addition, the company also benefited from the sale of parts of the remaining Yeezy inventory. Consequently, we were able to upgrade our guidance twice in the course of the year. Ultimately, our 2023 financial results significantly exceeded our latest guidance from October on both the top and bottom line.

► SEE ECONOMIC AND SECTOR DEVELOPMENT

Company targets versus actual key metrics

	2022 Results	2023 Initial targets ¹	2023 Updated targets ²	2023 Latest targets ³	2023 Results	2024 Outlook
Currency-neutral net sales development	1%	to decline at a high-single-digit rate	to decline at a mid-single-digit rate	to decline at a low-single-digit rate	0%	to increase at a mid-single-digit rate
Operating margin/operating profit/loss	3.0%	operating loss of € 700 million	operating loss of € 450 million	operating loss of € 100 million	operating profit of € 268 million	operating profit of around € 500 million
Average operating working capital in % of net sales	24.0%	to reach a level of between 25% and 26%	to reach a level of between 25% and 26%	to reach a level of between 25% and 26%	25.7%	to reach a level of between 23% and 24%
Capital expenditure ⁴	€ 695 million	to reach a level of around € 600 million	to reach a level of around € 600 million	to reach a level of around € 600 million	€ 504 million	to reach a level of around € 600 million

¹ As published on February 9, 2023. For average working capital and capital expenditure as of March 8, 2023.

² As published on July 24, 2023.

³ As published on October 17, 2023.

⁴ Excluding acquisitions and leases.

In 2023, revenues were flat on a currency-neutral basis. This was significantly better than our initial expectations (February 2023: high-single-digit decline) and also ahead of our latest guidance (October 2023: low-single-digit decline). The development reflects strong double-digit growth in Latin America. Revenues in both Greater China and Asia-Pacific grew at high-single-digit rates. Currency-neutral sales in EMEA were flat. North America recorded a double-digit decline as this market was particularly impacted by the company's conservative sell-in strategy to reduce high inventory levels. The discontinuation of the Yeezy business represented a drag of around € 500 million on the year-over-year comparison during 2023. The sale of parts of the remaining Yeezy product positively impacted net sales in the amount of around € 750 million. This compares to a total of more than € 1,200 million of Yeezy revenues in 2022.

Our operating profit reached € 268 million in 2023, ahead of our latest guidance, provided in October, of an operating loss of € 100 million. Compared to our initial guidance provided at the beginning of 2023 (operating loss of € 700 million), the reported operating profit of € 268 million is around € 1,000 million higher than initially expected. This outperformance was partly driven by a better operational business. In addition, the company's decision to only write off a small portion of its remaining Yeezy inventory and sell a significant part of it in 2023 also drove the better-than-expected operating profit development last year.

► SEE INCOME STATEMENT

Average operating working capital as a percentage of sales ended the year 2023 at 25.7%. This was in line with the guided level of between 25% and 26% and represents a year-over-year increase of 1.6 percentage points. This reflects the slight increase in average operating working capital against the backdrop of lower net sales in 2023 compared to 2022. Capital expenditure decreased 27% to € 504 million in 2023, below our guidance of a level of around € 600 million. More than 75% of these investments were spent on [controlled space](#) initiatives and IT activities. Controlled space initiatives comprise investments in new or remodeled own retail or franchise stores as well as shop-in-shop presentations of our products in our customers' stores. ▶ [SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS](#)

Beyond our financial performance, we also actively monitor other KPIs. These other KPIs include, among others, [our sustainable article offering](#) and the share of women in management positions. In 2023, with almost eight out of ten of our articles being sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials, we exceeded the planned annual milestone for 2023. With 40% female representation in management positions in 2023, we decided to establish a new goal and committed to achieving a level of 50% by 2033 (previously: to increase to more than 40% by 2025). ↗

▶ [SEE INTERNAL MANAGEMENT SYSTEM](#)

Assessment of overall risks and opportunities

Our Risk Management team aggregates all risks and opportunities identified through the half-yearly risk and opportunity assessment process to determine the company's risk and opportunity portfolio (i.e., the company's aggregated risk position). Results from this process are analyzed and reported to the Executive Board accordingly. The Executive Board discusses and assesses risks and opportunities on a regular basis and takes into account the relationship between the risk and opportunity portfolio (i.e., the company's aggregated risk position) and risk appetite as well as risk capacity in its decision-making. Compared to the prior year, our assessment of certain risks and opportunities has changed in terms of likelihood of occurrence and/or potential financial impact. Our risk and opportunity aggregation using a Monte Carlo simulation determined that the company's aggregated risk position does not exceed the company's risk capacity threshold with a likelihood of at least 99%. Therefore, we do not foresee any material jeopardy to the viability of the company as a going concern. ▶ [SEE RISK AND OPPORTUNITY REPORT](#)

Assessment of financial outlook

In 2024, we expect macroeconomic challenges and geopolitical tensions to persist. This may negatively affect consumer sentiment and discretionary spending power. In North America, we will continue our initiatives to reduce high inventory levels, which will weigh on our sales and profitability during the first half of the year. In addition, unfavorable currency effects are projected to adversely impact both reported revenues and the gross margin development in 2024. The assumed sale of the remaining Yeezy inventory at cost with no operating profit contribution is also expected to weigh on the company's operational and financial performance versus the prior year. At the same time, the global sporting goods industry is set to benefit from major sports events in 2024.

Against this backdrop, we plan to return to top-line growth by scaling successful franchises, introducing new ones, and leveraging our significantly better, broader, and deeper product range. Improved retailer relationships, more impactful marketing initiatives, and our activities around the major sports events will also contribute to the sales increase. As a result, we expect currency-neutral sales to grow at a mid-single-digit rate in 2024. Our operating profit is currently expected to reach a level of around € 500 million

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT - OUR COMPANY	GROUP MANAGEMENT REPORT - FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

in 2024. While we will continue to increase our marketing and sales investments, the top-line growth and an improving gross margin are projected to drive the bottom-line development in 2024. ► [SEE OUTLOOK](#)

We believe our outlook for 2024 realistically describes the underlying development of the company. However, the outlook for 2024 as outlined in this report is subject to change. Ongoing uncertainties regarding macroeconomic challenges, the impact from geopolitical conflicts, and the development of consumer sentiment as well as potential supply-chain disruptions represent risks to the achievement of our stated financial goals and aspirations. No other material event between the end of 2023 and the publication of this report has altered our view. ► [SEE OUTLOOK](#)

4

**CONSOLIDATED
FINANCIAL STATEMENTS**

<u>Consolidated Statement of Financial Position</u>	189
<u>Consolidated Income Statement</u>	191
<u>Consolidated Statement of Comprehensive Income</u>	192
<u>Consolidated Statement of Changes in Equity</u>	193
<u>Consolidated Statement of Cash Flows</u>	195
<u>Notes</u>	197
<u>Shareholdings</u>	287
<u>Responsibility Statement</u>	290
<u>Copy of the Auditor's Report</u>	291

Consolidated Statement of Financial Position

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

	Note	Dec. 31, 2023	Dec. 31, 2022	Change in %
Assets				
Cash and cash equivalents	04	1,431	798	79
Short-term financial assets		34	–	n.a.
Accounts receivable	05	1,906	2,529	(25)
Other current financial assets	06	755	1,014	(26)
Inventories	07	4,525	5,973	(24)
Income tax receivables	34	156	102	52
Other current assets	08	1,003	1,316	(24)
Total current assets		9,809	11,732	(16)
Property, plant, and equipment	09	2,157	2,279	(5)
Right-of-use assets	10	2,247	2,665	(16)
Goodwill	11	1,238	1,260	(2)
Other intangible assets	12	442	429	3
Long-term financial assets	13	301	301	0
Other non-current financial assets	14	418	336	24
Deferred tax assets	34	1,358	1,216	12
Other non-current assets	15	49	76	(35)
Total non-current assets		8,211	8,563	(4)
Total assets		18,020	20,296	(11)

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

	Note	Dec. 31, 2023	Dec. 31, 2022	Change in %
Liabilities and equity				
Short-term borrowings	16	549	527	4
Accounts payable		2,276	2,908	(22)
Current lease liabilities	19	545	643	(15)
Other current financial liabilities	17	266	424	(37)
Income taxes	34	323	302	7
Other current provisions	18	1,323	1,589	(17)
Current accrued liabilities	20	2,273	2,412	(6)
Other current liabilities	21	488	452	8
Total current liabilities		8,043	9,257	(13)
Long-term borrowings	16	2,430	2,946	(18)
Non-current lease liabilities	19	2,039	2,343	(13)
Other non-current financial liabilities	22	6	44	(86)
Pensions and similar obligations	23	139	118	18
Deferred tax liabilities	34	147	135	9
Other non-current provisions	18	188	88	113
Non-current accrued liabilities	20	–	7	n.a.
Other non-current liabilities	24	103	6	1,492
Total non-current liabilities		5,052	5,688	(11)
Share capital		179	179	0
Reserves		257	466	(45)
Retained earnings		4,145	4,347	(5)
Shareholders' equity	25	4,580	4,991	(8)
Non-controlling interests	27	345	360	(4)
Total equity		4,925	5,351	(8)
Total liabilities and equity		18,020	20,296	(11)

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated Income Statement

adidas AG Consolidated Income Statement (IFRS) € in millions

	Note	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Change
Net sales	36	21,427	22,511	(4.8%)
Cost of sales		11,244	11,867	(5.3%)
Gross profit		10,184	10,644	(4.3%)
(% of net sales)		47.5%	47.3%	0.2pp
Royalty and commission income		83	112	(26.0%)
Other operating income	29	71	173	(58.8%)
Other operating expenses	09, 12, 30, 31	10,070	10,260	(1.9%)
(% of net sales)		47.0%	45.6%	1.4pp
Marketing and point-of-sale expenses		2,528	2,763	(8.5%)
(% of net sales)		11.8%	12.3%	(0.5pp)
Distribution and selling expenses		5,547	5,601	(1.0%)
(% of net sales)		25.9%	24.9%	1.0pp
General and administration expenses		1,839	1,651	11.4%
(% of net sales)		8.6%	7.3%	1.2pp
Sundry expenses		137	182	(24.8%)
(% of net sales)		0.6%	0.8%	(0.2pp)
Impairment losses (net) on accounts receivable and contract assets		19	63	(70.5%)
Operating profit		268	669	(59.9%)
(% of net sales)		1.3%	3.0%	(1.7pp)
Financial income	32	79	39	102.8%
Financial expenses	32	282	320	(11.9%)
Income before taxes		65	388	(83.1%)
(% of net sales)		0.3%	1.7%	(1.4pp)
Income taxes	34	124	134	(7.4%)
(% of income before taxes)		189.2%	34.5%	154.7pp
Net (loss)/income from continuing operations		(58)	254	n.a.
(% of net sales)		(0.3%)	1.1%	n.a.
Gain from discontinued operations, net of tax	03	44	384	(88.4%)
Net (loss)/income		(14)	638	n.a.
(% of net sales)		(0.1%)	2.8%	n.a.
Net (loss)/income attributable to shareholders		(75)	612	n.a.
(% of net sales)		(0.4%)	2.7%	n.a.
Net income attributable to non-controlling interests		61	26	136.0%
Basic earnings per share from continuing operations (in €)	35	(0.67)	1.25	n.a.
Diluted earnings per share from continuing operations (in €)	35	(0.67)	1.25	n.a.
Basic earnings per share from continuing and discontinued operations (in €)	35	(0.42)	3.34	n.a.
Diluted earnings per share from continuing and discontinued operations (in €)	35	(0.42)	3.34	n.a.

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Note	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Net (loss)/income		(14)	638
Items of other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans (IAS 19), net of tax ¹	23	(5)	131
Net (loss)/gain on other equity investments (IFRS 9), net of tax	28	(5)	0
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss		(10)	131
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met			
Net loss on cash flow hedges and net foreign investment hedges, net of tax	28	(126)	(25)
Net gain/(loss) on cost of hedging reserve – options, net of tax	28	7	(1)
Net gain/(loss) on cost of hedging reserve – forward contracts, net of tax	28	46	(36)
Reclassification of foreign currency translation differences due to disposal of foreign operations		–	(228)
Currency translation differences		(155)	177
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met		(228)	(113)
Other comprehensive income		(238)	18
Total comprehensive income		(252)	656
Attributable to shareholders of adidas AG		(300)	610
Attributable to non-controlling interests		48	47

¹ Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect. The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Note	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve – options	Cost of hedging reserve – forward contracts	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2021		192	1,294	(542)	(64)	(8)	(12)	(200)	6,860	7,519	318	7,837
Other comprehensive income		-	-	(70)	(26)	(1)	(36)	131	-	(2)	21	18
Net income		-	-	-	-	-	-	-	612	612	26	638
Total comprehensive income		-	-	(70)	(26)	(1)	(36)	131	612	610	47	656
Repurchase of adidas AG shares	25	(13)	-	-	-	-	-	-	(2,487)	(2,500)	-	(2,500)
Repurchase of adidas AG shares due to equity-settled share-based payment	25	(0)	-	-	-	-	-	-	(22)	(22)	-	(22)
Reissuance of treasury shares due to equity-settled share-based payment	25	0	-	-	-	-	-	-	41	41	-	41
Dividend payment		-	-	-	-	-	-	-	(610)	(610)	(22)	(632)
Equity-settled share-based payment	26	-	32	-	-	-	-	-	(35)	(4)	-	(4)
Acquisition of shares from non-controlling interests shareholders in accordance with IAS 32		-	-	4	-	-	-	(48)	-	(44)	17	(27)
Cancellation of treasury shares		-	12	-	-	-	-	-	(12)	-	-	-
Balance at December 31, 2022/ January 1, 2023		179	1,338	(608)	(90)	(9)	(48)	(116)	4,347	4,991	360	5,351
Other comprehensive income		-	-	(142)	(126)	7	46	(10)	-	(225)	(14)	(238)
Net (loss)/income		-	-	-	-	-	-	-	(75)	(75)	61	(14)
Total comprehensive income		-	-	(142)	(126)	7	46	(10)	(75)	(300)	48	(252)

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

	Note	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve – options	Cost of hedging reserve – forward contracts	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Repurchase of adidas AG shares due to equity-settled share-based payment	25	(0)	-	-	-	-	-	-	(29)	(29)	-	(29)
Reissuance of treasury shares due to equity-settled share-based payment	25	0	-	-	-	-	-	-	29	29	-	29
Dividend payment		-	-	-	-	-	-	-	(125)	(125)	(33)	(158)
Equity-settled share-based payment	26	0	17	-	-	-	-	-	(2)	15	-	15
Other		-	-	-	-	-	-	-	-	-	(29)	(29)
Balance at December 31, 2023		179	1,355	(750)	(217)	(2)	(2)	(126)	4,145	4,580	345	4,925

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

adidas AG Consolidated Statement of Cash Flows (IFRS) € in millions¹

	Note	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Operating activities:			
Income before taxes		65	388
Adjustments for:			
Depreciation, amortization and impairment losses	9, 10, 11, 12, 29	1,212	1,375
Reversals of impairment losses	09, 10, 29	(42)	(4)
Interest income	32	(39)	(23)
Interest expense	32	162	138
Unrealized foreign exchange losses, net		144	86
Losses on sale of property, plant, and equipment and intangible assets, net		20	16
Other non-cash effects from operating activities	29, 30	(8)	(8)
Operating profit before working capital changes		1,514	1,967
Decrease/(Increase) in receivables and other assets		995	(795)
Decrease/(Increase) in inventories		1,297	(1,879)
(Decrease)/Increase in accounts payable and other liabilities		(868)	736
Net cash generated from operations before taxes		2,938	30
Income taxes paid		(307)	(424)
Net cash generated from/(used in) operating activities – continuing operations		2,630	(394)
Net cash used in operating activities – discontinued operations		–	(85)
Net cash generated from/(used in) operating activities		2,630	(479)
Investing activities:			
Purchase of trademarks and other intangible assets		(141)	(191)
Proceeds from sale of trademarks and other intangible assets		1	1
Purchase of property, plant, and equipment		(363)	(504)
Proceeds from sale of property, plant, and equipment		10	1
Proceeds from sale of a disposal group from prior years		–	12
(Reimbursement)/Proceeds from disposal of discontinued operations		(19)	1,165
Purchase of short-term financial assets		(34)	–
Proceeds from/(Purchase of) investments and other long-term assets		57	(13)
Interest received		39	23
Net cash (used in)/generated from investing activities – continuing operations		(450)	495
Net cash used in investing activities – discontinued operations		–	(0)
Net cash (used in)/generated from investing activities		(450)	495

adidas AG Consolidated Statement of Cash Flows (IFRS) € in millions¹

	Note	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Financing activities:			
Repayment of eurobond	16	(500)	–
Proceeds from issuance of bonds	16	–	994
Interest paid		(163)	(140)
Repayments of lease liabilities		(603)	(631)
Dividend paid to shareholders of adidas AG	25	(125)	(610)
Dividend paid to non-controlling interest shareholders		(33)	(22)
Acquisition of non-controlling interests		–	(27)
Repurchase of treasury shares	25	–	(2,500)
Repurchase of treasury shares due to share-based payments		(29)	(30)
Proceeds from reissuance of treasury shares due to share-based payments		25	25
Proceeds/Repayments of short-term borrowings	16	3	(18)
Net cash used in financing activities – continuing operations		(1,425)	(2,957)
Net cash used in financing activities – discontinued operations		–	(6)
Net cash used in financing activities		(1,425)	(2,963)
IAS 29 Hyperinflation effects in operating, investing and financing cashflows			
	37	(82)	(64)
Sum of cashflows		673	(3,011)
Effect of exchange rates on cash		(40)	(39)
Increase/(Decrease) in cash and cash equivalents		633	(3,051)
Cash and cash equivalents at beginning of year			
	04	798	3,849
Effect indexing cash and cash equivalents	37	(0)	20
Cash and cash equivalents at beginning of year acc. Balance sheet		798	3,828
Cash and cash equivalents at end of period	04	1,431	798

¹ Prior year adjusted due to Hyperinflation accounting.
The accompanying Notes are an integral part of these consolidated financial statements.

Notes

adidas AG is a listed German stock corporation and parent of the adidas Group located at Adi-Dassler-Str. 1, 91074 Herzogenaurach, Germany, and is entered into the commercial register at the Local Court of Fürth (HRB 3868). adidas AG and its subsidiaries (collectively 'adidas,' 'the Group' or 'the company') design, develop, produce, and market a broad range of athletic and sports lifestyle products.

01 General

The consolidated financial statements of adidas AG as at December 31, 2023, comprise adidas AG and its subsidiaries and are prepared in compliance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU) as at December 31, 2023, and the additional requirements pursuant to § 315e section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following amendments to existing standards and interpretations are effective for financial years beginning on January 1, 2023, and have been applied for the first time to these consolidated financial statements:

- **IFRS 17 'Insurance Contracts' and Amendments to IFRS 17 (effective date: January 1, 2023):** The new standard covers the recognition and measurement, presentation and disclosure related to all types of insurance contracts. IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, and replaces IFRS 4 'Insurance Contracts'. IFRS 17 had no material impact on the consolidated financial statements.
- **Amendments to IAS 8 'Definition of Accounting Estimates' (effective date: January 1, 2023):** In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendments had no material impact on adidas' consolidated financial statements.
- **Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (effective date: January 1, 2023)** In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 'Making Materiality Judgements', in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of 'material' to accounting policy information, an effective date for these amendments is not necessary. The amendments have led to a selective reduction in the disclosures on accounting policies.

-
- **Amendments to IAS 12 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective date: January 1, 2023)** In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exemption under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments had no material impact on adidas, in particular since adidas did not apply the initial recognition exemption in the context of leases under IFRS 16.

 - **Amendments to IAS 12 ‘International Tax Reform — Pillar Two Model Rules’ (effective date: January 1, 2023):** In May 2023, the IASB issued ‘International Tax Reform—Pillar Two Model Rules’ – amendments to IAS 12 to clarify the application of IAS 12 ‘Income Taxes’ to income taxes arising from tax law enacted or substantively enacted to implement the OECD Pillar Two Model Rules. The amendments include a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules and additional disclosure requirements for affected entities, with the aim to help users of the financial statements better understand an entity’s exposure to the Pillar Two Model Rules. The required disclosures are provided in the Note of Income Taxes. ► SEE NOTE 34

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by adidas before the EU effective date.

The following new standards and interpretations and amendments to existing standards and interpretations issued by the IASB, endorsed by the EU, and which are effective for financial years beginning after January 1, 2023, have not been applied in preparing these consolidated financial statements:

- **Amendments to IFRS 16 ‘Lease Liability in a Sale and Leaseback’ (effective date: January 1, 2024):** In September 2022, the IASB has issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments to IFRS 16 are applicable for annual periods beginning on or after January 1, 2024, and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted when the fact is disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of adidas.

- **Amendments to IAS 1 ‘Classification of Liabilities as Current or Non-current’ (effective date: January 1, 2024):** In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that such a right to defer must exist at the end of the reporting period, and that the classification is unaffected by the likelihood that an entity will exercise its deferral right. In October 2022, the IASB issued further amendments to IAS 1, in which it clarifies that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The amendments are not expected to have a material impact on the consolidated financial statements of adidas.

The following new standards and interpretations as well as amendments to existing standards and interpretations were issued by the IASB. These are not yet endorsed by the EU and hence have not been applied in preparing these consolidated financial statements:

- **Amendments to IAS 7 ‘Statement of Cash Flows’ and IFRS 7 ‘Financial Instruments: Disclosures’ – ‘Supplier Finance Arrangements’ (effective date: January 1, 2024):** In May 2023, the IASB issued the clarification ‘Supplier Finance Arrangements’, which amended IAS 7 ‘Statement of Cash Flows’ and IFRS 7 ‘Financial Instruments: Disclosures’. The amendments clarify the characteristics of supplier finance arrangements and introduce additional disclosure requirements for such arrangements. The objective of the amendments is to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of adidas.
- **Amendments to IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ – ‘Lack of Exchangeability’ (effective date: January 1, 2025):** In August 2023, the IASB issued ‘Lack of Exchangeability’ that amends IAS 21. IAS 21 sets out the requirements for determining the exchange rate to be used for recording a foreign currency transaction into the functional currency and translating a foreign operation into a different currency. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The effects of the amendments need to be further analyzed and evaluated but are currently not expected to have a material impact on the consolidated financial statements of adidas.

The consolidated financial statements have in principle been prepared on the historical cost basis except for certain items in the statement of financial position, such as certain originated financial instruments, derivative financial instruments, and plan assets, which are measured at fair value.

In October 2022, adidas terminated the Yeezy partnership with immediate effect, discontinued the distribution of adidas Yeezy products, and stopped all payments to Kanye West and his companies. Being the sole owner of all design rights to existing products as well as previous and new colorways under the partnership, adidas announced in May 2023 that it would begin to sell the remaining inventory of adidas Yeezy products, with an initial release in May 2023. A second product drop took place in the third quarter. In total, these two drops generated revenues of around € 750 million in 2023. As of December 31, 2023, adidas still holds inventories with a total value of around € 250 million.

In connection with the sale of these remaining inventories, adidas has committed to donating a significant amount to selected organizations working to combat discrimination and hate, including racism and antisemitism. ► SEE NOTE 39

The consolidated financial statements are presented in euros (€), and unless otherwise stated, all values are presented in millions of euros (€ in millions). Due to rounding principles, numbers presented may not exactly sum up to totals provided. This can also lead to individual amounts rounded to zero.

02 Summary of material accounting policies

The consolidated financial statements are prepared in accordance with the consolidation, accounting, and valuation principles described below.

Principles of consolidation

The consolidated financial statements include the financial statements of adidas AG and all its direct and indirect subsidiaries, which are prepared in accordance with uniform accounting principles. An entity is considered a subsidiary if it is controlled by adidas AG. Control exists when adidas is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Effective as of December 2019, an amendment to the contractual arrangements existing between Agron, Inc., Los Angeles, California (USA), and adidas entered into force granting adidas the power to approve key financial and operational targets as well as the organizational structure of Agron, Inc. adidas has the right to, and is exposed to, the returns from its contractual business relations with Agron, Inc., which are dependent on the level of its net sales and overall profitability. As a result of the extended power, adidas has the ability to directly influence the amount of these variable returns and consequently obtained control over Agron, Inc. As adidas holds no equity interests of Agron, Inc., both net assets as well as income and expenses are attributable entirely to the non-controlling interest. adidas has not transferred any consideration to the owners of Agron, Inc. in relation to the amendment of the contractual arrangements.

The number of consolidated subsidiaries developed as follows in 2023 and 2022, respectively:

Number of consolidated subsidiaries

	2023	2022
January 1	111	120
First-time consolidated subsidiaries	1	1
Thereof: newly founded	1	1
Deconsolidated/divested subsidiaries	(3)	(8)
Intercompany mergers	–	(2)
December 31	109	111

The subsidiaries are held either directly by adidas AG or indirectly via the two holding companies adidas Beteiligungsgesellschaft mbH in Germany or adidas International B.V. in the Netherlands.

A schedule of the shareholdings of adidas AG is shown in Attachment I to the consolidated financial statements. This schedule comprises information about the name and domicile of all consolidated subsidiaries, as well as the respective share held in the capital of these subsidiaries. Furthermore, a schedule of the shareholdings of adidas AG is published on the German Company Register. ► SEE

SHAREHOLDINGS

The financial effects of intercompany transactions as well as any unrealized gains and losses arising from intercompany business relations are eliminated in preparing the consolidated financial statements.

Principles of measurement

The following table includes an overview of selected subsequent measurement principles used in the preparation of the consolidated financial statements.

Overview of selected subsequent measurement principles

	Subsequent measurement principle
Assets	
Cash and cash equivalents	Amortized cost
Cash and cash equivalents (investments in certain money market funds)	Fair value through profit or loss
Accounts receivable	Amortized cost
Inventories	Lower of cost and net realizable value
Property, plant, and equipment	Amortized cost
Right-of-use assets	Amortized cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortized cost
With indefinite useful life	Impairment-only approach
Financial assets	See separate table
Liabilities	
Borrowings	Amortized cost
Accounts payable	Amortized cost
Liabilities/provisions for cash-settled share-based payment arrangements	Fair value through profit or loss
Derivatives not used in hedge accounting	Fair value through profit or loss
Derivatives used in hedge accounting	Fair value through other comprehensive income
Other financial liabilities	Amortized cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

Financial assets are classified and measured according to IFRS 9. All purchases and sales of financial assets, with the exception of trade receivables, are recognized on the trade date and initially measured at fair value. At initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price. Subsequently, a financial asset is measured at amortized cost, fair value through other comprehensive income (debt instrument), fair value through other comprehensive income (equity instrument), or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss: the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows (business model 'Hold to collect'); and the financial asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (business model 'Hold to collect and sell'); and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In principle, all investments in equity instruments are measured at fair value through profit or loss. At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor a contingent consideration acquired by a purchaser in a business combination. This election is made on an investment-by-investment basis.

All financial assets, which are not classified as measured at amortized cost or at fair value through other comprehensive income as described above, are measured at fair value through profit or loss.

Financial assets are only reclassified when the business model for managing financial assets is changed, in which case all affected financial assets are reclassified.

The subsequent measurement of financial assets is as follows:

Overview of financial asset subsequent measurement principles according to IFRS 9

IFRS 9 category	Subsequent measurement principle	Subsequent measurement
Fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.	Fair value through profit or loss
Amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.	Amortized cost
Fair value through other comprehensive income (debt instrument)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, accumulated gains and losses are reclassified to profit or loss.	Fair value through other comprehensive income
Fair value through other comprehensive income (equity instrument)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.	Fair value through other comprehensive income

Financial liabilities are recognized when adidas becomes a party to the contractual provisions that gives rise to the financial liability. All financial liabilities are initially recognized at fair value.

For subsequent measurement, financial liabilities are classified either as financial liabilities measured at fair value through profit or loss, or as financial liabilities measured at amortized cost. Financial liabilities at fair value through profit or loss include, in particular, derivative financial instruments not designated as hedging instruments in hedging relationships in accordance with IFRS 9.

Transaction costs that are directly attributable to the issue of financial liabilities that are not measured at fair value through profit or loss reduce the fair value of the financial liability on initial recognition.

Currency translation

The consolidated financial statements are presented in euros (€), which is also the parent company's functional currency. For each entity, the Group determines the functional currency.

Transactions in foreign currencies are initially recorded in the respective functional currency by applying the spot exchange rate valid at the transaction date to the foreign currency amount.

In the individual financial statements of subsidiaries, monetary items denominated in non-functional currencies of the subsidiaries are generally translated into the functional currency at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recognized directly in profit or loss.

This excludes monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income (OCI) until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Taxes resulting from these exchange differences are also recognized directly in other comprehensive income in accordance with IAS 12.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Assets and liabilities of the company's non-euro functional currency subsidiaries that are included in the consolidated financial statements are translated using closing exchange rates at the balance sheet date into the presentation currency, the euro. For practical reasons, revenues and expenses are translated at average rates for the period, which approximate the exchange rates on the transaction dates. The resulting exchange differences arising on consolidation are recognized in OCI.

A summary of exchange rates to the euro for major currencies in which the Group operates is as follows:

Exchange rates

€ 1 equals	Average rates for the year ending Dec. 31,		Spot rates at Dec. 31,	
	2023	2022	2023	2022
USD	1.0817	1.0539	1.1050	1.0666
GBP	0.8698	0.8525	0.8691	0.8869
JPY	151.9970	138.0550	156.3300	140.6600
CNY	7.6680	7.0891	7.8725	7.4095
MXN	19.1847	21.2037	18.6955	20.7683

Hyperinflation

To reflect changes in purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity, and comprehensive income of subsidiaries in hyperinflationary economies are restated in terms of a measuring unit current at the balance sheet date. These are indexed using a general price index in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies.' In contrast, no restatement is required for monetary assets and liabilities carried at amounts

current at the end of the balance sheet date because they represent money held, to be received, or to be paid. ► SEE NOTE 33

Gains and losses on the net monetary position are included in the financial result.

Non-monetary assets that have been restated following the guidance in IAS 29 are still subject to impairment assessment in accordance with the guidance in the relevant IFRS.

Derivative financial instruments

adidas uses derivative financial instruments, such as currency options, forward exchange contracts and currency swaps, to hedge its exposure to foreign-exchange risks. In accordance with its Treasury Policy, the company does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognized in the statement of financial position at fair value and are subsequently also measured at their fair value. The method of recognizing the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, adidas designates derivatives as either a hedge of a forecast transaction (cash flow hedge) or a hedge of a net investment in a foreign operation. In applying cash flow hedge accounting, adidas designates the spot element of forward exchange contracts and the intrinsic value of currency options to hedge its currency risk and applies a hedge ratio of 1:1 (spot-to-spot designation). The forward element of forward exchange contracts and the time value component of currency options are excluded from the designation of the hedging instrument.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or net investments that are effective as defined in IFRS 9 are recognized in equity.

adidas applies the 'cost of hedging' approach for dedicated cash flow hedges. Changes in the fair value of the time value component of currency options, as well as the forward element in forward exchange contracts, are separately accounted for as a cost of hedging and are recognized separately in equity as a cost of hedging reserve. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognized in the consolidated income statement. Accumulated gains and losses in equity are transferred to the consolidated income statement in the same periods, during which the hedged forecast transaction affects the consolidated income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. The effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing are recognized in equity with the exception of the cross-currency basis spread.

Certain derivative transactions, while providing effective economic hedges under the company's risk-management policies, do not qualify for hedge accounting under the specific rules of IFRS 9.

adidas documents the relationship between hedging instruments and hedge objects as well as the risk management objectives and strategies for undertaking various hedge transactions at transaction inception. This process includes linking all derivatives designated as hedge to specific firm commitments and forecast transactions. The economic relationship between the hedging instrument and hedged item is qualitatively and quantitatively ascertainable, and adidas judges the effectiveness of the hedging relationship by using generally accepted methods such as the hypothetical derivative method or the 'Dollar Offset Method'. The main sources of expected ineffectiveness are due to changes in the credit risk and in the timing of the hedged transactions.

The fair values of currency options and forward exchange contracts are determined on the basis of market conditions on the reporting date. The fair value of a currency option is determined using generally accepted models. The fair value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base. The company determines fair values taking the counterparty risk into consideration.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand, and short-term deposits with maturities of three months or less from the date of acquisition, such as commercial papers and investments in money market funds.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents can partly include investments in money market funds. Classification and measurement under IFRS 9 are performed based on the company's business model for managing these financial assets and the contractual cash flow characteristics. Investments in money market funds contain cash flows other than those of principal and interest on principal. As a result, those investments are measured at fair value through profit or loss.

Accounts receivable

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., if only the passage of time is required before payment of that consideration is due). Accounts receivable that do not contain a significant financing component are recognized at the transaction price, which represents the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Subsequently, these are measured at amortized cost.

Other financial assets

Other financial assets are classified and measured under IFRS 9, based on the company's business model for managing these assets and the contractual cash flow characteristics. Those other financial assets that give rise to cash flows consisting only of payments of principal and interest and that are assigned to the business model 'Hold to collect' are measured at amortized cost. adidas mainly has security deposits and receivables from credit card companies and electronic marketplaces that fall under this category.

Other financial assets that give rise to cash flows consisting only of payments of principal and interest and that are assigned to the business model 'Hold to collect and sell' are measured at fair value through OCI. This category mainly includes other investments and securities to hedge long-term variable compensation components.

Other financial assets, which are neither within the business model 'Hold to collect' nor within 'Hold to collect and sell,' are measured at fair value through profit or loss. This category mainly includes secured promissory notes and earn-out components.

Long-term financial assets

Long-term financial assets are distinguished between debt and equity instruments and classified according to IFRS 9 as follows:

Debt instruments are measured depending on the company's business model for managing financial assets and the contractual cash flows. Only financial assets that are held within the business model 'Hold to collect' with the objective to collect the contractual cash flows, which represent solely payments of principal and interest on the principal amount outstanding on a specific date, are measured at amortized cost. adidas classifies certain loans within this category. All other financial assets which do not fulfill one of these criteria are measured at fair value through profit or loss. adidas has no long-term financial assets in the category fair value through comprehensive income (debt instrument) and shows loans which do not fulfill the contractual cash flow characteristics in the category fair value through profit or loss. ► SEE NOTE 13

Generally, all investments in equity instruments are measured at fair value through profit or loss, unless these investments represent investments that the company intends to hold for long-term strategic purposes, which are then designated as equity securities at fair value through other comprehensive income (equity).

The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic management decision.

Inventories

Finished goods and merchandise are valued at the lower of cost or net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are determined using a standard valuation method, the 'average cost method.' Costs of finished goods include the cost of direct materials and labor and the components of the manufacturing overheads that can be reasonably attributed to finished goods. The allocation of overheads is based on the planned average utilization. The net realizable value allowances are computed consistently throughout the company based on the age and expected future sales of the items on hand. ► SEE NOTE 07

Discontinued operations

A part of the adidas Group, whose operations and cash flows can be clearly distinguished operationally and for financial reporting purposes from the other operating businesses, is classified as a discontinued operation if the component has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the net income/loss from continuing operations and are presented as a single amount as gain/loss from discontinued operations, net of tax in the consolidated income statement. When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of cash flows are restated and presented as if the operation had been classified as such from the start of the comparative year. ► SEE NOTE 03

Property, plant, and equipment

Property, plant, and equipment are measured at amortized cost. This comprises all costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner

intended by management less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized for those assets, with the exception of land and construction in progress, over the estimated useful life utilizing the 'straight-line method' and taking into account any potential residual value. Parts of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately. ► SEE NOTE 09

Estimated useful lives are as follows:

Estimated useful lives of property, plant, and equipment

	Years
Land	indefinite
Buildings and leasehold improvements	20 – 50
Furniture and fixtures	3 – 5
Technical equipment and machinery as well as other equipment	2 – 10

Expenditure for repairs and maintenance is expensed as incurred. Renewals and improvements are capitalized and depreciated separately, if the recognition criteria are met.

Impairment losses on non-financial assets

If facts and circumstances indicate that non-current assets (e.g., property, plant, and equipment as well as intangible assets including goodwill and contract assets) might be impaired, the recoverable amount is determined. This is measured at the higher of fair value less costs of disposal (net disposal price) and value in use. Recoverable amount is determined on an individual asset level, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. The fair value is measured at Level 3 according to IFRS 13 'Fair Value Measurement.'

An impairment loss is recognized in other operating expenses or reported in goodwill impairment losses if the carrying amount exceeds the recoverable amount.

The impairment test for goodwill is performed based on groups of cash-generating units, which represent the lowest level within the company at which goodwill is monitored for internal management purposes. If there is an impairment loss for a group of cash-generating units, then, first, the carrying amount of any goodwill allocated to the group of cash-generating units is reduced. Subsequently, provided that the recoverable amount is lower than the carrying amount, the other non-current assets of the group of cash-generating units are reduced pro rata on the basis of the carrying amount of each asset in the group of cash-generating units. In allocating an impairment loss, the carrying amount of an individual asset is not reduced below its fair value. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the cash-generating unit and groups of cash-generating units.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill acquired in business combinations are tested annually on December 31 for impairment. In the case that indicators for impairment are present at any point in time other than on December 31, these assets are also tested for impairment at this point in time.

An impairment loss recognized in goodwill is not reversible. With respect to all other impaired assets, an impairment loss recognized in prior periods is only reversed such as it affects the consolidated income statement if there has been a change in the estimates used to determine the recoverable amount. An

impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

Impairment losses on financial assets

Impairment losses for financial assets measured at amortized cost or at fair value through other comprehensive income (debt instrument) are recognized in accordance with IFRS 9 'Financial Instruments.' The standard requires that not only historical data, but also future expectations and projections are taken into consideration when accounting for impairment losses ('expected credit loss' model).

adidas consistently applies the simplified approach and recognizes lifetime expected credit losses for all accounts receivable. In order to calculate a collective loss allowance, all accounts receivable sharing similar credit risk characteristics are allocated into several portfolios based on geographical regions and macroeconomic indicators. Historical payment and aging patterns for accounts receivable are analyzed individually for each of the portfolios to determine the probability of default, which is further adjusted by forward-looking factors derived primarily from the Credit Default Swap (CDS) spreads of the countries where adidas runs its operations. The adjusted probability of default is then applied in combination with a loss given default and exposure at default as a percentage rate to calculate the expected credit loss for each portfolio and aging bucket. The percentage rates are reviewed on a regular basis to ensure that they reflect the latest data on credit risk. In case objective evidence of credit impairment is observed for accounts receivable from a specific customer, a detailed analysis of the credit risk is performed, and an appropriate individual loss allowance is recognized for this customer. Accounts receivables are considered to be in default when it is expected that the debtor will not fulfill its credit obligations toward adidas.

Cash and cash equivalents measured at amortized cost are subject to a general impairment approach under IFRS 9. adidas applies the low credit risk exemption for the majority of such instruments due to the low credit risk for these investments, which is based on the investment grade of their counterparties (defined by the company as equivalent of BBB+ or higher). A significant increase of credit risk is assumed for cash and cash equivalents when the instruments are more than 30 days past due. adidas monitors the credit risk associated with cash and cash equivalents taking into consideration the economic environment, external credit ratings, and/or CDS spreads of counterparty financial institutions, and using established exposure limits. Expected credit loss of cash and cash equivalents is calculated based on the probability of default and recovery rates derived from CDS spreads or external credit ratings of the counterparties. Cash and cash equivalents are considered to be in default when they are more than 90 days past due.

Other financial assets within the scope of IFRS 9 impairment analysis include mainly security deposits as well as accounts receivable from credit card companies and electronic marketplaces. The credit risk associated with such financial assets is determined based on the economic environment, external credit ratings, and/or CDS spreads of counterparty financial institutions. Other financial assets are considered to be in default when they are more than 90 days past due.

Objective evidence that credit impairment of financial assets has occurred includes, for instance, significant financial difficulty of the debtor/issuer, indications of their potential bankruptcy, the deterioration of the market for their products, and general macroeconomic problems. The gross carrying amount of financial assets is written off when adidas, based on a case-by-case assessment, assumes that their recovery is no longer possible.

Impairment losses on accounts receivable are presented in the line item 'Impairment losses (net) on accounts receivable and contract assets'.

Leases

adidas assesses whether a contract is or contains a lease according to IFRS 16 'Leases' at the inception of the contract. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if the lessee has the right to obtain substantially all the economic benefits from the use of the identified asset (e.g., by having the exclusive right to use the asset throughout that period) and the right to direct the use of the identified asset throughout the period of use.

In its role as a lessee, adidas leases various types of assets, particularly buildings (retail stores, offices, warehouses, etc.), land, technical equipment and machinery (warehouse equipment, production machines, etc.), motor vehicles, and computer hardware, as well as furniture and fixtures. Lease contracts are typically negotiated for fixed periods of up to 99 years but may include extension or termination options. Lease terms are negotiated individually and may contain a wide range of different terms and conditions.

adidas makes use of the recognition exemption in IFRS 16 to not recognize right-of-use assets and lease liabilities for leases of low-value assets (i.e., value of the underlying asset, when new, is € 5,000 or less) and short-term leases (shorter than twelve months and the agreement does not include a purchase option). Lease payments for low-value leases are recognized as expenses as they are incurred over the lease term.

Furthermore, adidas exercises the option for lessees to combine lease payments with payments for non-lease components in the calculation of the lease liability and right-of-use asset for all lease asset classes except for corporate real estate.

adidas recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date. At the commencement date, adidas initially measures the lease liability at the present value of the lease payments that are not paid at that date. This includes fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments based on an index or a rate, amounts expected to be payable by adidas under residual value guarantees, the exercise price of a purchase option if adidas is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Other variable lease payments are excluded from the measurement of the lease liability. The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, adidas uses its incremental borrowing rate. Generally, adidas uses the incremental borrowing rate as the discount rate. It is adjusted to reflect the country-specific risk, the credit risk of adidas, collateral from the change in value of the leased asset, the contract currency-specific risk, and the lease term. ► SEE NOTE 10 ► SEE NOTE 19

After the commencement date, lease payments are split into redemption payments and interest payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest cost on the lease liability using the effective interest rate and reducing the carrying amount to reflect the lease payments made. The carrying amount of the lease liability is remeasured provided any reassessments/lease modifications occur (including changes in the assessment of whether an extension or termination option is reasonably certain to be exercised).

At the commencement date, the right-of-use asset is initially measured at cost, which is comprised of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by adidas in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. In

principle, the right-of-use asset is depreciated on a straight-line basis over the lease term or the useful life of the leased asset, whichever is shorter.

adidas applies judgment in determining the lease term for lease contracts including extension or termination options. The assessment of whether the options are reasonably certain to be exercised has an impact on the lease term and therefore may significantly affect the measurement of lease liabilities and right-of-use assets, respectively.

Lease contract renegotiations that result in changes to the original contractual conditions, e.g., changes in scope, consideration (including discounts and concessions), or lease term are treated as lease modifications. Depending on the circumstances of the renegotiation, either lease modifications are accounted for as a new separate contract, or they trigger a remeasurement of the lease liability using the discounted future lease payments. In the latter case, a corresponding adjustment is made to the right-of-use asset with, in some instances, a difference recognized in profit or loss.

Lease reassessments are the result of changes in assumptions or judgments, such as changes in lease term due to amended estimates surrounding existing extension and termination options. It is necessary to remeasure the lease liability using the discounted or existing future lease payments and make a corresponding adjustment to the right-of-use asset.

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. This results when the purchase cost exceeds the fair value of acquired identifiable assets, liabilities, and contingent liabilities. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets received, liabilities, and contingent liabilities are treated as assets, liabilities, and contingent liabilities of the respective reporting entity, and are translated at exchange rates prevailing at the date of the initial consolidation.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses (impairment-only approach). ► [SEE NOTE 11](#)

Goodwill is carried in the functional currency of the acquired foreign entity.

Intangible assets (except goodwill)

Intangible assets with definite useful lives are valued at amortized cost. Amortization is calculated on a straight-line basis over the estimated useful life, taking into account any potential residual value.

► [SEE NOTE 12](#)

Expenditure during the development phase of internally generated intangible assets is capitalized as incurred if it fulfills the recognition criteria under IAS 38 'Intangible Assets.' Development costs for internally generated intangible assets are capitalized from the date on which the recognition criteria set out in IAS 38 'Intangible Assets' are first met. The capitalized development costs are amortized on a systematic basis from the day the intangible assets are available for use.

Estimated useful lives are as follows:

Estimated useful lives of intangible assets

	Years
Software	3 – 7
Patents and licenses	5 – 15
Websites	2

Research and development

Research costs are expensed in full as incurred. Development costs for internally generated intangible assets are also expensed as incurred if they do not meet the recognition criteria of IAS 38 'Intangible Assets.'

Borrowings and other liabilities

Borrowings (e.g., Eurobonds) and other liabilities are recognized at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the 'effective interest method.' Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the term of the borrowing.

Compound financial instruments (e.g., convertible bonds) are divided into a liability component shown under borrowings and into an equity component resulting from conversion rights. The equity component is included in the capital reserve. The fair value of the liability component is determined by discounting the interest and principal payments of a comparable liability without conversion rights, applying risk-adjusted interest rates. The liability component is subsequently measured at amortized cost using the 'effective interest method.' The equity component is determined as the difference between the fair value of the total compound financial instrument and the fair value of the liability component and is reported within equity. There is no subsequent measurement of the equity component. At initial recognition, directly attributable transaction costs are assigned to the equity and liability component pro rata on the basis of the respective carrying amounts.

Provisions and accrued liabilities

Provisions are recognized when there is a present obligation (legal or constructive) to third parties that has been incurred as a result of a past event, when the amount of the obligation can be estimated reliably and when it is probable that there will be an outflow of resources. In general, all provisions are uncertain as to their maturity or amount. The expense relating to a provision is presented in the consolidated income statement. Non-current provisions are discounted if the effect of the time value of money is material, with the interest expense being reported as financial expenses. ► SEE NOTE 18

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with the supplier, including amounts due to employees. The uncertainty regarding amount or timing of accrued liabilities is generally much less than for provisions.

► SEE NOTE 20

Pensions and similar obligations

Provisions and expenses for pensions and similar obligations relate to the company's obligations for defined benefit and defined contribution plans. The obligations under defined benefit plans are determined separately for each plan by valuing the employee benefits accrued in return for their service during the current and prior periods. These benefit accruals are discounted to calculate their present value, and the

fair value of any plan assets is deducted in order to determine the net liability. The discount rate is set on the basis of yields of high-quality fixed-rate corporate bonds at the balance sheet date provided there is a deep market for such corporate bonds in a given currency. Otherwise, government bond yields are used as a reference. Calculations are performed by qualified actuaries using the 'projected unit credit method' in accordance with IAS 19 Employee Benefits. Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated income statement as incurred. ► **SEE NOTE 23**

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of adidas. Additionally, contingent liabilities may be present obligations that arise from past events, but which are not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed and explained in the Notes. ► **SEE NOTE 38**

Treasury shares

When adidas AG shares are repurchased and recognized as treasury shares, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The nominal value of € 1 per treasury share is debited to share capital. Any premium or discount to the nominal value is shown as an adjustment to the retained earnings. If treasury shares are sold or reissued, the nominal value of the shares will be credited to share capital and the amount exceeding the nominal value will be added to the retained earnings.

Revenue

Revenue derived from the sale of goods is recognized when adidas has satisfied the respective performance obligation by transferring the promised goods to the customer. The goods are transferred at the point in time when the customer obtains control of the respective goods. The timing of the transfer of control depends on the individual terms of the sales agreement (terms of delivery).

The amount of revenue to be recognized is determined based on the consideration adidas expects to be entitled to in exchange for transferring the promised goods or services to the customer, taking into account returns, discounts, and rebates.

Under certain conditions and in accordance with contractual agreements, the company's customers have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Amounts for estimated returns related to revenues are accrued based on past experience of average return rates and average actual return periods by means of a refund liability. The return assets are measured at the carrying amount of the inventories/products, less any handling costs and any potential impairment.

Provided that the customers meet certain predefined conditions, adidas grants its customers different types of globally aligned performance-based rebates. Examples include rebates for customers' increasing adidas product sales, for customer loyalty, and for sell-out support, e.g., through retail space/franchise store management. As soon as it is assumed that the customer fulfills the requirements for being granted the rebate, this amount is recognized as a sales deduction via an accrued liability for marketing and sales.

In addition, adidas generates revenue from the licensing-out of the right to use the brands to third parties. The resulting sales-based royalty and commission income is recognized based on the contract terms on an accrual basis, i.e., revenue is already realized even though the payment takes place at a later point in time. Contracts with guaranteed minimum income result in contract assets and contract liabilities

depending on the timing of yearly payments received from customers. The performance obligation related to these contract assets and liabilities is satisfied over the life of the contract, i.e., the guaranteed minimum income per year is evenly distributed over twelve months, whereby payments are recorded as arranged in the contract with the customer.

Advertising and promotional expenditure

Advance payments for media campaigns are included in prepaid expenses within other current and non-current assets until the services are received, and upon receipt are expensed in full. Significant costs for media campaigns are expensed on a straight-line basis over the intended duration of the media campaign.

Promotional expenses including one-time up-front payments for promotion contracts are principally expensed on a straight-line basis over the term of the agreement.

Interest

Interest is recognized as income or expense as incurred using the 'effective interest method' with the exception of interest that is directly attributable to the acquisition, construction, or production of a qualifying asset. This interest is capitalized as part of the cost of the qualifying asset.

Interest paid is presented within the net cash used in financing activities.

Government grants

adidas receives government grants in the form of subsidies, subventions, or premiums from local, national, or international government authorities such as those of the Free State of Bavaria, the Federal Republic of Germany, and the European Union.

Government grants are recognized if there is adequate certainty that the grants will be received and that the company satisfies the conditions attached.

Government grants are reported in the consolidated income statement as a deduction from the related expenses.

Income taxes

Current income taxes are computed in accordance with the applicable taxation rules established in the countries in which adidas operates.

adidas computes deferred taxes for all temporary differences between the carrying amount and the tax base of its assets and liabilities as well as for tax loss carry-forwards. As it is not permitted to recognize a deferred tax liability for the initial recognition of goodwill, adidas does not compute any deferred taxes thereon.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards that exceed taxable temporary differences are only recognized to the extent that it is probable that the entity concerned will generate sufficient taxable income to realize the associated benefit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Income tax is recognized in the consolidated income statement unless it relates to items recognized directly in equity, in which case it is recognized in equity. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

When there is uncertainty over income tax treatments, adidas recognizes and measures current or deferred tax assets or liabilities applying the requirements of IAS 12 and IFRIC 23. On a case-by-case basis, adidas determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, depending on which approach better predicts the resolution of the uncertainty.

Where it is not considered probable that the tax authority will accept an uncertain tax treatment, adidas reflects the effects of the uncertainty by using one of the following methods, depending on which method better predicts the resolution of the uncertainty:

- the single most likely amount or
- the expected value based on the sum of the probability-weighted amounts.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profits (tax losses), tax bases, unused tax losses, unused tax credits, and tax rates, adidas assumes that a taxation authority will examine amounts it has a right to examine and will have full knowledge of all relevant information when making those examinations. ► SEE NOTE 34

Share-based payment

The cost of equity-settled share-based payment transactions with employees is determined by the fair value at the grant date using an appropriate valuation model. That cost is recognized in personnel expenses, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. ► SEE NOTE 26

Service-independent and non-market performance conditions are not taken into account when determining the fair value of awards at the grant date, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. If the estimate is changed, even a credit in the consolidated income statement for the period can be possible as it reflects the movement in cumulative expenses from the beginning to the end of that period.

No expense is recognized for awards that do not ultimately vest if non-market performance and/or service conditions have not been met.

Equity-settled share-based payment transactions with parties other than employees are generally measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payment transactions, the goods or services acquired, and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with all changes in fair value recognized in profit or loss for the period.

Estimation uncertainties and judgments

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on the best of our knowledge of current events and actions, actual results may ultimately differ from these estimates. In 2023, assumptions and estimates continued to be significantly impacted especially by the increased macroeconomic and geopolitical challenges.

As a result of the termination of the Yeezy partnership, judgments were made in the preparation of the consolidated financial statements, in particular with regard to the valuation of existing inventories, as well as in the assessment of the litigation risks in the context of the ongoing arbitration proceedings, including the counterclaim filed by the defendants. ► [SEE NOTE 07](#) ► [SEE NOTE 38](#)

The key assumptions concerning further future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are outlined in the respective Notes, which include in particular accounts receivable, inventories, right-of-use-assets, goodwill, other provisions, pensions, derivatives, and income taxes, as well as other financial commitments and contingencies. ► [SEE NOTE 05](#)
► [SEE NOTE 07](#) ► [SEE NOTE 10](#) ► [SEE NOTE 11](#) ► [SEE NOTE 18](#) ► [SEE NOTE 23](#) ► [SEE NOTE 28](#) ► [SEE NOTE 34](#) ► [SEE NOTE 38](#)

Judgments have also been used in determining the lease term for lease contracts. ► [SEE NOTE 10](#) ► [SEE NOTE 19](#)

03 Discontinued operations

The position of discontinued operations mainly includes the Reebok business, which was sold on February 28, 2022 with effect from March 1, 2022. The majority of the purchase price was paid at closing, with the remainder comprising deferred and contingent consideration. The fair value of earn-out components was determined using the discounted cash flow method, considering Monte Carlo Simulations.

The profit from discontinued operations for 2023 in the amount of € 44 million (2022: € 384 million) is fully attributable to the shareholders of adidas AG.

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

At year-end 2023, the fair value was reestimated to be € 301 million (2022: € 227 million). The gain of € 74 million compared with the fair value at year-end 2022 is presented in discontinued operations net of related income tax.

Additionally, as contemplated in the sale agreement relating to the Reebok business, the sale was subject to deferred considerations for inventory and contractually specified items, which were settled by the end of the first half year 2023 (2022: € 274 million).

Notes to the Consolidated Statement of Financial Position

04 Cash and cash equivalents

Cash and cash equivalents consist of cash held by banks, cash on hand, and short-term deposits.

Short-term deposits are only shown as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The credit risk of cash and cash equivalents measured at amortized cost is insignificant due to their short-term maturity, counterparties' investment grade credit ratings, and established exposure limits. Therefore, adidas does not recognize any credit impairment losses for these financial assets.

As of December 31, 2023 cash and cash equivalents includes cash in banks and cash on hand amounting to € 596 million (2022: € 726 million) and money market funds amounting to € 835 million (2022: € 72 million). In addition, cash and cash equivalents includes € 211 million and € 155 million as of December 31, 2023 and 2022, respectively, held by subsidiaries that were subject to foreign exchange control (e.g. Russia, Argentina) or other legal restriction and hence were not at anytime available for general use by adidas AG or other subsidiaries.

Further information about cash and cash equivalents is presented in these Notes. ► [SEE NOTE 28](#)

05 Accounts receivable

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

Accounts receivable € in millions

	Collective loss allowance				Individual loss allowance	Total
	Not yet due	Past due 31 – 90 days	Past due > 90 days		Credit-impaired	
			Not credit-impaired	Credit-impaired		
	Not credit-impaired	Not credit-impaired	Not credit-impaired	Credit-impaired	Credit-impaired	
Dec. 31, 2023						
Accounts receivable, gross	1,678	239	49	43	127	2,135
Weighted average loss rate	1.6%	8.6%	29.3%	97.0%	99.1%	10.7%
Loss allowance	(28)	(21)	(14)	(41)	(126)	(229)
Accounts receivable, net	1,650	219	34	1	1	1,906
Dec. 31, 2022						
Accounts receivable, gross	2,073	428	60	63	135	2,759
Weighted average loss rate	1.5%	6.2%	22.0%	42.8%	98.2%	8.3%
Loss allowance	(31)	(26)	(13)	(27)	(133)	(230)
Accounts receivable, net	2,042	402	47	36	2	2,529

Movement in loss allowances for accounts receivable € in millions

	2023	2022
Loss allowances at January 1	230	208
Net remeasurement of loss allowances	6	33
Write-offs charged against the loss allowance accounts	(8)	(12)
Currency translation differences	(2)	0
Other changes	3	1
Loss allowances at December 31	229	230

As at December 31, 2023, the loss allowance for not-credit-impaired accounts receivable in the amount of € 244 million and credit-impaired accounts receivable in the amount of € 6 million was not recognized as adidas holds credit enhancement instruments, mainly in the form of credit insurance and bank guarantees, which mitigate the credit risk of those financial assets.

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

Accounts receivable are derecognized when substantially all the risks and rewards incidental to the financial asset are transferred to a third party under factoring arrangements. As of December 31, 2023, accounts receivable amounting to € 70 million (2022: € 112 million) were derecognized in connection with factoring agreements in Japan. The purchase price corresponds to the nominal amount of the respective

receivable, less any deductions relating to the receivable (e.g. discounts) granted by adidas to the debtor and less the factoring fee and interest. The factoring fee amounts to 0.08% of the nominal amount of the purchased receivables. Interest on the disbursed purchase price is based on an interest rate composed of the 'Tokyo Interbank Offered Rate' (reference interest rate) plus a margin of 0.19% to 1.33% p.a. and is paid for the period from the disbursement of the purchase price portion to the settlement of the receivable by the debtor.

Further information about credit risks is contained in these Notes. ► SEE NOTE 28

06 Other current financial assets

Other current financial assets consist of the following:

Other current financial assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Currency options	8	10
Forward exchange contracts	80	222
Suppliers with debit balances	37	47
Security deposits	50	46
Receivables from credit cards and similar receivables	269	201
Customs	140	46
Receivables from retail business	71	79
Other investments	14	78
Deferred consideration of Reebok sale	–	241
Sundry	104	68
Other current financial assets, gross	773	1,038
Less: accumulated allowances	(18)	(24)
Other current financial assets, net	755	1,014

Further information about currency options and forward exchange contracts is contained in these Notes.

► SEE NOTE 28

07 Inventories

Inventories by major classification are as follows:

Inventories € in millions

	Dec. 31, 2023			Dec. 31, 2022		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	3,611	(317)	3,294	4,522	(225)	4,297
Goods in transit	1,222	–	1,222	1,667	–	1,667
Raw materials	8	–	8	9	–	9
Work in progress	0	–	0	–	–	–
Inventories	4,841	(317)	4,525	6,198	(225)	5,973

Goods in transit mainly relate to shipments of finished goods and merchandise from suppliers in Asia to subsidiaries in Europe, North America, Asia, and Latin America.

Expenses from write-down on inventories amounted to € 145 million in 2023 (2022: € 137 million).

As of December 31, 2023, inventories include Yeezy products in the amount of approximately € 250 million. This includes impairment losses of € 12 million in 2023, which were recognized based on management estimates.

08 Other current assets

Other current assets consist of the following:

Other current assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses	295	250
Return assets	275	338
Tax receivables other than income taxes	373	632
Contract assets	10	15
Sundry	54	90
Other current assets, gross	1,007	1,323
Less: accumulated allowances	(4)	(8)
Other current assets, net	1,003	1,316

Prepaid expenses mainly relate to promotion and service contracts. The decrease in the line item 'Tax receivables other than income taxes' relates mainly to value-added tax.

09 Property, plant, and equipment

The following table presents a reconciliation of the carrying amount of property, plant, and equipment:

Property, plant, and equipment € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Construction in progress	Property, plant, and equipment
Acquisition cost					
January 1, 2022	2,093	473	1,794	212	4,571
Additions	125	17	232	131	504
Disposals	(42)	(13)	(161)	(4)	(218)
Transfers	72	(9)	33	(108)	(12)
Decrease in companies consolidated	(3)	(1)	(2)	1	(4)
Currency translation differences	45	13	9	(1)	66
December 31, 2022/ January 1, 2023	2,290	480	1,906	230	4,907
Additions	86	18	166	93	363
Disposals	(35)	(18)	(150)	(5)	(207)
Transfers	25	65	20	(155)	(46)
Decrease in companies consolidated	–	–	(0)	–	(0)
Currency translation differences	(66)	(15)	(63)	(7)	(152)
December 31, 2023	2,300	530	1,878	156	4,864
Accumulated depreciation and impairment					
January 1, 2022	704	276	1,336	0	2,316
Depreciation	139	47	242	–	429
Impairment losses	33	6	27	–	66
Reversals of impairment losses	(1)	(0)	(2)	–	(3)
Disposals	(32)	(12)	(150)	(0)	(194)
Transfers	(0)	(0)	0	–	(0)
Decrease in companies consolidated	(3)	(1)	(2)	0	(6)
Currency translation differences	9	8	5	(0)	21
December 31, 2022/ January 1, 2023	849	324	1,455	0	2,628

Property, plant, and equipment € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Construction in progress	Property, plant, and equipment
Depreciation	144	49	201	–	394
Impairment losses	16	0	4	0	21
Reversals of impairment losses	(2)	(2)	(8)	–	(12)
Disposals	(26)	(15)	(140)	–	(182)
Transfers	(21)	(4)	(15)	(0)	(40)
Decrease in companies consolidated	–	–	(0)	–	(0)
Currency translation differences	(37)	(12)	(52)	(0)	(101)
December 31, 2023	922	340	1,445	0	2,707
Net carrying amount					
January 1, 2022	1,389	197	458	212	2,256
December 31, 2022/ January 1, 2023	1,442	156	450	230	2,279
December 31, 2023	1,378	190	434	156	2,157

As a general principle, it is regularly assessed whether there are any indications that property, plant and equipment might be impaired.

Irrespective of the existence of such indications, furniture and fixtures in adidas' own retail stores as part of the cash-generating unit are tested annually for impairment, whereby the recoverable amount (value in use) of the cash-generating unit, as part of determining the profitability of adidas' own retail stores, is calculated using the 'discounted cash flow method.'

Impairment losses recognized in 2023 mainly relate to the company's own retail activities, for which, contrary to initial expectations, no sufficient future economic benefit is expected.

In 2023, impairment losses of € 21 million were recognized for property, plant and equipment. They are mainly attributable to China with € 10 million, North America with € 6 million and EMEA with € 3 million. The reversals of impairment losses of € 12 million are mainly attributable to EMEA with € 7 million and China with € 5 million. Both were recognized in the other operating expenses. These Notes provide further information on the methodology on impairment losses for adidas' own-retail stores. ► [SEE NOTE 10](#)

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ► [SEE NOTE 31](#)

10 Right-of-use assets

The following table presents a reconciliation of the carrying amount of right-of-use assets:

Right-of-use assets € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Right-of-use assets
January 1, 2023	2,600	31	34	2,665
Additions	307	7	21	335
Disposals	(79)	(7)	(0)	(87)
Depreciation	(556)	(14)	(19)	(590)
Impairment losses	(86)	–	–	(86)
Reversal of impairment losses	29	–	–	29
Currency translation differences	(71)	(0)	(1)	(72)
Other	51	–	1	52
December 31, 2023	2,195	17	36	2,247

Right-of-use assets € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Right-of-use assets
January 1, 2022	2,493	52	24	2,569
Additions	853	10	28	892
Disposals	(68)	–	–	(67)
Depreciation	(639)	(32)	(19)	(690)
Impairment losses	(60)	–	–	(60)
Reversal of impairment losses	1	–	–	1
Currency translation differences	18	0	–	19
Net change due to remeasurements	3	–	–	3
December 31, 2022	2,600	31	34	2,665

As a general principle, it is regularly assessed whether there are any indications that right-of-use assets might be impaired. Irrespective of the existence of such indications, right-of-use assets in adidas' own retail stores are tested annually for impairment, whereby the recoverable amount (value in use) of the cash generating unit, as part of determining the profitability of adidas' own retail stores, is calculated using the 'discounted cash flow method.'

In 2023, impairment losses of € 86 million were recognized. Of those, € 65 million are related to the company's own retail activities, for which, in contrast to expectations in the previous year, lower future economic benefits are expected, and € 23 million to a warehouse in EMEA, which was written down due to an early termination of the contract.

Impairment losses relating to retail stores are mainly attributable to EMEA with € 24 million, North America with € 20 million, Asia-Pacific with € 16 million and Greater China with € 7 million. Discount rates between 2.0% and 34.0% were used to calculate the impairment for the value in use. The recoverable

amounts of adidas' own retail stores break down into North America at € 253 million, Greater China at € 105 million, Asia-Pacific at € 83 million, EMEA at € 81 million, and Latin America at € 15 million.

In 2023, reversals of impairment losses of € 29 million were incurred. They mainly result from EMEA. The impairment losses and reversals of impairment losses were recognized in the other operating expenses.

The income from subleasing of right-of-use assets recognized in the consolidated income statement in 2023 amounts to € 2 million (2022: € 3 million).

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ► [SEE NOTE 31](#)

11 Goodwill

The following table presents a reconciliation of the carrying amount of goodwill:

Goodwill € in millions

	Dec. 31, 2023	Dec. 31, 2022
Goodwill, gross	1,647	1,680
Less: accumulated impairment losses	(409)	(420)
Goodwill, net	1,238	1,260

adidas determines whether goodwill impairment is necessary at least on an annual basis. The impairment test for goodwill is performed based on groups of cash-generating units that represent the lowest level within the company at which goodwill is monitored for internal management purposes. This requires an estimation of the recoverable amount of the groups of cash-generating units to which the goodwill is allocated. The recoverable amount of a group of cash-generating units is determined based on its value in use. Estimating the value in use requires adidas to make an estimate of the expected future cash flows from the groups of cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

This calculation uses cash flow projections based on the financial planning covering a four-year period in total. The planning is based on long-term expectations of the company and reflects an average annual high-single-digit sales increase with varying forecast growth prospects for the different groups of cash-generating units. Furthermore, adidas expects the operating margin to improve to a level of low double-digit profitability for the company by 2027, primarily driven by an improvement in gross margin, as well as lower operating expenses as a percentage of sales. The planning for capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the individual groups of cash-generating units. Cash flows beyond this four-year period are extrapolated using steady growth rates between 1.5% and 2.2% (2022: 1.7%). According to the company's expectations, these growth rates do not exceed the long-term average growth rate of the business sector in which the respective group of cash-generating units operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing major competitors for the respective group of cash-generating units. The discount rates used reflect the specific equity and country risk of the respective group of cash-generating units.

The groups of cash-generating units are defined as the regional markets that are responsible for the distribution of the adidas brands. The regional markets are Europe, Middle East and Africa (EMEA), North America, Greater China, Asia-Pacific, and Latin America. The number of groups of cash-generating units amounted to a total of five at the end of 2023 and 2022, respectively.

The goodwill impairment tests revealed no need for goodwill impairment for the years ending December 31, 2023 and 2022.

The carrying amounts of acquired goodwill allocated to the respective groups of cash-generating units and the respective discount rates applied to the cash flow projections are as follows:

Allocation of goodwill

	Goodwill (€ in millions)		Discount rate (pre-tax)	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
EMEA	706	720	16.2%	14.5%
North America	77	77	12.9%	12.4%
Greater China	293	299	14.2%	13.4%
Asia-Pacific	162	164	14.5%	14.1%
Total	1,238	1,260		

A change in the discount rate by up to approximately 1.6 percentage points or a reduction of planned free cash inflows by up to approximately 15.2% would not result in any impairment requirement of the cash generating unit North America.

Among the remaining cash generating units, neither a change in the discount rate by up to approximately 5.8 percentage points, nor a reduction of planned free cash inflows by up to approximately 36.9% would result in any impairment requirement.

Future changes in expected cash flows and discount rates may lead to impairments of the reported goodwill in the future.

The majority of goodwill is denominated in US dollars. The effect of currency translation is as follows:

Reconciliation of goodwill, net € in millions

	EMEA	North America	Greater China	Asia-Pacific	Total
December 31, 2022	720	77	299	164	1,260
Currency translation differences	(14)	0	(6)	(2)	(23)
December 31, 2023	706	77	293	162	1,238

12 Other intangible assets

Other intangible assets consist of the following:

Other intangible assets € in millions

	Internally developed intangible assets	Other intangible assets
Acquisition cost		
January 1, 2022	23	1,233
Additions	24	168
Disposals	–	(15)
Transfers	–	15
Decrease in companies consolidated	–	(35)
Currency translation differences	–	13
December 31, 2022/January 1, 2023	46	1,379
Additions	32	109
Disposals	(1)	(20)
Transfers	–	(105)
Decrease in companies consolidated	–	(0)
Currency translation differences	–	(12)
December 31, 2023	78	1,351
Accumulated amortization and impairment		
January 1, 2022	20	883
Amortization	1	100
Impairment losses	–	28
Disposals	–	(14)
Transfers	–	3
Decrease in companies consolidated	–	(35)
Currency translation differences	–	10
December 31, 2022/January 1, 2023	22	974
Amortization	6	106
Impairment losses	–	10
Reversals of impairment losses	–	(0)
Disposals	(0)	(12)
Transfers	–	(110)
Decrease in companies consolidated	–	(0)
Currency translation differences	–	(8)
December 31, 2023	27	959
Net carrying amount		
January 1, 2022	2	350
December 31, 2022/January 1, 2023	25	405
December 31, 2023	50	392

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ► [SEE NOTE 31](#)

13 Long-term financial assets

Long-term financial assets primarily include an 8.33% investment in FC Bayern München AG (2022: 8.33%) of € 89 million (2022: € 87 million). This investment is classified as fair value through profit or loss and is recorded at fair value. This equity security does not have a quoted market price in an active market. Therefore, existing contractual arrangements are used in order to calculate the fair value as at December 31, 2023 and 2022.

Other equity investments include minority shareholdings. There is currently no intention to sell these shares. Other minority shareholdings include a decrease of the fair value in an amount of € 5 million in 2023 (2022: € 1 million increase).

The line item 'Other investments' comprises investments that are mainly invested in insurance products, which are measured at fair value, and securities for long-term variable compensation components. Other investments include a decrease of the fair value in an amount of € 6 million in 2023 (2022: € 1 million increase).

Long-term financial assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Investment in FC Bayern München AG	89	87
Other equity investments	85	88
Other investments	127	125
Loans	–	0
Long-term financial assets	301	301

14 Other non-current financial assets

Other non-current financial assets consist of the following:

Other non-current financial assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	2	3
Security deposits	78	80
Earn-out components	301	227
Sundry	37	26
Other non-current financial assets	418	336

Further information about forward exchange contracts is contained in these Notes. ► [SEE NOTE 28](#)

Further information about earn-out components is provided in these Notes. ► [SEE NOTE 03](#) ► [SEE NOTE 28](#)

15 Other non-current assets

Other non-current assets consist of the following:

Other non-current assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses	47	75
Sundry	2	2
Other non-current assets	49	76

Prepaid expenses mainly relate to long-term promotion contracts. ► [SEE NOTE 38](#)

16 Borrowings and credit lines

Borrowings are denominated in a variety of currencies in which adidas conducts its business. The largest portion of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2023, is denominated in euros (2023: 99%; 2022: 100%).

The weighted average interest rate on the Group's gross borrowings increased to 1.6% in 2023 (2022: 0.8%).

As at December 31, 2023, adidas had cash credit lines and other long-term financing arrangements totaling € 6.5 billion (2022: € 7.5 billion); thereof unused credit lines accounted for € 3.6 billion (2022: € 4.0 billion). In addition, as at December 31, 2023, adidas had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.4 billion (2022: € 0.5 billion).

In November 2020, adidas entered into a new syndicated credit facility agreement with twelve banks totaling € 1.5 billion. The credit facility agreement was subsequently amended and restated in October 2021 and in November 2022 increasing the size to € 2.0 billion, covered by eleven partner banks, and extending the maturity until November 2027. In December 2023, adidas reduced the syndicated credit facility size to € 1.864 billion and the number of lending banks to ten partner banks. The syndicated credit facility can be drawn in euros and US dollars. The interest bearing is based on a defined margin on a reference rate (,€STR' or ,EURIBOR' for euros).

The amounts reported as gross borrowings represent outstanding borrowings under the following arrangements with aggregated expiration dates as follows:

Gross borrowings as at December 31, 2023 € in millions

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	49	37	7	–	93
Eurobond	500	898	497	991	2,886
Equity-neutral convertible bond	–	–	–	–	–
Total	549	935	504	991	2,979

Gross borrowings as at December 31, 2022 € in millions

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	29	37	26	–	93
Eurobond	–	998	398	1,487	2,883
Equity-neutral convertible bond	498	–	–	–	498
Total	527	1,035	424	1,487	3,473

The eurobond issued in October 2014 with a term of twelve years and a volume of € 400 million has a coupon of 2.25% and matures in October 2026. The eurobond was issued with a denomination of € 1,000. The bond was issued with a spread of 100 basis points over the corresponding average euro swap rate, with the issue price being 99.357%.

In 2020, adidas issued three rated eurobonds with a size of € 500 million and denominations of € 100,000 each. The four-year eurobond maturing in September 2024, with a coupon of 0.00% and the 15-year eurobond maturing in September 2035, with a coupon of 0.625% were issued in September 2020. These bonds were priced with a spread of 33 basis points and 63 basis points, respectively, above the corresponding euro mid-swap rate. The issue price was fixed at 100.321% and 99.360%, respectively. In adidas' inaugural sustainability bond placement in September 2020, an eight-year eurobond was issued with a coupon of 0.00% maturing in October 2028. The sustainability bond was priced with a spread of 40 basis points above the corresponding euro mid-swap rate. The issue price was fixed at 99.410%. Proceeds from the issuance were used in accordance with adidas' sustainability bond framework. Eligible sustainable projects include investments into sustainable materials and processes, as well as projects with a positive impact on the community. More specifically, this includes the sourcing of recycled materials for sustainably manufactured products, investments into renewable energy production and energy-efficient buildings, and various initiatives aimed at creating lasting change in underrepresented communities.

In November 2022 adidas AG issued two eurobonds with a size of € 500 million each. The three-year eurobond maturing in November 2025 bears a coupon of 3.00% and was issued at 99.901% issue price. The seven-year eurobond maturing in November 2029 bears a coupon of 3.125% and was issued at 99.272% issue price. These bonds were priced with a spread of 20 and 45 basis points, respectively, above the corresponding euro mid-swap rate.

In September 2018, adidas AG issued a € 500 million equity-neutral convertible bond with a coupon of 0.05% which was redeemed on September 12, 2023.

Further details on future cash outflows are provided in these Notes. ► [SEE NOTE 28](#)

17 Other current financial liabilities

Other current financial liabilities consist of the following:

Other current financial liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	103	146
Customer with credit balances	94	68
Revaluation of total return swap ¹	–	46
Embedded derivatives	1	0
Sundry	67	164
Other current financial liabilities	266	424

¹ Since the financial year 2023, the change in the fair value of the total return swap is presented together with the original investment as one unit of account within other current financial assets respectively long-term financial assets. The change in the fair value of the total return swap is shown in the Note 'Financial instruments'.

The line item 'Sundry' mainly relates to payables due to customs authorities.

Further information about forward exchange contracts is contained in these Notes. ► SEE NOTE 28

18 Other provisions

Other provisions consist of the following:

Other provisions € in millions

	Jan. 1, 2023	Additions	Change in discounted amount	Usage	Reversals	Currency translation differences	Dec. 31, 2023	Thereof non- current
Marketing	26	9	–	(14)	(1)	10	29	0
Personnel	222	133	(6)	(105)	(20)	(11)	214	73
Returns and warranty	815	563	2	(656)	(29)	(49)	646	–
Taxes, other than income taxes	71	18	(3)	(20)	(10)	(4)	53	–
Customs	267	57	(10)	(31)	(26)	(5)	253	70
Sundry	275	136	–	(73)	(15)	(7)	317	44
Other provisions	1,677	916	(16)	(899)	(101)	(67)	1,511	188

Marketing provisions mainly consist of provisions for promotion contracts, which are comprised of obligations to clubs and athletes.

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components as well as of provisions for social plans relating to restructuring measures.

Provisions for returns and warranty primarily arise due to the obligation of fulfilling customer claims with regard to the return of products sold by adidas. The amount of the provision follows the historical development of returns and warranty as well as current agreements.

Provisions for taxes other than income taxes mainly relate to value added tax, real estate tax, and motor vehicle tax.

Sundry provisions mainly include provisions for onerous contracts as well as for dismantling and restoration costs.

Non-current provisions mainly consist of provisions for long-term variable compensation components with a time frame of three to four years, discounted with country-specific interest rates.

Management follows past experience from similar transactions when assessing the recognition and the measurement of provisions; in particular, external legal opinions are considered for provisions for customs risks and for litigation and other legal risks. All evidence from events until the preparation of the consolidated financial statements is taken into account.

19 Lease liabilities

Lease liabilities consist of the following:

Lease liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Land and buildings	2,528	2,918
Technical equipment and machinery	17	33
Other equipment, furniture and fixtures	38	35
Lease liabilities	2,584	2,986

The contractual payments for lease liabilities held by adidas as at December 31, 2023, in an amount of € 3.0 billion (2022: € 3.4 billion), mature as follows:

Contractual payments for lease liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	652	715
Between 1 and 5 years	1,571	1,760
After 5 years	765	901
Total	2,988	3,376

Interest recognized on lease liabilities in 2023 amounted to € 86 million (2022: € 83 million).

Expenses from leases classified as short-term, low-value, or variable are excluded from the measurement of the lease liability. Further information on total expenses relating to short-term, low-value, and variable leases is provided in these Notes. ► [SEE NOTE 31](#)

In 2023, the total cash outflows for leases, including the above-mentioned leases not included in the calculation of the lease liability, amounted to € 831 million (2022: € 846 million).

20 Accrued liabilities

Accrued liabilities consist of the following:

Accrued liabilities € in millions

	Dec. 31, 2023	Thereof: non-current	Dec. 31, 2022	Thereof: non-current
Goods and services not yet invoiced	835	–	994	4
Marketing and sales	969	–	1,124	3
Personnel	439	–	258	0
Sundry	30	–	42	–
Accrued liabilities	2,273	–	2,419	7

Accrued liabilities for marketing and sales mainly consist of accruals for distribution, such as discounts, rebates, and sales commissions.

Accrued liabilities for personnel mainly consist of accruals for outstanding salary payments, such as bonuses and overtime, as well as outstanding vacation.

Sundry accrued liabilities include accruals for interest.

21 Other current liabilities

Other current liabilities consist of the following:

Other current liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Tax liabilities other than income taxes	247	248
Liabilities due to personnel	37	52
Liabilities due to social security	28	33
Deferred income	108	77
Contract liabilities	1	3
Donation pledge	20	–
Sundry	47	39
Other current liabilities	488	452

In 2023, the line item 'Sundry' mainly relates to marketing expenses.

22 Other non-current financial liabilities

Other non-current financial liabilities consist of the following:

Other non-current financial liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	6	6
Currency options	–	1
Revaluation of total return swap ¹	–	37
Other non-current financial liabilities	6	44

¹ Since the financial year 2023, the change in the fair value of the total return swap is presented together with the original investment as one unit of account within other current financial assets respectively long-term financial assets. The change in the fair value of the total return swap is shown in the Note 'Financial instruments'.

Further information about forward exchange contracts is provided in these Notes. ► [SEE NOTE 28](#)

23 Pensions and similar obligations

adidas has recognized post-employment benefit obligations arising from defined benefit plans. The benefits are provided pursuant to the legal, fiscal, and economic conditions in each respective country and mainly depend on the employees' years of service and remuneration.

Pensions and similar obligations € in millions

	Dec. 31, 2023	Dec. 31, 2022
Liability arising from defined benefit pension plans	136	114
Similar obligations	0	1
Pensions and similar obligations	136	115

The liability arising from defined benefit pension plans consists on the one hand of assets from defined benefit pension plans in an amount of € 3 million (2022: € 4 million), and on the other hand of provisions for pensions and similar obligations in an amount of € 139 million (2022: € 118 million).

Defined contribution pension plans

The total expense for defined contribution pension plans amounted to € 82 million in 2023 (2022: € 91 million).

Defined benefit pension plans

Given the company's diverse subsidiary structure, different defined benefit pension plans exist, comprising a variety of post-employment benefit arrangements. The company's major defined benefit pension plans relate to adidas AG and its subsidiary in the UK. The defined benefit pension plans generally provide payments in case of death, disability, or retirement to former employees and their survivors. The obligations arising from defined benefit pension plans are partly covered by plan assets. In addition, there are significant obligations from a plan to cover the medical costs of pensioners in the USA.

In Germany, adidas AG grants its employees contribution-based and final-salary-defined benefit pension schemes, which provide employees with entitlements in the event of retirement, disability, and death. German pension plans operate under the legal framework of the German Company Pensions Act

(‘Betriebsrentengesetz’) and under general German labor legislation. Active existing employees and new entrants are entitled to benefits in accordance with the general company agreement ‘Core Benefits: adidas company pension plan.’ This is a pension plan with a basic employer contribution, possible salary sacrifices, and additional matching contribution. Thus, the contributions to this pension plan are partly paid by the employee and partly paid by the employer. The contributions are transferred into benefit components. The benefits are paid out in the form of a pension, a lump sum, or installments. The pension plans in Germany are financed using book reserves, a contractual trust arrangement (CTA) and, for certain former members of the Executive Board of adidas AG, a pension fund (‘Pensionsfonds’) in combination with a reinsured provident fund (‘Unterstützungskasse’).

The final salary defined benefit pension scheme in the UK is closed to new entrants and to future accrual. The benefits are mainly paid out in the form of pensions. The scheme operates under UK trust law as well as under the jurisdiction of the UK Pensions Regulator and therefore is subject to a minimum funding requirement. The Trustee Board is responsible for setting the scheme’s funding objective, agreeing the contributions with the company, and determining the investment strategy of the scheme.

The legal framework for employer-provided benefits to cover healthcare costs for retirees in the United States is primarily governed by the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code (IRC). These laws establish the rules and regulations that employers must follow when providing these benefits to their employees. The fully unfunded medical plan is open to new participants who have, at the end of their employment, completed at least 10 years of service, are at least 55 years of age, and are entitled to subsidized medical care. The plan provides medical, pharmaceutical, dental and ophthalmologic services from retirement until maximum the age of 65 (or without age limit until death for a closed group of retirees). At age 65 they are expected to receive state medical benefits from US Medicare.

Breakdown of the present value of the significant obligations arising from defined benefit pension € in millions

	Dec. 31, 2023			Dec. 31, 2022		
	Germany	UK	USA	Germany	UK	USA
Active members	217	–	21	200	–	21
Former employees with vested rights	163	32	–	131	31	–
Pensioners	99	5	10	91	6	10
Total	478	37	31	422	37	31

The Group’s pension plans are subject to risks from changes in actuarial assumptions, such as the discount rate, salary, and pension increase rates, and risks from changes in mortality. A lower discount rate results in a higher defined benefit obligation and/or in higher contributions to the pension funds. Lower than expected performance of the plan assets could lead to an increase in required contributions or to a decline of the funded status.

The following tables analyze the defined benefit plans, plan assets, present values of the defined benefit pension plans, expenses recognized in the consolidated income statement, actuarial assumptions, and further information.

Amounts for defined benefit pension plans recognized in the consolidated statement of financial position € in millions

	Dec. 31, 2023	Dec. 31, 2022
Present value of funded obligation from defined benefit pension plans	568	507
Fair value of plan assets	(492)	(453)
Funded status	76	54
Present value of unfunded obligation from defined benefit pension plans	57	55
Effect of asset ceiling in accordance with IAS 19.64	3	4
Net defined benefit liability	136	114
Thereof: liability	139	118
Thereof: adidas AG	72	55
Thereof: asset	(3)	(4)
Thereof: adidas AG	–	–

The determination of assets and liabilities for defined benefit plans is based on actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates or future increases in salaries) and demographic variables (such as mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows.

Weighted average actuarial assumptions in %

	Dec. 31, 2023	Dec. 31, 2022
Discount rate	3.9	4.4
Expected rate of salary increases	4.2	4.0
Expected pension increases	2.1	2.1

Breakdown of the actuarial assumptions in %

	Dec. 31, 2023			Dec. 31, 2022		
	Germany	UK	USA	Germany	UK	USA
Discount rate	3.6	4.8	4.9	4.2	5.0	5.1
Expected rate of salary increases	–	–	–	–	–	–
Expected pension increases	2.2	2.2	–	2.2	2.2	–

The weighted average actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pension expense for the upcoming financial year.

The actuarial assumptions for withdrawal and mortality rates are based on statistical information available in the various countries. In Germany, the Heubeck 2018 G mortality tables are used. In the UK, assumptions are based on the S3 base table, and in the US they are based on the Pri-2012 base table. The mortality tables in the UK and in the US were modified to account for future changes in life expectancy.

As in the previous year, the calculation of the pension liabilities in Germany, the UK, and the US is based on discount rates determined using the 'Mercer Yield Curve (MYC)' approach.

Remeasurements, such as gains or losses arising from changes in the actuarial assumptions for defined benefit pension plans or a return on the plan assets exceeding the interest income, are immediately recognized outside the income statement as a change in other reserves in the consolidated statement of comprehensive income.

Pension expenses for defined benefit pension plans € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Current service cost	34	41
Net interest expense	5	4
Thereof: interest cost	24	12
Thereof: interest income	(19)	(8)
Past service (credit)	(2)	(1)
Loss on plan settlements	–	0
Expenses for defined benefit pension plans (recognized in the consolidated income statement)	37	44
Actuarial losses/(gains) on liability	29	(243)
Thereof: due to changes in financial assumptions	37	(260)
Thereof: due to changes in demographic assumptions	(1)	0
Thereof: due to experience adjustments	(7)	17
(Return)/loss on plan assets (not included in net interest income)	(20)	64
Change in asset ceiling (excluding interest cost)	(2)	4
Remeasurements for defined benefit pension plans (recognized as decrease/(increase) in other reserves in the consolidated statement of comprehensive income)	7	(175)
Total	45	(131)

Of the total pension expenses recorded in the consolidated income statement, an amount of € 21 million (2022: € 29 million) relates to employees of adidas AG and € 4 million (2022: € 5 million) relates to employees in the US. The pension expense is mainly recorded within other operating expenses. The production-related part of the pension expenses is recognized within cost of sales.

Present value of the defined benefit obligation € in millions

	2023	2022
Present value of the obligation from defined benefit pension plans as at January 1	562	768
Currency translation differences	(0)	4
Current service cost	34	41
Interest cost	24	12
Contribution by plan participants	2	1
Pensions paid	(23)	(17)
Payments for plan settlements	–	(1)
Actuarial losses/(gains)	29	(243)
Thereof: due to changes in financial assumptions	37	(260)
Thereof: due to changes in demographic assumptions	(1)	–
Thereof: due to experience adjustments	(7)	17
Past service (credit)	(2)	(1)
Business combinations/transfers/divestitures	–	(2)
Present value of the obligation from defined benefit pension plans as at December 31	625	562

Of the total actuarial losses recognized in equity, an amount of € 6 million (2022: gain of € 164 million) relates to pension schemes at adidas AG, less than € 1 million as a gain (2022: loss of € 2 million) to the UK and a gain of € 1 million (2022: € 7 million) to the US.

In the following table, the effects of reasonably conceivable changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans are analyzed for Germany, the UK, and the US. In addition, the average duration of the obligation is shown.

Sensitivity analysis of the obligation from defined benefit pension plans € in millions

	Dec. 31, 2023			Dec. 31, 2022		
	Germany	UK	USA	Germany	UK	USA
Present value of the obligation from defined benefit pension plans	478	37	31	422	37	31
Increase in the discount rate by 0.5%	448	34	30	396	34	30
Reduction in the discount rate by 0.5%	512	41	32	450	40	32
Average duration of the obligations (in years)	14	18	8	13	17	7

Since many pension plans are closed to future accrual, the salary trend plays a minor role in determining pension obligations. Due to the fact that with the introduction of the Core Benefits arrangement, German pension plans are mainly paid as lump sums, the pension increase rate and the mortality assumption have significantly less impact than the discount rate when calculating the pension obligations.

Fair value of plan assets € in millions

	2023	2022
Fair value of plan assets as at January 1	453	503
Currency translation differences	1	(2)
Pensions paid	(9)	(4)
Contributions by the employer	8	11
Contributions paid by plan participants	2	1
Interest income from plan assets	19	8
Return/(loss) on plan assets (not included in net interest income)	20	(64)
Fair value of plan assets as at December 31	492	453

The majority of plan assets are attributable to Germany (2023: 83%, 2022: 82%) and the UK (2023: 7%, 2022: 8%).

Part of the plan assets in Germany is held by a trustee under a Contractual Trust Arrangement (CTA) for the purpose of funding the pension obligations of adidas AG and insolvency insurance with regard to part of the pension obligations of adidas AG. The trustee is the registered association adidas Pension Trust e.V. The investment committee of the adidas Pension Trust determines the investment strategy with the goal to match the pension liabilities as far as possible and to generate a sustainable return. In 2023, no additional employer funding contribution was transferred to the trustee. The plan assets in the registered association are mainly invested in fixed income funds, equity funds and real estate. Another substantial part of the plan assets in Germany is invested in insurance contracts via a pension fund and a provident fund. For this portion, an insurance entity is responsible for the determination and the implementation of the investment strategy.

In the UK, the plan assets are held in an external trust. In principle the investment strategy is aligned with the structure of the pension obligations in these countries. In the rest of the world, the plan assets consist predominantly of insurance contracts.

The expected total employer contributions for the 2024 financial year amount to € 31 million. Thereof, € 25 million relates to benefits directly paid to pensioners by the subsidiaries and € 6 million to employer contributions paid into the plan assets. In 2023, the actual return on plan assets (including interest income) was € 39 million (2022: loss of € 56 million).

Composition of plan assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	31	26
Equity instruments	128	110
Bonds	136	129
Real estate	99	94
Pension plan reinsurance	46	46
Investment funds	35	35
Other assets	18	14
Fair value of plan assets	492	453

All equities and bonds are traded freely and have a quoted market price in an active market.

At each balance sheet date, the company analyzes the over- or underfunding and, where appropriate, adjusts the composition of plan assets.

As of December 31, 2023, the plan assets eligible for offsetting are required to be reduced by € 3 million (2022: € 4 million) due to the application of IAS 19.64. The reduction of € 1 million will be recognized mainly as an increase in other reserves in the consolidated statement of comprehensive income.

24 Other non-current liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Deferred income	4	6
Liabilities due to personnel	0	–
Donation pledge	95	–
Sundry	4	0
Other non-current liabilities	103	6

25 Shareholders' equity

As at December 31, 2023, the nominal capital of adidas AG amounted to € 180,000,000 divided into 180,000,000 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 1,450,916 treasury shares, corresponding to a notional amount of € 1,450,916 in the nominal capital and consequently to 0.81% of the nominal capital.

Authorized capital 2021/I and 2021/II

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 70 million in the reporting period.

The authorized capital of adidas AG, which is set out in § 4 sections 2 and 3 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 following authorizations:

Based on the authorization granted by resolution of the Annual General Meeting of May 12, 2021, until August 6, 2026,

- by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorized Capital 2021/I);

Based on the authorization granted by resolution of the Annual General Meeting of May 12, 2021, until August 6, 2026,

- by issuing new shares against contributions in kind and/or cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2021/II), and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights, to wholly or partly exclude shareholders' subscription rights when issuing shares against contributions in kind and to exclude shareholders' subscription rights when issuing shares against contributions in cash if the new shares against contributions in cash are issued at a price not significantly below the stock market price of the company's shares already quoted on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange.

The authorization to exclude subscription rights under this authorization, however, may only be used to the extent that the pro-rata amount of the new shares in the nominal capital together with the pro-rata amount in the nominal capital of other shares that have been issued by the company since May 12, 2021, subject to the exclusion of subscription rights, on the basis of an authorized capital or following a repurchase or for which subscription or conversion rights or subscription or conversion obligations have been granted through the issuance of convertible bonds and/or bonds with warrants while excluding subscription rights, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the commercial register or – if this amount is lower – on the respective date on which the resolution on the utilization of the authorization is adopted. The previous sentence does not apply to the exclusion of subscription rights for residual amounts. The Authorized Capital 2021/II must not be used to issue shares within the scope of compensation or participation programs for Executive Board members or employees or for members of the management bodies or employees of affiliated companies.

Contingent capital 2022

The following overview of the contingent capital is based on § 4 section 4 of the Articles of Association of adidas AG as well as on the underlying resolution of the Annual General Meeting held on May 12, 2022.

The nominal capital is conditionally increased by up to € 12.5 million divided into not more than 12,500,000 no-par-value shares (Contingent Capital 2022). The contingent capital increase serves the issuance of 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 11, 2027, on the basis of the authorization resolution adopted by the Annual General Meeting on May 12, 2022. 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 if bonds are issued in accordance with the authorization resolution adopted by the Annual General Meeting on May 12, 2022, (Agenda Item 7) and only to the extent that option or conversion rights are exercised or the holders or creditors of bonds obligated to exercise the option or conversion obligation 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 no-par-value shares in the company for the total amount or a partial 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 carry dividend rights from the commencement of the financial year in which the shares are issued. In the event that, at the time of issuance of the new shares, no resolution on the appropriation of retained earnings for the financial year directly preceding the year in which the shares are issued has been passed, the Executive Board is

authorized, to the extent legally permissible, to determine that the new shares will carry dividend rights from the commencement of the financial year directly preceding the year in which the shares are issued. Furthermore, the Executive Board is authorized to stipulate additional details concerning the implementation of the contingent capital increase.

The Executive Board is authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights to the bonds insofar as this is necessary for residual amounts and also insofar as and to the extent that this is necessary for granting subscription rights to holders or creditors of bonds already issued before, which they would be entitled to as shareholders upon exercising their option or conversion rights or upon fulfilling their option and/or conversion obligations or upon exercising a right to delivery of shares referring to shares of the company. Finally, the Executive Board is authorized, subject to Supervisory Board approval, to also exclude shareholders' subscription rights insofar as the bonds are issued against contributions in cash and after the Executive Board has concluded, following an examination in accordance with its legal duties, that the issue price of the bonds is not significantly below the hypothetical market value computed using recognized, in particular, financial calculation methods and the number of shares issued does not exceed 10% of the nominal capital, neither at the point of becoming effective nor – in case this amount is lower – at the point of exercising the aforementioned authorization. Shares which are issued or sold in accordance with § 186 section 3 sentence 4 AktG during the term of this authorization until its utilization shall be attributed to the aforementioned limit of 10%. Furthermore, shares that are to be issued or granted during the term of this authorization on the basis of a bond issued with the exclusion of subscription rights in accordance with this provision utilizing another authorization shall be attributed to the aforementioned limit of 10%. The total number of shares that are issued under bonds based on this authorization with the exclusion of subscription rights and shares that are issued from an authorized capital with the exclusion of subscription rights during the term of the authorization may not exceed 10% of the nominal capital on the date of the entry of this authorization with the Commercial Register.

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 12, 2022, and consequently did not issue any shares from the Contingent Capital 2022.

Repurchase and use of treasury shares

The Annual General Meeting on May 11, 2023, granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 10, 2028. 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. The Executive Board of adidas AG did not make use of this authorization in the reporting period.

In the 2023 financial year, adidas AG transferred 11,886 treasury shares to the Chief Executive Officer Bjørn Gulden as reimbursement for the variable compensation forfeited at his former employer. Based on the share price at the time, the 11,886 treasury shares transferred had a value of € 2,040,826 corresponding to a notional amount of € 11,886 in the nominal capital and consequently to approx. 0.01% of the nominal capital.

Therefore, taking into account the 1,462,802 shares held by adidas AG as at December 31, 2022, and the 11,886 shares transferred to the Chief Executive Officer, this results in 1,450,916 treasury shares held as at the balance sheet date. ► SEE DISCLOSURES PURSUANT TO § 315A AND § 289A OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, information must be provided on the existence of shareholdings that have been notified to adidas AG in accordance with § 33 section 1 or section 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

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

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

Notified reportable shareholdings

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Notification obligations and attributions in accordance with WpHG	Voting rights attached to shares (in %)	Instruments (in %)	Total of voting rights attached to shares and instruments (in %)
The Goldman Sachs Group, Inc., Wilmington, DE, USA	December 12, 2023	5%	§§ 34, 38 par. 1 no. 1, 2	0.18	4.77	4.95
BlackRock, Inc., New York, New York, USA ¹	October 11, 2023	5%	§§ 34, 38 par. 1 no. 1, 2	5.33	0.29	5.62
Ministry of Finance on behalf of the State of Norway, Oslo, Norway	October 10, 2023	3%	§§ 34, 38 par. 1 no. 1, 2	3.02	0.21	3.23
Ségolène Gallienne-Frère ¹	August 9, 2023	5%	§ 34	7.62	–	7.62
Gérald Frère ¹	March 15, 2023	5%	§§ 34, 38 par. 1 no. 1	7.62	0.24	7.86
The Capital Group Companies, Inc., Los Angeles, USA	March 2, 2023	5%	§ 34	5.03	–	5.03
Flossbach von Storch AG, Cologne, Germany	February 10, 2023	3%	§§ 34, 38 par. 1 no. 2	3.57	0.05	3.61
Eliaan Corporate Trustee (Cayman) Limited, Camana Bay, Grand Cayman, Cayman Islands ¹	September 16, 2022	5%	§§ 34, 38 par. 1 no. 2	3.12	3.33	6.46
The Desmarais Family Residuary Trust, Montreal, Canada ¹	November 30, 2020	5%	§ 34	6.89	–	6.89

¹ Voluntary group notification due to threshold crossing on the subsidiary level.

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

Capital management

The company's policy is to maintain a strong capital base so as to uphold investor, creditor, and market confidence and to sustain future development of the business.

adidas seeks to maintain a balance between a higher return on equity that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The company further aims to maintain adjusted net borrowings below two times EBITDA (Earnings before interests, taxes, depreciation and amortization and impairment losses and reversals) over the long term. adidas received strong first-time investment-grade ratings by both Standard & Poor's and Moody's in August 2020. Standard & Poor's gave adidas an 'A+' rating, and Moody's granted the company an 'A2' rating. The initial outlook for both ratings was 'stable' as both rating agencies recognized the company's strong credit metrics, robust liquidity profile, and conservative financial policies. In November 2022, both Standard & Poor's and Moody's revised their outlook for adidas to 'negative' due to a deterioration in credit metrics amid pressure on the company's operating performance from economic as well as company specific challenges. In February 2023, Standard & Poor's lowered its rating on adidas to 'A-', while Moody's downgraded the company to 'A3', both with a 'negative' outlook. These downgrades reflected a further

downward revision of credit metrics following the release of the company’s financial guidance for 2023. In December 2023 and January 2024 Standard & Poor’s and Moody’s issued reports affirming ‘A-’ rating with ‘negative’ outlook and ‘A3’ rating with ‘negative’ outlook respectively. Overall, adidas’ investment grade credit ratings continue to ensure an efficient access to capital markets.

Financial leverage amounts to 98.6% (2022: 121.2%) and is defined as the ratio between adjusted net borrowings in an amount of € 4.518 billion (2022: € 6.047 billion) and shareholders’ equity in an amount of € 4.580 billion (2022: € 4.991 billion). EBITDA amounted to € 1.358 billion for the financial year ending December 31, 2023 (2022: € 1.874 billion). The ratio between adjusted net borrowings and EBITDA amounted to 3.3 for the 2023 financial year (2022: 3.2).

Composition of EBITDA € in millions

	2023	2022
Income before taxes	65	388
Adjustments for:		
Depreciation, amortization, and impairment losses	1,212	1,375
Reversals of impairment losses	(42)	(4)
Interest income	(39)	(23)
Interest expense	162	138
EBITDA as at December 31	1,358	1,874

In 2020, the definition of the net borrowings was adjusted to the criteria of the company’s internal financial guidelines and is therefore reported as adjusted net borrowings. It mainly complements the net borrowings reported up to that point by the present value of future payment obligations from leasing and pension commitments. The method of calculating adjusted net borrowings was revised in 2022 to align it with general market practice and the approach of the rating agencies.

The composition of the adjusted net borrowings is presented below:

Composition of adjusted net borrowings € in millions

	Dec. 31, 2023	Dec. 31, 2022
Short-term borrowings	549	527
Long-term borrowings	2,430	2,946
Current lease liability	545	643
Non-current lease liability	2,039	2,343
Pensions and similar obligations	139	118
Factoring	70	112
Subtotal	5,772	6,689
Cash and cash equivalents	1,431	798
Short-term financial assets	34	–
Less trapped cash	211	155
Less accessible cash and cash equivalents	1,254	643
Adjusted net borrowings	4,518	6,047

Reserves

Reserves within shareholders' equity are as follows:

- **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as expenses recognized for share-based payment for Executive Board members and third parties.
- **Cumulative currency translation differences:** comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.
- **Hedging reserve:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges (intrinsic value for options and spot component for forward contracts) related to hedged transactions that have not yet occurred, hedges of net investments in foreign subsidiaries, and the effective portion of the cumulative net change in the fair value of the total return swap.
- **Cost of hedging reserve – options:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges reflecting cost of hedging of options (time value and premium).
- **Cost of hedging reserve – forward contracts:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges reflecting cost of hedging of forward contracts (forward component).
- **Other reserves:** comprises the remeasurements of defined benefit plans consisting of the cumulative net change of actuarial gains or losses relating to the defined benefit obligations, the return on plan assets (excluding interest income) and the asset ceiling effect, the remeasurement of the fair value of the equity investments measured at fair value through other comprehensive income, expenses recognized for share option plans, and effects from the acquisition of non-controlling interests, as well as reserves required by law.
- **Retained earnings:** comprises both amounts that are required by the Articles of Association and voluntary amounts that have been set aside by adidas. The reserve includes the unappropriated accumulated profits less dividends paid, and consideration paid for the repurchase of adidas AG shares exceeding the nominal value. In addition, the item includes the effects of the employee stock purchase plan and the transition effects of the implementation of new IFRSs.

The capital reserve includes restricted capital in an amount of € 4 million (2022: € 4 million). Furthermore, other reserves include additional restricted capital in an amount of € 136 million (2022: € 98 million).

Distributable profits and dividends

Profits distributable to shareholders are determined by reference to the retained earnings of adidas AG and calculated under German commercial law.

Based on the resolution of the 2023 Annual General Meeting, the dividend for 2022 was € 0.70 per share (total amount: approx. € 125 million).

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of € 411 million as reported in the 2023 financial statements of adidas AG for a dividend payment of € 0.70 per share and to carry forward the subsequent remaining amount.

As at February 20, 2024, 178,549,084 dividend-entitled shares exist. This would result in a dividend payment of € 125 million.

26 Share-based payment

Equity-settled share-based payment transactions with employees

In 2016, adidas announced the introduction of an open-ended employee stock purchase plan (the 'plan'). The plan is operated on a quarterly basis, with each calendar quarter referred to as an 'investment quarter.'

The plan enables employees to purchase adidas AG shares with a 15% discount ('investment shares') and to benefit from free matching shares. Currently, eligible employees of adidas AG and 17 other subsidiaries can participate in the plan. Up to two weeks before the start of an investment quarter, each eligible employee can enroll for the plan. The company accepts enrollment requests on the first day of the relevant investment quarter. This is the grant date for the investment and matching shares. The fair value at the vesting date is equivalent to the fair value of the granted equity instruments at this date. The employees invest an amount up to 10% of their gross base salary per quarter in the plan. A few days after the end of the investment quarter, the shares are purchased on the market at fair market value and transferred to the employees. Thereby the amount invested during the quarter plus the top-up from adidas is used. These shares can be sold at any time by the employee. If the shares are held for a period of one year after the last day of an investment quarter, employees will receive, as a one-off, free matching shares (one matching share for every six adidas AG shares acquired). This plan currently constitutes an equity-settled share-based payment for both elements. For the component of the matching shares relating to the specific period of service an appropriate discount is taken into account. The effects are presented in the following table:

Equity-settled share-based payment transactions with employees

	As at Dec. 31, 2022	As at December 31, 2023				
	21 st investment quarter	21 st investment quarter	22 nd investment quarter	23 rd investment quarter	24 th investment quarter	25 th investment quarter
Grant date	Oct. 3, 2022	Oct. 3, 2022	Jan. 2, 2023	Apr. 3, 2023	Jul. 3, 2023	Oct. 2, 2023
Share price at grant date (in €)	119.00	119.00	127.70	163.04	176,62	164.60
Share price at December 31 (in €)	127.46					184.16
Number of granted investment shares based on the share price as at December 31	48,555					33,696
Number of actually purchased investment shares	–	44,789	38,150	37,966	40,409	–
Outstanding granted matching shares based on the share price as at December 31 or actually purchased investment shares	7,465	–	6,358	6,328	6,735	5,616
Average remaining vesting period in months as at December 31 (in months)	12	–	3	6	9	12

The number of forfeited matching shares during the period amounted to 4,646 (2022: 3,557).

As at December 31, 2023, the total expenses recognized relating to investment shares amounted to € 3.4 million (2022: € 4.3 million).

Expenses recognized relating to vesting of matching shares amounted to € 3.3 million in 2023 (2022: € 3.3 million).

As at December 31, 2023, a total amount of € 5 million (2022: € 5 million) was invested by the participants in the stock purchase plan and was not yet transferred into shares by the end of December 2023. Therefore, this amount has been included in 'Other current financial liabilities.' ► SEE NOTE 17

Further information about the purchase of shares for the employee stock purchase plan is provided in these Notes. ► [SEE NOTE 25](#)

Equity-settled share-based payment transactions with third parties

In 2023, adidas entered into a promotion and advertising contract that includes a share-based payment transaction with third parties. The contract has a term of up to five years. The agreement grants a transfer of shares, which correspond up to a value of US \$ 26 million. In 2023, no transfer of shares took place.

The expenses for shares are recognized over the vesting period of five years. In 2023, this amounts to a provision of € 7 million.

Equity-settled share-based payment for Executive Board members

In 2018, adidas established a 'Long-Term Incentive Plan' ('LTIP') for Executive Board members.

The LTIP 2021/2025 pursues the goal of aligning the long-term performance-based variable remuneration of the Executive Board with the performance of the company and thus with the interests of the shareholders. Against this background, the LTIP 2021/2025 is share-based. It consists of five annual tranches (2021 to 2025), each with a term of five years. Each of the five annual tranches consists of a performance year and a subsequent four-year holding period. For the 2021/2025 LTIP, the Supervisory Board has set financial and ESG-related performance criteria for each of the five performance years.

The annual LTIP tranche ('Grant Amount') is paid to the Executive Board members after approval of the consolidated financial statements and is to be fully invested by the Executive Board members in the acquisition of adidas AG shares. The shares acquired are subject to a holding period, which ends at the end of the fourth financial year following the performance year. Only after the end of the holding period can the Executive Board members dispose of the shares.

As of December 31, 2023, the total number of adidas AG shares acquired since 2019 as part of the variable performance-based compensation and subject to a holding period amounts to 57,247 no-par-value shares (2022: 78,698 no-par-value shares acquired since 2018). The number of adidas AG shares acquired by the members of the Executive Board is shown below:

LTIP Bonus: Acquisition of shares in the context of the long-term variable compensation in €

LTIP tranche	2022	2021	2020	2019
Grant amount	-	14,182,500	1,482,105	9,244,573
Payout amount	-	7,449,357	778,475	4,825,271
Purchase price	-	210.10	270.75	255.00
Number of purchased shares	-	35,455	2,872	18,920
End of lock-up period	-	Dec. 31, 2025	May 31, 2024	May 31, 2023

Cash-settled share-based payment transactions with employees

In 2017, adidas implemented a Long-Term Incentive Plan (LTIP), which is a share-based remuneration scheme with cash settlement. 'RSUs' ('Restricted Stock Units') are granted on the condition that the beneficiary is employed for three or four years by adidas AG or one of its subsidiaries in a position where they are not under notice during that period. This minimum period of employment pertains to the calendar year in which the RSUs are granted and the three subsequent calendar years. As an exception in 2022 and 2023, RSUs were granted with a minimum term of employment of one and two years, respectively.

The total value of the cash remuneration payable to senior management is recalculated on each reporting date and on the settlement date, based on the fair value of the RSUs, and recognized through an appropriate increase in the provision as personnel expenses that are spread over the period of service of the beneficiary. Furthermore, social security contributions are considered in the calculation of the fair value, if appropriate for the respective country regulations and the seniority of the participants. All changes to the subsequent measurement of this provision are reported under personnel expenses.

Once a year, one tranche with a three-year term and another with a four-year term are issued. The number of RSUs granted depends on the seniority of the beneficiaries. In addition, for the four-year plan, the number of RSUs also depends on the achievement of a financial and ESG-related target. In addition, in 2022 and 2023, the option to issue two additional tranches with a two-year and a one-year maturity was exercised.

The value of one RSU is the average price of the adidas AG share as quoted for the first 20 stock exchange trading days in January of the respective financial year. The effects are presented in the following table:

Cash-settled share-based payment transactions with employees

Plan year	As at December 31, 2023			
	2020		2021	
	4-year tranche	3-year tranche	4-year tranche	3-year tranche
Share price as at December 31 (in €)	184.16	-	183.47	184.16
Number of granted RSUs based on the share price as at December 31 (in €)	20,405	-	182,438	26,257
Average risk-free interest rate based on the share price as at December 31	3.61%	-	3.60%	3.61%
Average remaining vesting period as at December 31 (in months)	-	-	12	-

Cash-settled share-based payment transactions with employees

Plan year	As at December 31, 2023							
	2022				2023			
	4-year tranche	3-year tranche	2-year tranche	1-year tranche	4-year tranche	3-year tranche	2-year tranche	1-year tranche
Share price as at December 31 (in €)	182.22	183.47	182.22	183.47	180.61	182.22	183.47	184.16
Number of granted RSUs based on the share price as at December 31 (in €)	77,407	206,748	2,130	-	304,563	111,577	11,972	9,010
Average risk-free interest rate based on the share price as at December 31	3.47%	3.60%	3.61%	-	3.24%	3.47%	3.60%	3.61%
Average remaining vesting period as at December 31 (in months)	24	12	-	-	36	24	12	-

Cash-settled share-based payment transactions with employees

Plan year	As at December 31, 2022									
	2019		2020		2021		2022			
Tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche	2-year tranche	1-year tranche
Share price as at December 31 (in €)	127.46	–	125.77	127.46	121.70	125.77	117.13	121.70	125.77	127.46
Number of granted RSUs based on the share price as at December 31 (in €)	108,039	–	24,667	102,877	227,521	37,745	102,523	236,945	2,149	2,149
Average risk-free interest rate based on the share price as at December 31	1.07%	–	1.28%	1.07%	1.55%	1.28%	1.74%	1.55%	1.28%	1.07%
Average remaining vesting period as at December 31 (in months)	–	–	12	–	24	12	36	24	12	–

The fair value is based on the closing price of the adidas AG share on December 31, 2023, adjusted for future dividend payments.

In 2023, this resulted in an expense of € 59 million (2022: € 36 million). The corresponding provision amounted to € 80 million (2022: € 57 million).

27 Non-controlling interests

This line item within equity comprises the non-controlling interests in subsidiaries that are not directly or indirectly attributable to adidas AG.

Non-controlling interests are assigned to two subsidiaries both as at December 31, 2023, and as at December 31, 2022.

For the following subsidiaries with non-controlling interests, the main financial information is presented combined.

Subsidiaries with non-controlling interests

Legal entity name	Principal place of business	Ownership interests held by non-controlling interests	
		Dec. 31, 2023	Dec. 31, 2022
Agron, Inc.	USA	100%	100%
adidas Israel Ltd.	Israel	15%	15%

The following table presents the main financial information on subsidiaries with significant non-controlling interests before elimination.

Financial information on subsidiaries with non-controlling interests € in millions

	Non-controlling interests			
	Dec. 31, 2023		Dec. 31, 2022	
	Total	Thereof: Agron, Inc.	Total	Thereof: Agron, Inc.
Net sales	669	520	751	556
Net income	61	62	32	25
Net income attributable to non-controlling interests	61	62	26	25
Other comprehensive income	(14)	(14)	24	20
Total comprehensive income	47	48	56	45
Total comprehensive income attributable to non-controlling interests	48	48	47	45
Current assets	384	288	398	307
Non-current assets	140	116	165	124
Current liabilities	(139)	(65)	(139)	(78)
Non-current liabilities	(11)	–	(24)	–
Net assets	373	340	399	353
Net assets attributable to non-controlling interests according to the consolidated statement of financial position	345	340	360	353
Net cash generated from operating activities	64	77	15	(11)
Net cash used in investing activities	(0)	(10)	(30)	(20)
Net cash used in financing activities	(27)	(33)	(41)	(21)
Net increase of cash and cash equivalents	37	34	(56)	(52)
Dividends paid to non-controlling interests during the year¹	33	33	22	22

¹ Included in net cash used in financing activities.

28 Financial instruments

Additional information to financial instruments

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

	Category	December 31, 2023					December 31, 2022				
		Carry- ing amount	Fair value	Level 1	Level 2	Level 3	Carry- ing amount	Fair value	Level 1	Level 2	Level 3
Financial assets											
Cash and cash equivalents											
Cash and cash equivalents	Amortized cost	596		-	-	-	726		-	-	-
Cash equivalents	Fair value through profit or loss	835	835	-	835	-	72	72	-	72	-
Short-term financial assets	Fair value through profit or loss	34	34	-	34	-	-	-	-	-	-
Accounts receivable	Amortized cost	1,906		-	-	-	2,529		-	-	-
Other current financial assets											
Derivatives used in hedge accounting	n.a.	67	67	-	67	-	168	168	-	168	-
Derivatives not used in hedge accounting	Fair value through profit or loss	21	21	-	21	-	65	65	-	65	-
Other investments	n.a.	8	8	-	8	-	78	78	-	78	-
Other financial assets	Amortized cost	658		-	-	-	703		-	-	-
Long-term financial assets											
Other equity investments	Fair value through profit or loss	91	91	-	-	91	89	89	-	-	89
Other equity investments	Fair value through other comprehensive income	83	83	1	-	82	86	86	2	-	84
Other investments	Fair value through profit or loss	44	44	-	44	-	42	42	-	42	-
Other investments	n.a.	83	83	-	83	-	83	83	-	83	-
Loans	Amortized cost	-		-	-	-	0		-	-	-
Other non-current financial assets											
Derivatives used in hedge accounting	n.a.	2	2	-	2	-	1	1	-	1	-
Derivatives not used in hedge accounting	Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Earn-out components	Fair value through profit or loss	301	301	-	-	301	227	227	-	-	227
Other financial assets	Amortized cost	115		-	-	-	108		-	-	-
Financial assets per level				1	1,095	474			2	508	400
Financial liabilities											
Short-term borrowings											
Bank borrowings	Amortized cost	49		-	-	-	29		-	-	-
Eurobond	Amortized cost	500	488	488	-	-	-	-	-	-	-
Convertible bond	Amortized cost	-	-	-	-	-	498	490	490	-	-
Accounts payable	Amortized cost	2,276		-	-	-	2,908		-	-	-
Current accrued liabilities	Amortized cost	842		-	-	-	997		-	-	-
Current accrued liabilities for customer discounts	Amortized cost	565		-	-	-	808		-	-	-
Other current financial liabilities											
Derivatives used in hedge accounting	n.a.	88	88	-	88	-	127	127	-	127	-

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

	Category	December 31, 2023					December 31, 2022				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Derivatives not used in hedge accounting	Fair value through profit or loss	15	15	–	15	–	64	64	–	64	–
Other financial liabilities	Amortized cost	163		–	–	–	232		–	–	–
Lease liabilities	n.a.	545		–	–	–	643		–	–	–
Long-term borrowings											
Bank borrowings	Amortized cost	44	44	–	44	–	63	63	–	63	–
Eurobond	Amortized cost	2,386	2,234	2,234	–	–	2,883	2,604	2,604	–	–
Non-current accrued liabilities	Amortized cost	–	–	–	–	–	4	4	–	–	–
Other non-current financial liabilities											
Derivatives used in hedge accounting	n.a.	6	6	–	6	–	44	44	–	44	–
Lease liabilities	n.a.	2,039		–	–	–	2,343		–	–	–
Financial liabilities per level				2,721	154	–			3,095	298	–
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		1,326					495				
Financial assets at fair value through other comprehensive income (FVOCI)		83					86				
Thereof: equity investments (without recycling to profit and loss)		83					86				
Financial assets at amortized cost (AC)		3,275					4,067				
Financial liabilities at fair value through profit or loss (FVTPL)		15					64				
Financial liabilities at amortized cost (AC)		6,825					8,423				

Level 1 is based on quoted prices in active markets for identical assets or liabilities.

Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 is based on inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Reconciliation of fair value hierarchy Level 3 in 2023 € in millions

	Fair value Jan. 1, 2023	Additions	Dis- posals	Realized		Unrealized		Transfers	Currency translation	Fair value Dec. 31, 2023
				Gains	Losses	Gains	Losses			
Investments in other equity instruments held for trading (FAHFT)	87	-	-	-	-	2	-	-	-	89
Investments in other equity instruments (FVTPL)	2	-	-	-	-	-	-	-	-	2
Investments in other equity instruments (FVOCI)	84	3	(0)	-	-	-	(4)	-	-	82
Earn-out components (assets)	227	-	-	-	-	74	-	-	-	301

Reconciliation of fair value hierarchy Level 3 in 2022 € in millions

	Fair value Jan. 1, 2022	Additions	Dis- posals	Realized		Unrealized		Transfers	Currency translation	Fair value Dec. 31, 2022
				Gains	Losses	Gains	Losses			
Investments in other equity instruments held for trading (FAHFT)	87	-	-	-	-	0	-	-	-	87
Investments in other equity instruments (FVTPL)	2	-	-	-	-	-	-	-	-	2
Investments in other equity instruments (FVOCI)	80	6	(0)	-	-	4	(3)	(3)	-	84
Promissory notes (FVTPL)	12	-	(12)	-	-	-	-	-	-	-
Earn-out components (assets)	-	247	-	-	-	-	(20)	-	-	227

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, and accounts receivable and payable, as well as other current financial receivables and payables, their respective fair values equal their carrying amount.

The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities and adjusted by a company-specific credit risk premium or measured at market prices.

Fair values of long-term financial assets are based on quoted market prices in an active market or are calculated as present values of expected future cash flows.

adidas designated certain investments as equity securities at fair value through other comprehensive income (equity), because the company intends to hold those investments for the long term in order to gain

insights into innovative production technologies and trends. The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic Management decision.

In accordance with IFRS 13, the following tables show the valuation methods used in measuring Level 1, Level 2, and Level 3 fair values, as well as the significant unobservable inputs used. No reclassifications between hierarchy levels were made in 2023. A review of the hierarchy levels is carried out regularly by adidas.

Financial instruments Level 1 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Convertible bond	The fair value is based on the market price of the convertible bond on the balance sheet date.	Not applicable	Amortized cost
Eurobond	The fair value is based on the market price of the eurobond on the balance sheet date.	Not applicable	Amortized cost
Other equity investments	The fair value is based on the market price of the investment on the balance sheet date.	Not applicable	Fair value through other comprehensive income

Financial instruments Level 2 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Cash equivalents and short-term financial assets (money market funds)	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. Due to their short-term maturities, it is assumed that their respective fair value is equal to the notional amount.	Not applicable	Fair value through profit or loss
Long-term financial assets (investment securities)	The fair value is based on the market price of the assets on the balance sheet date.	Not applicable	Fair value through profit or loss
Forward exchange contracts	In 2023, adidas applied the par method (forward NPV) for all currency pairs to calculate the fair value, implying actively traded forward curves.	Not applicable	n.a./fair value through profit or loss
Currency options	adidas applies the Garman-Kohlhagen model, which is an extended version of the Black-Scholes model.	Not applicable	n.a./fair value through profit or loss
Share option (cash settled)	adidas applies the Black-Scholes model.	Not applicable	Fair value through profit or loss
Total return swap (for own shares)	The fair value is based on the market price of the adidas AG share on the balance sheet date, minus accrued interest.	Not applicable	n.a./fair value through profit or loss

Financial instruments Level 3 measured at fair value

Type	Valuation method	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Category
Investment in FC Bayern München AG	This equity security does not have a quoted market price in an active market. Existing contractual arrangements (based on the externally observable dividend policy of FC Bayern München AG) are used in order to calculate the fair value on the balance sheet date. These dividends are recognized in other financial income.	See column 'Valuation method'		Fair value through profit or loss
Earn-out components (assets)	The valuation is based on the DCF Method, considering Monte Carlo Simulations to simulate future gross royalty income. The derived earn-out payments are discounted using a risk-adjusted discount rate. The fair value adjustment is recognized in discontinued operations.	Risk-adjusted maturity-specific discount rate (11.3% – 12.1%), gross royalty income	The estimated fair value would increase by 11% (decrease by 13%) if gross royalty income were 10% higher (10% lower). The estimated fair value would increase by 1% (decrease by 1%) if the risk-adjusted discount rate was 1pp lower (1pp higher).	Fair value through profit or loss
Investments in other equity instruments (fair value through profit or loss)	The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The fair value adjustment is recognized in other financial result.	See column 'Valuation method'		Fair value through profit or loss
Investments in other equity instruments (fair value through other comprehensive income)	The option to measure equity instruments at fair value through other comprehensive income upon implementation of IFRS 9 has been exercised. The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The fair value adjustment is recognized in other reserves.	See column 'Valuation method'		Fair value through other comprehensive income

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

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Financial assets classified at amortized cost (AC)	(9)	(79)
Financial assets at fair value through profit or loss (FVTPL)	69	(4)
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	2	0
Equity instruments at fair value through profit or loss (FVTPL)	–	–
Equity instruments at fair value through other comprehensive income (FVOCI)	–	–
Financial liabilities at amortized cost (AC)	3	24
Financial liabilities at fair value through profit or loss (FVTPL)	–	–
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	–	–

Net gains or losses on financial assets measured at amortized cost comprise mainly impairment losses and reversals.

Net gains or losses on financial assets or financial liabilities classified as fair value through profit or loss include the effects from fair value measurements of the derivatives that are not part of a hedging relationship, and changes in the fair value of other financial instruments as well as interest expenses.

Net gains or losses on equity instruments at fair value through profit or loss mainly include fair value adjustments based on the respective valuation method. ► SEE TABLE 'FINANCIAL INSTRUMENTS LEVEL 3 MEASURED AT FAIR VALUE'

During 2023, no dividends regarding equity instruments at fair value through other comprehensive income were recognized.

Net gains or losses on financial liabilities measured at amortized cost include effects from early settlement and reversals of accrued liabilities and refund liabilities.

Notional amounts of all outstanding currency hedging instruments € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	7,893	11,917
Currency options	407	461
Total	8,300	12,377

Fair values € in millions

	Dec. 31, 2023		Dec. 31, 2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward exchange contracts	81	(109)	225	(152)
Currency options	9	(1)	7	(1)
Total	90	(110)	233	(153)

Notional amounts of outstanding US dollar hedging instruments € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	3,449	5,669
Currency options	353	450
Total	3,802	6,119

Financial risks

Currency risks

Currency risks, to which adidas is particularly exposed, are a direct result of multi-currency cash flows within the company. The vast majority of the transactional risk arises from product sourcing in US dollars, while sales are typically denominated in the functional currency of the respective companies. The currencies in which these transactions are mainly denominated are the US dollar, British pound, Japanese yen, and Chinese renminbi.

As governed by the company's Treasury Policy, adidas has established a hedging system on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. In rare instances, hedges are contracted beyond the 24-month horizon.

adidas uses a combination of different hedging instruments, such as forward exchange contracts, currency options, and swaps, to protect itself against unfavorable currency movements. These contracts are generally designated as cash flow hedges.

Furthermore, translation impacts from the conversion of non-euro-denominated results into the company's functional currency, the euro, might lead to a material negative impact on the company's financial performance.

Further information about the accounting and hedge accounting treatment is included in these Notes.

► SEE NOTE 02

Exposures are presented in the following table:

Exposure to foreign exchange risk based on notional amounts € in millions

	USD	GBP	JPY	CNY
As at December 31, 2023				
Exposure from firm commitments and forecast transactions	(4,684)	869	474	375
Balance sheet exposure including intercompany exposure	(369)	(18)	(22)	148
Total gross exposure	(5,053)	851	452	523
Hedged with currency options	353	–	54	–
Hedged with forward contracts	2,761	(765)	(257)	(356)
Net exposure	(1,939)	86	249	167
As at December 31, 2022				
Exposure from firm commitments and forecast transactions	(5,879)	880	442	834
Balance sheet exposure including intercompany exposure	(258)	14	4	168
Total gross exposure	(6,137)	894	446	1,002
Hedged with currency options	450	–	11	–
Hedged with forward contracts	3,590	(696)	(317)	(753)
Net exposure	(2,097)	197	140	249

The exposure from firm commitments and forecast transactions was calculated on a one-year basis.

In line with IFRS 7 requirements, the company has calculated the impact on net income and shareholders' equity based on changes in the most important currency exchange rates. The calculated impacts mainly result from changes in the fair value of the hedging instruments. The analysis does not include effects that arise from the translation of the company's foreign entities' financial statements into the company's reporting currency, the euro. The sensitivity analysis is based on the net balance sheet exposure, including intercompany balances from monetary assets and liabilities denominated in foreign currencies. Moreover, all outstanding currency derivatives were re-evaluated using hypothetical foreign exchange rates to determine the effects on net income and equity.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2023, would have led to a € 17 million increase in net income.

Sensitivity analysis of foreign exchange rate changes € in millions

	USD	GBP	JPY	CNY
As at December 31, 2023				
	EUR +10%	EUR +10%	EUR +10%	EUR +10%
Equity	(198)	66	27	24
Net income	17	2	2	(8)
	EUR -10%	EUR -10%	EUR -10%	EUR -10%
Equity	263	(81)	(33)	(29)
Net income	(20)	(2)	(3)	9
As at December 31, 2022				
	EUR +10%	EUR +10%	EUR +10%	EUR +10%
Equity	(264)	60	30	50
Net income	13	(1)	(0)	(4)
	EUR -10%	EUR -10%	EUR -10%	EUR -10%
Equity	335	(74)	(36)	(61)
Net income	(15)	2	0	4

The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 198 million. A 10% weaker euro at December 31, 2023, would have led to a € 20 million decrease in net income. Shareholders' equity would have increased by € 263 million. The impacts of fluctuations of the euro against the British pound, the Japanese yen, and the Chinese renminbi on net income and shareholders' equity are also included in accordance with IFRS requirements.

However, many other financial and operational variables that could potentially reduce the effect of currency fluctuations are excluded from the analysis. For instance:

- Interest rates, commodity prices, and all other exchange rates are assumed constant.
- Exchange rates are assumed at a year-end value instead of the more relevant sales-weighted average figure, which the company utilizes internally to better reflect both the seasonality of its business and intra-year currency fluctuations.
- The underlying forecast cash flow exposure (which the hedge instrument mainly relates to) is not required to be revalued in this analysis.
- Operational aspects, such as potential discounts for key accounts, which have high transparency regarding the impacts of currency on our sourcing activities (due to their own private label sourcing efforts), are also excluded from this analysis.
- The credit risk is not considered as part of this analysis.

The company also largely hedges balance sheet risks. Due to its strong global position, adidas is able to partly minimize the currency risk by utilizing natural hedges. The company's gross US dollar cash flow exposure calculated for 2023 was around € 4.1 billion at year-end 2023, which was hedged using forward exchange contracts, currency options, and currency swaps.

Credit risks

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. adidas is exposed to credit risks from its operating activities and from certain financing activities. Credit risks arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets, short-term bank deposits, and derivative financial instruments. Without taking into account any collateral or other credit enhancements, the carrying amount of financial assets and accounts receivable represents the maximum exposure to credit risk.

At the end of 2023, there was no relevant concentration of credit risk by type of customer or geography. The company's credit risk exposure is mainly influenced by individual customer characteristics. Under the company's credit policy, new customers are analyzed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the company's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses as well as, on a selective basis, credit insurance, the sale of accounts receivable without recourse, and bank guarantees. Further quantitative information on the extent to which credit enhancements mitigate the credit risk of accounts receivable is included in these Notes. ► [SEE NOTE 05](#)

At the end of 2023, no customer accounted for more than 10% of accounts receivable.

The Treasury department arranges currency, commodity, interest rate, and equity hedges, and invests cash with major banks of a high credit standing throughout the world. adidas subsidiaries are authorized to work with banks rated BBB+ or higher. Only in exceptional cases are subsidiaries authorized to work with banks rated lower than BBB+. To limit risk in these cases, restrictions are clearly stipulated, such as maximum cash deposit levels. In addition, the credit default swap premiums of the company's partner banks are monitored on a monthly basis. In the event that the defined threshold is exceeded, credit balances are shifted to banks compliant with the limit.

adidas furthermore believes that the risk concentration is limited due to the broad distribution of the investment business of the company with a high number of globally operating banks. At December 31, 2023, no bank accounted for more than 10% of the investments of adidas. Including subsidiaries' short-term deposits in local banks, the average concentration was 2%. This leads to a maximum exposure of € 91 million in the event of default of any single bank. The investment exposure was further diversified by investing into AAA-rated money market funds.

In addition, in 2023, adidas held derivatives of foreign exchange with a positive fair market value in the amount of € 90 million. The maximum exposure to any single bank resulting from these assets amounted to € 28 million and the average concentration was 8%.

In accordance with IFRS 7, the following table includes further information about set-off possibilities of derivative financial assets and liabilities. The majority of agreements between financial institutions and adidas include a mutual right to set off. However, these agreements do not meet the criteria for offsetting in the statement of financial position, because the right to set off is enforceable only in the event of counterparty defaults.

The carrying amounts of recognized derivative financial instruments, which are subject to the agreements mentioned here, are also presented in the following table:

Set-off possibilities of derivative financial assets and liabilities € in millions

	2023	2022
Assets		
Gross amounts of recognized financial assets	96	233
Financial instruments which qualify for set-off in the statement of financial position	–	–
Net amounts of financial assets presented in the statement of financial position	96	233
Set-off possible due to master agreements	(83)	(132)
Total net amount of financial assets	13	101
Liabilities		
Gross amounts of recognized financial liabilities	(126)	(235)
Financial instruments which qualify for set-off in the statement of financial position	–	–
Net amounts of financial liabilities presented in the statement of financial position	(126)	(235)
Set-off possible due to master agreements	83	132
Total net amount of financial liabilities	(43)	(103)

Interest rate risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As adidas does not have material variable-interest liabilities, even a significant increase in interest rates should have only slight adverse effects on the company's profitability, liquidity, and financial position.

To reduce interest rate risks and maintain financial flexibility, a core tenet of the company's financial strategy is to continue to use surplus cash flow from operations to reduce short-term gross borrowings. Beyond that, adidas may consider adequate hedging strategies through interest rate derivatives in order to mitigate interest rate risks.

Share price risks

Share price risks arise due to the Long-Term Incentive Plan (LTIP), which is a share-based remuneration scheme with cash settlement. In order to mitigate share price risks, it is company strategy to hedge against share price fluctuations. Swaps are used to hedge the Long-Term Incentive Plan and are classified as cash flow hedges.

In line with IFRS 7 requirements, adidas has calculated the impact on net income based on changes in the company's share price. A 10% increase in the adidas AG share price versus the closing share price at December 31, 2023, would have led to a € 5 million increase in net income and a € 4 million increase in shareholders' equity, whereas a 10% decrease in the adidas AG share price versus closing share price at December 31, 2023, would have led to a € 5 million decrease in net income and would have decreased shareholders' equity by € 4 million.

Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume, and currency structure. In addition, the company faces the risk of having to accept unfavorable financing terms due to liquidity restraints. The Treasury department uses an efficient cash management system in order to make best use of the operating cash flow. A twelve-month rolling cash flow forecast on a monthly basis is established to manage liquidity risk. In line with the Financial Policy, adidas aims to maintain a target leverage ratio and a target twelve months liquidity coverage. Committed and uncommitted credit lines ensure further financial flexibility. Overall, adidas' investment grade credit ratings ensure an efficient access to capital markets.

At December 31, 2023, cash and cash equivalents together with marketable securities amounted to € 1.465 billion (2022: € 0.798 billion). Moreover, the company maintains € 3.648 billion (2022: € 4.090 billion) in bilateral credit lines, which are designed to ensure sufficient liquidity at all times. Thereof, € 1.864 billion has been firmly committed since December 2023 as part of a syndicated credit facility with our core banks.

Future cash outflows arising from financial liabilities that are recognized in the consolidated statement of financial position are presented in the table.

This includes payments to settle obligations from borrowings as well as cash outflows from cash-settled derivatives with negative market values. Financial liabilities that may be settled in advance without penalty are included on the basis of the earliest date of potential repayment. Cash flows for variable-interest liabilities are determined with reference to the conditions at the balance sheet date.

Future cash outflows € in millions

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Total
As at December 31, 2023							
Bank borrowings	48	19	19	7	–	–	93
Eurobond ¹	543	543	428	19	519	1,037	3,089
Equity-neutral convertible bond	–	–	–	–	–	–	–
Accounts payable	2,276	–	–	–	–	–	2,276
Other financial liabilities	163	–	–	–	–	–	163
Accrued liabilities ²	842	–	–	–	–	–	842
Derivative financial liabilities	3,915	321	–	–	–	–	4,236
Total	7,787	883	447	26	519	1,037	10,699
As at December 31, 2022							
Bank borrowings	29	19	19	19	7	–	93
Eurobond ¹	43	543	543	428	19	1,556	3,132
Equity-neutral convertible bond	498	–	–	–	–	–	498
Accounts payable	2,908	–	–	–	–	–	2,908
Other financial liabilities	232	–	–	–	–	–	232
Accrued liabilities ²	997	–	–	–	–	4	1,001
Derivative financial liabilities	5,183	296	30	–	–	–	5,509
Total	9,890	858	592	447	26	1,560	13,373

1 Including interest payments.

2 Accrued interest excluded.

adidas ended the year 2023 with an adjusted net borrowings of € 4.518 billion (2022: € 6.047 billion). Further information in the methodology for calculating adjusted net borrowings is provided in these Notes.

► SEE NOTE 25

Financial instruments for the hedging of foreign exchange and share price risk

As at December 31, 2023, adidas held the following instruments to hedge exposure to changes in foreign currency and share price:

Average hedge rates

As at December 31, 2023	Maturity	
	short-term	long-term
Foreign currency risk		
Net exposure (€ in millions)	939	245
Forward exchange contracts		
Average EUR/USD forward rate	1.096	1.100
Average EUR/GBP forward rate	0.881	0.876
Average EUR/JPY forward rate	141.099	149.574
Average EUR/CNY forward rate	7.453	7.738
Option exchange contracts		
Average EUR/USD forward rate	1.103	1.100
Average EUR/GBP forward rate	–	–
Average EUR/JPY forward rate	146.908	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	12	90
Total return swap		
Average hedge rate	277.298	199.049

Average hedge rates

As at December 31, 2022	Maturity	
	short-term	long-term
Foreign currency risk		
Net exposure (€ in millions)	1,548	154
Forward exchange contracts		
Average EUR/USD forward rate	1.096	1.064
Average EUR/GBP forward rate	0,865	0,877
Average EUR/JPY forward rate	133.215	135.203
Average EUR/CNY forward rate	7.269	7.191
Option exchange contracts		
Average EUR/USD forward rate	1.040	1.000
Average EUR/GBP forward rate	–	–
Average EUR/JPY forward rate	130.000	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	78	83
Total return swap		
Average hedge rate	305.639	229.294

The amounts at the reporting date relating to items designated as hedged items were as follows:

Designated hedged items as at December 31, 2023 € in millions

	Change in value used for calculating hedge ineffectiveness	Hedging reserve	Cost of hedging reserve	Balances remaining in the cash flow hedging reserve from hedge relationships for which hedge accounting is no longer applied
Foreign currency risk				
Sales	(145)	40	(19)	–
Inventory purchases	(34)	(66)	19	–
Net foreign investment risk	–	(265)	–	–
Equity risk				
Long-Term Incentive Plans	(46)	(0)	–	–

Designated hedged items as at December 31, 2022 € in millions

	Change in value used for calculating hedge ineffectiveness	Hedging reserve	Cost of hedging reserve	Balances remaining in the cash flow hedging reserve from hedge relationships for which hedge accounting is no longer applied
Foreign currency risk				
Sales	(205)	104	(63)	–
Inventory purchases	76	31	8	–
Net foreign investment risk	50	(265)	–	–
Equity risk				
Long-Term Incentive Plans	85	(23)	–	–

The hedging reserves of € 265 million for net foreign investment risk contains hedges of € 181 million related to the Chinese renminbi and € 76 million to the Russian ruble for which by the end of 2023 no outstanding hedging instruments were in place anymore.

The amounts relating to items designated as hedging instruments and hedged ineffectiveness were as follows:

Designated hedge instruments € in millions

	2023			Line item in statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in hedging reserve	Changes in the value of the hedging instrument recognized in cost of hedging reserve	Hedge ineffectiveness recognized in profit or loss	Line item in income statement which includes hedge ineffectiveness	During the period 2023				
	Nominal amount	Carrying amount							Amount from hedging reserve transferred to inventory	Amount from cost of hedging reserve transferred to inventory	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from cost of hedging reserve to profit or loss	Line item in income statement affected by the reclassification
		As-sets	Liabilities										
Foreign exchange contracts – sales	2,798	60	(19)	Other financial assets/liabilities	145	(140)	–	Net Sales	–	–	20	63	Net Sales
Foreign exchange contracts – inventory purchases	3,040	2	(69)	Other financial assets/liabilities	34	(49)	–	Cost of sales	(76)	75	–	–	Cost of sales
Foreign exchange contracts – net foreign investments	–	–	–	Other financial assets/liabilities	–	–	–	Financial result	–	–	–	–	Financial result
Total return swap – Long-Term Incentive Plans	102	(11)	–	Other financial assets/liabilities	46	–	–	Financial result	–	–	(23)	–	Other operating expenses

Designated hedge instruments € in millions

	2022			Line item in statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognized in hedging reserve	Changes in the value of the hedging instrument recognized in cost of hedging reserve	Hedge ineffectiveness recognized in profit or loss	Line item in income statement which includes hedge ineffectiveness	During the period 2022				
	Carrying amount		Nominal amount						As-sets	Liabilities	Amount from hedging reserve transferred to inventory	Amount from cost of hedging reserve transferred to inventory	Amount reclassified from hedging reserve to profit or loss
Foreign exchange contracts – sales	3,081	102		2	Other financial assets/liabilities	205	(134)	–					
Foreign exchange contracts – inventory purchases	3,897	85	(54)	Other financial assets/liabilities	(76)	(39)	–	Cost of sales	249	84	–	–	Cost of sales
Foreign exchange contracts – net foreign investments	–	–	–	Other financial assets/liabilities	(50)	–	–	Financial result	–	–	–	–	Financial result
Total return swap – Long-Term Incentive Plans	161	–	(82)	Other financial assets/liabilities	(85)	–	–	Financial result	–	–	67	–	Other operating expenses

Some of the initial planned exposure for purchases and sales in foreign currencies ceased to exist, which led to certain overhedge positions. In accordance with IFRS 9, hedge accounting was immediately discontinued for hedging instruments that were no longer covered by a purchase or sales transaction, and, at the time the over-hedged status was determined, the fair value was transferred from the hedging reserve to the income statement. In 2023, a gain of € 9 million was reclassified into the net sales and a loss of € 7 million was reclassified into the cost of sales.

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

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT – OUR COMPANY	GROUP MANAGEMENT REPORT – FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

Changes of reserves by risk category € in millions

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2023	(150)	(64)
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	(54)	103
Foreign currency risk – inventory purchases	(165)	78
Foreign currency risk – net foreign investment	-	-
Amount no longer recognized in OCI:		
Foreign currency risk	56	(138)
Contracts during the year	1	14
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	-	-
Tax on movements of reserves during the year	70	3
Equity hedges		
Changes in fair value:	46	-
Amount reclassified to profit or loss	(23)	-
Balance at December 31, 2023	(217)	(4)

Changes of reserves by risk category € in millions

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2022	(109)	(20)
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	10	11
Foreign currency risk – inventory purchases	122	37
Foreign currency risk – net foreign investment	(50)	-
Amount no longer recognized in OCI:		
Foreign currency risk	(68)	(149)
Contracts during the year	(37)	57
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	-	-
Tax on movements on reserves during the year	59	7
Equity hedges		
Changes in fair value:	(85)	-
Amount reclassified to profit or loss	67	-
Balance at December 31, 2022	(90)	(58)

In order to determine the fair values of derivatives that are not publicly traded, adidas uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

Notes to the Consolidated Income Statement

29 Other operating income

Other operating income consists of the following:

Other operating income € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Income from transitional service agreements	50	156
Income from release of accrued liabilities and other provisions	7	7
Gains from disposal of fixed assets	7	3
Sundry income	7	7
Other operating income	71	173

The decrease in income from transition services agreements relates to contracts with the buyer of the Reebok business from 2022. adidas discontinued these services in 2023.

30 Other operating expenses

Expenses are presented by function according to the 'cost of sales method' in the income statement with the exception of impairment losses (net) on accounts receivable and contract assets which are disclosed in a separate line item as required by IFRS 9 'Financial Instruments.'

Other operating expenses presented by functions include marketing and point-of-sale expenses, distribution and selling expenses, and general and administration expenses, as well as sundry expenses less any income from government grants, if applicable.

Marketing and point-of-sale expenses consist of promotion and communication spending such as promotion contracts, advertising, events, and other communication activities. However, they do not include marketing overhead expenses, which are presented in distribution and selling expenses.

The distribution and selling expenses consist of sales force and sales administration costs, direct and indirect supply chain costs, and marketing overhead expenses, as well as expenses for research and development, which amounted to € 151 million in 2023 (2022: € 153 million).

General and administration expenses include the functions IT, Finance, Legal, Human Resources, and Facilities & Services, as well as General Management.

Sundry expenses consist mainly of costs for one-time effects as well as losses from disposal of fixed assets.

Income from government grants is reported as a deduction from the related expenses and amounted to € 27 million in 2023 (2022: € 36 million).

31 Cost by nature

Supplementary information on the expenses by nature is detailed below.

Cost of materials represents the amount of inventories recognized as an expense during the period.

Depreciation of tangible and right-of-use assets, amortization of intangible assets, and impairment losses and reversals of impairment losses on those assets are primarily included within other operating expenses unless they are directly attributable to the production costs, in which case the expenses are included within the cost of sales. Impairment losses on goodwill are presented as a separate line item in the consolidated income statement.

Personnel expenses are primarily included within other operating expenses unless they are directly attributable to the production costs, in which case the expenses are included within the cost of sales.

Expenses relating to leases of low-value assets exclude short-term leases of low-value assets.

Expenses by nature € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Cost of materials	11,189	11,798
Depreciation and amortization	1,095	1,220
Thereof: included within the cost of sales	13	51
Thereof: included within personnel expenses	11	10
Impairment losses	108	154
Reversals of impairment losses	(34)	(4)
Wages and salaries	2,580	2,444
Social security contributions	266	276
Pension expenses	119	136
Personnel expenses	2,964	2,856
Expense relating to short-term leases	19	14
Expense relating to leases of low-value assets	1	0
Expense relating to variable lease payments	122	118

Further information on expenses by function is provided in these Notes. ► SEE NOTE 30

32 Financial income/Financial expenses

Financial result consists of the following:

Financial income € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Interest income from financial instruments measured at amortized cost	39	23
Interest income from non-financial assets	0	0
Other	40	16
Financial income	79	39

Financial expenses € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Interest expense on financial instruments measured at amortized cost	157	125
Thereof: interest expense on lease liabilities	86	83
Interest expense on other provisions and non-financial liabilities	3	12
Net foreign exchange losses	121	166
Other	2	17
Financial expenses	282	320

Interest income from financial instruments, measured at amortized cost, mainly consists of interest income from bank deposits and loans calculated using the 'effective interest method.'

Interest income/expense from financial instruments at fair value through profit or loss mainly includes interest payments from investment funds as well as net interest payments from interest derivatives not being part of a hedging relationship. Unrealized gains/losses from fair value measurement of such financial assets are shown in other financial income or expenses.

Interest expense on financial instruments measured at amortized cost mainly includes interest on lease liabilities as well as interest on borrowings calculated using the 'effective interest method.'

Interest expense on other provisions, and non-financial liabilities in particular, include effects from the measurement of other provisions at present value and interest on non-financial liabilities such as tax payables.

Information regarding investments, borrowings, and financial instruments is also included in these Notes.

▶ SEE NOTE 13 ▶ SEE NOTE 16 ▶ SEE NOTE 28

33 Hyperinflation

Due to the rapid devaluation of the Argentinian peso and the Turkish lira, Argentina and Turkey are considered to be hyperinflationary and as a result, the application of IAS 29 was adopted for the first time in the third quarter of 2018 (Argentina) and the second quarter of 2022 (Turkey). The financial statements of those subsidiaries that have the Argentinian peso or Turkish lira as a functional currency had been restated for the change in the general purchasing power retrospectively since January 1, 2018 (Argentina), and January 1, 2022 (Turkey). The financial statements are based on a historical cost approach. The prior-year figures of the Argentinian peso are stated in terms of the measuring unit current at December 31, 2022. Pursuant to IAS 21 'Effects of Changes in Foreign Exchange Rates,' paragraph 42, the comparative amounts of the previous reporting period were not restated for the Turkish lira.

The Argentinian price index at December 31, 2023, was 44,914.03 (2022: 15,047.61). The price index in Turkey at December 31, 2023, was 1,859.38 (2022: 1,128.45).

Both for Argentina and for Turkey, for the translation into the presentation currency (euro), all amounts were translated at the closing rate at December 31, 2023. The net assets in the subsidiary's local financial statements were adjusted for changes in the price level.

In 2023, the respective loss on the net monetary position has amounted to € 56 million (2022: € 34 million) and is recognized in the financial expenses.

34 Income taxes

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2023 and 2022, the statutory corporate income tax rate of 15% plus a surcharge of 5.5% thereon is applied to earnings. The municipal trade tax is approximately 11.4% of taxable income.

For non-German subsidiaries, deferred taxes are calculated based on tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT – OUR COMPANY	GROUP MANAGEMENT REPORT – FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

As a result they are presented in the consolidated statement of financial position as follows:

Deferred tax assets/liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Deferred tax assets	1,358	1,216
Deferred tax liabilities	(147)	(135)
Deferred tax assets, net	1,211	1,082

The movement of deferred taxes net is as follows:

Movement of deferred taxes € in millions

	2023	2022
Deferred tax assets, net as at January 1	1,082	1,141
Deferred tax income	149	(76)
Change in consolidated companies	–	23
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income ¹	3	(44)
Change in deferred taxes attributable to the change in the effective portion of the fair value of qualifying hedging instruments recorded in other comprehensive income ²	1	21
Currency translation differences	(23)	17
Deferred tax assets, net as at December 31	1,211	1,082

¹ See Note 23.

² See Note 28.

Gross company deferred tax assets and liabilities after valuation allowances, but before appropriate offsetting, are attributable to the items detailed in the table below:

Deferred taxes € in millions

	Dec. 31, 2023	Dec. 31, 2022
Non-current assets	480	462
Current assets	334	245
Liabilities and provisions	622	852
Accumulated tax loss carry-forwards	260	126
Deferred tax assets	1,696	1,685
Non-current assets	356	421
Current assets	17	71
Liabilities and provisions	113	111
Deferred tax liabilities	485	603
Deferred tax assets, net	1,211	1,082

Deferred tax assets are recognized only to the extent that the realization of the related benefit is probable. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Deferred tax assets for which the realization of the related tax benefits is not probable decreased from € 406 million to € 308 million for the year ending December 31, 2023. The majority of this amount relates to capital tax losses in the US, which expire in 2027 and can only be offset against capital income. The

remaining unrecognized deferred tax assets relate to subsidiaries operating in markets where the realization of the related tax benefit is not considered probable.

adidas does not recognize deferred tax liabilities for unremitted earnings of non-German subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the company were to sell its shareholdings in the subsidiaries.

Tax expenses

Tax expenses are split as follows:

Income tax expenses € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Current tax expenses	271	156
Deferred tax income	(147)	(23)
Income tax expenses	124	134

The deferred tax income includes tax expense of € 7 million in total (2022: tax expense of € 6 million) related to the origination and reversal of temporary differences.

The company's applicable tax rate is 27.4% (2021: 27.4%), being the applicable income tax rate of adidas AG.

The company's effective tax rate differs from the applicable tax rate of 27.4% as follows:

Tax rate reconciliation

	Year ending Dec. 31, 2023		Year ending Dec. 31, 2022	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	18	27.4	106	27.4
Tax rate differentials	(5)	(8.4)	(59)	(15.1)
Non-deductible expenses and tax-free income	61	92.4	(160)	(41.2)
Losses for which benefits were not recognizable and changes in valuation allowances	(1)	(2.1)	251	64.6
Changes in tax rates	0	0.3	(7)	(1.7)
Other, net	2	3.8	(3)	(0.6)
Withholding tax expenses	50	76.0	5	1.2
Income tax expenses	124	189.2	134	34.5

In 2023, the effective tax rate was 189.2%. The effective tax rate in 2022 was 34.5%.

The line item 'Non-deductible expenses' includes tax expense/benefits relating to tax-free income, movements in provisions for uncertain tax positions and tax expense/benefits relating to prior periods. In 2023, the tax income relating to prior periods is € 9 million (2022: tax income of € 118 million).

For 2023, the line item 'Losses for which benefits were not recognizable and changes in valuation allowances' mainly relates to valuation allowances in respect of Russia (€ 12 million) and a release to the valuation allowances for the US and Argentina (€ 13 million). For 2022, this line item mainly related to changes in valuation allowances for the US, Argentina, and Brazil.

For 2023, the total tax benefit arising from previously unrecognized tax losses, credits or temporary differences in prior years that is used to reduce current tax expense was € 6 million, mainly relating to Argentina and Lebanon (2022: € 5 million).

For 2023, there were no effects of changes in tax rates that exceed € 1 million. For 2022, this line item mainly reflected a tax rate change in Switzerland.

The group is within the scope of the OECD Pillar Two model rules (Global Minimum Tax). Pillar Two legislation was enacted in Germany, the jurisdiction in which the company is incorporated, and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. The vast majority of entities within the group have an effective tax rate that exceeds 15%, with material exceptions for subsidiaries in the United Arab Emirates, Hongkong and Switzerland.

The group is in the process of assessing the impact of the Pillar Two legislation. Based on prior years and the accounting profit for the financial year 2023, this assessment process results in an additional expected tax exposure in a low two digit € million range. The group might not be exposed to paying Pillar Two income taxes in relation to most jurisdictions. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable.

35 Earnings per share

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

Earnings per share

	Continuing operations		Discontinued operations		Total	
	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Net (loss)/ income from continuing operations (€ in millions)	(58)	254	–	–	–	–
Net income attributable to non-controlling interests (€ in millions)	61	26	–	–	–	–
Net (loss)/income attributable to shareholders (€ in millions)	(120)	228	44	384	(75)	612
Weighted average number of shares	178,543,596	183,263,629	178,543,596	183,263,629	178,543,596	183,263,629
Basic earnings per share (€)	(0.67)	1.25	0.25	2.09	(0.42)	3.34
Net (loss)/income attributable to shareholders (€ in millions)	(120)	228	44	384	(75)	612
Net (loss)/ income used to determine diluted earnings per share (€ in millions)	(120)	228	44	384	(75)	612
Weighted average number of shares	178,543,596	183,263,629	178,543,596	183,263,629	178,543,596	183,263,629
Dilutive effect of share-based payments	14,019	4,458	14,019	4,458	14,019	4,458
Weighted average number of shares for diluted earnings per share	178,557,615	183,268,087	178,557,615	183,268,087	178,557,615	183,268,087
Diluted earnings per share (€)	(0.67)	1.25	0.25	2.09	(0.42)	3.34

Additional information

36 Segmental information

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

As at December 31, 2023, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments,' five operating segments were identified: EMEA, North America, Asia-Pacific, Greater China, and Latin America.

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

Other Businesses includes the business activities of the Y-3 label and other subordinated businesses which are not monitored separately by the chief operating decision-maker. Also, certain centralized corporate functions do not meet the definition of IFRS 8 for an operating segment. This includes, in particular, functions such as Global Brands and Global Sales (central brand and distribution

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT – OUR COMPANY	GROUP MANAGEMENT REPORT – FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

management), central treasury, and global sourcing as well as other headquarter functions. Assets, liabilities, income, and expenses relating to these corporate functions are presented in the reconciliations.

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

Net sales represent revenue from contracts with customers. There are no intersegment sales between the reportable segments. Accounting and valuation policies applied for reporting segmental information are the same as those used for adidas. ► SEE NOTE 02

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

Segmental assets include accounts receivable as well as inventories. Only these items are reported to the chief operating decision-maker on a regular basis. Depreciation, amortization, impairment losses (except for goodwill), and reversals of impairment losses as well as capital expenditure for tangible and intangible assets are part of the segmental reporting, even though segmental assets do not contain tangible and intangible assets. Depreciation and amortization as well as impairment losses and reversals of impairment losses not directly attributable to a segment are presented under line items 'HQ' and 'Consolidation' in the reconciliations.

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

Interest income and interest expenses as well as income taxes are not allocated to the reportable segments and are not reported separately to the chief operating decision-maker.

Segmental information | € in millions

	Net sales (third parties) ^{1,2}		Segmental operating profit ^{1,2}		Segmental assets ^{1,3}		Segmental liabilities ^{1,3}	
	2023	2022	2023	2022	2023	2022	2023	2022
EMEA	8,235	8,550	1,280	1,678	2,633	2,960	256	294
North America	5,219	6,404	273	989	1,737	2,589	123	139
Greater China	3,190	3,179	553	322	735	1,361	184	218
Asia-Pacific	2,254	2,241	472	486	624	712	59	78
Latin America	2,291	2,104	482	474	865	811	111	128
Reportable segments	21,190	22,478	3,061	3,949	6,594	8,434	732	856
Other Businesses	155	150	36	27	48	49	4	4
Total	21,344	22,628	3,096	3,976	6,642	8,483	736	861

1 2022 figures adjusted due to a shift between the Latin and North America segments.

2 Year ending December 31.

3 At December 31.

Segmental information II € in millions

	Capital expenditure ¹		Depreciation and amortization ¹		Impairment losses and reversals of impairment losses ¹	
	2023	2022	2023	2022	2023	2022
EMEA	120	146	292	335	27	116
North America	73	73	159	156	18	(1)
Greater China	50	78	205	256	10	6
Asia-Pacific	35	52	126	134	21	5
Latin America	31	29	57	56	-	-
Reportable segments	309	378	838	937	77	126
Other Businesses	2	1	2	2	-	1
Total	311	379	840	940	77	126

¹ Year ending December 31.

The following table shows the net sales (with third parties) broken down by segment and product group.

Net sales (with third parties) € in millions

	EMEA		North America		Greater China		Asia-Pacific	
	2023	2022	2023	2022	2023	2022	2023	2022
Footwear	4,611	4,529	2,826	3,641	1,819	1,709	1,234	1,177
Apparel	3,059	3,464	1,920	2,242	1,293	1,379	863	917
Accessories and Gear	565	556	474	522	78	91	157	148
Total	8,235	8,550	5,219	6,404	3,190	3,179	2,254	2,241

	Latin America		Reportable segments		Other Businesses		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Footwear	1,530	1,288	12,020	12,344	36	59	12,056	12,402
Apparel	617	668	7,752	8,670	53	62	7,806	8,732
Accessories and Gear	145	147	1,418	1,464	65	29	1,483	1,493
Total	2,291	2,104	21,190	22,478	155	150	21,344	22,628

Reconciliations

The following tables include reconciliations of segmental information to the aggregate numbers of the consolidated financial statements, taking into account items which are not directly attributable to a segment.

Net sales (third parties) € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	21,190	22,478
Other Businesses	155	150
HQ / Consolidation	83	(117)
Total net sales	21,427	22,511

Operating profit € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Operating profit for reportable segments	3,061	3,949
Operating profit for Other Businesses	36	27
HQ	(2,015)	(2,169)
Central expenditure for marketing	(823)	(934)
Consolidation	9	(203)
Operating profit	268	669
Financial income	79	39
Financial expenses	(282)	(320)
Income before taxes	65	388

Capital expenditure € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	309	378
Other Businesses	2	1
HQ	193	317
Total	504	695

Depreciation and amortization € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	838	937
Other Businesses	2	2
HQ	255	280
Total	1,095	1,220

Impairment losses and reversals of impairment losses € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	77	126
Other Businesses	–	1
HQ	(2)	23
Total	75	150

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT – OUR COMPANY	GROUP MANAGEMENT REPORT – FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

Assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable and inventories of reportable segments	6,594	8,434
Accounts receivable and inventories of Other Businesses	48	49
Accounts receivable and inventories of HQ	(211)	20
Current financial assets	2,220	1,811
Other current assets	1,159	1,418
Non-current assets	8,211	8,563
Total	18,020	20,296

Liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Accounts payable of reportable segments	732	856
Accounts payable of Other Businesses	4	4
Accounts payable of HQ	1,540	2,048
Current financial liabilities	1,359	1,594
Other current liabilities	4,503	4,755
Non-current liabilities	4,957	5,688
Total	13,095	14,945

Geographical information

Net sales (third parties) are shown in the geographic market in which the net sales are realized. Non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary independent of the segmental structure and consist of tangible assets, goodwill, trademarks, other intangible assets, right-of-use assets, and other non-current assets.

Geographical information by market € in millions

	Net sales (third parties)		Non-current assets	
	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
EMEA	8,450	8,567	3,095	3,238
North America	5,225	6,398	1,216	1,367
Greater China	3,208	3,195	936	1,136
Asia-Pacific	2,254	2,241	722	809
Latin America	2,291	2,109	165	160
Total	21,427	22,511	6,134	6,710

Geographical information by country € in millions

	Net sales (third parties)		Non-current assets	
	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Germany, Europe	1,345	1,558	1,353	1,367
USA, North America	4,819	5,959	1,120	1,269

37 Additional cash flow information

In 2023, net cash generated from operating activities compared to the prior year results was primarily due to a decrease in operating working capital requirements. In particular the reduction in inventories contributed to the net cash generated.

The net cash used in investing activities in 2023 is mainly related to an increase in spending on intangible assets and property, plant, and equipment such as investments in the furnishing and fitting of own retail stores, in new office buildings and IT systems.

Net cash used in financing activities mainly related to the repayment of the convertible bond, repayments of lease liabilities, interests paid, and dividend paid to shareholders of adidas AG.

The effects resulting from the application of IAS 29 'Accounting in hyperinflationary countries' are recorded below the cash flow from financing activities in the line 'IAS 29 hyperinflation effects in operating, investing and financing cashflows'. The net effect in 2023 amounts to € 82 million (2022: € 64 million). The previous year's value of cash and cash equivalents changed by € 0 million (2022: € 20 million) due to the indexation of the opening balance of cash and cash equivalents in Argentina and Turkey.

Net cash used in discontinued operations € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Net cash used in operating activities	–	(85)
Net cash used in investing activities	–	–
Net cash used in financing activities	–	(6)
Net cash used in discontinued operations	–	(91)

In 2023, the following changes in financial liabilities impacted the net cash used in financing activities:

Impact of change in financial liabilities on net cash used in financing activities € in millions

	Jan. 1, 2023	Net (payments) / proceeds in the period ¹	Non-cash effects					Dec. 31, 2023
			IFRS 16 lease obligations	Fair value adjustments	Transfer within financial liabilities	Effect of exchange rates	Other ¹	
Short-term borrowings	527	(522)	-	-	519	-	25	549
Long-term borrowings	2,946	(50)	-	-	(519)	-	52	2,430
Lease liabilities	2,986	(689)	292	-	-	(91)	86	2,584
Total	6,459	(1,260)	292	-	-	(91)	163	5,564

¹ Since the 2023 financial year, interest payments and interest expenses have been reported separately in the reconciliation of financial liabilities in 'Net payments/receipts in the period' and 'Other'. The reconciliation for 2022 has been adjusted accordingly.

Impact of change in financial liabilities on net cash used in financing activities € in millions

	Jan. 1, 2022	Net (payments) / proceeds in the period ¹	Non-cash effects					Dec. 31, 2022
			IFRS 16 lease obligations	Fair value adjustments	Transfer to liabilities held for sale	Effect of exchange rates	Other ¹	
Short-term borrowings	29	(39)	-	-	513	-	24	527
Long-term borrowings	2,466	969	-	-	(513)	-	24	2,946
Lease liabilities	2,836	(719)	795	-	-	(9)	83	2,986
Total	5,331	210	795	-	-	(9)	131	6,459

¹ Since the 2023 financial year, interest payments and interest expenses have been reported separately in the reconciliation of financial liabilities in 'Net payments/proceeds in the period' and 'Other'. The reconciliation for 2022 has been adjusted accordingly.

38 Other financial commitments and contingencies

adidas has other financial commitments for promotion and advertising contracts, which mature as follows:

Financial commitments for promotion and advertising € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	1,291	1,251
Between 1 and 5 years	3,620	2,974
After 5 years	1,507	717
Total	6,418	4,942

Commitments with respect to promotion and advertising contracts maturing after five years have remaining terms of up to 12 years from December 31, 2023. The increase compared to the prior year mainly relates to the prolongation of major sports marketing contracts.

adidas has other financial commitments for leasing and other rental obligations which mature as follows:

Financial commitments for other contracts € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	46	80
Between 1 and 5 years	117	197
After 5 years	51	79
Total	214	356

The contracts regarding these leases with expiration dates of between one and ten years partly include renewal options and price adjustment clauses.

Service arrangements

adidas has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

Financial commitments for service arrangements € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	364	397
Between 1 and 5 years	673	481
After 5 years	417	3
Total	1,454	881

The increase compared to the prior year mainly relates to an obligation entered into in connection with logistics services.

Contingent liabilities

As of December 31, 2023, contingent liabilities exist in connection with guarantees from leases in the amount of € 62 million. These mainly relate to the Reebok business and could not be terminated upon its sale.

Litigation and other legal risks

The company is currently engaged in various lawsuits resulting from the ordinary course of business, mainly in connection with commercial and partnership agreements as well as intellectual property rights. The risks triggered by these lawsuits are covered by provisions if and to the extent a reliable estimate of the company's potential liability can be made. In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the assets, liabilities, financial position and profit or loss of the company. ► SEE NOTE 18

The company is in dispute with the local revenue authorities in South Africa (SARS) with regard to the customs value of imported products. In June 2018, SARS issued a ruling claiming a customs payment including interest and penalties for the years 2007 to 2013 totaling ZAR 1,871 million (€ 92 million). adidas has applied for a suspension of the payment demand and in 2019 instituted legal action against the decision before the High Court in South Africa. In case the court rules in favor of SARS, adidas intends to appeal the decision at the Supreme Court of South Africa. Based on external legal opinions, Management currently believes that it is more likely than not that the claim made by SARS will eventually not result in

an outflow of resources. Therefore, a provision was not recognized in the consolidated statement of financial position.

In connection with the financial irregularities of Reebok India Company in 2012, various legal uncertainties were identified. At this stage, the respective ultimate risk cannot be determined conclusively. However, based on opinions obtained from external counsel and internal assessments, Management assumes that the possibility of any cash outflow in settlement is remote. Therefore, no material negative influence on the assets, liabilities, financial position, and profit of the company is expected.

In connection with the termination of the Yeezy partnership, adidas has initiated arbitration proceedings against Kanye West and entities controlled by him (Defendants) claiming, among others, damages. In this context, Defendants filed certain counterclaims against adidas. Management currently believes that these counterclaims will not result in any cash outflow; therefore, no material negative influence on the assets, liabilities, financial position, and profit or loss of the Group is expected.

In 2023, plaintiff Hampton Roads Shipping Association – International Longshoremen’s Association Funds –, an entity which had purchased adidas American Depository Receipts (ADRs) representing adidas AG shares, initiated a securities class action at the US District Court in Portland (Oregon).

The plaintiff alleges that the company “recklessly or intentionally made false or misleading statements” regarding risks arising from the business partnership with its former partner Kanye West and/or the company’s public commitments to diversity and inclusion by allegedly failing to disclose certain statements and other misconduct of Kanye West.

With respect to loss causation and damages, plaintiff points to specific share price drops for adidas ADRs that it connects to adidas’s alleged misstatements or omissions. Also, on behalf of other adidas ADR holders, plaintiff seeks monetary compensation for damages suffered from price drops of adidas ADRs. The proceedings are at an early stage and a concrete amount of damage is not yet specified.

The company rejects these allegations in full and filed a motion to dismiss in February 2024. Management believes that the complaint will not have any material influence on the assets, liabilities, financial position and profit or loss of the company.

39 Related party disclosures

According to the definitions of IAS 24 ‘Related Party Disclosures,’ the Supervisory Board and the Executive Board of adidas AG have been identified as related parties who receive compensation essentially in connection with their function as key management personnel. These consolidated financial statements contain detailed information about the compensation of the Supervisory Board and the Executive Board of adidas AG. ► SEE NOTE 40

In addition, a brand ambassador agreement was in place between adidas and the Supervisory Board member Jackie Joyner-Kersey. For her services under this agreement, Jackie Joyner-Kersey in 2023 received a fixed compensation of € 0.2 million (2022: € 0.1 million). As of the reporting date, there were no outstanding balances in this context.

Members of the Executive Board and Supervisory Board and their close family members are free to buy or sell shares of the Company on the market. The shares held by this group of persons are regularly entitled to dividends, so that the dividend, as resolved by the 2023 Annual General Meeting, was paid out per share held to these persons in 2023. The employee representatives on the Supervisory Board are also entitled to

participate in the adidas AG employee stock purchase program. Shares are purchased at a discount of 15% on the same terms as for other employees. Participants who hold their self-acquired shares for at least one year will subsequently receive one share for every six shares held without additional payment, provided they are still adidas employees at that time. ► [SEE NOTE 25](#)

Members of the Executive Board and Supervisory Board may purchase products from the Company in the ordinary course of business.

In addition to their compensation for their Supervisory Board activities, the employee representatives on the Supervisory Board continued to receive salaries under their normal employment contracts. These were not influenced by their Supervisory Board activities.

A schedule of the adidas AG subsidiaries included in the consolidated financial statements is shown in Attachment I to the notes to the consolidated financial statements. Balances and transactions between the Company and its subsidiaries that are related parties have been eliminated in consolidation and are not presented in these Notes. ► [SEE SHAREHOLDINGS](#)

In addition, adidas Pension Trust e.V., a registered association, is regarded as a related party. Based on a Contractual Trust Arrangement, adidas Pension Trust e.V. manages the plan assets in the form of an administrative trust to fund and protect part of the pension obligations of adidas AG. Employees, senior executives, and members of the Executive Board of adidas AG can be members of the registered association. adidas AG has the right to claim a refund of pension payments from adidas Pension Trust e.V. under specific contractually agreed conditions. As of December 31, 2023, adidas Pension Trust e.V. held plan assets of € 368.2 million (2022: € 331.7 million) in trust for adidas AG. In 2023, adidas AG made lease payments of € 7.0 million (2022: € 6.3 million) to adidas Pension Trust e.V. As of December 31, 2023, there were outstanding liabilities to adidas Pension Trust e.V. in the amount of € 0.7 million (2022: € 0 million). There were no material outstanding receivables from adidas Pension Trust e.V. as of December 31, 2023 (2022: € 0.1 million). ► [SEE NOTE 23](#)

The non-profit foundation adidas Stiftung, Herzogenaurach, established in 2023, together with its subsidiary (collectively 'the foundation'), is also considered a related party of adidas AG. In 2023, adidas AG contributed a total amount of € 1.3 million to the foundation's endowment capital and its other assets for the permanent and sustainable fulfilment of the foundation's purpose.

In addition, as part of a donation agreement, adidas AG has committed to make a donation in a total amount of € 115.3 million over several years to the foundation. This amount was outstanding in full as of December 31, 2023 and recognized as an other liability. Furthermore, there is a service agreement for the temporary provision of certain services by adidas AG in 2024, for which remuneration of around € 0.3 million was agreed.

40 Other information

Employees

The average numbers of employees are as follows:

Employees

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Own retail	30,839	31,698
Sales	2,874	3,204
Logistics	7,647	8,530
Marketing	4,553	4,742
Central administration	5,093	5,287
Production	479	520
Research and development	993	1,051
Information technology	5,009	4,810
Total	57,485	59,842

Accountant service fees for the auditor of the financial statements

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was elected, starting 2023, to carry out the audit procedures.

Fees € in millions

	2023
Audit services	2
Other confirmation services	1
Tax consultancy services	–
Other services	–
Sum	3

Expenses for the audit fees of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft were mainly related to the audits of both the consolidated financial statements and the financial statements of adidas AG, the review of essential components of the consolidated interim financial statements as of June 30, 2023, as well as the audit of the financial statements of its subsidiary, adidas CDC Immobilieninvest GmbH.

Other confirmation services relate to confirmation services provided for by law or contract, such as the audit of the non-financial statement, the audit of the project management and the project methodology of the new ERP system and other contractually agreed confirmation services.

Compensation of the Supervisory Board and the Executive Board of adidas AG

Supervisory Board

Pursuant to the Articles of Association of adidas AG, the Supervisory Board members' total annual payment, including attendance fees, amounted to € 2.8 million (2022: € 2.8 million).

Members of the Supervisory Board were not granted any loans or advance payments in 2023.

The consolidated financial statements contain additional information on an existing brand ambassador agreement between adidas and the supervisory board member Jackie Joyner-Kersey. ► [SEE NOTE 39](#)

Executive Board

In 2023, the total compensation of the members of the Executive Board amounted to € 40.3 million (2022: € 22.0 million), € 12.3 million thereof related to short-term benefits (2022: € 6.5 million). The short-term benefits comprise the one-year Performance Bonus, the performance criteria of which include currency neutral sales growth, operating margin and individual performance criteria. For share-based payments, expenses amounting to € 11.3 million (2022: € 4.7 million) were recognized in the 2023 financial year. Of the total compensation, an overall amount of € 15.5 million is attributable to severance payments, settlement payments and amounts for non-competition clauses. In the previous year, no share-based payments were granted. Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totaled € 1.2 million in 2023 (2022: € 3.5 million). As of December 31, 2023, the present value of the pension commitments for members of the Executive Board in office during the financial year amounted to € 11.2 million in 2023 (2022: € 15.3 million).

As of December 31, 2023, there are provisions for short-term variable compensation components for members of the Executive Board amounting to € 4.5 million. There were no provisions in the 2022 financial year.

The current members of the Executive Board were not granted any loans or advance payments in 2023.

Total compensation of the members of the Supervisory Board and the Executive Board pursuant to §314 (1) in conjunction with §315e HGB

The total compensation of the members of the Executive Board in the 2023 financial year amounted to € 23.8 million (2022: € 6.5 million). Thereof, € 10.9 million (2022: € 6.5 million) related to short-term benefits. Moreover, Executive Board members appointed after January 1, 2021, are not granted benefits under the company pension scheme. Instead, they receive a so-called pension allowance in the form of an adequate lump-sum amount, which is directly paid out to the Executive Board members annually. In this context, Bjørn Gulden received € 1.1 million and Arthur Hoeld € 0.3 million in the 2023 financial year. For the 2023 financial year, the Executive Board was granted an LTIP bonus amounting to € 7.6 million. In 2022 no LTIP bonus was granted. Any LTIP Bonus granted must be invested in full in the acquisition of adidas AG shares after deduction of taxes and social security contributions. These shares are subject to a lock-up period which ends upon expiry of the fourth financial year after the performance year. The LTIP payout amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board. Moreover, Bjørn Gulden was granted 11,886 adidas AG shares as reimbursement for the variable compensation forfeited at his former employer which are subject to a four-year lock-up period. The gross amount to be matched by the company in this regard was € 3.9 million. The increase of total compensation in comparison to the previous year is mainly attributable to the fact that the Executive Board members were neither granted a Performance Bonus nor an LTIP Bonus in 2022.

The total annual compensation to be paid to the members of the Supervisory Board in accordance with the Articles of Association of adidas AG, including attendance fees, totaled € 2.8 million (2022: € 2.8 million).

Former members of the Executive Board and their surviving dependents received a total of € 21.9 million in benefits in the 2023 financial year (2022: € 16.7 million).

Provisions for pension entitlements have been created for the former members of the Executive Board who resigned on or before December 31, 2005, and their surviving dependents, in an amount of € 43.6 million in total as at December 31, 2023 before offsetting with the assets of the 'adidas Pension Trust e.V.' (prior year: € 28.6 million). There are pension commitments towards 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 € 38.1 million (prior year: € 35.0 million) arise for which no provisions were created due to financing through the pension fund and pension trust fund. Provisions for pension entitlements have been created for two former members of the Executive Board who resigned on or after December 31, 2019, in an amount of € 3.4 million (2022: 3.1 million).

Companies opting for exemption under § 264 (3) HGB

The subsidiary adidas CDC Immobilieninvest GmbH, Herzogenaurach, is opting for exemption under § 264 (3) HGB.

41 Information relating to the German cooperating governance code

Information pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)

In December 2023, the Executive Board and Supervisory Board of adidas AG issued an updated Declaration of Compliance in accordance with § 161 AktG and made it permanently available to the shareholders. The full text of the Declaration of Compliance is available on the company's corporate website.

42 Events after the balance sheet date

At the start of the 2024 financial year, the Group's internal reporting structure was adjusted for management purposes.

Since January 1, 2024, the EMEA market has been divided into two separate markets, Europe and Emerging Markets. Russia is allocated to the 'other businesses' as it is no longer monitored separately by the chief operating decision-makers due to the discontinuation of business activities. In addition, the Asia-Pacific market has been split into two separate markets, Japan and South Korea, and Southeast Asia and Pacific have been merged with the new Emerging Markets market. The North America, Latin America and China markets remain unchanged.

In line with this reporting structure of the company for management purposes by market and in accordance with the definition of IFRS 8 'Operating Segments', seven operating segments have thus been identified as of January 1, 2024: Europe, Emerging Markets, North America, China, Latin America, Japan, and South Korea. Due to the small size of the two operating segments Japan and South Korea, they are combined for external segment reporting as Japan/South Korea.

Due to the change in the operating segments and the associated groups of cash-generating units, both a reallocation of goodwill and an impairment test of goodwill were carried out as at January 1, 2024. There was no need for impairment in this context.

No other company-specific subsequent events are known that might have a material influence on the assets, liabilities, financial position, and profit or loss of the company.

Date of preparation

The Executive Board of adidas AG prepared and approved the consolidated financial statements for submission to the Supervisory Board on February 20, 2024. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval.

Herzogenaurach, February 20, 2024

The Executive Board of adidas AG



BJØRN GULDEN
CHIEF EXECUTIVE OFFICER,
GLOBAL BRANDS



ARTHUR HOELD
GLOBAL SALES



HARM OHLMEYER
CHIEF FINANCIAL OFFICER



MICHELLE ROBERTSON
GLOBAL HUMAN RESOURCES,
PEOPLE AND CULTURE



MARTIN SHANKLAND
GLOBAL OPERATIONS

Shareholdings

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2023

	Company and domicile		Share in capital held by ¹	in %
	Germany			
1	adidas Beteiligungsgesellschaft mbH ²	Herzogenaurach (Germany)	directly	100
2	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	11	100
3	adidas Insurance & Risk Consultants GmbH ²	Herzogenaurach (Germany)	directly	100
	Europe (incl. Middle East and Africa)			
4	adidas International Trading AG	Lucerne (Switzerland)	9	100
5	adidas sport gmbh	Lucerne (Switzerland)	directly	100
6	adidas Austria GmbH	Klagenfurt (Austria)	directly	100
7	runtastic GmbH	Pasching (Austria)	9	100
8	adidas France S.a.r.l.	Strasbourg (France)	directly	100
9	adidas International B.V.	Amsterdam (Netherlands)	directly	93.97
			8	6.03
10	adidas International Marketing B.V.	Amsterdam (Netherlands)	9	100
11	adidas International Property Holding B.V.	Amsterdam (Netherlands)	68	100
12	adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	9	100
13	adidas Benelux B.V.	Amsterdam (Netherlands)	directly	100
14	adidas Ventures B.V.	Amsterdam (Netherlands)	9	100
15	adidas (UK) Limited	Stockport (Great Britain)	9	100
16	Trafford Park DC Limited	Stockport (Great Britain)	12	100
17	adidas Pensions Management Limited	Stockport (Great Britain)	15	100
18	adidas (Ireland) Limited	Kildare (Ireland)	9	100
19	adidas International Re DAC	Dublin (Ireland)	9	100
20	adidas España S.A.U.	Zaragoza (Spain)	1	100
21	adidas Italy S.p.A.	Monza (Italy)	9	100
22	adidas Portugal - Artigos de Desporto, S.A.	Lisbon (Portugal)	9	100
23	adidas Business Services, Lda.	Moreira da Maia (Portugal)	9	98
			directly	2
24	adidas Norge AS	Oslo (Norway)	directly	100
25	adidas Sverige Aktiebolag	Solna (Sweden)	directly	100
26	adidas Suomi Oy	Vantaa (Finland)	9	100
27	adidas Danmark A/S	Them (Denmark)	9	100
28	adidas CR s.r.o.	Prague (Czech Republic)	directly	100
29	adidas Budapest Kft.	Budapest (Hungary)	directly	100
30	adidas Bulgaria EAD	Sofia (Bulgaria)	directly	100
31	LLC "adidas, Ltd."	Moscow (Russia)	directly	100
32	adidas Poland Sp. z o.o.	Warsaw (Poland)	directly	100
33	adidas Romania S.R.L.	Bucharest (Romania)	9	100
34	adidas Baltics SIA	Riga (Latvia)	9	100
35	adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	directly	100
36	adidas Trgovina d.o.o.	Ljubljana (Slovenia)	directly	100
37	SC 'adidas-Ukraine'	Kiev (Ukraine)	directly	100
38	adidas LLP	Almaty (Republic of Kazakhstan)	directly	100
39	adidas Serbia DOO Beograd	Belgrade (Serbia)	9	100
40	adidas Croatia d.o.o.	Zagreb (Croatia)	9	100
41	adidas Hellas Single Member S.A.	Athens (Greece)	directly	100
42	adidas (Cyprus) Limited	Limassol (Cyprus)	directly	100
43	adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	9	100
44	adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	indirectly	51
			8	49

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2023

	Company and domicile		Share in capital held by ¹	in %
45	adidas Emerging Markets FZE	Dubai (United Arab Emirates)	9	100
46	adidas Levant Limited	Dubai (United Arab Emirates)	45	100
47	adidas Levant Limited - Jordan	Amman (Jordan)	46	100
48	adidas Imports & Exports Ltd.	Cairo (Egypt)	49	99.98
			9	0.02
49	adidas Sporting Goods Ltd.	Cairo (Egypt)	9	99.81
			directly	0.19
50	adidas Israel Ltd.	Holon (Israel)	9	85
51	adidas Morocco LLC	Casablanca (Morocco)	directly	100
52	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	directly	100
53	adidas Arabia Trading	Riyadh (Saudi Arabia)	directly	100
	North America			
54	adidas North America, Inc.	Wilmington, Delaware (USA)	9	100
55	adidas America, Inc.	Portland, Oregon (USA)	54	100
56	adidas International, Inc.	Portland, Oregon (USA)	54	100
57	adidas Team, Inc.	Des Moines, Iowa (USA)	54	100
58	adidas Holdings LLC	Wilmington, Delaware (USA)	54	69
			62	31
59	adidas Indy, LLC	Wilmington, Delaware (USA)	54	100
60	Stone Age Equipment, Inc.	Marina Del Rey, California (USA)	55	100
61	Spartanburg DC, Inc.	North Charleston, South Carolina (USA)	55	100
62	adidas Pluto Corporation	Wilmington, Delaware (USA)	9	100
63	adidas Canada Limited	Woodbridge, Ontario (Canada)	9	100
	Asia-Pacific			
64	adidas Sourcing Limited	Hong Kong (China)	4	100
65	adidas Hong Kong Limited	Hong Kong (China)	1	100
66	adidas Trading (Far East) Limited (formerly: Reebok Trading (Far East) Limited)	Hong Kong (China)	54	100
67	adidas (Suzhou) Co., Ltd.	Suzhou (China)	1	100
68	adidas Sports (China) Co., Ltd.	Shanghai (China)	1	100
69	adidas (China) Ltd.	Shanghai (China)	9	100
70	adidas Sports Goods (Shanghai) Co., Ltd	Shanghai (China)	69	100
71	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	12	100
72	adidas Business Services (Dalian) Limited	Dalian (China)	9	100
73	adidas Japan K.K.	Tokyo (Japan)	9	100
74	adidas Korea LLC.	Seoul (Korea)	directly	100
75	adidas Korea Technical Services Limited	Busan (Korea)	64	100
76	adidas India Private Limited	New Delhi (India)	directly	10.67
			9	89.33
77	adidas India Marketing Private Limited	New Delhi (India)	76	98.62
			9	1
			directly	0.37
78	adidas Technical Services Private Limited	Gurgaon (India)	64	100
79	Repop India Company (formerly: Reebok India Company)	Gurgaon (India)	58	99.03
			89	0.91
			55	0.07
80	PT adidas Indonesia	Jakarta (Indonesia)	9	99.67
			directly	0.33
81	adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	directly	60
			9	40
82	ADIDAS PHILIPPINES, INC.	Taguig City (Philippines)	directly	100
83	adidas Singapore Pte Ltd	Singapore (Singapore)	directly	100
84	adidas Taiwan Limited	Taipei	9	100

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2023

	Company and domicile		Share in capital held by ¹	in %
85	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	directly	100
86	adidas Australia Pty Limited	Mulgrave (Australia)	9	100
87	adidas New Zealand Limited	Auckland (New Zealand)	directly	100
88	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	9	100
89	adidas (Mauritius) Limited (formerly: Reebok (Mauritius) Company Limited)	Port Louis (Mauritius)	58	100
Latin America				
90	adidas Argentina S.A.	Buenos Aires (Argentina)	9	76.96
			1	23.04
91	Refop de Argentina S.A. (formerly: Reebok Argentina S.A.)	Buenos Aires (Argentina)	directly	96.25
			9	3.75
92	adidas do Brasil Ltda.	São Paulo (Brazil)	1	100
93	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	92	99.99
			directly	0.01
94	REFOP Produtos Esportivos Brasil Ltda. (formerly: Reebok Produtos Esportivos Brasil Ltda.)	São Paulo (Brazil)	9	100
95	adidas Chile Limitada	Santiago de Chile (Chile)	directly	99
			3	1
96	adidas Colombia Ltda.	Bogotá (Colombia)	directly	100
97	adidas Perú S.A.C.	Lima (Peru)	directly	99
			95	1
98	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
99	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	directly	100
100	Refop de Mexico, S.A. de C.V. (formerly: Reebok de Mexico, S.A. de C.V.)	Mexico City (Mexico)	directly	100
101	adidas Latin America, S.A.	Panama City (Panama)	directly	100
102	Concept Sport, S.A.	Panama City (Panama)	9	100
103	3 Stripes S.A.	Montevideo (Uruguay)	directly	100
104	Tafibal S.A.	Montevideo (Uruguay)	directly	100
105	Raelit S.A.	Montevideo (Uruguay)	directly	100
106	adidas Sourcing Honduras, S.A.	San Pedro Sula (Honduras)	54	100
107	adisport Corporation	San Juan (Puerto Rico)	9	100
108	adidas Sourcing El Salvador, S.A. de C.V.	Antiguo Cuscatlán (El Salvador)	9	99.95
			directly	0.05

¹ The number refers to the number of the company.
² Profit and loss transfer agreement.

Responsibility Statement

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

Herzogenaurach, February 20, 2024



BJØRN GULDEN
CHIEF EXECUTIVE OFFICER,
GLOBAL BRANDS



ARTHUR HOELD
GLOBAL SALES



HARM OHLMEYER
CHIEF FINANCIAL OFFICER



MICHELLE ROBERTSON
GLOBAL HUMAN RESOURCES,
PEOPLE AND CULTURE



MARTIN SHANKLAND
GLOBAL OPERATIONS

Copy of the Auditor's Report

Based on the final results of our audit we issued the following unqualified auditor's report dated February 23, 2024:

“Independent auditor's report”

To adidas AG, Herzogenaurach

Report on the audit of the Consolidated Financial Statements and of the Group Management

Audit Opinions

We have audited the consolidated financial statements of adidas AG, Herzogenaurach, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of adidas AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor's report.

Pursuant to § [Article] 322 Abs. 3 Satz [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 consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of inventories
2. Recognition of revenue, taking into account expected returns

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of inventories

1. In the Company's consolidated statement of financial position, inventories amounting to EUR 4,525 million (25% of total assets) are reported.

Inventories are initially recognized at cost, taking into account directly attributable incidental acquisition costs and cost reductions. The carrying amount of recognized inventories must be reduced if the inventories are damaged or (partially) obsolete and the expected net realizable values are less than the costs.

At the balance sheet date, the costs are compared against the net realizable values, which are determined by deducting the directly attributable selling costs to be incurred prior to sale of the inventories from the sales proceeds expected to be generated.

Net realizable values are calculated based on discretionary planning assumptions as to the sales proceeds realizable in the ordinary course of business less necessary selling costs, which are derived on the basis of historical observable data. In particular, the age (seasonality) of the inventories and the selected sales channel to be used in future sales are significant. The impairment test resulted in a write-down on inventories as of the balance sheet date amounting to EUR 317 million in total.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the inputs for the future net realizable values and other factors having an influence on value, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we analyzed among other things the impairment testing process and assessed identified controls with respect to implementation, appropriateness and operating effectiveness. Furthermore, we evaluated the key inputs used to calculate net realizable values based on historical data and our understanding of the business. We verified the mathematical accuracy of the calculation logic used in the impairment test.

We were able to satisfy ourselves that the estimates and assumptions made by the executive directors in connection with the appropriate measurement of inventories were sufficiently substantiated and documented.

3. The Company's disclosures relating to the accounting policies applied with respect to the "inventories" line item are contained in section 2 of the notes to the consolidated financial statements "Summary of significant accounting policies". In addition, the disclosures on "inventories" are contained in section 7, "Inventories".

2. Recognition of revenue, taking into account expected returns

1. In the Company's consolidated financial statements, revenues amounting to EUR 21,427 million are reported.

Revenue is recognized from the sale of goods in the "Wholesale", "E-commerce" and "Own retail" sales channels if the Company satisfies a performance obligation by transferring a specified asset to a customer. An asset is deemed to have been transferred if the customer obtains control of that asset. Revenue is recognized in the amount to which the Company has a claim when the power to control an asset is transferred.

Customers of the Company have the option, subject to certain conditions, of exchanging or returning goods in exchange for a credit. The amounts regarding expected returns are estimated by the executive directors based on experiences with regard to historic return rates and accrued for a return provision against revenues.

The asset embodying the right to receive goods returned by the customer is measured at the carrying amount of the respective inventories less settlement costs.

The revenues have a significant influence on the Group's net profit or loss for the year and represent one of the most significant performance indicators for adidas. Due to the large transaction volume with respect to the sale of merchandise in three different sales channels and the potential risk in general of notional revenues and the uncertainty with regard to estimates of expected returns, in our view the

existence and accrual of revenues from the sale of merchandise were of particular significance in the context of our audit.

2. With respect to the audit of the existence and accrual of revenue, we first assessed the design, implementation and operating effectiveness of internal controls, including the functioning of IT-based controls with respect to outgoing goods and the acceptance of goods, invoices and the payment settlement. In addition, we examined the presentation of revenue recognition in the Group-wide accounting policy to assess whether it complied with IFRS 15.

Furthermore, in the context of substantive audit procedures, we obtained evidence (in particular delivery certificates, invoices and receipts of payments) of the existence and accrual of revenue in order to assess whether the recognized and accrues revenues were based on a corresponding shipment or transfer of goods. In addition, we evaluated the mathematical correctness of the executive directors' calculation of expected returns. We compared the expected returns against historical, sales channel-specific return rates and the returned merchandise recorded in the financial accounting records.

We were able to satisfy ourselves that the estimates and assumptions made by the executive directors in connection with the appropriate accounting treatment of the revenue were sufficiently substantiated and documented.

3. The Company's disclosures relating to the accounting policies applied with respect to the recognition of revenue from merchandise are contained in section 2 of the notes to the consolidated financial statements "Summary of significant accounting policies".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- non-financial statement to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB included in different places of the group management report
- the section "Performance KPIs to track product availability and on-time in-full delivery" of the group management report
- the disclosures marked as unaudited in section "Description of the main features of the internal control and risk management system process pursuant to § 315 section 4 German Commercial Code (Handelsgesetzbuch – HGB)" of the group management report

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

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

1	2	3	4	5
TO OUR SHAREHOLDERS	GROUP MANAGEMENT REPORT – OUR COMPANY	GROUP MANAGEMENT REPORT – FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in

particular, the significant assumptions used by the executive directors 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 audit 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, actions taken to eliminate threats or safeguards applied.

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

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file adidasag-2023-12-31-de.zip (SHA256 hash value: f7cfad6e3dd2bf8e66077ce9a17bddfa0b222f09b8b59748606b8c82dc7777da) and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements

3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

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

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 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 opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 12 May 2022. We were engaged by the supervisory board on 14 December 2023. We have been the group auditor of the adidas AG, Herzogenaurach, without interruption since the financial year 2023.

We declare that the audit 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).

Reference to an other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christian Landau.

Nuremberg, February 23, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Rainer Kroker
Wirtschaftsprüfer

Christian Landau
Wirtschaftsprüfer

Independent Practitioner's Report on a Limited and Reasonable Assurance Engagement on Non-financial Reporting²⁸

To adidas AG, Herzogenaurach

We have performed an assurance engagement on the combined non-financial statement of adidas AG, Herzogenaurach, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Combined Non-financial Statement") consisting of the sections of the combined management report denoted with **▣ ▢** and **[]**.

In accordance with our engagement, we have divided the level of assurance to be obtained by us and

- performed a reasonable assurance engagement on the sections denoted with **[]** in the Combined Non-financial Statement and
- performed a limited assurance engagement on the sections denoted with **▣ ▢** in the Combined Non-financial Statement.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Combined Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU-Taxonomy" of the Combined Non-financial Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are re-sponsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Non-financial Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU-Taxonomy" of the Combined Non-financial Statement. They are responsible for the defensibility of this interpretation. Due to

²⁸ PricewaterhouseCoopers GmbH has performed a limited and reasonable assurance engagement on the German version of the combined non-financial statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Audit Firm's Independence and Quality Management

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with reasonable assurance on the sections of the Combined Non-financial Statement denoted with **[]** and a conclusion with limited assurance on the sections of the Combined Non-financial Statement denoted with **[]** based on the assurance procedures we have performed.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to

- obtain reasonable assurance about whether the sections denoted with **[]** in the Combined Non-financial Statement for the period from 1 January to 31 December 2023, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, have been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB, and
- obtain limited assurance about whether any matters have come to our attention that cause us to believe that the sections denoted with **[]** in the Company's Combined Non-financial Statement for the period from 1 January to 31 December 2023, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Non-financial Statement.

The procedures performed for the limited assurance engagement part are less extensive than those performed for the reasonable assurance engagement part, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Non-financial Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Non-financial Statement
- Identification of likely risks of material misstatement in the Combined Non-financial Statement
- Analytical procedures on selected disclosures in the Combined Non-financial Statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Non-financial Statement
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Non-financial Statement
- Inquiries on the relevance of climate-risks

In the course of our reasonable assurance engagement part on the sections denoted with [] in the Combined Non-financial Statement, we have performed the following assurance procedures and other activities in addition to those described above:

- Identification of likely risks of material misstatement in the Combined Non-financial Statement
- Evaluation of the internal control system in relation to the subject matter
- Audit of processes for collecting, controlling, analysing and aggregating selected data from various locations on a test basis
- Analytical assessment of selected disclosures in the Combined Non-financial Statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

In our opinion, the sections denoted with [] in the Combined Non-financial Statement for the period from 1 January to 31 December 2023 have been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sections denoted with [] in the Company's Combined Non-financial Statement for the period from 1 January to 31 December 2023 are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Non-financial Statement.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Munich, February 23, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
[German public auditor]

ppa. Nico Irrgang



5

ADDITIONAL INFORMATION

<u>Ten-Year Overview</u>	305
<u>EU Taxonomy Tables</u>	307
<u>Glossary</u>	312
<u>Declaration of Support</u>	316
<u>Financial Calendar</u>	320

Ten-year-overview

Ten-year overview

	2023	2022	2021	2020	2019	2018 ¹	2017 ²	2016	2015	2014
Income Statement Data (€ in millions)										
Net sales ^{3,4}	21,427	22,511	21,234	18,435	23,640	21,915	21,218	18,483	16,915	14,534
Gross profit ^{3,4}	10,184	10,644	10,765	9,222	12,293	11,363	10,703	9,100	8,168	6,924
Royalty and commission income ^{3,4}	83	112	86	61	154	129	115	105	119	102
Other operating income ^{3,4,5}	71	173	28	42	56	48	17	119	8	37
Other operating expenses ^{3,4,5}	10,070	10,260	8,892	8,580	9,843	9,172	8,766	7,741	7,201	6,102
EBITDA ^{3,4}	1,358	1,874	3,066	1,967	3,845	2,882	2,511	1,953	1,475	1,283
Operating profit ^{3,4,6,7}	268	669	1,986	746	2,660	2,368	2,070	1,582	1,094	961
Net financial result ^{3,4}	(203)	(281)	(133)	(167)	(102)	10	(47)	(46)	(21)	(48)
Income before taxes ^{3,4,6,7}	65	388	1,852	578	2,558	2,378	2,023	1,536	1,073	913
Income taxes ^{3,4,8}	124	134	360	117	640	669	668	454	353	271
Net (loss)/income attributable to shareholders ^{5,7,8,9}	(75)	612	2,116	432	1,976	1,702	1,173	1,017	668	568
Income Statement Ratios										
Gross margin ^{3,4}	47.5%	47.3%	50.7%	50.0%	52.0%	51.8%	50.4%	49.2%	48.3%	47.6%
Operating margin ^{3,4,6,7}	1.3%	3.0%	9.4%	4.0%	11.3%	10.8%	9.8%	8.6%	6.5%	6.6%
Effective tax rate ^{3,4,6,7,8}	189.2%	34.5%	19.4%	20.2%	25.0%	28.1%	29.3%	29.6%	32.9%	29.7%
Net (loss)/income attributable to shareholders in % of net sales ^{3,4,6,7,8,9}	(0.4%)	2.7%	10.0%	2.3%	8.4%	7.8%	5.5%	5.5%	4.0%	3.9%
Net Sales by Product Category (€ in millions)										
Footwear ^{3,4}	12,139	12,287	11,336	10,129	13,521	12,783	12,427	10,132	8,360	6,658
Apparel ^{3,4}	7,806	8,731	8,710	7,315	8,963	8,223	7,747	7,352	6,970	6,279
Accessories and gear ^{3,4}	1,483	1,493	1,187	991	1,156	910	1,044	999	1,585	1,597
Balance Sheet Data (€ in millions)										
Total assets	18,020	20,296	22,137	21,053	20,680	15,612	14,019	15,176	13,343	12,417
Inventories	4,525	5,973	4,009	4,397	4,085	3,445	3,692	3,763	3,113	2,526
Receivables and other current assets	3,819	4,961	4,072	3,763	4,338	3,734	3,277	3,607	3,003	2,861
Working capital	1,766	2,475	4,978	3,328	2,179	2,979	2,354	2,121	2,133	2,970
Adjusted (net borrowings)/ net cash ^{10,11}	(4,518)	(6,047)	(2,082)	(2,424)	(2,676)	959	484	(103)	(460)	(185)
Shareholders' equity	4,580	4,991	7,519	6,454	6,796	6,377	6,032	6,472	5,666	5,624

Ten-year overview

	2023	2022	2021	2020	2019	2018 ¹	2017 ²	2016	2015	2014
Balance Sheet Ratios										
Adjusted net borrowings/ EBITDA ^{3,4,10,11}	3.3	3.2	0.7	1.2	0.7	(0.3)	(0.2)	0.1	0.3	0.1
Average operating working capital in % of net sales ^{3,4,11}	25.7%	24.0%	20.0%	25.3%	18.1%	19.0%	20.4%	21.1%	20.5%	22.4%
Financial leverage ^{10,11,12}	98.6%	121.2%	27.7%	37.6%	39.4%	(15.0%)	(8.0%)	1.6%	8.1%	3.3%
Equity ratio ¹²	25.4%	24.6%	34.0%	30.7%	32.9%	40.8%	43.0%	42.6%	42.5%	45.3%
Return on equity ^{9,12}	(1.6%)	12.3%	28.1%	6.7%	29.1%	26.7%	18.2%	15.7%	11.2%	8.7%
Return on capital employed ^{3,4,9}	2.8%	5.3%	21.2%	8.0%	27.9%	45.1%	41.2%	24.2%	16.5%	13.8%
Data per Share										
Share price at year-end (in €)	184.16	127.46	253.20	297.90	289.80	182.40	167.15	150.15	89.91	57.62
Basic earnings (in €) ^{3,4,6,7,8}	(0.67)	1.25	7.47	2.31	9.70	8.46	7.05	5.39	3.54	3.05
Diluted earnings (in €) ^{3,4,6,7,8}	(0.67)	1.25	7.47	2.31	9.70	8.45	7.00	5.29	3.54	3.05
Price/earnings ratio at year-end ^{3,4,6,7,8}	n.a.	102.4	33.9	128.9	29.9	21.6	23.7	27.8	25.4	18.9
Market capitalization at year-end (€ in millions)	32,882	22,756	48,512	58,110	56,792	36,329	34,075	30,254	18,000	11,773
Net cash generated from/(used in) operating activities ^{3,4,13}	14.73	(2.15)	14.79	7.00	14.26	13.31	8.14	6.73	5.41	3.36
Dividend (in €)	0.70 ¹⁴	0.70	3.30	3.00	0.00	3.35	2.60	2.00	1.60	1.50
Number of shares outstanding at year-end (in thousands)	178,549	178,537	191,595	195,066	195,969	199,171	203,861	201,489	200,197	204,327
Employees										
Number of employees at year-end ^{3,4,15}	59,030	59,258	61,401	62,285	65,194	57,016	56,888	58,902	55,555	53,731
Personnel expenses (€ in millions) ^{3,4}	2,964	2,856	2,659	2,325	2,720	2,481	2,549	2,373	2,184	1,842

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

2 2017 restated according to IAS 8 in the 2018 consolidated financial statements.

3 2019, 2018, 2017 and 2016 figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.

4 2022, 2021 and 2020 figures reflect continuing operations as a result of the divestiture of the Reebok business.

5 Figures reflect the adjusted consolidated income statement structure introduced in 2018.

6 2015 excluding goodwill impairment of € 34 million.

7 2014 excluding goodwill impairment of € 78 million.

8 2017 excluding negative one-time tax impact of € 76 million.

9 Includes continuing and discontinued operations.

10 First-time application of adjusted net borrowings as of 2020. Figures since 2019 were restated to reflect methodology revision in 2022.

11 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.

12 Based on shareholders' equity.

13 Since 2018 figures reflect presentation of interest paid within cash flows from financing activities. Prior year figures are not restated.

14 Subject to Annual General Meeting approval.

15 2019 figure restated due to inclusion of temporary contracts of up to six months (2019 headcounts excluding temporary contracts of up to six months: 59,333). Prior year figures are not restated.

EU Taxonomy Tables

Proportion of turnover from products or services associated with taxonomy-aligned economic activities – disclosure covering year 2023

Business year 2023	2023	Substantial contribution criteria							DNSH criteria ('Does not significantly harm') ¹							Category enabling activity (19)	Category transitional activity (20)			
Economic activities (1)	Code ² (2)	Turnover ³ (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1.) or eligible (A.2.) turnover 2022 (18)	E	T	
		€ in millions	in %	y/n; n-el ⁴	y/n; n-el ⁴	y/n; n-el ⁴	y/n; n-el ⁴	y/n; n-el ⁴	y/n; n-el ⁴	y/n	y/n	y/n	y/n	y/n	y/n	y/n	in %			
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1.)		0	0%																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		0	0%	el; n-el ⁴	el; n-el ⁴	el; n-el ⁴	el; n-el ⁴	el; n-el ⁴	el; n-el ⁴								0%			
Total (A.1. + A.2)		0	0%														0%			
B. Taxonomy non-eligible activities																				
Turnover of taxonomy non-eligible activities (B)		21,427	100%																	
Total (A + B)		21,427	100%																	

1 'y' = 'yes', taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective; 'n' = 'no', taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective; 'n-el' = 'not eligible', taxonomy-non-eligible activity for the relevant environmental objective.
 2 CCM: Climate Change Mitigation; CCA: Climate Change Adaptation; WTR: Water and Marine Resources; PPC: Pollution Prevention and Control; CE: Circular Economy; BIO: Biodiversity and Ecosystems.
 3 Net sales as reported in the Consolidated Income Statement.
 4 'el' = 'eligible', taxonomy-eligible activity for the relevant objective; 'n-el' = not eligible, taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of turnover/total turnover

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – disclosure covering year 2023

Business year 2023	2023	Substantial contribution criteria										DNSH criteria ('Does not significantly harm') ¹							Proportion of taxonomy-aligned (A.1) or eligible (A.2) CapEx 2022 (18)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1) or eligible (A.2) CapEx 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		Code ² (2)	CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)							
		€ in millions	in %	y/n; n-el ¹	y/n; n-el ¹	y/n; n-el ¹	y/n; n-el ¹	y/n; n-el ¹	y/n; n-el ¹	y/n	y/n	y/n	y/n	y/n	y/n	y/n	y/n	in %	E	T			
A. Taxonomy-eligible activities																							
A.1. Environmentally sustainable activities (taxonomy-aligned)																							
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	0	0%	n	n-el	n-el	n-el	n-el	n-el	n	n	n	n	n	n	n	y	0%	E				
7.3. Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3.	0	0%	n	n-el	n-el	n-el	n-el	n-el	n	n	n	n	n	n	n	y	0%	E				
7.7. Acquisition and ownership of buildings (building leases)	CCM 7.7.	7	1%	y	n-el	n-el	n-el	n-el	n-el	y	y	y	y	y	y	y	y	0%	E				
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1.)		7	1%	1%	0%	0%	0%	0%	0%	y	y	y	y	y	y	y	y	0%					
of which enabling		7	1%	1%	0%	0%	0%	0%	0%	y	y	y	y	y	y	y	y	0%	E				
of which transitional		0	0%	0%						n	n	n	n	n	n	n	n	0%		T			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																							
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	16	2%	el	n-el	n-el	n-el	n-el	n-el									0%					
7.3. Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3.	22	3%	el	n-el	n-el	n-el	n-el	n-el									0%					
7.7. Acquisition and ownership of buildings (building leases)	CCM 7.7.	299	36%	el	n-el	n-el	n-el	n-el	n-el									0%					
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		337	40%	0%	0%	0%	0%	0%	0%									0%					
Total (A.1. + A.2.)		344	41%	0%	0%	0%	0%	0%	0%									0%					
B. Taxonomy non-eligible activities																							
CapEx of taxonomy non-eligible activities (B)		494	59%																				
Total⁴ (A + B)		838	100%																				

1 'y' = 'yes', taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective; 'n' = 'no', taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective; 'n-el' = 'not eligible', taxonomy-non-eligible activity for the relevant environmental objective.

2 CCM: Climate Change Mitigation; CCA: Climate Change Adaptation; WTR: Water and Marine Resources; PPC: Pollution Prevention and Control; CE: Circular Economy; BIO: Biodiversity and Ecosystems.

3 'el' = 'eligible', taxonomy-eligible activity for the relevant objective; 'n-el' = 'not eligible', taxonomy-non-eligible activity for the relevant environmental objective.

4 The denominator of the CapEx KPI contains, in accordance with the definition of the Taxonomy and as disclosed in this Annual Report, additions to buildings, technical equipment and machinery, other equipment, furniture and fixtures, right-of-use assets, and other intangible assets - before depreciation, amortization, and remeasurements.

▣ Proportion of CapEx/total CapEx ▣

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1%	41%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – disclosure covering year 2023

Business year 2023	2023	Substantial contribution criteria								DNSH criteria ('Does not significantly harm' ¹)							Proportion of taxonomy-aligned (A.1) or eligible (A.2) OpEx 2022 (18) Minimum safeguards (17)	Category enabling activity (19)	Category transitional activity (20)
		Code ² (12)	OpEx € (13) € in millions	Proportion of OpEx (14) in %	Climate change mitigation (5) y/n; n-el ³	Climate change adaptation (6) y/n; n-el ³	Water (7) y/n; n-el ³	Pollution (8) y/n; n-el ³	Circular economy (9) y/n; n-el ³	Biodiversity (10) y/n; n-el ³	Climate change mitigation (11) y/n	Climate change adaptation (12) y/n	Water (13) y/n	Pollution (14) y/n	Circular economy (15) y/n	Biodiversity (16) y/n			
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1.)																			
	0	0%																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)																			
	0	0%	0%	0%	0%	0%	0%	0%	0%							0%			
A. OpEx of taxonomy-eligible activities (A.1. + A.2.)																			
	0	0%	0%	0%	0%	0%	0%	0%	0%							0%			
B. Taxonomy non-eligible activities																			
OpEx of taxonomy non-eligible activities																			
	969	100%																	
Total	969	100%																	

1 'y' = 'yes', taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective; 'n' = 'no', taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective; 'n-el' = not eligible, taxonomy-non-eligible activity for the relevant environmental objective.

2 CCM: Climate Change Mitigation; CCA: Climate Change Adaptation; WTR: Water and Marine Resources; PPC: Pollution Prevention and Control; CE: Circular Economy; BIO: Biodiversity and Ecosystems.

3 'el' = 'eligible', taxonomy-eligible activity for the relevant objective; 'n-el' = 'not eligible', taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of OpEx/total OpEx

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

▣ Nuclear and fossil gas-related activities ▣

Nuclear energy-related activities

The undertaking carries out, funds, or has exposures to research, development, demonstration, and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	no
---	----

The undertaking carries out, funds, or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	no
---	----

The undertaking carries out, funds, or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	no
--	----

Fossil gas-related activities

The undertaking carries out, funds, or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	no
---	----

The undertaking carries out, funds, or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	no
--	----

The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	no
--	----

Glossary

/A

Accessories and gear

A product category that comprises equipment that is used rather than worn by the consumer, such as bags, balls, sunglasses, or fitness equipment.

adiClub

'adiClub' is a membership program that helps us deepen the relationship with our consumers. Linking all adidas apps, events, communities, and channels into one single profile, the program rewards members with points for interacting with the brand, e.g., when making a purchase or using the 'adidas Running' or 'adidas Training' apps. Depending on the number of points, exclusive benefits are unlocked, including access to hype sneaker and apparel drops or invitations to special events.

Athleisure

The term is composed of the words athletic and leisure. It describes a fashion trend of sportswear no longer being just meant for training but increasingly shaping everyday clothing.

/C

Cash pools/Cash pooling

A cash management technique for physical concentration of cash. Cash pooling allows adidas to combine credit and debit positions from various accounts and several subsidiaries into one central account. This technique supports our in-house bank concept where advantage is taken of any surplus funds of subsidiaries to cover cash requirements of other subsidiaries, thus reducing external financing needs and optimizing our net interest expenses.

Climate neutrality

Our definition of climate neutrality is aligned with the requirements by the 'Intergovernmental Panel on Climate Change' ('IPCC'): Climate neutrality refers to a concept of a state in which human activities result in no net effect on the climate system. Achieving such a state requires balancing residual emissions with emission removals as well as accounting for regional or local bio-geophysical effects of human activities that, for example, affect surface albedo or local climate.

Concession corners

Concession corners are dedicated adidas brand spaces within our customers' stores. They are managed by adidas' own retail team.

Controlled space

Includes own retail business, mono-branded franchise stores, shop-in-shops, joint ventures with retail partners, and co-branded stores. Controlled space offers a high level of brand control and ensures optimal product offering and presentation according to brand requirements.

/ H

Halo stores

'Halo stores' represent our most exclusive and high-end retail store concept. Under this name, we cluster our best stores, which form the pinnacle of our store fleet.

/ I

Independent manufacturing partners

We outsource almost 100% of production to independent manufacturing partners. They are defined on a supplier group level, which means one independent manufacturing partner might produce in several manufacturing facilities. The majority of our independent manufacturing partners are located in Asia.

/ L

Leadership, betterment, and performance

Leadership, Betterment, and Performance are the three pillars of our people strategy:

- **Leadership:** We will develop leaders to own the game and act as role models empowering all people to realize their possibilities.
- **Betterment:** We believe in a mindset of continuous learning and improvement and are committed to providing relevant learning opportunities to upskill and reskill for the future.
- **Performance:** We build the best teams that play to win, recognizing and rewarding both individual and team performances.

Lifestyle category

Under the 'Lifestyle' category, we subsume all footwear, apparel, and 'accessories and gear' products that are born from sport and worn for style. 'adidas Originals,' which is inspired by sport and worn on the street, is at the heart of the 'Lifestyle' category.

/ M

Marketing expenditure

Expenditure that relates to point-of-sale and marketing investments. While point-of-sale investments include expenses for advertising and promotion initiatives at the point of sale as well as store fittings and furniture, marketing investments relate to sponsorship contracts with teams and individual athletes as well as to advertising, events, and other communication activities. Marketing overhead expenses are not included in marketing expenditure.

More sustainable cotton

For adidas, 'more sustainable cotton' means certified organic cotton or any other form of sustainably produced cotton that is currently available or may be available in the future, as well as 'Better Cotton.'

/O

Operating overhead expenses

Expenses that are not directly attributable to the products or services sold, such as distribution and selling as well as general and administration costs, but not including marketing and point-of-sale expenses.

/P

Parley Ocean Plastic

'Parley Ocean Plastic' is a material created from upcycled plastic waste that is intercepted from beaches and coastal communities before reaching the ocean. The organization 'Parley for the Oceans' works with its partners to collect, sort, and transport the recovered raw material (mainly PET bottles) to our supplier who produces the yarn, which is legally trademarked. It is used as a replacement for virgin plastic in the making of adidas x Parley products.

Performance category

Under the 'Performance' category, we subsume all footwear, apparel, and 'accessories and gear' products that are of a more technical nature, built for sport and worn for sport. These are, among others, products from our most important sport categories: Football, Training, Running, and Outdoor.

Per- and polyfluoroalkyl substances (PFAS)

Meanwhile commonly understood as an established term, aligned with the OECD definition, for the multi-thousand substance group formerly communicated as 'PFCs.'

Polybags (LDPE)

A type of product transport packaging made of recycled low-density polyethylene ('LDPE') that offers a more sustainable option to virgin plastic polybags, as they have a lower environmental footprint than conventional bags and most alternatives. Recycled LDPE polybags meet our quality and performance standards to effectively protect our products during shipping and handling, are available globally, and can be recycled via existing waste streams.

Promotion partnerships

Partnerships with events, associations, leagues, clubs, and individual athletes. In exchange for the services of promoting the company's brands, the party is provided with products and/or cash and/or promotional materials.

/S

Single-sourcing model

Supply chain activities limited to one specific supplier. Due to the dependency on only one supplier, a company can face disadvantages during the sourcing process.

/T

Terrace range

Collection of shoes that were initially designed for indoor sports. With their rubber sole, the player had a better grip on smooth surfaces. Since many years, they have been classics of the 'adidas Originals' shoe line, and include the Gazelle, Samba, and Spezial.

1
TO OUR SHAREHOLDERS

2
GROUP MANAGEMENT REPORT –
OUR COMPANY

3
GROUP MANAGEMENT REPORT –
FINANCIAL REVIEW

4
CONSOLIDATED FINANCIAL
STATEMENTS

5
ADDITIONAL INFORMATION

/W

Wet processes

Wet processes are defined as water-intensive processes, such as dyeing and finishing of materials.

Declaration of Support

adidas AG declares support, except in the case of political risk, that the companies listed below are able to meet their contractual liabilities. This declaration replaces the declaration dated February 24, 2023, which is no longer valid. The declaration of support automatically ceases from the time that a company is no longer a subsidiary of adidas AG.

adidas (China) Ltd., Shanghai, China

adidas (Cyprus) Limited, Limassol, Cyprus

adidas (Ireland) Limited, Kildare, Ireland

adidas (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia

adidas (Mauritius) Limited (formerly: Reebok (Mauritius) Company Limited), Port Louis, Mauritius

adidas (South Africa) (Pty) Ltd., Cape Town, South Africa

adidas (Suzhou) Co., Ltd., Suzhou, China

adidas (Thailand) Co., Ltd., Bangkok, Thailand

adidas (UK) Limited, Stockport, Great Britain

adidas America, Inc., Portland, Oregon, USA

adidas Arabia Trading, Riyadh, Saudi Arabia

adidas Argentina S.A., Buenos Aires, Argentina

adidas Australia Pty Limited, Mulgrave, Australia

adidas Austria GmbH, Klagenfurt, Austria

adidas Baltics SIA, Riga, Latvia

adidas Benelux B.V., Amsterdam, Netherlands

adidas Budapest Kft., Budapest, Hungary

adidas Bulgaria EAD, Sofia, Bulgaria

adidas Business Services (Dalian) Limited, Dalian, China

adidas Business Services, Lda., Moreira da Maia, Portugal

adidas Canada Limited, Woodbridge, Ontario, Canada

adidas CDC Immobilieninvest GmbH, Herzogenaurach, Germany

adidas Chile Limitada, Santiago de Chile, Chile

adidas Colombia Ltda., Bogotá, Colombia

adidas CR s.r.o., Prague, Czech Republic

adidas Croatia d.o.o., Zagreb, Croatia

adidas Danmark A/S, Them, Denmark

adidas de Mexico, S.A. de C.V., Mexico City, Mexico

adidas do Brasil Ltda., São Paulo, Brazil

adidas Emerging Markets FZE, Dubai, United Arab Emirates

adidas Emerging Markets L.L.C, Dubai, United Arab Emirates

adidas España S.A.U., Zaragoza, Spain

adidas France S.a.r.l., Strasbourg, France

adidas Hellas Single Member S.A., Athens, Greece

adidas Holdings LLC, Wilmington, Delaware, USA

adidas Hong Kong Limited, Hong Kong, China

adidas Imports & Exports Ltd., Cairo, Egypt

adidas India Marketing Private Limited, New Delhi, India

adidas Industrial, S.A. de C.V., Mexico City, Mexico

adidas Indy, LLC, Wilmington, Delaware, USA

adidas Insurance & Risk Consultants GmbH 2], Herzogenaurach, Germany

adidas International B.V., Amsterdam, Netherlands

adidas International Marketing B.V., Amsterdam, Netherlands

adidas International Property Holding B.V., Amsterdam, Netherlands

adidas International Re DAC, Dublin, Ireland

adidas International Trading AG, Lucerne, Switzerland

adidas International, Inc., Portland, Oregon, USA

adidas Israel Ltd., Holon, Israel

adidas Italy S.p.A., Monza, Italy

adidas Japan K.K., Tokyo, Japan

adidas Korea LLC., Seoul, Korea

adidas Latin America, S.A., Panama City, Panama

adidas LLP, Almaty, Republic of Kazakhstan

adidas Logistics (Tianjin) Co., Ltd., Tianjin, China

adidas Morocco LLC, Casablanca, Morocco

adidas New Zealand Limited, Auckland, New Zealand

adidas Norge AS, Oslo, Norway

adidas North America, Inc., Wilmington, Delaware, USA

adidas Pensions Management Limited (formerly: Reebok Pensions Management Limited), Stockport, Great Britain

adidas Perú S.A.C., Lima, Peru

adidas Philippines, Inc., Taguig City, Philippines

adidas Poland Sp. z o.o., Warsaw, Poland

adidas Portugal - Artigos de Desporto, S.A., Lisbon, Portugal

adidas Romania S.R.L., Bucharest, Romania

adidas Serbia DOO Beograd, Belgrade, Serbia

adidas Singapore Pte Ltd, Singapore, Singapore

adidas Slovakia s.r.o., Bratislava, Slovak Republic

adidas Sourcing El Salvador, S.A. de C.V., Antiguo Cuscatlán, El Salvador

adidas Sourcing Limited, Hong Kong, China

adidas Spor Malzemeleri Satis ve Pazarlama A.S., Istanbul, Turkey

adidas sport gmbh, Lucerne, Switzerland

adidas Sporting Goods Ltd., Cairo, Egypt

adidas Sports (China) Co., Ltd., Shanghai, China

adidas Sports Goods (Shanghai) Co., Ltd., Shanghai, China

adidas Suomi Oy, Vantaa, Finland

adidas Sverige Aktiebolag, Solna, Sweden

adidas Taiwan Limited, Taipei

adidas Trading (Far East) Limited (formerly: Reebok Trading (Far East) Limited), Hong Kong, China

adidas Trgovina d.o.o., Ljubljana, Slovenia

adidas Ventures B.V., Amsterdam, Netherlands

adidas Vietnam Company Limited, Ho Chi Minh City, Vietnam

adisport Corporation, San Juan, Puerto Rico

Concept Sport, S.A., Panama City, Panama

PT adidas Indonesia, Jakarta, Indonesia

Runtastic GmbH, Pasching, Austria

SC 'adidas-Ukraine', Kiev, Ukraine

Spartanburg DC, Inc., North Charleston, South Carolina, USA

Tafibal S.A., Montevideo, Uruguay

Trafford Park DC Limited, Stockport, Great Britain

Financial Calendar 2024

April 30, 2024

First quarter results

May 16, 2024

Annual General Meeting

July 31, 2024

First half results

October 29, 2024

Nine months results

Contact

**Adi-Dassler-Str. 1
91074 Herzogenaurach
Germany**

Tel + 49 (0) 91 32 84 – 0

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

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

Investor Relations

investor.relations@adidas.com

▶ [ADIDAS-GROUP.COM/S/INVESTORS](https://www.adidas-group.com/s/investors)

**Concept
nexxar, Vienna**

**Design and Realization
nexxar, Vienna**